

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





(A Component Unit of the City of Missoula)

FINANCIAL REPORT

June 30, 2015 and 2014



CONTENTS

	<u>PAGE</u>
BOARD MEMBERS	1
INDEPENDENT AUDITOR'S REPORT	2 through 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 through 9
 FINANCIAL STATEMENTS	
Statements of Net Position.....	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows.....	12 and 13
Notes to Financial Statements.....	14 through 36
 REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
Schedule of Funding Progress for Retiree Health Insurance Benefit Plan.....	37
Schedule of Proportionate Share of PERS Net Pension Liability.....	38
Schedule of PERS Contributions	39
 SUPPLEMENTARY INFORMATION	
Schedule of Coverage – Series 2014 Bonds	40
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	41 and 42

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
BOARD MEMBERS

<u>Member</u>	<u>Business</u>	<u>Term Expires</u>
John Smith	Attorney	April 30, 2016
John Roemer	Roemer's Tire Factory	April 30, 2017
Matt Ellis	Downtown Business	April 30, 2018
Pat Corrick	Downtown Business	April 30, 2019
Heidi Kendall	Downtown Business	April 30, 2019

Director

Anne Guest

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the accompanying financial statements of Missoula Parking Commission (a component unit of the City of Missoula, Montana) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Missoula Parking Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missoula Parking Commission as of June 30, 2015 and 2014, and its changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1, 8, and 13 to the financial statements, Government Client has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5–9, the schedule of funding progress for retiree health insurance benefit plan on page 37, the schedule of proportionate share of the PERS net pension liability on page 38, and the schedule of PERS contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Missoula Parking Commission's basic financial statements. The accompanying schedule of bond coverage for the Series 2014 bonds on page 40 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of bond coverage for the Series 2014 bonds 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of bond coverage for the Series 2014 bonds is fairly stated in all material respects, in relation to the basic 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 February 8, 2016, on our consideration of the Missoula Parking Commission'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 Parking Commission's internal control over financial reporting and compliance.

Anderson Zurmuehlen Co., P.C.

Missoula, Montana

February 8, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements of the Missoula Parking Commission are based on information provided by the Missoula County Treasurer and the City of Missoula Finance Office. Missoula Parking Commission's records are reconciled with the information prepared and maintained by the City of Missoula.

Our discussion and analysis of Missoula Parking Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the Commission's financial statements, which begin on page 10.

Financial Reporting

Missoula Parking Commission (the Commission) has issued a complete set of financial statements for the two fiscal years ended June 30, 2015 and 2014, in accordance with U.S. generally accepted accounting principles. These financial statements are designed to provide readers with a broad view of the Commission's finances in a manner similar to a private sector business. While this document contains information about the funds used by the Commission to provide services to our citizens, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

Financial Highlights

Condensed Financial Information

The following tables summarize financial condition and operating results for 2015, 2014, and 2013:

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>
Current Assets	\$ 681,333	\$ 290,087	\$ 391,246	\$ 2,069,076	\$ (1,778,989)
Capital Assets	14,715,889	15,083,134	(367,245)	12,662,471	2,420,663
Other Assets	<u>3,271,216</u>	<u>3,385,292</u>	<u>(114,076)</u>	<u>5,402,640</u>	<u>(2,017,348)</u>
Total assets	<u>18,668,438</u>	<u>18,758,513</u>	<u>(90,075)</u>	<u>20,134,187</u>	<u>(1,375,674)</u>
Deferred outflows of resources	24,632	-	24,632	-	-
Total assets and deferred outflows of resources	<u>\$ 18,693,070</u>	<u>\$ 18,758,513</u>	<u>\$ (65,443)</u>	<u>\$ 20,134,187</u>	<u>\$ (1,375,674)</u>
Current Liabilities	\$ 493,982	\$ 200,200	\$ 293,782	\$ 934,912	\$ (734,712)
Long-Term Liabilities	<u>7,279,770</u>	<u>7,164,337</u>	<u>115,433</u>	<u>7,732,645</u>	<u>(568,308)</u>
Total liabilities	<u>7,773,752</u>	<u>7,364,537</u>	<u>409,215</u>	<u>8,667,557</u>	<u>(1,303,020)</u>
Deferred inflows of resources	206,507	137,015	69,492	-	-
Net Position					
Net investment in capital assets	7,402,111	7,750,146	(348,035)	4,140,755	3,609,391
Restricted	591,045	564,298	26,747	2,707,450	(2,143,152)
Unrestricted	<u>2,719,655</u>	<u>2,942,517</u>	<u>(222,862)</u>	<u>4,618,425</u>	<u>(1,675,908)</u>
Total net position	<u>10,712,811</u>	<u>11,256,961</u>	<u>(544,150)</u>	<u>11,466,630</u>	<u>(209,669)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,693,070</u>	<u>\$ 18,758,513</u>	<u>\$ (65,443)</u>	<u>\$ 20,134,187</u>	<u>\$ (1,512,689)</u>

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>
Operating Revenues					
Parking and ticket revenues	<u>\$ 1,629,455</u>	<u>\$ 1,572,202</u>	<u>\$ 57,253</u>	<u>\$ 1,557,430</u>	<u>\$ 14,772</u>
Operating Expenses					
Personnel	672,368	617,501	54,867	592,249	25,252
Contract - City of Missoula	173,680	160,479	13,201	155,804	4,675
Rent	16,800	19,350	(2,550)	14,250	5,100
Depreciation and amortization	404,057	408,914	(4,857)	194,877	214,037
Repairs, maintenance and supplies	108,952	202,442	(93,490)	132,398	70,044
Other operating expenses	<u>297,689</u>	<u>227,031</u>	<u>70,658</u>	<u>219,195</u>	<u>7,836</u>
	<u>1,673,546</u>	<u>1,635,717</u>	<u>37,829</u>	<u>1,308,773</u>	<u>326,944</u>
Operating income (loss)	(44,091)	(63,515)	19,424	248,657	(312,172)
Net Nonoperating Revenue (Expense)	(147,101)	(499,297)	352,196	64,769	(564,066)
Capital Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,717</u>	<u>-</u>
Change in net position	(191,192)	(562,812)	371,620	353,143	(915,955)
Net Position					
Beginning of year	11,256,961	11,819,773	(562,812)	11,466,630	353,143
Prior period adjustment for net pension liability	(352,958)	<u>-</u>	(352,958)	<u>-</u>	<u>-</u>
Beginning of year as restated	<u>10,904,003</u>	<u>11,819,773</u>	<u>(915,770)</u>	<u>11,466,630</u>	<u>353,143</u>
End of year	<u>\$ 10,712,811</u>	<u>\$ 11,256,961</u>	<u>\$ (544,150)</u>	<u>\$ 11,819,773</u>	<u>\$ (562,812)</u>

Discussion of Financial Results:

In reviewing the financial highlights from an operational perspective, the overall Operating Revenue and Operating Expenses resulted in a net loss of \$44,091. The Operating Revenue represents short term parking, long term parking and parking fines revenues.

Short-term revenue was up \$28,109 in 2015 due to greater use of the on-street and off-street meters due to more visitors coming downtown. This is probably due to an improving local economy. Long-term revenue was up by \$26,684 in 2015 with the bulk of that coming from the increase in leases in the new Park Place Structure and Central Park Parking Structure.

The fines revenue continued to show the same gradually decreasing trend in FY15 and the years before as a result of the fine structure implemented in 2011 and the reduction was in line with the projected decrease. Adding in miscellaneous revenue, the general parking revenues were up by \$57,253 from 2014.

Discussion of Financial Results (Continued):

Operating Expenses in 2015 were up by \$37,829 from 2014. This was a result of the fact that Personnel expenses increased by \$54,867 while Repair, Maintenance and supplies decreased by \$93,490. Again, the overall Operating income increase was \$44,091.

With the completion of the Park Place parking structure in March 2013, FY2014 had increased expense and revenue. Even though Park Place is new construction, it came with added expenses, i.e., security was up by \$7,125 from 2013. Park Place contributed an increase in revenue from both short-term and monthly leases. Short-term revenue was up \$3,581 and monthly lease revenue was up \$76,651 from 2013. The Parking Commission continues to market the Park Place structure, resulting in increased utilization. Monthly lease spaces are still available but are steadily being leased.

Operating expenses were budgeted at \$1,524,857 for FY15 in comparison to actual expenses of \$1,673,546. Actual expenses were more than budgeted expenses due to depreciation. Revenue for FY15 was budgeted at \$1,463,360 in comparison to actual revenue of \$1,629,455. The increase in revenue over the budgeted amount is due to management's conservative practice of estimating revenues.

Operating expenses were budgeted at \$2,006,286 for FY14 in comparison to actual expenses of \$1,635,717. The Parking Commission came in under budget with expenditures due to closely managing supplies and repairs and maintenance budgets.

Operating Expenses for FY14 were up comparably to 2013 mainly as a result of an increase in pension employer obligations for personnel and budgeted increases in repairs, maintenance and supplies.

Revenue in 2014 continued to show the same trend as FY13 – ticket revenue down, lease revenue up substantially and meter revenue remaining consistent. The reduction in ticket revenue is a result of the fine structure implemented in 2011 and the reduction was in line with the projected decrease. Parking and ticket revenue were budgeted at \$1,437,500 for FY14 with actual results coming in higher at \$1,572,202.

Fiscal year 15 was totally focused on the meter modernization project to replace the 60+ year old mechanical meters with new on-street meter technology. The year started with finalizing the selection of the vendor. Once the Master Sales Agreement was complete, it became obvious that the Parking Commission needed to also incorporate the vendor's software for the operations. Attention then turned to increasing the meter rates. Once all the specifics were defined and established the Parking Commission explored how to finance the project.

This project then moved into FY16 with the installation of the hardware with the goal to have the system operational by December of 2015.

During FY15, the Parking Commission received two notable awards. The first one was issued by the International Parking Institute for the new Park Place Structure for an Award of Excellence for Architectural Design which gained tremendous national attention.

Discussion of Financial Results (Continued):

The other recognition was the Accredited Parking Organization Award for having a parking program that includes best management and operations. The Parking Commission was one of five to receive this distinguished recognition.

Key Factors Affecting Financial Performance in Fiscal Year 2016

The new meter project will be complete by the first half of FY16. This will include six months of the increased meter rates which will have a significant impact on meter revenues. There should also be an increase in monthly leases with the establishment of additional on-street permit only areas designed for Downtown employees and residents.

The current Director will be retiring after 22 years of service at the end of 2015 so there will be a change with a new Director at the beginning of 2016.

Missoula Parking Commission
Anne Guest
Director

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET POSITION
 June 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 423,290	\$ 139,659
Investments	27,550	14,037
Other receivables	116,493	120,391
Current portion of note receivable	<u>114,000</u>	<u>16,000</u>
Total current assets	681,333	290,087
CAPITAL ASSETS, NET	14,715,889	15,083,134
RESTRICTED CASH AND INVESTMENTS	528,325	528,325
NOTE RECEIVABLE	2,734,000	2,848,000
OTHER ASSETS	8,891	8,967
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>24,632</u>	-
Total deferred outflows of resources	<u>24,632</u>	-
Total assets and deferred outflows of resources	<u>\$ 18,693,070</u>	<u>\$ 18,758,513</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 80,520	\$ 26,143
Accrued liabilities	51,210	33,705
Accrued bond interest	67,852	61,615
Compensated absences	30,860	38,737
Advance from other governments	78,540	-
Current portion of revenue bonds payable	<u>185,000</u>	<u>40,000</u>
Total current liabilities	493,982	200,200
LONG-TERM LIABILITIES		
Net pension liability	291,968	-
Postemployment benefits	52,802	44,337
Revenue bonds payable, less current portion	<u>6,935,000</u>	<u>7,120,000</u>
Total liabilities	<u>7,773,752</u>	<u>7,364,537</u>
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	75,449	-
Revenue bond premium	<u>131,058</u>	<u>137,015</u>
Total deferred inflows of resources	<u>206,507</u>	<u>137,015</u>
NET POSITION		
Net investment in capital assets	7,402,111	7,750,146
Restricted for capital projects, net of related debt	62,720	35,973
Restricted for debt service	528,325	528,325
Unrestricted	<u>2,719,655</u>	<u>2,942,517</u>
Net position	<u>10,712,811</u>	<u>11,256,961</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,693,070</u>	<u>\$ 18,758,513</u>

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

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Parking revenues	\$ 1,411,610	\$ 1,348,956
Ticket revenues	<u>217,845</u>	<u>223,246</u>
Total operating revenues	<u>1,629,455</u>	<u>1,572,202</u>
 Operating Expenses		
Personnel	672,368	617,501
Contract - City of Missoula	173,680	160,479
Rent	16,800	19,350
Depreciation and amortization	404,057	408,914
Repairs, maintenance and supplies	108,952	202,442
Other operating expenses	<u>297,689</u>	<u>227,031</u>
Total operating expenses	<u>1,673,546</u>	<u>1,635,717</u>
 Operating loss	<u>(44,091)</u>	<u>(63,515)</u>
 Nonoperating Revenue (Expense)		
Investment earnings	122,588	138,438
Miscellaneous	-	(44,000)
Bond interest	<u>(269,689)</u>	<u>(593,735)</u>
Total nonoperating revenue (expense)	<u>(147,101)</u>	<u>(499,297)</u>
 Change in net position	 (191,192)	 (562,812)
 Net Position		
Beginning of year	11,256,961	11,819,773
Prior period adjustment for net pension liability	<u>(352,958)</u>	<u>-</u>
Beginning of year as restated	<u>10,904,003</u>	<u>11,819,773</u>
 End of year	 <u>\$ 10,712,811</u>	 <u>\$ 11,256,961</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,633,353	\$ 1,601,985
Cash payments to suppliers	(446,623)	(692,548)
Cash payments to employees	<u>(681,953)</u>	<u>(591,680)</u>
Net cash flows from operating activities	<u>504,777</u>	<u>317,757</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Decrease in restricted cash and investments	- -	629,925
Revenue bond principal paid	(40,000)	(7,705,000)
Proceeds from bond refunding	- -	7,297,015
Revenue bond interest and issuance costs paid	<u>(269,409)</u>	<u>(664,071)</u>
Acquisition of capital assets	<u>(36,812)</u>	<u>(31,710)</u>
Net cash flows from capital and related financing activities	<u>(346,221)</u>	<u>(473,841)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	(13,513)	10,075
Collections on note receivable	16,000	30,000
Interest income	<u>122,588</u>	<u>138,438</u>
Net cash flows from investing activities	<u>125,075</u>	<u>178,513</u>
Net change in cash and cash equivalents	283,631	22,429
Cash and Cash Equivalents		
Beginning of year	<u>139,659</u>	<u>117,230</u>
End of year	<u>\$ 423,290</u>	<u>\$ 139,659</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS (CONTINUED)
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (44,091)	\$ (63,515)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization	404,057	408,914
Changes in operating assets and liabilities		
Other receivables	3,898	29,783
Other assets	76	(76)
Pension contributions and adjustments	73,501	-
Postemployment benefits	8,465	11,980
Advance from other governments	78,540	(75,716)
Accounts payable	54,377	(10,522)
Accrued liabilities	9,628	16,909
Net pension liability	<u>(83,674)</u>	<u>-</u>
Net cash flows from operating activities	<u>\$ 504,777</u>	<u>\$ 317,757</u>

**SUPPLEMENTAL DISCLOSURE OF
NONCASH ACTIVITIES**

Debt modification	<u>\$ -</u>	<u>\$ 44,000</u>
Pension liability	<u>\$ 352,958</u>	<u>\$ -</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Missoula Parking Commission (the Commission) was established in 1971 by the City of Missoula (the City) as a separate legal entity in accordance with state parking commission laws (Section 7-14-4601, MCA). The five-member governing board is appointed by the Mayor and approved by City Council. Due to the control exercised by the City, the Commission is considered a component unit of the City.

Parking Operations, Facilities, and Rates

The Commission manages approximately 1,061 parking meters that are located both on street and in various off-street lots throughout Missoula's downtown. The Commission also manages approximately 1,275 off-street parking spaces located in 14 lease lots utilized mainly by downtown employees. The commission also operates three parking structures (Central Park, Park Place, and the Bank Street Structure) that offer both short-term and long-term parking. The Commission's jurisdiction extends beyond the Central Business District and includes a Residential Parking Permit Program adjacent to The University of Montana with approximately 820 on-street parking spaces. For the year ended June 30, 2015, the approximate percentage of revenues from all sources was as follows:

Leased spaces	44%
Parking meters	31
Parking tickets	14
Other sources	6
Parking structures	<u>5</u>
	<u>100%</u>

For the years ended June 30, 2015 and 2014, on-street hourly parking fees were \$0.50 per hour. The parking fees for the two structures are as follows: first hour free, \$0.50/hr. for the second hour, and \$1.00/hr. for subsequent hours. Lease rates range from \$30 to \$75 per month. The average lease rate for the lots and structures was \$45.

Basis of Accounting

The Commission'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 Commission'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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues for the Commission are charges to customers for parking.

New Accounting Pronouncements

The District has adopted the provisions of the following GASB pronouncements for fiscal year 2015:

- Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements.
- Statement No 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement establishes standards of accounting and financial reporting for amounts associated with contributions made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Budgets

Although not statutorily required, the Commission legally adopts an annual budget based primarily on the cash basis. Information related to budget development procedures and budget and actual information is available in the City of Missoula's comprehensive annual financial report.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Position

The Commission classifies its net position as follows:

Net Investment in Capital Assets

The Commission's investment in property and equipment, net of depreciation and related outstanding debt.

Restricted

Resources that are not expendable due to bond agreements are reported as restricted net assets. Restricted net assets are principally amounts that are restricted for construction projects and debt service.

Unrestricted

Resources over which the governing board has discretionary control.

Cash, Investments and Investment Income

The Commission's cash is held by the City Treasurer and pooled with other City cash. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis. Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions. Investments held by the Commission are reported at fair value.

For purpose of the statements of cash flows, the Commission considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Certain cash and investments are restricted for debt service and facility expansion.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets are recorded at cost including capitalization of interest cost during construction. Nondepreciable capital assets consist of land used principally for parking facilities. Straight-line depreciation is calculated based on the following useful lives:

Parking structures	40 years
Parking lot improvements	5–15 years
Utility improvements	5–15 years
Machinery and equipment	5–15 years
Furniture and fixtures	5–15 years

Maintenance and repairs are charged to expense as incurred and betterments costing more than \$10,000 are capitalized.

Compensated Absences

Under terms of state law, Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for all accumulated vacation leave and 25% of accumulated sick leave. Compensated absences to be funded from future resources are reflected in accrued expenses to the extent they are vested.

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.

Other Receivables

Receivables consist of amounts owed to the Commission for leased spaces and amounts owed from other governments, including Federal interest subsidies. Based on historical trends, management has determined that an allowance for doubtful accounts is not considered necessary.

Other Postemployment Benefits

The Commission recognizes and reports its postemployment health care benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission's portion of underlying cash and investments of the City's investment pool at June 30, 2015, consists of the following:

Cash on hand	\$ 1,237
Demand deposits	950,378
Certificates of deposit	<u>27,550</u>
Total cash and cash equivalents and investments	979,165
Less restricted cash held for debt service reserves	<u>(528,325)</u>
Net cash and cash equivalents and investments	<u><u>\$ 450,840</u></u>

Cash and investments at June 30, 2014, were as follows:

Cash on hand	\$ 620
Demand deposits	667,364
Certificates of deposit	<u>14,037</u>
Total cash and cash equivalents and investments	682,021
Less restricted cash held for debt service reserves	<u>(528,325)</u>
Net cash and cash equivalents and investments	<u><u>\$ 153,696</u></u>

The City's investment pool does not have a credit rating. Investment in the pool exposes the Commission to interest rate risk due to the underlying investment in government securities. This risk is managed by the City.

Information regarding insurance coverage or collateralization, interest rate risk, and investment in derivatives and similar instruments for the investment in the City's investment pool is available in the City's comprehensive annual financial report. There is no regulatory oversight for the City's investment pool, and participants' equity in the pool approximates the fair value of the underlying investments.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2015, are as follows:

	July 1, 2014 Balance	Additions	Deletions	June 30, 2015 Balance
Capital Assets Not Being Depreciated				
Construction in progress	\$ 35,974	\$ 26,747	\$ -	\$ 62,721
Parking lots and land	3,587,760	-	-	3,587,760
Total capital assets not being depreciated	<u>3,623,734</u>	<u>26,747</u>	<u>-</u>	<u>3,650,481</u>
Capital Assets Being Depreciated				
Parking structures	12,614,176	10,065	-	12,624,241
Furniture, fixtures and computers	253,731	-	-	253,731
Machinery, equipment and vehicles	191,405	-	-	191,405
Parking lot improvements	1,205,653	-	-	1,205,653
	<u>14,264,965</u>	<u>10,065</u>	<u>-</u>	<u>14,275,030</u>
Less accumulated depreciation	(2,805,565)	(404,057)	-	(3,209,622)
Total capital assets being depreciated, net	<u>11,459,400</u>	<u>(393,992)</u>	<u>-</u>	<u>11,065,408</u>
Capital Assets, Net	<u><u>\$ 15,083,134</u></u>	<u><u>\$ (367,245)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,715,889</u></u>

Changes in capital assets for the year ended June 30, 2014, are as follows:

	July 1, 2013 Balance	Additions	Deletions	June 30, 2014 Balance
Capital Assets Not Being Depreciated				
Construction in progress	\$ 4,264	\$ 31,710	\$ -	\$ 35,974
Parking lots and land	3,587,760	-	-	3,587,760
Total capital assets not being depreciated	<u>3,592,024</u>	<u>31,710</u>	<u>-</u>	<u>3,623,734</u>
Capital Assets Being Depreciated				
Parking structures	12,614,176	-	-	12,614,176
Furniture, fixtures and computers	253,731	-	-	253,731
Machinery, equipment and vehicles	191,405	-	-	191,405
Parking lot improvements	1,205,653	-	-	1,205,653
	<u>14,264,965</u>	<u>-</u>	<u>-</u>	<u>14,264,965</u>
Less accumulated depreciation	(2,396,651)	(408,914)	-	(2,805,565)
Total capital assets being depreciated, net	<u>11,868,314</u>	<u>(408,914)</u>	<u>-</u>	<u>11,459,400</u>
Capital Assets, Net	<u><u>\$ 15,460,338</u></u>	<u><u>\$ (377,204)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,083,134</u></u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30 consists of:

	<u>2015</u>	<u>2014</u>
\$7,160,000 Series 2014 refunding bonds, 2% to 4.35%, Due in varying amounts to October 2035	\$ 7,120,000	\$ 7,160,000
Less current portion	<u>(185,000)</u>	<u>(40,000)</u>
Long-term debt, less current portion	<u>\$ 6,935,000</u>	<u>\$ 7,120,000</u>

On March 26, 2014, the Commission refunded the 2010A and 2010B Series and issued the Series 2014 refunding bonds. The Commission incurred issuance costs of \$215,526 and recorded a bond premium of \$131,057. The issuance costs were expensed and the bond premium was recorded as a deferred inflow of resources in accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*. The bond premium is being amortized as a component of interest expense in accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*. The bonds carry interest rates ranging from 2% to 4.35% and mature annually from 2014 through October 1, 2035.

Debt service requirements to maturity on the bonds at June 30, 2015, are as follows:

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>				
2016		\$ 185,000	\$ 272,575	\$ 457,575
2017		250,000	265,850	515,850
2018		255,000	257,150	512,150
2019		275,000	249,200	524,200
2020		275,000	241,075	516,075
2021-2025		1,485,000	1,060,850	2,545,850
2026-2030		1,765,000	744,231	2,509,231
2031-2035		2,150,000	341,610	2,491,610
2036		<u>480,000</u>	<u>10,440</u>	<u>490,440</u>
Total		<u>\$ 7,120,000</u>	<u>\$ 3,442,981</u>	<u>\$ 10,562,981</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 4. LONG-TERM DEBT (CONTINUED)

The changes in long-term liabilities for the years ended June 30, 2015 and 2014 were as follows:

<u>2015</u>	July 1, 2014			June 30, 2015		Due Within One Year
	Balance	Additions	Reductions	Balance		
Revenue bonds	\$ 7,160,000	\$ -	\$ 40,000	\$ 7,120,000	\$ 185,000	
Compensated absences	38,737	29,355	37,232	30,860		15,902
Total	\$ 7,198,737	\$ 29,355	\$ 77,232	\$ 7,150,860		\$ 200,902

<u>2014</u>	July 1, 2013			June 30, 2014		Due Within One Year
	Balance	Additions	Reductions	Balance		
Revenue bonds	\$ 7,705,000	\$ 7,160,000	\$ 7,705,000	\$ 7,160,000	\$ 40,000	
Compensated absences	24,896	18,709	4,868	38,737		9,440
Total	\$ 7,729,896	\$ 7,178,709	\$ 7,709,868	\$ 7,198,737		\$ 49,440

NOTE 5. DESIGNATED NET ASSETS

The Commission's board has designated \$1,266,671 of unrestricted net assets as of June 30, 2015 and 2014 for acquisition of parking lots, facilities, and equipment.

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$173,680 and \$160,479 to the City of Missoula for the years ended June 30, 2015 and 2014, respectively, for administrative services.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 7. LEASES

The Commission conducts a major part of its operations from leased property, which includes land parcels utilized for off-street parking facilities. These parcels are under operating leases which expire over periods ranging from two to twenty years. Most of the leases contain an option whereby the Commission, at the end of the initial lease term, may renew the lease at the then fair rental value. All leases are cancelable by Missoula Parking Commission without penalty, and do not have provisions requiring minimum payments. In most cases, it is expected that in the normal course of business, leases will be renewed or replaced with other leases. The Commission incurred rent expense of \$16,800 and \$19,350 for the years ended June 30, 2015 and 2014, respectively.

NOTE 8. RETIREMENT PLAN

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Plan Description (Continued)

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

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

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

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011:

Age 60, 5 years of membership service;
Age 65, regardless of membership service;

or

Any age, 30 years of membership service.

Hired on or after July 1, 2011:

Age 65, 5 years of membership services;
Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:

Age 50, 5 years of membership service; or
Any age, 25 years of membership service.

Hired on or after July 1, 2011:

Age 55, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Summary of Benefits (continued)

Monthly benefit formula (continued)

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)*

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

*At this time, as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013, is pending.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 Vested: 2,925
 Non-vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 Service Retirements: 20,080
 Disability Retirements: 176
 Survivor Benefits: 425

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Overview of Contributions

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. State and University System employers are required to contribute 8.27% of members' compensation.
 - b. Local government entities are required to contribute 8.17% of members' compensation.
 - c. School district employers contributed 7.90% of members' compensation.
 - d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - g. The State contributes from the Coal Tax Severance fund

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Overview of Contributions (Continued)

4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding

Stand-Alone Statements

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154.

CAFR information including standalone financial statements can be found on the website at <http://mpera.mt.gov/annualreports.shtml>

The latest actuarial valuation and experience study can be found at the website at <http://mpera.mt.gov/actuarialvaluations.shtml>

Actuarial Assumptions

The total pension liability is based on the results of an actuarial valuation date of June 30, 2014 (measurement date). There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the measurement date valuation were based on the results of the last actuarial experience study, dated May 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

General Wage Growth* 4.00%

includes Inflation at 3.00%

Merit Increases 0% to 6%

Investment Return 7.75%

Postretirement Benefit Increases

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

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

*At this time as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. REITREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Target Analysis

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the system's target asset allocation as of the measurement date, is summarized in the above table.

Sensitivity Analysis

	<u>1.0% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1.0% Increase (8.75%)</u>
PERS' Net Pension Liability	\$1,982,274,732	\$1,246,010,898	\$625,044,646
Missoula Parking Commission's Net Pension Liability	\$ 464,397	\$ 291,968	\$ 146,432

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Summary of Significant Accounting Policies (Continued)

For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable GASB statements.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows, and deferred outflows of resources associated with pensions.

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective net pension liability that is associated with the employer.

The State of Montana also has a funding situation that is not special funding whereby the State General Fund provides contributions from the coal severance tax and interest. All employers are required to report the portion of coal severance tax and interest attributable to the employer.

	<u>Net Pension Liability as of June 30, 2013</u>	<u>Net Pension Liability as of June 30, 2014</u>	<u>Percent of Collective NPL</u>
Commission			
Proportionate Share	\$375,642	\$291,968	.023427%
State of Montana Proportionate Share associated with the Commission	4,587	3,565	.029761%
Total	<u>\$380,226</u>	<u>\$295,533</u>	<u>.053188%</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2015, the Commission recorded a liability of \$291,968 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2014, the Commission's proportion was .02343 percent.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

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

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the employers's proportionate share of the collective NPL.

At June 30, 2015, the Commission recognized a pension expense of \$22,556 for its proportionate share of the PERS' pension expense. The Commission also recognized grant revenue of \$8,254 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Commission.

Pension expense

Commission's Proportionate Share	\$22,556
State of Montana Proportionate Share associated with the Commission	<u>8,254</u>
Total	<u>\$30,810</u>

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the Commission recognized a beginning deferred outflow of resources for the Commission's fiscal year 2014 contributions of \$21,603.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

Deferred Inflows and Outflows

At June 30, 2015, the Commission reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	- -	- -
Difference between projected and actual earnings on pension plan investments	- -	75,438
Changes in proportion differences between Commission contributions and proportionate share of contributions	155	11
Difference between actual and expected contributions	- -	- -
Contributions paid to PERS subsequent to the measurement date – fiscal year 2015*	<u>24,477</u>	<u>-</u>
Total	<u><u>\$24,632</u></u>	<u><u>\$75,449</u></u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amounts recognized in Pension Expense as a decrease to Pension Expense</u>
2016	\$ 38	\$18,850	\$(18,812)
2017	38	18,850	(18,812)
2018	39	18,899	(18,860)
2019	- -	- -	- -
2020	- -	- -	- -
Thereafter	- -	- -	- -

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 9. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, damage or loss of assets, errors and omissions, injuries to employees, employee medical claims, and natural disasters. The Commission manages these risks through participation with the City of Missoula's risk management practices. Information related to the City's risk management is available in its Comprehensive Annual Financial Report.

NOTE 10. POSTEMPLOYMENT BENEFITS

The Commission participates in the City of Missoula's defined benefit health plan. The single employer plan administered by the City is named the Health Benefits Plan for the Employees of the City of Missoula. Benefits and contributions rates are established and may be amended by the City of Missoula's Employee Benefits Committee. The plan's financial information is included as part of the City's self-insurance internal service fund in the City of Missoula Comprehensive Annual Financial Report. Terminated employees of the Commission may remain on the City's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal C.O.B.R.A. law. Retirees may remain on the City's health plan as long as they wish, provided they pay the monthly premiums. State law requires the Commission to provide this benefit. There are no other postemployment benefits (OPEB) provided by the Commission. The Commission has 10 employees participating in the plan with no retirees or C.O.B.R.A. participants.

The Commission has adopted the provisions of GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans.*" GASB Statement No. 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for retirees. The provisions of this statement were applied prospectively. Information on the City's health benefits plan for retirees is included on the following page.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

Retirees and the Commission contribute to the plan. The plan is financed on a pay-as-you-go basis with Commission contributions ensuring that adequate reserves are maintained in the plan. The Commission's contribution is not contributed to a trust for only retiree benefits so it is not considered a contribution towards the annual required contribution under GASB Statement No. 45. The contributions to the plan are as follows for June 30, 2015:

Coverage	Retiree	City	Total
	Contribution	Contribution	Premium
Retiree	\$ 631.68	\$ 111.47	\$ 743.15
Retiree, spouse	727.73	128.42	856.15
Retiree, spouse, child	767.68	135.47	903.15
Retiree, spouse, 2 children	807.63	142.52	950.15
Retiree, spouse, 3 children	847.58	149.57	997.15
Retiree, spouse, 4 children	887.53	156.62	1,044.15
Retiree, child	671.63	118.52	790.15
Retiree, 2 children	711.58	125.57	837.15
Retiree, 3 children	751.53	132.62	884.15
Retiree, 4 children	791.48	139.67	931.15

A schedule of the Commission's annual OPEB cost and related change in liability is presented below:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 14,235	\$ 20,078	\$ 20,750
Interest and ARC Adjustment	(776)	(675)	(570)
Annual OPEB cost	13,459	19,403	20,180
Contributions made	(4,994)	(7,423)	(15,468)
Change in net OPEB obligation	8,465	11,980	4,712
Net OPEB obligation - beginning of year	44,337	32,357	27,645
Net OPEB obligation - end of year	<u>\$ 52,802</u>	<u>\$ 44,337</u>	<u>\$ 32,357</u>
Percentage of annual OPEB cost contributed	37%	38%	77%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Commission's unfunded accrued actuarial liability as of June 30, 2015 and 2014, based on the study prepared as of June 30, 2015 and June 30, 2013, was \$149,966 and \$205,357, respectively. This liability is not funded under GASB Statement No. 45 since there are no assets allocated to an irrevocable trust for the plan. The annual covered payroll was \$439,990 and \$406,184 and the unfunded actuarial liability was 51% and 67% of covered payroll for the fiscal years ended June 30, 2015 and 2014, respectively.

Actuarial valuations involve estimates of the value of 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 are compared to 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 at the time of the actuarial valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term prospective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

For the actuarial valuations performed at June 30, 2013, the projected unit credit actuarial cost method was used. The health care cost trend rate was 7% for 2013, with the valuation decreasing to 5% for 2017 and after. The assumed discount and long-term rate of return was 3.326%. The unfunded actuarial liability was amortized on a level-dollar basis over an open period of 30 years.

For the actuarial valuations performed at June 30, 2015, the projected unit credit actuarial cost method was used. The health care cost trend rate was 5% for 2015 and beyond. The assumed discount and long-term rate of return was 3.98%. The unfunded actuarial liability was amortized on a level-dollar basis over an open period of 30 years.

The City of Missoula allocated the annual retired contributions and the underfunded liability to the component units based on the number of active participants in the plan as of June 30, 2015 and 2014.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 11. NOTE RECEIVABLE

In December 2010, Missoula Redevelopment Agency (MRA) agreed to fund \$3,000,000 of the Series 2010B bonds. MRA has committed to paying 40% of the principal and interest for the life of the bond. Under the terms of the agreement, MRA will transfer \$134,211 to the Commission on March 15 and September 14 of each year. The difference between MRA's transfer and the actual debt service will be refunded back to MRA on October 15 of each year. As of June 30, 2015, the Commission has recorded a liability of \$78,540, and no liability was recorded as of June 30, 2014, due to the bond refunding. The expected payments to maturity on the MRA note receivable at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 114,000	\$ 109,770	\$ 223,770
2017	60,000	108,290	168,290
2018	102,000	104,390	206,390
2019	170,000	101,330	271,330
2020	50,000	98,030	148,030
2021-2025	594,000	435,070	1,029,070
2026-2030	706,000	311,992	1,017,992
2031-2035	860,000	154,853	1,014,853
2036	192,000	8,352	200,352
Total	<u>\$ 2,848,000</u>	<u>\$ 1,432,077</u>	<u>\$ 4,280,077</u>

NOTE 13. RESTATEMENT OF BEGINNING NET POSITION

In 2014, the Commission implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Accordingly, beginning net position has been restated to reflect previously unrecognized pension liability as follows:

Beginning net position, as originally reported	\$ 11,256,961
Pension Liability, June 30, 2015	(375,642)
Retirement contributions in 2014	<u>22,684</u>
Net restatement	<u>352,958</u>
Beginning net position, as restated	<u>\$ 10,904,003</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 14. SUBSEQUENT EVENT

On August 26, 2015, the Commission entered into a meter lease purchase agreement that resulted in the purchase or new parking meters totaling \$1,400,000. The meters were financed by the issuance of bonds totaling \$1,400,000, with an interest rate of 2.25%, maturing January 15, 2023.

In FY16, the Commission adjusted the on-street hourly parking rates to \$1.00 per hour for the first two hours, increasing by \$.50 an hour for each additional hour, up to \$4 for the eighth hour.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION
AND ANALYSIS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH INSURANCE
BENEFIT PLAN
 June 30, 2015 and 2014

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2015	\$ -	\$ 52,802	\$ 149,966	0%	\$ 439,990	34%
2014		- 44,337	212,233	0%	315,537	67%

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY
 June 30, 2015 and 2014

Employer's proportion of the net pension liability	\$ 291,968
Employer's proportionate share of the net pension liability associated with the employer	0.023%
State of MT proportionate share of the net pension liability associated with the employer	3,565
Total	\$ 295,533

Employer's covered-employee payroll	\$ 265,198
Employer's proportionate share of the net pension liability as of its covered-employee payroll	110.072%
Plan fiduciary net position as a percentage of the total pension liability	79.90%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
SCHEDULE OF PERS CONTRIBUTIONS
June 30, 2015 and 2014

Contractually required contributions	\$ 22,861
Contributions in relation to the contractually required contributions	22,861
Contribution deficiency	-
Employer's covered-employee payroll	265,198
Contributions of covered-employee payroll	8.62%

SUPPLEMENTARY INFORMATION

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF COVERAGE – SERIES 2014 BONDS
 June 30, 2015

Revenues	
Total operating revenue	\$ 1,629,455
Missoula Redevelopment Agency pledge	<u>266,851</u>
Total revenues pledged	<u><u>1,896,306</u></u>
Expenses	
Operating expenses	(1,673,546)
Add back depreciation	404,057
Add back administrative charges	<u>173,680</u>
Total operating expenses	<u><u>(1,095,809)</u></u>
Revenues Available for Debt Service	<u><u>\$ 800,497</u></u>
Debt Service	
Principal	\$ 40,000
Interest	<u>268,709</u>
Total debt service	<u><u>\$ 308,709</u></u>
Total Coverage	<u><u>259%</u></u>

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

Board of Commissioners
Missoula Parking Commission
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 Parking Commission (the Commission), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 8, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zurmehlen Co., P.C.

Missoula, Montana

February 8, 2016



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS