

Missoula Parking Commission

(A Component Unit of the City of Missoula)

Missoula, Montana

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2022



Missoula Parking Commission (A Component Unit of the City of Missoula)

TABLE OF CONTENTS

June 30, 2022

	<u>Page Number</u>
Board Members and Management	1
Independent Auditors' Report	2
Management's Discussion and Analysis	6
 FINANCIAL SECTION	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	15
 REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION	
Schedule of Changes in Other Post Employment Benefits Liability and Related Ratios for the Last Ten Fiscal Years	36
Schedule of Proportionate Share of PERS Net Pension Liability for the Last Ten Fiscal Years	37
Schedule of Contributions for the Last Ten Fiscal Years	38
Notes to the Required Supplementary Information	39
 SUPPLEMENTARY INFORMATION SECTION	
Schedule of Coverage – Series 2014 Bonds	41
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Schedule of Findings and Responses	44

Missoula Parking Commission (A Component Unit of the City of Missoula)

BOARD MEMBERS AND MANAGEMENT

<u>Member</u>	<u>Business</u>	<u>Term Expires</u>
Tiffany Brander	Home Manager	April 30, 2023
JR Casillas	DM&L, P.C.	April 30, 2023
Joe Easton	Coca-Cola Bottling Company - High Country	April 30, 2024
Peter Walker-Keleher	DJ&A, P.C.	April 30, 2025
Glenda Bradshaw	Clyde Coffee	April 30, 2026

Director

Ian Ortlieb



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

Opinion

We have audited the accompanying financial statements of Missoula Parking Commission (a Component Unit of the City of Missoula, Montana) (the Commission) as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Missoula Parking Commission, as of June 30, 2022, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Missoula Parking Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would include the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Missoula Parking Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Missoula Parking Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9, the schedule of changes in other post employment benefits liability and related ratios for the last ten fiscal years on page 36, the schedule of proportionate share of PERS net pension liability for the last ten fiscal years on page 37, and the schedule of contributions for the last ten fiscal years on page 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

Supplementary Information

Our audit was 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 coverage for the Series 2014 bonds on page 41 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of coverage for the Series 2014 bonds 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 coverage for the Series 2014 bonds is fairly stated in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, 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.

KCee Isom, LLP

March 27, 2023
Missoula, Montana

Missoula Parking Commission (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

The financial statements of the Missoula Parking Commission (the Commission) (MPC) are based on information provided by the Missoula County Treasurer and the City of Missoula Finance Office. The Commission's records are reconciled with the information prepared and maintained by the City of Missoula.

Our discussion and analysis of the Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2022 and 2021. It should be read in conjunction with the Commission's financial statements, which begin on page 10.

FINANCIAL REPORTING

The Commission has issued a complete set of financial statements for the fiscal year ended June 30, 2022, in accordance with U.S. 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 Revenues, Expenses and Changes in Net Position 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.

Missoula Parking Commission (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

(Continued)

CONDENSED FINANCIAL INFORMATION

The following tables summarize financial condition and operating results:

June 30	2022	2021	Change
Current assets	\$ 2,195,098	\$ 1,925,765	\$ 269,333
Capital assets	16,455,041	16,892,058	(437,017)
Other assets	2,728,524	2,857,903	(129,379)
Total Assets	21,378,663	21,675,726	(297,063)
Deferred outflows of resources	120,814	167,080	(46,266)
Total Assets and Deferred Outflows of Resources	\$ 21,499,477	\$ 21,842,806	\$ (343,329)
Current liabilities	\$ 832,916	\$ 817,100	\$ 15,816
Long-term liabilities	5,836,614	6,764,449	(927,835)
Total Liabilities	6,669,530	7,581,549	(912,019)
Deferred Inflows of Resources	290,941	143,629	147,312
Net Position			
Net investment in capital assets	10,497,347	10,265,521	231,826
Restricted for debt service	720,454	720,454	-
Unrestricted	3,321,205	3,131,653	189,552
Total Net Position	14,539,006	14,117,628	421,378
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 21,499,477	\$ 21,842,806	\$ (343,329)

Missoula Parking Commission (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

(Continued)

Years Ended June 30	2022	2021	Change
Operating Revenues			
Parking and ticket revenues	\$ 2,903,969	\$ 2,378,187	\$ 525,782
Operating Expenses			
Personnel	713,766	728,229	(14,463)
Contract - City of Missoula	229,890	223,160	6,730
Depreciation and amortization	636,954	635,194	1,760
Repairs, maintenance and supplies	180,765	167,886	12,879
Other operating expenses	617,348	598,186	19,162
Total Operating Expenses	2,378,723	2,352,655	26,068
Operating Income	525,246	25,532	499,714
Net Nonoperating Expense	(103,868)	(127,812)	23,944
Change in Net Position	421,378	(102,280)	523,658
Net Position			
Beginning of Year	14,117,628	14,219,908	(102,280)
End of Year	\$ 14,539,006	\$ 14,117,628	\$ 421,378

DISCUSSION OF FINANCIAL RESULTS

Fiscal Year 2022 (FY22) was a return to normal operations following the COVID-19 pandemic. While the Missoula Parking Commission saw revenues decline over the previous two fiscal years, FY22 marked a return to pre-pandemic levels of revenue generation in most revenue categories. While there is still some uncertainty with telecommuting and flexible work schedules for many of the Commission's customers, we continue to operate to ensure public safety and financial security while meeting the needs of our parkers within our jurisdiction.

In anticipation of potential COVID-19 impacts, the Commission planned for another year of lowered revenues for FY22. With this uncertainty, the projected budgeted revenues remained static from FY21. FY22 started much like the end of FY21, with monthly revenue falling short compared to the pre-pandemic years. But as the year progressed, revenue began to increase. In comparing FY22 with FY21, the Commission's monthly revenue generation was higher each month throughout the year, and ticket issuance increased from the previous year.

In reviewing the financial highlights from an operational perspective, the overall operating revenue of \$2,903,969 and operating expenses of \$2,378,723 resulted in a net operating income of \$525,246, a \$499,714 increase over FY21.

Short-term parking which includes metered parking, meter bags, short-term garage parking validations, and value passes, increased by \$363,582 compared to FY21. The increase in revenue can be attributed to a rise in visitors to the downtown area following the pandemic. In a month-to-month comparison, the Commission realized a monthly increase in short-term parking revenue, with the most significant increases occurring in the summer and holiday seasons.

Missoula Parking Commission (A Component Unit of the City of Missoula)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

(Continued)

Lease revenue was up by approximately \$116,307 from FY21. We have used utilization data from our leased lots to make operational adjustments to current oversell rates in our leased lots. The Commission has also increased our efficiency and response time in turning around canceled leases and selling them back to customers on waiting lists. These small changes to our leased parking operations have increased our efficiency and, in turn, increased revenues in this category.

Parking fine revenue also increased from FY21, with the Commission realizing an increase of \$47,230. For much of the year, the Commission had full enforcement of three full-time Parking Enforcement Officers making rounds throughout our management area. With the increase in fine revenue, the Commission also issued more tickets compared to FY21. With a total of 38,687 tickets issued, we were up by 7,508 tickets from FY21. In FY22, approximately 41% of all tickets issued were first meter and first overtime tickets, carrying a \$0.00 fine. In analyzing ticket issuance per month, in FY22, we averaged 3,224 tickets issued per month, an increase of 611 per month from the previous year.

General operating expenses of \$2,378,723 in FY22 increased by \$26,068 from FY21. Personnel expenses were down \$14,463 from FY21. In FY22, the Commission saw increased expenses in the following categories: Contract with the City of Missoula, depreciation and amortization, repairs, maintenance and supplies, and other operating expenses.

During the COVID-19 pandemic, the Commission operated with expected lowered revenues and tightly managed expenses. As we moved out of the pandemic in FY22, we began to see the return of normal operations and increased revenue generation across the board. In FY22, the Commission began to address maintenance issues deferred over the past couple of years. We are still fully committed to exploring and implementing services and products that enhance our customer service and increase our level of financial and resource stewardship.



Ian Ortlieb, Parking Services Director
Missoula Parking Commission

FINANCIAL SECTION

Missoula Parking Commission (A Component Unit of the City of Missoula)**STATEMENT OF NET POSITION**

June 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**Current Assets**

Cash and cash equivalents	\$ 1,808,980
Investments	15,826
Other receivables	181,146
Current portion of prepaid expenses	71,146
Current portion of note receivable	118,000

Total Current Assets 2,195,098**Noncurrent Assets**

Capital assets - net	16,455,041
Restricted cash and investments	720,454
Note receivable - net of current portion	2,008,000
Other assets	70

Total Noncurrent Assets 19,183,565**Deferred Outflows of Resources**

OPEB contributions and adjustments	2,588
Pension contributions and adjustments	118,226

Total Deferred Outflows of Resources 120,814**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 21,499,477*The accompanying notes are an integral part of these financial statements.*

Missoula Parking Commission (A Component Unit of the City of Missoula)**STATEMENT OF NET POSITION****(Continued)**

June 30, 2022

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND
NET POSITION****Current Liabilities**

Accounts payable	\$ 54,633
Accrued liabilities	112,268
Accrued bond interest	53,722
Advance from other governments	89,970
Current portion of compensated absences	34,633
Current portion of revenue bonds payable	295,000
Current portion of asset purchase agreement obligations	192,690

Total Current Liabilities

832,916

Long-term Liabilities

Net pension liability	362,867
Other postemployment benefits (OPEB) liability	87,143
Revenue bonds payable - less current portion	5,020,000
Asset purchase agreement obligations - less current portion	366,604

Total Long-term Liabilities

5,836,614

Total Liabilities

6,669,530

Deferred Inflows of Resources

Pension adjustments	149,628
OPEB adjustments	57,913
Gain on refunding of debt	83,400

Total Deferred Inflows of Resources

290,941

Total Net Position

Net investment in capital assets	10,497,347
Restricted for debt service	720,454
Unrestricted	3,321,205

Total Net Position

14,539,006

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND**NET POSITION**

\$ 21,499,477

The accompanying notes are an integral part of these financial statements.

Missoula Parking Commission (A Component Unit of the City of Missoula)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2022

Operating Revenues	
Parking revenues	\$ 2,614,196
Ticket revenues	289,773
Total Operating Revenues	2,903,969
Operating Expenses	
Personnel	713,766
Contract - City of Missoula	229,890
Depreciation and amortization	636,954
Repairs, maintenance and supplies	180,765
Other operating expenses	617,348
Total Operating Expenses	2,378,723
Operating Income	525,246
Nonoperating Revenue (Expense)	
Investment earnings	135,292
Bond interest	(239,160)
Total Nonoperating Revenue (Expense)	(103,868)
Change in Net Position	421,378
Net Position	
Beginning of Year	14,117,628
End of Year	\$ 14,539,006

The accompanying notes are an integral part of these financial statements.

Missoula Parking Commission (A Component Unit of the City of Missoula)**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 2,878,739
Cash payments to suppliers	(980,625)
Cash payments to employees	(768,354)

NET CASH FLOWS FROM OPERATING ACTIVITIES

1,129,760

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Revenue bond principal paid	(285,000)
Purchases of fixed assets	(202,794)
Proceeds from sale of fixed assets	2,857
Asset purchase agreement payments	(377,885)
Revenue bond interest	(247,937)

NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

(1,110,759)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments - net	510
Collections on note receivable	114,000
Investment earnings	135,292

NET CASH FLOWS FROM INVESTING ACTIVITIES

249,802

Net Change in Cash and Cash Equivalents

268,803

Cash and Cash Equivalents - Beginning of Year

1,540,177

Cash and Cash Equivalents - End of Year

\$ 1,808,980

The accompanying notes are an integral part of these financial statements.

Missoula Parking Commission (A Component Unit of the City of Missoula)**STATEMENT OF CASH FLOWS****(Continued)**

Year Ended June 30, 2022

**RECONCILIATION OF OPERATING INCOME
TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income	\$ 525,246
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	636,954
Changes in operating assets and liabilities:	
Other receivables	(25,230)
Prepaid expenses	39,569
Pension contributions and adjustments	(35,627)
OPEB contributions and adjustments	(11,540)
Advance from other governments	2,280
Accounts payable	6,357
Accrued liabilities	(8,249)

NET CASH FLOWS FROM OPERATING ACTIVITIES**\$ 1,129,760****SUPPLEMENTAL DISCLOSURE OF
NONCASH ACTIVITIES**

Change in net pension liability	\$ (196,207)
Change in OPEB liability	\$ (50,496)

The accompanying notes are an integral part of these financial statements.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

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 134 multi-space parking meters kiosks that are located both on-street and in various off-street lots throughout Missoula's downtown. The Commission also manages approximately 1,124 off-street leased parking spaces and 160 on-street leased parking spaces utilized mainly by downtown employees. The Commission also operates four parking structures (Central Park, Park Place, ROAM, 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 1074 on-street parking spaces (864 permitted spaces and 213 unpermitted spaces). For the year ended June 30, 2022, the approximate percentage of revenues from all sources was as follows:

Leased spaces	41%
Parking meters	42
Parking tickets	9
Other sources	3
<u>Parking structures</u>	<u>5</u>
<u>Total</u>	<u>100%</u>

For the year ended June 30, 2022, on-street hourly parking fees were based on an escalating rate structure as follows: .5 hour \$.50, 1 hour \$1.00, 2 hours \$2.00, 3 hours \$3.50, 4 hours \$5.50, 5 hours \$8.00, 6 hours \$11.00, 7 hours \$14.50, and 8 hours \$18.50. The short-term parking fees for the parking structures were as follows for the year ended June 30, 2022: in Park Place, Roam, and Central Park, first hour free and \$1.00/hr. for each subsequent hour. Bank Street, New Park, and East Front lots are \$1.00/hr. Lease rates range from \$35.00 to \$85.00 per month. The average lease rate for the lots and structures was \$57.81 per month.

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 Commission's financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of 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 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 Commission has adopted the provisions of GASB Statement No. 87. The objective of GASB No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This provision was applied retrospectively. There was no change in net position due to this adoption.

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 Annual Comprehensive Financial Report (ACFR).

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 debt service. The Commission generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Unrestricted Resources over which the governing board has discretionary control.

Cash, Investments and Investment Income The Commission's cash and investments are held by the City Treasurer and pooled with other City cash and investments. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro-rata basis. Authorized investments allowed by Section 7-6-206, 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 funds if the funds meet certain conditions. Investments held by the Commission are reported at fair value.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The Commission categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets (these investments are valued using prices in active markets); Level 2 inputs are significant other observable inputs (these investments are valued using matrix pricing); Level 3 inputs are significant unobservable inputs (these investments are valued using consensus pricing). Investments include certificates of deposit that are valued as Level 2 at amortized cost, which approximates fair value.

For purposes of the statement 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.

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.

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
Machinery, equipment and vehicles	5–15 years
Furniture, fixtures and computers	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.

Restricted Assets Restricted assets are assets set aside to meet externally imposed legal and contractual obligations. Restricted assets are used in accordance with their requirements. Where both restricted and unrestricted resources are available for use, restricted resources are used first, and then unrestricted resources as they are needed.

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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission's portion of underlying cash and investments of the City's investment pool, consists of the following:

June 30, 2022

Cash on hand	\$ 1,167
Demand deposits	2,528,267
Certificates of deposit	15,826
Total Cash and Cash Equivalents and Investments	2,545,260
Less: Restricted cash held for debt service reserves	(720,454)
Net Cash and Cash Equivalents and Investments	\$ 1,824,806

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 investments 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 ACFR. 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.

3. NOTE RECEIVABLE

In December 2010, Missoula Redevelopment Agency (MRA) agreed to fund \$3,000,000 of the Series 2010B bonds issued to construct the Park Place parking structure. These bonds were later refunded with the Series 2014 refunding bonds. MRA has committed to paying 40% of the principal and interest for the life of the bonds. Under the terms of the agreement, MRA will transfer \$133,425 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, 2022, the Commission has recorded a liability of \$89,970 which reflects the difference between MRA's transfer and the actual debt service amount.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The expected payments to maturity on the MRA note receivable are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 118,000	\$ 86,910	\$ 204,910
2024	122,000	83,370	205,370
2025	128,000	78,490	206,490
2026	130,000	73,370	203,370
2027	136,000	68,170	204,170
2028-2032	764,000	253,352	1,017,352
2033-2036	728,000	80,305	808,305
Totals	\$ 2,126,000	\$ 723,967	\$ 2,849,967

4. CAPITAL ASSETS

Changes in capital assets, are as follows:

	Balance July 1, 2021	Additions	Deletions	Reclassifications	Balance June 30, 2022
Capital Assets Not Being Depreciated					
Parking lots and land	\$ 3,587,760	\$ -	\$ -	\$ -	\$ 3,587,760
Total Capital Assets Not Being Depreciated					
	3,587,760	-	-	-	3,587,760
Capital Assets Being Depreciated					
Parking structures	15,847,670	-	(1,193)	-	15,846,477
Furniture, fixtures and computers	1,388,031	10,980	(244,289)	(1,062,779)	91,943
Machinery, equipment and vehicles	322,418	191,814	(37,608)	2,122,597	2,599,221
Parking lot improvements	2,265,473	-	(888)	(1,059,818)	1,204,767
Subtotals	19,823,592	202,794	(283,978)	-	19,742,408
Less: Accumulated depreciation and amortization	(6,519,294)	(636,954)	281,121	-	(6,875,127)
Total Capital Assets Being Depreciated - Net	13,304,298	(434,160)	(2,857)	-	12,867,281
Capital Assets - Net	\$ 16,892,058	\$ (434,160)	\$ (2,857)	\$ -	\$ 16,455,041

5. LONG-TERM LIABILITIES

Revenue Bonds – Direct Placement

Long-term debt at June 30, 2022 consists of:

\$7,160,000 Series 2014 refunding bonds, 2% to 4.35%, due in varying amounts to October 2035	\$ 5,315,000
Less: Current portion	(295,000)
Revenue Bonds Payable - Less Current Portion	\$ 5,020,000

Upon issuance of the bonds, the Commission recorded a gain on the refunding of debt of \$131,057 which is being amortized as a component of interest expense in accordance with GASB 65, Items Previously Reported as Assets and Liabilities.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The Commission's outstanding debt from the above direct placement contains a provision that in an event of default, outstanding amounts become immediately due. The bonds are secured by a pledge of operating revenues derived from the operations of the Commission's on-street and off-street parking facilities, after payment of all necessary operation and maintenance expenses and from service tax increment revenues received by the City of Missoula.

Debt service requirements to maturity on the bonds, are as follows:

Fiscal Year Ending		Principal	Interest	Total
June 30				
2023	\$ 295,000	\$ 217,275	\$ 512,275	
2024	305,000	208,425	513,425	
2025	320,000	196,225	516,225	
2026	325,000	183,425	508,425	
2027	340,000	170,425	510,425	
2028 - 2032	1,910,000	633,381	2,543,381	
2033 - 2036	1,820,000	200,763	2,020,763	
Totals	\$ 5,315,000	\$ 1,809,919	\$ 7,124,919	

Asset Purchase Agreement

In 2015, the Commission entered into an asset purchase agreement with First Security Bank to finance the purchase of parking meters. The agreement has a one-year term with seven annual, one-year renewal options exercisable by the Commission with an interest component of 2.25% and an ultimate term date of January 15, 2023. First Security Bank's interest in the meters will terminate upon the Commission's payment of \$1,400,000 in principal and interest on the agreement. As of June 30, 2022, the Commission has capitalized \$1,038,445 in meter costs with an associated accumulated depreciation balance of \$647,989.

Annual asset purchase agreement payment requirements, are as follows:

Fiscal Year Ending		Principal	Interest	Total
June 30				
2023	\$ 104,400	\$ 1,175	\$ 105,575	
Totals	\$ 104,400	\$ 1,175	\$ 105,575	

In 2018, the Commission entered into an asset purchase agreement with First Security Bank to finance the purchase of parking access and revenue control equipment, license plate recognition technology, and one electric scooter. The agreement has a one-year term with seven annual, one-year renewal options exercisable by the Commission with an interest component of 3.00% and an ultimate term date of June 30, 2025. First Security Bank's interest in the assets will terminate upon the Commission's payment of \$1,195,400 in principal and interest on the agreement. As of June 30, 2022, the Commission has capitalized \$1,092,786 in total assets related to this agreement with an associated accumulated depreciation balance of \$324,214.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Annual asset purchase agreement payment requirements, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 88,290	\$ 6,823	\$ 95,113
2024	180,573	9,654	190,227
2025	186,031	4,196	190,227
Totals	\$ 454,894	\$ 20,673	\$ 475,567

The changes in long-term liabilities, are as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Revenue bonds	\$ 5,600,000	\$ -	\$ 285,000	\$ 5,315,000	\$ 295,000
Asset purchase agreement obligations	937,179	-	377,885	559,294	192,690
Compensated absences	45,311	18,503	29,181	34,633	34,633
Totals	\$ 6,582,490	\$ 18,503	\$ 692,066	\$ 5,908,927	\$ 522,323

6. DESIGNATED NET POSITION

As of June 30, 2022, the Commission's board has designated \$3,127,105 of unrestricted net position for the acquisition of parking lots, facilities, and equipment, and \$194,100 of unrestricted net position for a maintenance reserve.

7. RELATED PARTY TRANSACTIONS

The Commission paid \$229,890 to the City of Missoula for the year ended June 30, 2022, for administrative services.

8. RETIREMENT PLAN

Summary of Significant Accounting Policies Montana Public Employee Retirement Administration (MPERA) prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability; deferred outflows of resources and deferred inflows of resources related to pensions; pension expense; the fiduciary net position; and additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due.

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Public Employees' Retirement System (PERS)

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System and school districts. Benefits are established by state law and can only be amended by Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Summary of Benefits

Eligibility for Benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.

Early Retirement

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Second Retirement (Requires Returning to PERS-Covered Employer or PERS Service)

1) Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- A refund or member's contributions plus return interest (currently 2.02% effective July 1, 2018);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- GABA starts on the recalculation benefit in January after receiving the new benefit for 12 months.

3) Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:

- The same retirement as prior to the return to service;
- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's Highest Average Compensation (HAC)

- Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Monthly Benefit Formula

1) Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

2) Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - (a) 1.5% for each year PERS is funded at or above 90%;
 - (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - (c) 0% whenever the amortization period for PERS is 40 years or more.

Contributions

The state legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employees who received special funding are all participating employees.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

Overview of Contributions

Member and employer contribution rates are shown in the table below.

Fiscal Year June 30	Member		State &				School Districts		
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Local Government		Employer	State	Employer	State
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%		
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%		
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%		
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%		
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%		
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%		
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%		
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%		
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%		
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%		
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%		
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%		
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%		

- Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

2. Employer contributions to the system:

- Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
- Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. Non Employer Contributions

a. Special Funding

- i. The State contributes 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a Statutory Appropriation from the General Fund of \$34,290,660.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll-forward procedures. The roll-forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll-forward procedure will include the effects of any assumption changes and legislative changes. The updated procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2021, and 2020, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The Commission recorded a liability of \$362,867 and the Commission's proportionate share was 0.02001 percent.

	Net Pension Liability as of 6/30/2021 Measurement Date	Net Pension Liability as of 6/30/2020 Measurement Date	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Commission Proportionate Share	\$ 362,867	\$ 559,074	0.02001%	0.02119%	-0.00118%
State of Montana Proportionate Share associated with Employer	107,068	176,255	0.00602%	0.00668%	-0.00066%
Totals	\$ 469,935	\$ 735,329	0.02603%	0.02787%	-0.00184%

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Changes in Actuarial Assumptions and Methods

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

- The discount rate was lowered from 7.34% to 7.06%.
- The investment rate of return was lowered from 7.34% to 7.06%.

Changes in Benefit Terms

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have a unique circumstance that will impact the employer's proportionate share of the collective net position. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense

At June 30, 2021, the Commission recognized \$19,450 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$33,342 for the state of Montana proportionate share of the pension expense associated with the Commission.

	Pension Expense as of 6/30/2021	Pension Expense as of 6/30/2020
	Measurement Date	Measurement Date
Commission's		
Proportionate Share of PERS	\$ 19,450	\$ 100,907
State of Montana Proportionate Share associated with the Commission	33,342	28,825
Totals	\$ 52,792	\$ 129,732

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Recognition of Deferred Inflows and Outflows

As of the June 30, 2021 measurement date, the Commission reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ 3,872	\$ 2,627
Changes in assumptions	53,747	-
Net difference between projected and actual earnings on pension plan investments		147,001
Changes in proportion differences between Commission contributions and proportionate share of contributions	20,034	-
Contributions paid to PERS subsequent to the measurement date	<u>40,573</u>	<u>-</u>
Total	<u>\$ 118,226</u>	<u>\$ 149,628</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the measurement year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2022	\$ 14,889
2023	(4,432)
2024	(35,505)
2025	(46,926)

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Actuarial Assumptions

The TPL as of June 30, 2021, was determined on the results of an actuarial valuation date of June 30, 2020, using the following assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases:

1. Guaranteed Annual Benefit Adjustment (GABA) each January
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - (a) 1.5% for each year PERS is funded at or above 90%;
 - (b) The 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%;
 - (c) 0% whenever the amortization period for PERS is 40 years or more.

Mortality

- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP-2000 Combined Mortality Tables with no projections.

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized on the following page.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.0%	-0.33%
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.0%	35.44%

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which established the contractually required rates under Montana Code Annotated. The state contributed 0.10% of salaries paid by local governments and 0.37% paid by school districts.

In addition, the State contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease <u>(6.06%)</u>	Current Discount Rate <u>(7.06%)</u>	1.0% Increase <u>(8.06%)</u>
Missoula Parking Commission's Net Pension Liability	<u>\$ 575,994</u>	<u>\$ 362,867</u>	<u>\$ 184,102</u>

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

PERS Disclosure for the Defined Contribution Plan

The Commission contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2021, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

Pension Plan Fiduciary Net Position

The standalone financial statements of the Montana Public Employees Retirement Board (PERB) ACFR and the GASB 68 Report disclose the Plan's fiduciary net position. The reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/about/annualreports1/annualreports>.

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's risk management practices. Information related to the City's risk management is available in its ACFR.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. POSTEMPLOYMENT BENEFITS

The Commission participates in the City'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 ACFR.

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 15 employees participating in the plan with no retirees or C.O.B.R.A. participants.

The Commission adopted the provisions of GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions," in fiscal year 2018. GASB 75 addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) that are provided to the employees of state and local governments, establishing standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses.

For defined benefit OPEB plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Information on the City's health benefits plan for retirees is included below.

The City's medical plan is a self-funded PPO plan. The table below presents a high-level summary of the medical benefits offered in the plan year beginning July 1, 2021, which was used for the June 30, 2022 valuation. Dental benefits are not provided for retirees.

Medical Deductible (Individual/Family)	\$750/\$2,250
Out-of-Pocket Maximum (Individual/Family)	\$3,170/\$6,350
Coinsurance (In Network/Out of Network)	30%/50%
Prescription Deductible	\$50
Prescription Copays (Tier 1/Tier 2/Tier 3)	10% (min \$5)/20% (min \$20)/50% (min \$35)
Prescription Out-of-Pocket Maximum	\$3,400/\$6,800

The retiree contributes a majority of the total active premium and the City contributes the remaining premium 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. Reserves maintained by the City are not considered assets of the post-employment benefits plan since they are not contributed to a trust that meets the criteria in GASB 75, paragraph 4.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The retiree and Commission contribution rates for the plan for fiscal year 2022 were used for the June 30, 2022 valuation, and are as follows.

Coverage	Retiree Contribution	Commission Contribution	Total Premium
Retiree	\$ 901.42	\$ 159.08	\$ 1,060.50
Retiree, spouse	1,060.43	159.08	1,219.51
Retiree, spouse, child	1,125.92	159.08	1,285.00
Retiree, child	962.42	159.08	1,121.50
Each additional child	61.00	-	61.00

The following table reports the changes to the OPEB liability for fiscal year 2022, as well as deferred inflows and outflows of resources and OPEB expense recognized.

Changes in OPEB Liability

OPEB Liability - Beginning Balance	\$ 137,639
Service cost	4,189
Interest	5,629
Difference between expected and actual experience	(15,211)
Changes in assumptions	(35,488)
Employer contributions	(9,615)
Net Change	(50,496)
OPEB Liability - Ending Balance	\$ 87,143

Deferred Inflows of Resources

Deferred Inflows of Resources, Beginning Balance	\$ (38,286)
Current year amortization of assumption changes	5,041
Changes in assumptions	(35,488)
Current year amortization of experience differences	10,820
Deferred Inflows of Resources, Ending Balance	\$ (57,913)

Deferred Outflows of Resources

Deferred Outflows of Resources, Beginning Balance	\$ 21,917
Difference between expected and actual experience	(15,211)
Current year amortization of assumption changes	(4,118)
Deferred Outflows of Resources, Ending Balance	\$ 2,588

OPEB Adjustment

OPEB Adjustment	\$ 39,809
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Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The Commission's total OPEB liability is \$87,143 as of June 30, 2022 and was determined by an actuarial valuation as of that date. The following assumptions and other inputs were used to calculate the total OPEB liability using the entry age normal cost method in the actuarial valuation.

Discount Rate	4.09% - S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2022
Payroll Growth	3.0%, Source: The City
General Inflation	3.0% per year
Participation Rate	40% of eligible employees are assumed to elect healthcare coverage in retirement
Admin Trend Rate	3%
 Mortality Rate	 Male and Female RP-2000 Combined Employee and Annuitant Mortality Tables, projected to 2020 using scale BB, males set back 1 year

Medical Trend Rate	Effective July 1	Trend Rate
	2022	6.02%
	2023	5.83%
	2024	5.63%
	2025	5.44%
	2026	5.25%
	2027	5.06%
	2028	4.86%
	2029+	4.67%

Cost Sharing Projections related to the sharing of benefit-related costs are based on an established pattern of practice with the City of Missoula contributing 19% of retiree premiums.

The table below shows the assumption changes from the beginning balance at June 30, 2021 and their impact on the OPEB liability at June 30, 2022.

<u>Changes of Assumptions</u>	<u>Description of Change</u>	<u>Impact on Liability</u>
Discount Rate	Increased from 2.18% to 4.09%	\$ (31,584)
Spouse Participation Rate	Percent of retirees covering spouses increased from 65% to 73%	7,098
Medical Trend	Updated to current industry source Increased from 2.875% to 3.0%	(11,001)
Salary Trend		(355)

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The following tables disclose the sensitivity of the total OPEB liability to changes in the discount rate and the medical trend rate, showing how the total OPEB liability would change if the rates used were increased or decreased by 1%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB Liability	<u>\$ 104,402</u>	<u>\$ 87,143</u>	<u>\$ 73,894</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

	1% Decrease (5.02%)	Trend Rate (6.02%)	1% Increase (7.02%)
Total OPEB Liability	<u>\$ 72,339</u>	<u>\$ 87,143</u>	<u>\$ 106,579</u>

Changes in the total OPEB liability due to changes in actuarial assumptions and differences between expected actuarial experience and actual experience are deferred and recognized in the OPEB expense over a closed period equal to the average expected remaining service lives of employees and retirees, starting with the current reporting period. The average remaining service lives as of June 30, 2020 was 6.89 years. Amounts reported as deferred inflows and outflows of resources will be recognized in OPEB expense as follows.

<u>Year</u>	<u>Actual to Expected Experience (Inflow)</u>	<u>Changes In Assumptions (Outflow)</u>	<u>Combined</u>
2022	\$ (2,161)	\$ (5,041)	\$ (7,202)
2023	(2,161)	(5,041)	(7,202)
2024	(2,161)	(5,041)	(7,202)
2025	(2,161)	(5,041)	(7,202)
2026	(2,161)	(5,041)	(7,202)
2027	(2,161)	(5,041)	(7,202)
2028	(2,161)	(5,041)	(7,202)
2029	(86)	(202)	(288)
Total	\$ (15,211)	\$ (35,488)	\$ (50,699)

The City of Missoula allocated the annual retired contributions and the liability to the component units based on the number of active participants in the plan as of June 30, 2022.

The schedule of changes in the total OPEB liability, presented as required supplementary information following the notes to the financial statements, presents a multi-year schedule of changes in the total OPEB.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION**

Missoula Parking Commission (A Component Unit of the City of Missoula)

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS FOR THE LAST TEN FISCAL YEARS

June 30	As of reporting date				
	2022	2021	2020	2019	2018
OPEB Liability - Beginning Balance	\$ 137,639	\$ 104,139	\$ 150,731	\$ 145,153	\$ 75,273
Restatement - change in accounting principle	-	-	-	-	63,029
Restated - Beginning Balance	137,639	104,139	150,731	145,153	138,302
Service cost	4,189	7,692	5,786	8,394	8,528
Interest	5,629	2,270	2,618	4,877	4,771
Deferred inflows - difference between expected and actual experience	(15,211)	15,480	(64,623)	(7,099)	(3,583)
Deferred outflow - changes in assumptions	(35,488)	12,704	13,355	2,501	77
Employer contributions	(9,615)	(4,646)	(3,728)	(3,095)	(2,942)
Net Change	(50,496)	33,500	(46,592)	5,578	6,851
Ending Balance	\$ 87,143	\$ 137,639	\$ 104,139	\$ 150,731	\$ 145,153
Covered Payroll	471,663	575,862	559,769	490,255	476,554
Total Other Post-Employment Benefits Liability as a Percentage of Covered Payroll	18.5%	23.9%	18.6%	30.7%	30.5%

*The amounts presented above for each fiscal year were determined as of June 30th. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule:

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

June 30 Key Assumptions:	As of reporting date				
	2022	2021	2020	2019	2018
Discount Rate	4.09%	2.18%	2.66%	3.36%	3.45%
Medical Trend Rate	6.02%	6.40%	6.40%	6.20%	6.20%

Missoula Parking Commission (A Component Unit of the City of Missoula)

SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS

June 30	As of measurement date							
	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability as a percentage	0.020012%	0.021191%	0.019806%	0.023711%	0.030111%	0.030180%	0.032060%	0.031700%
Employer's proportionate share of the net pension liability as an amount	\$ 362,867	\$ 559,074	\$ 414,006	\$ 494,875	\$ 586,442	\$ 514,131	\$ 448,100	\$ 394,296
State of Montana's proportionate share of the net pension liability associated with the Employer	107,068	176,255	134,874	165,870	7,946	6,282	5,505	4,820
Totals	\$ 469,935	\$ 735,329	\$ 548,880	\$ 660,745	\$ 594,388	\$ 520,413	\$ 453,605	\$ 399,116
Employer's Pensionable Payroll	\$ 352,962	\$ 355,555	\$ 326,794	\$ 389,948	\$ 373,519	\$ 396,046	\$ 358,594	\$ 399,531
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Pensionable Payroll	102.806%	157.240%	126.687%	126.908%	157.005%	129.816%	124.960%	98.690%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.70%	78.40%	79.90%

*The amounts presented for each fiscal year were determined as of June 30.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Missoula Parking Commission (A Component Unit of the City of Missoula)

SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS

June 30	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 31,326	\$ 31,151	\$ 28,107	\$ 33,027	\$ 31,264	\$ 33,149	\$ 33,507	\$ 33,092
Contributions in relation to the contractually required contributions	31,326	31,151	28,107	33,027	31,264	33,149	33,507	33,092
Contribution Deficiency (Excess)	\$ -							
Employer's Covered-Employee Payroll	\$ 352,962	\$ 355,555	\$ 326,794	\$ 389,948	\$ 373,519	\$ 396,046	\$ 379,605	\$ 358,594
Contributions of Covered-Employee Payroll	8.88%	8.76%	8.60%	8.47%	8.37%	8.37%	8.83%	9.23%

*The amounts presented for each fiscal year were determined as of June 30.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2017:

Working Retiree Limitation – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be EPRS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive on lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-Sum Payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who become disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Missoula Parking Commission (A Component Unit of the City of Missoula)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin expenses as % of payroll	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

SUPPLEMENTARY INFORMATION SECTION

Missoula Parking Commission (A Component Unit of the City of Missoula)**SCHEDULE OF COVERAGE – SERIES 2014 BONDS**

June 30, 2022

Revenues

Total operating revenue	\$ 2,903,969
Missoula Redevelopment Agency pledge	266,850

Total Revenues Pledged	3,170,819
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Expenses

Operating expenses	(2,378,723)
Add back depreciation and amortization	636,954
Add back administrative charges	229,890

Net Operating Expenses	(1,511,879)
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Revenues Available for Debt Service	\$ 1,658,940
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Debt Service

Principal	\$ 285,000
Interest	228,675

Total Debt Service	\$ 513,675
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Total Coverage	323%
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INDEPENDENT AUDITORS' 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

To the 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), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 27, 2023.

Report on 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) as a basis for designing 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2022-01 that we consider to be a significant deficiency.

INDEPENDENT AUDITORS' 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

(Continued)

Report on 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 financial statements. 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*.

Missoula Parking Commission's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

KCee Isom, LLP

March 27, 2023
Missoula, Montana

Missoula Parking Commission (A Component Unit of the City of Missoula)

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2022

Finding #2022-001: Material Misstatements

Condition: Several adjusting entries were proposed as a result of our audit procedures to adjust ending balances to underlying supporting documentation.

Criteria: When adjustments are proposed as a result of audit procedures, the qualitative and quantitative impacts on the financial statements may indicate deficiencies in internal control over financial reporting.

Cause: The City of Missoula Finance Department and the Commission's contracted accountant lack a formal financial close process that ensures all ending balances at the reporting date are complete, accurate, and tie to supporting documents.

Effect: Audit adjustments were proposed to correct, prepaid expenses, accounts receivable, pension expense and deferred outflows.

Recommendation: We recommend management ensure the City of Missoula Finance Department and the contracted accountant have adequate financial close procedures to ensure the Commission's financial records are complete and accurate.

Client response and

Corrective actions:

During the FY22 audit, we discovered a reporting issue in T2 Flex (Parking Management System). In October 2021, the standard reporting procedure for leased billing data changed in the T2 Flex system, causing the Commission to overstate lease parking revenue in the Central Park structure and understate revenues in Park Place, Riverside, and Woody Lots.

Historically, the Commission has used the "**Monthly Lease Statement by Date**" report found in the T2 suite of reports to compile our billing data. This report pulls and compiles lease billing data by location. Due to operational procedures, the Commission assigns two valid locations for all permits valid in Central Park. The first location is the main "Central Park" location. Since Central Park is split into four distinct areas, a separate sublocation is added, denoting this location. These sublocations are named "Central Park 1, Central Park 2, Central Park 3, and Central Park Palace". When reporting the statement data, the main location and sublocations were included in the final total for Central Park billing data. Because this report pulls billing data by location, we found a few more inaccurate locations. In Park Place, Riverside, and Woody lots, we found permits that were not assigned a valid location at the time of permit creation. This led to understating billing data for these areas.

Missoula Parking Commission (A Component Unit of the City of Missoula)

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

June 30, 2022

Upon hearing of the reporting issue, the Commission investigated the issue. Within T2 Flex, there was another report titled "**Monthly Lease Statement - Excel.**" This report is much more detailed, providing the customer's name, lease area, statement date, and amount. Because location is not a report category, this report pulls billing data from accounts instead of the location. We then used this data to compile all permit billing amounts by account and assigned them to their proper location for location-based reporting. We were able to use the billing data from this report cross-reference the data from the "Monthly Lease Statement by Date" report to determine the timing of the reporting issue, dating back to October 2021. The Commission went through each permit in the areas with variances and added the valid location for those permits that did not have one assigned.

Moving forward, the Commission will run both reports periodically throughout the month to ensure that a valid location is assigned at the time of permit creation. If there are variances between both reports, the Commission runs reports for recently issued permits during the month and manually checks each permit to ensure a location is set. At the end of the month, the Commission will run both reports, the "**Monthly Lease Statement by Date**" and "**Monthly Lease Statement-Excel**" and cross-reference the billing amounts in both reports. Once this check has been done by the Commission staff, we will send both reports to City of Missoula Finance for entry.

In FY22, the Commission renewed an expiring subscription and warranty service for T2 services and products including mobile enforcement, core Flex, Flexport, PARC, Credit Card Solutions and Processing, and License Plate Recognition subscriptions, services, and maintenance.

Now fully understanding the requirements, we will communicate to City of Missoula Finance, and will doublecheck and ensure that all warranties and subscriptions are accounted for before year-end.