



**Missoula Urban Transportation District
dba Mountain Line**

Request for Proposals

RFP #22-03

Financial Auditing Services

May 18, 2022

MUTD
1221 Shakespeare Street
Missoula, Montana 59802

Contact: Mary Hanson
Phone: (406) 531-6196 Fax: (406) 543-8387
Email: mhanson@mountainline.com

LEGAL NOTICE OF REQUEST FOR PROPOSALS

**Request for Proposals # 22-03
Financial Auditing Services**

Notice is hereby given by the Missoula Urban Transportation District (MUTD), that it will receive proposals from qualified firms for the procurement of independent financial auditing services. The periods to be audited are the fiscal years ending June 30, 2022, 2023 and 2024, with an additional two (2) one-year renewal options at MUTD's sole discretion.

Copies of the RFP document can be obtained by contacting Mary Hanson, Director of Finance at (406) 531-6196 or mhanson@mountainline.com, or by visiting <https://mountainline.com/current-solicitations>.

Proposals are due via email on Thursday, June 9, 2022. MUTD reserves the right to reject any and all proposals.

Published: Missoulian – May 18, May 25

Timeline for RFP #22-03

Financial Auditing Services

Date Issued:	May 18, 2022
Written Questions Due:	June 1, 2022
Response to questions:	June 3, 2022
Proposal Due Date:	June 9, 2022
Interviews (if any):	June 16 - 17, 2022
Anticipated Award:	June 23, 2022

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SECTION 1: INTRODUCTION

1.1 Statement of Intent

The Missoula Urban Transportation District (MUTD) is seeking proposals for the independent audit of its financial records for the fiscal years ending June 30, 2022, 2023 and 2024, with two (2) additional one-year renewal options at MUTD's sole discretion.

MUTD is an Urban Transportation District that was established in 1977 to provide transportation services in the Missoula area, under the Montana Code Annotated Section 7-14-201. The organization is guided by a seven-member board of directors appointed by elected officials in the City and County government. Staff at MUTD consists of approximately 63 operators, 14 maintenance/service employees, and 25 office and management staff.

MUTD has a FY 2021 operating budget of \$11.7 million which is funded primarily by property taxes and grants from the federal, state and local governments. In addition to the operating expenditures, MUTD incurs expenses for capital improvements. The MUTD has ten active federal grants and one active state grant in FY 2022. The operating, capital, and planning grants shall be audited as part of the overall audit of financial records.

The Missoula Urban Transportation District and Mountain Line are essential components of Missoula's integrated, multi-modal transportation system. We are committed to the community goal of reducing vehicle miles traveled in Missoula. We believe that our community can meet this goal by:

- Significantly increasing the use of transit.
- Improving transportation options, thus reducing single occupancy vehicle dependence.
- Creating strong incentives for using modes of transportation that reduce traffic congestion and improve community health.
- Building a network of partnerships dedicated to reducing vehicle miles traveled.

The Missoula Urban Transportation District envisions Mountain Line as a safe, pleasant, productive, efficient, and satisfying environment for the employees of MUTD and promotes working relationships that are characterized by common respect, shared responsibilities and involvement, open, honest, communication and acceptance of the benefit of each other and MUTD.

SECTION 2: INSTRUCTIONS

2.0 Term of Contract

The Missoula Urban Transportation District (MUTD) is seeking proposals for the independent audit of its financial records for the fiscal years ending June 30, 2022, 2023 and 2024, with two (2) additional one-year renewal options at MUTD's sole discretion.

2.2 Disadvantaged Business Enterprise Participation

The Disadvantaged Business Enterprise (DBE) requirements of 49 CFR Part 26 applies to this contract. The requirements of this contract are to encourage DBE participation and to report race neutral accomplishments semi-annually. No preference will be included in the submission evaluation, no minimum level of DBE participation shall be required as condition for receiving an award and submissions will not be rejected or considered non-responsive on that basis.

Please see Section 6.9 for additional information pertaining to DBE requirements.

2.3 Public Disclosure of Information

All the information contained in the submittal is subject to the State of Montana public disclosure laws. Information which is not subject to public disclosure shall be submitted under separate cover marked "Exempt from Public Disclosure." MUTD assumes no responsibility or liability for any losses or damages which may result from the information contained in the submittal. Furthermore, it will be the responsibility of the Vendor to protect the confidentiality of any information submitted in the submittal, and the Vendor will assume all liability and responsibility for any information declared confidential and shall defend and hold MUTD harmless for any cost, penalties, and/or fees (including attorney fees) incurred in any action regarding the disclosure of said information.

2.4 Public Disclosure and Proprietary Information

Information contained in the submittal, including price, will not be released by MUTD prior to contract award in order to protect the integrity of the procurement process unless otherwise required by law. Vendors are further advised that MUTD may be required to release submittal information after contract award.

If a Vendor feels that any information is confidential or proprietary in nature, the Vendor must submit all such information in a separate sealed envelope prominently marked with the Vendor's name and "Exempt from Public Disclosure." MUTD shall not release or divulge such information to third parties without the consent of the Vendor unless required to do so by applicable law or order of a court of competent jurisdiction.

2.5 Communications with MUTD

Upon release of this solicitation document, all Vendor communications concerning this

procurement must be directed to:

Mary Hanson, Director of Finance
Missoula Urban Transportation District
1221 Shakespeare Street
Missoula, MT 59802
(406) 531-6196
mhanson@mountainline.com

Unless authorized by the General Manager in writing, no other MUTD official or employee is empowered to speak for MUTD with respect to this Request for Proposals.

2.6 Preparation of Submittals

- A. Vendors shall examine this Request for Proposal's Instructions and Requirements, Scope of Work, Required Forms and Certifications, and all Exhibits and Attachments. Failure to do so will be at the Vendor's risk.
- B. Each Vendor shall furnish information required by the solicitation. Erasures or other changes shall be initialed by the person signing the proposal. Submittals signed by an agent (other than an officer or a partner) are to be accompanied by evidence of that person's authority unless such evidence has been previously furnished to MUTD.
- C. Submittals for services other than those specified will not be considered unless authorized by the solicitation.
- D. The Vendor shall state a definite time for performance of services unless otherwise specified in the solicitation.
- E. Time, if stated as number of days, will include Saturdays, Sundays and holidays.

2.7 Submission of Proposals

Submissions shall be delivered via email in PDF format to Mary Hanson, Director of Finance, mhanson@mountainline.com.

2.8 Late Submittals, Modifications of Submittals, and Withdrawals of Submittals

- A. Any submittal or modification received at the office designated in the solicitation after the exact time specified for receipt will not be considered and will be returned to the Vendor not opened.

- B. The time of receipt at MUTD is the time-date stamped on the submittal envelope, or other documentary evidence of receipt maintained by MUTD.
- C. Submittals may be officially withdrawn from consideration only by a written request to MUTD's point of contact as identified in Section 2.5 prior to response deadline.

2.9 Conditional/Nonresponsive Submittals

MUTD reserves the right to reject as non-responsive any submittal accompanied by insufficient or irregular required security; any submittal from Vendors who have previously failed to perform properly, or to complete on time contracts of any nature; and any submittal which is incomplete, obscure or irregular. MUTD reserves the right to reject any or all submittals, based on its discretion alone.

It will be assumed by MUTD that the Vendor has accepted without reservation or amendment the whole of the general requirements and legal requirements and contract provisions contained in this solicitation document.

A Vendor may note any exceptions or additional provisions that it wishes MUTD to consider. Exceptions must be submitted on a separate sheet of paper and be cross-referenced in the RFP submission

NOTE: MUTD reserves the right to reject any or all Vendor-proposed exceptions, or additional provisions to terms and conditions, and other requirements without comment. An excessive number of exceptions may cause the Submission to be viewed as non-responsive.

2.10 Single Submittal

In the event that only one submittal is received, MUTD will conduct a price or cost analysis of the proposal (if pricing is one of the criteria), or both, and the Vendor hereby agrees to such analysis. A price analysis is the process of examining the submittal and evaluating the separate cost elements. A price analysis through comparison to other similar awards must be based on an established or competitive price of the elements used in the comparison. The comparison is to be made to the procurement of similar services and involving a similar scope of work. Where a difference exists, a detailed analysis must be made of this difference and costs attached hereto.

Where it is impossible to obtain a valid price analysis, it may be necessary for MUTD to conduct a cost analysis of the proposed price. The price or cost analysis shall be made by competent and experienced auditors or price analysts or engineer's estimate.

Any such analysis and the results therefrom shall not obligate MUTD to accept such a single submittal, and MUTD may reject such submittal at its sole discretion. In the event of such price or cost analysis, MUTD shall have the right to extend the effective date of the submittal for more than 90 days.

2.11 Ineligible Vendors

In the event that a Vendor is on the Comptroller General's list of ineligible for federally financed or assisted work, its submittal may be rejected and any contract resulting from its submittal may be canceled, terminated or suspended by MUTD. The US Comptroller General's list of ineligible contractors is available from the GAO Publications Branch, Room 6427, 441 G Street, Washington DC, 20548.

MUTD reserves the right to reject any or all submittals and to waive informalities and irregularities.

No Vendor may withdraw its submittal after the time announced for submitting or before the award and execution of the contract, unless the award is delayed for a period exceeding ninety (90) days.

2.12 Addenda

Oral explanations or instructions given before the award of the contract shall not be binding. In order for information to reach Vendors before submission of their offers, any explanation desired by a Vendor regarding the meaning or interpretation of the solicitation document must be requested in writing no later than the date listed in Section 2.17. Such information requests received by e-mail to the Procurement representative listed above will be considered as a written request.

Any answers to questions given to prospective Contractors concerning the clarification of, or any changes to the RFP solicitation document shall be provided in writing to all prospective Contractors as an Addendum of the solicitation. All Addenda will be posted on the MUTD website at www.mountainline.com.

All proposed modifications found acceptable to MUTD will be issued as an Addendum and mailed or e-mailed to all potential Contractors who have requested copies of the RFP. Only the Addendum issued by MUTD modifies the solicitation document. No other oral or written communication modifies the solicitation document.

2.13 Acknowledgement of Addenda

While MUTD will make efforts to provide Addenda to all interested parties, it is the Vendor's responsibility to ensure that they have received and understand any and all addenda issued.

A completed Addendum Acknowledgement form (Section 7) shall be included with all proposals. In addition, Vendors must acknowledge receipt of the Addenda in their Letter of Transmittal (Section 3.2).

2.14 Modification of Submittals

A modification of a submittal already received will be considered only if the proposed modification is received prior to the time announced as the deadline for the submittal intended to be modified. All modifications shall be made in writing, executed and submitted in the same form and manner as the original submittal.

2.15 Pre-contractual Expenses

MUTD will not be responsible for any expenses incurred in preparing, submitting, or negotiating this proposal, and such costs should not be included in the proposal.

2.15 Joint Venture

Joint venture submittals will not be accepted by MUTD. Vendors shall structure their submittals so that one Vendor is the Primary Submitter.

Firms associated with the Primary Submitter, providing goods and/or service to MUTD under this contract, shall be as a subcontractor to the primary contract awardee, not MUTD.

2.16 Request for Extension

The Vendor agrees to supply, as soon as such data is available any reasonable proofs that are required by MUTD to make a decision on any request for extension. MUTD shall examine the request, and any documents supplied by the Vendor, and shall determine if the Vendor is entitled to an extension and the duration of such extension. MUTD shall notify the vendor of its decision in writing.

It is expressly understood and agreed that the Vendor shall not be entitled to damages or compensation, and shall not be reimbursed for losses on account of delays resulting from any clause under this provision.

2.17 Timeline for RFP #22-03, Financial Auditing Services

Date Issued:	May 18, 2022
Written Questions Due:	June 1, 2022
Response to questions:	June 3, 2022
Proposal Due Date:	June 9, 2022
Interviews (if any):	June 16-17, 2022
Anticipated Award:	June 23, 2022

Each submittal shall remain open for a period of ninety (90) days beginning June 9, 2022. MUTD reserves the right to request extension of submittal effective period.

2.18 Pre-Submittal Conference

There will be no pre-submittal conference.

SECTION 3: PROPOSAL REQUIREMENTS

3.1 Proposal Contents

To be considered responsive, each proposal shall contain the following:

1. Letter of Transmittal (Section 3.2)
2. Technical Proposal (Section 3.3)
3. Required Forms and Certifications (Section 7)

3.2 Letter of Transmittal

A brief introductory letter to introduce the proposal shall be addressed to the procurement officer identified in Section 2.5 of this RFP, and must, at a minimum, contain the following:

1. Identification of the Vendor, including name and mailing address.
2. Acknowledgement of receipt of all RFP addenda, if any.
3. Name, title, address, and telephone number of contact person during period of proposal evaluation.
4. A statement to the effect that the proposal shall remain valid for a period of not less than 90 days from the date of submittal.
5. Signature of a person authorized to commit the Vendor to the terms of the proposal.

3.3 Technical Proposal

The technical proposal shall fully address the following areas:

1. Qualifications of firm
 - a. Provide a description of your firm, including the year founded, the types of services offered, the number of employees, and the size and location of offices.
 - b. Describe the key personnel involved in the completion of the project requirements, including information on the government and transit agency auditing experience of each person. Please include copies of all professional resumes.
 - c. If your submittal represents a joint effort on a prime/subcontracted submittal, provide the above for all members of the submittal team and the specific responsibilities of each project team firm.
 - d. Submit a copy of the firm's most recent external quality control review (Peer Review) and indicate whether that quality control review included a review of specific government engagements.
 - e. Provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

- f. Required certifications and business licenses allowing the firm to do business in the city of Missoula and the state of Montana.

2. Past performance and quality of services

- a. Describe the firm's overall experience and past performance in providing services similar to those solicited in this RFP.
- b. Provide at least three (3) references for which similar services have been performed. Indicate the scope of work, dates of the engagement, and the name, email and phone number of a contact person who is willing to briefly discuss the Vendor's work with MUTD.

3. Response to scope of work

- a. Address the scope of work requirements listed in Section 4 of this RFP and how you will meet or exceed those requirements.

4. Cost

- a. Provide a fully developed cost for services required by the Scope of Work in Section 4 of this RFP.
- b. For each of years 1 through 3, provide a complete listing of project personnel, the number of hours billed to the project, and the hourly rate.
- c. Indicate any additional direct and indirect costs relative to the project, including all out-of-pocket expenses.

3.3 Required forms and certifications

Each of the forms in Section 6 of this document should be completed by the proposer and included in the submittal.

SECTION 4: SCOPE OF WORK

4.1 Introduction

The Missoula Urban Transportation District (MUTD) is seeking proposals for the independent audit of its financial records for the fiscal years ending June 30, 2022, 2023 and 2024, with two (2) additional one-year renewal options at MUTD's sole discretion.

4.2 Auditing Standards

The audit must be performed in accordance with the following standards:

1. Generally accepted auditing standards
2. General Accounting Office's (GAO) Government Auditing Standards, the Single Audit Act of 1996,
3. U.S. Office of Management and Budget (OMB) Circular A-133
4. Any other standards and/or best practices established by the American Institute of Certified Public Accountants and the Montana Society of Certified Public Accountants, or

4.3 Annual Pre-Audit Meeting

Each year, meet with MUTD staff to confirm what revenue will be included in the prior years audit, determine a plan for calculating depreciation, and cover any other topics necessary to begin work on the audited financial statements for the prior fiscal year. The annual pre-audit meeting can occur virtually or in person, and should occur in July or August following the end of the fiscal year to be audited.

4.3 Reports to be Issued

Each audit will include tests of the accounting records of MUTD and other procedures necessary to produce the following:

1. A management letter on internal controls and compliance
2. A report on the fair presentation of MUTD's financial statements in conformity with generally accepted accounting principles (GAAP).
3. Current year depreciation calculation for current year for all assets.
4. A Single Audit Report, in accordance with OMB Circular A-133, that includes the following reports:
 - i. Report on internal control over financial reporting based on an audit of financial statements.
 - ii. A report on compliance, and internal control over compliance, with the general requirements of federal financial assistance,

For each audit, the Vendor will provide six (6) bound copies of the above reports in accordance with applicable standards, as well as electronic files for each report.

4.4 Instances of Non-compliance

The reports on compliance and internal controls shall include all instances on non-compliance. In addition, the Vendor shall be required to make an immediate, written report of all irregularities and/or illegal acts of which they become aware of to the MUTD Board of Directors.

4.5 Access to MUTD Records

MUTD shall make available all financial records and related information requested by the Vendor prior to the start of the audit, and any additional information that is reasonably possible to provide during the course of an audit.

4.6 Retention Period

All working papers and reports must be retained, and be made available to MUTD on request, for at least five years following the issuance of the reports, unless the firm is notified in writing by MUTD of the need to extend the retention period.

4.7 Management's Responsibility

MUTD acknowledges management's responsibility for the reliability, accuracy and completeness of all financial presentations. The independent auditor has provided and is expected to provide invaluable assistance in interpreting financial reporting requirements.

4.8 Unspecified Accounting Services

No services are contemplated outside of those set forth in Section 4 of this RFP; however, MUTD may require the Vendor's availability throughout the year to provide general accounting or financially-related consulting services on an as-needed basis. MUTD shall provide the Vendor with reasonable advance notice of the need for such services, and provide reimbursement according to the billing rates quoted in their proposal.

SECTION 5: EVALUATION PROCESS AND AWARD

5.1 Evaluation Committee

Evaluation of proposals will be performed by a committee comprised of MUTD staff. The evaluation committee will evaluate and select the proposal that best addresses the requirements of the project, in accordance with the criteria stated herein. MUTD reserves the right to reject any or all submittals.

5.2 Evaluation Criteria

Each technical proposal will be evaluated on the basis of the following factors and corresponding weights, which are detailed in Section 3.3:

<u>Criteria</u>	<u>Value</u>
Qualifications of firm	30%
Past performance and quality of services	20%
Response to Scope of Work	25%
Price	25%

5.3 General Approach

- A. This contract will be awarded in accordance with the regulations for a competitive sealed proposals process set forth in FTA Circular 4220.1F.
- B. MUTD may hold interviews with all Vendors judged reasonably susceptible of being selected for an award (competitive range). However, MUTD also reserves the right to make an award without holding any discussions or interviews. In either case, MUTD may determine a Vendor to be not responsible and/or a Vendor's proposal to be not reasonably susceptible of being selected for an award (outside the competitive range) at any time after the proposal due date and MUTD initial review of the proposals submitted.

5.4 Evaluation Process

The evaluation process will occur in the following manner and sequence:

1. The MUTD procurement officer (Section 2.5) will conduct an evaluation of each proposal to determine whether the basic procurement requirements listed in Section 1 were met.
2. All remaining proposals will be evaluated and ranked by the evaluation committee based on the criteria in Section 5.2.
3. MUTD may hold interviews with all Vendors whose proposals are within the competitive range. The purpose of such interviews will be to assure a full

understanding of MUTD's requirements and the Vendor's ability to perform and deliver those requirements.

4. Vendors must confirm in writing any substantive oral clarification of, or change in, their proposals made in the course of an interview or discussion. Any such written clarification will then become part of the Vendor's proposal.
5. MUTD reserves the right, if it has determined to be in its best interest, to permit all Vendors who have submitted acceptable proposals to revise their initial proposals and submit, in writing, best and final offers (BAFOs). There can be more than one round of BAFO submissions.

5.5 Award of Contract

- A. Upon completion of all interviews, reference checks, and scoring of technical proposals, the evaluation committee will recommend award of the Contract to the responsible Vendor whose proposal is determined to be the most advantageous to MUTD, considering the evaluation factors listed in the solicitation.
- B. MUTD may not necessarily make an award to the Vendor with the highest technical ranking, or to the Vendor with the lowest price proposal, if doing so would not be in the overall best interest of MUTD.
- C. MUTD reserves the right to make an award without holding any discussions or interviews.
- D. MUTD may reject all proposals if such action is determined to be in the best interest of MUTD.
- E. Within 90 days after the deadline for submittals, MUTD will either decide to award a contract or reject all submittals, unless extension is made as stated in Section 2.16.
- F. Prior to issuance of a Notice to Proceed, MUTD may issue a notice of intent to issue an award.
- G. Upon execution and submission of all required documentation, MUTD will issue a Notice to Proceed evidencing its formal acceptance and award of the contract.

5.6 Billing and Payment

Payment for services rendered under the contract may be billed annually following the completion of the financial audit for the prior fiscal year.

SECTION 7: REQUIRED FORMS AND CERTIFICATIONS

For a proposal to be considered responsive, the following forms, certifications, and/or statements are to be executed and enclosed with each proposal. Proposals received without these forms/certifications completed will not be considered. Compliance with these requirements is mandatory for a contract award.

MISSOULA URBAN TRANSPORTATION DISTRICT

ADDENDUM ACKNOWLEDGEMENT

Proposer/Bidder acknowledges receipt of the following addenda which are attached to the proposal/bid:

Addendum No. _____ Date _____

Addendum No. _____ Date _____

Addendum No. _____ Date _____

Addendum No. _____ Date _____

Addendum No. _____ Date _____

Failure to acknowledge receipt of all addenda may cause the proposal to be considered non-responsive and omitted from consideration.

MISSOULA URBAN TRANSPORTATION DISTRICT

PRICE PROPOSAL
Financial Auditing Services, RFP #22-03

Audit Year	Price
FY22	
FY23	
FY24	
FY25 (Optional renewal at MUTD's discretion)	
FY26 (Optional renewal at MUTD's discretion)	
Total 5-year price	

MISSOULA URBAN TRANSPORTATION DISTRICT

Disadvantaged Business Enterprise (DBE) Form

In accordance with federal regulations, MUTD is required to set a goal for utilizing DBE's in federally-funded projects, and to demonstrate a good faith effort in meeting this goal. MUTD's goal for the period from October 1, 2021 through September 30, 2024 is 0%.

A listing of Montana-based DBE firms can be found at <https://app.mdt.mt.gov/dbe/dbe/search>.

A. DBE Certification. Mark below to indicate your firm's DBE status. If applicable, please provide a copy of your certification letter or certificate.

☐ **CERTIFIED as a DBE**

☐ **NOT-CERTIFIED as a DBE**

B. Subcontractors. Please list below all DBE firms that will perform work on this contract.

Subcontractor's Name	Industry / Trade	Dollar Value of Contract

Bidder / Firm _____

Authorized Representative _____ Title _____

Signature _____ Date _____

MUTD Fixed Assets**Fiscal Year 2021**

Category	Quantity	Depreciating	Remaining Depreciation
Land	2	0	\$ 80,909
Building	120	94	\$ 2,042,765
Transportation Equipment	271	190	\$ 9,176,163
Shop Equipment	173	10	\$ 80,689
Furniture & Fixtures	400	105	\$ 40,784
Paratransit Equipment	40	38	\$ 774,644
Planning	57	47	\$ 280,220
Totals	1063	484	\$ 12,476,174
Total Value	\$25,118,862		

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

**MISSOULA URBAN
TRANSPORTATION DISTRICT**

JUNE 30, 2021 AND 2020



MISSOULA URBAN TRANSPORTATION DISTRICT

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**MISSOULA URBAN TRANSPORTATION DISTRICT
MISSOULA, MONTANA**

ORGANIZATION

Board of Directors

Chair	Jesse Dodson
Vice-Chair	Anna-Margaret Goldman
Treasurer	Andrea Davis
Secretary	Doug Odegaard
Director	Amy Cilimburg
Director	Don MacArthur
Director	Skye Borden

Officials

General Manager	Corey Aldridge
Director of Operations	Jennifer Sweten
Director of Finance & Administration	Mary Hanson



INDEPENDENT AUDITORS' REPORT

Board of Directors
Missoula Urban Transportation District
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Missoula Urban Transportation District, which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 - 10 and the schedule of changes in net OPEB liability and related ratios on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2021, on our consideration of Missoula Urban Transportation District'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 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 Missoula Urban Transportation District's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Kalispell, Montana
October 30, 2021

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

This report is intended to provide a recap of accomplishments and challenges that occurred during fiscal year 2021 (FY2021) and to provide insight into events that will impact the fiscal year 2022 (FY2022) budget. Additional discussion is provided regarding factors that will influence planning decisions for the FY2022 budget and help recognize economic trends that will impact Missoula Urban Transportation District's (MUTD) financial condition beyond FY2022.

Financial Highlights

The following tables summarize the financial condition and operating results for FY2021 compared to FY2020 and FY2020 compared to FY2019:

Statement of Net Position

	2021	2020	Increase (Decrease)	2020	2019	Increase (Decrease)
Current & other assets	22,256,687	14,016,800	8,239,887	14,016,800	12,875,813	1,140,987
Capital assets	11,233,242	10,080,582	1,152,660	10,080,582	5,557,782	4,522,800
Total assets	33,489,929	24,097,382	9,392,547	24,097,382	18,433,595	5,663,787
Current liabilities	2,482,637	320,870	2,161,767	320,870	373,976	(53,106)
Noncurrent liabilities	465,286	440,543	24,743	440,543	381,600	58,943
Total liabilities	2,947,923	761,413	2,186,510	761,413	755,576	5,837
Net Position:						
Net investment in capital assets	11,233,242	10,080,582	1,152,660	10,080,582	5,557,782	4,522,800
Unrestricted	19,308,764	13,255,387	6,053,377	13,255,387	12,120,237	1,135,150
Total net position	30,542,006	23,335,969	7,206,037	23,335,969	17,678,019	5,657,950

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

FY2021 compared to FY2020:

The current and other assets include cash of \$17,548,891 which will fund fleet replacement capital purchases (local match) through FY2043, facilities capital purchases (local match) through FY2025 and a portion of future operating expenses, and liabilities. The remaining current and other assets of \$4,707,796 are receivables for capital reimbursement, operating assistance, and property taxes as well as supplies inventory and prepaid expenses. The capital assets are \$1,152,660 greater than FY2020 due to purchase of four paratransit vehicles and bus stop improvements.

The net position of \$30,542,006 has increased by \$7,206,037. The unrestricted net position of \$19,308,764 includes facilities capital projects reserve of \$7,767,664, fleet replacement reserve of \$4,347,927, and a four-month operating reserve of \$4,259,659.

FY2020 compared to FY2019:

The current and other assets include cash of \$13,290,334 which will fund fleet replacement capital purchases (local match) through FY2043, facilities capital purchases (local match) through FY2025 and a portion of future operating expenses, and liabilities. The remaining current and other assets of \$726,463 are receivables for federal capital reimbursement and property taxes, supplies inventory, and prepaid expenses. The capital assets are \$4,522,800 greater than FY2019 due to purchase of six electric buses.

The net position of \$23,335,969 has increased by \$5,657,950. The unrestricted net position of \$13,255,387 includes facilities capital projects reserve of \$4,883,664, fleet replacement reserve of \$4,253,982, and a five-month operating reserve of \$3,199,659.

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

Statement of Revenues, Expenses and Changes in Net Position

	2021	2020	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues:						
Operating revenues	291,990	312,203	(20,213)	312,203	270,157	42,046
Non-operating revenues	13,666,614	8,845,465	4,821,149	8,845,465	8,219,789	625,676
Total revenues	13,958,604	9,157,668	4,800,936	9,157,668	8,489,946	667,722
Expenses:						
Operating	7,183,333	6,562,003	621,330	6,562,003	5,888,528	673,475
General and administrative	1,896,413	1,672,184	224,229	1,672,184	1,722,834	(50,650)
Total expenses	9,079,746	8,234,187	845,559	8,234,187	7,611,362	622,825
Income before capital contributions	4,878,858	923,481	3,955,377	923,481	878,584	44,897
Capital contributions	2,327,179	4,734,469	(2,407,290)	4,734,469	536,719	4,197,750
Change in net position	7,206,037	5,657,950	1,548,087	5,657,950	1,415,303	4,242,647
Net Position, Beginning of Year	23,335,969	17,678,019	5,657,950	17,678,019	16,262,716	1,415,303
Net Position, End of Year	30,542,006	23,335,969	7,206,037	23,335,969	17,678,019	5,657,950

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

Revenues:

Operating revenues include Zero-fare partner contributions, contract services, and advertising.

In FY2021, the non-operating revenue increased by \$4,821,149 due to the CARES grant received.

In FY2020, the non-operating revenue increased by \$625,676 primarily due to an increase in property taxes, which is due to a rise in the certified tax valuations and new growth.

The non-operating revenues include the following sources:

	2021	2020	Increase (Decrease)	2020	2019	Increase (Decrease)
Property and other taxes	6,409,098	6,170,325	238,773	6,170,325	5,676,210	494,115
Federal operating assistance	6,970,758	2,332,852	4,637,906	2,332,852	2,137,118	195,734
Federal planning assistance	136,739	62,978	73,761	62,978	139,180	(76,202)
Interest income	50,175	203,571	(153,396)	203,571	206,648	(3,077)
Other revenues	99,844	75,739	24,105	75,739	60,633	15,106
Total non-operating revenues	<u>13,666,614</u>	<u>8,845,465</u>	<u>4,821,149</u>	<u>8,845,465</u>	<u>8,219,789</u>	<u>625,676</u>

In FY 2021, operating expenses increased by \$845,559, which includes a combination of increases and decreases in departments.

In FY 2020, operating expenses increased by \$622,825, which includes a combination of increases and decreases in departments.

See the Schedule of Functional Expenses later in this report for more details.

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

	2021	2020	Increase (Decrease)	2020	2019	Increase (Decrease)
Operations	5,836,828	5,463,890	372,938	5,463,890	4,941,295	522,595
Maintenance	1,346,505	1,098,113	248,392	1,098,113	947,233	150,880
General and administrative	1,896,413	1,672,184	224,229	1,672,184	1,722,834	(50,650)
Total expenses	<u>9,079,746</u>	<u>8,234,187</u>	<u>845,559</u>	<u>8,234,187</u>	<u>7,611,362</u>	<u>622,825</u>

Capital contributions are purchases that are funded by federal and state grants for approximately 80% - 87% of the total cost. The FY2021 capital contribution is \$2,327,179, the FY2020 capital contribution is \$4,734,469 and the FY2019 capital contribution is \$536,719.

	Federal, State and Local Funds		Increase (Decrease)	Federal, State, and Local Funds		Increase (Decrease)
	2021	2020		2020	2019	
Buildings and improvements	-	1,929	(1,929)	1,929	267,746	(265,817)
Transportation equipment	2,327,179	4,690,475	(2,363,296)	4,690,475	244,973	4,445,502
Furniture and fixtures and planning	-	42,065	(42,065)	42,065	24,000	18,065
Total	<u>2,327,179</u>	<u>4,734,469</u>	<u>2,407,290</u>	<u>4,734,469</u>	<u>536,719</u>	<u>4,197,750</u>

Budget Comparisons

The FY2021 expenses are 4.41% less than budget due to reduced services throughout the year. Operations are 8.17% less than budget. Maintenance expenses are 0.50% under budget. General and administrative is 4.90% over budget.

The FY2020 expenses are 8.69% less than budget largely due to the COVID-19 pandemic causing MUTD to reduce services for three months. Operations are 6.26% under budget. Maintenance expenses are 16.37% less than budget. General and administrative is 10.42% less than budget due to cancelled trainings and marketing reductions.

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

FY2021 Ridership and Service Levels

FY2021 the pandemic continued throughout the fiscal year. Service interruptions were a constant. Employee staffing shortages were the cause. Ridership levels decreased by 37% from FY2020 and by 51% from FY2019. MUTD continues to be proactive offering a \$100 bonus for vaccination to all employees. Rear boarding was the norm for most of FY2021. In June front boarding was re-introduced. FTA continues a mask mandate for all transit passengers slowing the return of ridership. The University went remote class learning for most of FY2021. The fall of FY2021 they are returning in classroom learning. This will hopefully increase ridership numbers.

Enhancements / Planning / Capital Projects

MUTD requested operational reimbursement of \$4.079 million from the CARES grant awarded. The majority of these funds were deposited in the Facility Capital Project account. Numerous meetings have taken place searching for property parcels large enough for MUTD to re-locate. MUTD hopes to secure a location for a new facility by the end of the calendar year.

MUTD was recipient of another L0-No Emission grant to purchase four additional electric buses and conduct a study on the three brands of buses in the MUTD fleet regarding operating costs. MUTD also received an American Rescue Plan Act Grant. Two new Gillig electric buses arrived in May. Software changes are delaying usage, soon to be in service. New Flyer is having material supply chain issues extending the arrival of these two buses.

The mill levy request passed in November in support of seven-day service and extended weekday hours. This will fulfill Phases 1 - 3 from the Strategic Master Plan. The Strategic Plan is scheduled to be reviewed and updated in FY2022 & 2023.

Montana Department of Transportation (MDT) and Other Partnerships

The Bus Stop Master Plan that was to complete this summer will be delayed a year. The contractor declared bankruptcy in May. Staff and local contractors and the city assisted in securing four bus stops under construction. The project will need to be re-bid next year to conclude in FY2023.

Key Economic Factors Impacting MUTD Future Budgets

The mill levy request passed overwhelmingly in November. This action resulted in a re-organization in Administration. Two additional positions and one promotion were the results. IT Administrator and Staff Accountant positions and the Benefits Specialist position increased to Human Resources Manager.

Operations determined an additional twelve operators, two supervisors, a trainer, two dispatchers and an additional paratransit coordinator will also be needed to fulfill this request. In Maintenance one additional technician and service person will be required. These positions will need to be filled throughout the fall of FY2022 so staff is trained and ready for extended service beginning January 2, 2022.

The collective bargaining agreement with the Teamsters Union Local No. 2 for bus operators and paratransit coordinators was settled November 12. Retro-pay and adjustments were completed in December. 3% annual wage increase resulted. This contract continues until June 30, 2023.

The collective bargaining agreement with the Teamsters Union Local No. 2 for maintenance and service personnel was settled January 28. 10% increase as well a 3-4 % annual increase for technicians and 5% for service and a 3% annual increase for service resulted. Retro-pay and adjustments were completed in February. This contract continues until June 30, 2024.

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

Key Economic Factors Impacting MUTD Future Budgets (continued)

The FY2022 is 34% higher than the FY2021 budget due to the addition of 24 FTE. The new mill levy will generate an additional 3.4 million in revenue. A 27% increase in revenue is anticipated for FY2022.

Once all three brands of electric buses are in operation a determination will be made as to what will be the preferred brand for the MUTD fleet.

MUTD will continue safety measures of cleaning buses, proper protocol when transporting citizens for testing, masking up and requesting all employees stay safe.

MUTD will continue educating the public of the services that Mountain Line provides: clean air emissions, daily route and paratransit services.

MUTD will be vigilant on working with metrics of what public transit needs are as a result of the pandemic and plan with the knowledge available for Missoula's future needs.

MISSOULA URBAN TRANSPORTATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,173,641	\$ 953,029
Capital cash reserves	12,115,591	9,137,646
Operating reserves	4,259,659	3,199,659
Receivables, net	4,408,076	345,893
Supplies inventory	269,183	291,535
Prepaid expenses	<u>30,537</u>	<u>89,038</u>
Total current assets	<u>22,256,687</u>	<u>14,016,800</u>
 CAPITAL ASSETS AT COST		
Land	80,909	80,909
Buildings and improvements	6,353,482	6,342,842
Transportation equipment	17,686,827	16,146,920
Shop equipment	210,796	206,468
Furniture and fixtures	<u>786,947</u>	<u>774,732</u>
	25,118,961	23,551,871
Less: Accumulated depreciation	<u>(13,885,719)</u>	<u>(13,471,289)</u>
Net capital assets	<u>11,233,242</u>	<u>10,080,582</u>
 TOTAL ASSETS	 <u><u>\$ 33,489,929</u></u>	 <u><u>\$ 24,097,382</u></u>
 <u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts and warrants payable	\$ 2,262,524	\$ 98,927
Accrued liabilities	180,413	184,993
Unearned revenue	<u>39,700</u>	<u>36,950</u>
Total current liabilities	<u>2,482,637</u>	<u>320,870</u>
 NONCURRENT LIABILITIES		
Compensated absences	300,424	299,268
Other postemployment benefits	<u>164,862</u>	<u>141,275</u>
Total noncurrent liabilities	<u>465,286</u>	<u>440,543</u>
 TOTAL LIABILITIES	 <u>2,947,923</u>	 <u>761,413</u>
 NET POSITION		
Net investment in capital assets	11,233,242	10,080,582
Unrestricted	<u>19,308,764</u>	<u>13,255,387</u>
Total net position	<u>30,542,006</u>	<u>23,335,969</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 33,489,929</u></u>	 <u><u>\$ 24,097,382</u></u>

See accompanying independent auditors' report and notes to audited financial statements

MISSOULA URBAN TRANSPORTATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Zero-fare demonstration project	\$ 236,850	\$ 271,894
Advertising	<u>55,140</u>	<u>40,309</u>
Total operating revenues	<u>291,990</u>	<u>312,203</u>
OPERATING EXPENSES		
Operations	5,836,828	5,463,890
Maintenance	1,346,505	1,098,113
General and administrative	<u>1,896,413</u>	<u>1,672,184</u>
Total operating expenses	<u>9,079,746</u>	<u>8,234,187</u>
Loss from operations	<u>(8,787,756)</u>	<u>(7,921,984)</u>
NON-OPERATING REVENUES		
Property and other taxes	6,409,098	6,170,325
Federal operating assistance	6,970,758	2,332,852
Federal planning assistance	136,739	62,978
State operating assistance	96,830	64,837
Interest income	50,175	203,571
Other revenues	<u>3,014</u>	<u>10,902</u>
Total non-operating revenues	<u>13,666,614</u>	<u>8,845,465</u>
Income before capital contributions	4,878,858	923,481
Capital contributions	<u>2,327,179</u>	<u>4,734,469</u>
Change in net position	7,206,037	5,657,950
Net position, beginning of year	<u>23,335,969</u>	<u>17,678,019</u>
Net position, end of year	<u><u>\$ 30,542,006</u></u>	<u><u>\$ 23,335,969</u></u>

See accompanying independent auditors' report and notes to audited financial statements

MISSOULA URBAN TRANSPORTATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from zero-fare demonstration project	\$ 236,850	\$ 271,894
Receipts from contract services	55,140	40,309
Payments to suppliers	254,763	(1,869,040)
Payments to employees	(5,692,091)	(5,293,785)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(5,145,338)</u>	<u>(6,850,622)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from property and other taxes	6,425,249	6,098,823
Receipts from Federal and State operating grants	5,035,148	2,785,205
Other receipts	3,014	10,902
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>11,463,411</u>	<u>8,894,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,551,361)	(5,626,162)
Receipts from Federal capital grants	441,670	4,750,411
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,109,691)</u>	<u>(875,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	50,175	203,571
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,258,557	1,372,128
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,290,334</u>	<u>11,918,206</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 17,548,891</u></u>	<u><u>\$ 13,290,334</u></u>
CASH AND CASH EQUIVALENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF NET POSITION AS:		
Cash and cash equivalents	\$ 1,173,641	\$ 953,029
Capital cash reserves	12,115,591	9,137,646
Operating reserves	4,259,659	3,199,659
	<u><u>\$ 17,548,891</u></u>	<u><u>\$ 13,290,334</u></u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES:		
Loss from operations	\$ (8,787,756)	\$ (7,921,984)
Adjustments to reconcile loss from operations to cash flows from operating activities:		
Depreciation	1,398,701	1,103,362
(Increase) decrease in operating assets:		
Receivables, net	(20,896)	44,781
Supplies inventory	22,352	(54,059)
Prepaid expenses	58,501	(42,353)
Increase (decrease) in operating liabilities:		
Accounts and warrants payable	2,163,597	(101,110)
Accrued liabilities	(4,580)	61,798
Compensated absences	1,156	40,990
Other postemployment benefits	23,587	17,953
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (5,145,338)</u></u>	<u><u>\$ (6,850,622)</u></u>

See accompanying independent auditors' report and notes to audited financial statements

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1. Summary of Significant Accounting Policies

Organization

The Missoula Urban Transportation District (the District) was organized under the laws of the state of Montana in 1976 to provide public transportation to the Missoula area. The District operates under the name “Mountain Line” and is authorized to levy taxes and charge fares to pay for the operations of the District.

The District is governed by a seven-member Board of Directors appointed by Missoula County (the County) and the City of Missoula (the City). The Board of Directors sets District policy, levies taxes, appropriates funds, adopts budgets, and performs other duties required by state and federal law.

Financial Reporting Entity

The District is considered a separate legal entity since neither the County nor the City appoints a controlling majority of the governing board, and the District is not financially accountable or fiscally dependent on either the County or the City. Furthermore, the District is not considered a component unit of either the City or the County.

Basis of Accounting

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

Operating revenues consist primarily of zero-fare demonstration project contributions. The District also recognizes revenue for contracted services and transit advertising revenue as operating revenue. Operating expenses comprise the costs of operating the District, including depreciation on capital assets. Capital contributions include grant revenue and other contributions related to capital acquisitions or construction. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

Restricted Assets

Restricted assets are assets set aside to meet externally imposed legal and contractual obligations. Restricted assets are used in accordance with their requirements. Where both restricted and unrestricted resources are available for use, restricted resources are used first, and then unrestricted resources as they are needed.

Budgets and Property Taxes

The District is required to submit an annual budget to the Board of County Commissioners for the purpose of certifying the amount of taxes to be levied for the subsequent fiscal year. Property tax levies are set on the second Monday in August in connection with the budget process and are assessed and collected by the County Treasurer on behalf of the District. Real property taxes are billed in October, and are payable in two equal installments on November 30 and May 31. Personal property taxes, which are based on prior year levies, are billed in July and due thirty days after billing. After these dates, they become delinquent and a lien is placed upon the property. Uncollected property taxes are shown on the statement of net position as receivables.

The taxable value of property in the District's taxing jurisdiction as of June 30, 2021 and 2020 was \$171,695,064 and \$151,509,298, respectively. The District levied 21.39 and 21.39 mills, with the value of one mill within the District's boundaries equating to \$160,155 and \$142,640 as of June 30, 2021 and 2020, respectively.

Legal Debt Margin

The District is authorized by law to incur bonded indebtedness of up to 28% of the District's taxable valuation. The District does not intend to issue bonded debt.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of funds on deposit with the Missoula County Treasurer. Such funds consist of demand and time deposits that are commingled with funds of other taxing districts. Information regarding credit risk, insurance, and collateral relating to cash equivalents can be found in Missoula County's annual financial reports for the years ended June 30, 2021 and 2020. For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash funds designated by the board for capital improvements and operating reserves amounted to \$12,115,591 and \$4,259,659 at June 30, 2021, respectively. Cash funds designated by the board for capital improvements and operating reserves amounted to \$9,137,646 and \$3,199,659 at June 30, 2020, respectively. Interest revenue consists of allocations of income on funds held by the Missoula County Treasurer and bank account interest.

Receivables

Receivables consist mainly of amounts due for federal grant reimbursements and property taxes owed to the District. At June 30, 2021 and 2020, the District did not record an allowance for doubtful accounts. The allowance is based on historical trends, emphasizing collection history at Missoula County.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Prepaid expenses include amounts paid to vendors for services to be received in future months.

Capital Assets

Property and equipment are recorded at cost and depreciated on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	40 years
Transportation Equipment	4-14 years
Shop Equipment	5 years
Furniture and Fixtures	5 years

Repairs and maintenance are expended when incurred and betterments, which are expected to extend an asset's useful life, are capitalized in excess of \$1,000. Upon retirement or other disposition of property and equipment, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in non-operating revenue and expenses. Projects in progress are not depreciated until placed in service.

Unearned Revenue

At June 30, 2021 and June 30, 2020, unearned revenue consists of zero-fare project contributions. Zero-fare contributions are recognized as income at the end of each month, with the total contract amount prorated evenly over the number of months of the contract.

Compensated Absences

All employees of the District receive compensation for vacations, holidays, illness and certain other qualifying absences. The number of days compensated in the various categories of absence is based generally on length of service. Upon termination, all employees are paid 100 percent of any unused vacation benefits and 25 to 50 percent of their accrued sick leave. At the end of each calendar year, union employees may cash out 25 percent of any unused sick leave accumulated during the calendar year, less the amount of sick leave used, not to exceed 48 hours. Upon termination, non-union employees are entitled to additional severance pay equal to 25 percent of the value of unused sick leave. Vacation leave that has been earned but not yet paid has been accrued in the accompanying financial statements.

Supplies Inventory

Supplies inventory consists of maintenance parts and supplies, including fuel, used in the ordinary course of operations. Materials and supplies are stated at the lower of average cost or market.

Other Postemployment Benefits

The District recognizes and reports its postemployment healthcare benefits in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

Classification of Net Position

The District classifies its net position as follows:

Net Investment In Capital Assets reflects the net position of the District that are invested in capital assets, including restricted capital assets, net of accumulated depreciation and related debt.

Restricted Net Position represents resources that are not accessible for general use because their use is subject to restrictions enforceable by creditors, grantors, contributors, laws and regulations, or enabling legislation. As of June 30, 2021 and 2020, the District had no restricted net position.

Unrestricted Net Position represents resources that do not meet the definition of restricted or invested in capital assets, and are available for general use.

Estimates

The preparation of financial statements in conformity with GAAP involves the use of management's estimates. These estimates are based upon management's judgments after considering past and current events and assumptions about future events. Actual results may differ from estimates.

NOTE 2. Receivables

Receivables at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Grant reimbursements	\$ 4,067,986	13,298
Property taxes, net	317,875	331,276
Other	<u>22,215</u>	<u>1,319</u>
Total receivables	<u>\$ 4,408,076</u>	<u>\$ 345,893</u>

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3. Capital Assets

Substantially all property and equipment has been acquired under capital assistance grants administered by the U.S. Department of Transportation, Federal Transit Administration, whereby a percentage (usually 80 percent) of the cost of capital additions is reimbursed by the grantor, and the remaining portion is funded by the District. Under the terms of the grants, title to the assets rests with the District; however, the District is prohibited from disposing of grant-related assets without prior approval of the grantor prior to the end of its useful life, and a portion of the proceeds from such disposition may be payable to the grantor in proportion to the grantor's original contribution under certain conditions. A schedule of capital asset activity follows:

	Capital Assets Not Being Depreciated	Capital Assets Being Depreciated			
	Land	Buildings and Improvements	Transportation Equipment	Shop Equipment	Furniture and Fixtures
Balance, June 30, 2019	\$ 80,909	\$ 6,340,913	\$ 10,582,071	\$ 171,817	\$ 788,363
Additions	-	1,929	5,577,171	36,843	13,113
Deletions	-	-	(12,322)	(2,192)	(26,744)
Balance, June 30, 2020	80,909	6,342,842	16,146,920	206,468	774,732
Additions	-	10,640	2,538,489	5,004	12,215
Deletions	-	-	(998,582)	(676)	-
Balance, June 30, 2021	<u>\$ 80,909</u>	<u>\$ 6,353,482</u>	<u>\$ 17,686,827</u>	<u>\$ 210,796</u>	<u>\$ 786,947</u>
Accumulated Depreciation					
Balance, June 30, 2019	\$ -	\$ 3,746,417	\$ 7,810,407	\$ 116,923	\$ 732,544
Depreciation	-	285,879	780,978	16,052	20,453
Deletions	-	-	(9,508)	(2,192)	(26,664)
Balance, June 30, 2020	-	4,032,296	8,581,877	130,783	726,333
Depreciation	-	278,431	1,079,862	20,737	19,671
Deletions	-	-	(983,595)	(676)	-
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 4,310,727</u>	<u>\$ 8,678,144</u>	<u>\$ 150,844</u>	<u>\$ 746,004</u>
Total Net Capital Assets					
June 30, 2020	<u>\$ 80,909</u>	<u>\$ 2,310,546</u>	<u>\$ 7,565,043</u>	<u>\$ 75,685</u>	<u>\$ 48,399</u>
June 30, 2021	<u>\$ 80,909</u>	<u>\$ 2,042,755</u>	<u>\$ 9,008,683</u>	<u>\$ 59,952</u>	<u>\$ 40,943</u>

NOTE 4. Commitments

The Urban Mass Transportation Act of 1964 provides for the funding of a portion of the District's operating costs and capital needs based upon a defined formula grant program. Generally, funds may be utilized for 80 to 86 percent of project costs for capital assistance or 50 to 80 percent for operating assistance depending on the funding source. Funds are apportioned to the District annually and generally are available until expended.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5. Pension Plans

The District has a defined contribution retirement plan, which covers essentially all union personnel. The District contributed \$4.30 per hour for operators/paratransit and \$4.11 per hour for the maintenance department for the year ended June 30, 2021, for union employees under the Teamsters Union retirement plan. For the year ended June 30, 2020, the District contributed \$4.00 per hour for operators/paratransit and \$3.61 per hour for the maintenance department for union employees under the Teamsters Union retirement plan. The District's contributions totaled \$458,354 for the year ended June 30, 2021, and \$488,845 for the year ended June 30, 2020. Covered union payroll was \$2,694,412 in 2021 and \$2,116,182 in 2020.

The District has an Internal Revenue Code (IRC) Section 401(a) pension plan arrangement for non-union employees. The District contributed 10.0 percent of non-union employees' gross salary under the 401(a) plan for the years ended June 30, 2021 and 2020. The District's contributions totaled \$104,474 for the year ended June 30, 2021, and \$88,061 for the year ended June 30, 2020. Covered non-union payroll was \$1,117,588 in 2021 and \$841,325 in 2020.

All employees may participate in elective salary deferrals under an IRC Section 457 plan up to the maximum amount allowed by law. Union and non-union employees are eligible to participate in the plan from the date of employment.

NOTE 6. Uncertainties, Contingencies, and Risks

The District faces a number of risks including (a) loss or damage to property, (b) general liability, (c) workers' compensation, and (d) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property and general liability.

The District is a member of the Missoula County Workers' Compensation Plan (Plan). The Plan self-insures for workers' compensation coverage. Workers' compensation is covered up to \$250,000 per individual occurrence. Losses in excess of the self-insured limit are covered by reinsurance with a commercial carrier. Settled claims did not exceed the commercial coverage for the years ended June 30, 2021 and 2020. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liability accrual was required at June 30, 2021 and 2020.

The District's workers' compensation rates are based upon state rates, currently ranging from \$4.26 to \$11.88 per \$100 of covered payroll. Contributions for 2021 and 2020 were \$179,897 and \$279,078, respectively. As of June 30, 2021 and 2020, there were no claims in excess of insured coverage under the Plan.

The District participates in the County's employee benefit plan which is a self-insured health plan providing medical and dental benefits to all employees electing to be covered. The Plan is self-insured up to \$450,000 per individual. Losses in excess of the individual self-insured limit are covered by reinsurance with a commercial carrier. During 2021 and 2020, the District paid \$599,268 and \$608,179 for the coverage while employees contributed \$74,992 and \$83,575, respectively.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7. Other Postemployment Benefits

The District has adopted the provisions of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. GASB 75 requires employers to calculate the actuarial liability for future retiree benefits. Information on the District's health benefit plan for retirees is included below.

The District participates in the Missoula County Employee Benefits Plan (MCEBP) – a Defined Benefit Multiple Employer Plan that provides for varying amounts of health insurance for eligible retired employees. The benefit is offered to all employees who, (1) retire on or after attaining age 65, (2) retire at age 60 with at least five years of service, or (3) employees who have completed at least thirty years of service. An employee may qualify for early retirement upon completion of five years of service and attained the age of 50 or completed at least 25 years of service. These benefits are established and may be amended by Missoula County. The plan issues stand-alone financial statements, which can be obtained, from Missoula County Risk & Benefits, 200 West Broadway, Missoula, Montana 59802.

Retirees are able to purchase health benefits for themselves and their family at two different rates: the Medical Standard Plan or the Medical High Deductible Plan. Both Plans are self-funded through MCEBP, and the trust pays claim costs plus administrative expenses. Retirees may also elect optional dental or vision coverage.

Retirees pay a monthly premium based on their plan election and level of dependent coverage. The premiums effective for the year ending June 30, 2020, are shown below.

Level of Coverage	Medical (Standard Plan)	Medical (High Deductible Plan)	Dental	Vision
Single	\$ 605.00	\$ 423.02	\$ 43.00	\$ 12.50
EE + Child	1,013.00	709.20	105.00	23.00
EE + Spouse	1,135.00	794.07	76.00	23.60
Family	1,544.00	1,080.25	139.00	34.10

As of June 30, 2020, the number of active and inactive employees covered by the MCEBP plan was as follows:

	Medical	Dental	Vision
Active employees	1,094	1,101	819
Retirees	53	138	86
Total	1,147	1,239	905

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual change in the employer's net OPEB liability with deferred recognition for certain items, which is an amount actuarially determined in accordance with the parameters of GASB Statement 75. The net OPEB liability is the total OPEB liability, net of the OPEB plan's fiduciary net position. And the total OPEB liability represents the portion of the actuarial present value of projected benefits payments that is attributed to past periods of employee service. A schedule of changes in the plan's net OPEB liability is presented as required supplementary information. Since the District participates in the MCEBP Plan, its share of the total OPEB liability was calculated by multiplying the collective total OPEB liability by the District's proportionate share, which is 4.20% as of June 30, 2021.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7. Other Postemployment Benefits (continued)

As of June 30, 2021, the District's portion of the plan's net OPEB liability was \$164,862. This liability is not funded under GASB 75 since there are no assets allocated to an irrevocable trust for the plan and as such the funded status of the plan is 0%. In the year ended June 30, 2021 and 2020, the District recognized OPEB expense of \$23,587 and \$17,953, respectively, in which deferred inflows and outflows of resources are not applicable.

The measurement date of the total OPEB liability is as of June 30, 2021. For the actuarial valuation dated June 30, 2021 on which the total OPEB liability is based, the health care trend rate was 6.1% and the assumed discount rate was 2.18%

The following table presents the total OPEB liability of the plan at the selected discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the selected discount rate.

	1% Decrease (1.18%)	Discount Rate (2.18%)	1% Increase (3.18%)
Total OPEB Liability	\$ 207,575	\$ 164,862	\$ 133,109

The following table presents the total OPEB liability of the plan at the selected medical trend rate, as well as what the total OPEB liability would be if it were calculated using a medical trend rate that is 1-percentage point lower or higher than the selected medical trend rate.

	1% Decrease (5.1%)	Medical Trend Rate (6.1%)	1% Increase (7.1%)
Total OPEB Liability	\$ 129,850	\$ 164,862	\$ 213,540

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results compare to the past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the substantive plan members to that point. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

A schedule of changes in total OPEB liability for the years ended June 30, 2020 and 2021 is as follows:

	2020	2021
Net OPEB liability - beginning of year	\$ 123,322	\$ 141,275
Service cost	8,141	10,323
Interest	3,331	3,446
Difference between expected and actual experience	(23,920)	(8,249)
Changes in assumptions	30,401	18,067
Net OPEB liability - end of year	<u>\$ 141,275</u>	<u>\$ 164,862</u>

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8. Lease Agreements

In May 2018, the District signed a seven year agreement ending June 30, 2025 to lease space in its Transfer Center for \$1,170 per month, with 2 - 5% increases in monthly rent beginning in July 2020.

NOTE 9. Subsequent Events

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

SUPPLEMENTARY INFORMATION

MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF CHANGES IN NET OPEB
LIABILITY AND RELATED RATIOS
JUNE 30, 2017 THROUGH 2021

	2017	2018	2019	2020	2021
Service cost	\$ 15,149	\$ 11,755	\$ 9,339	\$ 8,141	\$ 10,323
Interest	5,254	5,928	3,909	3,331	3,446
Difference between expected and actual experience	(14,125)	(9,874)	(8,535)	(23,920)	(8,249)
Changes in assumptions	(2,307)	(14,912)	(46,116)	30,401	18,067
Employer contributions	(7,598)	(10,166)	-	-	-
Employee contributions	(28,945)	(25,943)	-	-	-
Benefit payments	32,049	32,418	-	-	-
Administrative expense	4,495	3,691	-	-	-
Net change	3,972	(7,103)	(41,403)	17,953	23,587
Net OPEB liability - beginning of year	167,856	171,828	164,725	123,322	141,275
Net OPEB liability - end of year	<u>\$ 171,828</u>	<u>\$ 164,725</u>	<u>\$ 123,322</u>	<u>\$ 141,275</u>	<u>\$ 164,862</u>
Plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total OPEB liability	- %	- %	- %	- %	- %
Covered employee payroll	\$ 2,959,453	\$ 3,035,372	\$ 3,368,295	\$ 3,003,699	\$ 3,078,792
Total OPEB liability as a percentage of covered employee payroll	5.81 %	5.43 %	3.66 %	4.70 %	5.35 %
Notes to Schedule:					
<u>Major Assumptions</u>					
Discount rate	3.13 %	3.45 %	3.36 %	2.66 %	2.18 %
Medical trend	6.80 %	6.20 %	6.20 %	6.10 %	6.10 %

This schedule will be presented for 10-years, as information becomes available.

**MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL SOURCE PASS-THROUGH SOURCE PROGRAM TITLE Type of Assistance	GRANTOR CONTRACT NUMBER	CFDA NUMBER	GRANT AWARD AMOUNT	FUNDS EXPENDED CURRENT YEAR
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster				
Urbanized Area Formula Grants	MT-90-X112-00	20.507	1,705,488	2,865
Urbanized Area Formula Grants	MT-2019-008-001	20.507	500,000	2,803
Urbanized Area Formula Grants	MT-2019-008-002	20.507	734,097	54,176
Urbanized Area Formula Grants	MT-2019-008-003	20.507	2,726,888	115,321
Urbanized Area Formula Grants	MT-2020-024-001	20.507	5,941,992	5,941,992
Urbanized Area Formula Grants	MT-2020-025-001	20.507	471,444	471,444
Urbanized Area Formula Grants	MT-2020-035-001	20.507	1,384,200	265,322
Urbanized Area Formula Grants	MT-2021-017-001	20.507	292,000	292,000
Urbanized Area Formula Grants	MT-2021-002-001	20.526	376,813	307,403
Urbanized Area Formula Grants	MT-2021-002-002	20.526	688,824	638,601
Subtotal Federal Transit Cluster			<u>14,821,746</u>	<u>8,091,927</u>
Elderly Persons and Persons with Disabilities	111189	20.513	<u>256,010</u>	<u>256,010</u>
<i>Passed Through Missoula County, Montana</i>				
Transit Technical Studies Grants FY21	111002	20.505	<u>124,251</u>	<u>136,739</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 8,484,676</u>

**MISSOULA URBAN TRANSPORTATION DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District and is presented on the same basis of accounting as described in Note 1 of the Notes to the Financial Statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The District did not have any subrecipients for the current period.

**MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Fixed Route	ADA Comparable Paratransit	General and Administrative	Total
Wages and fringe:				
Operations	\$ 3,161,368	\$ 845,719	\$ -	\$ 4,007,087
Maintenance	784,423	40,016	3,457	827,896
Administration	-	-	853,684	853,684
Other postemployment benefit	16,457	3,343	3,787	23,587
Training	-	-	5,103	5,103
Professional/technical	-	-	178,606	178,606
Maintenance	112,694	-	227,552	340,246
Fuel/tires/lubricants	340,250	60,984	-	401,234
Materials/supplies	386,469	9,755	20,767	416,991
Utilities	96,279	9,804	13,863	119,946
Insurance	242,942	20,882	5,822	269,646
Promotion	-	-	170,001	170,001
Travel	-	-	17,456	17,456
Taxes/dues/subscriptions	-	-	26,509	26,509
Depreciation	870,101	124,642	403,958	1,398,701
Miscellaneous	16,556	-	6,497	23,053
	<u>\$ 6,027,539</u>	<u>\$ 1,115,145</u>	<u>\$ 1,937,062</u>	<u>\$ 9,079,746</u>
	66.38 %	12.28 %	21.33 %	

MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Fixed Route	ADA Comparable Paratransit	General and Administrative	Total
Wages and fringe:				
Operations	\$ 3,057,833	\$ 916,252	\$ -	\$ 3,974,085
Maintenance	622,690	35,765	1,978	660,433
Administration	-	-	762,055	762,055
Other postemployment benefit	12,211	2,961	2,781	17,953
Training	-	-	10,320	10,320
Professional/technical	-	-	148,185	148,185
Maintenance	57,382	1,855	164,885	224,122
Fuel/tires/lubricants	373,272	47,453	2,360	423,085
Materials/supplies	305,124	12,751	29,141	347,016
Utilities	108,002	9,641	13,477	131,120
Insurance	216,088	33,765	-	249,853
Promotion	-	-	90,657	90,657
Travel	-	-	44,174	44,174
Taxes/dues/subscriptions	-	-	23,515	23,515
Depreciation	604,763	92,916	405,683	1,103,362
Miscellaneous	9,584	10,976	3,692	24,252
	<u>\$ 5,366,949</u>	<u>\$ 1,164,335</u>	<u>\$ 1,702,903</u>	<u>\$ 8,234,187</u>
	65.18 %	14.14 %	20.67 %	



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

Board of Directors
Missoula Urban Transportation District
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Missoula Urban Transportation District, which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Missoula Urban Transportation District's Response to Finding

Missoula Urban Transportation District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Missoula Urban Transportation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Junkermier, Clark, Campanella, Stevens, P.C.

Kalispell, Montana
October 30, 2021



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

Board of Directors
Missoula Urban Transportation District
Missoula, Montana

Report on Compliance for Each Major Federal Program

We have audited Missoula Urban Transportation District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Missoula Urban Transportation District's major federal programs for the year ended June 30, 2021. Missoula Urban Transportation District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Missoula Urban Transportation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Missoula Urban Transportation District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Junkermier, Clark, Campanella, Stevens, P.C.

Kalispell, Montana
October 30, 2021

**MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

I. Summary of Auditors' Results

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Missoula Urban Transportation District were prepared in accordance with U.S. GAAP.
2. One material weakness and no significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Missoula Urban Transportation District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for Missoula Urban Transportation District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Missoula Urban Transportation District.
7. The program tested as major programs: Federal Transit Cluster, Department of Transportation, CFDA's 20.507 and 20.526.
8. The threshold for distinguishing Type A and B Programs was \$750,000 in expenditures.
9. Missoula Urban Transportation District was determined to be a low-risk auditee.

**MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

II. Findings - Financial Statements Audit

Material Weakness

2021-001 ACCRUAL OF EARNED REVENUE

Condition and Criteria: During the current year audit, we discovered the District incurred expenses totaling \$4,067,986 by June 30, 2021 that were eligible to be reimbursed by the U.S. Department of Transportation (\$3,117,986) and Montana Department of Environmental Quality (\$950,000). However, the District did not accrue the related revenue. Controls should be in place to accrue revenue when earned on cost reimbursement grants.

Cause: The District does not have a process in place to accrue revenue when earned on cost reimbursement grants.

Potential Effect: Failure to record revenue when earned results in an inaccurate amount of grant assistance for the year and an inaccurate balance of receivables at year end. Recording revenue only when it is submitted for reimbursement can result in a mismatch of revenues with the related expenditures.

Recommendation: We recommend management implement procedures to recognize and accrue revenue when expenditures have been incurred on cost reimbursement grants at year end that have not yet been included on a reimbursement request.

III. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

IV. Status of Prior Year Findings

No matters were reported.



CORRECTIVE ACTION PLAN

October 30, 2021

U.S. Department of Transportation

Missoula Urban Transportation District respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

JCCS, P.C.
35 Three Mile Drive, Suite 101
Kalispell, MT 59901

Audit period:

The findings from the October 30, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2021-001 Accrual of Earned Revenue

Recommendation: We recommend management implement procedures to recognize and accrue revenue when expenditures have been incurred on cost reimbursement grants at year end that have not yet been included on a reimbursement request.

Action Taken: We concur with the recommendation, and it was implemented effective November 1, 2021.

If the U.S. Department of Transportation has questions regarding this plan, please call me, Mary Hanson, at (406) 543-8386.

Sincerely,



Mary Hanson
Director of Finance and Administration