



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.

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

FINANCIAL STATEMENTS

June 30, 2009 and 2008

(With Independent Auditor's Report Thereon)

CONTENTS

	<u>PAGE</u>
BOARD MEMBERS.....	1
INDEPENDENT AUDITOR'S REPORT.....	2 and 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 to 6
 FINANCIAL STATEMENTS	
Statements of Net Assets	7
Statements of Revenues, Expenses and Changes in Fund Net Assets.....	8
Statements of Cash Flows.....	9 and 10
Notes to Financial Statements	11 to 21
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>	22 and 23

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

<u>Member</u>	<u>Business</u>	<u>Term Expires</u>
Tom Wilkins, Chair	Retired	April 30, 2009
Rodney Austin	Downtown Business Improvement District	April 30, 2010
Teresa Cox	A Carousel for Missoula	April 30, 2011
Carol Williams	Legal Administrator	April 30, 2011
John Smith	Attorney	April 30, 2012

Director

Anne Guest

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the accompanying statements of net assets of Missoula Parking Commission (a component unit of the City of Missoula, Montana) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These component unit financial statements are the responsibility of the Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Missoula Parking Commission as of June 30, 2009 and 2008, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009, on our consideration of Missoula Parking Commission's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 4-6, is not a required part of the component unit financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Anderson Zurmehlen & Co., P.C.

Missoula, Montana
December 30, 2009



Missoula Parking Commission

128 West Main Street • Missoula, Montana 59802 • (406) 721-3501

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. It should be read in conjunction with the Commission's financial statements, which begin on page 7.

Financial Highlights

Condensed Financial Information

The following tables summarize financial condition and operating results for 2009 compared to 2008:

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 4,009,493	\$ 3,696,535	\$ 312,958
Nondepreciable Capital Assets	2,397,866	2,397,866	-
Depreciable Capital Assets, Net	2,352,125	2,470,207	(118,082)
Other Assets	165,252	167,749	(2,497)
Total assets	8,924,736	8,732,357	192,379
Current Liabilities	161,172	194,589	(33,417)
Long-Term Liabilities	852,144	963,140	(110,996)
Total liabilities	1,013,316	1,157,729	(144,413)
Net Assets			
Net investment in capital assets	3,799,991	3,808,073	(8,082)
Restricted	150,000	150,000	-
Unrestricted	3,961,429	3,616,555	344,874
Total net assets	\$ 7,911,420	\$ 7,574,628	\$ 336,792

	<u>2009</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>	Increase (Decrease) Over 2008
Operating Revenues			
Parking and ticket revenues	<u>\$ 1,448,179</u>	<u>\$ 1,429,972</u>	<u>\$ 18,207</u>
Operating Expenses			
Personnel	<u>537,510</u>	530,151	7,359
Contract - City of Missoula	<u>141,212</u>	93,670	47,542
Rent	<u>17,186</u>	17,186	-
Depreciation and amortization	<u>144,082</u>	146,145	(2,063)
Repairs, maintenance and supplies	<u>126,693</u>	89,101	37,592
Other operating expenses	<u>243,874</u>	336,673	(92,799)
	<u>1,210,557</u>	<u>1,212,926</u>	<u>(2,369)</u>
Operating income	<u>237,622</u>	217,046	20,576
Net Nonoperating Revenue	<u>99,170</u>	106,593	(7,423)
Increase in net assets	<u>336,792</u>	323,639	13,153
Net Assets			
Beginning of year	<u>7,574,628</u>	<u>7,250,989</u>	<u>323,639</u>
End of year	<u>\$ 7,911,420</u>	<u>\$ 7,574,628</u>	<u>\$ 336,792</u>

Discussion of Financial Results:

The Financial Highlights outlined in the FY09 Audit reveal that the Missoula Parking Commission performed remarkably well in light of the challenging economic conditions that dominated the year. While most private and public entities were negatively affected by downward markets and high gas prices, the Parking Commission maintained a steady position in both revenues and expenses.

The parking industry in the Northwest region reported an average of approximately 8-10% decrease in parking revenues. However, the Missoula Parking Commission's Operating Revenues ended the year with an increase of 1.26% which reflects well of management and staff. It is anticipated that revenues should respond positively to the economy once it stabilizes and begins to rebound.

The increase in capital assets is due to the purchase of a new GO-4 enforcement scooter which costs approximately \$26,000. These scooters are instrumental in the effectiveness of our enforcement program and this model is known for its efficiency and safety features.

Overall, net assets at the end of the year are up approximately \$337,000 which represents an increase of 4%.

Key Factors Affecting Financial Performance in Fiscal Year 2010

Last year, the Parking Commission helped fund and participated in the Greater Missoula Downtown Master Plan. On August 23, 2009, the Plan was unanimously approved by the Missoula City Council and has been added as an amendment to the Missoula Growth Policy. As one of the listed management strategies, the Parking Commission will focus on its strategic plan and begin implementing a variety of recommendations that were a result of the "Best Practices" study completed in the Master Plan.

In addition to this, the Master Plan identified a Retail Hot Spot with the suggestion to provide more efficient and strategic parking sites. The need for two parking structures was identified. To that charge, the Missoula Redevelopment Agency, the First Interstate Bank, Macy's, the Holiday Inn, and the Parking Commission have been earnestly working toward the goal to secure the land necessary to build a parking structure on the southeast corner of East Front and Pattee Streets. The need for this parking structure is also in response to the anticipated increased parking demand from the new First Interstate Bank building. Construction of the parking structure should begin in FY10 with a completion date in early FY11. The final number of parking spaces will be determined by funding capacity and construction cost estimates.

Missoula Parking Commission
Anne Guest
Director

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET ASSETS
 June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 892	\$ 76,558
Investments	3,936,426	3,563,935
Other receivables	72,175	56,042
Total current assets	4,009,493	3,696,535
NONDEPRECIABLE CAPITAL ASSETS	2,397,866	2,397,866
DEPRECIABLE CAPITAL ASSETS, NET	2,352,125	2,470,207
BOND ISSUANCE COSTS (Net of Amortization of \$12,979		
in 2009 and \$11,482 in 2008)	9,482	10,979
RESTRICTED CASH - DEBT SERVICE RESERVE	150,000	150,000
OTHER ASSETS	5,770	6,770
 Total assets	<u>8,924,736</u>	<u>8,732,357</u>
 <u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	8,256	39,529
Accrued expenses	19,191	19,511
Compensated absences	18,725	25,549
Current portion of revenue bonds payable	115,000	110,000
Total current liabilities	161,172	194,589
 LONG-TERM LIABILITIES		
Post employment benefits	11,535	-
Long-term portion of compensated absences	5,609	13,140
Revenue bonds payable, less current portion	835,000	950,000
 Total liabilities	<u>1,013,316</u>	<u>1,157,729</u>
 <u>NET ASSETS</u>		
Investment in capital assets, net of related debt	3,799,991	3,808,073
Restricted for debt service	150,000	150,000
Unrestricted	3,961,429	3,616,555
Net assets	<u>\$ 7,911,420</u>	<u>\$ 7,574,628</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 FUND NET ASSETS
 For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Parking revenues	\$ 1,151,237	\$ 1,144,883
Ticket revenues	<u>296,942</u>	<u>285,089</u>
Total operating revenues	<u>1,448,179</u>	<u>1,429,972</u>
Operating Expenses		
Personnel	537,510	530,151
Contract - City of Missoula	141,212	93,670
Rent	17,186	17,186
Depreciation and amortization	144,082	146,145
Repairs, maintenance and supplies	126,693	89,101
Other operating expenses	<u>243,874</u>	<u>336,673</u>
Total operating expenses	<u>1,210,557</u>	<u>1,212,926</u>
Operating income	<u>237,622</u>	<u>217,046</u>
Nonoperating Revenue (Expenses)		
Investment earnings	148,468	166,009
Bond interest	(51,665)	(56,848)
Amortization of bond issuance costs	(1,497)	(1,497)
Gain (loss) on sale of asset	<u>3,864</u>	<u>(1,071)</u>
Total nonoperating revenue over expenses	<u>99,170</u>	<u>106,593</u>
Increase in net assets	336,792	323,639
Net Assets		
Beginning of year	<u>7,574,628</u>	<u>7,250,989</u>
End of year	<u>\$ 7,911,420</u>	<u>\$ 7,574,628</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,448,179	\$ 1,429,972
Cash payments to suppliers	(577,076)	(531,089)
Cash payments to employees	<u>(524,975)</u>	<u>(529,481)</u>
Net cash provided by operating activities	<u>346,128</u>	<u>369,402</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Revenue bond principal paid	(110,000)	(105,000)
Revenue bond interest paid	(65,635)	(60,855)
Purchase of fixed assets	<u>(26,000)</u>	<u>(19,928)</u>
Net cash used in capital and related financing activities	<u>(201,635)</u>	<u>(185,783)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(372,491)	(373,944)
Interest income	<u>152,332</u>	<u>166,009</u>
Net cash used in investing activities	<u>(220,159)</u>	<u>(207,935)</u>
Net decrease in cash and cash equivalents	(75,666)	(24,316)
 Cash and Cash Equivalents		
Beginning of year	<u>76,558</u>	<u>100,874</u>
End of year	<u>\$ 892</u>	<u>\$ 76,558</u>

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 237,622	\$ 217,046
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	144,082	146,145
Changes in operating assets and liabilities		
Other receivables	(16,133)	1,426
Other assets	1,000	670
Post employment benefits	11,535	-
Accounts payable	(31,273)	4,820
Accrued liabilities	<u>(705)</u>	<u>(705)</u>
Net cash provided by operating activities	<u>\$ 346,128</u>	<u>\$ 369,402</u>

MISSOULA PARKING COMMISSION

(A Component Unit of the City of Missoula)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

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 two parking structures (Central Park 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, 2009, the approximate percentage of revenues from all sources were as follows:

Parking tickets	21%
Parking meters	33
Parking structures	6
Leased spaces (other than parking structures)	37
All other sources	3
	<u>100%</u>

As of June 30, 2009, on-street hourly parking fees were \$0.50 per hour. The parking fees for the two structures are as follows: \$0.25/hr. for the first two hours, \$0.50 for the third hour, and \$0.75/hr for subsequent hours. Lease rates for the off-street lots and structures range from \$30 to \$65 per month. The average lease rate for the off-street lots and structures was \$45.

Basis of Presentation and Accounting:

The Commission adopted the provisions of GASB Statement No. 34 and has utilized accounting principles applicable to proprietary funds. The economic resource focus concerns determining costs such as a means of maintaining capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses generally arise from managing parking structures, lots, and spaces in the City of Missoula. All other revenues and expenses are classified as nonoperating. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989 have been applied unless they conflict with or contradict GASB pronouncements. GASB statement Nos. 20 and 34 provide the Commission the option of electing to apply FASB pronouncements issued after November 30, 1989. The Commission has not elected to apply those pronouncements.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued):

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 principle ongoing operations. The principle operating revenues for the Commission are charges to customers for parking.

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.

Classification of Net Assets:

The Commission classifies its net assets as follows:

Investment in Capital Assets, Net of Related Debt

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 cannot be spent prior to outstanding bonds being repaid.

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.

For purpose of the statements of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

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 \$5,000 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.

Amortization:

Bond issuance costs and deferred bond refunding costs are amortized on a straight-line basis over the life of the related bonds.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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, 2009 and 2008

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal year 2009, the Commission added its cash to the City's investment pool. The Commission's portion of underlying cash and investments of the City's investment pool at June 30, 2009, consist of the following:

	<u>2009</u>
Cash on Hand	\$ 892
Demand Deposits	150,000
Government Securities	3,803,951
Certificates of Deposit	132,475
	4,087,318
Less restricted cash held for debt service reserve	(150,000)
	<u>\$ 3,937,318</u>

Cash and investments at June 30, 2008, were as follows:

	<u>2008</u>
Cash on Hand	\$ 1,045
Demand Deposits	225,513
Repurchase Investment Account	301,762
Government Securities	3,166,654
Certificates of Deposit	<u>95,519</u>
	3,790,493
Less restricted cash held for debt service reserve	(150,000)
	<u>\$ 3,640,493</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, 2009 and 2008

NOTE 3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2009, are as follows:

	July 1, 2008 Balance	Additions	Deletions	June 30, 2009 Balance
Capital Assets not being Depreciated				
Parking lots	<u>\$ 2,397,866</u>	\$ _____ -	\$ _____ -	<u>\$ 2,397,866</u>
Capital Assets being Depreciated				
Parking structures	2,265,634	-	-	2,265,634
Furniture, fixtures and computers	46,367	-	(34,003)	12,364
Machinery, equipment and vehicles	477,487	26,000	-	503,487
Parking lot improvements	1,165,976	-	-	1,165,976
Capitalized interest	409,007	-	-	409,007
	4,364,471	26,000	(34,003)	4,356,468
Less accumulated depreciation	(1,894,264)	(144,082)	34,003	(2,004,343)
Total capital assets being depreciated, net	<u>2,470,207</u>	<u>(118,082)</u>	-	<u>2,352,125</u>
 Capital assets, net	 <u>\$ 4,868,073</u>	<u>\$ (118,082)</u>	<u>\$ _____ -</u>	 <u>\$ 4,749,991</u>

Changes in capital assets for the year ended June 30, 2008, are as follows:

	July 1, 2007 Balance	Additions	Deletions	June 30, 2008 Balance
Capital Assets not being Depreciated				
Parking lots	<u>\$ 2,397,866</u>	\$ _____ -	\$ _____ -	<u>\$ 2,397,866</u>
Capital Assets being Depreciated				
Parking structures	2,265,634	-	-	2,265,634
Furniture, fixtures and computers	47,514	-	1,147	46,367
Machinery, equipment and vehicles	457,559	19,928	-	477,487
Parking lot improvements	1,165,976	-	-	1,165,976
Capitalized interest	409,007	-	-	409,007
	4,345,690	19,928	1,147	4,364,471
Less accumulated depreciation	(1,748,195)	(146,145)	(76)	(1,894,264)
Total capital assets being depreciated, net	<u>2,597,495</u>	<u>(126,217)</u>	<u>1,071</u>	<u>2,470,207</u>
 Capital assets, net	 <u>\$ 4,995,361</u>	<u>\$ (126,217)</u>	<u>\$ 1,071</u>	 <u>\$ 4,868,073</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30 consists of:

	<u>2009</u>	<u>2008</u>
\$1,700,000 Series 2000 revenue bonds, 4.4 % to 5.5%, due in varying amounts to November 2015	<u>\$ 950,000</u>	<u>\$ 1,060,000</u>

Changes in the revenue bonds for the years ended June 30, 2009 and 2008, consisted of principal payments of \$110,000 and \$105,000, respectively.

On November 1, 2000, the Commission issued \$1.7 million of Series 2000 Parking Facilities Revenue Bonds. The bonds were issued at par, bear interest ranging from 4.4% to 5.5%, and are secured by a pledge of gross parking revenues. Proceeds from the bonds were used to finance the construction of a new public parking facility in downtown Missoula. The land on which the new facility is located was donated by First Interstate Bank at a value of \$570,000.

A total of \$131,208 of interest on the Series 2000 Revenue Bonds was capitalized in prior years.

Debt service requirements to maturity on the revenue bonds at June 30, 2009, are as follows:

Year Ending		Principal	Interest	Total
June 30				
2010		\$ 115,000	\$ 46,787	\$ 161,787
2011		120,000	40,970	160,970
2012		130,000	34,655	164,655
2013		135,000	27,830	162,830
2014		140,000	20,610	160,610
2015		150,000	12,850	162,850
2016		<u>160,000</u>	<u>4,400</u>	<u>164,400</u>
Total		<u>\$ 950,000</u>	<u>\$ 188,102</u>	<u>\$ 1,138,102</u>

NOTE 5. DESIGNATED NET ASSETS

The Commission's board has designated \$1,310,838 of unrestricted net assets as of June 30, 2009 and 2008 for acquisition of parking lots and parking facilities.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$141,212 and \$93,670 to the City of Missoula for the years ended June 30, 2009 and 2008, respectively, for administrative services.

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.

NOTE 8. RETIREMENT PLAN

The Commission participates in the Montana Public Employees' Retirement System (MPERS), a state-administered cost-sharing multiple-employer defined benefit pension plan. The plan is established by state law and administered by the state of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates are determined by state law. Contribution rates, expressed as a percentage of covered payroll, for each of the three fiscal years were as follows:

<u>Year Ended June 30</u>	<u>Employee</u>	<u>Commission</u>	<u>State</u>
2009	6.900%	6.935%	0.100%
2008	6.900%	6.935%	0.100%
2007	6.900%	6.800%	0.100%

PERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. The PERS is a mandatory multiple-employer, cost sharing plan administered by the Montana Public Employees' Retirement Administration (MPERA).

The PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 8. RETIREMENT PLAN (CONTINUED)

A guaranteed annual benefit adjustment (GABA) of 1.5% or 3%, depending on date of hire, is provided each January for benefit recipients if they have been receiving a benefit for at least 12 months. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 6.90% of monthly compensation. Local government entities are required to contribute 6.935% of members' compensation. The State of Montana contributes 0.1% of members' compensation on behalf of local government entities.

The amounts contributed during the years ended June 30, 2009, 2008 and 2007, were equal to the required contribution for each year. The amounts contributed by the Commission and the State of Montana were as follows:

<u>Year Ended June 30</u>	<u>Commission</u>	<u>State</u>
2009	\$ 26,518	368
2008	26,157	363
2007	24,673	357

PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from PERS at:

Public Employees Retirement Division
1712 Ninth Avenue
P.O. Box 200131
Helena, Montana 59620-0131
Telephone (406) 444-3154

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 10. COMMITMENTS

During 2009, the Commission's Board of Directors agreed without formal resolution to commit 50% of the Commission's cash reserves and bonding capacity to the Front Street parking structure construction project. No formal resolution occurred as the project is still in the preliminary planning stages.

NOTE 11. 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 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 adopted the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans," in fiscal year 2009. GASB 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 below.

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 45. The contributions to the plan are as follows for July 1, 2009:

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

Coverage	Retiree Contribution	City Contribution	Total Premium
Retiree	\$ 539.24	\$ 140.76	\$ 680.00
Retiree, spouse	594.49	150.51	745.00
Retiree, spouse, child	617.87	154.63	772.50
Retiree, spouse, 2 children	641.24	158.76	800.00
Retiree, spouse, 3 children	664.62	162.88	827.50
Retiree, spouse, 4 children	687.99	167.01	855.00
Retiree, child	562.62	144.88	707.50
Retiree, 2 children	585.99	149.01	735.00
Retiree, 3 children	609.37	153.13	762.50
Retiree, 4 children	632.74	157.26	790.00

Based on an actuarial study prepared as of June 30, 2009, the Commission's portion of the annual other postemployment benefit cost was \$11,535 for the fiscal year ended June 30, 2009. This cost and the related net other postemployment benefit obligation consisted of the annual required contribution for the year. There were no additional components since fiscal year 2009 was the first year of implementation of GASB 45. There were no qualified contributions made toward this cost. The net other postemployment benefit obligation increased from zero to \$11,535 at June 30, 2009. Annual information for previous years will be provided in future years.

As of June 30, 2009, the most recent actuarial valuation date, the Commission's portion of the plan's unfunded accrued actuarial liability was \$124,711. This liability is not funded under GASB 45 since there are no assets allocated to an irrevocable trust for the plan. Therefore, the funded status of the plan is 0% funded. The annual covered payroll was \$266,028 for fiscal year 2009; the unfunded actuarial liability was 46.9 % of covered payroll.

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

For the actuarial valuation performed at June 30, 2009 the projected unit credit actuarial cost method was used. The health care cost trend rate was 7% for 2009 decreasing to 5% for 2013 and after. The assumed discount and long-term rate of return was 1.64%. 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, 2009.

**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 the financial statements of Missoula Parking Commission, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 30, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Missoula Parking Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide an opinion on the effectiveness of Missoula Parking Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Missoula Parking Commission's internal control over financial reporting.

A control deficiency exists when the design of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missoula Parking Commission's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and relevant federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zurmehlen & Co., P.C.

Missoula, Montana
December 30, 2009