

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, 2013 and 2012





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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>
Matt Ellis	Downtown Business	April 30, 2014
Theresa Cox	A Carousel for Missoula	April 30, 2015
Carol Williams	Retired Legal Administrator	April 30, 2015
John Smith	Attorney	April 30, 2016
John Roemer	Roemer's Tire Factory	April 30, 2017

Director

Anne Guest

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the accompanying financial statements of Missoula Parking Commission (a component unit of the City of Missoula, Montana) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Missoula Parking Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missoula Parking Commission as of June 30, 2013 and , and its changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5–8 and the schedule of funding status for the 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 be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Missoula Parking Commission's basic financial statements. The accompanying schedule of bond coverage for the Series 2010B bonds on page 28 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of bond coverage for the Series 2010B bonds is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014, on our consideration of the Missoula Parking Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missoula Parking Commission's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
January 30, 2014



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, 2013. It should be read in conjunction with the Commission's financial statements, which begin on page 9.

Financial Reporting

Missoula Parking Commission (the Commission) has issued a complete set of financial statements for the two fiscal years ended June 30, 2013 and 2012, 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 Position 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 2013 compared to :

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>
Current Assets	\$ 321,516	\$ 2,069,076	\$ (1,747,560)	\$ 2,164,586	\$ (95,510)
Capital Assets	15,460,338	12,662,471	2,797,867	7,193,633	5,468,838
Other Assets	<u>4,346,055</u>	<u>5,689,189</u>	<u>(1,343,134)</u>	<u>11,019,236</u>	<u>(5,330,047)</u>
Total assets	<u>20,127,909</u>	<u>20,420,736</u>	<u>(292,827)</u>	<u>20,377,455</u>	<u>43,281</u>
Current Liabilities	519,865	934,912	(415,047)	1,098,625	(163,713)
Long-Term Liabilities	<u>7,517,357</u>	<u>7,732,645</u>	<u>(215,288)</u>	<u>7,936,204</u>	<u>(203,559)</u>
Total liabilities	<u>8,037,222</u>	<u>8,667,557</u>	<u>(630,335)</u>	<u>9,034,829</u>	<u>(367,272)</u>
Net Position					
Net investment in capital assets	7,814,322	4,140,755	3,673,567	3,346,187	794,568
Restricted	1,162,514	2,993,999	(1,831,485)	2,642,201	351,798
Unrestricted	<u>3,113,851</u>	<u>4,618,425</u>	<u>(1,504,574)</u>	<u>5,354,238</u>	<u>(735,813)</u>
Total net position	<u>\$ 12,090,687</u>	<u>\$ 11,753,179</u>	<u>\$ 337,508</u>	<u>\$ 11,342,626</u>	<u>\$ 410,553</u>

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>
Operating Revenues					
Parking and ticket revenues	<u>\$ 1,557,430</u>	<u>\$ 1,470,812</u>	<u>\$ 86,618</u>	<u>\$ 1,308,869</u>	<u>\$ 161,943</u>
Operating Expenses					
Personnel	592,249	558,202	34,047	535,034	23,168
Contract - City of Missoula	155,804	149,812	5,992	145,448	4,364
Rent	14,250	22,886	(8,636)	17,186	5,700
Depreciation and amortization	194,877	133,651	61,226	138,479	(4,828)
Repairs, maintenance and supplies	132,398	63,459	68,939	153,330	(89,871)
Other operating expenses	<u>219,195</u>	<u>231,940</u>	<u>(12,745)</u>	<u>242,239</u>	<u>(10,299)</u>
	<u>1,308,773</u>	<u>1,159,950</u>	<u>148,823</u>	<u>1,231,716</u>	<u>(71,766)</u>
Operating income	248,657	310,862	(62,205)	77,153	233,709
Net Nonoperating Revenue	49,134	87,952	(38,818)	26,730	61,222
Capital Contribution	<u>39,717</u>	<u>11,739</u>	<u>27,978</u>	<u>3,051,509</u>	<u>-</u>
Increase in net position	337,508	410,553	(73,045)	3,155,392	(2,744,839)
Net Position					
Beginning of year	<u>11,753,179</u>	<u>11,342,626</u>	<u>410,553</u>	<u>8,187,234</u>	<u>3,155,392</u>
End of year	<u>\$ 12,090,687</u>	<u>\$ 11,753,179</u>	<u>\$ 337,508</u>	<u>\$ 11,342,626</u>	<u>\$ 410,553</u>

Discussion of Financial Results:

Fiscal Year 2013 ended with the opening of Park Place Parking Structure, located at the southeast corner of the intersection of East Front Street and Pattee Street. The new parking structure was a three year construction project that culminated with a ribbon cutting ceremony on March 1st. Then on June 6th, the Parking Commission hosted a neighborhood block party including the nearby businesses to celebrate the new deli, Market on Front, and the installation of "Go with the Flow" interactive art sculpture. Park Place provides an additional 322 parking spaces downtown – 39 hourly spots and 275 monthly lease spaces. At the close of Fiscal Year 2013, 116 of the monthly spaces were leased. As with Central Park on Main Street, Park Place offers the first hour free to be customer friendly to patrons of downtown Missoula. Park Place is one of the biggest projects identified in the Downtown Master Plan and boasts having the largest solar panel installation in the state.

Discussion of Financial Results (Continued):

In reviewing the condensed financial information, most all of the changes are a result of the Parking Commission committing their cash reserves to capital assets, the construction of Park Place, and selling the 3,000 sq. ft. corner space to the Market on Front. The bottom line of total net position is much the same in comparison between the years 2013 & 2012 and 2012 & 2011. 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.

Parking revenues increased by \$70,788 largely due to the new lease spaces in Park Place and the fact that the meter usage continues to increase as a result of the new fines structure implemented in 2011. Ticket revenue increased by \$15,830 over fiscal year 2012. This increased ticket revenue, along with the new lease spaces and the increase in meter usage, created an increase in the total operating revenue of \$86,618.

On the expense side, Operating Expenses increased by \$148,823. The majority of the increase was \$68,939 for maintenance and repairs that had been deferred while Park Place was under construction. The remaining increase was \$34,047 for personnel expenses. Both of these expenses will continue to increase in future years.

In summary, fiscal year 2013 ended with an increase in total net position of \$337,508 which is similar to the fiscal year 2012 increase of \$410,553.

Key Factors Affecting Financial Performance in Fiscal Year 2014

One of the last recommendations to be accomplished in the Strategic Parking Plan within the Downtown Master Plan is to invest in new parking technology for both on-street and off-street applications. The Parking Commission will conduct a comprehensive study to select the best technology for Missoula's downtown. This will be a significant capital project and will take most the year to complete the implementation of the new equipment. The Parking Commission has reserved "Unrestricted-designated" funds for this project. We look forward to offering on-street technology that will be based on real-time information, offer multiple payment options, and be very user friendly. With the addition of the new technology, the Parking Commission's operations will be totally comprehensive and exemplary of an effective parking program.

Missoula Parking Commission
Anne Guest
Director

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,230	\$ 178,701
Investments	24,112	1,718,429
Other receivables	150,174	143,946
Current portion of note receivable	<u>30,000</u>	<u>28,000</u>
Total current assets	321,516	2,069,076
CAPITAL ASSETS, NET	15,460,338	12,662,471
BOND ISSUANCE COSTS (Net of Amortization of \$40,872 in 2013 and \$25,237 in 2012)	270,914	286,549
RESTRICTED CASH AND INVESTMENTS	1,158,250	2,456,133
NOTE RECEIVABLE	2,908,000	2,938,000
OTHER ASSETS	<u>8,891</u>	<u>8,507</u>
Total assets	<u>20,127,909</u>	<u>20,420,736</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	36,665	460,526
Accrued liabilities	30,637	34,983
Accrued bond interest	131,951	130,491
Compensated absences	24,896	23,407
Advance from other governments	75,716	75,505
Current portion of revenue bonds payable	<u>220,000</u>	<u>210,000</u>
Total current liabilities	519,865	934,912
LONG-TERM LIABILITIES		
Postemployment benefits	32,357	27,645
Revenue bonds payable, less current portion	<u>7,485,000</u>	<u>7,705,000</u>
Total liabilities	<u>8,037,222</u>	<u>8,667,557</u>
NET POSITION		
Net investment in capital assets	7,814,322	4,140,755
Restricted for capital projects, net of related debt	4,264	1,582,987
Restricted for debt service	1,158,250	1,411,012
Unrestricted	<u>3,113,851</u>	<u>4,618,425</u>
Net position	<u>\$ 12,090,687</u>	<u>\$ 11,753,179</u>

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Parking revenues	\$ 1,290,823	\$ 1,220,035
Ticket revenues	<u>266,607</u>	<u>250,777</u>
Total operating revenues	<u>1,557,430</u>	<u>1,470,812</u>
Operating Expenses		
Personnel	592,249	558,202
Contract - City of Missoula	155,804	149,812
Rent	14,250	22,886
Depreciation and amortization	194,877	133,651
Repairs, maintenance and supplies	132,398	63,459
Other operating expenses	<u>219,195</u>	<u>231,940</u>
Total operating expenses	<u>1,308,773</u>	<u>1,159,950</u>
Operating income	<u>248,657</u>	<u>310,862</u>
Nonoperating Revenue (Expenses)		
Investment earnings	111,499	116,644
Bond interest	(46,730)	(9,731)
Amortization of bond issuance costs	<u>(15,635)</u>	<u>(18,961)</u>
Total nonoperating revenue over expenses	<u>49,134</u>	<u>87,952</u>
Capital Contribution	<u>39,717</u>	<u>11,739</u>
Change in net position	337,508	410,553
Net Position		
Beginning of year	<u>11,753,179</u>	<u>11,342,626</u>
End of year	<u>\$ 12,090,687</u>	<u>\$ 11,753,179</u>

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

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,514,542	\$ 1,566,522
Cash payments to suppliers	(950,027)	(918,815)
Cash payments to employees	<u>(586,048)</u>	<u>(549,907)</u>
Net cash flows from operating activities	<u>(21,533)</u>	<u>97,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Increase in restricted cash and investments	1,297,883	5,215,003
Revenue bond principal paid	(210,000)	(220,000)
Proceeds from sale of capital assets	261,777	-
Capital contributed from other governments	22,131	11,739
Revenue bond interest paid	21,933	(23,793)
Acquisition of capital assets	<u>(3,273,897)</u>	<u>(5,283,914)</u>
Net cash flows from capital and related financing activities	<u>(1,880,173)</u>	<u>(300,965)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	1,694,317	44,549
Collections on note receivable	28,000	34,000
Interest income	<u>117,918</u>	<u>176,581</u>
Net cash flows from investing activities	<u>1,840,235</u>	<u>255,130</u>
 Net change in cash and cash equivalents	 (61,471)	 51,965
 Cash and Cash Equivalents		
Beginning of year	<u>178,701</u>	<u>126,736</u>
 End of year	 <u>\$ 117,230</u>	 <u>\$ 178,701</u>

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

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 248,657	\$ 310,862
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	194,877	133,651
Changes in operating assets and liabilities		
Other receivables	(42,888)	95,710
Other assets	(384)	(767)
Postemployment benefits	4,712	6,441
Advance from other governments	211	(58,711)
Accounts payable	(423,861)	(377,120)
Accrued liabilities	(2,857)	(12,266)
Net cash flows from operating activities	<u>\$ (21,533)</u>	<u>\$ 97,800</u>

SCHEDULE OF NON-CASH CAPITAL AND RELATED
FINANCING ACTIVITIES

Capital additions contributed	<u>\$ 17,586</u>	<u>\$ -</u>
Capitalized accrued interest, net	<u>\$ 67,203</u>	<u>\$ 130,491</u>
Construction in progress acquired through accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 438,937</u>
Reduction in construction in progress for accrued interest subsidy	<u>\$ 30,241</u>	<u>\$ 58,721</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Parking Operations, Facilities, and Rates

The Commission manages approximately 1,061 parking meters that are located both on street and in various off-street lots throughout Missoula's downtown. The Commission also manages approximately 1,275 off-street parking spaces located in 14 lease lots utilized mainly by downtown employees. The commission also operates three parking structures (Central Park, Park Place, and the Bank Street Structure) that offer both short-term and long-term parking. The Commission's jurisdiction extends beyond the Central Business District and includes a Residential Parking Permit Program adjacent to The University of Montana with approximately 820 on-street parking spaces. For the year ended June 30, 2013, the approximate percentage of revenues from all sources was as follows:

Leased spaces	41%
Parking meters	33
Parking tickets	17
Other sources	4
Parking structures	<u>5</u>
	<u>100%</u>

As of June 30, 2013, on-street hourly parking fees were \$0.50 per hour. The parking fees for the two structures are as follows: first hour free, \$0.50/hr. for the second hour, and \$1.00/hr. for subsequent hours. Lease rates range from \$30 to \$75 per month. The average lease rate for the lots and structures was \$45.

Basis of Accounting

The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, and follow proprietary fund reporting. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Commission's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The District's financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

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

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

New Accounting Pronouncements

The District has adopted the provisions of the following GASB pronouncements for fiscal year 2013:

- Statement No. 61 – *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and 34*. This statement amends the definition of component units.
- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement clarifies the applicability of certain FASB and AICPA pronouncements for business-type activities.
- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the definitions of certain assets and liabilities, provides guidance for the reporting of deferred inflows and outflows, and redefines the residual measure as net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This statement defines new financial statement items called deferred inflows of resources and deferred outflows of resources, and reclassifies certain items previously classified as asset or liabilities and deferred outflows or deferred inflows, respectively. The Commission has elected not to implement Statement No. 65 before its effective date. When implemented, Statement No. 65 will require the restatement of certain previously reported amounts in the financial statements.

Budgets

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Position

The Commission classifies its net position as follows:

Net Investment in Capital Assets

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

Restricted

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

Unrestricted

Resources over which the governing board has discretionary control.

Cash, Investments and Investment Income

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

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

Estimates

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

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.

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*.

Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to conform to the 2013 presentation. Total net position and the change in net position for 2012 were unchanged as a result of these reclassifications.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013 and 2012

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal year 2013, the Commission reduced its cash in the City's investment pool. The Commission's portion of underlying cash and investments of the City's investment pool at June 30, 2013, consist of the following:

	<u>2013</u>
Cash on hand	\$ 3,395
Demand deposits	1,074,491
Government securities	199,671
Certificates of deposit	<u>22,035</u>
	1,299,592
Less restricted cash held for construction and debt service reserves	<u>(1,158,250)</u>
	<u><u>\$ 141,342</u></u>

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

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

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2013, are as follows:

	July 1, 2012 Balance	Additions	Deletions	June 30, 2013 Balance
Capital Assets Not Being Depreciated				
Construction in progress	\$ 8,021,716	\$ 3,187,554	\$ (11,205,006)	\$ 4,264
Parking lots and land	2,397,865	1,256,656	(66,761)	3,587,760
Total capital assets not being depreciated	10,419,581	4,444,210	(11,271,767)	3,592,024
Capital Assets Being Depreciated				
Parking structures	2,860,841	9,948,351	(195,016)	12,614,176
Furniture, fixtures and computers	225,257	28,474	-	253,731
Machinery, equipment and vehicles	191,405	-	-	191,405
Parking lot improvements	1,167,161	38,492	-	1,205,653
	4,444,664	10,015,317	(195,016)	14,264,965
Less accumulated depreciation	(2,201,774)	(194,877)	-	(2,396,651)
Total capital assets being depreciated, net	2,242,890	9,820,440	(195,016)	11,868,314
Capital Assets, Net	\$ 12,662,471	\$ 14,264,650	\$ (11,466,783)	\$ 15,460,338

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

	July 1, 2011 Balance	Additions	Deletions	June 30, 2012 Balance
Capital Assets Not Being Depreciated				
Construction in progress	\$ 2,539,915	\$ 5,481,801	\$ -	\$ 8,021,716
Parking lots and land	2,397,865	-	-	2,397,865
Total capital assets not being depreciated	4,937,780	5,481,801	-	10,419,581
Capital Assets Being Depreciated				
Parking structures	2,860,841	-	-	2,860,841
Furniture, fixtures and computers	173,419	51,838	-	225,257
Machinery, equipment and vehicles	254,716	-	(63,311)	191,405
Parking lot improvements	1,167,161	-	-	1,167,161
	4,456,137	51,838	(63,311)	4,444,664
Less accumulated depreciation	(2,131,434)	(133,651)	63,311	(2,201,774)
Total capital assets being depreciated, net	2,324,703	(81,813)	-	2,242,890
Capital Assets, Net	\$ 7,262,483	\$ 5,399,988	\$ -	\$ 12,662,471

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013 and 2012

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30 consists of:

	<u>2013</u>	
\$635,000 Series 2010A refunding bonds, 2% to 2.5%, due in varying amounts to October 2015	\$ 360,000	\$ 500,000
\$7,500,000 Series 2010B recovery zone economic development bonds, 2.290% to 6.382%, due in varying amounts to October 2035	<u>7,345,000</u>	<u>7,415,000</u>
Total	7,705,000	7,915,000
Less current portion	<u>(220,000)</u>	<u>(210,000)</u>
Long-term debt, less current portion	<u>\$ 7,485,000</u>	<u>\$ 7,705,000</u>

On November 1, 2000, the Commission issued \$1.7 million of Series 2000 Parking Facilities Revenue Bonds. The bonds were issued at par, bear interest ranging from 4.4% to 5.5%, and are secured by a pledge of gross parking revenues. Proceeds from the bonds were used to finance the construction of a new public parking facility in downtown Missoula. The land on which the new facility is located was donated by First Interstate Bank at a value of \$570,000. A total of \$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 were 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
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 4. LONG-TERM DEBT (CONTINUED)

Debt service requirements to maturity on the bonds at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Federal Credit</u>	<u>Total</u>
2014	\$ 220,000	\$ 537,036	\$ (238,769)	\$ 518,267
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	250,000	500,190	(225,086)	525,104
2019-2023	1,370,000	2,258,541	(1,016,344)	2,612,197
2024-2028	1,660,000	1,720,728	(774,328)	2,606,400
2029-2033	2,045,000	1,002,753	(451,239)	2,596,514
2034-2036	1,455,000	177,800	(80,010)	1,552,790
Total	<u>\$ 7,705,000</u>	<u>\$ 7,764,194</u>	<u>\$ (3,489,195)</u>	<u>\$ 11,979,999</u>

The changes in long-term liabilities for the years ended June 30, 2013 and were as follows:

<u>2013</u>	<u>July 1, 2012 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 7,915,000	\$ -	\$ 210,000	\$ 7,705,000	\$ 220,000
Compensated absences	23,407	13,478	11,989	24,896	24,896
Total	<u>\$ 7,938,407</u>	<u>\$ 13,478</u>	<u>\$ 221,989</u>	<u>\$ 7,729,896</u>	<u>\$ 244,896</u>

<u>2012</u>	<u>July 1, 2011 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 8,135,000	\$ -	\$ 220,000	\$ 7,915,000	\$ 210,000
Compensated absences	21,553	13,316	11,462	23,407	23,407
Total	<u>\$ 8,156,553</u>	<u>\$ 13,316</u>	<u>\$ 231,462</u>	<u>\$ 7,938,407</u>	<u>\$ 233,407</u>

The Commission incurred interest cost of \$532,267 and \$543,205, of which \$258,196 and \$293,306 was capitalized into construction in progress as of June 30, 2013 and 2012, respectively. The capitalized interest cost at June 30, 2013 and 2012 has been offset by the federal credit of \$211,251 and 240,168, respectively. The Commission incurred interest expense of \$74,999 that was offset by a federal credit of \$28,269 for the year ended June 30, 2013. The Commission incurred interest expense of \$9,371 for the year ended June 30, 2012.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 5. DESIGNATED NET ASSETS

The Commission's board has designated \$1,266,671 of unrestricted net assets as of June 30, 2013 and 2012 for acquisition of parking lots, facilities, and equipment.

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$155,804 and \$149,812 to the City of Missoula for the years ended June 30, 2013 and 2012, 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>
2013	6.900%	7.070%	0.100%
2012	6.900%	7.070%	0.100%
2011	6.900%	7.070%	0.100%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

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, 2013, 2012, and 2011 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>
2013	\$ 28,979	\$ 392
2012	26,442	382
2011	25,337	373

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, 2013 and 2012

NOTE 9. RISK MANAGEMENT

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

NOTE 10. POSTEMPLOYMENT BENEFITS

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

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, 2012:

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 20,750	\$ 14,744	\$ 12,806
Interest and ARC Adjustment	<u>(570)</u>	<u>(397)</u>	<u>(313)</u>
Annual OPEB cost	20,180	14,347	12,493
Contributions made	<u>(15,468)</u>	<u>(7,906)</u>	<u>(8,067)</u>
Change in net OPEB obligation	4,712	6,441	4,426
Net OPEB obligation - beginning of year	<u>27,645</u>	<u>21,204</u>	<u>11,535</u>
Net OPEB obligation - end of year	<u>\$ 32,357</u>	<u>\$ 27,645</u>	<u>\$ 15,961</u>
Percentage of annual OPEB cost contributed	77%	55%	65%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Commission's unfunded accrued actuarial liability based on the study prepared as of June 30, 2013, was \$212,233. Based on an actuarial study prepared as of June 30, 2011 and trended forward to June 30, 2012, the Commission's portion of the plan's unfunded accrued actuarial liability was \$182,127. 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 \$315,537 and \$362,191 and the unfunded actuarial liability was 67% and 50% of covered payroll for the fiscal years ended June 30, 2013 and 2012, respectively.

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

For the actuarial valuations performed at June 30, 2013 and 2011, the projected unit credit actuarial cost method was used. The health care cost trend rate was 7% for 2013 and 6.5% for 2012, with both valuations 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, 2013 and 2012.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

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, 2013 and 2012, the Commission has recorded a liability of \$75,716 and \$75,505, respectively. The expected payments to maturity on the MRA note receivable at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	100,000	111,484	211,484
2019-2023	548,000	496,879	1,044,879
2024-2028	664,000	378,560	1,042,560
2029-2033	818,000	220,606	1,038,606
2034-2037	582,000	39,115	621,115
Total	<u>\$ 2,938,000</u>	<u>\$ 1,707,270</u>	<u>\$ 4,645,270</u>

REQUIRED SUPPLEMENTARY INFORMATION

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH INSURANCE BENEFIT PLAN
 June 30, 2013 and 2012

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2013	\$ -	\$ 32,357	\$ 212,233	0%	\$ 315,537	67%
2011	\$ -	\$ 21,204	\$ 161,364	0%	\$ 343,178	47%

SUPPLEMENTARY INFORMATION

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
SCHEDULE OF COVERAGE – SERIES 2010B BONDS
June 30, 2013

Revenues

Total operating revenue	\$ 1,557,430
Missoula Redevelopment Agency pledge	<u>268,422</u>
Total revenues pledged	<u>1,825,852</u>

Expenses

Operating expenses	(1,308,773)
Add back depreciation	194,877
Add back administrative charges	<u>155,804</u>
Total operating expenses	<u>(958,092)</u>

Revenues Available for Debt Service	<u><u>\$ 867,760</u></u>
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Debt Service

Principal	\$ 210,000
Interest	542,023
Less: federal credit	<u>(239,731)</u>
Net debt service	<u><u>\$ 512,292</u></u>

Total Coverage	<u>169%</u>
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Missoula Parking Commission (the Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 30, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
January 30, 2014



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