A Report
to the
Montana
Legislature

Financial-Compliance Audit

Montana Facility Finance Authority

For the Two Fiscal Years Ended June 30, 2022

May 2023

Legislative Audit
Division

22-12

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Financial-Compliance Audits

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2021, was issued June 21, 2022. The Single Audit Report for the two fiscal years ended June 30, 2023, will be issued by March 31, 2024.

Audit Staff

Jennifer Erdahl
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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

May 2023

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit of the Montana Facility Finance Authority (MFFA, authority) for the two fiscal years ended June 30, 2022. We performed this audit of the authority as required by §90-7-121, MCA.

The Montana Facility Finance Authority was created by the 1983 Legislature and administratively allocated to the Department of Commerce. It is governed by a seven-member board. Board members are appointed to four-year terms by the governor with the advice and consent of the senate. The goal of MFFA is to assist health care and related facilities to contain future health care costs by offering tax-exempt bond financing and low-interest loans.

The authority has established a variety of programs to achieve this objective. Most of the funding the authority approves is in the form of the Stand-Alone bond program, with other programs such as the Trust Fund Loan program, Master Loan program, and Direct Loan programs providing funding as well.

This report contains no new recommendations but considers the implementation status of one prior audit recommendation related to internal controls over financial reporting. We issued an unmodified opinion on the financial statements. The Independent Auditor's Report can be found on page A-1, followed by Management's Discussion and Analysis, the financial statements, and accompanying notes and the required supplementary information.

We thank the Executive Director and his staff for their assistance and cooperation during the audit. The authority's written response to the audit is on page C-1.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Appointed and Administrative Officials

		Location	Term Expires January 1
Board Members	Vu Pham, Chair	Billings	2025
	Jade Goroski	Shelby	2025
	John Iverson	Helena	2025
	Paul Komlosi	White Sulphur Springs	2023*
	Mel Reinhardt	Billings	2025
	Kim Rickard	Helena	2023*
	Matthew B. Thiel	Missoula	2023*

* Indicates board members whose terms have expired but are to serve until new board members are appointed.

Administrative Staff

Adam Gill, Executive Director

Seth Lutter, Associate Director

Monica Birlut, Accountant

Carolyn Jones, C-PACE Manager

For additional information concerning the Montana Facility Finance Authority, contact:

Adam Gill, Executive Director
Montana Facility Finance Authority
Department of Commerce
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Helena, MT 59620-0506

(406) 444-0259
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Montana Legislative Audit Division

Financial-Compliance Audit
Montana Facility Finance Authority
For the Two Fiscal Years Ended June 30, 2022

A report to the Montana Legislature

Background

The Montana Facility Finance Authority works with Montana nonprofit health care institutions, nonprofit small manufacturing facilities, pre-release facilities, and, as recently allowed by the legislature, small for-profit, value-added manufacturing facilities. The authority's financing process is designed to maintain and enhance access to the broadest range of financing alternatives to improve the sustainability, effectiveness, and efficiency of eligible health care and related facilities and small manufacturing businesses within Montana's private and public sectors. Financing occurs through revenue bonds and notes, Permanent Coal Tax Trust Fund loans, or MFFA's Direct Loan Program. Revenue bonds and notes issued by the authority are considered conduit (no-commitment) debt and are not recorded on the authority's accounting records. However, they are disclosed in the notes to the authority's financial statements.

The Montana Facility Finance Authority (MFFA, authority) loaned roughly $739,000 and authorized approximately $675 million in funding to eligible facilities during the audit period. In fiscal year 2022, $1.75 million of that authorized funding came from the Commercial Property Assessed Capital Enhancement (C-PACE) financing. C-PACE is a new program implemented by MFFA during the audit period to encourage renewable energy investments around Montana. This report includes the implementation status of the prior audit recommendation related to MFFA's internal controls over the preparation and review of its financial reporting package.

AUDITOR'S OPINION (page A-1): UNMODIFIED

We found the authority's financial statements and note disclosures present fairly, in accordance with Generally Accepted Accounting Principles, the activity of the authority in all material respects and issued an unmodified opinion. This means a reader can rely on the information presented.

For the full context of the authority's financial activity, see the financial schedules and notes beginning on page A-5.

RECOMMENDATIONS:

In this report, we issued no recommendations to MFFA.

PRIOR AUDIT RECOMMENDATION:

The prior audit report for the two fiscal years ended June 30, 2019 and June 30, 2020, included a recommendation to MFFA related to MFFA's internal controls over the preparation of the financial reporting package. While MFFA made improvements to their financial reporting process and no new recommendation is made, this finding is still applicable. The prior audit recommendation is partially implemented.

SUMMARY OF AUDIT WORK:

Our audit work focused on service revenues, cash and cash equivalents, and MFFA's notes receivable. In addition, we performed work on the financial statements and note disclosures to determine if the underlying accounting records supported them as of June 30, 2021 and June 30, 2022. We considered the board's control systems and compliance with applicable laws throughout the audit and performed work to determine MFFA's implementation status of the prior audit recommendation.

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For the full report or more information, contact the Legislative Audit Division.

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During the audit period, MFFA oversaw the following programs:

Commercial Property Assessed Capital Enhancement Financing (C-PACE)	This program allows commercial building owners access to private lenders to finance energy efficiency upgrades and invest in renewable energy technology.
Direct Loan Program	Allows the authority to make loans directly to health care providers for eligible projects like construction and new equipment.
Energy Efficiency Loan Program	Assisted healthcare facilities identify energy efficiency savings and reduce operating costs while upgrading to more efficient systems.
Master Loan Program	Enables healthcare facilities to access tax-exempt capital markets at investment grade interest rates.
Montana Capital Assistance Program	Assists critical access hospitals, small rural hospitals, or other eligible healthcare facilities with the development of a capital improvement plan to assess the feasibility of proposed capital expenditures or for energy efficiency audits.
Stand Alone Bond Financing	Allows the authority to oversee bond sales to qualifying applicants through public and private bond sales.
Trust Fund Loan Program	Allows short- and long-term loans from the Coal Tax Trust available under this program and require board approval.

Most of the funding MFFA approves is in the form of the Stand-Alone bond program, with other programs such as the Trust Fund Loan program, Master Loan program, and Direct Loan programs providing funding as well.

Program Activity by Fiscal Year-End

Program	FY21 Loan and Bond Activity		FY22 Loan and Bond Activity	
	Number	Total	Number	Total
C-PACE	None		1	$1,750,000
Direct Loan Program	None		2	$738,938
Energy Efficiency Program	1	$15,000	1	$3,000
Master Loan Program	2	$33,465,000	2	$18,000,000
Montana Capital Assistance Program	None		1	$25,000
Stand-Alone Bond Financing	3	$126,975,000	9	$488,987,203
Trust Fund Loan Program	4	$3,659,214	2	$2,500,000

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):
In this report, we identified the following:
Material Weaknesses in Internal Control: 0
Significant Deficiencies in Internal Control: 1
Material Non-Compliance: 0
Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

Independent Auditor's Report and Authority Financial Statements

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the Montana Facility Finance Authority (MFFA, authority), a component unit of the state of Montana, which are comprised of the Statement of Net Position-Enterprise Fund as of June 30, 2022, and 2021, the related Statement of Revenues, Expenses and Changes in Net Position-Enterprise Fund, and the Statement of Cash Flows-Enterprise Fund for each of the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Montana Facility Finance Authority as of June 30, 2022, and 2021, and the changes in net position and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page A-5, the Other Post-Employment Benefits on page A-40, Schedule of Proportionate Share of the PERS Net Pension Liability on page A-41, and Schedule of Contributions on page A-42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consists of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2023, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

March 9, 2023

Montana Facility Finance Authority
Department of Commerce
A Component Unit of the State of Montana
Management's Discussion and Analysis
Years ended June 2022 and 2021

The following represents Montana Facility Finance Authority (the "Authority") management's discussion and analysis of the Authority's financial performance during the fiscal years ended **June 30, 2022** and **2021.** Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The Authority operating revenues increased to $1,152,626 in FY 2022 from $821,231 in FY 2021 and $740,678 in FY 2020, which is an overall increase of $411,948. This can be attributed to service fees for a record amount of bond issuances in FY 2022.
- In FY 2022, The Authority closed more bonds than the prior period for larger amounts:
    - Eleven bond issues for seven borrowers totaling $506,987,203 in FY 2022. Five bond issues for four borrowers totaling $160,440,000 in FY 2021. Two bond issues for $129,425,000 in FY 2020.
- The Trust Fund Loan Program closed two loans totaling $2,500,000 in FY 2022, four loans totaling $3,659,214 in FY 2021 and six loans totaling $6,781,215 in FY 2020.
- The Direct Loan Program closed two loans in FY 2022 totaling $738,937, no direct loans were closed in FY 2021 and fifteen loans totaling $4,694,905 in FY 2020
- The total outstanding financings structured by the Authority increased to $1,459,333,065 in FY 2022 from $1,127,614,597 in FY 2021 and $1,048,925,107 in FY 2020 which is an increase of $394,677,127. The increase over prior years is attributable to financings including funds for new construction, renovation, or expansion. The Authority serves as a conduit issuer of tax-exempt debt and is not responsible for the bonds it issues as a conduit.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Montana Facility Finance Authority's basic financial statements are comprised of two components: the basic financial statements and notes to the financial statements. The Authority is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the accrual basis of accounting.

Basic Financial Statements

The Statement of Net Position presents information on all the Authority's assets, deferred outflows, liabilities, and deferred inflows with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents revenues earned and expenses incurred during the year and classifies activities as either "operating" or "non-operating". The Statement of Cash Flows presents information related to cash inflows and outflows, categorized by operating and investing activities. The reconciliation of operating income to cash provided by operating activities explains the relationship between the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position, showing that increases and decreases in operating assets often require the use or receipt of cash, but do not result in recognition of revenue or an expense.

The basic financial statements can be found beginning in the MD&A section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page A-11 of this report.

Financial Analysis of the Authority

The Authority has continued to strengthen its financial position over the past three years. This is attributable to the Authority holding down expense growth while increasing revenues.

Cash and Cash Equivalents has grown significantly from $2.88 million in FY 2020 to $6.26 million in FY 2022. This is attributable to overall profitability of the MFFA from record bond issuances in FY 2021 and FY 2022. It was also impacted by the payoff of Emergency Loan Program loans made in FY 2020 to help hospitals deal with operating funds shortfalls in due to Covid. The loans were made in FY 2020 and were paid off in FY 2021. The payoff of those loans is shown in the reduction in Short Term Notes Receivable from $2,005,517 in FY 2020 to $874,047 in FY 2022. It is also seen in the change in Long Term Notes Receivable from $3,403,089 in FY 2020 to $2,200,106 in FY 2022.

Fluctuation in Total Non-Current Liabilities from $249,004 in FY 2020 to $449,939 in FY 2021 to $346,109 in FY 2022 is largely attributable to changes in MFFA's share in state pension liability. Personal services fell from $329,525 in FY 2020 to $286,637 and then rose to $373,288. This was due to vacancy savings in FY 2021.

MFFA granting declined from $136,139 in FY 2020 to $0 in FY 2021 to $42,982 in FY 2022. This is due to the end of the Authority's Energy Efficiency Grant Program. This was a temporary grant program to provide energy audit to eligible Montana healthcare facilities. Covid prevented the necessary site visits for the audits for all of FY 2021 and the program ended at the end of FY 2021.

Program revenues have grown over the prior three years from $740,678 in FY 2021 to $152,626 in FY 2022. Increased revenues are due to higher-than-projected application fees from bond and loan financings, and new income from application fees for the Commercial Property Assessed Capital Enhancement ("C-PACE") Program which launched in FY 2021. Operating expenses have declined since FY 2020 from $704,997 to $642,379 in FY 2022. This is partially attributable to reduced travel costs as Covid canceled many of the regional and national conferences the Authority participated in. The rest is largely due to reduced granting expense as explained above.

Condensed financial statements are presented below.

MONTANA FACILITY FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
CONDENSED FINANCIAL INFORMATION
CHANGES IN NET POSITION AND OPERATING INCOME
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	2022	2021	2020
Assets:			
Current Assets:			
Cash & Cash Equivalents	$ 6,257,211	$ 5,603,614	$ 2,876,598
Short Term Notes Receivable	874,047	668,908	2,005,517
Other Current Assets	265,314	208,157	278,405
Total Current Assets	7,396,572	6,480,679	5,160,520
Non-Current Assets:			
Long Term Notes Receivable	2,200,106	2,506,881	3,403,089
Capital Assets	65,307	93,296	814
Total Non-Current Assets	2,265,413	2,600,177	3,403,903
Deferred Outflows of Resource			
Pension Deferred Outflows	74,564	71,488	39,367
OPEB Deferred Outflows	63,202	69,312	18,609
Total Deferred Outflows of Resources	$ 137,766	$ 140,800	$ 57,976
Total Assets	$ 9,661,985	$ 9,080,856	$ 8,564,424
Total Assets and Deferred Outflows	$ 9,799,751	$ 9,221,656	$ 8,622,399
Liabilities:			
Total Current Liabilities	$ 67,285	$ 66,896	$ 43,784
Total Non-current Liabilities	346,109	449,939	249,004
Total Liabilities	$ 413,394	$ 516,835	$ 292,788
Deferred Inflows of Resources:			
Pension Deferred Inflows	96,513	21,800	41,451
OPEB Deferred Inflows	18,167	3,475	3,822
Total Deferred Inflows of Resources:	$ 114,680	$ 25,275	$ 45,273
Net Position:			
Net Investment in Capital Assets	$ (1,086)	$ —	$ 814
Total unrestricted net assets	9,272,763	8,679,546	8,283,524
Total Net Position	9,271,677	8,679,546	8,284,338
Total Net Position, Deferred Inflows of Resources and Liabilities	$ 9,799,751	$ 9,221,65	$ 8,622,399

OPERATING REVENUES:			
Service Fees	$ 1,152,626	$ 821,231	$ 740,678
Pension Income	—	—	—
Total Operating Revenues	$ 1,152,626	$ 821,231	$ 740,678
OPERATING EXPENSES:			
Personal services	373,288	286,637	329,525
Contracted services	50,907	63,441	49,455
Other operating expenses	175,202	187,818	189,878
Grants	42,982	—	136,139
Total operating expenses	$ 642,379	$ 537,896	$ 704,997
Operating income	$ 510,247	$ 283,335	$ 35,681
NON-OPERATING REVENUES (EXPENSES)			
On-Behalf Pension Revenue	$ 6,197	$ 15,052	$ 4,864
Investment Earnings	81,720	96,360	150,220
Change in Net Position	$ 598,164	$ 394,747	$ 190,765
Net Position Beginning of Period	8,679,546	8,284,340	8,093,575
Adjustments to Beginning Net Position	(128)	459	—
Total Net Position as Restated	8,679,418	8,284,799	
Prior Period Adjustment	(5,905)	—	—
Total Net Position End of Period	$ 9,271,677	$ 8,679,546	$ 8,284,338

MONTANA FACILITY FINANCE AUTHORITY
DEPARTMENT OF COMMERCE
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET POSITION-ENTERPRISE FUND
JUNE 30, 2022, AND 2021

	2022	2021
ASSETS:		
Current Assets:		
Cash & Cash Equivalents (Note 2)	$ 6,257,211	$ 5,603,614
Interest Receivable	5,852	435
Accounts Receivable	253,701	196,746
Short Term Notes Receivable (Note 5)	874,047	668,908
Prepaid Expenses	5,761	10,976
Total Current Assets	$ 7,396,572	$ 6,480,679
Noncurrent Assets:		
Long Term Notes Receivable (Note 5)	$ 2,200,106	$ 2,506,881
Capital Assets (Note 7)		
Intangible Right of Use Assets net of Amortization	65,307	93,296
Total Non-Current Assets	$ 2,265,413	$ 2,600,177
Deferred Outflows of Resources		
Pension Deferred Outflows (Note 6)	74,564	71,488
OPEB Deferred Outflows (Note 8)	63,202	69,312
Total Deferred Outflows of Resources	137,766	140,800
Total Assets and Deferred Outflows of Resources	$ **9,799,751**	$ **9,221,656**
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$ 18,241	$ 22,153
Lease Payable Due within 1 Year (Note 7)	27,787	26,775
Compensated Absences	21,257	17,968
Total Current Liabilities	$ 67,285	$ 66,896
Noncurrent Liabilities		
Compensated Absences	$ 12,482	$ 7,206
Lease Obligation (Note 7)	38,606	66,393
Net Pension Liability (Note 6)	234,056	303,600
OPEB Implicit Rate Subsidy (Note 8)	60,965	72,740
Total Noncurrent Liabilities	$ 346,109	$ 449,939
Total Liabilities	$ 413,394	$ 516,835
Deferred Inflows of Resources		
Pension Deferred Inflows (Note 6)	96,513	21,800
OPEB Deferred Inflows (Note 8)	18,167	3,475
Total Deferred Inflows of Resources	$ 114,680	$ 25,275
Net Position		
Net Investment in Capital Assets	$ (1,086)	$ —
Total Unrestricted Net Position	$ 9,272,763	$ 8,679,546
Total Net Position (Note 9)	$ 9,271,677	$ 8,679,546
Total Net Position, Deferred Inflows of Resources and Liabilities	$ **9,799,751**	$ **9,221,656**

MONTANA FACILITY FINANCE AUTHORITY
DEPARTMENT OF COMMERCE
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2022, AND 2021

	2022	2021
OPERATING REVENUES:		
Service Fees	$ 1,152,626	$ 821,231
Total Operating Revenues	1,152,626	821,231
OPERATING EXPENSES:		
Personal Services	$ 373,288	$ 286,637
Contracted Services	50,907	63,441
Supplies and Materials	17,994	6,574
Communications	4,642	4,249
Benefits	9,027	4,262
Travel	25,931	3,802
Rent	751	1,183
Repairs and Maintenance	4,013	3,438
Other Expenses	76,569	60,439
Pension Expense	8,286	38,299
Grants	42,982	—
Amortization	27,989	25,826
Component Unit Expense to Primary Government	—	39,746
Total Operating Expenses	$ 642,379	$ 537,896
Operating Income	$ 510,247	$ 283,335
NON-OPERATING REVENUES (EXPENSES)		
On-Behalf Pension Revenue	$ 6,197	$ 15,052
Investment Earnings	81,720	96,360
Change in Net Position	598,164	394,747
Net Position Beginning of Period	$ 8,679,546	$ 8,284,340
Adjustment to beginning net position	(128)	459
Net position as restated	$ 8,679,418	$ 8,284,799
Prior Period Adjustment	(5,905)	—
Total Net Position End of Period	$ 9,271,677	$ 8,679,546

MONTANA FACILITY FINANCE AUTHORITY
DEPARTMENT OF COMMERCE
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2022, and 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	**2022**	**2021**
Receipts for Sales and Services	$ 1,095,676	$ 896,231
Payments to Suppliers for Goods and Services	(219,941)	(184,804)
Payments to Employees	(364,723)	(285,489)
Net Cash Provided by (Used for) Operating Activities	$ 511,011	$ 425,938
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Payments on Leases	(1,208)	(1,606)
Principal Payments on Leases	(28,112)	(27,560)
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (29,320)	$ (29,166)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Payments for Loans	(738,938)	—
Cash Payments for Investment	—	—
Collection for Principal on Loans	840,574	2,232,815
Proceeds from Securities Lending Income	—	—
Payments of Securities Lending Costs	—	—
Interest on Investments	76,303	96,969
Net Cash Provided by (Used for) Investing Activities:	$ 177,939	$ 2,329,784
Net Increase (Decrease) in Cash and Cash Equivalents	659,630	2,726,556
Cash & Cash Equivalents, July 1	5,603,614	2,876,599
Prior Period Adjustment	(6,033)	459
Cash & Cash Equivalents, June 30	$ 6,257,211	$ 5,603,614
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ 510,247	$ 283,335
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation	—	—
Amortization	27,989	25,826
Noncash lease activity	2,549	2,753
Non-Cash Activity for Pension and OPEB	17,313	42,561
Change in Assets & Liabilities:		
Increase (Decrease) in Accounts Payable	(3,912)	676
Increase (Decrease) in Due to Other Fund	—	—
Increase (Decrease) in Compensated Absences Payable	—	1,148
Increase (Decrease) in OPEB	—	—
Decrease (Increase) in Travel Advance	—	—
Increase (Decrease) in LT Accounts Payable-Current	—	—
Decrease (Increase) in Accounts Receivable	(56,955)	75,000
Decrease (Increase) in Prepaid Expense	5,215	(5,361)
Total Adjustments	764	142,603
Net Cash Provided by (Used for) Operating Activities	$ 511,011	$ 425,938

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The accompanying notes to the financial statements are an integral part of this statement

1. Summary of Significant Accounting Policies

Reporting Entity
The Montana Facility Finance Authority (the "Authority") was established by the State of Montana, 2-15-1815 M.C.A., to provide not-for-profit healthcare providers with access to low-cost capital. The Authority provides tax-exempt bond financing, low interest loans and limited planning grants for not-for-profit healthcare organizations and small value-added manufacturers with projects of less than $10 million. In 2021, the Authority was authorized to create and administer the Commercial Property Assessed Capital Enhancement ("C-PACE") Program. C-PACE is a route for business owners to access private financing for energy and water efficiency and renewable energy improvements. As the program administrator, the MFFA coordinates the financing between the lender, borrower and local government. These loans are from private lenders to private business and are not made by the Authority. These private market loans are not obligations or responsibilities of the Authority and do not impact the Authority's financial statements.

The preceding financial statements are prepared from the Statewide Accounting Budgeting Human Resource System (SABHRS) and include the financial activity of the Authority's account in the Enterprise Fund. These statements are presented as a component unit in the State of Montana's Comprehensive Annual Financial Statement. The enterprise funds of the Authority do not comprise the entire proprietary fund type of the State of Montana.

Recent GASB Pronouncement
In June 2017, Governmental Accounting Standards Board (GASB) released GASB Statement No.87 on Leases. The statement enhances the relevance and consistency of reporting for the Authority's leasing activity by establishing requirements for lease accounting based on the principle that leases are financing of underlying right-to-use assets. A lessee is required to recognize a lease liability and a right-to-use lease asset. The guidance in these statements was originally effective for reporting periods beginning after December 15, 2019. In May of 2020, GASB released GASB statement No.95 which postponed the effective date of GASB 87 by 18 months. The Authority has implemented GASB 87 for fiscal years 2021 and 2022.

Basis of Presentation and Use of Estimates
The Authority Enterprise Fund uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the GASB. Under this basis, revenues are recognized in the accounting period when realizable, measurable, and earned. Expenses are recognized in the period incurred, when measurable. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and revenues and expenses for the period then ended.

Nature of Fund
The fund maintained by the Authority, which conforms with authorizing legislation and Authority resolutions, is described as follows:

> The Enterprise Fund is used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is that costs are to be financed or recovered primarily through user charges.

Accounts Receivable
Accounts receivables are comprised of balances for administrative fees under service agreements with participating facilities. Management has evaluated the reported balances and believes them to be materially collectible, therefore, no allowance for uncollectible amounts has been provided.

Compensated Absences

Permanent employees are allowed to accumulate and carry over into a new calendar year a maximum of two times their annual accumulation of vacation leave. Upon termination, qualifying employees having unused accumulated vacation, exempt compensatory and sick leave receive 100 percent payment for vacation and exempt compensatory and 25 percent payment for sick leave. The accompanying financial statements reflect that liability.

Pension Deferred Inflows and Outflows of Resources

In accordance with GAAP, certain elements representing a consumption of net assets by the Authority that are applicable to a future reporting period are reported as deferred outflows of resources. The balance reported by the Authority for pension deferred outflows relates to pension contributions made during the fiscal years ended June 30, 2022, and 2021 which are recognized under GASB 68 in the respective following fiscal year. Pension deferred inflows relate to the difference between projected and actual earnings on pension plan investments allocated to the Authority.

Classification of Net Position

Unrestricted Net Position

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

Net Investment in Capital Assets

The Authority recognized an amount of $(1,086) as the net investment in capital assets for FY 2022.

Prior Period Adjustments

Prior period adjustments relate to adjustments made for net position, pension, and Other Post-Employment Benefits (OPEB) amounts.

In FY 2022 there were prior period adjustments to the net position in the amount of $(5,905). There were no prior period adjustments to the net position in FY 2021.

In FY 2022 there were adjustments to the OPEB Deferred Outflow of Resources in the amount of $(4,127) and OPEB Deferred Inflow of Resources in the amount of $2,601. There were no adjustments for pension deferred outflow & inflows of resources in FY 2022. In FY 2021 there were no prior period adjustments for pension and OPEB Deferred Inflows & Outflows of Resources.

2. Cash and Cash Equivalents

Cash and Cash Equivalents as presented on the accompanying Statement of Net Position and Statement of Cash Flows represents the Authority's cash of $6,257,211 and $5,603,614 as of June 30, 2022, and 2021 respectively. For the FY 2022 the amount of $6,257,211 includes the Participant's STIP Investment amount of $6,205,373, STIP Investment Appreciation/Depreciation amount of $(9,885) and the cash in bank amount of $61,723. For the FY 2021 the amount of $5,603,614 includes the Participant's STIP Investment amount of $5,543,085, STIP Investment Appreciation/Depreciation amount of $495 and the cash in bank amount of $60,033

STIP was recorded at fair value for FY 2022 and FY 2021. The Authority invests its residual funds, by law, in STIP. STIP is considered an external investment pool. An external investment pool is defined as an arrangement that pools the monies of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. Cash and cash equivalents are defined as a short-term, highly liquid investment that is readily convertible to known amounts of cash.

STIP - This pool is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants. Funds may be invested for one or more days. STIP participants own STIP shares, not the underlying investments. STIP is managed by BOI as a fiduciary for the participants. For the fiscal years 2022 and 2021, STIP is presented in the BOI Financial Statements at fair value.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 120 days or less.

Investments
Investments held at June 30, 2022 and 2021 are comprised of the STIP funds described above. In FY 2022 and FY 2021 no assets were deemed to be long term.

Investment Risk Disclosures
The required GASB 40 risk disclosure for the Authority is described below:

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, STIP fixed income instruments have credit risk as measured by nationally recognized statistical ratings organizations (NRSRO) ratings. Credit risk is contemplated for each individual portfolio in the IPS approved by the Montana Board of Investments Board. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk. The Authority's investment is limited to STIP managed by the BOI. The Authority does not have a policy related to STIP investments.

As a matter of STIP investment policy, the BOI's fixed income investment staff can only purchase securities from a pre-approved "Approved Issuer" list. By STIP policy, permitted money market investments include only SEC registered 2a-7 Institutional Money Market Funds that are considered "US Treasury" or "US Government" money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2022 all the STIP money market investments were in US Governmental Money Markets and $166 million was held on deposit in a short-term investment vehicle available through the custodial bank.

For further information on STIP please contact BOI at www.investmentmt.com.

Montana Board of Investments
2401 Colonial Dr, 3rd Floor
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Helena, MT 59620-0126

STIP participant investments are considered cash equivalents, as participants can redeem their shares daily. STIP investments at fair value are categorized to disclose credit risk and weighted average maturity. Although the STIP investments have been rated by investment security type, STIP as an external investment pool, has not been rated.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of any single investment per issuer name. Investments directly issued or explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from the concentration of credit risk requirement. The STIP Investment Policy Statement (IPS) limits concentration of credit risk by limiting portfolio investment types to 3% in any issuer except for U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution. STIP concentration risk was within the policy as set by the Board of Investments.

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Custodial Credit Risk
STIP is managed by the BOI. STIP securities are registered in the nominee's name for the BOI and held in the possession of its custodial bank. Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, the BOI's custodial bank must be rated at a minimum at the 6th highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30th, 2022 all the public securities as well as securities held by the separate public equity account managers were registered in the nominee's name for the BOI and held in the possession of the BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage, and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of the BOI. Therefore, BOI is not subject to custodial credit risk.

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM). Credit risk reflects the weighted security quality rating by investment type as of the June 30th, 2022 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. According to the STIP investment policy "the STIP portfolio will minimize interest rate risk by:

1) Structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity.
2) Maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less, for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities; and
3) STIP will maintain a reserve account."

STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons – the time when investments are due or reset and payable in days, months, or years – weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 115 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30th, 2022 the MBOI deemed the cash equivalents to have little discernible interest rate risk.

STIP may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, Secured Overnight Financing Rate (SOFR).

Legal and Credit Risk
The Authority's risk is derived from the STIP Pool as a whole, not with specific securities held by the Pool.

Fair Value Measurement
GASB 72 requires investments to be categorized within the fair value hierarchy established by generally accepted accounting principles as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets that BOI could access as of June 30th, 2022.

- Level 2 - Prices determined using inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
- Level 3 – Prices are determined using unobservable inputs which generally results in the BOI using the best information available and may include BOI's own data.

The Authority does not have any investments required to be categorized in Level 1, 2 or 3.

Short Term Investment Pool				
	Net Asset Value (in thousands)	Unfunded Commitments (in thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
FY 2022	$6,205	-	Daily	1 day
FY 2021	$5,543	-	Daily	1 day

STIP – This external investment pool is managed and administered under the direction of the BOI as authorized by the Unified Investment Program. It is a commingled pool for investment purposes and requested redemptions from the pool are redeemed the next business day. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the investment.

For further information on investments at NAV please contact BOI at **www.investmentmt.com**.

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3. Energy Efficiency Grant Program

The Authority created the Energy Efficiency Grant Program (EEP) with the purpose to assist Montana healthcare facilities identify energy efficiency savings and provide an opportunity to significantly reduce operating costs while upgrading capital systems. The Authority contracted with the National Center for Appropriate Technologies (NCAT) to provide these energy audits. The maximum award for these audits was $15,000 and required a 10% match from the participating facility. The program stopped receiving applications at the end of FY 2021. The Authority paid $3,000 in Energy Efficiency Grants in FY 2022 and $15,000 in FY 2021.

4. Conduit Revenue Bonds and Notes Outstanding

Resolutions adopted by the Authority have provided for trusts and other agreements that establish specific funds to account for the proceeds of the various bond and note issues, mortgage and revenue notes receivable, debt service payments, payments by borrowers, construction costs, and issuance costs. Specific funds established by agreements are held by trustees, or other participating financial institutions for the purpose of security and liquidity. Revenues are collected and disbursements made only in accordance with the provisions of applicable bond and note documents.

Most loans financed with bond proceeds are secured by first mortgages or security interests in the land, buildings, and related facilities and equipment financed by the Authority and utilized by the borrower. Other loan payments are secured by a Master Note issued under a Master Trust Indenture of an Obligated Group or by standby letters of credit from financial institutions rated "A" or better.

These liabilities do not constitute a general obligation debt or liability of the State of Montana, or any political subdivision thereof and accordingly, do not appear on the Statement of Net Position.

The Health Care Revenue Bonds (Montana State Hospital Project) Series 2018 are special obligations of the state, payable solely from the facility revenue of the Montana State Hospital and the Montana Mental Health Nursing Center, both owned by the state and operated by the Montana Department of Public Health and Human Services. The Health Care Revenue Bonds (Montana State Hospital Project) Series 2018 does not constitute a general obligation debt of the state or obligate the state to appropriate or apply any funds or revenue of the state, other than the facility revenue and such bond issues as reflected in the State of Montana Basic Financial Statements. The outstanding balance was paid off as of June 30, 2022.

Following is a schedule of revenue bonds and notes outstanding as of June 30, 2022, and 2021:

Revenue Bonds & Notes Outstanding:

Issue	Period Outstanding	Type of Interest Rate	Outstanding June 30, 2022	Outstanding June 30, 2021
Development Disability Facility Revenue Bonds (Beartooth Industries) Series 1997	1997-2024	Fixed	$ 35,440	$ 50,285
Revenue Bonds (Rimrock Foundation) Series 2009	2009-2030	5-year Fixed	276,005	308,799
Taxable Revenue Build America Bonds (Barrett Hospital and Health Care) Series 2010A	2010-2037	Fixed	23,655,000	24,690,000
Health Care Facilities Revenue Note (Western Montana Mental Health Center) Series 2010	2010-2030	Fixed	788,356	858,565
Acquisition and Refunding Revenue Note (Sapphire Lutheran Homes) Series 2011	2011-2041	5-year Fixed	3,707,345	3,842,178
Health Facilities Revenue Bonds (Bozeman Deaconess Health Services) Series 2011	2011-2031	Fixed	—	12,240,000
Health Care Facilities Revenue Note (Western Montana Mental Health Center) Series 2012	2012-2033	Fixed	1,170,053	1,247,585
Health Facilities Revenue Bonds (St. Peter's Hospital) Series 2013	2013-2024	Fixed	4,255,000	6,315,000
Revenue and Refunding Bond (Missions United) Series 2014	2014-2039	5-year Fixed	25,071,000	26,008,000
Health Facilities Revenue and Refunding Bonds (Bozeman Deaconess Health Services) Series 2014A	2014-2044	Fixed	19,625,000	19,925,000
Banc of America Public Capital Corp Revenue Note (Bozeman Deaconess Health Services) Series 2014	2014-2024	Fixed	2,625,393	3,670,932
Health Facilities Revenue Note (Bozeman Deaconess Health Services) Series 2015A	2015-2046	Fixed	—	19,801,290
Health Facilities Revenue Note (Bozeman Deaconess Health Services) Series 2015B	2015-2046	Fixed	—	7,463,168

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Issue	Period Outstanding	Type of Interest Rate	Outstanding June 30, 2022	Outstanding June 30, 2021
Hospital Facilities Revenue Refunding Bond (St. Peter's Hospital) Series 2015	2015-2022	Fixed	$ 4,805,000	$ 6,340,000
Direct Note (St. John's Lutheran Ministries) Series 2015A	2015-2041	Variable	—	3,581,562
Health Facilities Revenue Bond (Bozeman Deaconess Health Services) Series 2015C	2015-2035	Variable	11,655,000	12,700,000
Prerelease Center Revenue Refunding Bond (Alternatives) Series 2015	2015-2025	Fixed	2,245,000	2,765,000
Refunding Revenue Bond (Community, Counseling, and Correctional Services) Series 2015	2015-2026	Fixed	3,110,000	3,685,000
Direct Note (St. John's Lutheran Ministries) Series 2015B	2015-2041	Variable	—	17,733,425
Facility Revenue Bond (Intermountain Deaconess Children's Services) Series 2016	2016-2041	Variable	5,772,016	5,981,583
Refunding Revenue Bond (North Valley Hospital) Series 2016	2016-2031	Variable	13,550,494	14,826,458
Revenue Bonds (Providence St. Joseph Health) Series 2016F	2016-2026	Variable	27,285,000	32,275,000
Health Care Facilities Revenue Refunding Bonds (Master Loan Program – St. Luke Community Healthcare) Series 2016A	2016-2032	Fixed	12,645,000	13,715,000
Refunding Revenue Bond (Boyd Andrew Community Services) Series 2016	2016-2026	Fixed	1,625,000	1,930,000
Hospital Revenue Bonds (Benefis Health System) Series 2016	2016-2041	Fixed	115,435,000	121,260,000
Health Care Facilities Revenue Refunding Bonds (Master Loan Program – Northeast Montana Health Services) Series 2017A	2017-2032	Fixed	6,825,000	7,405,000
Hospital Revenue Bonds (Benefis Health System) Series 2017A	2017-2030	Variable	18,655,000	20,700,000
Health Care Facilities Revenue and Refunding Bonds (Marcus Daly Memorial Hospital) Series 2017	2017-2037	Fixed	—	8,225,000
Health Care Facilities Revenue Refunding Bonds (Master Loan Program - Glendive Medical) Series 2017B	2017-2033	Fixed	17,580,000	18,635,000
Health Care Facilities Revenue Bonds (Master Loan Program - Marcus Daly Memorial) Series 2017C	2017-2037	Fixed	12,765,000	13,350,000
Facility Revenue Bonds (Clark Fork Valley Hospital) Series 2018	2018-2036	Fixed	5,104,443	5,368,979
Facility Revenue Bonds (Bozeman Deaconess Health Services) Series 2018	2018-2048	Variable	63,905,000	65,185,000
Montana Health Care Revenue Refunding Bonds (Montana State Hospital), Series 2018	2018-2022	Fixed	$ —	$ 1,165,000

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Issue	Period Outstanding	Type of Interest Rate	Outstanding June 30, 2022	Outstanding June 30, 2021
Health Care Facilities Revenue Bonds (Kalispell Regional Medical Center), Series 2018A	2018-2026	Fixed	$ 9,870,000	$ 11,640,000
Health Care Facilities Revenue Bonds (Kalispell Regional Medical Center), Series 2018B	2018-2048	Fixed	88,360,000	88,360,000
Revenue Bonds (Billings Clinic Obligated Group), Series 2018A	2018-2048	Fixed	52,055,000	52,720,000
Taxable Revenue Bonds (Billings Clinic Obligated Group), Series 2018B	2018-2038	Fixed	37,805,000	39,505,000
Variable Rate Revenue Bonds (Billings Clinic Obligated Group), Series 2018C	2018-2037	Variable	—	61,465,000
Variable Rate Revenue Bonds (Billings Clinic Obligated Group), Series 2018D	2018-2044	Variable	56,580,000	56,580,000
Health Care Facilities Revenue Bonds (Big Horn Hospital Association), Series 2018A	2018-2023	Fixed	1,275,000	1,875,000
Health Care Facilities Revenue Bonds (Big Horn Hospital Association), Series 2018B	2018-2038	Fixed	8,000,000	8,000,000
Health Care Facilities Revenue Bonds (Big Horn Valley Health Center), Series 2019	2019-2039	Fixed	3,700,000	3,855,000
Revenue Refunding Bonds (Sisters of Charity Health System), Series 2019A	2019-2039	Fixed	119,980,000	125,425,000
Health Care Facilities Revenue Bonds (Montana Children's Home and Hospital Project), Series 2020A	2020-2051	Fixed	32,735,000	32,735,000
Health Care Facilities Revenue Bonds (Master Loan Program—Montana Children's Home and Hospital Project), Series 2020B	2020-2041	Fixed	20,000,000	20,000,000
Health Care Facilities Revenue Bonds (Master Loan Program – Powell County Memorial Hospital) Series 2020	2020-2036	Fixed	12,835,000	13,465,000
Health Facilities Revenue Bonds (St. Peter's Hospital) Series 2021	2021-2031	Fixed	20,707,653	22,825,282
Health Care Facilities Revenue Bonds (Kalispell Regional Medical Center) Series 2021	2021-2042	Fixed	68,942,992	71,240,000
Facility Finance Authority Revenue Bond (Beartooth Billings Clinic) Series 2021	2021-2041	Fixed	14,701,044	—
Hospital Revenue Bonds (Benefis Health System) Series 2021B	2021-2051	Fixed	100,000,000	—
Taxable Revenue Bonds (Billings Clinic Obligated Group), Series 2021A	2021-2051	Fixed	150,000,000	—
Hospital Revenue Bonds (Bozeman Deaconess Health Services Obligated Group), Series 2021A	2021-2051	Fixed	56,895,000	—
Hospital Revenue Bonds (Bozeman Deaconess Health Services Obligated Group), Series 2021B	2021-2051	Fixed	$ 36,185,000	$ —

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Issue	Period Outstanding	Type of Interest Rate	Outstanding June 30, 2022	Outstanding June 30, 2021
Health Care Facilities Revenue Bonds (Community Hospital of Anaconda) Series, 2021B	2021-2041	Fixed	$ 18,615,000	$ —
Health Care Facilities Revenue Bonds (Master Loan Program – Community Hospital of Anaconda) Series 2021A	2021-2041	Fixed	8,000,000	—
Health Care Facilities Revenue Bonds (Marcus Daly Memorial Hospital) Series 2021A	2021-2041	Fixed	27,000,000	—
Health Care Facilities Revenue Bonds (Master Loan Program – Marcus Daly Memorial Hospital), Series 2021B	2021-2041	Fixed	10,000,000	—
Taxable Revenue Bonds (Billings Clinic Obligated Group), Series 2021B	2022-2038	Fixed	49,190,000	—
Revenue Bond (St. John's Lutheran Ministries), Series 2022	2022-2034	Fixed	36,000,000	—
Total Revenue Bonds & Notes Outstanding		**Fixed**	**$1,443,602,234**	**$1,112,938,091**

Stated maturities on Revenue Bonds Outstanding are as follows:

Maturing in Year Ended	Bond Principal Payment
June 30	(In thousands)
2023	$ 48,839
2024	$ 51,654
2025	$ 49,318
2026	$ 49,665
2027-2056	$ 1,244,126
Total	**$ 1,443,602**

The revenue bonds and notes are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements and, further, from the funds created by the indentures and investment earnings thereon.

5. Notes Receivable

The Notes Receivable include loans made under the Authority's Direct Loan Program. The Direct Loan Program provides loans to eligible nonprofit healthcare facilities to cover smaller capital expenses. Loans are generally up to $300,000 and with a term of no more than seven years. When paired with a Trust Fund Loan, the Direct Loan may be up to $500,000 with a term of ten years. Interest rates are fixed and based on the respective US Treasury rate for that term plus a margin. The Short-Term Notes Receivable represents the portion of the loans that are due within the year following the balance sheet date.

FY 2022 short term & long-term notes receivables reported on the Statement of Net Position estimated amount of $874,047 and $2,200,106 respectively. FY 2021 short term & long-term notes receivables reported on the Statement of Net Position estimated amount of $668,908 and $2,506,881 respectively.
Following is a schedule with direct loans short term notes receivables as of June 30, 2022, and 2021.

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Borrower	Loan #	Maturity	June 30, 2022	June 30, 2021
Gateway Community Services	160026	06/15/26	$ —	$ 3,200
McCone County Health Center, Inc.	167823	10/15/23	14,982	14,686
Intermountain Deaconess Children's Services	178524	10/15/24	44,340	43,462
Big Sandy Medical Center	188725	10/15/25	9,290	9,027
Daniels Memorial Healthcare Center	188825	10/15/25	23,245	22,584
Fallon Medical Complex	188923	01/15/24	15,742	15,323
Liberty Medical Center	199026	02/15/26	43,047	41,976
Alternatives, Inc.	199126	05/15/26	17,997	17,579
McCone County Health Center, Inc.	199226	09/15/26	4,246	4,156
Dahl Memorial Healthcare	199426	12/15/26	24,726	24,229
Fallon Medical Complex	199525	06/15/25	60,000	58,813
Central Montana Medical Center	199629	05/15/29	32,655	31,926
Northeast Montana Health Services, Inc.	199723	08/15/23	125,350	122,870
Job Connection, Inc.	199829	07/15/29	28,737	28,095
McCone County Health	199926	10/15/26	9,737	9,530
Rimrock Foundation	219624	09/15/24	165,936	—
Fallon Medical Complex	219726	05/15/26	50,084	—
Eastern Montana Community Mental Health Center	1910029	11/15/29	47,801	46,738
Missions United	1910125	02/15/25	100,730	98,737
Fallon Medical Complex	2010325	04/15/25	17,212	16,872
Roundup Memorial Healthcare	2010430	02/15/30	38,190	37,341
Total short term notes receivables			**$ 874,047**	**$ 668,908**

Following is a schedule with direct loans long term notes receivables as of June 30, 2022 and 2021.

Borrower	Loan #	Maturity	June 30, 2022	June 30, 2021
Gateway Community Services	160026	06/15/26	$ —	$ 12,800
McCone County Health Center, Inc.	167823	10/15/23	8,876	23,859
Intermountain Deaconess Children's Services	178524	10/15/24	60,513	104,853
Big Sandy Medical Center	188725	10/15/25	22,739	32,029
Daniels Memorial Healthcare Center	188825	10/15/25	56,918	80,163
Fallon Medical Complex	188923	01/15/24	9,381	25,123
Liberty Medical Center	199026	02/15/26	120,225	163,271
Alternatives, Inc.	199126	05/15/26	54,966	72,963

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McCone County Health Center, Inc.	199226	09/15/26	$ 15,598	$ 19,845
Dahl Memorial Healthcare	199426	12/15/26	90,595	115,321
Fallon Medical Complex	199525	06/15/25	123,653	183,653
Central Montana Medical Center	199629	05/15/29	209,038	241,693
Northeast Montana Health Services, Inc.	199723	08/15/23	21,137	146,486
Job Connection, Inc.	199829	07/15/29	189,500	218,236
McCone County Health	199926	10/15/26	36,656	46,394
Rimrock Foundation	219624	09/15/24	212,133	—
Fallon Medical Complex	219726	05/15/26	151,920	—
Eastern Montana Community Mental Health Center	1910029	11/15/29	333,638	381,439
Missions United	1910125	02/15/25	172,415	273,145
Fallon Medical Complex	2010325	04/15/25	32,462	49,674
Roundup Memorial Hospital	2010430	02/15/30	277,743	315,934
Total long term notes receivables			**$ 2,200,106**	**$ 2,506,881**

Following is a schedule of direct loans receivable outstanding as of June 30, 2022, and 2021:

Direct Loans Outstanding:

Borrower	Period Outstanding	Interest Rate	Outstanding June 30, 2022	Outstanding June 30, 2021
Gateway Community Services	2016-2026	— %	$ —	$ 16,000
McCone County Health Center, Inc.	2016-2023	2.00 %	23,859	38,546
Pondera Medical Center	2017-2022	2.07 %	—	21,761
Intermountain Deaconess Children’s Services	2017-2024	2.00 %	104,853	148,315
Daniels Memorial Healthcare Center	2018-2025	2.89 %	80,163	102,747
Big Sandy Medical Center	2018-2025	2.87 %	32,029	41,057
Fallon Medical Complex	2019-2024	2.70 %	25,123	40,446
Liberty Medical Center	2019-2026	2.52 %	163,271	205,248
Alternative's, Inc.	2019-2026	2.35 %	72,963	90,542
Central Montana Medical Center	2019-2029	2.26 %	241,693	273,619
Job Connection Inc.	2019-2029	2.26 %	218,236	246,332
Northeast Montana Health Services, Inc.	2019-2023	2.00 %	146,486	269,356
McCone County Health Center, Inc.	2019-2026	2.15 %	19,845	24,000
McCone County Health Center, Inc.	2019-2026	2.15 %	$ 46,394	$ 55,924

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Borrower	Period Outstanding	Interest Rate	Outstanding June 30, 2022	Outstanding June 30, 2021
Eastern Montana Community Mental Health Center	2019-2029	2.25 %	$ 381,439	$ 428,177
Dahl Memorial Healthcare	2019-2026	2.03 %	115,321	139,550
Missions United	2020-2024	2.00 %	273,145	371,883
Roundup Memorial Healthcare	2020-2030	2.25 %	315,934	353,275
Fallon Medical Complex	2020-2025	2.00 %	49,674	66,545
Fallon Medical Complex	2020-2025	2.00 %	183,653	242,466
Fallon Medical Complex	2021-2026	2.00 %	202,003	—
Rimrock Foundation	2021-2024	2.00 %	378,068	—
Total Revenue Notes Receivable			**$ 3,074,152**	**$ 3,175,789**

6. Employee Benefits

Retirement Benefits – General Plan Information
In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pension,* employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL), Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. These amounts are included in the Authority's financial statements as of and for the years ended June 30, 2022 and 2021.

The Authority and its members contribute to either the PERS Defined Benefit Retirement Plan (DBRP) or the PERS Defined Contribution Retirement Plan (DCRP) for its employees that have elected the DCRP. Both plans are administered by the Montana Public Employees Retirement Board (PERB) and its staff, and the Montana Public Employee Retirement Administration (MPERA). The DBRP is a multiple-employer, cost-sharing plan. Both plans provide retirement, disability and death benefits plan to members and their beneficiaries.

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

Benefits and contribution rates are established by state law and can only be amended by the Legislature. DBRP plan benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

DCRP benefits depend upon eligibility and individual account balances. Participants are immediately vested in their own contributions and attributable income. Participants are vested after five years of membership service in 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 DCRP.

For the purposes of measuring net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by PERS. For this purpose, member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Investments are reported at fair value. PERS adheres to all applicable GASB statements.

The State of Montana has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Tax Severance fund. All employers are required to report the portion of Coal Tax Severance income and earnings attributable to the employer.

The plan issues publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from:

Public Employees Retirement Division
PO Box 200131
100 South Park, Suite 220
Helena, MT 59620-0131
406-444-3154

Or online at: http://mpera.mt.gov

The information contained within MPERA's financial statements will only display information in regard to PERS in total and will not display information specific to the Authority as an entity.

Pension liabilities, expense, and deferred inflows and outflows of resources.
As of June 30, 2022. the Authority reported a liability for its proportionate share of the total's net pension liability based on the ratio of Authority's contributions to the sum of all employer and non-employer contributions during the measurement period. The State of Montana's proportionate share associated with Authority represents the ratio of contributions for Authority to the total State contributions paid.

The following table displays the proportionate shares as of June 30, 2022:

	Net Pension Liability	Net Pension Liability %	Change in Net pension Liability %
Authority	$ 234,056	0.012908 %	0.001063 %
State of MT associated with Authority	$ 66,256	0.003654 %	0.000063 %
Total	$ 300,312	0.016562 %	0.001126 %

The following table displays the proportionate shares as of June 30, 2021:

	Net Pension Liability	Net Pension Liability %	Change in Net pension Liability %
Authority	$ 303,600	0.011845 %	0.000107 %
State of MT associated with Authority	$ 92,040	0.003591 %	(0.000088)%
Total	$ 395,640	0.015436 %	0.000019 %

For the year ended June 30, 2022, the Authority recognized pension expense of $21,888 consisting of $15,691 for its proportionate share of the plan's pension expense and $6,197 for the State of Montana share associated with Commerce. There were no recognized forfeitures in net pension expense in either FY 2022 or FY 2021.

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Deferred Pension Inflow/Outflow

At June 30, 2022, the Authority reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$ 2,498	$ 1,694
Projected Investment Earning vs. Actual Investment Earnings	—	$ 94,819
Changes in assumptions	$ 34,668	—
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 16,726	—
Employer Contributions Subsequent to the Measurement Date	$ 20,673	—
Total	$ 74,564	$ 96,513

At June 30, 2021, the Authority reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	$ 4,901	$ 8,680
Projected Investment Earning vs. Actual Investment Earnings	$ 26,289	—
Changes in assumptions	$ 21,023	—
Changes in Proportion and Difference Between Employer Contributions and Proportionate share of Contributions	—	$ 13,120
Employer Contributions Subsequent to the Measurement Date	$ 19,275	—
Total	$ 71,488	$ 21,800

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2021, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2022, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Recognition in the future years to Pension Expense:

Year ended June 30:	Deferred Outflows/Inflows of Resources
2022	$ 9,815
2023	$ 733
2024	$ (22,901)
2025	$ (30,268)
2026	$ —
Thereafter	$ —

Following are additional required disclosures:

Summary of Benefits:
Member benefits are calculated using a formula based on salary and years of service as follows:

Member's Highest Average Compensation (HAC)
Hired prior to July 1, 2011 – HAC during any consecutive 36 months;
Hired on or after July 1, 2011 – HAC during any consecutive 60 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for Benefits
Service retirement:

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

Early retirement, actuarially reduced:

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.

Vesting
5 years of membership service

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

Retire 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 of member's contributions plus regular interest (.77%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following the second retirement

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

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving the new benefit for 12 months

Retire on or after January 1, 2016 and accumulate 5 or more year of service credit*:*

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

Monthly Benefit Formula:

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2.0% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2.0% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)*

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- For members hired after July 1, 2013 –
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%;
  - 0.0% whenever the amortization period for PERS is 40 years or more

Overview of Contributions:

Contribution rates for the plans are specified by State law for periodic member and employer contributions 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 contributions rates to the plans. Currently members are required to contribute 7.9% of their compensation. By statute, the 7.9%-member contribution is temporary and will be decreased to 6.9% on January 1 of the year when the actuarial valuation results 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.

The Authority contributed $20,673 for FY 2022 and $19,275 for FY 2021, and the contribution rate is 8.97% for FY 2022 and 8.87% for FY 2021.

Following the 2013 Legislative Session, PERS employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014 employer contributions increased an additional 0.1% each year for 10 years, through 2024. The employer additional contribution, including the 0.27% added in 2007 and 2009, terminates on January 1 of the year following actuary valuation results that show the amortization period of PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contribution rates. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Assumptions and Other Inputs

Actuarial Assumptions:
The Total Pension Liability (TPL) as of June 30, 2021 was determined on the results of an actuarial valuation date of June 30, 2020, and applying roll forward procedures using the following actuarial assumption. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.06%
- Admin Expense as a % of Payroll 0.28 %
- General Wage Growth* 3.50 %
  - includes inflation at 2.40%
- Merit Increases 0% - 4.8%
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate:
The discount rate used to measure the Total Pension Liability was lowered from 7.34% to 7.06%. 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 establishes the contractually required rates under Montana Code Annotated.

In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. The contributions from the Coal Tax Severance fund are not a special funding situation. Contributions provided by the Coal Tax revenue for the Authority were $6,197 and $15,052 as of June 30, 2022 and 2021 respectively. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all of the projected future benefit payments of current plan members through the year 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine Total Pension Liability. A municipal bond rate was not incorporated in the discount rate.

Long-term Expected Rate of Return:
The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the System. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, 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.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital*

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Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.40% in the *2021 OASDI Trustees Report* used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30,2021 are summarized as follows:

As of June 30, 2021		
Asset Class	**Target Asset Allocation**	**Long Term Expected Real Rate of Return Arithmetic Basis**
Cash	3.00%	(0.33)%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.00%	

Sensitivity Analysis -DBRP:
The below table represents the employer's sensitivity of the net pension liability 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 7.06%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate (in thousands).

	1.0% Decrease (6.06%)	Current Discount Rate (7.06%)	1.0% Increase (8.06%)
Net Pension Liability Sensitivity	$371,527	$234,056	$118,749

Summary of Significant Accounting Policies – DBRP:
DBRP financial statements are prepared using the accrual basis of accounting. The same accrual basis was used for the purposes of measuring the NPL, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, the fiduciary net position and additions to/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 when 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 and applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Changes in actuarial assumptions and methods:
Effective July 1, 2019, the following assumption changes were used:

- Lowered the interest rate from 7.65% to 7.34%.
- Lowered the inflation rate from 2.75% to 2.40%.

- Updated non-disabled mortality to the RP-200 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, set back one year for males.
- Increased the rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2019, the following method changes were used:

- Administrative expense were recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Effective July 1, 2019, the following benefit changes were used:

- The interest rate credited to member accounts increased from 0.25%to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

PERS has a special funding situation in which the State, as a non-employer contributing entity, is legally responsible for making contributions directly to PERS on behalf of local government, school district and other governmental agency employers. The State, as a non-employer contributing entity, also paid to the Plan coal tax contributions that are not accounted for by a special fund for all participating employers.

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

Deferred Compensation Plan:
The Authority's permanent employees are eligible to participate in the State of Montana's deferred compensation plan. The compensation deferred is not available to employees until separation from State service, retirement, death, or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. The plan is governed by Internal Revenue Service Code (IRC) Section 457 and Title 19, Chapter 50, Montana Code Annotated (MCA). The Small Business Job Protection Act of 1996 resulted in changes to IRC Section 457 and Title 19, Chapter 50, MCA. Assets of the deferred compensation plan are required to be held in trust, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. For plans in existence as of August 20, 1996, compliance was required by January 1, 1999.

Health Care:
Authority staff and dependents are eligible to receive medical and dental health care through the State Group Benefits Plan administered by the Montana Department of Administration (DOA) Health Care & Benefits Division (HCBD). The State funds claims on a pay-as-you-go basis. Montana DOA established premiums vary depending on family coverage and eligibility. Agencies contribute $1,054 per month per eligible State of Montana employee, in addition to the employee's monthly contribution, as shown as follows:

Premiums	CY2021 & 2022
Medical	$30- $327.00
Dental (optional)	$0-$28.90
Vision Hardware (optional)	$7.64 - $22.26

The State reimburses all validated medical claims net of member obligations (annual deductibles and coinsurance of the members' selected medical plan). Eligible dental claims are reimbursed at 20% to 100% of the allowable charges, depending on the services provided. The State funds claims on a pay-as-you-go basis and, in addition, maintains a claims fluctuation reserve equivalent to three months projected claims and operating costs.

7. Leases and Capital Assets

Intangible Right-of-use Assets:

	FY 2022		FY 2021	
Colonial Building	$	93,296	$	119,122
Less Amortization	$	27,989	$	25,826
Balance June 30 ROU Assets-net	$	65,307	$	93,296

As of June 30, 2022, the Authority reported total amount of leased asset of $65,307, Intangible Right to Use Building asset in the amount of $93,296 and the accumulated amortization of the building amount of $27,989.

Leases:

The Authority adopted GASB 87 Lease guidance on July 1, 2020 for FY 2021 and FY 2022. The lease has been made between the State of Montana Department of Commerce (lessee) and Montana Board of Investments (lessor.) The space being leased is approximately 13,854 square feet on the building located at 2401 Colonial Drive 3rd floor, Helena, Montana. The lease term is 10 years, effective November 1, 2014 through October 31, 2024, with the option of renewal for a period of up to five additional years, which the Authority does not expect to exercise. The Authority leases three offices in the 2401 Colonial Drive 3rd floor building. The Authority lease liability in the amount of $90,984 payables in equal monthly installments of $2,311.80 (first month payment due at implementation), including an imputed interest rate of 1.65%. The lease agreement states that the rent will increase at 2% per annum beginning November 1, 2015, and every November 1st thereafter. The agreement matures on October 31, 2024.

Accordingly, for its long term lease of the 2401 Colonial Building offices, the Authority created a right-to-use lease asset and a lease liability. The asset is amortized over the term of the lease, while the liabilities are reduced as scheduled lease payments are made.

The lease principal and interest payment requirements to maturity are presented in the table below:

Year	Principal	Interest
2023	$27,787	$887
2024	$28,826	$421
2025	$9,780	$33
Total	$66,393	$1,341

The Authority reported the lease amortization in the amount of $27,989 in FY 2022 and an amount of $25,826 in FY 2021. The accumulated amortization reported in FY 22 is $53,815.

As of June 30, 2022 the Authority reported lease payable principal due within one year in the amount of $27,787 and long term lease obligation in the amount of $38,606. As of June 30, 2021 the Authority reported lease payable principal due within one year in the amount of $26,775 and long term lease obligation in the amount of $66,393.

8. OPEB - OTHER POST EMPLOYMENT BENEFITS

General Information about the State Employee Group Benefits (SEGB) OPEB Plan

Plan description. The Authority's defined benefit OPEB plan, the SEGB, provides optional OPEB in accordance with Section 2-18-704, MCA. This coverage applies to the following employees and dependents who elect to continue coverage and pay administratively established contributions: 1) employees and dependents who retire under applicable retirement provisions and 2) surviving dependents of deceased employees. The SEGB OPEB plan is a single employer defined benefit OPEB plan administered by statute by the Montana Department of Administration (DOA) Health Care and Benefits Division (HCBD). The Fund is reported within the primary government for reporting purposes.

SEGB is not administered through a trust. There are no assets accumulated to offset the total OPEB liability. The State funds the benefits on a pay-as-you-go basis from general assets. Section 2-18-8, MCA gives the authority for establishing and amending the funding policy to the DOA.

The healthcare OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of total OPEB liability in the related financial statements and notes disclosures.

Benefits provided

A retiree may continue coverage with the SEGB if the retiree is eligible to receive a monthly retirement benefit under their particular retirement system at the time of leaving active employment and elect to start medical coverage within 60 days of leaving employment. The Authority's employees retire under either the PERS DBRP or the PERS DCRP.

Non-Medicare retirees may continue the core plan, which includes medical, dental, and basic life insurance. Vision coverage is optional. Medical, dental, and vision coverage is optional for dependents. Medicare eligible retirees may continue medical coverage. Dental and vision coverage is optional, and no life insurance is available. Medical, dental, and vision coverage is optional for dependents. Medicare eligible retirees must enroll in both Part A and Part B Medicare coverage.

A retiree may continue coverage for a spouse who does not work for the State. If coverage is not continued, the spouse may only be added when the spouse loses eligibility for other coverage. If the retiree and spouse both work for the State, the retiree may elect to be covered under the working spouse and retains the right to exercise the transfer option. Dependent medical or dental coverage can only be continued if the retiree continues medical and/or dental coverage.

A surviving spouse may elect to continue their medical, dental, or vision coverage until Medicare age, at which time they will be offered COBRA and no longer be eligible for the plan. For surviving spouses already of Medicare age, they will be offered COBRA and lose eligibility under the plan at the end of the offering month.

Authority staff and dependents are eligible to receive medical and dental health care through the SEGB. The State funds claims on a pay-as-you-go basis. Montana DOA established premiums vary depending on family coverage and eligibility. Agencies contribute $1,054 per month per eligible current State employee in addition to the employee’s monthly contribution as shown below:

Premiums	Calendar Years 2021 & 2022
Medical	$30.00 - $327.00
Dental (optional)	$0.00 - $28.90
Vision Hardware (optional)	$7.64 - $22.26

Total OPEB Liability
For Fiscal Year 2022, the Authority’s total OPEB liability of $60,965 is approximately 0.05% of the total primary government OPEB liability of $120,086,057 as measured on March 31, 2022. The Authority's changes in the OPEB liability in the amount of $(11,775). The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to March 31, 2022.

For Fiscal Year 2021, the Authority's total OPEB liability was $72,740 approximately 0.05% of the total primary government OPEB liability of 143,280,133.00 as measured on March 31, 2021. The Authority's changes in the OPEB liability in the amount of $55,312.

Basis of accounting
The OPEB liability is reported on an accrual basis. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable.
Schedule of Changes in Total OPEB Liability:
The following table presents the other items related to and changes in the total OPEB liability:

Beginning Balance April 1,2020	$72,740
Service Cost	$2,012
Interest	$1,677
Difference between expected and actual experience	$(16,339)
Changes of assumptions or other inputs	
Benefit Payments	$875
Net Changes	$(11,775)
Balance at June 30, 2022	$60,965

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Actuarial valuation date	December 31, 2020, rolled forward to March 31, 2022
Interest/discount rate	3.31%
Projected payroll increases	2.50%
Actuarial cost method	Entry age normal funding method
Amortization method	Level percent of payroll, open basis
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75
Participation (at retirement) Marital status	40% future retirees and 70% of future eligible spouses
Mortality – Healthy	Healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.
Mortality – Disabled	Disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.
Healthcare cost trend rates	6.0% for medical and 9.0% for prescription initially, with medical remaining constant and prescription decreasing 0.5% per year until 2022, and thereafter decreasing 0.1% per year to an ultimate rate of 3.8% in 2077. Cost increases are assumed to apply at the end of the plan year
Retiree Contribution Increases	Current year of 1.0% was based on actual trend. For retiree/surviving spouse and spouse the increase is to 7.1% in 2021 and thereafter decreasing 0.1%-0.3% per year to an ultimate rate of 3.8% in 2077, with a 5.2% rate used for 2029-2045

Actuarial assumptions. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Changes in actuarial assumptions and methods since last measurement date:
  - Interest/discount rate increase from 2.23% to 3.31%
  - Projected Payroll Increases 2.50%
  - Participation rate 40% based on recent experience study.
  - Participation rate increase of future eligible spouses to 70% based on recent experience study.
  - Revised rates per the Retirement System pension valuations as of March 31, 2022.
  - Interest/discount rate was based on the average of multiple March 31, 2022 municipal bond rate sources.

- Retiree Contributions. The following retiree contributions are a weighted average of all retiree contributions at the actuarial measurement date March 31, 2022

Medical and Prescription Drug	Retiree/Surviving Spouse	Spouse
Before Medicare Eligibility	$15,072	$6,908
After Medicare Eligibility	$5,484	$4,820

- Retiree Contributions. The following retiree contributions are a weighted average of all retiree contributions at the actuarial measurement date March 31, 2021.

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Medical and Prescription Drug	Retiree/Surviving Spouse	Spouse
Before Medicare Eligibility	$15,072	$6,908
After Medicare Eligibility	$5,484	$4,820

Sensitivity of the total OPEB liability to changes in the discount rate.
The following presents the total FY 2022 OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate (DR) that is 1-percentage-point lower (DR-1 percent) or 1-percentage-point higher (DR+1 percent) than the current discount rate:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability (asset)	$74,959	$60,965	$50,264

Sensitivity of the total OPEB liability to changes in the discount rate.
The following presents the total FY 2021 OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate (DR) that is 1-percentage-point lower (DR-1 percent) or 1-percentage-point higher (DR+1 percent) than the current discount rate:

	1% Decrease (1.23%)	Current Discount Rate (2.23%)	1% Increase (3.23%)
Total OPEB liability (asset)	$91,240	$72,740	$58,793

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*.**
The following presents the total FY 2022 OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1% Increase (7.0%)
Total OPEB liability (asset)	$$49,054	$60,965	$77,091

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*.**
The following presents the total FY 2021 OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1% Increase (7.0%)
Total OPEB liability (asset)	$58,529	$72,740	$91,981

OPEB Expense & Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reported an OPEB expense of $7,723 as of June 30,2022 and $6,022 as of June 30, 2021. Actuarial valuation as of March 31, 2022, for Authority OPEB deferred outflows & inflows of resources.

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As of 3/31/2022	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflow/Inflow of Resources
Differences Expected to Actual	$ 3,863	$ (75)	$ 3,788
Changes in Assumptions	$ 1,819	$ (1,573)	$ 246
Total Balances	$ 5,682	$ (1,648)	$ 4,034

Total Deferred inflows/outflows balances reported by the Authority in FY 2022.

Facility Finance Authority FY 2022					
	Deferred Outflows		Deferred Inflows		
Fiscal Year Ending	Difference Expected to Actual	Changes in Assumptions	Difference Expected to Actual	Changes in Assumptions	Net Outflow / (Inflow) Total
Total	$ 50,292	$ 23,823	$ (916)	$ (19,753)	$ 53,446
3/31/2018	—	—	$ (75)	$ (5)	$ (80)
3/31/2019	—	$ 49	$ (75)	$ (5)	$ (31)
3/31/2020	$ 1,248	$ 287	$ (75)	$ (272)	$ 1,188
3/31/2021	$ 3,863	$ 1,819	$ (75)	$ (272)	$ 5,335
3/31/2022	$ 3,863	$ 1,819	$ (75)	$ (1,573)	$ 4,034
Balance	$ 41,318	$ 19,849	$ (541)	$ (17,626)	$ 43,000
Sum of above	$61,167		$(18,167)		
Contributions	$2,035		--		
Total	$63,202		$(18,167)		

Actuarial valuation as of March 31, 2021 for Authority's OPEB deferred outflows & inflows of resources.

As of 3/31/2021	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflow/Inflow of Resources
Differences Expected to Actual	$ 3,863	$ (75)	$ 3,788
Changes in Assumptions	$ 1,819	$ (272)	$ 1,547
Total Balances	$ 5,682	$ (347)	$ 5,335

Total Deferred inflows/outflows balances reported by the Authority in FY 2021

Facility Finance Authority FY 2021					
	Deferred Outflows		Deferred Inflows		
Fiscal Year Ending	Difference Expected to Actual	Changes in Assumptions	Difference Expected to Actual	Changes in Assumptions	Net Outflow / (Inflow) Total
Total	$ 50,292	$ 23,823	$ (915)	$ (3,414)	$ 69,786
3/31/2018	—	—	$ (75)	$ (5)	$ (80)
3/31/2019	—	$ 49	$ (75)	$ (5)	$ (31)

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3/31/2020	$ 1,248	$ 287	$ (75)	$ (272)	$ 1,188
3/31/2021	$ 3,863	$ 1,819	$ (75)	$ (272)	$ 5,335
Balance	$ 45,181	$ 21,668	$ (615)	$ (2,860)	$ 63,374
Sum of above	$66,849		$(3,475)		
Contributions	$2,463		--		
Total	$69,312		$(3,475)		

Total Projected Claims Cost
To determine total projected costs for the valuation period, an analysis of claims experience for the medical and prescription drug plans was completed based on information provided by the State of Montana. For purposes of the valuation, all medical plans are grouped together and all prescription drug plans are grouped together.

Medical and prescription drug claims were based on the most recent contribution rate development calculations for retirees, utilizing the most current claims cost experience and adjusting for the following:

- A factor to trend historical claims from the midpoint of the experience periods to the midpoint of the valuation base period.
- An adjustment to restate paid claims on an incurred basis, incorporating actual paid claims data for historical periods and best estimates of future claim lags based on State of Montana historical data. Separate adjustments were made for medical and prescription drugs.
- Benefit adjustments to account for changes in plan design components between the experience periods and the valuation base period.
- Vendor contract adjustments to reflect changes in underlying discounts, fees and financial arrangements.

Administrative costs are then added to the medical claims. The result is total projected costs for the period January 1, 2022 to December 31, 2022, for the two plans.

General Information about the DCRP OPEB Plan:
Per statute, participants that choose the PERS-DCRP retirement system are covered by the PERS-DCRP long-term disability plan. The disability plan is a multiple employer plan that provides disability benefits to plan members who are vested in the plan and are currently ineligible for retirement. A separate trust has been established for purposes of providing disability benefits to members and is accounted for as a fiduciary fund of the State of Montana. The assets are held in a trust capacity for the beneficiaries. The PERA issues publicly available annual reports which include financial statements and required supplemental information for the plan. Those reports may be obtained online (http://mpera.mt.gov) or by contacting the PERA at 100 North Park, Suite 200, PO Box 200131, Helena, MT 5620-0131.

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9. Net Position

Capital Reserve Accounts as of June 30, 2022

	Funded	Requirement	Funded	Requirement
Net Position	**2022**	**2022**	**2021**	**2021**
Capital Reserve Account A	$1,662,807	$10,024,840	$1,498,175	$8,834,570
Capital Reserve Account B	1,229,767	1,265,668	449,723	928,539
Direct Loan Program	4,905,555	4,905,555	4,827,153	4,827,153
Working Capital Fund	1,448,686	1,448,686	1,805,748	1,805,748
Total	**$9,246,815**	**$17,644,749**	**$8,580,799**	**$16,396,010**

Capital Reserve A

The Montana Legislature approved the creation of Capital Reserve Accounts in section 90-7-317, MCA, as security for the payment of loans in connection with certain bonds or loans issued by the Authority. The Capital Reserve Account A is security that applies to all bonds issued under the Master Loan Program. These bonds are enhanced by the BOI through the BOI's contract with the Authority to replenish the debt service reserve fund if necessary. The Authority designates certain funds up to 10% of the par amount of the enhancements provided by the BOI, based upon the previous fiscal year end balance, to be deposited to Capital Reserve Account A.

Therefore, the Authority has designated a certain portion of the Total Net Position for loan repayments to the BOI, upon demand, under the Capital Reserve Agreements. The table below shows enhancements provided by the BOI, the Capital Reserve Account requirement and the amount of the Capital Reserve Account requirement that was funded.

	BOI Enhancements	Capital Reserve A Account Requirement	Capital Reserve Account Funded
2022	$ 115,258,401	$ 10,024,840	$ 1,662,807
2021	$ 100,248,401	$ 8,834,570	$ 1,498,175

Capital Reserve B

Effective July 1, 1999, the Montana Legislature required the BOI to allow the Authority to make loans totaling up to $15,000,000 of the Permanent Coal Tax Trust Fund for capital projects in section 17-6-308, MCA. Until the Authority makes a loan pursuant to Title 90, Chapter 7, MCA, the funds under its administration must be invested by the BOI. The BOI and the Authority calculate the interest rate on each loan. In FY 2022 two new loans were originated under this program in the amount of $2,500,000 and in FY 2021 four new loans were originated in the amount of $3,659,214. The Authority has issued a total of 38 loans, sixteen of which are currently outstanding. The outstanding loan amount of $12,656,678 as of June 30, 2022 and $12,016,449 as of June 30, 2021 is reported as investments in the financial statements of the Board of Investments. The Authority designates certain funds up to 10% of the par amount of outstanding loans made from the program as a loan repayment, in the event of a borrower default, in the Capital Reserve Account B. As of June 30, 2022, the total Capital Reserve Account B requirement was $1,193,713 and it was funded at $1,229,767 including the transfer of $800,000 from Capital Reserve Account A. As of June 30, 2021, the total Capital Reserve Account B requirement was $928,539 and was funded at $380,517.

Direct Loan Program

The Legislature authorized the Authority to create and fund a revolving Direct Loan Program that provides short-term loans to its non-investment grade clients to finance small capital projects. The Authority has designated a certain portion of the Total Net Position for this revolving loan program. Deposits to the Direct Loan Program include applicable loan repayments, annual fees, and investment earnings. As of June 30, 2022 the Direct Loan Program carried a balance of $4,905,555, loans outstanding of $3,074,152 leaving $1,831,403 available for additional loans. As of June 30, 2021 the Direct Loan Program carried a balance of $4,827,153, with loans outstanding of $3,175,789 leaving $1,651,364 available for additional loans.

Working Capital Fund

The Authority has designated a working capital fund equal to twice its annual budget. For fiscal years 2022 and 2021 the fund requirement equaled $1,448,686 and $1,805,748 respectively and were fully funded. These funds are part of the Total Net Position balance.

10. Subsequent Events

On July 15, 2022, the Authority issued a trust fund loan in the amount of $821,868 and a direct loan in the amount of $375,001 to Central Montana Medical Center for the purpose of refinancing existing loans with a higher interest rate.

On July 18, 2022, the Authority authorized an amount of $3,774,420 to the Headwaters Utility District/ Bridger Brewing Company under the C-PACE program with the purpose to provide funds for the production brewery as well as the private sewer district. C-PACE financings are loans made by private lenders to private businesses. As program administrator, the Authority oversees the program and coordinates financings, but does not loan funds.

On October 14, 2022, the Authority issued a direct loan in the amount of $85,000 to the Big Sandy Medical Center for the purpose of purchase of property which include a mobile home to be used for temporary housing for traveling staff.

On October 17, 2022, the Authority signed a lease for office space at 1712 9th Ave effective November 1, 2022 through June 30, 2032 that requires annual payments of $32,263.34 increasing by 3% each July 1. At inception, the new lease liability and right to use asset are calculated at $332,549. This lease uses the same lessor as the previous lease and ended the previous lease, which had a remaining liability balance of $57,307 and a net asset balance of $55,977. The Authority moved to the new space in November of 2022.

On November 29, 2022, the Authority issued a direct loan and a trust fund loan to the Central Montana Medical Center. The direct loan amount of $375,000, and the trust fund loan amount of $625,000. The total loan amount of $1,000,000 was issued for the purpose of purchase an MRI machine.

On December 9, 2022, the Authority issued a direct loan to Clark Fork Valley Hospital in the amount of $285,000 for the purpose of purchase a 3D mammography machine.

On November 15, 2021, the Authority issued bonds Series 2021 A of $150,000,000 to Billings Clinic to be used as a capital expansion to broaden the clinic's service lines and market reach.

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Required Supplemental Information -Other Post-Employment Benefits

The State of Montana State Employee Group Benefits (SEGB) OPEB plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes.

Total OPEB Liability and Related Ratios				
	Total Authority OPEB Liability	Proportionate share of the collective total OPEB liability as a percentage	Covered Employee Payroll	OPEB Liability as a percentage of covered payroll
FY 2022	$60,965	0.05%	$233,379	26.12%
FY 2021	$72,740	0.05%	$210,079	34.84%
FY 2020	$17,428	0.03%	$72,141	24.16%
FY 2019	$1,943	0.01%	$24,513	7.93%
FY 2018	$ --	--%	$148,647	--%

Note to Schedule: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Factors that significantly affect trends in the amounts reported for OPEB Liabilities:
Changes of benefit terms, the medical plan coverage moved from Cigna to Allegiance as of January 1, 2016, the State implemented reference-based pricing hospital contracts effective July 1, 2016, the pharmacy plan moved from URx to Navitus as of January 1, 2017, and the State implemented an employer group waiver program for Medicare retirees effective January 1, 2017.

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Schedule of Proportionate Share of PERS Net Pension Liability
Employee Benefit Plans (Note 6)

	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of the net pension liability (asset)	$129,848	$156,463	$283,928	$192,036	$213,287	$228,584	$303,603	$234,056
Proportionate share of the net pension liability (asset)	0.01042%	0.01119%	0.01730%	0.009860%	0.0102190%	0.0109350%	0.0115080%	0.0129080%
Pensionable payroll	$116,523	$129,056	$204,601	$120,870	$167,639	$183,040	$217,301	$230,465
Proportionate share of the net pension liability (asset) as a percentage of its pensionable payroll	111.436%	121.234%	138.770%	158.880%	127.30%	124.88%	140.00%	101.56%
Plan fiduciary net position as a percentage of total pension liability	79.90%	78.40%	74.70%	73.80%	73.50%	73.90%	68.90%	79.90%

Note: 10-year schedules will be displayed as it becomes available.

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Schedule of Contributions
Employee Benefits (Note 6)

	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contributions	$10,250	$11,404	$27,397	$10,238	$14,529	$16,053	$19,275	$20,673
Contributions made	$10,250	$11,404	$27,397	$10,238	$14,529	$16,053	$19,275	$20,673
Contribution deficiency (excess)	—	—	—	—	—	—	—	—
Share pensionable payroll	$116,523	$129,058	$204,601	$120,780	$167,639	$183,040	$217,301	$230,465
Contributions as a percentage of pensionable payroll	8.80%	8.84%	13.41%	8.74%	8.67%	8.77%	8.87%	8.97%

Changes of assumptions: Since reporting year 2016, assumptions for GABA, second retirements, and defined contribution (DC) law have been updated to match current law and plan provisions. Since reporting year 2018, assumptions for working retirees, terminations, refunds, disabled DC members, and special funding have been updated to reflect changes in law and plan provisions.

Factors that significantly affect trends in the amounts reported for Pension Liabilities:

Changes in benefit terms
The following changes to the plan provision were made as identified:

2015 Legislative Changes:
General Revisions - House Bill 101, effective January 1, 2016
Second Retirement Benefit - for PERS

1. Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again

   a. Refund of member's contributions from second employment plus regular interest (currently 0.25%);
   b. No service credit for second employment;
   c. Start same benefit amount the month following termination; and
   d. GABA starts again the January immediately following second retirement.
2. For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
   a. Member receives a recalculated retirement benefit based on laws in effect at second retirement; and
   b. GABA starts the January after receiving recalculated benefit for 12 months.
3. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
   a. Refund of member's contributions from second employment plus regular interest (currently 0.25%);
   b. No service credit for second employment;
   c. Start same benefit amount the month following termination; and
   d. GABA starts again the January immediately following second retirement.
4. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
   a. Member receives the same retirement benefit as prior to return to work;
   b. Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
   c. GABA starts on both benefits in January after member receives original and new benefit for 12 months.

2017 Legislative Changes
General Revisions - House Bill 101, effective July 1, 2017
Working Retiree Limitations - for PERS

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.

Terminating Employers - Recovery of actuary costs - for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

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 refunds 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 lumpsum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

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 become 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 normal retirement age of 60 and are eligible for disability benefit until age 65.

PERS Statutory Appropriation - House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - $31.386 million
2. FY2019 - $31.958 million
3. Beginning July 1, 2019, through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
    a. FY2020 - $32.277 million
    b. FY2021 - $32.6 million
    c. FY2022 - $32.926 million
    d. FY2023 - $33.255 million
    e. FY2024 - $33.588 million
    f. FY2025 - $33.924 million

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

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*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Montana Facility Finance Authority (MFFA, authority), as of and for the years ended June 30, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the authority's basic financial statements, and have issued our report thereon dated March 9, 2023.

Report on Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the authority's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be a significant deficiency.

> As described in the prior audit recommendation section on page S-1, authority internal controls did not ensure that the financial statements were complete and accurate when provided to the auditor.

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Report on Compliance and Other Matters

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

Montana Facility Finance Authority Response to Deficiency

Government Auditing Standards requires the auditor to perform limited procedures on MFFA's response to the findings identified in our audit and is described on page C-1 of our report. MFFA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the authority'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 authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

March 9, 2023

MONTANA FACILITY FINANCE AUTHORITY

AUTHORITY RESPONSE

MONTANA
FACILITY FINANCE AUTHORITY
Department of Commerce
1712 9th Ave.
PO Box 200506
Helena, MT 59620-0506
406.444.5435
www.mtfacilityfinance.com

April 25, 2023

Mr. Angus Maciver
Legislative Auditor

RECEIVED
MAY 03 2023
LEGISLATIVE AUDIT DIV.

Re: Audit of Montana Facility Finance Authority

Dear Mr. Maciver:

We have received and reviewed the biennial audit of the Montana Facility Finance Authority for the period ended June 30, 2022. We appreciate the professionalism and courtesy with which the audit was conducted. The audit for the period ending June 30, 2022, recognized that the MFFA had partially implemented the prior audit recommendation and that the recommendation will carry forward to this audit as well.

Recommendation #1 in Audit 20-12:
Recommend the Montana Facility Finance Authority improve internal; controls over the financial reporting package by:

A. Providing existing staff with training related to GAAP-basis financial presentations, and

B. Improve the financial statement review checklist currently in use by incorporating all applicable financial reporting elements in the financial statements and updating for new standards.

The Authority concurs with the recommendation contained in the biennial audit and pursuant it, our response is below:

- The Montana Facility Finance Authority will investigate and pursue training options related to GAAP-basis financial presentations for its staff;
- The Authority will revise its internal checklists and provide staff training on the process;

Thank you for your staff's suggestions on how we can improve the operations of the Authority.

Sincerely,

Adam Gill
Executive Director