

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

**MISSOULA URBAN
TRANSPORTATION DISTRICT**

JUNE 30, 2023 AND 2022



MISSOULA URBAN TRANSPORTATION DISTRICT

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**MISSOULA URBAN TRANSPORTATION DISTRICT
MISSOULA, MONTANA**

ORGANIZATION

Board of Directors

Chair	Don MacArthur
Vice-Chair	Jesse Dodson
Treasurer	Sebastian Strauss
Secretary	Amy Cilimburg
Director	Jason Wiener
Director	Andrea Davis
Director	Josephine Hazelton-Boyle

Officials

General Manager	Corey Aldridge
Director of Operations	Jennifer Sweten
Finance Manager	Allison Segal



INDEPENDENT AUDITORS' REPORT

Board of Directors
Missoula Urban Transportation District
Missoula, Montana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Missoula Urban Transportation District, which comprise the statements of net position as of June 30, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Missoula Urban Transportation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Missoula Urban Transportation District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 - 9 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.

Supplementary 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 December 6, 2023, 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
December 6, 2023

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2023**

This report is intended to provide a recap of accomplishments and challenges that occurred during fiscal year 2023 (FY2023) and to provide insight into events that will impact the fiscal year 2024 (FY2024) budget. Additional discussion is provided regarding factors that will influence planning decisions for the FY2024 budget and help recognize economic trends that will impact Missoula Urban Transportation District's (MUTD) financial condition beyond FY2024.

Financial Highlights

The following tables summarize the financial condition and operating results for FY2023 compared to FY2022 and FY2022 compared to FY2021:

Statement of Net Position

	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
Current & other assets	30,351,037	27,342,289	3,008,748	27,342,289	22,256,687	5,085,602
Capital assets	14,632,148	15,296,267	(664,119)	15,296,267	11,233,242	4,063,025
Total assets	44,983,185	42,638,556	2,344,629	42,638,556	33,489,929	9,148,627
Current liabilities	1,249,416	706,556	542,860	706,556	2,482,637	(1,776,081)
Noncurrent liabilities	823,663	736,412	87,251	736,412	465,286	271,126
Total liabilities	2,073,079	1,442,968	630,111	1,442,968	2,947,923	(1,504,956)
Net Position:						
Net investment in capital assets	14,632,148	15,296,267	(664,119)	15,296,267	11,233,242	4,063,025
Unrestricted	28,277,958	25,899,321	2,378,637	25,899,321	19,308,764	6,590,557
Total net position	42,910,106	41,195,588	1,714,518	41,195,588	30,542,006	10,653,582

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2023**

FY2023 compared to FY2022:

The current and other assets include cash of \$28,997,208 which will fund fleet replacement capital purchases (local match) through FY2026, facilities capital purchases (local match) through FY2026 and a portion of future operating expenses and liabilities. The remaining current and other assets of \$1,286,947 are receivables for capital and planning reimbursement and property taxes as well as supplies inventory and prepaid expenses. The capital assets are \$664,119 less than FY2022.

The net position of \$42,910,106 has increased by \$1,714,518. The unrestricted net position of \$28,424,413 includes facilities capital projects reserve of \$12,000,000, fleet replacement reserve of \$6,500,000, and a four-month operating reserve of \$5,000,000.

FY2022 compared to FY2021:

The current and other assets include cash of \$23,014,827 which will fund fleet replacement capital purchases (local match) through FY2026, facilities capital purchases (local match) through FY2026 and a portion of future operating expenses and liabilities. The remaining current and other assets of \$4,241,915 are receivables for capital and planning reimbursement, operating assistance, and property taxes as well as supplies inventory and prepaid expenses. The capital assets are \$4,063,025 greater than FY2021 due to purchase of four electric fixed route buses.

The net position of \$41,195,588 has increased by \$10,653,582. The unrestricted net position of \$25,899,321 includes facilities capital projects reserve of \$10,000,000, fleet replacement reserve of \$5,000,000, and a four-month operating reserve of \$4,946,343.

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2023**

Statement of Revenues, Expenses and Changes in Net Position

	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues:						
Operating revenues	92,800	295,563	(202,763)	295,563	291,990	3,573
Non-operating revenues	15,289,240	16,539,109	(1,249,869)	16,539,109	13,666,614	2,872,495
Pass-through grants	(112,913)	-	(112,913)	-	-	-
Total revenues	<u>15,269,127</u>	<u>16,834,672</u>	<u>(1,565,545)</u>	<u>16,834,672</u>	<u>13,958,604</u>	<u>2,876,068</u>
Expenses:						
Operating	11,686,016	9,357,592	2,328,424	9,357,592	7,183,333	2,174,259
General and administrative	2,496,759	2,292,398	204,361	2,292,398	1,896,413	395,985
Total expenses	<u>14,182,775</u>	<u>11,649,990</u>	<u>2,532,785</u>	<u>11,649,990</u>	<u>9,079,746</u>	<u>2,570,244</u>
Income before capital contributions	1,086,352	5,184,682	(4,098,330)	5,184,682	4,878,858	305,824
Capital contributions	669,516	6,927,550	(6,258,034)	6,927,550	2,327,179	4,600,371
Pass-through grants	<u>(41,350)</u>	<u>(1,458,650)</u>	<u>1,417,300</u>	<u>(1,458,650)</u>	<u>-</u>	<u>(1,458,650)</u>
Change in net position	1,714,518	10,653,582	(8,939,064)	10,653,582	7,206,037	3,447,545
Net Position, Beginning of Year	<u>41,195,588</u>	<u>30,542,006</u>	<u>10,653,582</u>	<u>30,542,006</u>	<u>23,335,969</u>	<u>7,206,037</u>
Net Position, End of Year	<u><u>42,910,106</u></u>	<u><u>41,195,588</u></u>	<u><u>1,714,518</u></u>	<u><u>41,195,588</u></u>	<u><u>30,542,006</u></u>	<u><u>10,653,582</u></u>

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2023**

Revenues:

Operating revenues include Missoula County financial assistance and advertising.

In FY2023, the non-operating revenue decreased by \$1,362,782 largely due to an ARPA grant received in FY2022.

In FY2022, the non-operating revenue increased by \$2,872,495 largely due to an ARPA grant received and an increase in property tax revenues.

The non-operating revenues include the following sources:

	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
Property and other taxes	10,535,569	10,106,253	429,316	10,106,253	6,409,098	3,697,155
Federal operating assistance	3,554,671	5,983,559	(2,428,888)	5,983,559	6,970,758	(987,199)
Federal planning assistance	181,505	179,641	1,864	179,641	136,739	42,902
Interest income	751,431	52,993	698,438	52,993	50,175	2,818
Other revenues	153,151	216,663	(63,512)	216,663	99,844	116,819
Total non-operating revenues	<u>15,176,327</u>	<u>16,539,109</u>	<u>(1,362,782)</u>	<u>16,539,109</u>	<u>13,666,614</u>	<u>2,872,495</u>

In FY2023, operating expenses increased by \$2,532,785, which includes a combination of increases in departments.

In FY2022, operating expenses increased by \$2,570,244, which includes increases in wages and depreciation expenses.

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, 2023**

	2023	2022	Increase (Decrease)	2022	2021	Increase (Decrease)
Operations	9,762,226	7,885,969	1,876,257	7,885,969	5,836,828	2,049,141
Maintenance	2,033,606	1,537,500	496,106	1,537,500	1,346,505	190,995
General and administrative	2,386,943	2,226,521	160,422	2,226,521	1,896,413	330,108
Total expenses	14,182,775	11,649,990	2,532,785	11,649,990	9,079,746	2,570,244

Capital contributions are purchases that are funded by federal grants for approximately 80% - 85% of the total cost. The FY2023 capital contribution is \$669,516, the FY2022 capital contribution is \$6,927,550, and the FY2021 capital contribution is \$2,327,179.

	Federal, State and Local Funds		Increase (Decrease)	Federal, State, and Local Funds		Increase (Decrease)
	2023	2022		2022	2021	
Buildings and improvements	247,200	448,878	(201,678)	448,878	-	448,878
Transportation equipment	138,833	4,992,904	(4,854,071)	4,992,904	2,327,179	2,665,725
Furniture and fixtures and planning	242,133	27,118	215,015	27,118	-	27,118
Pass-through grant	41,350	1,458,650	(1,417,300)	1,458,650	-	1,458,650
Total	669,516	6,927,550	(6,258,034)	6,927,550	2,327,179	4,600,371

Budget Comparisons

The FY2023 expenses are 11% under budget due to a labor shortage and reduced service for part of the fiscal year. Operations are 9% less than budget. Maintenance expenses are 9% under budget. General and administrative is 23% under budget.

The FY2022 expenses are 20% less than budget due to the inability to hire operators and provide seven-day service in January and delayed capital procurements. Operations are 17% less than budget. Maintenance expenses are 36% under budget. General and administrative are 11% under budget.

**MISSOULA URBAN TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2023**

FY2023 Ridership and Service Levels

FY2023 was the first complete year of MUTD's 30% service increase. Fixed-route ridership was over 1,000,000 for the first time since FY2019. Paratransit ridership continued to rapidly increase, with over 60,000 rides in FY2023, which greatly increased MUTD's operational expenses. In June 2023, the board of directors approved a new collective bargaining agreement with MUTD's operators and paratransit scheduling, giving them a 9% wage increase. Due to labor shortages, MUTD had to reduce service for part of FY2023.

Enhancements / Planning / Capital Projects

MUTD was awarded Transit System of the Year by the Montana Transit Association. MUTD continues to be a leader in the transit industry continually moving forward with new projects and initiatives to improve services for all Missoulians.

The search for property to build a new Maintenance, Operations, and Administration Building (MOAB) continued in FY2023. MUTD did a full NEPA analysis and appraisal of a parcel of land in the Dougherty Ranch development area. MUTD received full clearance from the Federal Transit Administration (FTA) to proceed with purchasing the property. In June, MUTD was awarded over \$39,000,000 to build a new MOAB. This award comes from the federal Section 5339, Low or No Emission discretionary grant program.

The remodel of the current MOAB was finally completed in FY2023. All furniture was purchased and installed.

The City of Missoula and MUTD received \$847,000 from a RAISE grant to study transit-oriented development along the Brooks Street corridor. FTA has asked MUTD to manage the grant since MUTD is the direct recipient.

Montana Department of Transportation (MDT) and Other Partnerships

The Bus Stop Improvement Project re-started in FY2023, with an expected completion date by the end of calendar year 2023.

MUTD did a full audit of U-Dash, the University of Montana's bus system, to ensure compliance with FTA regulations.

Key Economic Factors Impacting MUTD Future Budgets

MUTD continues to face a labor shortage and high attrition for bus operators and maintenance technicians. This is the same issue facing transit agencies across the country.

An additional employee was added to Human Resources to assist with the increasing workload.

Shortages of paratransit vehicles continues to plague the transit industry with no end in sight.

Supply chain issues continued to be problematic, as well as skyrocketed prices for necessary products.

Two large bus manufacturers have exited. Nova Bus stopped doing business in the United States. Proterra, which built six of MUTD's battery electric buses, filed for bankruptcy and will sell off all of its assets. This leaves very few options for transit agencies.

MISSOULA URBAN TRANSPORTATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,497,208	\$ 3,068,484
Capital cash reserves	18,500,000	15,000,000
Operating reserves	5,000,000	4,946,343
Receivables, net	730,058	3,841,627
Supplies inventory	325,129	303,647
Prepaid expenses	<u>231,760</u>	<u>96,641</u>
Total current assets	<u>30,284,155</u>	<u>27,256,742</u>
CAPITAL ASSETS AT COST		
Land	80,909	80,909
Buildings and improvements	7,335,361	7,006,654
Transportation equipment	21,952,223	22,537,040
Shop equipment	219,418	219,754
Furniture and fixtures	430,919	779,189
Construction in progress	<u>647,841</u>	<u>35,762</u>
	30,666,671	30,659,308
Less: Accumulated depreciation	<u>(16,034,523)</u>	<u>(15,363,041)</u>
Net capital assets	<u>14,632,148</u>	<u>15,296,267</u>
OTHER ASSETS		
Right-to-use leased asset, net	<u>66,882</u>	<u>85,547</u>
TOTAL ASSETS	<u>\$ 44,983,185</u>	<u>\$ 42,638,556</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts and warrants payable	\$ 1,079,701	\$ 379,253
Accrued liabilities	151,835	310,680
Short-term lease liabilities	<u>17,880</u>	<u>16,623</u>
Total current liabilities	<u>1,249,416</u>	<u>706,556</u>
NONCURRENT LIABILITIES		
Compensated absences	467,766	420,979
Other postemployment benefits	303,873	245,529
Long-term lease liabilities	<u>52,024</u>	<u>69,904</u>
Total noncurrent liabilities	<u>823,663</u>	<u>736,412</u>
TOTAL LIABILITIES	<u>2,073,079</u>	<u>1,442,968</u>
NET POSITION		
Net investment in capital assets	14,632,148	15,296,267
Unrestricted	<u>28,277,958</u>	<u>25,899,321</u>
Total net position	<u>42,910,106</u>	<u>41,195,588</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 44,983,185</u>	<u>\$ 42,638,556</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Missoula County financial assistance	\$ 40,000	\$ 221,650
Advertising	<u>52,800</u>	<u>73,913</u>
Total operating revenues	<u>92,800</u>	<u>295,563</u>
 OPERATING EXPENSES		
Operations	9,762,226	7,885,969
Maintenance	2,033,606	1,537,500
General and administrative	<u>2,386,943</u>	<u>2,226,521</u>
Total operating expenses	<u>14,182,775</u>	<u>11,649,990</u>
 Loss from operations	<u>(14,089,975)</u>	<u>(11,354,427)</u>
 NON-OPERATING REVENUES		
Property and other taxes	10,535,569	10,106,253
Federal operating assistance	3,554,671	5,983,559
Federal planning assistance	294,418	179,641
Pass-through grants	(112,913)	-
State operating assistance	130,638	64,554
Interest income	751,431	52,993
Other revenues	<u>22,513</u>	<u>152,109</u>
Total non-operating revenues	<u>15,176,327</u>	<u>16,539,109</u>
 Income before capital contributions	1,086,352	5,184,682
 Capital contributions	669,516	6,927,550
Pass-through grants	<u>(41,350)</u>	<u>(1,458,650)</u>
 Change in net position	1,714,518	10,653,582
 Net position, beginning of year	<u>41,195,588</u>	<u>30,542,006</u>
 Net position, end of year	<u><u>\$ 42,910,106</u></u>	<u><u>\$ 41,195,588</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Missoula County financial assistance	\$ 40,000	\$ 221,650
Receipts from contract services	52,800	73,913
Payments to suppliers	(2,235,177)	(4,223,736)
Payments to employees	(9,361,726)	(7,018,146)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(11,504,103)</u>	<u>(10,946,319)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from property and other taxes	10,438,257	10,089,690
Receipts from Federal and State operating grants	6,966,917	5,245,514
Pass-through grants disbursed	(112,913)	-
Other receipts	22,513	152,109
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>17,314,774</u>	<u>15,487,313</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,429,578)	(6,100,288)
Receipts from Federal capital grants	891,207	8,430,887
Pass-through grant disbursed	(41,350)	(1,458,650)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(579,721)</u>	<u>871,949</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	751,431	52,993
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,982,381	5,465,936
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,014,827</u>	<u>17,548,891</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 28,997,208</u>	<u>\$ 23,014,827</u>
CASH AND CASH EQUIVALENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF NET POSITION AS:		
Cash and cash equivalents	\$ 5,497,208	\$ 3,068,484
Capital cash reserves	18,500,000	15,000,000
Operating reserves	5,000,000	4,946,343
	<u>\$ 28,997,208</u>	<u>\$ 23,014,827</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES:		
Loss from operations	\$ (14,089,975)	\$ (11,354,427)
Adjustments to reconcile loss from operations to cash flows from operating activities:		
Depreciation	2,093,697	2,037,263
(Increase) decrease in operating assets:		
Receivables, net	-	22,215
Supplies inventory	(21,482)	(34,464)
Prepaid expenses	(135,119)	(66,104)
Right-to-use leased asset	18,665	(85,547)
Increase (decrease) in operating liabilities:		
Accounts and warrants payable	700,448	(1,883,271)
Accrued liabilities	(158,845)	130,267
Compensated absences	46,787	120,555
Other postemployment benefits	58,344	80,667
Lease liabilities	(16,623)	86,527
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (11,504,103)</u>	<u>\$ (10,946,319)</u>

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

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 contracted services and transit advertising 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.

New Accounting Pronouncement

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right-of-use leased assets and liabilities for leases that previously were classified as operating leases and recognized as expenses based on the payment provisions of the contract. As a result of implementing this standard, there was no restatement of net position as of July 1, 2021. The additional disclosures required by this standard are included in Notes 8 and 9.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022 was \$190,775,047 and \$187,497,730, respectively. The District levied 20.64 and 20.22 mills, with the value of one mill within the District's boundaries equating to \$169,761 and \$166,123 as of June 30, 2023 and 2022, 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, 2023 and 2022. 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 \$18,500,000 and \$5,000,000 at June 30, 2023, respectively. Cash funds designated by the board for capital improvements and operating reserves amounted to \$15,000,000 and \$4,946,343 at June 30, 2022, 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, 2023 and 2022, the District did not record an allowance for doubtful accounts. The allowance is based on historical trends, emphasizing collection history at Missoula County.

Prepaid Expenses

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

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1. Summary of Significant Accounting Policies (continued)

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 expensed 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.

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 beginning of each fiscal year, employees are allowed to cash out up to 25% of accrued vacation, provided eighty (80) hours remain after all commitments and the cash out. 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, 2023 AND 2022

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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Grant reimbursements	\$ 338,008	3,546,889
Property taxes, net	<u>392,050</u>	<u>294,738</u>
Total receivables	<u><u>\$ 730,058</u></u>	<u><u>\$ 3,841,627</u></u>

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 and CIP	Buildings and Improvements	Transportation Equipment	Shop Equipment	Furniture and Fixtures
Balance, June 30, 2021	\$ 80,909	\$ 6,353,482	\$ 17,686,827	\$ 210,796	\$ 786,947
Additions	35,762	662,710	5,279,869	10,483	139,481
Deletions	-	(9,538)	(429,656)	(1,525)	(147,239)
Balance, June 30, 2022	116,671	7,006,654	22,537,040	219,754	779,189
Additions	647,841	328,707	384,295	-	116,362
Deletions	(35,762)	-	(969,112)	(336)	(464,632)
Balance, June 30, 2023	<u>\$ 728,750</u>	<u>\$ 7,335,361</u>	<u>\$ 21,952,223</u>	<u>\$ 219,418</u>	<u>\$ 430,919</u>
Accumulated Depreciation					
Balance, June 30, 2021	\$ -	\$ 4,310,727	\$ 8,678,144	\$ 150,844	\$ 746,004
Depreciation	-	279,897	1,707,583	21,682	28,101
Deletions	-	(3,945)	(408,672)	(1,526)	(145,798)
Balance, June 30, 2022	-	4,586,679	9,977,055	171,000	628,307
Depreciation	-	286,297	1,739,703	22,327	45,370
Deletions	-	-	(958,185)	(336)	(463,694)
Balance, June 30, 2023	<u>\$ -</u>	<u>\$ 4,872,976</u>	<u>\$ 10,758,573</u>	<u>\$ 192,991</u>	<u>\$ 209,983</u>
Total Net Capital Assets					
June 30, 2022	<u>\$ 116,671</u>	<u>\$ 2,419,975</u>	<u>\$ 12,559,985</u>	<u>\$ 48,754</u>	<u>\$ 150,882</u>
June 30, 2023	<u>\$ 728,750</u>	<u>\$ 2,462,385</u>	<u>\$ 11,193,650</u>	<u>\$ 26,427</u>	<u>\$ 220,936</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, 2023 AND 2022

NOTE 5. Pension Plans

The District has a defined contribution retirement plan, which covers essentially all union personnel. The District contributed \$4.90 per hour for operators/paratransit and \$5.11 per hour for the maintenance department for the year ended June 30, 2023, for union employees under the Teamsters Union retirement plan. For the year ended June 30, 2022, the District contributed \$4.60 per hour for operators/paratransit and \$4.61 per hour for the maintenance department for union employees under the Teamsters Union retirement plan. The District's contributions totaled \$869,061 for the year ended June 30, 2023, and \$634,320 for the year ended June 30, 2022. Covered union payroll was \$4,560,012 in 2023 and \$3,233,494 in 2022.

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, 2023 and 2022. The District's contributions totaled \$185,837 for the year ended June 30, 2023, and \$126,245 for the year ended June 30, 2022. Covered non-union payroll was \$1,984,487 in 2023 and \$1,537,048 in 2022.

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, 2023 and 2022. 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, 2023 and 2022.

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 2023 and 2022 were \$437,230 and \$350,050, respectively. As of June 30, 2023 and 2022, 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 2023 and 2022, the District paid \$744,424 and \$642,768 for the coverage while employees contributed \$126,842 and \$92,442, respectively.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023, are shown below.

Level of Coverage	Medical (Standard Plan)	Medical (High Deductible Plan)
Single	\$ 719.00	\$ 504.00
EE + Child	1,205.00	844.00
EE + Spouse	1,350.00	909.00
Family	1,837.00	1,287.00

As of June 30, 2023, the number of active and inactive employees covered by the MCEBP plan was as follows:

	Medical
Active employees	1,161
Retirees	52
Total	1,213

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 3.70% as of June 30, 2023.

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7. Other Postemployment Benefits (continued)

As of June 30, 2023, the District's portion of the plan's net OPEB liability was \$303,873. 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, 2023 and 2022, the District recognized OPEB expense of \$58,344 and \$80,667, 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, 2023. For the actuarial valuation dated June 30, 2023 on which the total OPEB liability is based, the health care trend rate was 7.00% and the assumed discount rate was 4.13%.

Payroll growth was 2.5%, and general inflation was 2.4% per year. Mortality rates were based on the PUB-2010 General and Safety Amount Weighted Mortality Tables.

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 (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB Liability	\$ 347,391	\$ 303,873	\$ 268,093

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 (6.00%)	Medical Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	\$ 263,222	\$ 303,873	\$ 354,520

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, 2022 and 2023 is as follows:

	2022	2023
Net OPEB liability - beginning of year	\$ 164,862	\$ 245,529
Service cost	12,916	7,117
Interest	7,431	10,262
Difference between expected and actual experience	121,335	(65,837)
Changes in assumptions	(61,015)	110,311
Benefit payments	-	(3,509)
Net OPEB liability - end of year	<u>\$ 245,529</u>	<u>\$ 303,873</u>

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8. Lease Agreements

On January 27, 2022, the District signed a five-year agreement to lease property located at 2291 West Broadway in Missoula to be used as a training center. The lease ends January 31, 2027 with the option to renew on a yearly basis for five additional years, which the District is not reasonably certain to renew. Monthly base lease payments range from \$1,442 to \$1,781 over the term of the lease. Base lease payments for the years ended June 30, 2023 and 2022 were \$17,730 and \$7,211, respectively. The District also paid operating expenses that are not included in the measurement of the lease liability as they are variable in nature. Variable lease costs for the years ended June 30, 2023 and 2022 were \$7,317 and \$3,229, respectively. The interest rate was not specified in the contract and as such the mid-term applicable federal rate has been used.

Details for the assets and liabilities are as follows for the years ended June 30:

	2023	2022
Right-of-use assets	\$ 93,324	\$ 93,324
Less: accumulated amortization	(26,442)	(7,777)
Net right-of-use assets	<u>\$ 66,882</u>	<u>\$ 85,547</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 17,880	\$ 868
2025	19,158	608
2026	20,452	331
2027	12,414	58
	<u>\$ 69,904</u>	<u>\$ 1,865</u>

NOTE 9. Change in Accounting Principles and Restatement

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred lease revenue liability. These changes were incorporated in the District's financial statements and had an effect on beginning net position. The District recognized \$85,547 in net book value for the intangible right to use and a lease liability of \$86,527 for a building leased in January 2022.

The implementation of GASB Statement No. 87 had the following effect on net position as reported June 30, 2022:

Net position, June 30, 2022	\$ 41,196,568
Adjustments	(980)
Restated net position, June 30, 2022	<u>\$ 41,195,588</u>

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10. Subsequent Events

Management has evaluated subsequent events through December 6, 2023, 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 2023**

	2017	2018	2019	2020	2021	2022	2023
Service cost	\$ 15,149	\$ 11,755	\$ 9,339	\$ 8,141	\$ 10,323	\$ 12,916	\$ 7,117
Interest	5,254	5,928	3,909	3,331	3,446	7,431	10,262
Difference between expected and actual experience	(14,125)	(9,874)	(8,535)	(23,920)	(8,249)	121,335	(65,837)
Changes in assumptions	(2,307)	(14,912)	(46,116)	30,401	18,067	(61,015)	110,311
Employer contributions	(7,598)	(10,166)	-	-	-	-	-
Employee contributions	(28,945)	(25,943)	-	-	-	-	-
Benefit payments	32,049	32,418	-	-	-	-	(3,509)
Administrative expense	4,495	3,691	-	-	-	-	-
Net change	3,972	(7,103)	(41,403)	17,953	23,587	80,667	58,344
Net OPEB liability - beginning of year	<u>167,856</u>	<u>171,828</u>	<u>164,725</u>	<u>123,322</u>	<u>141,275</u>	<u>164,862</u>	<u>245,529</u>
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>	<u>\$ 245,529</u>	<u>\$ 303,873</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	\$ 3,950,315	\$ 5,263,025
Total OPEB liability as a percentage of covered employee payroll	5.81 %	5.43 %	3.66 %	4.70 %	5.35 %	6.22 %	5.77 %

Notes to Schedule:

Major Assumptions

Discount rate	3.13 %	3.45 %	3.36 %	2.66 %	2.18 %	4.09 %	4.13 %
Medical trend	6.80 %	6.20 %	6.20 %	6.10 %	6.10 %	6.02 %	7.00 %

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, 2023**

FEDERAL SOURCE PASS-THROUGH SOURCE PROGRAM TITLE Type of Assistance	GRANTOR CONTRACT NUMBER	ALN NUMBER	GRANT AWARD AMOUNT	FUNDS EXPENDED CURRENT YEAR
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster				
Urbanized Area Formula Grants	MT-2019-008-002	20.507	\$ 734,097	\$ 72,956
Urbanized Area Formula Grants	MT-2019-008-003	20.507	2,726,888	50,575
Urbanized Area Formula Grants	MT-2020-035-001	20.507	1,384,200	100,348
Urbanized Area Formula Grants	MT-2021-021-001	20.507	1,500,000	41,350
Urbanized Area Formula Grants	MT-2022-012-001	20.507	1,381,183	200,000
Urbanized Area Formula Grants	MT-2022-018-001	20.507	3,262,671	3,262,671
Urbanized Area Formula Grants	MT-2022-020-001	20.507	250,000	172,287
Urbanized Area Formula Grants	MT-2022-027-001	20.507	4,333,083	32,000
Urbanized Area Formula Grants	MT-2023-001	20.507	292,000	292,000
Subtotal Federal Transit Cluster			<u>15,864,122</u>	<u>4,224,187</u>
<i>Passed Through Missoula County, Montana</i>				
Transit Technical Studies Grants FY22	112069	20.505	146,607	47,605
Transit Technical Studies Grants FY23	112676	20.505	190,760	133,900
Subtotal by ALN Number			<u>337,367</u>	<u>181,505</u>
National Infrastructure Investments				
RAISE Grants	MT-2023-002-001	20.933	<u>847,000</u>	<u>112,913</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u><u>\$ 4,518,605</u></u>

MISSOULA URBAN TRANSPORTATION DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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 University of Montana was a subrecipient for Urbanized Area Formula Grant MT-2021-021-001 and received \$41,350 in subrecipient funds. Missoula Redevelopment Association was a subrecipient for National Infrastructure RAISE Grant MT-2023-002-001 and received \$112,913 in subrecipient funds. No other subrecipients were used.

MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Fixed Route	ADA Comparable Paratransit	General and Administrative	Total
Wages and fringe:				
Operations	\$ 5,033,793	\$ 1,663,657	\$ -	\$ 6,697,450
Maintenance	983,834	341,000	3,959	1,328,793
Administration	-	-	1,223,425	1,223,425
Other postemployment benefit	39,867	10,102	8,375	58,344
Training	7,317	-	44,951	52,268
Professional/technical	3,912	-	155,029	158,941
Maintenance	234,957	10,748	234,698	480,403
Fuel/tires/lubricants	559,118	142,135	-	701,253
Materials/supplies	302,793	37,422	62,377	402,592
Utilities	269,510	10,518	16,986	297,014
Insurance	348,649	24,333	12,250	385,232
Promotion	-	-	143,516	143,516
Travel	185	-	60,082	60,267
Taxes/dues/subscriptions	-	7	40,934	40,941
Amortization	18,665	-	-	18,665
Depreciation	1,491,329	123,871	478,497	2,093,697
Miscellaneous	28,294	-	11,680	39,974
	<u>\$ 9,322,223</u>	<u>\$ 2,363,793</u>	<u>\$ 2,496,759</u>	<u>\$ 14,182,775</u>
	65.73 %	16.67 %	17.60 %	

MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Fixed Route	ADA Comparable Paratransit	General and Administrative	Total
Wages and fringe:				
Operations	\$ 3,794,826	\$ 1,378,236	\$ -	\$ 5,173,062
Maintenance	908,586	84,777	3,768	997,131
Administration	-	-	1,098,775	1,098,775
Other postemployment benefit	52,239	15,074	13,354	80,667
Training	3,229	-	37,488	40,717
Professional/technical	10,143	-	52,150	62,293
Maintenance	116,826	-	285,410	402,236
Fuel/tires/lubricants	422,151	105,907	-	528,058
Materials/supplies	337,089	18,070	68,007	423,166
Utilities	181,322	10,953	14,056	206,331
Insurance	264,058	18,455	14,094	296,607
Promotion	-	-	163,801	163,801
Travel	-	-	75,151	75,151
Taxes/dues/subscriptions	-	-	34,401	34,401
Amortization	7,777	-	-	7,777
Depreciation	1,495,558	116,377	425,328	2,037,263
Miscellaneous	15,939	-	6,615	22,554
	<u>\$ 7,609,743</u>	<u>\$ 1,747,849</u>	<u>\$ 2,292,398</u>	<u>\$ 11,649,990</u>
	65.32 %	15.00 %	19.67 %	



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, 2023, 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 December 6, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

Purpose of this Report

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

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

Kalispell, Montana
December 6, 2023



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

Opinion on 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

Kalispell, Montana
December 6, 2023

**MISSOULA URBAN TRANSPORTATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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. No material weakness or 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, ALN 20.507.
8. The threshold for distinguishing Type A and B Programs was \$750,000 in expenditures.
9. Missoula Urban Transportation District was not determined to be a low-risk auditee.

II. Findings - Financial Statements Audit

No matters were reported.

III. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

IV. Status of Prior Year Findings

No matters were reported.