Reports of Independent Auditors
and Financial Statements
with Supplementary Information

Missoula County Airport Authority

June 30, 2025 and 2024

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Missoula County Airport Authority
Missoula, Montana
Organization – Board of Commissioners and Administration

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Report of Independent Auditors

The Board of Commissioners
Missoula County Airport Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Missoula County Airport Authority (the Authority), which comprises the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025 and 2024, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule of Passenger Facility Charges (PFC) collected and expended as required by the Federal Aviation Administration, *Passenger Facility Charge Audit Guide for Public Agencies*, operating revenues, operating expenses, revenue bond coverage, and federally funded airport projects are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 Organization – Board of Commissioners and Administration, the airport operations information, insurance in force, and graphs, but does not include the basic financial statements and our auditor’s report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of Missoula County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Missoula County Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missoula County Airport Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Portland, Oregon
January 27, 2026

Management's Discussion and Analysis

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, 2025 and 2024. 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, 2025.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 on the Authority's 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 net position is one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

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

	2025	2024	2025 to 2024 Changes	%	As Restated 2023	2024 to 2023 Changes	%
Current Assets	$ 17,752,003	$ 14,029,935	$ 3,722,068	27%	$ 13,656,829	$ 373,106	3%
Restricted Assets	6,926,089	1,503,252	5,422,837	361%	2,885,936	(1,382,684)	-48%
Capital Assets, Net	175,097,887	153,278,083	21,819,804	14%	130,579,198	22,698,885	17%
Other Assets	1,502,614	1,855,687	(353,073)	-19%	3,596,022	(1,740,335)	-48%
Deferred Outflows	779,116	978,352	(199,236)	-20%	738,296	240,056	33%
Total Assets and Deferred Outflows	202,057,709	171,645,309	30,412,400	18%	151,446,281	20,189,028	13%
Current Liabilities	10,019,405	6,469,722	3,549,683	55%	4,260,811	2,208,911	52%
Long-term Liabilities	49,729,550	32,662,673	17,066,877	52%	25,665,957	6,996,716	27%
Deferred Inflows	1,416,560	2,324,808	(908,248)	-39%	4,704,817	(2,380,009)	-51%
Total Liabilities and Deferred Inflows	61,165,515	41,457,203	19,708,312	48%	34,631,585	6,825,618	20%
Net Investment In Capital Assets	128,615,465	125,046,068	3,569,397	3%	108,908,534	16,137,534	15%
Restricted	2,422,582	1,503,252	919,330	61%	2,885,936	(1,382,684)	-48%
Unrestricted	9,854,147	3,638,786	6,215,361	171%	5,020,226	(1,381,440)	-28%
Total Net Position	140,892,194	130,188,106	10,704,088	8%	110,336,619	13,373,410	12%
Total Liabilities, Deferred Inflows & Net Position	$ 202,057,709	$ 171,645,309	$ 30,412,400	18%	$ 144,529,402	$ 27,115,907	19%

Total assets and deferred outflows of $202,057,709 includes:

- Current assets and restricted assets consisting of $13,299,607 in cash and investments, $6,926,089 in restricted cash, $2,013,298 in accounts receivable and $2,439,098 in other current assets which includes grants receivable, lease interest receivable, short-term lease receivable, prepaid expenses, and the current portion of the note receivable.
- Net capital assets of $175,097,887.
- Other assets equal to $1,502,614 which includes the long-term portion of a note receivable, long-term lease receivable, other long-term assets, and subscription-based information technology arrangements (SBITA) as explained in the notes to the financial statements.
- Deferred outflows of resources of $779,116, are related to pension and OPEB adjustments as explained in the notes to the financial statements.
- Overall assets and deferred outflows increased by 18%.

FINANCIAL HIGHLIGHTS (CONTINUED)

Total liabilities and net position include:

- Current liabilities including accounts payable of $6,313,297, accrued interest of $435,090, liabilities related to payroll and leave balances of $1,055,381, current portion of long- term debt of $565,473, current SBITA liabilities of $82,548, and current portion of contract retainage.
- Long-term liabilities include accrued liabilities of $311,505, notes payable of $45,120,062, as well as the Authority's share of the unfunded pension liability in the Public Employees Retirement System of $4,056,716, SBITA liability of $123,002, and OPEB liability of $118,265.
- Deferred inflows of resources include pension adjustments of $90,210, OPEB adjustments of $188,974, and leases of $1,137,376 as discussed in the notes to the financial statements.
- The net position of $140,892,194 includes $128,615,465 invested in capital assets net of related debt, $2,422,852 in restricted net position and $9,854,147 in unrestricted net position.

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

	2025	2024	2025 to 2024 Changes	%	As Restated 2023	2024 to 2023 Changes	%
Operating Revenues	$ 15,731,229	$ 12,459,348	$ 3,271,881	26%	$ 11,749,606	$ 709,742	6%
Operating Expenses	(11,335,063)	(9,862,647)	(1,472,416)	15%	(8,597,802)	(1,264,845)	15%
Depreciation	(8,102,523)	(7,962,603)	(139,920)	2%	(8,041,045)	78,442	-1%
Other Expense	(1,058,901)	(719,233)	(339,668)	47%	(493,121)	(226,112)	46%
Capital Contributions	15,469,346	19,458,545	(3,989,199)	-21%	11,860,439	7,598,106	64%
Change in Net Position	$ 10,704,088	$ 13,373,410	$ (2,669,322)	-20%	$ 6,478,077	$ 6,895,333	106%

Overall net position decreased by $2,669,322 resulting from:

- A net loss from operations of $3,706,357, which is the net of operating income $4,396,166, less depreciation of $8,102,523.
- Capital contributions of $15,469,346 include $13,332,701 in federal grants, $2,079,416 in passenger facility charge (PFC) collections, and $57,229 in state grants.
- Other revenue (expense) includes interest expense of $1,347,510, interest revenue of $272,246, amortization of $101,843, insurance recovery of $100,206, and gain on disposal of asset of $18,000.

FINANCIAL HIGHLIGHTS (CONTINUED)

Revenue from operations before depreciation include:

- Operating revenues of $15,731,229 increased by 26% from the previous fiscal year, driven primarily by increases in parking, car rental, concessions, and terminal-related activity. Sources of operating revenue continue to be diversified over air carrier landing and use fees, terminal rent, car rentals including customer facility charges, parking fees, land leases, ground services, concessions, and fuel flowage fees.
- Operating expenses of $11,335,063 (before depreciation) increased by $1,472,416 or 15% from the previous fiscal year, reflecting higher personnel costs, contracted services, and activity-driven operating requirements.
- Details of operating revenues and expenses can be found in the Supplementary Information section of this report.
- Details of federally funded projects can be found in the Supplementary Information section of this report.
- The Authority received no local property tax revenues.

CAPITAL ASSETS

- At the end of fiscal year 2025 the Authority has $286,199,806 of capital assets, comprised of $71,286,361 in non-depreciable assets, and $214,913,445 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.
- The annual depreciation expense was $8,102,523.
- The amount of new capital asset investment during the year was $26,735,095.
- Capital asset additions, deletions and depreciation resulted in a net increase to property and equipment of $21,819,804.
- At year end, the amount invested in capital assets, net of related debt, totaled $128,615,465.
- At year end, $45,685,535 of debt existed related to capital assets.

The year end construction in progress balance consisted of expenditures incurred for aviation improvements and planning, parking expansion, pavement rehabilitation, 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 $45,685,535 in debt related to the terminal replacement project.
- The Authority maintained full compliance with all debt covenants, including a debt service coverage ratio of 3.25, exceeding the required 1.25 minimum.

OTHER ECONOMIC INFORMATION

- Commercial passenger traffic grew during fiscal year 2025, with enplanements increasing from 475,040 to 528,295, reflecting continued demand for both leisure and regional business travel. Deplanements and aircraft operations followed similar patterns, contributing to increased terminal, rental car, parking, and concession revenues. Although passenger activity remains subject to variability in airline scheduling, fuel costs, and broader economic conditions, overall activity levels demonstrate sustained interest in air travel to and from Missoula, MT.
- 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 completed in early 2026.

This financial report is designed to provide interested parties with a general overview of Missoula Montana Airport Authority's 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 Authority, 5225 Hwy 10 West, Missoula, MT 59808.

Financial Statements

Missoula County Airport Authority
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and investments	$ 13,299,607	$ 8,531,451
Accounts receivable	2,013,298	1,721,660
Grants receivable	1,936,246	1,965,568
Current portion of note receivable	100,000	100,000
Lease interest receivable	3,071	9,697
Short-term lease receivable	213,875	1,590,049
Prepaid expenses and other assets	185,906	111,510
Total current assets	17,752,003	14,029,935
RESTRICTED ASSETS		
Money market accounts - east concourse construction	4,503,507	-
Cash - passenger facility charges	2,422,582	1,503,252
Total restricted assets	6,926,089	1,503,252
CAPITAL ASSETS, NET	175,097,887	153,278,083
OTHER LONG-TERM ASSETS		
Note receivable, net of current portion	160,259	700,518
Lease receivable, net of current portion	1,001,493	737,144
SBITA, net	292,441	367,183
Other long-term assets	48,421	50,842
Total other assets	1,502,614	1,855,687
DEFERRED OUTFLOWS OF RESOURCES		
OPEB adjustments	131,907	155,403
Pension contributions and adjustments	647,209	822,949
Total deferred outflows of resources	779,116	978,352
Total assets and deferred outflows of resources	$ 202,057,709	$ 171,645,309

See accompanying notes.

Missoula County Airport Authority
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 7,023,405	$ 5,417,334
Current portion of compensated absences	468,858	426,889
Deferred revenue	22,480	-
Current portion of SBITA liability	82,548	76,957
Current portion of contract retainage	1,856,641	-
Current portion of long-term debt	565,473	548,542
Total current liabilities	10,019,405	6,469,722
LONG TERM LIABILITIES		
Compensated absences, net of current portion	311,505	282,314
SBITA liability, net of current portion	123,002	183,948
Long-term debt, net of current portion	45,120,062	26,557,036
Contract retainage	-	1,232,715
OPEB liability	118,265	255,663
Pension liability	4,056,716	4,150,997
Total long-term liabilities	49,729,550	32,662,673
Total liabilities	59,748,955	39,132,395
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	90,210	148,056
OPEB adjustments	188,974	51,450
Leases	1,137,376	2,125,302
Total deferred inflows of resources	1,416,560	2,324,808
NET POSITION		
Net investment in capital assets	128,615,465	125,046,068
Restricted	2,422,582	1,503,252
Unrestricted	9,854,147	3,638,786
Total net position	$ 140,892,194	$ 130,188,106

See accompanying notes.

Missoula County Airport Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Landing field	$ 1,316,579	$ 1,177,873
Terminal	13,369,872	10,258,449
Fixed base/government	267,494	262,290
Industrial park	777,284	760,736
Total operating revenues	15,731,229	12,459,348
DIRECT OPERATING EXPENSES	(11,335,063)	(9,862,647)
REVENUE FROM OPERATIONS BEFORE DEPRECIATION	4,396,166	2,596,701
DEPRECIATION	(8,102,523)	(7,962,603)
LOSS FROM OPERATIONS	(3,706,357)	(5,365,902)
NONOPERATING REVENUE (EXPENSE)		
Interest revenue	272,246	232,497
Interest expense	(1,347,510)	(894,789)
Other expense	(1,637)	(56,941)
Gain on disposal of capital asset	18,000	-
Total nonoperating expense	(1,058,901)	(719,233)
LOSS BEFORE CONTRIBUTIONS	(4,765,258)	(6,085,135)
CONTRIBUTIONS		
Federal government	13,332,701	17,472,210
State grants	708	-
Pension revenue – State aid	56,521	107,755
Passenger facility charges	2,079,416	1,878,580
Total contributions	15,469,346	19,458,545
CHANGE IN NET POSITION	10,704,088	13,373,410
NET POSITION, beginning of year	130,188,106	116,814,696
NET POSITION, end of year	$ 140,892,194	$ 130,188,106

See accompanying notes.

Missoula County Airport Authority
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 15,597,185	$ 12,022,372
Cash paid to suppliers	(2,608,114)	(3,659,133)
Cash paid to employees and employee benefits	(6,303,455)	(5,720,363)
Net cash flows from operating activities	6,685,616	2,642,876
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital assets	(29,922,326)	(30,661,488)
Proceeds on sale of capital asset	18,000	-
Change in construction-related payables	(372,408)	2,283,293
Interest paid on long-term debt	(1,132,659)	(854,366)
Proceeds on long-term debt	19,128,500	8,296,000
Principal payments on long-term debt	(548,543)	(2,532,196)
Federal contributions	13,362,023	17,020,488
State grants	708	-
Capital contributions	542,680	102,162
Passenger facility charges	2,079,416	1,878,580
Net cash flows from capital and related financing activities	3,155,391	(4,467,527)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Pension revenue – State aid	56,521	107,755
Insurance and funds recovery	100,206	23,491
Net cash flows from noncapital financing activities	156,727	131,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	193,259	80,501
Net cash flows from investing activities	193,259	80,501
Net change in cash and investments	10,190,993	(1,612,904)
Cash and investments, beginning of year	10,034,703	11,647,607
Cash and investments, end of year	$ 20,225,696	$ 10,034,703

See accompanying notes.

Missoula County Airport Authority
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH AND CASH INVESTMENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET POSITION UNDER THE FOLLOWING CAPTIONS		
Cash and investments	$ 13,299,607	$ 8,531,451
Money market accounts - east concourse construction	4,503,507	-
Restricted Cash - passenger facility charges	2,422,582	1,503,252
	$ 20,225,696	$ 10,034,703
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	$ (3,706,357)	$ (5,365,902)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	8,102,523	7,962,603
Pension and OPEB adjustments	42,868	229,718
Change in receivables	(291,638)	99,031
Change in prepaid expenses and other assets	(74,396)	(22,365)
Lease and SBITA adjustments	118,995	117,443
Change in unearned revenue and deferred inflows	22,480	(729,998)
Change in accounts payable and accrued liabilities	2,471,141	352,346
Total adjustments	10,391,973	8,008,778
Net cash flows from operating activities	$ 6,685,616	$ 2,642,876
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Change in pension and OPEB liability, net	$ 42,868	$ 229,718

See accompanying notes.

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.

New accounting pronouncement – The Authority has adopted the provisions of the following GASB pronouncement for fiscal year 2025:

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The adoption of this standard did not have an impact on the Authority's financial statements.

The Authority adopted the provisions of the following GASB pronouncements for fiscal year 2024:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, effective for the Authority's fiscal year beginning July 1, 2023. The statement defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error correction. The adoption of this statement did not have a material effect on the Authority's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for the Authority's fiscal year beginning July 1, 2024. The statement updates the recognition and measurement guidance for compensated absences to better meet the information needs for financial statement users. The Authority early-adopted this standard during the year ended June 30, 2024. The adoption of the standard did not have a material impact on the Authority's financial statements.

Classification of net position

Net Investment in capital assets – This is the Authority's investment in capital and leased assets, net of accumulated depreciation and amortization, related notes payable, unexpended note proceeds, SBITA liabilities, 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. As of June 30, 2025 and 2024, the Authority's restricted net position is primarily designated for debt service payments in accordance with requirements under the Passenger Facility Charge (PFC) program.

Unrestricted net position – These are resources over which the governing board has discretionary control.

Cash – 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 debt service reserve amounts on deposit with the revenue notes trustee. Under the terms of the related notes payable, debt service reserve 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, and institution deposits that are secured by appropriate securities or insurance. Investments are reported at fair value.

Grants receivable – The Authority records grants on a reimbursement basis, mostly related to construction of the Authority's facilities. No allowance was necessary due to the collectability of the balance at June 30, 2025 and 2024.

Note receivable – In fiscal year 2022, the Authority incurred $1,000,000 in capital improvement costs 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, in the amount of $8,333 per month, or $100,000 annually. Management has determined imputed interest to be immaterial. During fiscal year 2025, the concessionaire made advanced principal payments totaling $440,517 on the note.

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
Vehicles	5-10 years
Studies	5-10 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.

Leases – Lease receivables and deferred inflows of resources are reported on the statements of net position. At the commencement of a lease, the lease receivable is initially measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscription-based information technology arrangements (SBITAs) – SBITA intangible right-to-use assets and liabilities are reported under other long-term assets, and current and long term liabilities, respectively, on the statements of net position. At the commencement of the agreement, SBITA liabilities are measured at the present value of payments expected to be made during the contract term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the contract commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

The interest rate charged by the SBITA vendor is used as the discount rate. When the interest rate charged by the vendor is not provided, the Authority's estimated incremental borrowing rate is used. The SBITA term includes the noncancellable period of the agreement. SBITA payments included in the measurement of the liability are composed of fixed payments and purchase option price, if applicable, that is reasonably certain to be exercised.

Impairment of long-lived assets – The Authority evaluates its capital and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Federal capital contributions – The Authority receives capital contributions from the U.S. Department of Transportation for airport construction, development and planning and are recorded as contributions as expenditures are incurred.

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.

Compensated absences – Employees of the Authority are compensated for vacation and sick leave absences. Unused vacation benefits are fully accrued and 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. Sick leave that has been earned and is expected to be used is recorded within the Authority's compensated absences liability. Additionally, 25 percent of accumulated unused sick leave is accrued per Montana Code Annotated (MCA). There is no maximum accrual for sick leave hours; however, the Authority only records the amount anticipated to be used.

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, 2025 and 2024.

The current airline use agreements are effective from July 1, 2022, through June 30, 2027, and include an optional three-year renewal period. Effective June 1, 2025, the Authority executed an additional airline use agreement with one carrier under the same terms and conditions.

Marketing – Marketing costs represent expenditures related to air service development. These costs are charged to operations in the year incurred and totaled $209,198 and $203,698, in 2025 and 2024, respectively.

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.

Note 2 – Cash and Investments

Cash and investments at June 30 were as follows:

	2025	2024
Petty cash	$ 300	$ 300
Cash in checking, general	2,283,780	4,643,575
Project checking account	5,000	5,000
Undeposited funds	-	2,940
U.S. Forest Service account	160,504	160,360
Payroll checking account	121,990	128,747
PFC cash account	2,422,582	1,503,252
CFC account	322,047	321,758
Short-term investment pool (STIP)	982,762	937,638
Money market accounts	9,414,184	2,322,855
East concourse construction	4,503,507	-
Flex - benefits	8,708	6,903
Direct deposit account	-	1,043
Contingency account (Debt service account)	332	332
	$ 20,225,696	$ 10,034,703

Cash and investments are presented in the statements of net position as follows at June 30:

	2025	2024
Cash and investments	$ 13,299,607	$ 8,531,451
Restricted assets		
Cash - passenger facility charges	2,422,582	1,503,252
Money market accounts - east concourse construction	4,503,507	-
Total cash and investments	$ 20,225,696	$ 10,034,703

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

Fair value measurements – The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs 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 assets are valued using matrix pricing); and Level 3 inputs are significant unobservable inputs (these assets are valued using consensus pricing). All of the Authority’s assets 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 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, 2025 and 2024.

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

Investment Policies

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

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

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

External Investment Pool

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

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 net asset 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:

	2025	2024
Trade	$ 1,723,590	$ 1,475,037
Advertising	6,370	33,243
Ground handling	283,338	213,380
	$ 2,013,298	$ 1,721,660

Note 4 – Capital Assets

A summary of capital assets at June 30, 2025, is as follows:

	Balance July 1, 2024	Additions	Disposals	Transfers	Balance June 30, 2025
Capital assets not being depreciated					
Land	$ 11,617,234	$ -	$ -	$ -	$ 11,617,234
Construction in progress	35,254,533	27,630,176	(14,175)	(3,201,407)	59,669,127
Total capital assets not being depreciated	46,871,767	27,630,176	(14,175)	(3,201,407)	71,286,361
Capital assets being depreciated					
Land improvements	20,577,484	-	-	1,671,460	22,248,944
Buildings	86,914,752	-	-	477,561	87,392,313
Runways, taxiways, apron	80,352,367	8,865	-	-	80,361,232
Air traffic control tower	6,513,530	-	-	-	6,513,530
Studies	1,925,407	-	-	-	1,925,407
Machinery and equipment	3,854,182	37,218	(57,575)	630,336	4,464,161
Vehicles	7,801,370	2,260,243	(2,369)	422,050	10,481,294
Furniture and fixtures	1,526,564	-	-	-	1,526,564
Total capital assets being depreciated	209,465,656	2,306,326	(59,944)	3,201,407	214,913,445
Less accumulated depreciation	(103,059,340)	(8,102,523)	59,944	-	(111,101,919)
Capital assets, net	$153,278,083	$ 21,833,979	$ (14,175)	$ -	$175,097,887

A summary of capital assets at June 30, 2024, follows:

	Balance July 1, 2023	Additions	Disposals	Transfers	Balance June 30, 2024
Capital assets not being depreciated					
Land	$ 11,617,234	$ -	$ -	$ -	$ 11,617,234
Construction in progress	14,749,945	30,525,863	-	(10,021,275)	35,254,533
Total capital assets not being depreciated	26,367,179	30,525,863	-	(10,021,275)	46,871,767
Capital assets being depreciated					
Land improvements	20,577,484	-	-	-	20,577,484
Buildings	86,569,968	25,012	-	319,772	86,914,752
Runways, taxiways, apron	70,927,696	-	-	9,424,671	80,352,367
Air traffic control tower	6,513,530	-	-	-	6,513,530
Studies	1,925,407	-	-	-	1,925,407
Machinery and equipment	3,511,933	65,417	-	276,832	3,854,182
Vehicles	7,821,686	45,196	(65,512)	-	7,801,370
Furniture and fixtures	1,526,564	-	-	-	1,526,564
Total capital assets being depreciated	199,374,268	135,625	(65,512)	10,021,275	209,465,656
Less accumulated depreciation	(95,162,249)	(7,962,603)	65,512	-	(103,059,340)
Capital assets, net	$ 130,579,198	$ 22,698,885	$ -	$ -	$ 153,278,083

Note 5 – Long-Term Debt

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

	2025	2024
Airport revenue note - series 2019A	$ 13,316,800	$ 13,316,800
Airport revenue note - series 2019B	2,368,955	2,917,498
Airport revenue note - series 2022	29,999,780	10,871,280
	45,685,535	27,105,578
Current portion of long-term debt	(565,473)	(548,542)
	$ 45,120,062	$ 26,557,036

The Authority’s outstanding notes from direct borrowings of $45,685,535 and $27,105,578 at June 30, 2025 and 2024, respectively, are secured by net revenues, passenger facility charges and customer facility charges. The outstanding notes from direct borrowings require certain covenants, 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. During the year ended June 30, 2025, the Authority drew down the remaining amount available with the balance being held as restricted cash until expended. 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 2022 Note will provide the Authority a debt maturity schedule based upon the principal amount drawn down by the Authority at the time of project completion. At June 30, 2025, the project is still under construction, and as a result, no amortization schedule is available.

As of June 30, 2025, the future payments of the Series 2019 were as follows:

	Principal	Interest	Total Payments
Note Payable to First Security Bank - Series 2019B and 2019A			
2026	$ 565,473	$ 595,879	$ 1,161,352
2027	582,927	578,426	1,161,353
2028	600,854	561,950	1,162,804
2029	619,701	541,888	1,161,589
2030	648,875	520,451	1,169,326
2031-2035	3,657,994	2,188,634	5,846,628
2036-2040	4,458,843	1,387,785	5,846,628
2041-2045	4,551,088	418,545	4,969,633
	$ 15,685,755	$ 6,793,558	$ 22,479,313

Changes in long-term debt were as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amount Due in One Year
Notes Payable					
First Security Bank - series 2019A	$ 13,316,800	$ -	$ -	$ 13,316,800	$ -
First Security Bank - series 2019B	2,917,498	-	(548,543)	2,368,955	565,473
First Security Bank - series 2022	10,871,280	19,128,500	-	29,999,780	-
	27,105,578	19,128,500	(548,543)	45,685,535	565,473
Other Liabilities					
Compensated absences*	709,203	71,160	-	780,363	468,858
	$ 27,814,781	$19,199,660	$ (548,543)	$ 46,465,898	$ 1,034,331

*The change in the compensated absences liability is presented as a net change.

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, 2025, 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
In terminal food and beverage service	07/01/2022 - 06/30/2033	% 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:

Lease-related revenue*	2025	2024
Lease revenue		
Building	$ 1,495,189	$ 1,491,117
Total Lease Revenue	1,495,189	1,491,117
Interest Revenue	78,987	151,996
Variable and other revenue	3,265,910	2,871,190
Total	$ 4,840,086	$ 4,514,303

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

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
2026	$ 213,875	$ 55,912	$ 269,787
2027	224,819	44,968	269,787
2028	236,319	33,468	269,787
2029	154,570	22,992	177,562
2030	133,905	16,249	150,154
2031-2035	201,522	39,246	240,768
2036-2037	50,358	2,231	52,589
	$ 1,215,368	$ 215,066	$ 1,430,434

Estimated future minimum lease payments for regulated leases are as follows for the year ending June 30:

2026	$ 1,096,676
2027	1,072,427
2028	378,202
2029	346,347
2030	346,347
2031-2035	1,616,038
2036-2040	1,477,549
2041-2045	659,461
2046-2050	374,815
2051-2055	153,927
2056-2060	78,028
	$ 7,599,817

Note 7 – Subscription-Based Information Technology Arrangements (SBITAs)

The Authority has entered into three subscription-based contracts to utilize vendor-provided information technology software, with contract terms ranging between 3 to 5 years. At June 30, 2025 and 2024, the Authority recorded $552,165 and $502,491 for intangible subscription assets with an associated $259,724 and $135,308 of accumulated amortization, respectively.

Minimum future payments for SBITAs for the five succeeding fiscal years and thereafter are as follows for the year ending:

	Principal	Interest
2026	$ 82,548	$ 7,987
2027	110,917	4,873
2028	12,085	1,746
Total	$ 205,550	$ 14,606

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 GASB.

Plan description – The PERS-Defined Benefit Retirement Plan (DBRP), administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, 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 State Legislature.

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

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

Summary of benefits

Eligibility for benefit

Service retirement:

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

Early retirement:

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

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

1. Retired before January 1, 2016, and accumulate less than 2 years additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years additional service credit:

   - A refund or member's contributions plus return interest (currently 2.02% effective July 1, 2018);
   - No service credit for second employment;
   - Start the same benefit amount the month following termination; and
   - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2. Retired before January 1, 2016, and accumulate at least 2 years of additional service credit:

   - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
   - GABA starts on the recalculation benefit in January after receiving the new benefit for 12 months.

3. Retired on or after January 1, 2016, and accumulate 5 or more years of service credit:

   - The same retirement as prior to the return to service;
   - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
   - GABA starts on both benefits in the January after receiving the original w benefit for 12 months.

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% reduced by 0.1% for each 2% PERS is funded below 90%; and
  - c) 0% whenever the amortization period for PERS is 40 years or more.

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

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

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

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

Fiscal Year	Member Hired <07/01/11	Member Hired >07/01/11	State & Universities Employer	Local Government Employer	Local Government State	School Districts Employer	School Districts State
2025	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2024	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
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.

   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. For fiscal years beginning after June 30, 2024, the additional contribution amount stays at 2.27%. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Non-Employer Contributions

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 $35,329,705.

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, 2025, was determined by taking the results of the June 30, 2024, 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, 2025 and 2024, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

The Authority recorded a liability of $4,056,716 and the employer's proportionate share was 0.165867 percent.

	Net Pension Liability as of June 30, 2025	Net Pension Liability as of June 30, 2024	Collective NPL as of June 30, 2025	Collective NPL as of June 30, 2024	Change in Percent of Collective NPL
Authority proportionate share	$ 4,056,716	$ 4,150,997	0.165867%	0.170098%	-0.004231%
State of Montana proportionate share associated with the Authority	1,056,535	1,148,595	0.043199%	0.047067%	-0.003868%
Total	$ 5,113,251	$ 5,299,592	0.209066%	0.217165%	-0.008099%

Changes in actuarial assumptions and methods – There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

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 Authority's reporting date that are expected to have a significant effect on the Authority's proportionate share of the collective NPL.

Pension expense – At June 30, 2025, the Authority recognized $367,066 for its proportionate share of the Plan's pension expense and recognized grant revenue of $56,621 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 June 30, 2025	Pension expense as of June 30, 2024
Authority's proportionate share	$ 367,066	$ 493,974
State of Montana proportionate share associated with the employer	56,621	107,755
Total	$ 423,687	$ 601,729

Recognition of deferred inflows and outflows – At June 30, 2025, 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	$ 205,004	$ -
Change in assumptions	-	-
Projected vs. actual investment earnings	-	90,210
Changes in proportion share and differences between employer contributions and proportionate share of contributions	100,864	-
Employer contributions subsequent to measurement date	341,341	-
Total	$ 647,209	$ 90,210

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date in the amount of $341,341 will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the Authority'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
2026	$ 85,136
2027	232,791
2028	(63,418)
2029	(38,851)

Actuarial assumptions – The TPL in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%

  *includes Inflation at 2.75%
- 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 the PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females Projected generationally using MP-2021.

- Mortality assumptions among disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.

The discount rate used to measure the TPL was 7.30%. 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 2128. 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.

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2024, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

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	100.00%	

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority'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 7.30%, 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 (6.30)%	Current Discount Rate	1.0% Increase (8.30)%
Missoula County Airport Authority's net pension liability	$ 5,913,812	$ 4,056,716	$ 2,499,450

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

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

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

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

At the plan level for the measurement period ended June 30, 2024, 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 351 employers that have participants in the PERS-DCRP totaled $1,345,278.

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 2025 and 2024, 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 2025 and 2024 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, 2025 and 2024, were $317,962 and $281,146, respectively. Employee contributions to the Authority's 414(h) retirement plan for years ended June 30, 2025 and 2024, were $158,462 and $140,577, respectively.

Deferred compensation plan – The Authority sponsors a deferred compensation plan 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 2025 and 2024, the Authority paid $642,100 and $593,785, 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, 2025, 2024, or 2023. 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, 2025 and 2024.

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, 2025 and 2024, were $99,466 and $104,948, respectively.

As discussed in Note 10, 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 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 $59 million and expected to be complete in 2025. Approximately $6.4 million is remaining at June 30, 2025.

Required Supplementary Information

Missoula County Airport Authority
Schedule of Proportionate Share of the PERS Net Pension Liability
* For the Last Ten Fiscal Years
June 30, 2025

Measurement date as of June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability as a percentage	0.1659%	0.1701%	0.1486%	0.1467%	0.1572%	0.1538%	0.1355%	0.1709%	0.1536%	0.1509%
Employer's net pension liability as an amount	$ 4,056,716	$ 4,150,997	$ 3,533,992	$ 2,659,825	$ 4,147,738	$ 3,215,165	$ 2,827,317	$ 3,327,526	$ 2,616,735	$ 2,110,016
State of Montana's net pension liability	1,056,535	1,148,595	1,057,576	784,526	1,306,207	1,046,472	948,439	46,963	31,973	25,918
Total	$ 5,113,251	$ 5,299,592	$ 4,591,568	$ 3,444,351	$ 5,453,945	$ 4,261,637	$ 3,775,756	$ 3,374,489	$ 2,648,708	$ 2,135,934
Employer's covered payroll **	$ 3,241,546	$ 3,162,448	$ 2,611,817	$ 2,591,116	$ 2,637,849	$ 2,537,886	$ 2,227,772	$ 2,119,084	$ 1,840,137	$ 1,761,557
Employer's proportionate share of the net pension liability as a percentage of covered payroll	125.15%	131.26%	135.31%	102.65%	157.24%	126.69%	126.91%	157.03%	142.20%	119.78%
Plan fiduciary net position as a percentage of the total pension liability	74.77%	73.93%	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%

**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 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.*

See accompanying notes to required supplementary information.

Missoula County Airport Authority
Schedule of PERS Contributions
* For the Last Ten Fiscal Years
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of Contributions for the Last Ten Fiscal Years*										
Contractually required contributions	$ 341,341	$ 296,120	$ 286,034	$ 232,285	$ 229,622	$ 231,111	$ 218,276	$ 188,692	$ 177,398	$ 153,809
Plan choice rate required contributions	-	-	-	-	-	-	-	-	-	8,830
Contributions in relation to the contractually required contributions	$ 341,341	$ 296,120	$ 286,034	$ 232,285	$ 229,622	$ 231,111	$ 218,276	$ 188,692	$ 177,398	$ 162,639
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll **	$ 3,763,393	$ 3,241,546	$ 3,162,448	$ 2,611,817	$ 2,591,116	$ 2,637,849	$ 2,537,886	$ 2,227,772	$ 2,119,084	$ 1,840,137
Contributions as a percent of covered-employee payroll	9.07%	8.97%	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 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.*

See accompanying notes to required supplementary information.

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, 2023, actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%
*Includes inflation at	2.75%
Merit salary increases	0% to 4.80%
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)	PUB-2010 General amount weighted healthy retiree mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.
Mortality (disabled members)	PUB-2010 General amount weighted disabled retiree mortality table, projected to 2021, set forward one year for both males and females.

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.

Supplementary Information

Missoula County Airport Authority
Operating Revenues
Years Ended June 30, 2025 and 2024

	2025	2024	Increase (Decrease)
LANDING FIELD			
Landing fees			
Airlines	$ 942,871	$ 847,788	$ 95,083
Freight carriers	59,511	68,572	(9,061)
Non-based Landing Fees	225,903	152,766	73,137
Fuel flowage	88,294	108,747	(20,453)
Total landing field	1,316,579	1,177,873	138,706
TERMINAL			
Airline rentals	515,494	487,280	28,214
Advertising revenue	226,068	251,107	(25,039)
Customer facility charges	1,298,832	1,035,314	263,518
On-airport car rentals	2,628,492	2,323,720	304,772
Off-airport car rentals	53,671	37,549	16,122
Parking lot	5,026,223	3,345,983	1,680,240
Rental car fuel	450,512	118,924	331,588
Glycol disposal	38,042	18,164	19,878
Ground services	991,203	800,854	190,349
Ground transportation	164,932	169,057	(4,125)
Restaurant	226,279	169,021	57,258
Coffee concession	11,907	11,321	586
Liquor concession	162,030	143,425	18,605
Travel agency	879	5,272	(4,393)
Gift shops	345,209	308,933	36,276
Non-sig use fees	287,414	285,202	2,212
Telephones and vending	34,746	29,214	5,532
Utilities reimbursement	54,479	28,571	25,908
Security reimbursement	14,780	108,649	(93,869)
Signatory use fee	857,747	715,479	142,268
Lease adjustment	(209,510)	(208,463)	(1,047)
Other	190,443	73,873	116,570
Total terminal	13,369,872	10,258,449	3,111,423
FIXED BASE/GOVERNMENT			
Fixed base operator's rental	267,494	262,290	5,204
Total fixed base/government	267,494	262,290	5,204
INDUSTRIAL PARK			
Building and ground rental	739,015	720,347	18,668
Agricultural ground rental	33,713	35,960	(2,247)
Fuel farm rental	4,556	4,429	127
Total industrial park	777,284	760,736	16,548
TOTAL OPERATING REVENUES	$ 15,731,229	$ 12,459,348	$ 3,271,881

Missoula County Airport Authority
Operating Expenses
Years Ended June 30, 2025 and 2024

	2025	2024	Increase (Decrease)
Accounting and auditing services	$ 100,251	$ 92,964	$ 7,287
Aviation worker screening	39,072	-	39,072
Badging related expenses	20,854	8,758	12,096
Consulting services	292,041	238,927	53,114
Display/visitor information center	6,858	14,690	(7,832)
Information technology	86,705	-	86,705
Insurance	259,299	228,860	30,439
Legal services	31,531	22,906	8,625
Maintenance, repairs, and equipment rentals	1,552,432	1,753,139	(200,707)
Membership and organization dues	40,483	35,503	4,980
Office supplies and equipment	186,874	178,442	8,432
Other	20,942	10,838	10,104
Parking management, labor, and other	605,661	-	605,661
Petroleum products and tires	90,755	90,090	665
Rental car fuel	442,145	114,533	327,612
Safety supply and equipment	38,706	36,665	2,041
Salaries and related payroll expenses	6,422,189	5,963,088	459,101
Telephone	41,126	44,013	(2,887)
Landing fee commission	38,717	30,553	8,164
Training	83,031	80,860	2,171
Travel, meals, and public relations	142,507	161,618	(19,111)
Uniforms and laundry	59,045	43,788	15,257
Utilities	733,839	712,412	21,427
	$ 11,335,063	$ 9,862,647	$ 1,472,416

Missoula County Airport Authority
Revenue Note Coverage
Year Ended June 30, 2025

GROSS REVENUES	
Passenger facility charges and customer facility charges, limited to 125% of fiscal year debt service requirement	$ 2,101,503
Operating	14,432,397
Plus interest - unrestricted	272,246
	16,806,146
OPERATING EXPENSES	11,335,063
NET REVENUE AVAILABLE FOR DEBT SERVICE	$ 5,471,083
FISCAL YEAR DEBT SERVICE REQUIREMENT	$ 1,681,202
COVERAGE RATIO	3.25
MINIMUM DEBT SERVICE COVERAGE REQUIRED BY RATE COVENANT	1.25

Missoula County Airport Authority
Federally Funded Airport Projects
Year Ended June 30, 2025

AIP Funded Projects

Project #	Projects	Percent Complete	Grant Award
80	Master Plan	98%	$ 990,000
85	Terminal Phase II	90%	3,809,741
86	Terminal Phase II	90%	2,340,936
87	Terminal Phase II & III	90%	6,000,000
88	Terminal Phase II & III	90%	3,429,372
89	Terminal Phase II & III	90%	2,797,820
90	Runway 12-30 Rehabilitation	100%	768,600
92	Runway 12-30 Rehabilitation	4%	17,564,558
93	Terminal Phase II & III	17%	3,448,201

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	34%	$ 36,265,589

Missoula County Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Program Description	AL No.	Contract No.	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct:				
Administered by the Federal Aviation Administration				
Airport Improvement Program	20.106	3-30-0056-080-2022	$ 133,207	$ -
Airport Improvement Program	20.106	3-30-0056-085-2023	374,368	-
Airport Improvement Program	20.106	3-30-0056-086-2023	1,053,775	-
Airport Improvement Program	20.106	3-30-0056-087-2024	4,078,909	-
Airport Improvement Program	20.106	3-30-0056-088-2024	3,086,435	-
Airport Improvement Program	20.106	3-30-0056-089-2024	2,518,038	-
Airport Improvement Program	20.106	3-30-0056-090-2024	768,600	-
Airport Improvement Program	20.106	3-30-0056-092-2025	747,810	
Airport Improvement Program	20.106	3-30-0056-093-2025	571,616	-
Total U.S. Department of Transportation			13,332,758	-
Department of Homeland Security (DHS)				
Passed through the Montana Department of Disaster and Emergency Services:				
Administered by the Federal Emergency Management Agency (FEMA)				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4813-DR-MT	5,307	-
Total Department of Homeland Security (DHS)			5,307	-
Total Federal Expenditures			$ 13,338,065	$ -

See notes to schedule of expenditure 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, 2025. 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 position, 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 accompanying financial statements.

Note 3 – Airport Improvement Projects

The Authority receives federal contributions totaling 90-95% of actual expenditures incurred on qualified airport improvement projects, and the Authority provides the remaining match.

Note 4 – Indirect Cost Rate

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

See schedule of expenditures of federal awards.

Missoula County Airport Authority
Schedule of Passenger Facility Charges (PFC) Collected and Expended
Year Ended June 30, 2025

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

Quarter Ended	PFC Revenue Collected	Interest Earned	Expenditures on PFC Projects
September 2024	$ 210,017	$ 33	$ 289,587
December 2024	682,856	38	291,042
March 2025	425,120	44	291,092
June 2025	761,423	50	288,530
Total	$ 2,079,416	$ 165	$ 1,160,251

Total PFC collections authorized	$ 59,763,524
Cumulative PFC collections	36,004,195
Remaining PFC collections authorized	$ 23,759,329

See notes to the schedule of passenger facility charges (PFC) collected and expended.

Note 1 – Basis of Accounting

This Schedule of Passenger Facility Charges (PFC) Collected and Expended (the Schedule) is reported on a cash basis. Therefore, only those revenues received and expenses paid for the quarter are reported. PFC revenues not received or expenses incurred prior to the end of each quarter are not accrued and are reported as revenues and expenses of the subsequent reporting period.

Other Information

Missoula County Airport Authority
Airport Operations Information
Years Ended June 30, 2025 and 2024

REVENUE PASSENGERS HANDLED

	2025	2024
Airlines		
Revenue passengers enplaned	528,295	475,040
Revenue passengers deplaned	525,194	472,136
Total	1,053,489	947,176

TOWER AIRCRAFT OPERATIONS

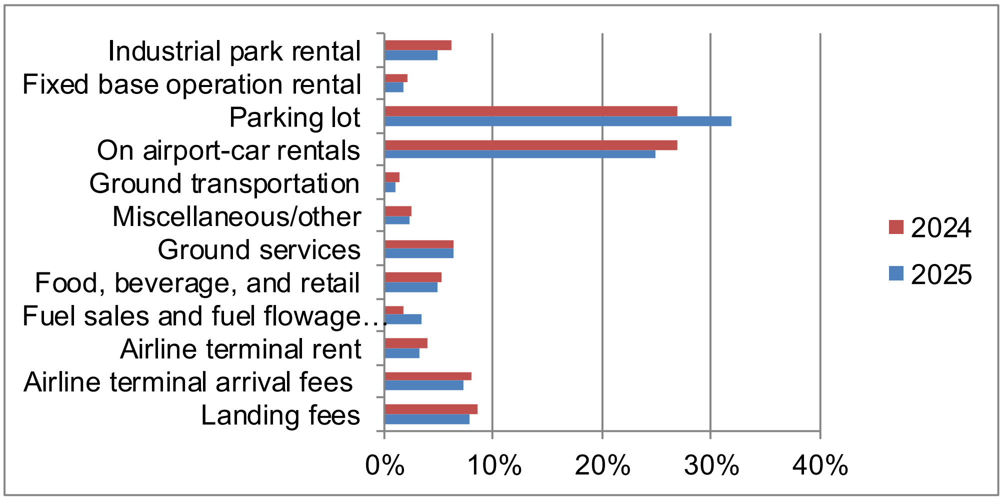
	2025	2024
Total Traffic	45,746	44,465

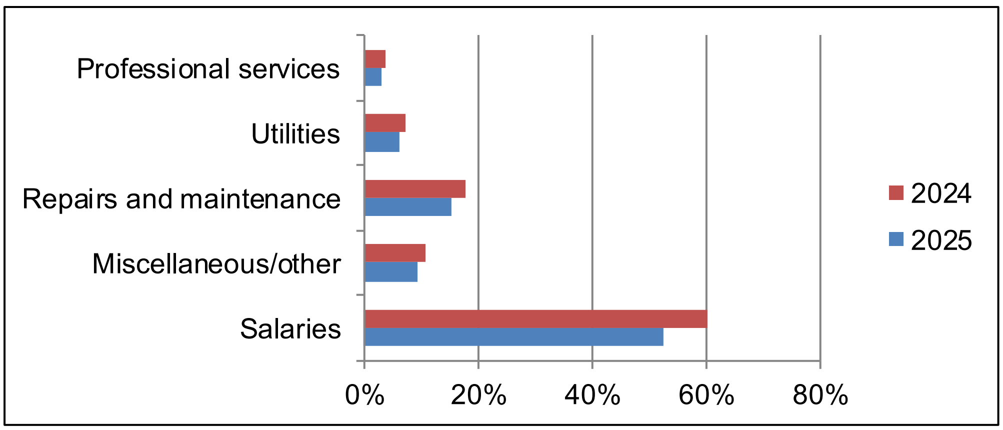
Missoula County Airport Authority
Insurance in Force
Year Ended June 30, 2025

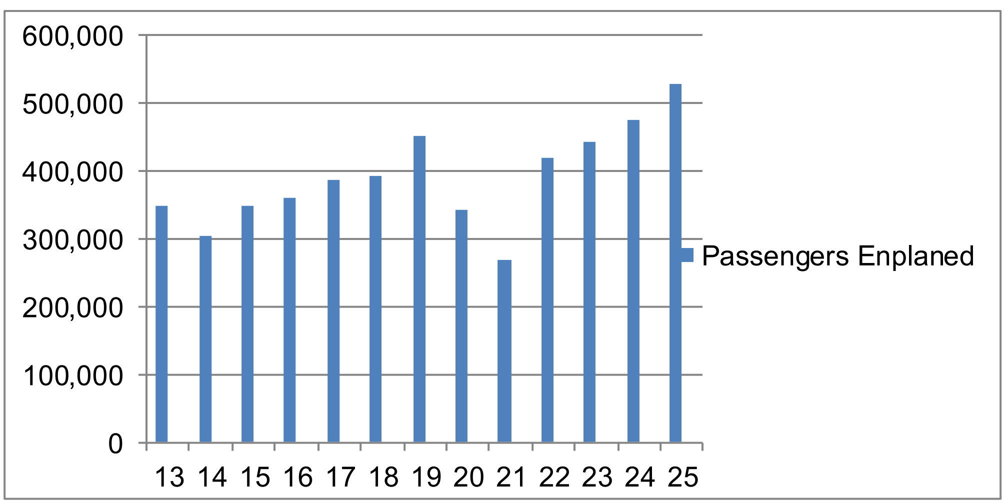
Insurer	Risk Covered	Coverage
PayneWest Insurance		
Liability	Products/completed operations aggregate limit	$ 50,000,000
	Personal/advertising injury aggregate limit	50,000,000
	Fire damage limit any one fire	1,000,000
	Medical expense limit any one person	5,000
	Hangarkeepers liability each aircraft	50,000,000
	Hangarkeepers liability each occurrence	50,000,000
	Employee benefits liability	1,000,000
	On-airport premises auto liability	50,000,000
	Excess auto liability	25,000,000
	Malpractice aggregate limit	50,000,000
	Non-owned aircraft liability	50,000,000
	Excess employers liability (excess of $1m underlying)	25,000,000
	Passenger baggage liability aggregate limit	250,000
	Passenger baggage liability each occurrence	2,500
	Limited terrorism	5,000,000
Commercial Auto	Combined single limit liability	1,000,000
	Uninsured/underinsured motorist	1,000,000
	Hired/non-owned liability	1,000,000
	Medical payments	5,000
	Comprehensive deductible	1,000
	Collision deductible	1,000
Commercial Property	Blanket building limit	75,879,494
	Terminal buildings limit	55,000,000
	Blanket contents limit	900,322
	Terminal contents	733,394
	Blanket business income limit	1,500,000
	Fencing, gates, and outdoor lighting	257,000
	Scheduled mobile equipment	6,287,701
	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, 2025 through July 1, 2026.

Missoula County Airport Authority
Graphs
Years Ended June 30, 2025 and 2024







Single Audit Section

Report of Independent Auditors 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*

The Board of Commissioners
Missoula County Airport Authority

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) which comprise the statement of net position as of June 30, 2025, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Missoula County Airport Authority's basic financial statements, and have issued our report thereon dated January 27, 2026.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Baker Tilly US, LLP

Portland, Oregon
January 27, 2026

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Commissioners
Missoula County Airport Authority

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Missoula County Airport Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2025. 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 compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; 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 program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 GAAS, *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.

Baker Tilly US, LLP

Portland, Oregon
January 27, 2026

Missoula County Airport Authority
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes ☒ No

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs

Federal Assistance Listing Number	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Program*
20.106	Airport Improvement Program	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	☒ Yes ☐ No

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

Other Compliance Reports

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Passenger Facility Charge Program and Report on Internal Control Over Compliance in Accordance with the *Passenger Facility Charge Program Audit Guide for Public Agencies*

The Board of Commissioners
Missoula County Airport Authority

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Missoula County Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Program 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, 2025.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended June 30, 2025.

Basis for Opinion on the Passenger Facility Charge Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Baker Tilly US, LLP

Portland, Oregon
January 27, 2026