

Missoula Parking Commission

(A Component Unit of the City of Missoula)

Missoula, Montana

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

June 30, 2023



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

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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>
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
Tiffany Brander	Home Manager	April 30, 2027
JR Casillas	DM&L, P.C.	April 30, 2027

Director

Ian Ortlieb



INDEPENDENT AUDITORS' REPORT

To the 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, 2023, and the related notes to the financial statements, which collectively comprise the 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 Commission, as of June 30, 2023, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 GAAP 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 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 auditors' 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 GAAS 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 GAAS 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 the 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 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

GAAP requires 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 38, the schedule of proportionate share of PERS net pension liability for the last ten fiscal years on page 39, and the schedule of PERS contributions for the last ten fiscal years on page 40 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 GAAS, 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 the Commission's basic financial statements. The accompanying schedule of coverage for the Series 2014 bonds on page 44 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 GAAS. 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 28, 2024, on our consideration of the 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 the Commission's internal control over financial reporting and compliance.

KCee Thom, LLP

March 28, 2024
Missoula, Montana

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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, 2023 and 2022. It should be read in conjunction with the Commission's financial statements, which begin on page 11.

FINANCIAL REPORTING

The Commission has issued a complete set of financial statements for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America (GAAP). 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, 2023

(Continued)

CONDENSED FINANCIAL INFORMATION

The following tables summarize financial condition and operating results:

June 30	2023	2022	Change
Current assets	\$ 2,694,417	\$ 2,195,098	\$ 499,319
Capital assets - net	15,895,281	16,455,041	(559,760)
Other assets	2,606,524	2,728,524	(122,000)
Total Assets	21,196,222	21,378,663	(182,441)
Deferred outflows of resources	112,750	120,814	(8,064)
Total Assets and Deferred Outflows of Resources	\$ 21,308,972	\$ 21,499,477	\$ (190,505)
Current liabilities	\$ 781,935	\$ 832,916	\$ (50,981)
Long-term liabilities	5,480,769	5,836,614	(355,845)
Total Liabilities	6,262,704	6,669,530	(406,826)
Deferred Inflows of Resources	154,250	290,941	(136,691)
Net Position			
Net investment in capital assets	10,520,848	10,497,347	23,501
Restricted for debt service	720,454	720,454	-
Unrestricted	3,650,716	3,321,205	329,511
Total Net Position	14,892,018	14,539,006	353,012
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 21,308,972	\$ 21,499,477	\$ (190,505)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

(Continued)

Years Ended June 30	2023	2022	Change
Operating Revenues			
Parking and ticket revenues	\$ 3,080,755	\$ 2,903,969	\$ 176,786
Operating Expenses			
Personnel	830,911	713,766	117,145
Contract - City of Missoula	236,440	229,890	6,550
Depreciation and amortization	648,856	636,954	11,902
Repairs, maintenance, and supplies	170,234	180,765	(10,531)
Other operating expenses	739,812	617,348	122,464
Total Operating Expenses	2,626,253	2,378,723	247,530
Operating Income	454,502	525,246	(70,744)
Net Nonoperating Expense	(101,490)	(103,868)	2,378
Change in Net Position	353,012	421,378	(68,366)
Net Position - Beginning of Year	14,539,006	14,117,628	421,378
Net Position - End of Year	\$ 14,892,018	\$ 14,539,006	\$ 353,012

DISCUSSION OF FINANCIAL RESULTS

Fiscal Year 2023 (FY23) was a year of operational improvements and increased data collection. The Commission continued to see revenues increase over the previous fiscal year and a continued sense of post-COVID stability. We continue to operate to ensure public safety and financial security while meeting the needs of our parkers within our jurisdiction.

In reviewing the financial highlights from an operational perspective, the overall operating revenue of \$3,080,755 and operating expenses of \$2,626,253 resulted in a net operating income of \$454,502, a \$70,744 decrease from Fiscal Year (FY22). However, at the year-end, the net position of \$14,892,018, was a \$353,012 increase from FY22.

Short-term parking revenue increased by \$119,665 compared to FY22. The increase in revenue can be attributed to a rise in visitors to the downtown area and a post-pandemic return to normalcy.

Long-term parking revenue was up by approximately \$2,959 from FY22. We continue to use utilization data from our leased lots to make operational adjustments to current oversell rates in our leased lots. The Commission also continues to increase 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 operation have increased our efficiency and, in turn, increased revenues in this category.

Parking fine revenue also increased from FY22, with the Commission realizing an increase of \$41,645. With the increase in fine revenue, the Commission also issued more tickets compared to FY22. With a total of 44,501 tickets issued, we were up by 5,814 tickets from FY22. In FY23, approximately 41.00% of all tickets issued were first meter and first overtime tickets, carrying a \$0.00 fine.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

(Continued)

General operating expenses of \$2,626,253 in FY23 increased by \$247,530 from FY22. Personnel expenses were up \$117,145 from FY22. In FY23, the Commission saw increased expenses in the following categories: Personnel, Contract with the City of Missoula, Depreciation and Amortization, and Other Operating Expenses. The Commission saw decreased expenses in the Repair and Maintenance category.

The Commission will begin the second half of FY24 with a transition in our Parking Services Director position. After the resignation of Ian Ortlieb in October of 2023, a recruitment was completed, and Jodi Pilgrim was selected by the hiring panel to fill the role of Parking Services Director. Ms. Pilgrim will begin directing the Commission on January 2, 2024, with her sights set on beginning implementation of the Commission's Expansion and Optimization Plan.

Jodi Pilgrim
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, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and cash equivalents	\$ 2,267,906
Investments	13,273
Other receivables	221,031
Prepaid expenses	70,207
Current portion of note receivable	122,000
Total Current Assets	2,694,417

Noncurrent Assets

Capital assets - net	15,895,281
Restricted cash and investments	720,454
Note receivable - net of current portion	1,886,000
Other assets	70
Total Noncurrent Assets	18,501,805

Deferred Outflows of Resources

OPEB contributions and adjustments	1,709
Pension contributions and adjustments	111,041
Total Deferred Outflows of Resources	112,750

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,308,972
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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, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities

Accounts payable	\$ 52,173
Accrued liabilities	156,529
Accrued bond interest	51,534
Advance from other governments	91,740
Current portion of compensated absences	34,000
Current portion of revenue bonds payable	305,000
Current portion of asset purchase agreement obligations	90,959

Total Current Liabilities 781,935

Long-Term Liabilities

Net pension liability	467,607
Other postemployment benefits (OPEB) liability	87,781
Compensated absences - less current portion	24,350
Revenue bonds payable - less current portion	4,715,000
Asset purchase agreement obligations - less current portion	186,031

Total Long-Term Liabilities 5,480,769

Total Liabilities 6,262,704

Deferred Inflows of Resources

Pension adjustments	34,233
OPEB adjustments	42,574
Gain on refunding of debt	77,443

Total Deferred Inflows of Resources 154,250

Net Position

Net investment in capital assets	10,520,848
Restricted for debt service	720,454
Unrestricted	3,650,716

Total Net Position 14,892,018

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND

NET POSITION \$ 21,308,972

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, 2023

Operating Revenues	
Parking revenues	\$ 2,742,108
Ticket revenues	338,647
Total Operating Revenues	3,080,755
Operating Expenses	
Personnel	830,911
Contract - City of Missoula	236,440
Depreciation and amortization	648,856
Repairs, maintenance, and supplies	170,234
Other operating expenses	739,812
Total Operating Expenses	2,626,253
Operating Income	
	454,502
Nonoperating Revenue (Expense)	
Investment earnings	116,402
Bond interest	(217,892)
Total Nonoperating Expense	(101,490)
Change in Net Position	
Net Position - Beginning of Year	14,539,006
Net Position - End of Year	\$ 14,892,018

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 3,040,870
Cash payments to suppliers	(1,077,626)
Cash payments to employees	(848,836)

NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

1,114,408

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Revenue bond principal paid	(295,000)
Purchases of capital assets	(89,096)
Asset purchase agreement payments	(282,304)
Revenue bond interest	(226,037)

NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES

(892,437)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments - net	2,553
Collections on note receivable	118,000
Investment earnings	116,402

NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES

236,955

Net Change in Cash and Cash Equivalents

458,926

Cash and Cash Equivalents - Beginning of Year

1,808,980

Cash and Cash Equivalents - End of Year

\$ 2,267,906

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, 2023**

RECONCILIATION OF OPERATING INCOME**TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$	454,502
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization		648,856
Changes in:		
Other receivables		(39,885)
Prepaid expenses		939
Pension contributions and adjustments		(3,470)
OPEB contributions and adjustments		(13,822)
Advance from other governments		1,770
Accounts payable		(2,460)
Accrued liabilities		67,978
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$	1,114,408

SUPPLEMENTAL DISCLOSURES OF**NONCASH ACTIVITIES**

Change in net pension liability	\$	104,740
Change in OPEB liability	\$	638

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 1,074 on-street parking spaces (864 permitted spaces and 213 unpermitted spaces). The approximate percentage of revenues from all sources was as follows:

June 30, 2023	
Leased spaces	37%
Parking meters	44%
Parking tickets	10%
Other sources	3%
Parking structures	6%
Total	100%

For the year ended June 30, 2023, 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, 2023: 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 the following GASB pronouncements for fiscal year 2023.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," effective for the Commission's fiscal year beginning July 1, 2022. The statement addresses issues related to public-private and public-public partnerships (PPP) arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The adoption of this statement did not have a material effect on the Commission's financial statements.

In June 2020, the GASB issued statement No. 96, "Subscription-Based Information Technology Arrangements," effective for the Commission's fiscal year beginning July 1, 2022. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The adoption of this statement did not have a material effect on the Commission's 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash and Cash Equivalents, 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.

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 25.00% of accumulated sick leave. Compensated absences to be funded from future resources are reflected in accrued expenses to the extent they are vested.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 Post-Employment Benefits The Commission recognizes and reports its post-employment health care benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*.

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, 2023		
Cash on hand	\$	987
Demand deposits		2,987,373
Certificates of deposit		13,273
Total Cash and Cash Equivalents and Investments		3,001,633
Restricted cash held for debt service reserves		(720,454)
Net Cash and Cash Equivalents and Investments	\$	2,281,179

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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 40.00% 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, 2023, the Commission has recorded a liability of \$91,740 which reflects the difference between MRA's transfer and the actual debt service amount.

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

Years Ending June 30	Principal	Interest	Total
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	142,000	62,730	204,730
2029-2033	794,000	221,946	1,015,946
Thereafter	556,000	24,796	580,796
Totals	\$ 2,008,000	\$ 612,872	\$ 2,620,872

4. CAPITAL ASSETS

Changes in capital assets, are as follows:

	Balances July 1, 2022	Additions	Deletions	Reclassifications	Balances June 30, 2023
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	15,846,477	-	-	-	15,846,477
Furniture, fixtures, and computers	91,943	-	-	(66,195)	25,748
Machinery, equipment, and vehicles	2,599,220	89,096	-	66,195	2,754,511
Parking lot improvements	1,204,767	-	-	-	1,204,767
Subtotals	19,742,407	89,096	-	-	19,831,503
Accumulated depreciation and amortization	(6,875,126)	(648,856)	-	-	(7,523,982)
Total Capital Assets Being Depreciated - Net	12,867,281	(559,760)	-	-	12,307,521
Capital Assets - Net	\$ 16,455,041	\$ (559,760)	\$ -	\$ -	\$ 15,895,281

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES

Revenue Bonds – Direct Placement

Long-term debt consists of:

June 30, 2023

\$7,160,000 Series 2014 refunding bonds, 2.00% to 4.35%, due in varying amounts in October 2035.	\$ 5,020,000
Current portion	(305,000)
Revenue Bonds Payable - Less Current Portion	\$ 4,715,000

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*.

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:

Years Ending June 30	Principal	Interest	Total
2024	\$ 305,000	\$ 202,325	\$ 507,325
2025	320,000	189,825	509,825
2026	325,000	176,925	501,925
2027	340,000	163,625	503,625
2028	355,000	149,503	504,503
2029 - 2033	1,985,000	514,008	2,499,008
2034 - 2037	1,390,000	92,220	1,482,220
Totals	\$ 5,020,000	\$ 1,488,431	\$ 6,508,431

Asset Purchase Agreement Obligations

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, 2023, the Commission has capitalized \$1,038,445 in meter costs with an associated accumulated depreciation balance of \$778,834. As of June 30, 2023, the asset purchase agreement was paid-in-full and ownership of the meters was transferred to the Commission.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2023, the Commission has capitalized \$1,092,786 in total assets related to this agreement with an associated accumulated depreciation balance of \$405,268.

Annual asset purchase agreement payment requirements, are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 90,959	\$ 4,155	\$ 95,114
2025	186,031	4,196	190,227
Totals	\$ 276,990	\$ 8,351	\$ 285,341

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

	Balances July 1, 2022	Additions	Reductions	Balances June 30, 2023	Due Within One Year
Revenue bonds	\$ 5,315,000	\$ -	\$ 295,000	\$ 5,020,000	\$ 305,000
Asset purchase agreement obligations	559,294	-	282,304	276,990	90,959
Compensated absences	34,633	30,319	6,602	58,350	34,000
Totals	\$ 5,908,927	\$ 30,319	\$ 583,906	\$ 5,355,340	\$ 429,959

6. DESIGNATED NET POSITION

As of June 30, 2023, 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 \$236,440 to the City of Missoula for the year ended June 30, 2023, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 GAAPs. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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 – 110.00% 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: 2.00% of HAC per year of service credit.

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

- Less than 10 years of membership service: 1.50% 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: 2.00% 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.

- 3.00% for members hired prior to July 1, 2007
- 1.50% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - (a) 1.50% for each year PERS is funded at or above 90.00%;
 - (b) 1.50% is reduced by 0.10% for each 2.00% PERS is funded below 90.00%; and
 - (c) 0.00% 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 nonemployer 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 & Universities			Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State	Employer	State
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%		
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 7.90% are temporary and will be decreased to 6.90% 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 0.10% 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. Nonemployer Contributions

a. Special Funding

- i. The State contributes 0.10% 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 \$34,633,570.

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. The basis for the Total Pension Liability (TPL) as of June 30, 2022, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2022.

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, 2022, and 2021, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and nonemployer 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 \$467,607 and the Commission's proportionate share was 0.01967%.

	Net Pension Liability as of 6/30/2022 Measurement Date	Net Pension Liability as of 6/30/2021 Measurement Date	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Commission					
Proportionate Share	\$ 467,607	\$ 362,867	0.01967%	0.02001%	-0.00035%
State of Montana					
Proportionate Share associated with Employer	139,970	107,068	0.00527%	0.00591%	-0.00063%
Totals	\$ 607,577	\$ 469,935	0.02494%	0.02592%	-0.00098%

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 increased from 7.06% to 7.30%.
- The investment rate of return was increased from 7.06% to 7.30%.
- Updated all mortality tables to the PUB2010 tables for general employees.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- Updated the rates of withdrawal, retirement, and disability.
- Lowered the payroll growth assumption from 3.50% to 3.25%.
- The inflation rate was increased from 2.40% to 2.75%.

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 to the Plan 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, 2022, the Commission recognized \$34,522 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$14,508 for the state of Montana proportionate share of the pension expense associated with the Commission.

	Pension Expense as of 6/30/2022	Pension Expense as of 6/30/2021
	Measurement Date	Measurement Date
Commission's Proportionate Share of PERS	\$ 34,522	\$ 19,450
State of Montana Proportionate Share associated with the Commission	14,508	33,342
Totals	\$ 49,030	\$ 52,792

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

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Recognition of Deferred Inflows and Outflows

As of the June 30, 2022, the Commission reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

June 30, 2022	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between actual and expected experience	\$ 5,961	\$ -
Changes in assumptions	17,426	34,233
Net difference between projected and actual earnings on pension plan investments	13,743	-
Changes in proportion differences between Commission contributions and proportionate share of contributions	33,383	-
Contributions paid to PERS subsequent to the measurement date	40,528	-
Totals	\$ 111,041	\$ 34,233

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

Years Ending June 30	
2023	\$ 24,865
2024	\$ (5,052)
2025	\$ (14,822)
2026	\$ 31,289
Thereafter	\$ -

Actuarial Assumptions

The TPL as of June 30, 2022, was determined on the results of an actuarial valuation date of June 30, 2022, using the following assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0.00% to 4.80%
- Post-retirement 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- 3.00% for members hired prior to July 1, 2007
- 1.50% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - (a) 1.50% for each year PERS is funded at or above 90.00%;
 - (b) The 1.50% is reduced by 0.10% for each 2.00% PERS is funded below 90.00%;
 - (c) 0.00% whenever the amortization period for PERS is 40 years or more.

Mortality

- Mortality assumptions among active participants were based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among disabled members were based on PUB-2010 General Amount Weighted Disables Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors were based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Mortality assumptions for healthy retirees were based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104.00% for males and 103.00% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2022, valuation were developed in the five-year experience study for the period ending 2021.

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer 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.

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

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(Continued)

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in underlying inflation assumptions, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class or the most recent experience studies are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Totals	100.00%	

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 7.30%, 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.

	1.00% Decrease (6.30%)	Current Discount Rate (7.30%)	1.00% Increase (8.30%)
Missoula Parking Commission's Net Pension Liability	\$ 674,076	\$ 467,607	\$ 294,380

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

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(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. Nonvested 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, 2022, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level nonvested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled \$1,681,603.

Pension Plan Fiduciary Net Position

The standalone financial statements of the Montana Public Employees Retirement Board (PERB) Annual Comprehensive Final Report (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

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10. OTHER POST-EMPLOYMENT BENEFITS

The Commission adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, in fiscal year 2018. GASB 75 addresses accounting and financial reporting for post-employment 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 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. The plan provides medical insurance for retirees with the retiree paying a premium for this benefit. Contribution rates are established 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 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 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 January 1, 2023, which was used for the June 30, 2023 valuation. Dental benefits were added January 1, 2023, 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 85.00% of the total active premium, excluding life insurance coverage, and the City contributes the remaining 15.00% 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 beginning January 1, 2023 were used for the June 30, 2023 valuation, and are as follows:

Coverage	Retiree Contribution	Commission Contribution	Total Premium
Retiree	\$ 1,044.24	\$ 184.28	\$ 1,228.52
Retiree, spouse	\$ 1,211.54	\$ 184.28	\$ 1,395.82
Retiree, spouse, child	\$ 1,280.44	\$ 184.28	\$ 1,464.72
Retiree, child	\$ 1,113.14	\$ 184.28	\$ 1,297.42
Each additional child	\$ 68.90	\$ -	\$ 68.90

The following table reports the changes to the OPEB liability for fiscal year 2023, as well as deferred inflows and outflows of resources and OPEB expense recognized.

Changes in OPEB Liability

OPEB Liability - Beginning Balance	\$	87,143
Service cost		4,049
Interest		3,599
Difference between expected and actual experience		3,758
Changes in assumptions		(606)
Employer contributions		(10,162)
Net Change		638
OPEB Liability - Ending Balance	\$	87,781

Deferred Inflows of Resources

Deferred Inflows of Resources - Beginning Balance	\$	(57,913)
Current year amortization of assumption changes		5,125
Changes in assumptions		(606)
Current year amortization of experience differences		10,820
Deferred Inflows of Resources - Ending Balance	\$	(42,574)

Deferred Outflows of Resources

Deferred Outflows of Resources - Beginning Balance	\$	2,588
Difference between expected and actual experience		3,758
Current year amortization of experience differences		(519)
Current year amortization of assumption changes		(4,118)
Deferred Outflows of Resources - Ending Balance	\$	1,709
OPEB Adjustment	\$	(3,617)

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The Commission's total OPEB liability is \$87,781 as of June 30, 2023, 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	4.13% - S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2023.
Payroll Growth	3.00%, Source: The City
Medical Trend	5.83%
General Inflation	3.00% per year
Participation Rate	40.00% 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, from PERS Actuarial Valuation 6/30/2021.

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 15.00% of retiree premiums.

The table below shows the assumption changes and their impact on the liability.

<u>Changes of Assumptions</u>	<u>Description of Change</u>	<u>Impact on Liability</u>
Discount Rate	Increased from 4.09% to 4.13%	\$(606)

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 1.00%.

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

	1.00% Decrease (3.13%)	Discount Rate (4.13%)	1.00% Increase (5.13%)
Total OPEB Liability	\$ 104,874	\$ 87,781	\$ 74,368

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

	1.00% Decrease (4.83%)	Trend Rate (5.83%)	1.00% Increase (6.83%)
Total OPEB Liability	\$ 72,664	\$ 87,781	\$ 107,670

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, 2023, was 7.24 years.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Amounts reported as deferred inflows and outflows of resources will be recognized in OPEB expense, as follows:

Years Ending June 30	As of Measurement Date			
	Changes			
	Actual to Expected Experience (Inflow)	In Assumptions (Outflows)	Combined	
2023	\$ (84)	\$ 519	\$	435
2024	(84)	519		435
2025	(84)	519		435
2026	(84)	519		435
2027	(84)	519		435
2028	(84)	519		435
2029	(84)	519		435
2030	(18)	125		107
Totals	\$ (606)	\$ 3,758	\$	3,152

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, 2023.

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.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2024, the date which the financial statements were available for issue.

In August 2023, the Commission determined that repairs were necessary for the Bank Street parking structure. The Commission engaged an engineering firm to complete an assessment of the structure's condition and to provide an estimate for repair of the failed area. The engineering firm provided a report with various repair options in November 2023. Estimated costs range from \$700,000 (immediate repair with no additional fixes) to \$6 million (complete demolition of the existing structure and complete rebuild). In February 2024, the Board approved a 20-year repair and a rebuild design.

**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	
	2023	2022	2021	2020	2019	2018		
OPEB Liability - Beginning Balances	\$ 87,143	\$ 137,639	\$ 104,139	\$ 150,731	\$ 145,153	\$ 75,273		
Restatement - change in accounting principle	-	-	-	-	-	63,029		
Restated - Beginning Balances	87,143	137,639	104,139	150,731	145,153	138,302		
Service cost	4,049	4,189	7,692	5,786	8,394	8,528		
Interest	3,599	5,629	2,270	2,618	4,877	4,771		
Deferred inflows - difference between expected and actual experience	3,758	(15,211)	15,480	(64,623)	(7,099)	(3,583)		
Deferred outflows - changes in assumptions	(606)	(35,488)	12,704	13,355	2,501	77		
Employer contributions	(10,162)	(9,615)	(4,646)	(3,728)	(3,095)	(2,942)		
Net Change	638	(50,496)	33,500	(46,592)	5,578	6,851		
Ending Balances	\$ 87,781	\$ 87,143	\$ 137,639	\$ 104,139	\$ 150,731	\$ 145,153		
Covered Payroll	\$ 485,813	\$ 471,663	\$ 575,862	\$ 559,769	\$ 490,255	\$ 476,554		
Total Other Post-Employment Benefits Liability as a Percentage of Covered Payroll	18.1%	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	
	2023	2022	2021	2020	2019	2018		
Discount rate	4.13%	4.09%	2.18%	2.66%	3.36%	3.45%		
Medical trend rate	5.83%	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Employer's proportion of the net pension liability as a percentage	0.019665%	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	\$ 467,607	\$ 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	139,970	107,068	176,255	134,874	165,870	7,946	6,282	5,505	4,820	
Totals	\$ 607,577	\$ 469,935	\$ 735,329	\$ 548,880	\$ 660,745	\$ 594,388	\$ 520,413	\$ 453,605	\$ 399,116	
Employer's Pensionable Payroll	\$ 345,561	\$ 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	135.318%	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	73.66%	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 PERS CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS

June 30	As of Reporting Date								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 30,735	\$ 31,326	\$ 31,151	\$ 28,107	\$ 33,027	\$ 31,264	\$ 33,149	\$ 33,507	\$ 33,092
Contributions in relation to the contractually required contributions	30,735	31,326	31,151	28,107	33,027	31,264	33,149	33,507	33,092
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered-Employee Payroll	\$ 345,561	\$ 352,962	\$ 355,555	\$ 326,794	\$ 389,948	\$ 373,519	\$ 396,046	\$ 379,605	\$ 358,594
Contributions of Covered-Employee Payroll	8.89%	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 and methods were used to determine contribution rates reported for fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021, actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0.00% 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	0.29%

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.

The actuarial assumptions and methods utilized in the June 30, 2021, valuation, were developed in the six-year experience study for the period ending 2016.

SUPPLEMENTARY INFORMATION SECTION

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

Year Ended June 30, 2023

Revenues

Total operating revenue	\$ 3,080,755
Missoula Redevelopment Agency pledge	266,850

Total Revenues Pledged	3,347,605
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Expenses

Operating expenses	(2,626,253)
Add back depreciation and amortization	648,856
Add back administrative charges	236,440

Net Operating Expenses	(1,740,957)
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Revenues Available For Debt Service	\$ 1,606,648
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Debt Service

Principal	\$ 295,000
Interest	217,892

Total Debt Service	\$ 512,892
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Total Coverage	313%
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OTHER REPORTS SECTION



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 (GAAS) 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, a component unit of the City of Missoula, Montana (the Commission), as of and for the year ended June 30, 2023, 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 28, 2024.

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 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 or significant deficiencies may exist that were not identified.

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*.

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 28, 2024
Missoula, Montana