

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, 2006 and 2005

(With Independent Auditors' Report Thereon)

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MISSOULA PARKING COMMISSION

(A Component Unit of the City of Missoula)

BOARD MEMBERS



| <u>Member</u> | <u>Business</u> | <u>Term Expires</u> |
|------------------------|------------------------|----------------------------|
| John Roemer, President | Retailer | April 25, 2007 |
| Carol Williams | Administrator | April 25, 2007 |
| Teresa Cox | Public Attraction | April 25, 2007 |
| Tom Wilkins | Retailer | April 30, 2009 |
| John Smith | Attorney | April 30, 2008 |

Director

Anne Guest



& COMPANY

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406•721•7800 FAX 406•721•4155

INDEPENDENT AUDITORS' 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, 2006, and 2005, 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, 2006 and 2005, 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 November 6, 2006, 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, 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 Zemnickler & Co., P.C.

Missoula, Montana
November 6, 2006



Missoula Parking Commission

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

November 6, 2006

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, 2006. 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 2006 compared to 2005:

| | 2006 | 2005 | Increase (Decrease) |
|---------------------------------|---------------------|---------------------|------------------------|
| Current Assets | \$ 2,953,934 | \$ 2,550,589 | \$ 403,345 |
| Nondepreciable Capital Assets | 2,397,866 | 2,397,866 | - |
| Depreciable Capital Assets, Net | 2,682,490 | 2,693,854 | (11,364) |
| Other Assets | 171,083 | 165,543 | 5,540 |
| Total assets | 8,205,373 | 7,807,852 | 397,521 |
| | | | |
| Current Liabilities | 178,619 | 154,942 | 23,677 |
| Long-Term Liabilities | 1,179,029 | 1,279,557 | (100,528) |
| Total liabilities | 1,357,648 | 1,434,499 | (76,851) |
| | | | |
| Net Assets | | | |
| Net investment in plant | 3,815,356 | 3,747,193 | 68,163 |
| Restricted | 150,000 | 150,000 | - |
| Unrestricted | 2,882,369 | 2,476,160 | 406,209 |
| Total net assets | \$ 6,847,725 | \$ 6,373,353 | \$ 474,372 |

| | <u>2006 Actual</u> | <u>2005 Actual</u> | <u>Increase (Decrease) Over 2005</u> |
|--------------------------------------|----------------------------|----------------------------|--|
| Operating Revenues | | | |
| Parking and ticket revenues | <u>\$ 1,474,651</u> | <u>\$ 1,369,511</u> | <u>\$ 105,140</u> |
| Operating Expenses | | | |
| Personnel | <u>502,053</u> | <u>505,804</u> | <u>(3,751)</u> |
| Contract - City of Missoula | <u>87,444</u> | <u>71,299</u> | <u>16,145</u> |
| Rent | <u>14,790</u> | <u>14,803</u> | <u>(13)</u> |
| Depreciation and amortization | <u>134,179</u> | <u>130,055</u> | <u>4,124</u> |
| Repairs, maintenance and supplies | <u>123,568</u> | <u>149,057</u> | <u>(25,489)</u> |
| Other operating expenses | <u>193,426</u> | <u>205,084</u> | <u>(11,658)</u> |
| | <u>1,055,460</u> | <u>1,076,102</u> | <u>(20,642)</u> |
| Operating income | <u>419,191</u> | <u>293,409</u> | <u>125,782</u> |
| Net Nonoperating Revenues (Expenses) | <u>55,181</u> | <u>(18,467)</u> | <u>73,648</u> |
| Increase in net assets | <u>474,372</u> | <u>274,942</u> | <u>199,430</u> |
| Net Assets | | | |
| Beginning of year | <u>6,373,353</u> | <u>6,098,411</u> | <u>274,942</u> |
| End of year | <u>\$ 6,847,725</u> | <u>\$ 6,373,353</u> | <u>\$ 474,372</u> |

Discussion of Financial Results

In reviewing the Financial Highlights for FY2006 and comparing management's discussion in last year's audit for FY2005, again the most notable difference is in Parking and Ticket Revenues. Last year, there was a loss of \$37,867 whereas this year there is a gain of \$105,140. The primary reason for this gain is the new ticket management program is now functioning to its most efficient capacity. Another factor influencing this increase is the consistency of the three full-time parking enforcement officers. There was no vacancy throughout the year as there was in FY2005.

The area of Repairs, Maintenance & Supplies, FY2006 shows a decrease of expenditure of \$25,489. This is directly a result of not having any more renovation to the Central Park parking structure.

The remaining areas of Operating Expenses are very much the same. Personnel has been stable as well as equipment and repairs. Administratively, our software and hardware purchases in FY2005 have proven to be effective so there were no expenditures in that area. The Parking Commission's support of Transportation Demand Management has remained constant as well.

Key Factors Affecting Financial Performance in Fiscal Year 2007

New major expenditures that will occur in FY2007 will include:

The only anticipated major expense that will occur in FY2007 is the painting of Central Park. This parking structure is 16 years old and has never had a comprehensive restoration and painting project. This fall, the entire structure framing and stucco walls were painted to the cost of approximately \$50,000.

Several of the potential projects mentioned in FY2005's audit management discussion did not come to fruition for various reasons, i.e., the Downtown Streets Project. There are several potential projects that could involve the Parking Commission in FY2007 but they are still in the conceptual stages without any specifics as to the Parking Commission's level of participation.

Parking revenues for FY2007 should show some increase in that the Board of Directors approved raising the monthly rate of four lots in the Riverfront corridor by \$5.00 per month. This change will go into effect January 2007. It is not anticipated that these rates will be increased again for a couple of years.

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET ASSETS
 June 30, 2006 and 2005

| <u>ASSETS</u> | 2006 | 2005 |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 148,288 | \$ 110,653 |
| Investments | 2,759,695 | 2,221,426 |
| SID assessments receivable | - | 19,964 |
| SID interest receivable | 576 | 3,179 |
| Other receivables | <u>45,375</u> | <u>195,367</u> |
| Total current assets | 2,953,934 | 2,550,589 |
| NONDEPRECIABLE CAPITAL ASSETS | 2,397,866 | 2,397,866 |
| DEPRECIABLE CAPITAL ASSETS, NET | 2,682,490 | 2,693,854 |
| BOND ISSUANCE COSTS (Net of Amortization of \$8,488 | | |
| in 2006 and \$6,988 in 2005) | 13,973 | 15,473 |
| RESTRICTED CASH - DEBT SERVICE RESERVE | 150,000 | 150,000 |
| OTHER ASSETS | 7,110 | 70 |
| Total assets | <u>8,205,373</u> | <u>7,807,852</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 40,552 | 20,970 |
| Accrued expenses | 10,762 | 11,490 |
| Compensated absences | 27,305 | 27,482 |
| Current portion of revenue bonds payable | <u>100,000</u> | <u>95,000</u> |
| Total current liabilities | 178,619 | 154,942 |
| LONG-TERM LIABILITIES | | |
| Long-term portion of compensated absences | 14,029 | 14,557 |
| Revenue bonds payable, less current portion | <u>1,165,000</u> | <u>1,265,000</u> |
| Total liabilities | <u>1,357,648</u> | <u>1,434,499</u> |
| <u>NET ASSETS</u> | | |
| Investment in capital assets, net of related debt | 3,815,356 | 3,747,193 |
| Restricted for debt service | 150,000 | 150,000 |
| Unrestricted | <u>2,882,369</u> | <u>2,476,160</u> |
| Net assets | <u>\$ 6,847,725</u> | <u>\$ 6,373,353</u> |

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, 2006 and 2005

| | 2006 | 2005 |
|-------------------------------------|----------------------------|----------------------------|
| Operating Revenues | | |
| Parking revenues | \$ 1,194,358 | \$ 1,120,703 |
| Ticket revenues | <u>280,293</u> | <u>248,808</u> |
| Total operating revenues | <u>1,474,651</u> | <u>1,369,511</u> |
| Operating Expenses | | |
| Personnel | 502,053 | 505,804 |
| Contract - City of Missoula | 87,444 | 71,299 |
| Rent | 14,790 | 14,803 |
| Depreciation and amortization | 134,179 | 130,055 |
| Repairs, maintenance and supplies | 123,568 | 149,057 |
| Other operating expenses | <u>193,426</u> | <u>205,084</u> |
| Total operating expenses | <u>1,055,460</u> | <u>1,076,102</u> |
| Operating income | <u>419,191</u> | <u>293,409</u> |
| Nonoperating Expenses | | |
| Bond interest | 66,230 | 70,508 |
| Amortization of bond issuance costs | 1,500 | 1,497 |
| Loss on sale of asset | <u>21</u> | - |
| Total nonoperating expenses | <u>67,751</u> | <u>72,005</u> |
| Nonoperating Revenue | | |
| Interest income | <u>122,932</u> | <u>53,538</u> |
| Total nonoperating revenue | <u>122,932</u> | <u>53,538</u> |
| Net nonoperating income (expense) | <u>55,181</u> | <u>(18,467)</u> |
| Increase in net assets | 474,372 | 274,942 |
| Net Assets | | |
| Beginning of year | <u>6,373,353</u> | <u>6,098,411</u> |
| End of year | <u>\$ 6,847,725</u> | <u>\$ 6,373,353</u> |

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|--------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash receipts from customers | \$ 1,474,651 | \$ 1,369,511 |
| Cash payments to suppliers | (250,359) | (437,850) |
| Cash payments to employees | <u>(509,093)</u> | <u>(490,316)</u> |
| Net cash provided by operating activities | <u>715,199</u> | <u>441,345</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Revenue bond principal paid | (95,000) | (90,000) |
| Revenue bond interest paid | (66,958) | (71,190) |
| Decrease in bond reserve, net | - | 20,000 |
| Purchase of fixed assets | (122,836) | (325,488) |
| SID assessment receivables collected | 19,964 | (2,260) |
| SID assessment interest collected | <u>3,217</u> | <u>3,909</u> |
| Net cash used in capital and related financing activities | <u>(261,613)</u> | <u>(465,029)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (538,269) | (2,121,426) |
| Interest income | <u>122,318</u> | <u>53,262</u> |
| Net cash used in investing activities | <u>(415,951)</u> | <u>(2,068,164)</u> |
| Net increase (decrease) in cash and cash equivalents | 37,635 | (2,091,848) |
| Cash and Cash Equivalents | | |
| Beginning of year | <u>110,653</u> | <u>2,202,501</u> |
| End of year | <u>\$ 148,288</u> | <u>\$ 110,653</u> |

| | <u>2006</u> | <u>2005</u> |
|---|-------------------|-------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating Income | \$ 419,191 | \$ 293,409 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| Depreciation and amortization | 134,179 | 130,055 |
| Changes in operating assets and liabilities | | |
| Other receivables | 149,992 | - |
| Other assets | (7,040) | - |
| Accounts payable | 19,582 | 2,393 |
| Accrued liabilities | <u>(705)</u> | <u>15,488</u> |
| Net cash provided by operating activities | <u>\$ 715,199</u> | <u>\$ 441,345</u> |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW

INFORMATION:

Noncash Activities

| | | |
|--|-------------|-------------------|
| Decrease in fixed assets for asbestos removal receivable | <u>\$ -</u> | <u>\$ 195,367</u> |
|--|-------------|-------------------|

MISSOULA PARKING COMMISSION

(A Component Unit of the City of Missoula)

NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005



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, 2006, the approximate percentage of revenues from all sources were as follows:

| | |
|---|-------------|
| Parking tickets | 18% |
| Parking meters | 32 |
| Parking structures | 19 |
| Leased spaces (other than parking structures) | 24 |
| All other sources | <u>7</u> |
| | <u>100%</u> |

As of June 30, 2006, 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 for fiscal year 2003. Under the provisions of GASB 34, the Commission utilizes accounting principles applicable to proprietary funds. The Commission uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when services are rendered and the liability is incurred. Operating revenues and expenses generally arise from managing parking structures,

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006 and 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued):

lots, and spaces in the City of Missoula. All other revenues and expenses are classified as nonoperating. The Commission has elected to apply the provisions of applicable pronouncements issued by the Financial Accounting Standards Board and the AICPA prior to November 30, 1989, except those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006 and 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Investments and Investment Income (Continued):

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.

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006 and 2005

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal year 2006, 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, 2006, consist of the following:

| | <u>2006</u> |
|--|----------------------------|
| Cash on hand | \$ 1,045 |
| Demand deposits | 147,243 |
| Repurchase Investment Account | 9,237 |
| Government Securities | 1,874,926 |
| Investment in State Short-Term Investment Pool | 961,741 |
| Certificates of Deposit | <u>63,791</u> |
| | <u>3,057,983</u> |
| Less restricted cash held for debt service reserve | <u>(150,000)</u> |
| | <u>\$ 2,907,983</u> |

Cash and investments at June 30, 2005, were as follows:

| | <u>2005</u> |
|--|----------------------------|
| Cash on hand | \$ 445 |
| Demand deposits | 110,208 |
| Repurchase Investment Accounts | 44,347 |
| Government Securities | 1,592,707 |
| Investments in State Short-Term Investment Pool | 700,124 |
| Certificates of Deposit | <u>34,248</u> |
| | <u>2,482,079</u> |
| Less restricted cash held for debt service reserve | <u>(150,000)</u> |
| | <u>\$ 2,332,079</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, 2006 and 2005

NOTE 3. CAPITAL ASSETS

A summary of capital assets at June 30 is as follows:

Changes in Capital Assets for 2006:

| | July 1, 2005 Balance | Additions | Deletions | June 30, 2006 Balance |
|---|-------------------------|--------------------|--------------|--------------------------|
| Capital Assets not being Depreciated | | | | |
| Parking lots | <u>\$ 2,397,866</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,397,866</u> |
| Capital Assets being Depreciated | | | | |
| Parking structures | 2,256,461 | - | - | 2,256,461 |
| Furniture, fixtures and computers | 189,346 | - | 134,456 | 54,890 |
| Machinery, equipment and vehicles | 433,381 | 25,524 | 52,105 | 406,800 |
| Parking lot improvements | 1,076,989 | 97,312 | 864 | 1,173,437 |
| Capitalized interest | 409,007 | - | - | 409,007 |
| | 4,365,184 | 122,836 | 187,425 | 4,300,595 |
| Less accumulated depreciation | (1,671,330) | (134,179) | (187,404) | (1,618,105) |
| Total capital assets being depreciated, net | <u>2,693,854</u> | <u>(11,343)</u> | <u>21</u> | <u>2,682,490</u> |
| Capital assets, net | <u>\$ 5,091,720</u> | <u>\$ (11,343)</u> | <u>\$ 21</u> | <u>\$ 5,080,356</u> |

Changes in Fixed Assets for 2005:

| | July 1, 2004 Balance | Additions | Deletions | June 30, 2005 Balance |
|---|-------------------------|-------------------|-------------------|--------------------------|
| Capital Assets not being Depreciated | | | | |
| Parking lots | <u>\$ 2,397,866</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,397,866</u> |
| Capital Assets being Depreciated | | | | |
| Parking structures | 2,451,828 | - | 195,367 | 2,256,461 |
| Furniture, fixtures and computers | 131,092 | 58,254 | - | 189,346 |
| Machinery, equipment and vehicles | 364,055 | 69,326 | - | 433,381 |
| Parking lot improvements | 879,081 | 197,908 | - | 1,076,989 |
| Capitalized interest | 409,007 | - | - | 409,007 |
| | 4,235,063 | 325,488 | 195,367 | 4,365,184 |
| Less accumulated depreciation | (1,541,275) | (130,055) | - | (1,671,330) |
| Total capital assets being depreciated, net | <u>2,693,788</u> | <u>195,433</u> | <u>195,367</u> | <u>2,693,854</u> |
| Capital assets, net | <u>\$ 5,091,654</u> | <u>\$ 195,433</u> | <u>\$ 195,367</u> | <u>\$ 5,091,720</u> |

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006 and 2005

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30 consists of:

| | <u>2006</u> | <u>2005</u> |
|---|---------------------|---------------------|
| \$1,700,000 Series 2000 revenue bonds, 4.4 % to 5.5%, due in varying amounts to November 2015 | <u>\$ 1,265,000</u> | <u>\$ 1,360,000</u> |

Changes in the revenue bonds for the years ended June 30, 2006 and 2005, consisted of principal payments of \$95,000 and \$90,000, 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.

Debt service requirements to maturity on the revenue bonds at June 30, 2006, are as follows:

| <u>Year Ending</u> <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---------------------|-------------------|---------------------|
| 2007 | \$ 100,000 | \$ 62,222 | \$ 162,222 |
| 2008 | 105,000 | 57,379 | 162,379 |
| 2009 | 110,000 | 52,245 | 162,245 |
| 2010 | 115,000 | 46,788 | 161,788 |
| 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 | 160,000 | 4,400 | 164,400 |
| Total | <u>\$ 1,265,000</u> | <u>\$ 359,949</u> | <u>\$ 1,624,949</u> |

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006 and 2005

NOTE 5. DESIGNATED NET ASSETS

The Commission's board has designated \$1,310,838 as of June 30, 2006 and 2005, of unrestricted net assets for acquisition of parking lots and parking facilities.

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$87,444 and \$71,299 to the City of Missoula for the years ended June 30, 2006 and 2005, respectively, for administrative services. Accounts payable at June 30, 2006, included \$1,254 due to the City of Missoula for vehicle maintenance, administrative services, and health insurance.

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

All full-time employees of the Commission are covered under the Montana Public Employees' Retirement System (PERS). 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. The contribution rate was 6.8% for employees, 6.7% for employers, and 0.1% for the state of Montana, expressed as a percentage of covered payroll.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2006 and 2005

NOTE 8. RETIREMENT PLAN (CONTINUED)

The amounts contributed during the years ended June 30, 2004, 2005, and 2006, were equal to the required contribution for each year. The amounts contributed by the Commission were as follows:

| | |
|------|-----------|
| 2004 | \$ 21,573 |
| 2005 | \$ 23,224 |
| 2006 | \$ 23,804 |

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.



& COMPANY

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**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 component unit financial statements of Missoula Parking Commission, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 6, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Missoula Parking Commission in a separate letter dated November 6, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missoula Parking Commission's component unit 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*.

This report is intended solely for the information and use of the Board of Commissioners and management, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zummel & Co., Ac.

Missoula, Montana
November 6, 2006