



**MISSOULA COUNTY AIRPORT  
AUTHORITY**

**FINANCIAL REPORT**

**June 30, 2020 and 2019**



C O N T E N T S

	<u>PAGE</u>
ORGANIZATION – BOARD OF COMMISSIONERS AND ADMINISTRATION .....	1
INDEPENDENT AUDITOR’S REPORT.....	2 through 4
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5 through 9
FINANCIAL STATEMENTS	
Statements of Net Position .....	10 and 11
Statements of Revenues, Expenses, and Changes in Net Position .....	12
Statements of Cash Flows .....	13 and 14
Notes to Financial Statements .....	15 through 41
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS	
Schedule of Proportionate Share of the PERS Net Pension Liability for the Last Ten Fiscal Years.....	42
Schedule of PERS Contributions for the Last Ten Fiscal Years .....	43
Notes to Required Supplementary Information .....	44 and 45
SUPPLEMENTAL INFORMATION	
Operating Revenues.....	46
Operating Expenses .....	47
Revenue Bond Coverage .....	48
Airport Operations Information.....	49

CONTENTS  
(CONTINUED)

	<u>PAGE</u>
SUPPLEMENTAL INFORMATION (CONTINUED)	
Insurance in Force .....	50
Federally Funded Airport Projects .....	51
Schedule of Expenditures of Federal Awards .....	52
Notes to Schedule of Expenditures of Federal Awards .....	53
Schedule of Passenger Facility Charges (PFC) Collected and Expended .....	54
Graphs.....	55
SINGLE AUDIT SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	56 and 57
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	58 and 59
Schedule of Findings and Questioned Costs .....	60 and 61
OTHER COMPLIANCE REPORTS	
Independent Auditor's Report on Compliance for the Passenger Facility Charge Program and on Internal Control over Compliance Applicable to the Passenger Facility Charge Program.....	62 and 63

**MISSOULA COUNTY AIRPORT AUTHORITY  
MISSOULA, MONTANA**

**ORGANIZATION**

**Board of Commissioners**

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

**Administration**

Cris Jensen ..... Director  
Brian Ellestad ..... Deputy Director  
Teri Norcross ..... Finance Manager  
Lynn Fagan ..... Administrative Manager  
Dan Neuman ..... Business Development  
Rick Reeves ..... Administrative Assistant  
Kaite Derosier ..... Administrative Assistant  
Rita Harris-Powers ..... Accounting/Payroll Clerk  
Tim Damrow ..... Project Manager  
Andrew Bailey ..... Grounds Handling Manager  
Nate Cole ..... Airfield Operations Manager

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Missoula County Airport Authority  
Missoula, Montana

### **Report on the Financial Statements**

We have audited the accompanying financial statements, including the Passenger Facility Charge (PFC) quarterly reports, of Missoula County Airport Authority (the Authority) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-Matter**

As discussed in Note 1 to the financial statements, the Authority has adopted Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, the schedule of proportionate share of the PERS net pension liability on page 42 and the schedule of PERS contributions on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedules of operating revenues, operating expenses, revenue bond coverage, and the schedule of federally funded airport projects listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. The schedule of passenger facility charges collected and expended is required by the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration.

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

The airport operations information, insurance in force schedule, and graphs listed in the accompanying table of contents have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Anderson Zurmuehlen & Co., P.C.*

Missoula, Montana  
December 23, 2020



**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, 2020 and 2019. 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, 2020.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
June 30, 2020 and 2019

**FINANCIAL HIGHLIGHTS**

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

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	%	<u>2018</u>	<u>Increase (Decrease)</u>	%
Current Assets	\$ 11,267,833	\$ 10,566,277	\$ 701,556	6.6%	\$ 8,749,857	\$ 1,816,420	20.8%
Restricted Cash	2,581,192	2,093,624	487,568	23.3%	782,363	1,311,261	167.6%
Capital Assets, Net	78,696,359	65,468,290	13,228,069	20.2%	63,030,646	2,437,644	3.9%
Other Assets	2,125,559	2,782,919	(657,360)	-23.6%	3,416,247	(633,328)	-18.5%
Deferred Outflows	<u>556,634</u>	<u>699,080</u>	<u>(142,446)</u>	-20.4%	<u>989,732</u>	<u>(290,652)</u>	-29.4%
Total Assets and Deferred Outflows	<u>95,227,577</u>	<u>81,610,190</u>	<u>13,617,387</u>	16.7%	<u>76,968,845</u>	<u>4,641,345</u>	6.0%
Current Liabilities	\$ 2,931,486	\$ 2,488,648	\$ 442,838	17.8%	\$ 1,428,120	\$ 1,060,528	74.3%
Long-term Liabilities	3,715,165	2,827,318	887,847	31.4%	3,475,306	(647,988)	
Deferred Inflows	<u>3,014,195</u>	<u>3,850,746</u>	<u>(836,551)</u>	-21.7%	<u>4,173,409</u>	<u>(322,663)</u>	-7.7%
Total Liabilities and Deferred Inflows	<u>9,660,846</u>	<u>9,166,712</u>	<u>494,134</u>	5.4%	<u>9,076,835</u>	<u>89,877</u>	1.0%
Net Investment In Capital Assets	\$ 78,196,359	\$ 65,468,290	\$ 12,728,069	19.4%	\$ 62,412,634	\$ 3,055,656	4.9%
Restricted	2,581,192	2,093,624	487,568	23.3%	782,363	1,311,261	167.6%
Unrestricted	<u>4,789,180</u>	<u>4,881,564</u>	<u>(92,384)</u>	-1.9%	<u>4,697,013</u>	<u>184,551</u>	3.9%
Total Net Position	<u>85,566,731</u>	<u>72,443,478</u>	<u>13,123,253</u>	18.1%	<u>67,892,010</u>	<u>4,551,468</u>	6.7%
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 95,227,577</u>	<u>\$ 81,610,190</u>	<u>\$ 13,617,387</u>	16.7%	<u>\$ 76,968,845</u>	<u>\$ 4,641,345</u>	6.0%

Total assets and deferred outflows of \$95,227,577 includes:

- Current assets and restricted assets consisting of \$6,221,405 in cash and cash equivalents, \$2,581,192 in restricted cash, \$1,677,150 in accounts receivable and \$3,369,278 in other current assets which includes grants receivable, passenger facility charges (PFC), other current assets, and the current portion of a concession contract receivable (explained in the notes to the financial statements).
- Net capital assets of \$78,696,359.
- Other assets equal to \$2,125,559 related to a concession contract receivable as explained in the notes to the financial statements.
- Deferred outflows of resources of \$556,634, are related to pension contributions and are explained in the notes to the financial statements.
- Overall assets and deferred outflows increased by 17%.

Total liabilities and equity includes:

- Current liabilities of \$2,931,486 include accounts payable and employee compensation liabilities.
- Long-term liabilities include notes payable of \$500,000, as well as the Authority's share of the unfunded pension liability in the Public Employees Retirement System of \$3,215,165.
- Deferred inflows of resources include pension adjustments of \$158,638 and the service concession arrangement of \$2,855,557 both of which are discussed in the notes to the financial statements.
- Overall, liabilities and deferred inflows reflect an increase of 5%.
- The net position of \$85,566,731 includes \$78,196,359 invested in capital assets net of related debt, \$2,581,192 in restricted equity and \$4,789,180 in unrestricted equity.

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
 June 30, 2020 and 2019

**FINANCIAL HIGHLIGHTS (CONTINUED)**

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

Activities	2020	2019	Increase (Decrease)	%	2018	Increase (Decrease)	%
Operating Revenues	\$ 8,276,384	\$ 9,566,032	\$ (1,289,648)	-13%	\$ 8,728,410	\$ 837,622	10%
Operating Expenses	(7,001,286)	(6,459,652)	(541,634)	8%	(6,158,340)	(301,312)	5%
Depreciation	(5,434,845)	(5,462,316)	27,471	-1%	(5,320,429)	(141,887)	3%
Net Non-Operating	(261,802)	(2,885,373)	2,623,571	-91%	(64,370)	(2,821,003)	4382%
Capital Contributions	<u>17,544,802</u>	<u>9,792,777</u>	<u>7,752,025</u>	79%	<u>3,884,270</u>	<u>5,908,507</u>	152%
Change in Net Position	<u>\$ 13,123,253</u>	<u>\$ 4,551,468</u>	<u>\$ 8,571,785</u>		<u>\$ 1,069,541</u>	<u>\$ 3,481,927</u>	326%

Overall net position increased by \$13,123,253 resulting from:

- A net loss from operations of \$4,159,747 which is the net of operating income \$1,275,098 less depreciation of \$5,434,845.
- Capital contributions of \$17,544,802 include \$15,707,150 in federal grants, \$1,400,759 in PFC collections, \$92,505 in state grants, \$156,303 from an other transaction agreement, and contributed capital of \$188,085.
- Net non-operating revenue/expense includes interest expense of \$9,953, interest income of \$63,634 and debt issuance cost of \$315,483.

Net operations before depreciation include:

- Operating revenues of \$8,276,384 decreased by 13% from the previous fiscal year. Sources of operating revenue continue to be diversified over air carrier landing fees, terminal rent, car rentals including customer facility charges, parking fees, land leases, ground services, concessions and fuel flowage fees.
- Operating expenses of \$7,001,286 (before depreciation) increased by \$541,634 or 8%.
- Detail of operating revenues and expense can be found in the Supplemental Information section of this report.
- At 67% of total operating expenses, employee compensation and related expenses continues to be the single largest operating expense. A current year expense of \$4,712,335 increased from last fiscal year by 12.5%.
- Detail of federally funded projects can be found in the Supplemental Information section of this report.
- No local property tax revenues were received by the Airport.

**CAPITAL ASSETS**

- At the end of fiscal year 2020 the Authority has \$167,205,175 of capital assets, comprised of \$39,912,855 in non-depreciable assets, and \$127,292,320 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.

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
June 30, 2020 and 2019

**CAPITAL ASSETS (CONTINUED)**

- Annual depreciation expense was \$5,434,845.
- The dollar amount of new capital asset investment during the year was \$18,662,914.
- Capital asset additions, deletions and depreciation resulted in a net increase to property and equipment of \$13,228,069.
- At year end, the amount invested in capital assets, net of related debt, totaled \$78,196,359.

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

**DEBT**

- Information regarding the Authority long term debt is found in the notes to the financial statements.
- During fiscal year 2020 the Authority secured financing of \$35 million from a local lender, to partially fund the terminal replacement project. Further information regarding the terms and structure of the debt will be found in the notes to the financial statements.
- At fiscal year end the Authority had \$500,000 in debt related to the terminal replacement project.
- The current coverage ratio exceeds the minimum coverage required by the existing debt agreement of 1.25%.

**OTHER ECONOMIC INFORMATION**

- In December 2019, the novel coronavirus (COVID-19) was identified in Wuhan, China. In March 2020, with the rapid spread of the virus into all regions of the world, the World Health Organization declared COVID-19 a global pandemic. The pandemic has had deleterious effects on the operations and revenues of the Authority. The implications of the pandemic are discussed more fully in the notes to the financial statements.
- Coronavirus Aid, Relief and Economic Security (CARES) legislation was enacted in late March 2020 that included funds to provide economic relief to U.S. Airports. The Authority received a CARES grant for approximately \$5.6 million. It is expected that these funds will assist with operating and project costs for an estimated 3 years. The CARES funds are discussed more fully in the notes to the financial statements.
- The Authority continues to work on the project to replace the existing terminal. The project is estimated to be complete in January 2022.
- In August 2019, the Authority secured financing in the amount of \$35 million to partially fund the terminal replacement project. At fiscal year end the Authority had borrowed \$500,000 to fund project costs.

MISSOULA COUNTY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2020 and 2019

**BUDGETARY VARIANCES**

- Actual operating revenues of \$8,276,384 (excluding interest) fell short of the budgeted amounts of \$8,816,555.
- Actual operating expenses of \$7,001,286 exceeded the budgeted amounts of \$6,845,195.
- Revenues were under budget due to the adverse effects of the COVID-19 pandemic.
- Expenses are over budget due primarily to an unbudgeted pension expense adjustment.
- No amounts for depreciation expense are included in the Authority Board approved budget. The approved budget is in the form of a model which is used to calculate rates and charges for the air carriers. These rates and charges include charges for capital expenditures that benefit the areas of the airport in which the air carriers operate but are not otherwise funded with contributions.
- This model also does not include budgets for federal grants.

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

FINANCIAL STATEMENTS

MISSOULA COUNTY AIRPORT AUTHORITY  
 STATEMENTS OF NET POSITION  
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,221,405	\$ 5,826,267
Accounts receivable	1,677,150	2,174,533
Grants receivable	2,299,060	1,315,892
Passenger facility charge receivable	80,941	275,000
Current portion of concession contract receivable	729,998	729,998
Prepaid expenses	<u>259,279</u>	<u>244,587</u>
Total current assets	<u>11,267,833</u>	<u>10,566,277</u>
<b>RESTRICTED ASSETS</b>		
Cash	<u>2,581,192</u>	<u>2,093,624</u>
<b>CAPITAL ASSETS</b>		
Land available for sale	1,188,233	1,188,233
Other capital assets, net	<u>77,508,126</u>	<u>64,280,057</u>
Total capital assets, net	<u>78,696,359</u>	<u>65,468,290</u>
<b>OTHER ASSETS</b>		
Long-term portion of concession contract receivable	<u>2,125,559</u>	<u>2,782,919</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions and adjustments	<u>556,634</u>	<u>699,080</u>
Total deferred outflows of resources	<u>556,634</u>	<u>699,080</u>
Total assets and deferred outflows of resources	<u>\$ 95,227,577</u>	<u>\$ 81,610,190</u>

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

MISSOULA COUNTY AIRPORT AUTHORITY  
STATEMENTS OF NET POSITION (CONTINUED)  
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>2,931,486</u>	\$ <u>2,488,648</u>
Total current liabilities	<u>2,931,486</u>	<u>2,488,648</u>
LONG TERM LIABILITIES		
Long-term debt	500,000	-
Pension liability	<u>3,215,165</u>	<u>2,827,318</u>
Total long-term liabilities	<u>3,715,165</u>	<u>2,827,318</u>
Total liabilities	<u>6,646,651</u>	<u>5,315,966</u>
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	158,638	337,829
Service concession arrangement - Republic Parking	<u>2,855,557</u>	<u>3,512,917</u>
Total deferred inflows of resources	<u>3,014,195</u>	<u>3,850,746</u>
NET POSITION		
Net investment in capital assets	78,196,359	65,468,290
Restricted	2,581,192	2,093,624
Unrestricted	<u>4,789,180</u>	<u>4,881,564</u>
Total net position	<u>85,566,731</u>	<u>72,443,478</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 95,227,577</u>	<u>\$ 81,610,190</u>

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

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Landing field	\$ 953,826	\$ 1,174,567
Terminal	6,420,767	7,538,078
Fixed base/government	319,716	286,671
Industrial park	<u>582,075</u>	<u>566,716</u>
Total operating revenues	8,276,384	9,566,032
<b>DIRECT OPERATING EXPENSES</b>	<u>(7,001,286)</u>	<u>(6,459,652)</u>
<b>INCOME FROM OPERATIONS BEFORE DEPRECIATION</b>	1,275,098	3,106,380
<b>DEPRECIATION</b>	<u>(5,434,845)</u>	<u>(5,462,316)</u>
<b>LOSS FROM OPERATIONS</b>	<u>(4,159,747)</u>	<u>(2,355,936)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	63,634	70,614
Interest expense	(9,953)	(3,785)
Debt issuance costs	(315,483)	-
Loss on disposal of asset	<u>-</u>	<u>(2,952,202)</u>
Total other income (expense)	<u>(261,802)</u>	<u>(2,885,373)</u>
<b>LOSS BEFORE CONTRIBUTIONS</b>	<u>(4,421,549)</u>	<u>(5,241,309)</u>
<b>CONTRIBUTIONS</b>		
Federal government	13,366,049	7,815,748
CARES Act grants	2,341,101	-
State grants	21,461	12,857
Pension revenue – State aid	71,044	63,298
Other transaction agreement, non-operating	156,303	-
Contributed capital	188,085	-
Passenger facility charges	<u>1,400,759</u>	<u>1,900,874</u>
Total contributions	<u>17,544,802</u>	<u>9,792,777</u>
<b>CHANGE IN NET POSITION</b>	13,123,253	4,551,468
<b>NET POSITION</b>		
Beginning of year	<u>72,443,478</u>	<u>67,892,010</u>
Net position, end of year	<u>\$ 85,566,731</u>	<u>\$ 72,443,478</u>

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

MISSOULA COUNTY AIRPORT AUTHORITY  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 8,773,767	\$ 9,252,442
Cash paid to suppliers	(2,427,751)	(2,192,720)
Cash paid to employees and employee benefits	<u>(4,361,233)</u>	<u>(4,087,337)</u>
Net cash flows from operating activities	<u>1,984,783</u>	<u>2,972,385</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for capital assets	(18,662,914)	(10,852,162)
Construction payable incurred	566,946	1,516,652
Interest paid on long-term debt	(9,953)	(3,785)
Proceeds on long-term debt	500,000	-
Debt issuance costs paid	(315,483)	-
Principal payments on long-term debt	-	(618,012)
Federal contributions	14,951,329	7,350,360
Capital contributions	188,085	-
State grants	<u>21,461</u>	<u>76,155</u>
Net cash flows from capital and related financing activities	<u>(2,760,529)</u>	<u>(2,530,792)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Passenger facility charges	<u>1,594,818</u>	<u>1,825,874</u>
Net cash flows from noncapital financing activities	<u>1,594,818</u>	<u>1,825,874</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and investment income	<u>63,634</u>	<u>70,614</u>
Net cash flows from investing activities	<u>63,634</u>	<u>70,614</u>
Net change in cash and cash equivalents	882,706	2,338,081
Cash and cash equivalents, beginning of year	<u>7,919,891</u>	<u>5,581,810</u>
Cash and cash equivalents, end of year	<u>\$ 8,802,597</u>	<u>\$ 7,919,891</u>

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

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
 For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH AND CASH EQUIVALENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF NET POSITION UNDER THE FOLLOWING CAPTIONS		
Unrestricted cash	\$ 6,221,405	\$ 5,826,267
Cash restricted for debt reserves	<u>2,581,192</u>	<u>2,093,624</u>
	<u>\$ 8,802,597</u>	<u>\$ 7,919,891</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	<u>\$ (4,159,747)</u>	<u>\$ (2,355,936)</u>
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	5,434,845	5,462,316
Pension adjustments	351,102	101,109
Change in receivables	1,154,743	377,857
Change in prepaid expenses	(14,692)	6,259
Change in unearned revenue and deferred inflows	(657,360)	(691,447)
Change in accounts payable and accrued expenses	<u>(124,108)</u>	<u>72,227</u>
Total adjustments	<u>6,144,530</u>	<u>5,328,321</u>
Net cash flows from operating activities	<u>\$ 1,984,783</u>	<u>\$ 2,972,385</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Change in pension liability, net	<u>\$ 351,102</u>	<u>\$ 101,109</u>

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

**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. The Governmental Accounting Standards Board (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 are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**New Accounting Pronouncements**

The Authority has adopted the provisions of the following GASB pronouncement for the fiscal year 2020:

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The primary objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. Prior to the issuance of this statement, interest costs were capitalized as part of the historical cost of a capital asset. Under GASB Statement 89, however, those costs are recognized as an expense in the period incurred. The requirements of this Statement have been applied prospectively.

**Classification of Net Position**

***Net Investment in Capital Assets***

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

***Restricted Net Position***

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

***Unrestricted Net Position***

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

**Cash and Cash Equivalents**

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

**Investments**

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

**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.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

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

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

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

**Federal Capital Contributions**

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

**COVID-19**

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

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

In March 2020, total passengers through the airport were approximately 52% for the same time-period in 2019. April 2020, saw passengers traffic drop to 4.5% of prior year. By June 30, 2020, the passenger numbers had only recovered to 23% of 2019. For the entire fiscal year 2020, passenger traffic was 57% of fiscal year 2019.

The full extent and duration of the impact of COVID-19 on the Authority's operations and financial performance is currently unknown, and depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, new information that may emerge concerning the severity of the virus and the actions to contain the virus or treat its impact, among others.

**CARES Act Grants**

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**CARES Act Grants (Continued)**

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

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

Under this new CARES Airport Program:

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

The Authority received a grant award totaling \$5,616,102 related to the CARES Act. As of June 30, 2020, the Authority has recognized \$1,678,236 as grant revenue on the CARES Act grant to reimburse eligible operating expenses. Additionally, the federal share of 2020 AIP grants was increased to 100 percent totaling \$888,102.

**Passenger Facility Charges**

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

**Contributed Capital**

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**Compensated Absences**

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

**Airline Revenues**

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

**Use of Estimates**

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

**Marketing**

Marketing costs represent expenditures related to air service development. These costs are charged to operations in the year incurred and totaled \$210,056 and \$166,516, in 2020 and 2019, respectively.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 2. CASH AND INVESTMENTS**

Cash and investments at June 30 were as follows:

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 300	\$ 300
Cash in checking, general	3,074,774	1,751,622
Terminal project account	-	97
Project checking account	116	-
Undeposited funds	1,983	-
U.S. Forest Service account	50,000	50,004
Payroll checking account	211,370	218,013
PFC cash account	2,571,237	2,093,624
CFC account	238,330	-
STIP	951,176	2,909,192
Money market accounts	1,575,523	768,550
Flex - benefits	2,187	2,903
Contingency account	<u>125,601</u>	<u>125,586</u>
	<u>\$ 8,802,597</u>	<u>\$ 7,919,891</u>

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,221,405	\$ 5,826,267
Restricted assets		
Cash	<u>2,581,192</u>	<u>2,093,624</u>
Total cash and investments	<u>\$ 8,802,597</u>	<u>\$ 7,919,891</u>

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

**Fair Value Measurements**

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

***Deposits***

**Custodial Credit Risk** for deposits is the risk that in the event of bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires that all deposits are insured by an agency of the United States Government and deposits in excess of insurance require pledged securities in compliance with Section 7-6-207 of the Montana Code Annotated (MCA). Third-party safekeeping of collateral is mandatory and pledged securities are valued at market rather than face value. All deposits were insured or collateralized at June 30, 2020 and 2019.

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.

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2020 and 2019

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

***External Investment Pool (Continued)***

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

Credit risk reflects the security quality rating, by investment security type. If a security type is not rated, the quality type is indicated by NR (not rated). Although the individual investment types in STIP have been rated, STIP, as an external investment pool, has not been rated by the Nationally Recognized Statistical Rating Organizations (NRSRO). The NRSRO consists of Standard and Poor (S&P), Moody's, Duff and Phelps, Fitch, IBCA, and Thompson's Bank Watch. The S&P rating service provides the short-term credit ratings. If an S&P rating is not available, a Moody's rating has been used. An A1+ 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:

	<u>2020</u>	<u>2019</u>
Trade	\$ 1,582,907	\$ 2,163,396
Advertising	278	7,602
Ground handling	88,544	-
Non-based landing fees	5,421	3,535
	<u>\$ 1,677,150</u>	<u>\$ 2,174,533</u>

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2020 and 2019

**NOTE 4. CAPITAL ASSETS**

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Other</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not being depreciated:					
Land	\$ 11,494,266	\$ -	\$ -	\$ -	\$ 11,494,266
Land available for sale	1,188,233	-	-	-	1,188,233
Construction in progress	<u>8,927,536</u>	<u>18,621,057</u>	<u>(272,829)</u>	<u>(45,408)</u>	<u>27,230,356</u>
Total capital assets not being depreciated	<u>21,610,035</u>	<u>18,621,057</u>	<u>(272,829)</u>	<u>(45,408)</u>	<u>39,912,855</u>
Capital assets being depreciated:					
Land improvements	12,464,891	37,500	-	-	12,502,391
Buildings	27,744,586	211,746	-	-	27,956,332
Runways, taxiways, apron	69,489,741	238	-	-	69,489,979
Air traffic control tower	6,513,530	-	-	-	6,513,530
Studies	2,162,444	-	-	-	2,162,444
Machinery and equipment	2,996,582	81,023	-	-	3,077,605
Office equipment	7,175	-	-	-	7,175
Vehicles	5,440,675	29,587	-	-	5,470,262
Furniture and fixtures	<u>112,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,602</u>
Total capital assets being depreciated	126,932,226	360,094	-	-	127,292,320
Less accumulated depreciation	<u>(83,073,971)</u>	<u>(5,434,845)</u>	<u>-</u>	<u>-</u>	<u>(88,508,816)</u>
Capital assets - net	<u>\$ 65,468,290</u>	<u>\$ 13,546,306</u>	<u>\$ (272,829)</u>	<u>\$ (45,408)</u>	78,696,359
					Less related debt <u>(500,000)</u>
					<u>\$ 78,196,359</u>

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 4. CAPITAL ASSETS (CONTINUED)**

A summary of capital assets at June 30, 2019, follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Other</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets not being depreciated:					
Land	\$ 11,494,266	\$ -	\$ -	\$ -	\$ 11,494,266
Land available for sale	1,188,233	-	-	-	1,188,233
Construction in progress	<u>1,095,303</u>	<u>10,889,866</u>	<u>(1,321,584)</u>	<u>(1,736,049)</u>	<u>8,927,536</u>
Total capital assets not being depreciated	<u>13,777,802</u>	<u>10,889,866</u>	<u>(1,321,584)</u>	<u>(1,736,049)</u>	<u>21,610,035</u>
Capital assets being depreciated:					
Land improvements	12,486,685	6,969	(28,763)	-	12,464,891
Buildings	31,234,656	1,549,382	(5,039,452)	-	27,744,586
Runways, taxiways, apron	68,420,225	1,069,516	-	-	69,489,741
Air traffic control tower	6,513,530	-	-	-	6,513,530
Studies	2,162,444	-	-	-	2,162,444
Machinery and equipment	2,906,457	90,125	-	-	2,996,582
Office equipment	37,108	-	(29,933)	-	7,175
Vehicles	5,181,702	306,360	(47,387)	-	5,440,675
Furniture and fixtures	<u>112,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,602</u>
Total capital assets being depreciated	129,055,409	3,022,352	(5,145,535)	-	126,932,226
Less accumulated depreciation	<u>(79,802,565)</u>	<u>(5,462,316)</u>	<u>2,190,910</u>	<u>-</u>	<u>(83,073,971)</u>
Capital assets - net	<u>\$ 63,030,646</u>	<u>\$ 8,449,902</u>	<u>\$ (4,276,209)</u>	<u>\$ (1,736,049)</u>	65,468,290
					-
					<u>\$ 65,468,290</u>

Land in the amount of \$1,188,233 at June 30, 2020 and 2019, is available for sale as described in Note 11.

**NOTE 5. LONG-TERM DEBT**

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

	<u>2020</u>
Airport revenue note - series 2019A	\$ 393,700
Airport revenue note - series 2019B	<u>106,300</u>
	500,000
Current portion of long-term debt	-
	<u>\$ 500,000</u>

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

The Authority's outstanding notes from direct borrowings of \$500,000 are secured by net revenues, passenger facility charges and customer facility charges. The outstanding notes from direct borrowings require, among other things, that net operating revenues equal at least 125 percent of the debt service requirement (the rate covenant), minimum levels of insurance coverage, and compliance with PFC regulations. The notes are subject to redemption and prepayment in whole or in part at the option of the Authority on any date on or after July 1, 2022.

*Airport Revenue Note Series 2019A* was issued in August 2019 as a draw down obligation for \$27,500,000 with the principal amounts advanced as requested by the Authority. Interest on the unpaid principal is calculated on the basis of actual number of days elapsed in a 365 or 366 day year at a fixed annual interest rate of 3.98 percent. Interest is due and payable on the 1<sup>st</sup> day of each calendar quarter, beginning July 1, 2020. Principal is due and payable on the 1<sup>st</sup> 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 percent. Interest is due and payable on the 1<sup>st</sup> day of each calendar quarter, beginning July 1, 2020. Principal is due and payable on the 1<sup>st</sup> day of each calendar quarter, beginning July 1, 2022. All unpaid principal and accrued interest is due and payable on April 1, 2029.

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

Changes in long-term debt were as follows:

2020	Balance July 1, 2019	Proceeds from Borrowing	Payments	Balance June 30, 2020	Amount Due in One Year
Note payable to First Security Bank of Missoula - series 2019A	\$ -	\$ 393,700	\$ -	\$ 393,700	\$ -
Note payable to First Security Bank of Missoula - series 2019B	-	106,300	-	106,300	-
	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>

**NOTE 6. LEASE OF AIRPORT FACILITIES**

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 6. LEASE OF AIRPORT FACILITIES (CONTINUED)**

The public health emergency caused by the COVID-19 pandemic has caused a significant decrease in enplanements nationally and at the Authority. Based on the significant loss of revenue to the Authority's concessionaires caused by the decrease in volume of traffic, the Authority deemed it reasonable to provide for relief to concessionaires. As of June 30, 2020, the Authority had waived approximately \$45,000 of rental income for the rental car companies who operate on airport property. These amounts were not included in accounts receivable as of June 30, 2020.

The Authority also revised the rental car concession agreements as follows: The term of the agreement is redefined to match the fiscal year of the Authority and will run from July 1, 2020 through June 30, 2025. This agreement will effectively eliminate the minimum annual guarantee (MAG) for the period October 2019 through June 2020. The rental car companies will continue to pay 10% of gross revenues and customer facility fees of \$4 per contract day. For the upcoming fiscal year July 2020 through June 2021, the Authority also reduced the MAG by 45%.

Additional relief provided by the Authority included removal of MAGs for smaller vending concessionaires for the period April 1, 2020 through June 30, 2021. These concessionaires will continue to pay the airport the percentage of gross revenues agreed to in current contracts. The impact on 2021 of this relief will likely be immaterial.

The airport gift shop, Gifted Wings, feeling that the business was no longer viable within the constraints and reduced passenger traffic resulting from COVID-19, asked to be released from the remaining 18 months of their contract with the airport. Gifted Wings agreed to sell the Authority all remaining inventory, fixtures, displays, and shelving valued at approximately \$200,000, for \$50,000. After fiscal year end, the Authority entered into a management agreement with Faber, Coe & Gregg, Inc. to run the gift shop.

Rents and fees for air carriers for the months April, May and June 2020 have been deferred with the agreement that the deferred amounts will be paid in full by no later than December 31, 2020. Rents and fees of \$194,300 were included in fiscal year end accounts receivable with the expectation that they will be fully paid as agreed.

A schedule of minimum future rentals for non-cancellable leases (excluding air carrier use agreements) as of June 30, 2020, follows:

2021	\$ 2,637,296
2022	3,174,995
2023	3,237,241
2024	3,218,189
2025	<u>2,420,862</u>
	<u>\$ 14,688,583</u>

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2020 and 2019

**NOTE 7. RESTRICTED NET POSITION**

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

	<u>2020</u>	<u>2019</u>
Airport fund		
Debt service	\$ <u>9,955</u>	\$ <u>-</u>
	<u>9,955</u>	<u>-</u>
Other		
Passenger facility charge cash	<u>2,571,237</u>	<u>2,093,624</u>
	<u>2,571,237</u>	<u>2,093,624</u>
Total	<u>\$ 2,581,192</u>	<u>\$ 2,093,624</u>

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

**Summary of Significant Accounting Policies**

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

**Plan Description**

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**Plan Description (Continued)**

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.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**Summary of Benefits (Continued)**

- 2) Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
  - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - GABA starts on the recalculation benefit in January after receiving the new benefit for 12 months.
- 3) Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - The same retirement as prior to the return to service;
  - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

**Member's Highest Average Compensation (HAC)**

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

**Compensation Cap**

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

**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.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**Summary of Benefits (Continued)**

**Guaranteed Annual Benefit Adjustment (GABA)**

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

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

**Contributions**

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

**Special Funding**

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

**Not Special Funding**

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

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2020 and 2019

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

**Overview of Contributions**

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

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	.0370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	.0370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

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

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2020 and 2019

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

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

GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll-forward procedures. The roll-forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll-forward procedure will include the effects of any assumption changes and legislative changes. The 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, 2019, and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$3,215,165 and the employer's proportionate share was 0.1538 percent.

	Net Pension Liability as of June 30, 2019	Net Pension Liability as of June 30, 2018	Percent of Collective NPL as of June 30, 2019	Percent of Collective NPL as of June 30, 2018*	Change in Percent of Collective NPL
Authority					
Proportionate share	\$3,215,165	\$ 2,827,318	0.153813%	0.135464%	0.018349%
State of Montana					
Proportionate share					
Associated with the					
Authority	1,046,472	948,439	0.050063%	0.045442%	0.004621%
Total	<u>\$4,261,637</u>	<u>\$ 3,775,757</u>	<u>0.203876%</u>	<u>0.180906%</u>	<u>0.022970%</u>

\* To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with Employer Percent of Collective NPL, the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation instead of the 100% displayed last year. This does not change the dollar amount of the NPL as of June 30, 2018, just the percentage.

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2020 and 2019

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

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

***Changes in Actuarial Assumptions and Methods***

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

***Changes in Benefit Terms***

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

***Pension Expense***

At June 30, 2019, the Authority recognized \$554,419 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$2,636 for the state of Montana proportionate share of the pension expense associated with the Authority. Additionally, the Authority recognized grant revenue of \$68,408 from the State Statutory Appropriation from the General Fund.

	Pension expense as of 6/30/2019	Pension expense as of 6/30/2018
Authority's proportionate share	\$ 554,419	\$ 344,769
State of Montana proportionate share for Authority	2,636	63,298
State of Montana Appropriation for employer	68,408	-
Total	\$ 625,463	\$ 408,067

***Recognition of Deferred Inflows and Outflows***

At June 30, 2019, 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	\$ 152,456	\$ 151,286
Change in assumptions	136,494	-
Projected vs. actual investment earnings	38,983	-
Changes in proportion share and differences between employer contributions and proportionate share of contributions	-	7,351
Employer contributions subsequent to measurement date	228,702	-
Total	\$ 556,634	\$ 158,638

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2020 and 2019

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

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

***Recognition of Deferred Inflows and Outflows (Continued)***

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date in the amount of \$228,702 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year ended June 30:	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to Pension Expense
2020	\$ 216,035
2021	(96,229)
2022	14,502
2023	34,987
Thereafter	-

**Actuarial Assumptions**

The TPL in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.75%
- Merit Increases 0% to 6.30%

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**Actuarial Assumptions (Continued)**

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

**Mortality**

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

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

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2020 and 2019

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

**Actuarial Assumptions (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which established the contractually required rates under Montana Code Annotated.

The state contributed 0.10% of salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, 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.

	<u>1.0% Decrease (6.65)%</u>	<u>Current Discount Rate (7.65)%</u>	<u>1.0% Increase (8.65)%</u>
Missoula County Airport Authority's net pension liability	<u>\$4,619,275</u>	<u>\$ 3,215,165</u>	<u>\$2,035,187</u>

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

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

**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, 2019, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 320 employers that have participants in the PERS-DCRP totaled \$714,024.

**Pension Plan Fiduciary Net Position**

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

**Medical Benefit Plan**

The Authority participates in the Missoula County Medical Benefit Plan. During 2020 and 2019, the Authority paid \$455,418 and \$432,290, respectively, to the Plan.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 9. OTHER RETIREMENT AND MEDICAL BENEFIT PLANS**

**Other Retirement Plan**

In 2019 and 2020, the Authority contributed 4% of compensation for regular full-time employees as a non-elective contribution to the Authority's 414(h) retirement plan (the Plan). The Authority's profit sharing contribution for 2019 and 2020 was 8% of compensation for all eligible employees. The Authority reserves the right to amend the retirement plan, including the percentage of contributions.

The Authority's contributions to the profit sharing plan for years ended June 30, 2020 and 2019, were \$225,141 and \$212,820, respectively. Employee contributions to the Authority's 414(h) retirement plan for years ended June 30, 2020 and 2019, were \$112,570 and \$106,410, respectively.

**Deferred Compensation Plan**

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

**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 Authority has also reviewed the provisions of GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans". In complying with GASB 75, the Authority has estimated the value of the total OPEB liability as of June 30, 2020. That estimation resulted in an immaterial amount; therefore, the liability and additional disclosures related to OPEB, have not been included on the Statement of Net Position or within the notes to the financial statements.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**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, 2020, 2019 or 2018. 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, 2020 and 2019.

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, 2020 and 2019 were \$97,529 and \$86,169, respectively.

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

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

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

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

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

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

**NOTE 13. SERVICE CONCESSION ARRANGEMENT**

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

The terms of the agreement include:

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

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

Fiscal Year Ended	Net Present Value of Minimum Annual	Percentage of Annual Gross Receipts (calculated for the contract years ended June 30)
June 30, 2021	\$729,998	50% of RPS's annual gross receipts >\$0 but <\$200,000
June 30, 2022	710,530	80% of RPS's annual gross receipts >\$200,000 but <\$500,000
June 30, 2023	691,580	85% of RPS's annual gross receipts >\$500,000 but <\$1,200,000
June 30, 2024	673,136	92.5% of RPS's annual gross receipts >\$1,200,000

The facility is reported by the Authority as a capital asset and is being depreciated over its useful life. For the amount to be received under the agreement, the Authority has recorded a receivable and deferred inflow of resources in the amount of \$2,855,557 and \$3,512,917 for fiscal years June 30, 2020 and 2019, respectively. The deferred inflow of resources is amortized to revenue over the term of the agreement.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019

**NOTE 14. SUBSEQUENT EVENT**

Management has evaluated subsequent events through December 23, 2020, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE PERS NET PENSION LIABILITY**  
**\*FOR THE LAST TEN FISCAL YEARS**  
**June 30, 2020**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability as a percentage	0.1538%	0.1355%	0.1709%	0.1536%	0.1509%	0.1402%
Employer's net pension liability as an amount	\$ 3,215,165	\$ 2,827,318	\$ 3,327,526	\$ 2,616,735	\$2,110,016	\$1,747,437
State of Montana's net pension liability	<u>1,046,472</u>	<u>948,439</u>	<u>46,963</u>	<u>31,973</u>	<u>25,918</u>	<u>21,339</u>
Total	<u>\$ 4,261,637</u>	<u>\$ 3,775,757</u>	<u>\$ 3,374,489</u>	<u>\$ 2,648,708</u>	<u>\$2,135,934</u>	<u>\$1,768,776</u>
Employer's covered payroll	\$ 2,537,886	\$ 2,227,772	\$ 2,119,084	\$ 1,840,137	\$1,761,557	\$1,610,102
Employer's proportionate share of the net pension liability as a percentage of covered payroll	126.69%	126.91%	157.03%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

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

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF PERS CONTRIBUTIONS**  
**\*FOR THE LAST TEN FISCAL YEARS**  
**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Schedule of Contributions for the Last Ten Fiscal Years*</b>						
Contractually required contributions	\$ 228,702	\$ 218,276	\$ 188,693	\$ 177,398	\$ 162,639	\$ 156,531
Contributions in relation to the contractually required contributions	<u>228,702</u>	<u>218,276</u>	<u>188,693</u>	<u>177,398</u>	<u>162,639</u>	<u>156,531</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Employer's covered-employee payroll	\$ 2,637,849	\$ 2,537,886	\$ 2,227,772	\$ 2,119,084	\$1,840,137	\$1,761,557
Contributions as a percent of covered-employee payroll	8.67%	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.  
 Schedule is intended to show information for 10 years. Additional years will be  
 displayed as they become available.*

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020

**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.

MISSOULA COUNTY AIRPORT AUTHORITY  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
 June 30, 2020

**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 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.3%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	Form males and females: RP 2000 Combined Mortality Table
Admin expenses as % of payroll	0.26%

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

SUPPLEMENTAL INFORMATION

MISSOULA COUNTY AIRPORT AUTHORITY  
OPERATING REVENUES  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
<b>LANDING FIELD</b>			
Landing fees			
Airlines	\$ 785,277	\$ 961,216	\$ (175,939)
Freight carriers	43,253	45,719	(2,466)
Forest service	19,780	37,159	(17,379)
Other	32,931	38,094	(5,163)
Fuel flowage	<u>72,585</u>	<u>92,379</u>	<u>(19,794)</u>
Total landing field	<u>953,826</u>	<u>1,174,567</u>	<u>(220,741)</u>
<b>TERMINAL</b>			
Airline rentals	1,084,716	1,085,077	(361)
Non-sig turn fees	155,810	180,810	(25,000)
Equipment/space/services	-	23,180	(23,180)
Advertising income	179,904	186,703	(6,799)
Land transportation facilities			
Customer facility charges	761,483	973,425	(211,942)
On-airport car rentals	1,331,572	1,478,595	(147,023)
Off-airport car rentals	43,972	46,352	(2,380)
Parking lot	1,671,767	2,280,052	(608,285)
Ground services	544,437	568,804	(24,367)
Restaurant	97,560	105,628	(8,068)
Coffee concession	86,664	115,770	(29,106)
Travel agency	7,093	7,093	-
Gift shops	165,630	238,093	(72,463)
Telephones and vending	30,402	29,672	730
Utilities reimbursement	27,941	23,479	4,462
Security reimbursement	126,570	120,521	6,049
Other	<u>105,246</u>	<u>74,824</u>	<u>30,422</u>
Total terminal	<u>6,420,767</u>	<u>7,538,078</u>	<u>(1,117,311)</u>
<b>FIXED BASE/GOVERNMENT</b>			
Government office rental	62,634	57,415	5,219
Fixed base operator's rental	<u>257,082</u>	<u>229,256</u>	<u>27,826</u>
Total fixed base/government	<u>319,716</u>	<u>286,671</u>	<u>33,045</u>
<b>INDUSTRIAL PARK</b>			
Building and ground rental	562,952	547,715	15,237
Agricultural ground rental	15,084	15,067	17
Fuel farm rental	<u>4,039</u>	<u>3,934</u>	<u>105</u>
Total industrial park	<u>582,075</u>	<u>566,716</u>	<u>15,359</u>
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 8,276,384</u>	<u>\$ 9,566,032</u>	<u>\$ (1,289,648)</u>

MISSOULA COUNTY AIRPORT AUTHORITY  
OPERATING EXPENSES

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Accounting and auditing services	\$ 26,102	\$ 24,344	\$ 1,758
Consulting services	154,903	76,729	78,174
Display/visitor information center	7,716	8,000	(284)
Insurance	129,477	123,204	6,273
Legal services	1,410	3,747	(2,337)
Maintenance, repairs and equipment rentals	1,019,429	1,016,451	2,978
Membership and organization dues	13,200	14,896	(1,696)
Office supplies and equipment	36,361	44,542	(8,181)
Other	172,381	122,072	50,309
Petroleum products and tires	54,730	79,817	(25,087)
Safety supply and equipment	12,377	10,270	2,107
Salaries and related payroll expenses	4,712,335	4,188,446	523,889
Telephone	46,246	48,623	(2,377)
Training	33,163	68,101	(34,938)
Travel, meals and public relations	64,260	88,666	(24,406)
Uniforms and laundry	16,727	26,243	(9,516)
Utilities	500,469	515,501	(15,032)
	<u>\$ 7,001,286</u>	<u>\$ 6,459,652</u>	<u>\$ 541,634</u>

MISSOULA COUNTY AIRPORT AUTHORITY  
REVENUE BOND COVERAGE  
For the Year Ended June 30, 2020

GROSS REVENUES	
Operating	\$ 8,276,384
Plus: interest - unrestricted, debt service and debt service reserve	<u>63,634</u> 8,340,018
 OPERATING EXPENSES	 <u>7,001,286</u>
 NET REVENUE AVAILABLE FOR DEBT SERVICE	 <u>\$ 1,338,732</u>
 FISCAL YEAR DEBT SERVICE REQUIREMENT	 <u>\$ 9,953</u>
 COVERAGE RATIO	 <u>134.51</u>
 MINIMUM DEBT SERVICE COVERAGE REQUIRED BY RATE COVENANT	 <u>1.25</u>

MISSOULA COUNTY AIRPORT AUTHORITY  
AIRPORT OPERATIONS INFORMATION  
For the Years Ended June 30, 2020 and 2019

REVENUE PASSENGERS HANDLED

	<u>2020</u>	<u>2019</u>
Airlines		
Revenue passengers enplaned	343,022	450,435
Revenue passengers deplaned	<u>337,682</u>	<u>449,927</u>
Total	<u>680,704</u>	<u>900,362</u>

TOWER AIRCRAFT OPERATIONS

Total Traffic	<u>37,801</u>	<u>38,219</u>
---------------	---------------	---------------

MISSOULA COUNTY AIRPORT AUTHORITY  
INSURANCE IN FORCE  
For the Year Ended June 30, 2020

Insurer	Risk Covered	Coverage
PayneWest Insurance Liability	Products/completed operations aggregate limit	\$ 50,000,000
	Personal/advertising injury aggregate limit	50,000,000
	Fire damage limit any one fire	1,000,000
	Medical expense limit any one person	5,000
	Hangarkeepers liability each aircraft	50,000,000
	Hangarkeepers liability each occurrence	50,000,000
	Employee benefits liability	1,000,000
	On-airport premises auto liability	50,000,000
	Excess auto liability	25,000,000
	Malpractice aggregate limit	50,000,000
	Non-owned aircraft liability	50,000,000
	Excess employers liability (excess of \$1m underlying)	25,000,000
	Passenger baggage liability aggregate limit	250,000
	Passenger baggage liability each occurrence	2,500
	Limited terrorism	5,000,000
Commercial Auto	Combined single limit liability	1,000,000
	Uninsured/underinsured motorist	1,000,000
	Hired/non-owned liability	1,000,000
	Medical payments	5,000
	Comprehensive deductible	1,000
	Collision deductible	1,000
Commercial Property	Blanket building limit	16,352,581
	Terminal buildings limit	23,538,068
	Blanket contents limit	150,909
	Terminal contents	663,000
	Blanket business income limit	1,500,000
	Fencing, gates, and outdoor lighting	257,000
	Scheduled mobile equipment	5,213,884
	Flood coverage	1,000,000
	Crime coverage	125,000
Non-Profit Organization Policy	Directors and officers liability aggregate limit	2,000,000
	Employment practices liability aggregate limit	2,000,000
	Fiduciary liability	1,000,000

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**FEDERALLY FUNDED AIRPORT PROJECTS**  
For the Year Ended June 30, 2020

**AIP Funded Projects**

Project #	Projects	Percent Complete	Grant Award
65	Terminal Demo/Foundation, Vertical and Core	72%	\$ 9,208,268
66	Terminal Access Road	100%	1,000,000
67	West GA Improvements	98%	1,390,243
68	Terminal Core/Shell /Interior	55%	7,490,787
69	Terminal Access Road	100%	268,155
70	CARES Funding	35%	5,616,102

**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	4%	36,265,589

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2020

<u>Program Description</u>	<u>CFDA No.</u>	<u>Contract No.</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Transportation</b>				
<i>Direct:</i>				
Administered by the Federal Aviation Administration				
Airport Improvement Program	20.106	3-30-0056-063-2019	\$ 107,533	\$ -
	20.106	3-30-0056-064-2018	2,877,868	-
	20.106	3-30-0056-065-2019	6,596,477	-
	20.106	3-30-0056-066-2019	746,356	-
	20.106	3-30-0056-067-2020	1,173,389	-
	20.106	3-30-0056-068-2020	1,578,272	-
	20.106	3-30-0056-069-2020	286,155	-
COVID-19 Airport Improvement Program	20.106	3-30-0056-070-2020	1,678,236	-
	20.106	3-30-0056-067-2020	130,377	-
	20.106	3-30-0056-068-2020	<u>175,364</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>15,350,027</u>	<u>-</u>
<b>U.S. Department of the Treasury</b>				
<i>Direct:</i>				
Payroll Support Program	21.018	PSA-2004062373	<u>89,660</u>	<u>-</u>
<i>Passed through the State of Montana:</i>				
Coronavirus Relief Fund	21.019	N/A	<u>267,465</u>	<u>-</u>
<b>Total U.S. Department of the Treasury</b>			<u>357,125</u>	<u>-</u>
<b>Total Federal Expenditures</b>			<u>\$ 15,707,152</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards.

MISSOULA COUNTY AIRPORT AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2020

**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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3. AIRPORT IMPROVEMENT PROJECTS**

The Authority receives federal contributions totaling 90% of actual expenditures (eligible costs for contract #3-30-0056-064-2018) incurred on qualified airport improvement projects, and the Authority provides the remaining match. The CARES Act provides funds to increase the federal share to 100 percent for 2020 Airport Improvement Program grants.

**NOTE 4. INDIRECT COST RATE**

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

**MISSOULA COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF PASSENGER FACILITY CHARGES (PFC)**  
**COLLECTED AND EXPENDED**  
**For the Year Ended June 30, 2020**

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

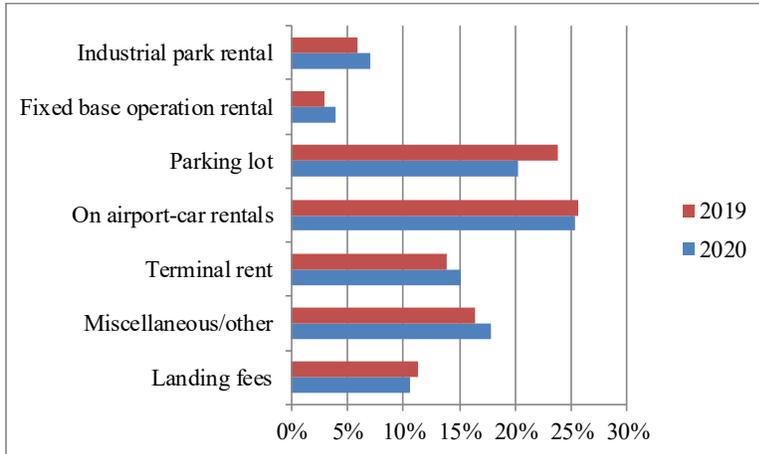
<b>Quarter Ended</b>	<b>PFC Revenue Collected</b>	<b>Interest Earned</b>	<b>Expenditures on PFC Projects</b>
September 2019	\$ 504,784	\$ 59	\$ 261,822
December 2019	461,869	63	288,480
March 2020	387,520	67	152,007
June 2020	<u>240,863</u>	<u>66</u>	<u>415,114</u>
Total	<u>\$ 1,595,036</u>	<u>\$ 254</u>	<u>\$ 1,117,422</u>
Total PFC collections authorized			\$ 59,763,524
Cumulative PFC collections			<u>27,686,551</u>
Remaining PFC collections authorized			<u>\$ 32,076,973</u>

# MISSOULA COUNTY AIRPORT AUTHORITY

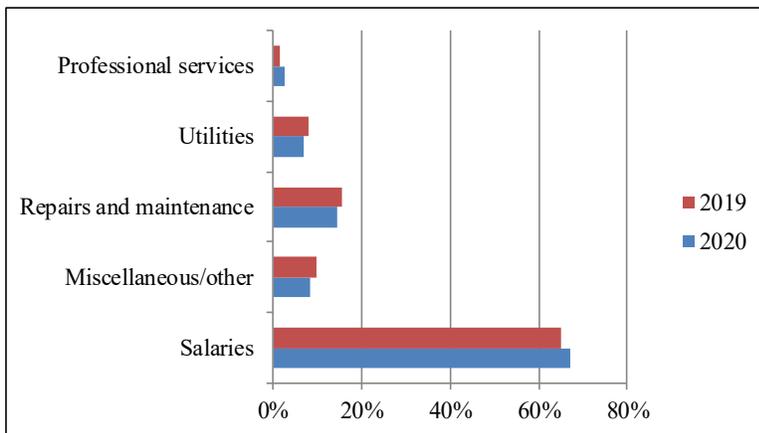
## GRAPHS

For the Years Ended June 30, 2020 and 2019

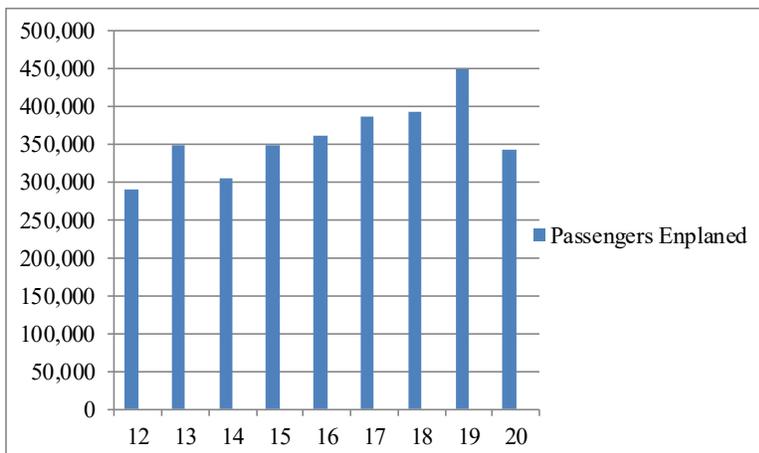
### Supplemental Operating Revenue Information



### Supplemental Operating Expenses Information



### Supplemental Passenger Enplanement Information



SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
Missoula County Airport Authority  
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Missoula County Airport Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 23, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Anderson Zurmuehlen & Co., P.C.*

Missoula, Montana  
December 23, 2020

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

Board of Commissioners  
Missoula County Airport Authority  
Missoula, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Missoula County Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2020. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on the Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Anderson Zurmuehlen & Co., P.C.*

Missoula, Montana  
December 23, 2020

MISSOULA COUNTY AIRPORT AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2020

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
#20.106	Federal Aviation Administration – Airport Improvement Program

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

MISSOULA COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2020

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Awards Findings and Questioned Costs**

None reported.

**Summary Schedule of Prior Audit Findings**

None noted.

OTHER COMPLIANCE REPORTS

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

Board of Commissioners  
Missoula County Airport Authority  
Missoula, Montana

**Report on Compliance for the Passenger Facility Charge Program**

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

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the PFC program.

**Auditor's Responsibility**

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

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

**Opinion on the Passenger Facility Charge Program**

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Anderson Zurmuehlen & Co., P.C.*

Missoula, Montana  
December 23, 2020



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

[www.azworld.com](http://www.azworld.com)

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS