MISSOULA COUNTY AIRPORT AUTHORITY

FINANCIAL REPORT

June 30, 2022 and 2021

CONTENTS

C O N T E N T S
(C O N T I N U E D)

MISSOULA COUNTY AIRPORT AUTHORITY
MISSOULA, MONTANA

ORGANIZATION

Board of Commissioners

Adriane Beck .... Chair
Larry Anderson .... Vice Chair
Winton Kemmis .... Secretary/Treasurer
Jeffrey Roth .... Commissioner
Shane Stack .... Commissioner
Deb Poteet.. Commissioner
Matthew Doucette.. Commissioner
Jack Meyer .... Honorary
Patrick Boyle...Alternate
David Bell ....Alternate

Administration

Brian Ellestad ....Airport Director
Teri Norcross .... Finance Manager
Lynn Fagan... Administrative Manager
Andrew Bailey...................................Ground 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 Manager
Tim Damrow .... Deputy Director

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ANDERSON ZURMUEHLEN

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Missoula County Airport Authority
Missoula, Montana

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10, the schedule of proportionate share of the PERS net pension liability on page 43 and the schedule of PERS contributions on page 44 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.

Supplementary 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 supplemental operating revenues, operating expenses, revenue bond coverage, and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplemental airport operations information, insurance in force schedule, and graphs, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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, 2022

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, 2022 and 2021. 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, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statements of Net Position and the Statements 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:**

	2022	As restated 2021	Changes	%
Current Assets	$ 12,060,475	$ 12,393,246	$ (332,771)	-3%
Restricted Cash	1,724,861	2,214,658	(489,797)	-22%
Capital Assets, Net	124,476,887	103,498,574	20,978,313	20%
Other Assets	5,503,408	6,778,834	(1,275,426)	-19%
Deferred Outflows	763,771	948,581	(184,810)	-19%
Total Assets and Deferred Outflows	144,529,402	125,833,893	18,695,509	15%
Current Liabilities	4,694,786	6,082,305	(1,387,519)	-23%
Long-term Liabilities	21,633,563	15,472,738	6,160,825	40%
Deferred Inflows	7,864,434	8,892,573	(1,028,139)	-12%
Total Liabilities and Deferred Inflows	34,192,783	30,447,616	3,745,167	12%
Net Investment In Capital Assets	105,036,387	92,173,574	12,862,813	14%
Restricted	1,724,861	2,214,658	(489,797)	-22%
Unrestricted	3,575,371	998,045	2,577,326	258%
Total Net Position	110,336,619	95,386,277	14,950,342	16%
Total Liabilities, Deferred Inflows & Net Position	$ 144,529,402	$ 125,833,893	$ 18,695,509	15%

Total assets and deferred outflows of $144,529,402 includes:

- Current assets and restricted assets consisting of $5,980,812 in cash and investments, $1,724,861 in restricted cash, $620,849 in accounts receivable and $5,458,814 in other current assets which includes grants receivable, projects receivable, lease interest receivable, short-term lease receivable, prepaid expenses, current portion of the note receivable, and the current portion of a concession contract receivable (as explained in the notes to the financial statements).
- Net capital assets of $124,476,887.
- Other assets equal to $5,503,408 which includes the long-term portion of a note receivable, long-term lease receivable and concession contract receivable as explained in the notes to the financial statements.
- Deferred outflows of resources of $763,771, are related to pension and OPEB adjustments as explained in the notes to the financial statements.
- Overall assets and deferred outflows increased by 15%.

FINANCIAL HIGHLIGHTS (CONTINUED)

Total liabilities and equity includes:

- Current liabilities included accounts payable of $3,170,341, accrued interest of $163,064 and liabilities related to payroll and leave balances of $748,471. Current portion of long-term debt of $612,910 is also included in current liabilities.
- Long-term liabilities include notes payable of $18,827,590, as well as the Authority's share of the unfunded pension liability in the Public Employees Retirement System of $2,659,825 and OPEB liability of $146,148.
- Deferred inflows of resources include pension adjustments of $1,233,040, OPEB adjustments of $57,855, leases of $5,108,477 and the service concession arrangement of $1,465,062 as discussed in the notes to the financial statements.
- The net position of $110,336,619 includes $105,036,387 invested in capital assets net of related debt, $1,724,861 in restricted equity and $3,575,371 in unrestricted equity.

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

	2022	As restated 2021	Changes	%
Operating Revenues	$ 10,240,204	$ 7,688,338	$ 2,551,866	33%
Operating Expenses	(7,406,170)	(7,409,555)	3,385	0%
Depreciation	(6,168,907)	(5,901,648)	(267,259)	5%
Net Non-Operating	(113,316)	262,478	(375,794)	-143%
Capital Contributions	18,398,531	15,179,933	3,218,598	21%
Change in Net Position	$ 14,950,342	$ 9,819,546	$ 5,130,796	

Overall net position increased by $5,130,796 resulting from:

- A net loss from operations of $3,334,873, which is the net of operating income $2,834,034, less depreciation of $6,168,907.
- Capital contributions of $18,398,531 include $13,775,599 in federal grants, $1,477,715 in passenger facility charge (PFC) collections, $227,605 in state grants, $1,231,108 from an other transaction agreement, and contributed capital of $1,686,504.
- Other revenue (expense) includes interest expense of $571,022, interest revenue of $760,706, debt issuance costs of $95,500 and a loss on a disposal of an asset of 207,500.

FINANCIAL HIGHLIGHTS (CONTINUED)

Revenue from operations before depreciation include:

- Operating revenues of $10,240,204 increased by 33% 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.
- Operating expenses of $7,406,170 (before depreciation) decreased by $3,385.
- Detail of operating revenues and expenses can be found in the Supplemental Information section of this report.
- At 66% of total operating expenses, employee compensation and related expenses continues to be the single largest operating expense. A current year expense of $4,881,326 decreased from last fiscal year by 6%.
- 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 2022 the Authority has $211,661,949 of capital assets, comprised of $16,322,724 in non-depreciable assets, and $195,339,225 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.
- Annual depreciation expense was $6,168,907.
- The dollar amount of new capital asset investment during the year was $28,212,485.
- Capital asset additions, deletions and depreciation resulted in a net increase to property and equipment of $20,978,313.
- At year end, the amount invested in capital assets, net of related debt, totaled $105,036,387.
- At year end, $19,440,500 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

- The Authority secured financing from a local lender, to partially fund the terminal replacement project. Further information regarding the terms and structure of the debt can be found in the notes to the financial statements.
- At fiscal year end the Authority had $19,440,500 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 availability of vaccines and decreasing numbers of new COVID-19 cases resulted in a slow recovery during fiscal year 2021. During fiscal year 2022 total passengers through the terminal recovered to 92% of pre-pandemic levels. However, 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.
- The South Concourse of the new terminal building was completed and operational in June 2022.
- In July 2022, the Authority began work on the East Concourse phase of the terminal project. The new concourse will include 4 additional boarding gates, a permanent baggage claim area, and space for rental car operations. That project is budgeted at approximately $42 million and expected to be complete in 2025. In August 2022, the Authority received an $11 million grant to partially fund the construction of the East Concourse.
- A new use agreement was executed with the Air Carriers serving the Missoula Airport. The term of the agreement is July 1, 2022 thru June 30, 2027 with a three year renewal option.

BUDGETARY VARIANCES

- Actual operating revenues of $10,240,204 exceeded budgeted amounts of $7,659,726.
- Actual operating expenses of $7,406,170 exceeded the budgeted amounts of $6,955,233.
- Expenses are over budget due primarily to an unbudgeted pension expense adjustment of $148,700 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.
- Also contributing to the expenses exceeding budget was an adjustment for Other Post-Employment Benefits (OPEB), which is also explained 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, 2022 and 2021

	2022	As Restated 2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and investments	$ 5,980,812	$ 5,529,144
Accounts receivable	620,849	1,133,786
Grants receivable	2,431,124	3,157,677
Projects receivable	633,642	-
Passenger facility charge receivable	-	250,000
Current portion of note receivable	100,000	-
Current portion of concession contract receivable	729,998	729,998
Lease interest receivable	22,282	28,146
Short-term lease receivable	1,467,233	1,395,811
Prepaid expenses	74,535	168,684
Total current assets	12,060,475	12,393,246
RESTRICTED ASSETS		
Cash - passenger facility charges	1,724,861	2,214,658
CAPITAL ASSETS		
Land available for sale	-	1,188,233
Other capital assets, net	124,476,887	102,310,341
Total capital assets, net	124,476,887	103,498,574
OTHER ASSETS		
Long-term portion of note receivable	900,000	-
Long-term lease receivable	3,868,344	5,335,578
Long-term portion of concession contract receivable	735,064	1,443,256
Total other assets	5,503,408	6,778,834
DEFERRED OUTFLOWS OF RESOURCES		
OPEB adjustments	109,748	-
Pension contributions and adjustments	654,023	948,581
Total deferred outflows of resources	763,771	948,581
Total assets and deferred outflows of resources	$ 144,529,402	$ 125,833,893

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

MISSOULA COUNTY AIRPORT AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2022 and 2021

	2022	As Restated 2021
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 4,081,876	$ 6,005,528
Advance payment	-	70,873
Unearned revenue	-	5,904
Current portion of long-term debt	612,910	-
Total current liabilities	4,694,786	6,082,305
LONG TERM LIABILITIES		
Long-term debt	18,827,590	11,325,000
OPEB liability	146,148	-
Pension liability	2,659,825	4,147,738
Total long-term liabilities	21,633,563	15,472,738
Total liabilities	26,328,349	21,555,043
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	1,233,040	118,590
OPEB adjustments	57,855	
Leases	5,108,477	6,600,729
Service concession arrangement - Republic Parking	1,465,062	2,173,254
Total deferred inflows of resources	7,864,434	8,892,573
NET POSITION		
Net investment in capital assets	105,036,387	92,173,574
Restricted	1,724,861	2,214,658
Unrestricted	3,575,371	998,045
Total net position	110,336,619	95,386,277
Total liabilities, deferred inflows of resources, and net position	$ 144,529,402	$ 125,833,893

MISSOULA COUNTY AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021

	2022	As Restated 2021
OPERATING REVENUES		
Landing field	$ 1,189,227	$ 732,681
Terminal	8,137,947	6,059,666
Fixed base/government	256,275	255,691
Industrial park	656,755	640,300
Total operating revenues	10,240,204	7,688,338
DIRECT OPERATING EXPENSES	(7,406,170)	(7,409,555)
REVENUE FROM OPERATIONS BEFORE DEPRECIATION	2,834,034	278,783
DEPRECIATION	(6,168,907)	(5,901,648)
LOSS FROM OPERATIONS	(3,334,873)	(5,622,865)
OTHER REVENUE (EXPENSE)		
Interest revenue	760,706	378,207
Interest expense	(571,022)	(115,729)
Debt issuance costs	(95,500)	-
Loss on disposal of asset	(207,500)	-
Total other revenue (expense)	(113,316)	262,478
LOSS BEFORE CONTRIBUTIONS	(3,448,189)	(5,360,387)
CONTRIBUTIONS		
Federal government	4,903,303	10,468,187
CARES Act grants	1,216,256	2,590,314
CRRSA Act grants	2,280,117	-
ARPA Act grants	5,375,923	-
Pension revenue – State aid	227,605	213,620
Other transaction agreements	1,231,108	601,188
Contributed capital	1,686,504	155,382
Passenger facility charges	1,477,715	1,151,242
Total contributions	18,398,531	15,179,933
CHANGE IN NET POSITION	14,950,342	9,819,546
NET POSITION		
Beginning of year	95,386,277	85,566,731
Net position, end of year	$ 110,336,619	$ 95,386,277

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, 2022 and 2021

	2022	As Restated 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 9,955,692	$ 8,446,054
Cash paid to suppliers	(2,268,039)	(1,932,824)
Cash paid to employees and employee benefits	(4,865,976)	(4,669,920)
Net cash flows from operating activities	2,821,677	1,843,310
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital assets	(28,212,485)	(30,703,864)
Proceeds on sale of capital asset	857,765	-
Construction payable incurred	(2,157,181)	2,929,278
Interest paid on long-term debt	(571,022)	(115,729)
Proceeds on long-term debt	15,515,500	10,825,000
Debt issuance costs paid	(95,500)	-
Principal payments on long-term debt	(7,400,000)	-
Federal contributions	15,960,865	13,014,692
Capital contributions	1,052,862	155,382
Net cash flows from capital and related financing activities	(5,049,196)	(3,895,241)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Passenger facility charges	1,727,715	982,183
Net cash flows from noncapital financing activities	1,727,715	982,183
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment revenue	461,675	10,953
Net cash flows from investing activities	461,675	10,953
Net change in cash and investments	(38,129)	(1,058,795)
Cash and investments, beginning of year	7,743,802	8,802,597
Cash and investments, end of year	$ 7,705,673	$ 7,743,802

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, 2022 and 2021

	2022	As Restated 2021
CASH AND CASH INVESTMENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET POSITION UNDER THE FOLLOWING CAPTIONS		
Cash and investments	$ 5,980,812	$ 5,529,144
Restricted Cash - passenger facility charges	1,724,861	2,214,658
	$ 7,705,673	$ 7,743,802
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	$ (3,334,873)	$ (5,622,865)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	6,168,907	5,901,648
Pension and OPEB adjustments	15,350	500,579
Change in receivables	221,129	1,225,667
Change in prepaid expenses	94,149	90,595
Lease adjustments	208,455	208,448
Change in unearned revenue, advance payment, and deferred inflows	(784,969)	(605,526)
Change in accounts payable and accrued expenses	233,529	144,764
Total adjustments	6,156,550	7,466,175
Net cash flows from operating activities	$ 2,821,677	$ 1,843,310
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Change in pension and OPEB liability, net	$ 15,350	$ 500,579

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

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 considered non-operating expenses.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Authority has adopted the provisions of the following GASB pronouncement for fiscal year 2022:

Statement No. 87*, Leases.* This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements of this Statement have been applied retrospectively.

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 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. During fiscal year 2022 total passengers through the terminal recovered to 92% of pre-pandemic levels. However, 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, included $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 provided funds to increase the federal share to 100 percent for Airport Improvement Program (AIP) and supplemental discretionary grants. Under normal circumstances, AIP grant recipients contribute a matching percentage of the project costs.

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

Under the CARES Airport Program:

- Primary commercial service airports, with more than 10,000 annual passenger boardings, received 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 received 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 received 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, 2022 and 2021, the Authority recognized $1,216,256 and $3,811,685, respectively, as grant revenue on the CARES Act grant to reimburse eligible expenses.

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 $3,294,323 in CRRSA funds to reimburse operating costs, debt service payments, debt defeasance and eligible project costs. As of June 30, 2022 and 2021, the Authority recognized $2,280,117 and $-0-, respectively, as grant revenue to reimburse eligible expenses.

The American Rescue Plan Act (ARPA), enacted in March 2021, included funds to provide economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. Under ARPA, the Authority received an Airport Rescue Grant in the amount of $5,375,923. As of June 30, 2022 and 2021, the Authority recognized $5,375,923 and $-0-, respectively, as grant revenue to reimburse eligible expenses.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Economic Relief for Airports related to COVID-19 (Continued)

In fiscal year 2022, the Authority received grant awards and recognized as grant revenue funds totaling $485,911 to provide relief from rent and minimum annual guarantee obligations to each eligible airport concessionaire. The grant awards were received under ARPA and CRRSA.

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, Projects Receivable and Note Receivable

The Authority occasionally receives capital contributions from airport tenants for capital improvement projects. Capital contributions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Projects receivable represents the balance due to the Authority for eligible capital improvement cost incurred.

In fiscal year 2022, the Authority incurred $1,000,000 in capital improvement cost that will be repaid by a food and beverage concessioner over a ten-year term note. The note is non-interest bearing and requires monthly principal payments beginning July 1, 2022. Management has determined imputed interest to be immaterial.

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, 2022 and 2021. The term of the current agreement is July 1, 2022 to June 30, 2027, with an optional 3 year renewal.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $157,010 and $119,327, in 2022 and 2021, respectively.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30 were as follows:

	2022	2021
Petty cash	$ 300	$ 300
Cash in checking, general	2,915,491	2,201,857
Project checking account	(6,480)	260,696
Undeposited funds	3,875	3,187
U.S. Forest Service account	50,004	50,001
Payroll checking account	121,184	203,390
PFC cash account	1,724,861	2,214,658
CFC account	649,338	872,746
STIP	755,533	753,114
Money market accounts	1,060,013	1,056,595
Flex - benefits	5,718	1,648
Direct deposit account	95,833	-
Contingency account	330,003	125,610
	$ 7,705,673	$ 7,743,802

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

	2022	2021
Cash and investments	$ 5,980,812	$ 5,529,144
Restricted assets		
Cash	1,724,861	2,214,658
Total cash and investments	$ 7,705,673	$ 7,743,802

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.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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.

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, 2022 and 2021.

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.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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.

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 AI+ 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:

	2022	2021
Trade	$ 513,955	$ 896,433
Advertising	11,679	7,682
Ground handling	95,215	225,310
Non-based landing fees	-	4,361
	$ 620,849	$ 1,133,786

NOTE 4. CAPITAL ASSETS

A summary of capital assets at June 30, 2022, follows:

	Balance July 1, 2021	Additions	Deletions, Transfers and Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 11,494,266	$ -	$ 122,968	$ 11,617,234
Land available for sale	1,188,233	-	(1,188,233)	-
Construction in progress	56,324,496	28,212,485	(79,831,491)	4,705,490
Total capital assets not being depreciated	69,006,995	28,212,485	(80,896,756)	16,322,724
Capital assets being depreciated:				
Land improvements	12,412,157	8,004,148	-	20,416,305
Buildings	27,480,737	68,350,869	(12,299,662)	83,531,944
Runways, taxiways, apron	70,814,746	112,950	-	70,927,696
Air traffic control tower	6,513,530	-	-	6,513,530
Studies	1,925,407	-	-	1,925,407
Machinery and equipment	3,079,212	131,035	-	3,210,247
Vehicles	5,581,607	1,683,379	-	7,264,986
Furniture and fixtures	54,034	1,549,110	(54,034)	1,549,110
Total capital assets being depreciated	127,861,430	79,831,491	(12,353,696)	195,339,225
Less accumulated depreciation	(93,369,851)	(6,168,907)	12,353,696	(87,185,062)
Capital assets, net	$ 103,498,574	$ 101,875,069	$ (80,896,756)	124,476,887
Less related debt				(19,440,500)
Net investment in capital assets				$ 105,036,387

NOTE 4. CAPITAL ASSETS (CONTINUED)

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

	Balance July 1, 2020	Additions	Deletions, Transfers and Reclassifications	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 5. LONG-TERM DEBT

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

	2022	2021
Airport revenue note - series 2019A	$ 14,135,750	8,945,450
Airport revenue note - series 2019B	3,759,250	2,379,550
Airport revenue note - series 2022	1,545,500	-
	19,440,500	11,325,000
Current portion of long-term debt	(612,910)	-
	$ 18,827,590	$ 11,325,000

NOTE 5. LONG-TERM DEBT (CONTINUED)

The Authority's outstanding notes from direct borrowings of $19,440,500 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.

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.

Airport Revenue Note Series 2022 was issued in April 2022 as a draw down obligation for $30,000,000 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 3.87%. Interest is due and payable on the 1st day of each calendar quarter, commencing April 1, 2023, and principal is due and payable on the 1st day of each calendar quarter, commencing July 1, 2032. All unpaid principal of accrued interest is due and payable on April 1, 2047.

The holder of the Series 2019 and 2022 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 June 30, 2022, no such amortization schedules were available.

Changes in long-term debt were as follows:

2022	Balance July 1, 2021	Proceeds from Borrowing	Payments	Balance June 30, 2022	Amount Due in One Year
Note payable to First Security Bank of Missoula - series 2019A	$ 8,945,450	$ 11,036,300	$ (5,846,000)	$ 14,135,750	$ -
Note payable to First Security Bank of Missoula - series 2019B	2,379,550	2,933,700	(1,554,000)	3,759,250	612,910
Note payable to First Security Bank of Missoula - series 2022	-	1,545,500	-	1,545,500	-
	$ 11,325,000	$ 15,515,500	$ (7,400,000)	$ 19,440,500	$ 612,910

NOTE 6. LEASE OF AIRPORT FACILITIES

The Authority receives a significant amount of revenue from rents. These include rent for use of the jetway by the airlines; rental of terminal space to airlines, travel agencies, and other tenants; rental of buildings, land, and hangars to individuals and companies engaged in general aviation; and rental of office buildings to federal government agencies (Transportation Security Administration and U.S. Forest Service). Certain lease agreements, by their terms, require annual determination of the rental charge based on predetermined formulas.

The Authority also has several leases that require the lessee to remit a percentage of its revenue as the rental charge or a minimum annual guaranteed amount (MAG). Amounts in excess of the minimum annual guarantee are considered variable payments and not included in the measurement of the lease receivable.

A schedule of terms and conditions for leases that require the lessee to remit a percentage of its revenue as rental charge as of June 30, 2022, follows:

Description	Terms	Conditions
On-airport car rentals	07/01/2020 - 06/30/2025	MAG or % of gross receipts as defined in the lease agreement, whichever is greater
n terminal food and beverage service	04/01/2021 - 08/31/2023	% of gross receipts as defined in the lease agreement

Certain leases are considered regulated leases because the FAA and Department of Transportation (DOT) grant assurances require the Authority to assure that all aeronautical users are entitled to airport access on fair and reasonable terms without unjust discrimination. Aeronautical use of an airport is any activity that involves, makes possible, is required for the safety of, or is otherwise directly related to, the operation of an aircraft. Regulated leases are not included in the measurement of the lease receivable and are recognized as revenue based on the payment provisions of the lease contract.

The following schedule presents a breakdown of lease-related revenue for the years ended June 30, 2022 and 2021:

Lease-related revenue*	2022	2021
Lease revenue		
Land	$ 12,846	$ 12,846
Building	1,479,407	1,479,407
Total Lease Revenue	1,492,253	1,492,253
Interest Revenue	299,032	367,254
Variable & other revenue	3,140,207	2,299,405
Total	$ 4,931,492	$ 4,158,912

* Lease-related revenue is included in the accompanying statements of revenues, expenses, and changes in net position with terminal operating revenue.

NOTE 6. LEASE OF AIRPORT FACILITIES (CONTINUED)

The following is a schedule by year of expected future payments included in the measurement of the lease receivable for the year ended June 30:

	Principal	Interest	Total Receipts
2023	$ 1,467,233	$ 233,484	$ 1,700,717
2024	1,541,162	158,418	1,699,580
2025	1,590,049	79,817	1,669,866
2026	123,740	34,047	157,787
2027	130,071	27,716	157,787
2028-2032	306,085	71,724	377,809
2033-2037	177,237	19,804	197,041
	$ 5,335,577	$ 625,010	$ 5,960,587

Estimated future minimum lease payments for regulated leases are as follows:

2023	$ 1,139,386
2024	1,139,386
2025	1,109,413
2026	860,170
2027	839,044
2028-2032	1,657,492
2033-2037	1,538,791
2038-2042	928,186
2043-2047	627,938
2048-2052	176,936
2053-2057	131,281
2058	19,350
	$ 10,167,373

NOTE 7. RESTRICTED NET POSITION

A summary of net position restricted for debt service as required under the Passenger Facility Charge program as of June 30 is as follows:

	2022	2021
Passenger facility charge cash	$ 1,724,861	$ 2,214,658

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.

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

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.
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.

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

Summary of Benefits (Continued)

Member's Highest Average Compensation (HAC)

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

Compensation Cap

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

Monthly Benefit Formula

1) Members hired prior to July 1, 2011:

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

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

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

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

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

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

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
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.

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

Overview of Contributions (Continued)

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 $34,290,660.

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, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll-forward procedures. The roll-forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll-forward procedure will include the effects of any assumption changes and legislative changes. The 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, 2021, and 2020, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

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)
The employer recorded a liability of $2,659,825 and the employer's proportionate share was 0.146690 percent.

	Net Pension Liability as of June 30, 2021	Net Pension Liability as of June 30, 2020	Percent of Collective NPL as of June 30, 2021	Percent of Collective NPL as of June 30, 2020	Change in Percent of Collective NPL
Authority proportionate share	$ 2,659,825	$ 4,147,738	0.146690%	0.157218%	-0.010528%
State of Montana proportionate share associated with the Authority	784,526	1,306,207	0.043267%	0.049511%	-0.006244%
Total	$ 3,444,351	$ 5,453,945	0.189957%	0.206729%	-0.016772%

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 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

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

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

Pension Expense
At June 30, 2021, the Authority recognized $155,054 for its proportionate share of the Plan's pension expense and recognized grant revenue of $227,605 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 6/30/2021	Pension expense as of 6/30/2020
Authority's proportionate share	$ 155,054	$ 730,228
State of Montana proportionate share associated with the employer	227,605	213,620
Total	$ 382,659	$ 943,848

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, 2021, 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	$ 28,385	$ 19,254
Change in assumptions	393,969	-
Projected vs. actual investment earnings	-	1,077,522
Changes in proportion share and differences between employer contributions and proportionate share of contributions	-	136,264
Employer contributions subsequent to measurement date	231,669 -	-
Total	$ 654,023	$ 1,233,040

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date in the amount of $654,023 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
2022	$ (44,376)
2023	(161,998)
2024	(260,249)
2025	(343,972)
Thereafter	-

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

Actuarial Assumptions
The TPL in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

• Investment Return (net of admin expense)	7.06%
• Admin Expense as % of Payroll	0.28%
• 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 discount rate used to measure the TBL was 7.06%. The projection of cash flows used to determine the discount rate assumed the contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the 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 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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

Actuarial Assumptions (Continued)

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Services, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in *2021 OASDI Trustees Report* used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yield a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation of June 30, 2021, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core		
Fixed Income	6.00%	3.02%
Total	100.0%	

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 (6.06)%	Current Discount Rate	1.0% Increase (8.06)%
Missoula County Airport Authority's net pension liability	$ 4,222,056	$ 2,659,825	$ 1,349,474

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.

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

PERS Disclosure for the Defined Contribution Plan (Continued)

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

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/about/annualreports1/annualreports.

NOTE 9. OTHER RETIREMENT AND MEDICAL BENEFIT PLANS

Other Retirement Plan

In 2022 and 2021, 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 2022 and 2021 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, 2022 and 2021, were $224,905 and $221,905, respectively. Employee contributions to the Authority's 414(h) retirement plan for years ended June 30, 2022 and 2021, were $112,127 and $110,952, respectively.

NOTE 9. OTHER RETIREMENT AND MEDICAL BENEFIT PLANS (CONTINUED)

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 2022 and 2021, the Authority paid $509,062 and $540,667 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.

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 OPEB provision is accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The amounts related to OPEB are not material to the Authority; therefore, the additional disclosures related to OPEB have not been included 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, 2022, 2021 or 2020. 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, 2022 and 2021.

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, 2022 and 2021 were $98,795 and $97,335, respectively.

As discussed in Note 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%.

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

In fiscal year 2022, the sellers exercised their option to purchase 154.2 acres for $858,514. The transaction resulted in the Authority recognizing a loss of $207,500 and interest revenue of $455,718.

As of June 30, 2022 the Authority reclassified the remaining land cost under the settlement agreement from land available to sell to other capital assets on the statement of net position as the ten-year period under the settlement agreement has expired.

In July 2022, the Authority began work on the East Concourse phase of the terminal project. The new concourse will include 4 additional boarding gates, a permanent baggage claim area, and space for rental car operations. The project is budgeted at approximately $42 million and expected to be complete in 2025.

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.

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	Percentage of Annual Gross Receipts (calculated for the contract years ended June 30)
June 30, 2023	729,998	50% of RPS's annual gross receipts >$0 but <$200,000
June 30, 2024	735,064	80% of RPS's annual gross receipts >$200,000 but <$500,000
		85% of RPS's annual gross receipts >$500,000 but
		92.5% of RPS's annual gross receipts >$1,200,000

NOTE 13. SERVICE CONCESSION ARRANGEMENT (CONTINUED)

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 in the amount of $1,465,062 and $2,173,254 for fiscal years June 30, 2022 and 2021, 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. The conduit debt obligation was paid in full on December 17, 2021.

NOTE 15. RESTATEMENT

The implementation of GASB Statement No. 87, *Leases*, had the following effect on net position as reported June 30, 2021.

Net position as of June 30, 2021	$ 95,227,471
Adjustments:	
Lease and lease interest receivable	6,759,535
Deferred inflows - leases	(6,600,729)
Restated net position as of June 30, 2021	$ 95,386,277

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2022, the date on which the financial statements were available to be issued.

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, 2022

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

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability as a percentage	0.1467%	0.1572%	0.1538%	0.1355%	0.1709%	0.1536%	0.1509%	0.1402%
Employer's net pension liability as an amount	$ 2,659,825	$ 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	784,526	1,306,207	1,046,472	948,439	46,963	31,973	25,918	21,339
Total	$ 3,444,351	$ 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 **	$ 2,591,116	$ 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	102.65%	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	79.91%	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 2021 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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Schedule of Contributions for the Last Ten Fiscal Years*								
Contractually required contributions	$ 232,285	$ 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	232,285	229,622	231,111	218,276	188,692	177,398	162,639	156,530
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll **	$ 2,611,817	$ 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	8.89%	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 2021 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, 2021 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	0.28%

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

SUPPLEMENTAL INFORMATION

MISSOULA COUNTY AIRPORT AUTHORITY
OPERATING REVENUES
For the Years Ended June 30, 2022 and 2021

	2022	As Restated 2021	Increase (Decrease)
LANDING FIELD			
Landing fees			
Airlines	$ 831,547	$ 507,117	$ 324,430
Freight carriers	40,248	33,817	6,431
Forest service	101,237	19,927	81,310
Other	83,028	72,238	10,790
Fuel flowage	133,167	99,582	33,585
Total landing field	1,189,227	732,681	456,546
TERMINAL			
Airline rentals	1,084,714	1,083,875	839
Non-sig turn fees	368,340	223,590	144,750
Advertising revenue	174,496	166,945	7,551
Land transportation facilities			
Customer facility charges	842,688	766,388	76,300
On-airport car rentals	2,052,382	1,496,072	556,310
Off-airport car rentals	26,746	40,295	(13,549)
Parking lot	2,256,973	1,040,007	1,216,966
Ground services	875,203	858,531	16,672
Restaurant	64,929	67,523	(2,594)
Coffee concession	97,707	74,038	23,669
Liquor concession	7,301	-	7,301
Food truck concession	269	-	269
Travel agency	6,790	7,093	(303)
Gift shops	130,997	188,744	(57,747)
Telephones and vending	38,109	22,407	15,702
Utilities reimbursement	32,414	32,986	(572)
Security reimbursement	131,925	107,270	24,655
Lease adjustment	(208,454)	(208,448)	
Other	154,418	92,350	62,068
Total terminal	8,137,947	6,059,666	2,078,281
FIXED BASE/GOVERNMENT			
Government office rental	-	-	-
Fixed base operator's rental	256,275	255,691	584
Total fixed base/government	256,275	255,691	584
INDUSTRIAL PARK			
Building and ground rental	637,315	622,726	14,589
Agricultural ground rental	15,264	13,524	1,740
Fuel farm rental	4,176	4,050	126
Total industrial park	656,755	640,300	16,455
TOTAL OPERATING REVENUES	$ 10,240,204	$ 7,688,338	$ 2,551,866

MISSOULA COUNTY AIRPORT AUTHORITY
OPERATING EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022	2021	Increase (Decrease)
Accounting and auditing services	$ 38,006	$ 31,702	$ 6,304
Bad debt	-	6,103	(6,103)
Consulting services	183,227	140,249	42,978
Display/visitor information center	3,082	3,094	(12)
Insurance	136,866	132,510	4,356
Legal services	3,701	9,449	(5,748)
Maintenance, repairs and equipment rentals	1,184,302	1,113,677	70,625
Membership and organization dues	18,151	17,999	152
Office supplies and equipment	64,354	31,361	32,993
Other	69,545	60,599	8,946
Petroleum products and tires	98,640	62,708	35,932
Safety supply and equipment	22,206	21,405	801
Salaries and related payroll expenses	4,881,326	5,170,499	(289,173)
Telephone	48,403	52,770	(4,367)
Training	52,810	43,778	9,032
Travel, meals and public relations	81,307	33,652	47,655
Uniforms and laundry	27,566	32,310	(4,744)
Utilities	492,678	445,690	46,988
	$ 7,406,170	$ 7,409,555	$ (3,385)

MISSOULA COUNTY AIRPORT AUTHORITY
REVENUE BOND COVERAGE
For the Year Ended June 30, 2022

GROSS REVENUES	
Grants used for debt service	$ 7,654,097
Operating	10,240,204
Plus: interest - unrestricted, debt service and debt service reserve	760,706
	18,655,007
OPERATING EXPENSES	7,406,170
NET REVENUE AVAILABLE FOR DEBT SERVICE	$ 11,248,837
FISCAL YEAR DEBT SERVICE REQUIREMENT	$ 7,971,022
COVERAGE RATIO	1.41
MINIMUM DEBT SERVICE COVERAGE REQUIRED BY RATE COVENANT	1.25

MISSOULA COUNTY AIRPORT AUTHORITY
AIRPORT OPERATIONS INFORMATION
For the Years Ended June 30, 2022 and 2021

REVENUE PASSENGERS HANDLED

	2022	2021
Airlines		
Revenue passengers enplaned	418,671	268,386
Revenue passengers deplaned	413,500	268,747
Total	832,171	537,133

TOWER AIRCRAFT OPERATIONS

	2022	2021
Total Traffic	45,289	46,072

MISSOULA COUNTY AIRPORT AUTHORITY
INSURANCE IN FORCE
For the Year Ended June 30, 2022

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 underlyin	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	24,197,134
	Blanket contents limit	155,284
	Terminal contents	682,227
	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
	Earthquake coverage	5,000,000
	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

The policy year for the contracts was July 1, 2021 through July 1, 2022.

MISSOULA COUNTY AIRPORT AUTHORITY
FEDERALLY FUNDED AIRPORT PROJECTS
For the Year Ended June 30, 2022

AIP Funded Projects

Project #	Projects	Percent Complete	Grant Award
70	CARES (Coronavirus Aid, Relief & Economic Security)	90%	$ 5,616,102
71	VALE (Voluntary Airport Low Emissions Program)	90%	756,995
72	CRRSA (Coronavirus Response & Relief Supplemental Appropriation)	69%	3,294,323
74	Pavement Condition Index, Aircraft Rescue & Fire Fighting and Snow Removal Equipment	90%	1,043,203
75	CRRSA Concessions Relief	100%	97,182
76	Terminal Core/Shell /Interior	98%	1,293,400
77	ARPA (American Rescue Plan Act of 2021)	100%	5,375,923
78	ARPA Concession Relief	100%	388,729
79	Terminal Core/Shell /Interior	90%	2,149,521

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	14%	36,265,589

MISSOULA COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Program Description	AL No.	Contract No.	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct:				
Administered by the Federal Aviation Administration				
COVID-19 Airport Improvement Program	20.106	3-30-0056-070-2020	$ 1,216,256	$ -
COVID-19 Airport Improvement Program	20.106	3-30-0056-071-2020	83,508	-
COVID-19 Airport Improvement Program	20.106	3-30-0056-072-2021	2,280,117	
COVID-19 Airport Improvement Program	20.106	3-30-0056-074-2021	1,511,257	-
COVID-19 Airport Improvement Program	20.106	3-30-0056-075-2021	97,182	-
Airport Improvement Program	20.106	3-30-0056-076-2021	1,293,400	-
COVID-19 Airport Improvement Program	20.106	3-30-0056-077-2021	5,375,923	
COVID-19 Airport Improvement Program	20.106	3-30-0056-078-2022	388,729	-
Airport Improvement Program	20.106	3-30-0056-079-2022	2,018,075	-
Total U.S. Department of Transportation			14,264,447	-
Total Federal Expenditures			$ 14,264,447	$ -

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, 2022. 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.

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, 2022

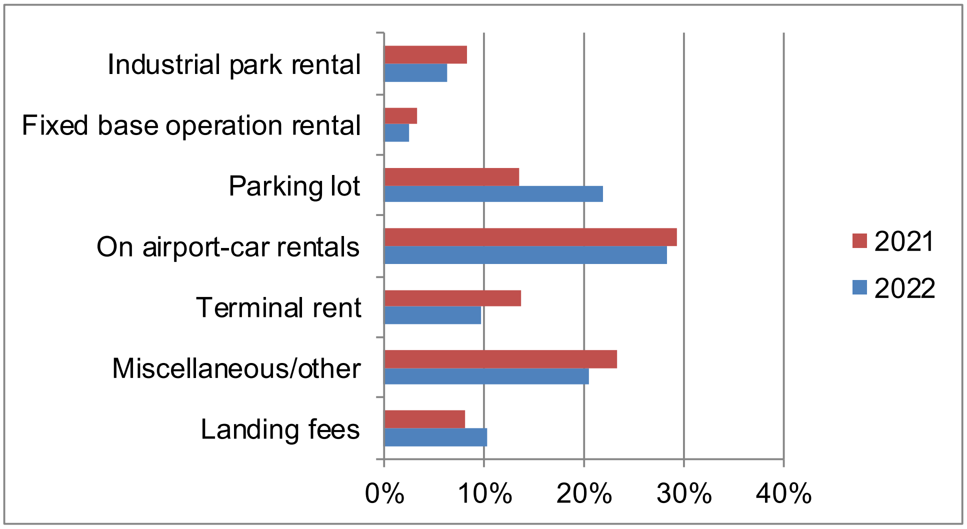
Application Number: 18-09-C-00-MSO

Quarter Ended	PFC Revenue Collected	Interest Earned	Expenditures on PFC Projects
September 2021	$ 523,843	$ 28	$ 662,006
December 2021	373,924	16	924,019
March 2022	499,886	26	411,340
June 2022	330,032	21	220,209
Total	$ 1,727,685	$ 91	$ 2,217,574

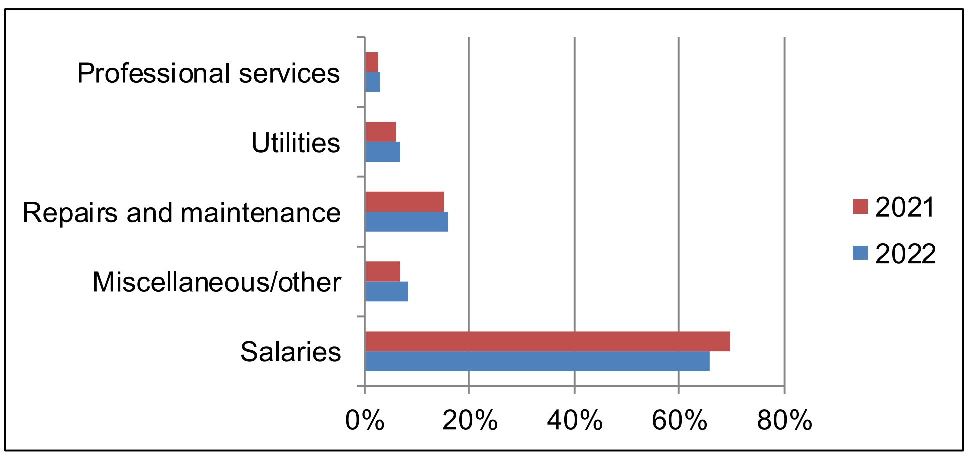
Total PFC collections authorized	$ 59,763,524
Cumulative PFC collections	30,396,690
Remaining PFC collections authorized	$ 29,366,834

MISSOULA COUNTY AIRPORT AUTHORITY
GRAPHS
For the Years Ended June 30, 2022 and 2021

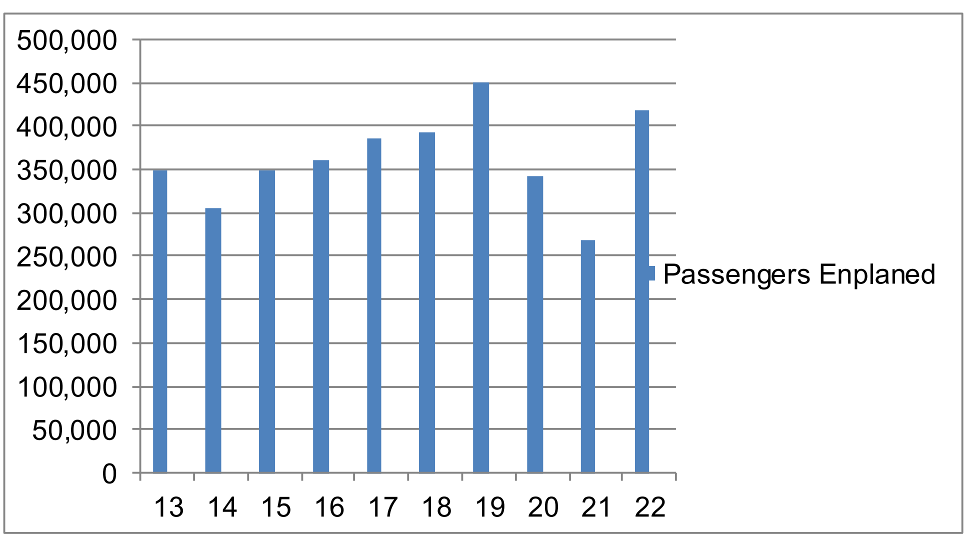
Supplemental Operating Revenue Information



Supplemental Operating Expenses Information



Supplemental Passenger Enplanement Information



SINGLE AUDIT SECTION

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ANDERSON ZURMUEHLEN

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, 2022, 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, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item #2022 -001 that we consider to be a material weakness.

ANDERSON ZURMUEHLEN

Report on 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*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2022

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

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Major Federal Program

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

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

Responsibilities of Management for Compliance

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

ANDERSON ZURMUEHLEN

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
November 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
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:

AL 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

#2022-001 Capital Contributions

Criteria: Capital assets acquired through capital contributions should be reported at historical cost or acquisition value and depreciated, as appropriate. Related revenues should be reported after nonoperating revenues and expenses in the statement of revenues, expenses, and changes in net position.

Condition: Lack of familiarity with applicable authoritative guidance related to capital assets acquired through contributions.

Effect: Capital assets acquired through contributions and related revenues were understated by $1,633,254.

Cause: The Authority did not have properly designed preventative or detective controls in place.

Context: As a result of our audit procedures, we identified two instances in which the Authority netted capital contributions against capital assets.

Questioned Costs: N/A

Recommendation: We recommend that the Authority implement controls to ensure capital assets acquired through contributions are recorded and reported in accordance with applicable authoritative guidance.

Response: See corrective action plan on page 65.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Summary Schedule of Prior Audit Findings

None noted.

Corrective Action Plan
#2022-001 Capital Contributions

Criteria: Capital assets acquired through capital contributions should be reported at historical cost or acquisition value and depreciated, as appropriate. Related revenues should be reported after nonoperating revenues and expenses in the statement of revenues, expenses, and changes in net position.

Finding: As a result of our audit procedures, we identified two instances in which the Authority netted capital contributions against capital assets.

Effect: Capital assets acquired through contributions and related revenues were understated by $1,633,254.

Recommendation: We recommend that the Authority implement controls to ensure capital assets acquired through contributions are recorded and reported in accordance with applicable authoritative guidance.

Response: As of November 15, 2022, the Authority has implemented an updated written policy and procedures guide to address the accounting and reporting for capital assets acquired through contributions.

Teri Norcross, Finance Manager

OTHER COMPLIANCE REPORTS

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ANDERSON ZURMUEHLEN

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

Board of Commissioners
Missoula County Airport Authority
Missoula, Montana

Report on Compliance for the Passenger Facility Charge Program

Opinion

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, 2022.

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

Basis for Opinion

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, and rules applicable to passenger facility charges program.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Passenger Facility Charge Audit Guide for Public Agencies* will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of passenger facility charge program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, we:

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

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *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, 2022

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