



The accompanying financial statements and report are intended for the original recipient.

They must be presented in their entirety and may not be modified in any manner.



**(A Component Unit of the City of Missoula)**

**FINANCIAL REPORT**

**June 30, 2012 and 2011**

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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             |
| Theresa Cox          | A Carousel for Missoula                | April 30, 2015             |
| Carol Williams       | Legal Administrator                    | April 30, 2015             |
| John Smith           | Attorney                               | April 30, 2016             |
| John Roemer          | Roemer's Tire Factory                  | 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, 2012 and 2011 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, 2012 and 2011, 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 24, 2013, 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.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Missoula Parking Commission taken as a whole. The accompanying schedule of bond coverage for the Series 2010B bonds on page 26 is presented for the purpose of additional analysis and is not a required part of the component unit financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Anderson Zurmehlen & Co., P.C.*

Missoula, Montana

January 24, 2013



## 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, 2012. 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, 2012 and 2011, 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 2012 compared to 2011:

|                               | <u>2012</u>          | <u>2011</u>          | <u>Change</u>     | <u>2010</u>         | <u>Change</u>       |
|-------------------------------|----------------------|----------------------|-------------------|---------------------|---------------------|
| Current Assets                | <b>\$ 2,069,076</b>  | \$ 2,164,586         | \$ (95,510)       | \$ 4,309,002        | \$ (2,144,416)      |
| Capital Assets                | <b>12,593,621</b>    | 7,193,633            | 5,399,988         | 4,616,350           | 2,577,283           |
| Other Assets                  | <b>5,758,039</b>     | 11,019,236           | (5,261,197)       | 179,695             | 10,839,541          |
| Total assets                  | <b>20,420,736</b>    | <u>20,377,455</u>    | <u>43,281</u>     | <u>9,105,047</u>    | <u>11,272,408</u>   |
|                               |                      |                      |                   |                     |                     |
| Current Liabilities           | <b>934,912</b>       | 1,098,625            | (163,713)         | 186,852             | 911,773             |
| Long-Term Liabilities         | <b>7,732,645</b>     | <u>7,936,204</u>     | <u>(203,559)</u>  | <u>730,961</u>      | <u>7,205,243</u>    |
| Total liabilities             | <b>8,667,557</b>     | <u>9,034,829</u>     | <u>(367,272)</u>  | <u>917,813</u>      | <u>8,117,016</u>    |
|                               |                      |                      |                   |                     |                     |
| Net Assets                    |                      |                      |                   |                     |                     |
| Investment in capital assets, |                      |                      |                   |                     |                     |
| net of related debt           | <b>4,140,755</b>     | 3,346,187            | 794,568           | 3,781,350           | (435,163)           |
| Restricted                    | <b>2,993,999</b>     | 2,642,201            | 351,798           | 164,655             | 2,477,546           |
| Unrestricted - designated     | <b>1,266,671</b>     | 1,266,671            | -                 | 1,266,671           | -                   |
| Unrestricted                  | <b>3,351,754</b>     | <u>4,087,567</u>     | <u>(735,813)</u>  | <u>2,974,558</u>    | <u>1,113,009</u>    |
| Total net assets              | <b>\$ 11,753,179</b> | <u>\$ 11,342,626</u> | <u>\$ 410,553</u> | <u>\$ 8,187,234</u> | <u>\$ 3,155,392</u> |

|                                   | <u>2012</u>                 | <u>2011</u>          | <u>Change</u>      | <u>2010</u>         | <u>Change</u>       |
|-----------------------------------|-----------------------------|----------------------|--------------------|---------------------|---------------------|
| Operating Revenues                |                             |                      |                    |                     |                     |
| Parking and ticket revenues       | <u>\$ 1,470,812</u>         | \$ 1,308,869         | \$ 161,943         | \$ 1,393,079        | \$ (84,210)         |
| Operating Expenses                |                             |                      |                    |                     |                     |
| Personnel                         | <b>558,202</b>              | 535,034              | 23,168             | 519,884             | 15,150              |
| Contract - City of Missoula       | <b>149,812</b>              | 145,448              | 4,364              | 141,212             | 4,236               |
| Rent                              | <b>22,886</b>               | 17,186               | 5,700              | 17,186              | -                   |
| Depreciation and amortization     | <b>133,651</b>              | 138,479              | (4,828)            | 133,641             | 4,838               |
| Repairs, maintenance and supplies | <b>63,459</b>               | 153,330              | (89,871)           | 95,324              | 58,006              |
| Other operating expenses          | <b>231,940</b>              | 242,239              | (10,299)           | 219,132             | 23,107              |
|                                   | <b><u>1,159,950</u></b>     | <u>1,231,716</u>     | <u>(71,766)</u>    | <u>1,126,379</u>    | <u>105,337</u>      |
| Operating income                  | <b>310,862</b>              | 77,153               | 233,709            | 266,700             | (189,547)           |
| Net Nonoperating Revenue          | <b>87,952</b>               | 26,730               | 61,222             | 9,114               | 17,616              |
| Capital Contribution              | <b><u>11,739</u></b>        | <u>3,051,509</u>     | <u>(3,039,770)</u> | <u>-</u>            | <u>-</u>            |
| Increase in net assets            | <b>410,553</b>              | 3,155,392            | (2,744,839)        | 275,814             | 2,879,578           |
| Net Assets                        |                             |                      |                    |                     |                     |
| Beginning of year                 | <b><u>11,342,626</u></b>    | <u>8,187,234</u>     | <u>3,155,392</u>   | <u>7,911,420</u>    | <u>275,814</u>      |
| End of year                       | <b><u>\$ 11,753,179</u></b> | <u>\$ 11,342,626</u> | <u>\$ 410,553</u>  | <u>\$ 8,187,234</u> | <u>\$ 3,155,392</u> |

#### Discussion of Financial Results:

Fiscal Year 2012 was focused on building a new parking structure, Park Place, located at the southeast corner of the intersection of East Front Street and Pattee Street. This is the biggest project the Missoula Parking Commission has faced in decades. Due to various set-backs resulting in significant delays, the Parking Commission anticipates the structure to be operational early into the calendar year 2013. Though this is disappointing, the end result will be a tremendous asset for Missoula's downtown and one we will all celebrate.

In looking at the condensed financial information table comparing 2011 and 2012, a few items need to be mentioned. Fiscal Year 2012 ended with an increase in total net assets of \$410,553. In the operational arena, meter and lease parking revenue were up by \$165,958. At the same time, fine revenue was down by \$4,015 mainly due to the implementation of the new parking fine structure in January, 2012. The increase in meter revenue is an indication that the new fines structure is encouraging a change in parking behavior with users engaging the meters more than in the past.

Additional information pertinent to the change in capital assets and long-term debt and related obligations is presented in notes 3 and 4 to the accompanying financial statements.

Expenses were down by \$71,766 mainly due to conservatively cutting back expenses in light of the structure being under construction combined with a very mild winter which helped with maintenance and snow removal costs.

In general, Fiscal Year 2012 ended up being a year of construction and anticipation for the opening of Park Place. The Parking Commission is looking forward to its completion.

#### Key Factors Affecting Financial Performance in Fiscal Year 2013

Park Place should be operational by the second half of Fiscal Year 2013. Shortly after that, the retail space, The Market on Front, will be opened and we can celebrate a joint open house.

Once Park Place is open, the Parking Commission will turn its attention to the strategic goal to purchase new on-street meter technology and implementing a new variable rate structure. This is one of the last recommendations from the Downtown Master Plan Parking Study to be accomplished after which the Parking Commission's parking program will be well balanced, progressive and responsive to the needs of the downtown.

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, 2012 and 2011

| ASSETS  | <u>2012</u>           | <u>2011</u>          |
|---|-----------------------|----------------------|
| <b>CURRENT ASSETS</b>   |                       |                      |
| Cash and cash equivalents   | \$ 178,701            | \$ 126,736           |
| Investments   | 1,718,429             | 1,762,978            |
| Other receivables   | 143,946               | 240,872              |
| Current portion of note receivable  | <u>28,000</u>         | <u>34,000</u>        |
| Total current assets  | <u>2,069,076</u>      | 2,164,586            |
| <b>CAPITAL ASSETS, NET</b>  | <b>12,593,621</b>     | 7,193,633            |
| BOND ISSUANCE COSTS (Net of Amortization of \$25,237<br>in 2012 and \$11,676 in 2011) | 355,399               | 374,360              |
| <b>RESTRICTED CASH AND INVESTMENTS</b>  | <b>2,456,133</b>      | 7,671,136            |
| <b>NOTE RECEIVABLE</b>  | <b>2,938,000</b>      | 2,966,000            |
| <b>OTHER ASSETS</b>   | <b>8,507</b>          | 7,740                |
| <br>Total assets  | <br><u>20,420,736</u> | <br>20,377,455       |
| <br><b>LIABILITIES</b>  |                       |                      |
| <b>CURRENT LIABILITIES</b>  |                       |                      |
| Accounts payable  | 460,526               | 398,709              |
| Accrued liabilities   | 34,983                | 49,103               |
| Accrued bond interest   | 130,491               | 275,044              |
| Compensated absences  | 23,407                | 21,553               |
| Advance from other governments  | 75,505                | 134,216              |
| Current portion of revenue bonds payable  | <u>210,000</u>        | <u>220,000</u>       |
| Total current liabilities   | <u>934,912</u>        | 1,098,625            |
| <br><b>LONG-TERM LIABILITIES</b>  |                       |                      |
| Postemployment benefits   | 27,645                | 21,204               |
| Revenue bonds payable, less current portion   | <u>7,705,000</u>      | <u>7,915,000</u>     |
| <br>Total liabilities   | <br><u>8,667,557</u>  | <br>9,034,829        |
| <br><b>NET ASSETS</b>   |                       |                      |
| Investment in capital assets, net of related debt                                     | 4,140,755             | 3,346,187            |
| Restricted for capital projects, net of related debt                                  | 1,582,987             | 1,380,976            |
| Restricted for debt service   | 1,411,012             | 1,261,225            |
| Unrestricted - designated   | 1,266,671             | 1,266,671            |
| Unrestricted  | <u>3,351,754</u>      | <u>4,087,567</u>     |
| Net assets  | <u>\$ 11,753,179</u>  | <u>\$ 11,342,626</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, 2012 and 2011

|  | <u>2012</u>                 | <u>2011</u>                 |
|--|-----------------------------|-----------------------------|
| Operating Revenues                       |                             |                             |
| Parking revenues                         | \$ 1,220,035                | \$ 1,054,076                |
| Ticket revenues                          | <u>250,777</u>              | <u>254,793</u>              |
| Total operating revenues                 | <u><b>1,470,812</b></u>     | <u>1,308,869</u>            |
| Operating Expenses                       |                             |                             |
| Personnel                                | 558,202                     | 535,034                     |
| Contract - City of Missoula              | <b>149,812</b>              | 145,448                     |
| Rent                                     | <b>22,886</b>               | 17,186                      |
| Depreciation and amortization            | <b>133,651</b>              | 138,479                     |
| Repairs, maintenance and supplies        | <b>63,459</b>               | 153,330                     |
| Other operating expenses                 | <b>231,940</b>              | 242,239                     |
| Total operating expenses                 | <u><b>1,159,950</b></u>     | <u>1,231,716</u>            |
| Operating income                         | <u><b>310,862</b></u>       | <u>77,153</u>               |
| Nonoperating Revenue (Expenses)          |                             |                             |
| Investment earnings                      | 116,644                     | 80,253                      |
| Bond interest                            | (9,731)                     | (41,847)                    |
| Amortization of bond issuance costs      | <u>(18,961)</u>             | <u>(11,676)</u>             |
| Total nonoperating revenue over expenses | <u><b>87,952</b></u>        | <u>26,730</u>               |
| Capital Contribution                     | <u><b>11,739</b></u>        | <u>3,051,509</u>            |
| Change in net assets                     | <u><b>410,553</b></u>       | <u>3,155,392</u>            |
| Net Assets                               |                             |                             |
| Beginning of year                        | <u><b>11,342,626</b></u>    | <u>8,187,234</u>            |
| End of year                              | <u><b>\$ 11,753,179</b></u> | <u><b>\$ 11,342,626</b></u> |

**MISSOULA PARKING COMMISSION**  
 (A Component Unit of the City of Missoula)  
**STATEMENTS OF CASH FLOWS**  
 For the Years Ended June 30, 2012 and 2011

|  | <u>2012</u>              | <u>2011</u>        |
|--|--------------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                         |                          |                    |
| Cash receipts from customers   | \$ 1,566,522             | \$ 1,308,869       |
| Cash payments to suppliers   | (918,815)                | (390,048)          |
| Cash payments to employees   | <u>(549,907)</u>         | <u>(530,093)</u>   |
| Net cash flows from operating activities                             | <u><b>97,800</b></u>     | <u>388,728</u>     |
| <br><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                          |                    |
| Increase (decrease) in restricted cash and investments               | 5,215,003                | (7,506,481)        |
| Revenue bond principal paid  | (220,000)                | (835,000)          |
| Proceeds from bond issuance  | -                        | 8,135,000          |
| Capital contributed from the City of Missoula                        | 11,739                   | 51,509             |
| Revenue bond interest paid   | (23,793)                 | (34,484)           |
| Bond issuance costs  | -                        | (386,036)          |
| Acquisition of capital assets  | <u>(5,283,914)</u>       | <u>(2,186,617)</u> |
| Net cash flows from capital and related financing activities         | <u><b>(300,965)</b></u>  | <u>(2,762,109)</u> |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                          |                    |
| Sale of investments  | 44,549                   | 1,825,005          |
| Collections on note receivable                                       | 34,000                   | -                  |
| Interest income  | <u>176,581</u>           | <u>26,038</u>      |
| Net cash flows from investing activities                             | <u><b>255,130</b></u>    | <u>1,851,043</u>   |
| Net change in cash and cash equivalents                              | <b>51,965</b>            | (522,338)          |
| <br><b>Cash and Cash Equivalents</b>                                 |                          |                    |
| Beginning of year  | <u><b>126,736</b></u>    | <u>649,074</u>     |
| End of year  | <u><b>\$ 178,701</b></u> | <u>\$ 126,736</u>  |

|   | <u>2012</u>      | <u>2011</u>       |
|---|------------------|-------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:       |                  |                   |
| Operating Income  | \$ 310,862       | \$ 77,153         |
| Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities |                  |                   |
| Depreciation and amortization   | 133,651          | 138,479           |
| Changes in operating assets and liabilities   |                  |                   |
| Other receivables   | 95,710           | 6,040             |
| Other assets  | (767)            | (685)             |
| Postemployment benefits   | 6,441            | 5,243             |
| Advance from other governments  | (58,711)         | 134,216           |
| Accounts payable  | (377,120)        | (2,721)           |
| Accrued liabilities   | <u>(12,266)</u>  | <u>31,003</u>     |
| Net cash flows from operating activities  | <u>\$ 97,800</u> | <u>\$ 388,728</u> |

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:

|  |                   |                     |
|--|-------------------|---------------------|
| Capital contributed through issuance of note                       | \$ _____ -        | <u>\$ 3,000,000</u> |
| Capitalized accrued interest, net                                  | <u>\$ 130,491</u> | <u>\$ 268,338</u>   |
| Construction in progress acquired through accounts payable         | <u>\$ 438,937</u> | <u>\$ 381,559</u>   |
| Reduction in construction in progress for accrued interest subsidy | <u>\$ 58,721</u>  | <u>\$ 120,752</u>   |

MISSOULA PARKING COMMISSION  
(A Component Unit of the City of Missoula)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

**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, 2012, the approximate percentage of revenues from all sources were as follows:

|   |             |
|---|-------------|
| Leased spaces (other than parking structures) | 42%         |
| Parking meters                                | 30          |
| Parking tickets                               | 15          |
| Other sources                                 | 7           |
| Parking structures                            | <u>6</u>    |
|   | <u>100%</u> |

As of June 30, 2012, on-street hourly parking fees were \$0.50 per hour. The parking fees for the two structures are as follows: first hour free, \$0.50/hr. for the second hour, and \$1.00/hr. for subsequent hours. Lease rates for the off-street lots and structures range from \$50 to \$75 per month. The average lease rate for the off-street lots and structures was \$60.

**Basis of Presentation and Accounting:**

The Commission follows United States generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). 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

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012 and 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation and Accounting (Continued):**

pronouncements issued after November 30, 1989. The Commission has elected not to apply those pronouncements.

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 are restricted for construction projects and debt service.

***Unrestricted***

Resources over which the governing board has discretionary control.

**Cash, Investments and Investment Income:**

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

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

**MISSOULA PARKING COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012 and 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets and Depreciation:**

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

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

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

**Compensated Absences:**

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

**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 and amounts owed from other governments, including Federal interest subsidies. Based on historical trends, management has determined that an allowance for doubtful accounts is not considered necessary.

**Estimates:**

The preparation of financial statements in conformity with U.S. 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, 2012 and 2011

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

During fiscal year 2012, 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, 2012, consist of the following:

|   | <u>2012</u>                |
|---|----------------------------|
| <b>Cash on hand</b>   | \$ 1,823                   |
| <b>Demand deposits</b>  | 408,235                    |
| <b>Government securities</b>  | 3,860,292                  |
| <b>Certificates of deposit</b>  | <u>82,913</u>              |
|   | 4,353,263                  |
| <b>Less restricted cash held for construction and debt service reserves</b> | <u>(2,456,133)</u>         |
|   | <b><u>\$ 1,897,130</u></b> |

Cash and investments at June 30, 2011, were as follows:

|   | <u>2011</u>                |
|---|----------------------------|
| Cash on hand  | \$ 1,205                   |
| Demand deposits   | 640,004                    |
| Government securities   | 8,792,202                  |
| Certificates of deposit   | <u>127,439</u>             |
|   | 9,560,850                  |
| <b>Less restricted cash held for construction and debt service reserves</b> | <u>(7,671,136)</u>         |
|   | <b><u>\$ 1,889,714</u></b> |

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**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012 and 2011

**NOTE 3. CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2012, are as follows:

|   | <u>JULY 1, 2011</u> | <u>ADDITIONS</u>    | <u>DELETIONS</u> | <u>JUNE 30, 2012</u>        |
|---|---------------------|---------------------|------------------|-----------------------------|
|   | <u>BALANCE</u>      |                     |                  | <u>BALANCE</u>              |
| <b>Capital Assets Not Being Depreciated</b> |                     |                     |                  |                             |
| Construction in progress                    | \$ 2,471,065        | \$ 5,481,801        | \$ -             | <b>\$ 7,952,866</b>         |
| Parking lots                                | <u>2,397,866</u>    | <u>-</u>            | <u>-</u>         | <b><u>2,397,866</u></b>     |
| Total capital assets not being depreciated  | <u>4,868,931</u>    | <u>5,481,801</u>    | <u>-</u>         | <b><u>10,350,732</u></b>    |
| <b>Capital Assets Being Depreciated</b>     |                     |                     |                  |                             |
| Parking structures                          | 2,871,199           | -                   | -                | <b>2,871,199</b>            |
| Furniture, fixtures and computers           | 12,364              | 51,838              | -                | <b>64,202</b>               |
| Machinery, equipment and vehicles           | 406,597             | -                   | (63,311)         | <b>343,286</b>              |
| Parking lot improvements                    | 1,165,976           | -                   | -                | <b>1,165,976</b>            |
|   | <u>4,456,136</u>    | <u>51,838</u>       | <u>(63,311)</u>  | <b><u>4,444,663</u></b>     |
| Less accumulated depreciation               | <u>(2,131,434)</u>  | <u>(133,651)</u>    | <u>63,311</u>    | <b><u>(2,201,774)</u></b>   |
| Total capital assets being depreciated, net | <u>2,324,702</u>    | <u>(81,813)</u>     | <u>-</u>         | <b><u>2,242,889</u></b>     |
| <b>Capital Assets, Net</b>                  | <u>\$ 7,193,633</u> | <u>\$ 5,399,988</u> | <u>\$ -</u>      | <b><u>\$ 12,593,621</u></b> |

Changes in capital assets for the year ended June 30, 2011, are as follows:

|   | <u>JULY 1, 2010</u> | <u>ADDITIONS</u>    | <u>DELETIONS</u> | <u>JUNE 30, 2011</u>       |
|---|---------------------|---------------------|------------------|----------------------------|
|   | <u>BALANCE</u>      |                     |                  | <u>BALANCE</u>             |
| <b>Capital Assets Not Being Depreciated</b> |                     |                     |                  |                            |
| Construction in progress                    | \$ -                | \$ 2,471,065        | \$ -             | <b>\$ 2,471,065</b>        |
| Parking lots                                | <u>2,397,866</u>    | <u>-</u>            | <u>-</u>         | <b><u>2,397,866</u></b>    |
| Total capital assets not being depreciated  | <u>2,397,866</u>    | <u>2,471,065</u>    | <u>-</u>         | <b><u>4,868,931</u></b>    |
| <b>Capital Assets Being Depreciated</b>     |                     |                     |                  |                            |
| Parking structures                          | 2,674,641           | 196,558             | -                | <b>2,871,199</b>           |
| Furniture, fixtures and computers           | 12,364              | -                   | -                | <b>12,364</b>              |
| Machinery, equipment and vehicles           | 503,485             | 48,141              | (145,029)        | <b>406,597</b>             |
| Parking lot improvements                    | 1,165,976           | -                   | -                | <b>1,165,976</b>           |
|   | <u>4,356,466</u>    | <u>244,699</u>      | <u>(145,029)</u> | <b><u>4,456,136</u></b>    |
| Less accumulated depreciation               | <u>(2,137,984)</u>  | <u>(138,479)</u>    | <u>145,029</u>   | <b><u>(2,131,434)</u></b>  |
| Total capital assets being depreciated, net | <u>2,218,482</u>    | <u>106,220</u>      | <u>-</u>         | <b><u>2,324,702</u></b>    |
| <b>Capital Assets, Net</b>                  | <u>\$ 4,616,348</u> | <u>\$ 2,577,285</u> | <u>\$ -</u>      | <b><u>\$ 7,193,633</u></b> |

**MISSOULA PARKING COMMISSION**  
 (A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012 and 2011

**NOTE 4. LONG-TERM DEBT**

Long-term debt at June 30 consists of:

|   | <u>2012</u>                | <u>2011</u>                |
|---|----------------------------|----------------------------|
| \$635,000 Series 2010A refunding bonds, 2% to 2.5%,<br>due in varying amounts to October 2015                                     | \$ 500,000                 | \$ 635,000                 |
| \$7,500,000 Series 2010B recovery zone economic<br>development bonds, 2.290% to 6.382%, due in<br>varying amounts to October 2035 | <u>7,415,000</u>           | <u>7,500,000</u>           |
| Total   | <u>7,915,000</u>           | 8,135,000                  |
| Less current portion  | <u>(210,000)</u>           | <u>(220,000)</u>           |
| Long-term debt, less current portion  | <u><u>\$ 7,705,000</u></u> | <u><u>\$ 7,915,000</u></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 \$409,700 of interest on the Series 2000 Revenue Bonds was capitalized in prior years.

On December 29, 2010, the Commission issued \$635,000 of Series 2010A refunding bonds, with an average interest rate of 2.18% to advance refund the Series 2000 parking facilities revenue bonds, which had an average interest rate of 5.38%. Proceeds from the sale of the refunding bonds of \$627,962 and \$98,008 from the Series 2000 debt service reserve, for a total of \$725,969, was deposited in an irrevocable escrow account to call the outstanding bonds on February 15, 2011. The result of the advance refunding was a reduction of total debt service payments of \$44,137 and an economic gain of \$41,364. The difference between the amount placed in escrow and the outstanding refunding bonds of \$10,969 was charged to interest expense in the statement of activities in 2011.

The Commission also issued \$7.5 million of Series 2010B recovery zone economic development bonds, with interest rates from 2.290% to 6.382%. Proceeds from the bonds are being used to finance the construction of a new public parking facility in downtown Missoula. As part of the 2010B issuance, the Commission receives a federal credit in the amount of 45% of the interest payable on the bonds.

**MISSOULA PARKING COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012 and 2011

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

Debt service requirements to maturity on the bonds at June 30, 2012, are as follows:

| YEAR ENDING<br>JUNE 30, | FEDERAL             |                     |                       | TOTAL                |
|-------------------------|---------------------|---------------------|-----------------------|----------------------|
|                         | PRINCIPAL           | INTEREST            | CREDIT                |                      |
| 2013                    | \$ 210,000          | \$ 542,023          | \$ (239,731)          | \$ 512,292           |
| 2014                    | 220,000             | 537,036             | (238,768)             | 518,268              |
| 2015                    | 230,000             | 531,125             | (237,547)             | 523,578              |
| 2016                    | 235,000             | 523,285             | (235,141)             | 523,144              |
| 2017                    | 240,000             | 512,736             | (230,731)             | 522,005              |
| 2018-2022               | 1,325,000           | 2,344,949           | (1,055,226)           | 2,614,723            |
| 2023-2027               | 1,595,000           | 1,841,803           | (828,812)             | 2,607,991            |
| 2028-2032               | 1,960,000           | 1,161,260           | (522,567)             | 2,598,693            |
| 2033-2036               | <u>1,900,000</u>    | <u>312,000</u>      | <u>(140,400)</u>      | <u>2,071,600</u>     |
| Total                   | <u>\$ 7,915,000</u> | <u>\$ 8,306,217</u> | <u>\$ (3,728,923)</u> | <u>\$ 12,492,294</u> |

The changes in long-term liabilities for the years ended June 30, 2012 and 2011 were as follows:

| <b>2012</b>          | BALANCE             |                  |                   | <b>JUNE 30, 2012</b> | DUE WITHIN<br>ONE YEAR |
|----------------------|---------------------|------------------|-------------------|----------------------|------------------------|
|                      | <b>JULY 1, 2011</b> | <b>ADDITIONS</b> | <b>REDUCTIONS</b> |                      |                        |
| Revenue bonds        | \$ 8,135,000        | \$ -             | \$ 220,000        | \$ <b>7,915,000</b>  | \$ 210,000             |
| Compensated absences | <u>21,553</u>       | <u>13,316</u>    | <u>11,462</u>     | <u>23,407</u>        | <u>23,407</u>          |
| Total                | <u>\$ 8,156,553</u> | <u>\$ 13,316</u> | <u>\$ 231,462</u> | <u>\$ 7,938,407</u>  | <u>\$ 233,407</u>      |

| <b>2011</b>          | BALANCE             |                     |                   | <b>JUNE 30, 2011</b> | DUE WITHIN<br>ONE YEAR |
|----------------------|---------------------|---------------------|-------------------|----------------------|------------------------|
|                      | <b>JULY 1, 2010</b> | <b>ADDITIONS</b>    | <b>REDUCTIONS</b> |                      |                        |
| Revenue bonds        | \$ 835,000          | \$ 8,135,000        | \$ 835,000        | \$ 8,135,000         | \$ 220,000             |
| Compensated absences | <u>21,170</u>       | <u>12,419</u>       | <u>12,036</u>     | <u>21,553</u>        | <u>21,553</u>          |
| Total                | <u>\$ 856,170</u>   | <u>\$ 8,147,419</u> | <u>\$ 847,036</u> | <u>\$ 8,156,553</u>  | <u>\$ 241,553</u>      |

The Commission incurred interest cost of \$543,205 and \$310,184, of which \$293,306 and \$268,228 was capitalized into construction in progress as of June 30, 2012 and 2011, respectively. The capitalized interest cost at June 30, 2012 and 2011 has been offset by the federal credit of \$240,168 and 120,752, respectively.

**MISSOULA PARKING COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012 and 2011

**NOTE 5. DESIGNATED NET ASSETS**

The Commission's board has designated \$1,266,671 of unrestricted net assets as of June 30, 2012 and 2011 for acquisition of parking lots and parking facilities.

**NOTE 6. RELATED PARTY TRANSACTIONS**

The Commission paid \$149,812 and \$145,448 to the City of Missoula for the years ended June 30, 2012 and 2011, 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> |
|----------------------------|-----------------|-------------------|--------------|
| 2012                       | 6.900%          | 7.070%            | 0.100%       |
| 2011                       | 6.900%          | 7.070%            | 0.100%       |
| 2010                       | 6.900%          | 7.070%            | 0.100%       |

**MISSOULA PARKING COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012 and 2011

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

MPERS 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. PERS is a mandatory multiple-employer, cost-sharing plan administered by the Montana Public Employees' Retirement Administration (MPERA).

MPERS 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 amounts contributed during the years ended June 30, 2012, 2011, and 2010 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> |
|----------------------------|-------------------|--------------|
| 2012                       | \$ 26,442         | \$ 382       |
| 2011                       | 25,337            | 373          |
| 2010                       | 27,006            | 368          |

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

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012 and 2011

**NOTE 9. RISK MANAGEMENT**

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

**NOTE 10. POSTEMPLOYMENT BENEFITS**

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

The Commission adopted the provisions of GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans*," in fiscal year 2009. GASB Statement No. 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for retirees. The provisions of this statement were applied prospectively. Information on the City's health benefits plan for retirees is included below.

**MISSOULA PARKING COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012 and 2011

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

Retirees and the Commission contribute to the plan. The plan is financed on a pay-as-you-go basis with Commission contributions ensuring that adequate reserves are maintained in the plan. The Commission's contribution is not contributed to a trust for only retiree benefits so it is not considered a contribution towards the annual required contribution under GASB Statement No. 45. The contributions to the plan are as follows for July 1, 2011:

| COVERAGE                    | RETIREE      | CITY         | TOTAL       |
|-----------------------------|--------------|--------------|-------------|
|                             | CONTRIBUTION | CONTRIBUTION | PREMIUM     |
| Retiree                     | \$ 931.68    | \$ 111.47    | \$ 1,043.15 |
| Retiree, spouse             | 727.73       | 128.42       | 856.15      |
| Retiree, spouse, child      | 767.68       | 135.47       | 903.15      |
| Retiree, spouse, 2 children | 807.63       | 142.52       | 950.15      |
| Retiree, spouse, 3 children | 847.58       | 149.57       | 997.15      |
| Retiree, spouse, 4 children | 887.53       | 156.62       | 1,044.15    |
| Retiree, child              | 671.63       | 118.52       | 790.15      |
| Retiree, 2 children         | 711.58       | 125.57       | 837.15      |
| Retiree, 3 children         | 751.53       | 132.62       | 884.15      |
| Retiree, 4 children         | 791.48       | 139.67       | 931.15      |

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

|  | <u>2012</u>             | <u>2011</u>             | <u>2010</u>             |
|--|-------------------------|-------------------------|-------------------------|
| Annual required contribution               | \$ 14,744               | \$ 13,063               | \$ 12,806               |
| Interest and ARC Adjustment                | <u>(397)</u>            | <u>(666)</u>            | <u>(313)</u>            |
| Annual OPEB cost                           | <u>14,347</u>           | <u>12,397</u>           | <u>12,493</u>           |
| Contributions made                         | <u>(7,906)</u>          | <u>(7,154)</u>          | <u>(8,067)</u>          |
| Change in net OPEB obligation              | <u>6,441</u>            | <u>5,243</u>            | <u>4,426</u>            |
| Net OPEB obligation - beginning of year    | <u>21,204</u>           | <u>15,961</u>           | <u>11,535</u>           |
| Net OPEB obligation - end of year          | <u><b>\$ 27,645</b></u> | <u><b>\$ 21,204</b></u> | <u><b>\$ 15,961</b></u> |
| Percentage of annual OPEB cost contributed | <b>55%</b>              | <b>58%</b>              | <b>65%</b>              |

**MISSOULA PARKING COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2012 and 2011

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

Based on an actuarial study prepared as of June 30, 2011, which has been trended forward for 2012, the Commission's portion of the plan's unfunded accrued actuarial liability at June 30, 2012 and 2011 was \$182,127 and \$161,364, respectively. This liability is not funded under GASB Statement No. 45 since there are no assets allocated to an irrevocable trust for the plan. The annual covered payroll was \$362,191 and \$343,178 and the unfunded actuarial liability was 50% and 47% of covered payroll for the fiscal years ended June 30, 2012 and 2011, respectively.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the substantive plan at the time of the actuarial valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term prospective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

For the actuarial valuation performed at June 30, 2011, the projected unit credit actuarial cost method was used. The health care cost trend rate was 6.5% for 2011 and 2012 decreasing to 5% for 2015 and after. The assumed discount and long-term rate of return was 3.326%. The unfunded actuarial liability was amortized on a level-dollar basis over an open period of 30 years. 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, 2012 and 2011.

**MISSOULA PARKING COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2012 and 2011

**NOTE 11. NOTE RECEIVABLE**

In December of 2010, Missoula Redevelopment Agency (MRA) agreed to fund \$3,000,000 of the Series 2010B bonds. MRA has committed to paying 40% of the principal and interest for the life of the bond. Under the terms of the agreement, MRA will transfer \$134,211 to the Commission on March 15 and September 14 of each year. The difference between MRA's transfer and the actual debt service will be refunded back to MRA on October 15 of each year. As of June 30, 2012 and 2011, the Commission has recorded a liability of \$75,505 and \$134,216, respectively. The expected payments to maturity on the MRA note receivable at June 30, 2012, are as follows:

| <b>YEAR ENDING</b> | <b>JUNE 30,</b>            | <b>PRINCIPAL</b>           | <b>INTEREST</b>            | <b>TOTAL</b> |
|--------------------|----------------------------|----------------------------|----------------------------|--------------|
| 2013               | \$ 28,000                  | \$ 117,202                 | \$ 145,202                 |              |
| 2014               | 30,000                     | 116,732                    | 146,732                    |              |
| 2015               | 30,000                     | 116,134                    | 146,134                    |              |
| 2016               | 70,000                     | 114,958                    | 184,958                    |              |
| 2017               | 96,000                     | 112,802                    | 208,802                    |              |
| 2018-2022          | 530,000                    | 515,889                    | 1,045,889                  |              |
| 2023-2027          | 638,000                    | 405,197                    | 1,043,197                  |              |
| 2028-2032          | 784,000                    | 255,477                    | 1,039,477                  |              |
| 2032-2036          | 760,000                    | 68,640                     | 828,640                    |              |
| <b>Total</b>       | <b><u>\$ 2,966,000</u></b> | <b><u>\$ 1,823,031</u></b> | <b><u>\$ 4,789,031</u></b> |              |

REQUIRED SUPPLEMENTARY INFORMATION

**MISSOULA PARKING COMMISSION**  
 (A Component Unit of the City of Missoula)  
**SCHEDULE OF FUNDING PROGRESS FOR**  
**RETIREE HEALTH INSURANCE**  
 June 30, 2012 and 2011

| Valuation Date<br>June 30, | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability | Unfunded<br>Liability | Funded<br>Ratio | Covered<br>Payroll | Unfunded<br>Liability as a<br>Percentage of<br>Covered<br>Payroll |
|----------------------------|---------------------------------|-----------------------------------|-----------------------|-----------------|--------------------|---|
| 2011                       | \$ -                            | \$ 21,204                         | \$ 161,364            | 0%              | \$ 343,178         | 47%   |
| 2009                       |                                 | - 11,535                          | 124,711               | 0               | 266,028            | 47  |

SUPPLEMENTARY INFORMATION

**MISSOULA PARKING COMMISSION**  
 (A Component Unit of the City of Missoula)  
**SCHEDULE OF COVERAGE – SERIES 2010B BONDS**  
 June 30, 2012

|                                      |                          |
|--------------------------------------|--------------------------|
| Revenues                             |                          |
| Total operating revenue              | \$ 1,470,812             |
| Missoula Redevelopment Agency pledge | <u>268,422</u>           |
| Total revenues pledged               | <u>1,739,234</u>         |
| Expenses                             |                          |
| Operating expenses                   | (1,159,950)              |
| Add back depreciation                | 133,651                  |
| Add back administrative charges      | <u>149,812</u>           |
| Total operating expenses             | <u>(876,487)</u>         |
| Revenues Available for Debt Service  | <u><u>\$ 862,747</u></u> |
| Debt Service                         |                          |
| Principal                            | \$ 220,000               |
| Interest                             | 687,012                  |
| Less: federal credit                 | <u>(302,199)</u>         |
| Net debt service                     | <u><u>\$ 604,813</u></u> |
| Total Coverage                       | <u><u>143%</u></u>       |

**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, 2012, and have issued our report thereon dated January 24, 2013. 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**

Management of Missoula Parking Commission is responsible for establishing and maintaining effective 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as finding 2012-1 to be a material weakness.

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 A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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.

*Anderson Zurmehlen & Co., P.C.*

Missoula, Montana  
January 24, 2013

**MISSOULA PARKING COMMISSION**  
(A Component Unit of the City of Missoula)  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Year Ended June 30, 2012

**Finding 2012-1**

**Material Misstatement**

**Condition:** During our audit of the financial statements, we noted material errors in the recording of interest expense and capitalized interest.

**Criteria:** When a material audit adjustment is recorded, it indicates a material weakness in internal control over financial reporting due to the quantitative impact on the financial statements.

**Cause:** Missoula Parking Commission entered into a complex transaction in 2011 that resulted in new bonds being issued and construction of a parking structure. The accounting treatment is complex and results in the net interest expense being capitalized into construction in progress in 2012.

**Effect:** A material adjustment was made to the financial statements to capitalize interest expense.

**Recommendation:** We recommend management implement control procedures to ensure that financial information is reviewed timely to prevent the occurrence of errors.

***Client response and corrective actions:***

We acknowledge the auditors comment on control procedures for financial information. The City Finance staff was faced with an issue of understaffing and a major software conversion that further strained the capacity of existing staff. We are hopeful that the department can be fully staffed up in the upcoming year which should allow for control procedures to be implemented in full prior to the audit.