



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, 2010 and 2009**

**(With Independent Auditor's Report Thereon)**

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# MISSOULA PARKING COMMISSION

(A Component Unit of the City of Missoula)

## BOARD MEMBERS

<b><u>Member</u></b>	<b><u>Business</u></b>	<b><u>Term Expires</u></b>
Rodney Austin	Downtown Business Improvement District	April 30, 2014
Teresa Cox	A Carousel for Missoula	April 30, 2011
Carol Williams	Legal Administrator	April 30, 2011
John Smith	Attorney	April 30, 2012
Jinny Iverson	Retired Hospital Executive	April 30, 2013

### **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 year ended June 30, 2010 and 2009 as listed in the table of contents. 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 audit 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 the 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.

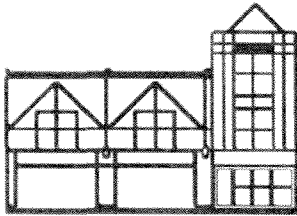
In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Missoula Parking Commission as of June 30, 2010 and 2009, and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011, 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 4–7, and the schedule of funding progress for retiree health insurance benefit plan are not a required part of the component unit financial statements but are 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 Zurmuehlen & Co., P.C.*

Missoula, Montana  
January 12, 2011



## *Missoula Parking Commission*

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

### 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, 2010. It should be read in conjunction with the Commission's financial statements, which begin on page 8.

### **Financial Reporting**

Missoula Parking Commission (the Commission) has issued a complete set of financial statements for the two fiscal years ended June 30, 2010 and 2009, in accordance with 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 Assets and the Statement of Activities 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 2010 compared to 2009:

	<u>2010</u>	<u>2009</u>	Increase (Decrease)
Current Assets	\$ 4,309,002	\$ 3,994,838	\$ 314,164
Nondepreciable Capital Assets	2,397,866	2,397,866	-
Depreciable Capital Assets, Net	2,218,484	2,352,125	(133,641)
Other Assets	<u>179,695</u>	<u>179,907</u>	<u>(212)</u>
Total assets	<u>9,105,047</u>	<u>8,924,736</u>	<u>180,311</u>
Current Liabilities	186,852	161,172	25,680
Long-Term Liabilities	<u>730,961</u>	<u>852,144</u>	<u>(121,183)</u>
Total liabilities	<u>917,813</u>	<u>1,013,316</u>	<u>(95,503)</u>
Net Assets			
Investment in capital assets, net of related debt	3,781,350	3,799,991	(18,641)
Restricted	164,655	164,655	-
Unrestricted - designated	1,266,671	1,310,838	(44,167)
Unrestricted	<u>2,974,558</u>	<u>2,635,936</u>	<u>338,622</u>
Total net assets	<u>\$ 8,187,234</u>	<u>\$ 7,911,420</u>	<u>\$ 275,814</u>



	<b><u>2010</u></b> <b><u>Actual</u></b>	<b><u>2009</u></b> <b><u>Actual</u></b>	<b><u>Increase</u></b> <b><u>(Decrease)</u></b> <b><u>Over 2008</u></b>
Operating Revenues			
Parking and ticket revenues	<b><u>\$ 1,393,079</u></b>	<b><u>\$ 1,448,179</u></b>	<b><u>\$ (55,100)</u></b>
Operating Expenses			
Personnel	<b>519,884</b>	537,510	(17,626)
Contract - City of Missoula	<b>141,212</b>	141,212	-
Rent	<b>17,186</b>	17,186	-
Depreciation and amortization	<b>133,641</b>	144,082	(10,441)
Repairs, maintenance and supplies	<b>95,324</b>	126,693	(31,369)
Other operating expenses	<b><u>219,132</u></b>	<u>243,874</u>	<u>(24,742)</u>
	<b><u>1,126,379</u></b>	<u>1,210,557</u>	<u>(84,178)</u>
Operating income	<b>266,700</b>	237,622	29,078
Net Nonoperating Revenue	<b><u>9,114</u></b>	<u>99,170</u>	<u>(90,056)</u>
Increase in net assets	<b>275,814</b>	336,792	(60,978)
Net Assets			
Beginning of year	<b><u>7,911,420</u></b>	<u>7,574,628</u>	<u>336,792</u>
End of year	<b><u>\$ 8,187,234</u></b>	<b><u>\$ 7,911,420</u></b>	<b><u>\$ 275,814</u></b>

#### Discussion of Financial Results:

Fiscal year 2010 for the Missoula Parking Commission was very much in keeping with the ongoing trend of the past several years. We ended the year with an overall increase in total net Assets of \$275,814. This was less than FY2009 which is directly related to the challenging economic climate that Missoula is experiencing. Operating Expenses were down by \$84,178 from the previous year which was a result of a large one-time expenditure in FY2009 to fund the Downtown Master Plan.

Even though the total net assets were up, the parking and ticket revenue was down by \$55,100. This decrease was directly related to an extraordinary amount of new construction in Missoula's downtown. This included a complete new design of the North Higgins area including protected bike lanes, at grade cross walks, new streetlights, and added amenities to the sidewalks. At the same time, First Interstate Bank continued construction of its new six-story office building and a major law firm began construction of a new office building. This disruption, in addition to a challenged economy, resulted in a decrease in meter revenue and thus ticket revenue. It is

anticipated that FY2011 will not experience this resulting effect and the parking and ticket revenue should return to the normal trend.

Capital assets consist principally of the cost of the parking structure. The decrease in capital assets is due to current year depreciation. Long-term debt consists of the Series 2000 revenue bonds, which are being retired in accordance with their stated terms.

Key Factors Affecting Financial Performance in Fiscal Year 2011:

The major focus for FY2011 will be the construction of a new above ground parking structure with approximately 400 spaces and 5,000 square feet of commercial/retail space. The structure will be located at the southeast corner of the intersection of East Front Street and Pattee Street in downtown Missoula. It will provide both short-term daily parking and long-term lease parking. The structure will be financed by Parking Commission resources—cash reserves and bonding capacity—as well as bonds supported by the newly created tax increment district. The completion date is anticipated for spring 2012.

This location has been identified as a “retail hotspot” in the 2009 Downtown Master Plan which was the result of over two years of an extensive public process to create a comprehensive vision and plan for the next 25 years for the greater Missoula community. Building a parking structure at this location addresses one of the parking strategies and supports the overall goals of the Master Plan. Once completed, it will be a tremendous asset for the downtown and will play an instrumental role in future economic development for the greater Missoula community.

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, 2010 and 2009

<b><u>ASSETS</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 649,074	\$ 892
Investments	3,587,983	3,921,771
Other receivables	71,945	72,175
Total current assets	4,309,002	3,994,838
<b>NONDEPRECIABLE CAPITAL ASSETS</b>	2,397,866	2,397,866
<b>DEPRECIABLE CAPITAL ASSETS, NET</b>	2,218,484	2,352,125
<b>BOND ISSUANCE COSTS (Net of Amortization of \$14,477 in 2010 and \$12,979 in 2009)</b>	7,985	9,482
<b>RESTRICTED CASH - DEBT SERVICE RESERVE</b>	164,655	164,655
<b>OTHER ASSETS</b>	7,055	5,770
Total assets	9,105,047	8,924,736
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	19,871	8,256
Accrued liabilities	25,811	19,191
Compensated absences	21,170	18,725
Current portion of revenue bonds payable	120,000	115,000
Total current liabilities	186,852	161,172
<b>LONG-TERM LIABILITIES</b>		
Post employment benefits	15,961	11,535
Long-term portion of compensated absences	-	5,609
Revenue bonds payable, less current portion	715,000	835,000
Total liabilities	917,813	1,013,316
<b><u>NET ASSETS</u></b>		
Investment in capital assets, net of related debt	3,781,350	3,799,991
Restricted for debt service	164,655	164,655
Unrestricted - designated	1,266,671	1,310,838
Unrestricted	2,974,558	2,635,936
Net assets	\$ 8,187,234	\$ 7,911,420

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Parking revenues	\$ 1,125,329	\$ 1,151,237
Ticket revenues	<u>267,750</u>	<u>296,942</u>
Total operating revenues	<u>1,393,079</u>	<u>1,448,179</u>
Operating Expenses		
Personnel	519,884	537,510
Contract - City of Missoula	141,212	141,212
Rent	17,186	17,186
Depreciation and amortization	133,641	144,082
Repairs, maintenance and supplies	95,324	126,693
Other operating expenses	<u>219,132</u>	<u>243,874</u>
Total operating expenses	<u>1,126,379</u>	<u>1,210,557</u>
Operating income	<u>266,700</u>	<u>237,622</u>
Nonoperating Revenue (Expenses)		
Investment earnings	56,889	148,468
Bond interest	(46,278)	(51,665)
Amortization of bond issuance costs	(1,497)	(1,497)
Gain on sale of asset	<u>-</u>	<u>3,864</u>
Total nonoperating revenue over expenses	<u>9,114</u>	<u>99,170</u>
Increase in net assets	275,814	336,792
Net Assets		
Beginning of year	<u>7,911,420</u>	<u>7,574,628</u>
End of year	<u>\$ 8,187,234</u>	<u>\$ 7,911,420</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 CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 1,393,079	\$ 1,448,179
Cash payments to suppliers	(461,009)	(577,076)
Cash payments to employees	<u>(516,743)</u>	<u>(524,975)</u>
Net cash provided by operating activities	<u>415,327</u>	<u>346,128</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Revenue bond principal paid	(115,000)	(110,000)
Revenue bond interest paid	(42,822)	(65,635)
Purchase of fixed assets	<u>-</u>	<u>(26,000)</u>
Net cash used in capital and related financing activities	<u>(157,822)</u>	<u>(201,635)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	-	(372,491)
Sale of investments	333,788	-
Interest income	<u>56,889</u>	<u>152,332</u>
Net cash provided by (used in) investing activities	<u>390,677</u>	<u>(220,159)</u>
 Net increase (decrease) in cash and cash equivalents	<b>648,182</b>	(75,666)
 Cash and Cash Equivalents		
Beginning of year	<u>892</u>	<u>76,558</u>
 End of year	<u>\$ 649,074</u>	<u>\$ 892</u>

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

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 266,700	\$ 237,622
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation and amortization	133,641	144,082
Changes in operating assets and liabilities		
Other receivables	230	(16,133)
Other assets	(1,285)	1,000
Post employment benefits	4,426	11,535
Accounts payable	11,615	(31,273)
Accrued liabilities	-	(705)
Net cash provided by operating activities	<u>\$ 415,327</u>	<u>\$ 346,128</u>

# MISSOULA PARKING COMMISSION

(A Component Unit of the City of Missoula)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

### **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, 2010, the approximate percentage of revenues from all sources were as follows:

Parking tickets	19%
Parking meters	33
Parking structures	6
Leased spaces (other than parking structures)	39
All other sources	<u>3</u>
	<u>100%</u>

As of June 30, 2010, 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, 2010 and 2009

**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. Investments held by the Commission are held at fair value.

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, 2010 and 2009

**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.

**Other Receivables:**

Receivables consist of amounts owed to the Commission for leased spaces. Based on historical trends, management has determined that an allowance for doubtful accounts is not considered necessary.

**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, 2010 and 2009

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

During fiscal year 2010, 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, 2010, consist of the following:

	<u>2010</u>
<b>Cash on Hand</b>	<b>\$ 165,700</b>
<b>Demand Deposits</b>	<b>648,029</b>
<b>Government Securities</b>	<b>3,457,495</b>
<b>Certificates of Deposit</b>	<b><u>130,488</u></b>
	<b>4,401,712</b>
<b>Less restricted cash held for debt service reserve</b>	<b><u>(164,655)</u></b>
	<b><u>\$ 4,237,057</u></b>

Cash and investments at June 30, 2009, were as follows:

	<u>2009</u>
Cash on Hand	\$ 892
Demand Deposits	150,000
Government Securities	3,803,951
Certificates of Deposit	<u>132,475</u>
	4,087,318
Less restricted cash held for debt service reserve	<u>(164,655)</u>
	<u><u>\$ 3,922,663</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, 2010 and 2009

**NOTE 3. CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2010, are as follows:

	<u>JULY 1, 2009</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2010</u> <u>BALANCE</u>
Capital Assets not being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
Capital Assets being Depreciated				
Parking structures	2,265,634	-	-	2,265,634
Furniture, fixtures and computers	12,364	-	-	12,364
Machinery, equipment and vehicles	503,487	-	-	503,487
Parking lot improvements	1,165,976	-	-	1,165,976
Capitalized interest	409,007	-	-	409,007
	4,356,468	-	-	4,356,468
Less accumulated depreciation	(2,004,343)	(133,641)	-	(2,137,984)
Total capital assets being depreciated, net	2,352,125	(133,641)	-	2,218,484
Capital assets, net	\$ 4,749,991	\$ (133,641)	\$ -	\$ 4,616,350

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

	<u>JULY 1, 2008</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2009</u> <u>BALANCE</u>
Capital Assets not being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
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	2,470,207	(118,082)	-	2,352,125
Capital assets, net	\$ 4,868,073	\$ (118,082)	\$ -	\$ 4,749,991

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2010 and 2009

**NOTE 4. LONG-TERM DEBT**

Long-term debt at June 30 consists of:

	<u>2010</u>	<u>2009</u>
\$1,700,000 Series 2000 revenue bonds, 4.4 % to 5.5%, due in varying amounts to November 2015	<u>\$ 835,000</u>	<u>\$ 950,000</u>

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, 2010, are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	\$ 120,000	\$ 40,970	\$ 160,970
2012	130,000	34,655	164,655
2013	135,000	27,830	976,315
2014	140,000	20,610	-
2015	150,000	12,850	-
2016	160,000	4,400	-
Total	<u>\$ 835,000</u>	<u>\$ 141,315</u>	<u>\$ 1,301,940</u>

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2010 and 2009

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

The changes in long-term liabilities for the years ended June 30, 2010 and 2009 were as follows:

<u>2010</u>	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Revenue Bonds	\$ 950,000	\$ -	\$ 115,000	\$ <b>835,000</b>	\$ 120,000
Compensated absences	24,334	12,536	15,700	<b>21,170</b>	21,170
Post employment benefits	11,535	12,493	8,067	<b>15,961</b>	-
Total	<u>\$ 985,869</u>	<u>\$ 25,029</u>	<u>\$ 138,767</u>	<u>\$ <b>872,131</b></u>	<u>\$ 141,170</u>

<u>2009</u>	<u>BALANCE</u> <u>JULY 1, 2008</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2009</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Revenue Bonds	\$ 1,060,000	\$ -	\$ 110,000	\$ 950,000	\$ 115,000
Compensated absences	38,689	14,744	29,099	24,334	18,725
Post employment benefits	-	11,535	-	11,535	-
Total	<u>\$ 1,098,689</u>	<u>\$ 26,279</u>	<u>\$ 139,099</u>	<u>\$ 985,869</u>	<u>\$ 133,725</u>

**NOTE 5. DESIGNATED NET ASSETS**

The Commission's board has designated \$1,266,671 and \$1,310,838 of unrestricted net assets as of June 30, 2010 and 2009, respectively, for acquisition of parking lots and parking facilities.

**NOTE 6. RELATED PARTY TRANSACTIONS**

The Commission paid \$141,212 to the City of Missoula for each of the years ended June 30, 2010 and 2009, 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.

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2010 and 2009

**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>
2010	6.900%	7.070%	0.100%
2009	6.900%	6.935%	0.100%
2008	6.900%	6.935%	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.

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 7.070% and 6.935% of members' compensation in 2010 and 2009, respectively. The state of Montana contributes 0.1% of members' compensation on behalf of local government entities.

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2010 and 2009

**NOTE 8. RETIREMENT PLAN (CONTINUED)**

The amounts contributed during the years ended June 30, 2010, 2009 and 2008, 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>
2010	\$ 27,006	\$ 373
2009	26,518	368
2008	26,157	363

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.

**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 provided by the Commission. The Commission has 10 employees participating in the plan with no retirees or C.O.B.R.A. participants.



**MISSOULA PARKING COMMISSION**  
 (A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2010 and 2009

**NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)**

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, 2010:

<u>COVERAGE</u>	<u>RETIREE CONTRIBUTION</u>	<u>CITY CONTRIBUTION</u>	<u>TOTAL PREMIUM</u>
Retiree	\$ 454.24	\$ 80.16	\$ 534.40
Retiree, spouse	509.49	89.91	599.40
Retiree, spouse, child	532.87	94.03	626.90
Retiree, spouse, 2 children	556.24	98.16	654.40
Retiree, spouse, 3 children	579.62	102.28	681.90
Retiree, spouse, 4 children	602.99	106.41	709.40
Retiree, child	477.62	84.28	561.90
Retiree, 2 children	500.99	88.41	589.40
Retiree, 3 children	524.37	92.53	616.90
Retiree, 4 children	547.74	96.66	644.40

Based on an actuarial study prepared as of June 30, 2009, the Commission's portion of the annual other postemployment benefit cost was \$4,426 for the fiscal year ended June 30, 2010. This cost consisted of the annual required contribution of \$12,806, interest on the net OPEB obligation of \$189, and an adjustment to the ARC of \$502. There were qualified contributions of \$8,067 made in fiscal year 2010, which was 64% of the annual cost. The net other postemployment benefit obligation increased from \$11,535 to \$15,961 at June 30, 2010. 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 \$138,461. This liability is not funded under GASB 45 since there are no assets allocated to an irrevocable trust for the plan. The annual covered payroll was \$371,323 for fiscal year 2010; the unfunded actuarial liability was 37.3% of covered payroll.

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2010 and 2009

**NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)**

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 valuation performed at June 30, 2009, the projected unit credit actuarial cost method was used. The health care cost trend rate was 6.5% for 2010 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, 2010.

**NOTE 11. SUBSEQUENT EVENTS**

In October 2010, the Commission approved a joint bond with the Missoula Redevelopment Agency to construct a new parking structure in the amount of \$7,500,000. The Commission's estimated portion of the Parking Revenue Bond is \$4,500,000 and will be supported by parking revenue and tax increment revenue. The bonds will be repaid over 25 years and the interest rate will be determined at the time of sale. The Commission has also approved the issuance of \$635,000 of tax-exempt refunding bonds.

In November 2010, the Commission increased parking fees for the two parking structures to the first hour being free, \$.50/hr. for the second hour, and \$1.00/hr. for subsequent hours.

**NOTE 12. RECLASSIFICATIONS**

Certain reclassifications have been made in the 2009 financial statements to conform to the 2010 presentations. None of these reclassifications affected net assets as of June 30, 2009, or the change in net assets for the year then ended.

REQUIRED SUPPLEMENTARY INFORMATION

**MISSOULA PARKING COMMISSION**  
 (A Component Unit of the City of Missoula)  
**SCHEDULE OF FUNDING PROGRESS FOR**  
**RETIREE HEALTH INSURANCE BENEFIT PLAN**  
 June 30, 2010

Actuarial 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
2009	\$ -	\$ 15,961	\$ 138,461	0%	\$371,323	37.3%

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, 2010, and have issued our report thereon dated January 12, 2011. 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 opinions on the financial statements, but not for the purpose of expressing 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 *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Missoula Parking Commission, in a separate letter dated January 12, 2011.

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



Missoula, Montana  
January 12, 2011