



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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)

FINANCIAL REPORT

June 30, 2011 and 2010

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MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
BOARD MEMBERS

<u>Member</u>	<u>Business</u>	<u>Term Expires</u>
Rodney Austin	Downtown Business Improvement District	April 30, 2014
Teresa Cox	A Carousel for Missoula	April 30, 2015
Carol Williams	Legal Administrator	April 30, 2015
John Smith	Attorney	April 30, 2012
John Roemer	Roemer's Tire Factory	April 30, 2013

Director

Anne Guest

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the accompanying financial statements of Missoula Parking Commission (a component unit of the City of Missoula, Montana) as of and for the year ended June 30, 2011 and 2010 as listed in the table of contents. These component unit financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Missoula Parking Commission as of June 30, 2011 and 2010, and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of Missoula Parking Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 4-7, and the schedule of funding progress for retiree health insurance benefit plan are not a required part of the component unit financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Missoula Parking Commission. The schedule of bond coverage for the Series 2010B bonds on page 26 is presented for purposes of additional analysis and is not a required part of the component unit financial statements. This information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is presented fairly in all material respects in relation to the component unit financial statements taken as a whole.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
December 22, 2011



Missoula Parking Commission

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Our discussion and analysis of Missoula Parking Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the Commission's financial statements, which begin on page 8.

Financial Reporting

Missoula Parking Commission (the Commission) has issued a complete set of financial statements for the two fiscal years ended June 30, 2011 and 2010, in accordance with generally accepted accounting principles. These financial statements are designed to provide readers with a broad view of the Commission's finances in a manner similar to a private sector business. While this document contains information about the funds used by the Commission to provide services to our citizens, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

Financial Highlights

Condensed Financial Information

The following tables summarize financial condition and operating results for 2011 compared to 2010:

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Current Assets	\$ 2,164,586	\$ 4,309,002	\$ (2,144,416)	\$ 3,994,838	\$ 314,164
Capital Assets	7,193,633	4,616,350	2,577,283	4,749,991	(133,641)
Other Assets	11,019,236	179,695	10,839,541	179,907	(212)
Total assets	<u>20,377,455</u>	<u>9,105,047</u>	<u>11,272,408</u>	<u>8,924,736</u>	<u>180,311</u>
Current Liabilities	1,098,625	186,852	911,773	161,172	25,680
Long-Term Liabilities	7,936,204	730,961	7,205,243	852,144	(121,183)
Total liabilities	<u>9,034,829</u>	<u>917,813</u>	<u>8,117,016</u>	<u>1,013,316</u>	<u>(95,503)</u>
Net Assets					
Investment in capital assets, net of related debt	3,346,187	3,781,350	(435,163)	3,799,991	(18,641)
Restricted	2,642,201	164,655	2,477,546	164,655	-
Unrestricted - designated	1,266,671	1,266,671	-	1,310,838	(44,167)
Unrestricted	4,087,567	2,974,558	1,113,009	2,635,936	338,622
Total net assets	<u>\$ 11,342,626</u>	<u>\$ 8,187,234</u>	<u>\$ 3,155,392</u>	<u>\$ 7,911,420</u>	<u>\$ 275,814</u>

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Operating Revenues					
Parking and ticket revenues	<u>\$ 1,308,869</u>	<u>\$ 1,393,079</u>	<u>\$ (84,210)</u>	<u>\$ 1,448,179</u>	<u>\$ (55,100)</u>
Operating Expenses					
Personnel	535,034	519,884	15,150	537,510	(17,626)
Contract - City of Missoula	145,448	141,212	4,236	141,212	-
Rent	17,186	17,186	-	17,186	-
Depreciation and amortization	138,479	133,641	4,838	144,082	(10,441)
Repairs, maintenance and supplies	153,330	95,324	58,006	126,693	(31,369)
Other operating expenses	<u>242,239</u>	<u>219,132</u>	<u>23,107</u>	<u>243,874</u>	<u>(24,742)</u>
	<u>1,231,716</u>	<u>1,126,379</u>	<u>105,337</u>	<u>1,210,557</u>	<u>(84,178)</u>
Operating income	77,153	266,700	(189,547)	237,622	29,078
Net Nonoperating Revenue	<u>26,730</u>	<u>9,114</u>	<u>17,616</u>	<u>99,170</u>	<u>(90,056)</u>
Capital Contribution	3,051,509	-	3,051,509	-	-
Increase in net assets	3,155,392	275,814	2,879,578	336,792	(60,978)
Net Assets					
Beginning of year	<u>8,187,234</u>	<u>7,911,420</u>	<u>275,814</u>	<u>7,574,628</u>	<u>336,792</u>
End of year	<u>\$ 11,342,626</u>	<u>\$ 8,187,234</u>	<u>\$ 3,155,392</u>	<u>\$ 7,911,420</u>	<u>\$ 275,814</u>

Discussion of Financial Results:

2011

The most significant event in Fiscal Year 2011 occurred half way through the year with all the financial transactions related to the commitment from the Parking Commission to build a parking structure in downtown Missoula at the southeast corner of the intersection of East Front Street and Pattee Street. By the end of the calendar year 2010, the land was purchased, revenue bonds sold, and multiple contracts and agreements were signed to begin design, engineering, and construction of a 336-space parking structure including approximately 3,000 square feet of retail space with the intent to be sold for retail/commercial interest. The significant changes in capital assets and debt are disclosed in Notes 3 and 4 starting on page 16.

One of these transactions is noted in the financial statements under Capital Contribution which represents a \$3,051,509 note from the Missoula Redevelopment Agency to use tax increment funds to support the Series 2010B Series bonds. This note will be paid down in time and once the parking structure is completed (August 2012) the structure will be reflected as a capital asset.

Also important to note is a three-year decline in parking and ticket revenues. In the Management Discussion and Analysis Fiscal Year for Fiscal Year 2010, the explanation of this trend was attributed to the extraordinary amount of new construction in the downtown area as well as the challenged economy. In Fiscal Year 2011, new construction was not a factor though it is widely thought that the depressed economy has continued to be a factor in lower retail sales and use of the meters.

We ended the year with an overall increase in total Net Assets of \$275,814. This was less than FY2009 which is directly related to the challenging economic climate that Missoula is experiencing. Operating Expenses were down by \$84,178 from the previous year which was a result of a large one-time expenditure in FY2009 to fund the Downtown Master Plan.

Key Factors Affecting Financial Performance in Fiscal Year 2012:

By August 2012, the new parking structure will be completed and the Parking Commission should realize the positive revenue flow from leased parking. In addition, there will be a full year of the higher lease rates in the other structures and lots that will result in a net gain of parking revenues. This increase was implemented in January of 2011.

By next fiscal year, the Parking Commission's goal is to purchase new on-street meter technology and implement a new variable rate structure. This rate structure will offset the added charges of providing multiple payment options while being user-friendly for the public. With this change, there will be a significant capital cost for the new multi-space machines but it is where the Parking Commission's program needs to be in order to be progressive and responsive to the needs of the downtown.

The Parking Commission will have implemented the new fines structure and the last half of Fiscal Year 2012 which will provide ample time to evaluate the effect of the new structure and make changes if necessary before the end of the fiscal year.

Missoula Parking Commission
Anne Guest
Director

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 126,736	\$ 649,074
Investments	1,762,978	3,587,983
Other receivables	240,872	71,945
Current portion of note receivable	<u>34,000</u>	<u>-</u>
Total current assets	2,164,586	4,309,002
 CAPITAL ASSETS, NET	 7,193,633	 4,616,350
BOND ISSUANCE COSTS (Net of Amortization of \$11,676 in 2011 and \$14,477 in 2010)	374,360	7,985
RESTRICTED CASH AND INVESTMENTS	7,671,136	164,655
NOTE RECEIVABLE	2,966,000	-
OTHER ASSETS	<u>7,740</u>	<u>7,055</u>
 Total assets	 <u>20,377,455</u>	 <u>9,105,047</u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	398,709	19,871
Accrued liabilities	49,103	18,483
Accrued bond interest	275,044	7,328
Compensated absences	21,553	21,170
Advance from other governments	134,216	-
Current portion of revenue bonds payable	<u>220,000</u>	<u>120,000</u>
Total current liabilities	1,098,625	186,852
 LONG-TERM LIABILITIES		
Postemployment benefits	21,204	15,961
Revenue bonds payable, less current portion	<u>7,915,000</u>	<u>715,000</u>
 Total liabilities	 <u>9,034,829</u>	 <u>917,813</u>
 NET ASSETS		
Investment in capital assets, net of related debt	3,346,187	3,781,350
Restricted for capital projects, net of related debt	1,380,976	-
Restricted for debt service	1,261,225	164,655
Unrestricted - designated	1,266,671	1,266,671
Unrestricted	<u>4,087,567</u>	<u>2,974,558</u>
Net assets	<u>\$ 11,342,626</u>	<u>\$ 8,187,234</u>

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Parking revenues	\$ 1,054,076	\$ 1,125,329
Ticket revenues	<u>254,793</u>	<u>267,750</u>
Total operating revenues	<u>1,308,869</u>	<u>1,393,079</u>
Operating Expenses		
Personnel	535,034	519,884
Contract - City of Missoula	145,448	141,212
Rent	17,186	17,186
Depreciation and amortization	138,479	133,641
Repairs, maintenance and supplies	153,330	95,324
Other operating expenses	<u>242,239</u>	<u>219,132</u>
Total operating expenses	<u>1,231,716</u>	<u>1,126,379</u>
Operating income	<u>77,153</u>	<u>266,700</u>
Nonoperating Revenue (Expenses)		
Investment earnings	80,253	56,889
Bond interest	(41,847)	(46,278)
Amortization of bond issuance costs	<u>(11,676)</u>	<u>(1,497)</u>
Total nonoperating revenue over expenses	<u>26,730</u>	<u>9,114</u>
Capital Contribution	<u>3,051,509</u>	<u>-</u>
Change in net assets	3,155,392	275,814
Net Assets		
Beginning of year	<u>8,187,234</u>	<u>7,911,420</u>
End of year	<u>\$ 11,342,626</u>	<u>\$ 8,187,234</u>

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,308,869	\$ 1,393,079
Cash payments to suppliers	(390,048)	(461,009)
Cash payments to employees	<u>(530,093)</u>	<u>(516,743)</u>
Net cash flows from operating activities	<u>388,728</u>	<u>415,327</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Increase in restricted cash	(7,506,481)	-
Revenue bond principal paid	(835,000)	(115,000)
Proceeds from bond issuance	8,135,000	-
Capital contributed from the City of Missoula	51,509	-
Revenue bond interest paid	(34,484)	(42,822)
Bond issuance costs	(386,036)	-
Acquisition of capital assets	<u>(2,186,617)</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(2,762,109)</u>	<u>(157,822)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	1,825,005	333,788
Interest income	<u>26,038</u>	<u>56,889</u>
Net cash flows from investing activities	<u>1,851,043</u>	<u>390,677</u>
 Net change in cash and cash equivalents	(522,338)	648,182
 Cash and Cash Equivalents		
Beginning of year	<u>649,074</u>	<u>892</u>
 End of year	<u>\$ 126,736</u>	<u>\$ 649,074</u>

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

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 77,153	\$ 266,700
Adjustments to Reconcile Operating Income to Net Cash		
Flows from Operating Activities		
Depreciation and amortization	138,479	133,641
Changes in operating assets and liabilities		
Other receivables	6,040	230
Other assets	(685)	(1,285)
Post employment benefits	5,243	4,426
Advance from other governments	134,216	-
Accounts payable	(2,721)	11,615
Accrued liabilities	<u>31,003</u>	<u>-</u>
Net cash flows from operating activities	<u>\$ 388,728</u>	<u>\$ 415,327</u>

SCHEDULE OF NON-CASH CAPITAL AND RELATED
FINANCING ACTIVITIES:

Capital contributed through issuance of note	<u>\$ 3,000,000</u>	<u>\$ -</u>
Capitalized accrued interest	<u>\$ 268,338</u>	<u>\$ -</u>
Construction in progress acquired through accounts payable	<u>\$ 381,559</u>	<u>\$ -</u>
Reduction in construction in progress for accrued interest subsidy	<u>\$ 120,752</u>	<u>\$ -</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

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

Parking Operations, Facilities, and Rates:

The Commission manages approximately 1,061 parking meters that are located both on street and in various off-street lots throughout Missoula's downtown. The Commission also manages approximately 1,275 off-street parking spaces located in 14 lease lots utilized mainly by downtown employees. The commission also operates two parking structures (Central Park and the Bank Street Structure) that offer both short-term and long-term parking. The Commission's jurisdiction extends beyond the Central Business District and includes a Residential Parking Permit Program adjacent to The University of Montana with approximately 820 on-street parking spaces. For the year ended June 30, 2011, the approximate percentage of revenues from all sources were as follows:

Parking tickets	19%
Parking meters	31
Parking structures	7
Leased spaces (other than parking structures)	40
All other sources	<u>3</u>
	<u>100%</u>

As of June 30, 2011, on-street hourly parking fees were \$0.50 per hour. The parking fees for the two structures are as follows: first hour free, \$0.50/hr. for the second hour, and \$1.00/hr. for subsequent hours. Lease rates for the off-street lots and structures range from \$50 to \$75 per month. The average lease rate for the off-street lots and structures was \$60.

Basis of Presentation and Accounting:

The Commission adopted the provisions of GASB Statement No. 34 and has utilized accounting principles applicable to proprietary funds. The economic resource focus concerns determining costs such as a means of maintaining capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses generally arise from managing parking structures, lots, and spaces in the City of Missoula. All other revenues and expenses are classified as nonoperating. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied unless they conflict with or contradict GASB pronouncements. GASB statement Nos. 20 and 34 provide the Commission the option of electing to apply FASB pronouncements issued after November 30, 1989. The Commission has elected not to apply those pronouncements.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued):

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

Budgets:

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

Classification of Net Assets:

The Commission classifies its net assets as follows:

Investment in Capital Assets, Net of Related Debt

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

Restricted

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

Unrestricted

Resources over which the governing board has discretionary control.

Cash, Investments and Investment Income:

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation:

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

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

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

Compensated Absences:

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

Amortization:

Bond issuance costs and deferred bond refunding costs are amortized on a straight-line basis over the life of the related bonds.

Other Receivables:

Receivables consist of amounts owed to the Commission for leased spaces and amounts owed from other governments, including Federal interest subsidies. Based on historical trends, management has determined that an allowance for doubtful accounts is not considered necessary.

Estimates:

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

Other Postemployment Benefits:

The Commission recognizes and reports its postemployment health care benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal year 2011, the Commission added its cash to the City's investment pool. The Commission's portion of underlying cash and investments of the City's investment pool at June 30, 2011, consist of the following:

	<u>2011</u>
Cash on Hand	\$ 1,205
Demand Deposits	640,004
Government Securities	8,792,202
Certificates of Deposit	<u>127,439</u>
	9,560,850
Less restricted cash held for construction and debt service reserves	<u>(7,671,136)</u>
	<u><u>\$ 1,889,714</u></u>

Cash and investments at June 30, 2010, were as follows:

	<u>2010</u>
Cash on Hand	\$ 165,700
Demand Deposits	648,029
Government Securities	3,457,495
Certificates of Deposit	<u>130,488</u>
	4,401,712
Less restricted cash held for debt service reserves	<u>(164,655)</u>
	<u><u>\$ 4,237,057</u></u>

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 3. CAPITAL ASSETS

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

	<u>JULY 1, 2010</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2011</u> <u>BALANCE</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ -	\$ 2,471,065	\$ -	\$ 2,471,065
Parking lots	2,397,866	-	-	2,397,866
Total capital assets not being depreciated	2,397,866	2,471,065	-	4,868,931
Capital Assets Being Depreciated				
Parking structures	2,674,641	196,558	-	2,871,199
Furniture, fixtures and computers	12,364	-	-	12,364
Machinery, equipment and vehicles	503,487	48,141	145,030	406,598
Parking lot improvements	1,165,976	-	-	1,165,976
	4,356,468	244,699	145,030	4,456,137
Less accumulated depreciation	(2,137,984)	(138,479)	145,028	(2,131,435)
Total capital assets being depreciated, net	2,218,484	106,220	290,058	2,324,702
Capital Assets, Net	\$ 4,616,350	\$ 2,577,285	\$ 290,058	\$ 7,193,633

Changes in capital assets for the year ended June 30, 2010, are as follows:

	<u>JULY 1, 2009</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2010</u> <u>BALANCE</u>
Capital Assets Not Being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
Capital Assets Being Depreciated				
Parking structures	2,674,641	-	-	2,674,641
Furniture, fixtures and computers	12,364	-	-	12,364
Machinery, equipment and vehicles	503,487	-	-	503,487
Parking lot improvements	1,165,976	-	-	1,165,976
	4,356,468	-	-	4,356,468
Less accumulated depreciation	(2,004,343)	(133,641)	-	(2,137,984)
Total capital assets being depreciated, net	2,352,125	(133,641)	-	2,218,484
Capital Assets, Net	\$ 4,749,991	\$ (133,641)	\$ -	\$ 4,616,350

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30 consists of:

	<u>2011</u>	<u>2010</u>
\$635,000 Series 2010A refunding bonds, 2% to 2.5%, due in varying amounts to October 2015	\$ 635,000	-
\$7,500,000 Series 2010B recovery zone economic development bonds, 2.290% to 6.382%, due in varying amounts to October 2035	7,500,000	-
\$1,700,000 Series 2000 revenue bonds, 4.4 % to 5.5%, due in varying amounts to November 2015	<u>-</u>	<u>835,000</u>
Total	8,135,000	835,000
Less current portion	<u>(220,000)</u>	<u>(120,000)</u>
Long-term debt, less current portion	<u>\$ 7,915,000</u>	<u>\$ 715,000</u>

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

A total of \$409,700 of interest on the Series 2000 Revenue Bonds was capitalized in prior years.

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

The Commission also issued \$7.5 million of Series 2010B recovery zone economic development bonds totaling \$7,500,000, with interest rates from 2.290% to 6.382%. Proceeds from the bonds are being used to finance the construction of a new public parking facility in downtown Missoula. As part of the 2010B issuance, MPC receives a federal credit in the amount of 45% of the interest payable on the bonds.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 4. LONG-TERM DEBT (CONTINUED)

Debt service requirements to maturity on the bonds at June 30, 2011, are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>FEDERAL</u> <u>CREDIT</u>	<u>TOTAL</u>
2012	\$ 220,000	\$ 687,012	\$ (302,199)	\$ 604,813
2013	210,000	542,023	(239,731)	512,292
2014	220,000	537,036	(238,768)	518,268
2015	230,000	531,125	(237,547)	523,578
2016	235,000	2,492,919	(235,141)	2,492,778
2017-2021	1,285,000	2,063,406	(1,090,399)	2,258,007
2022-2026	1,530,000	1,456,564	(880,161)	2,106,403
2027-2031	1,880,000	662,944	(590,726)	1,952,218
2032-2036	<u>2,325,000</u>	<u>20,200</u>	<u>(216,450)</u>	<u>2,128,750</u>
Total	<u>\$ 8,135,000</u>	<u>\$ 8,993,229</u>	<u>\$ (4,031,122)</u>	<u>\$ 13,097,107</u>

The changes in long-term liabilities for the years ended June 30, 2011 and 2010 were as follows:

<u>2011</u>	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Revenue Bonds	\$ 835,000	\$ 8,135,000	\$ 835,000	\$ 8,135,000	\$ 220,000
Compensated absences	21,170	12,419	12,036	21,553	21,553
Post employment benefits	<u>15,961</u>	<u>12,397</u>	<u>7,154</u>	21,204	-
Total	<u>\$ 872,131</u>	<u>\$ 8,159,816</u>	<u>\$ 854,190</u>	<u>\$ 8,177,757</u>	<u>\$ 241,553</u>

<u>2010</u>	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Revenue Bonds	\$ 950,000	\$ -	\$ 115,000	\$ 835,000	\$ 120,000
Compensated absences	24,334	12,536	15,700	21,170	21,170
Post employment benefits	<u>11,535</u>	<u>12,493</u>	<u>8,067</u>	<u>15,961</u>	-
Total	<u>\$ 985,869</u>	<u>\$ 25,029</u>	<u>\$ 138,767</u>	<u>\$ 872,131</u>	<u>\$ 141,170</u>

The Commission incurred interest cost of \$310,184, of which \$268,228 was capitalized into construction in progress as of June 30, 2011. The capitalized interest cost has been offset by the federal credit of \$120,752.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 5. DESIGNATED NET ASSETS

The Commission's board has designated \$1,266,671 of unrestricted net assets as of June 30, 2011 and 2010 for acquisition of parking lots and parking facilities.

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$145,448 and \$141,212 to the City of Missoula for the years ended June 30, 2011 and 2010, respectively, for administrative services.

NOTE 7. LEASES

The Commission conducts a major part of its operations from leased property, which includes land parcels utilized for off-street parking facilities. These parcels are under operating leases which expire over periods ranging from two to twenty years. Most of the leases contain an option whereby the Commission, at the end of the initial lease term, may renew the lease at the then fair rental value. All leases are cancelable by Missoula Parking Commission without penalty, and do not have provisions requiring minimum payments. In most cases, it is expected that in the normal course of business, leases will be renewed or replaced with other leases.

NOTE 8. RETIREMENT PLAN

The Commission participates in the Montana Public Employees' Retirement System (MPERS), a state-administered cost-sharing multiple-employer defined benefit pension plan. The plan is established by state law and administered by the state of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates are determined by state law. Contribution rates, expressed as a percentage of covered payroll, for each of the three fiscal years were as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>EMPLOYEE</u>	<u>COMMISSION</u>	<u>STATE</u>
2011	6.900%	7.070%	0.100%
2010	6.900%	7.070%	0.100%
2009	6.900%	6.935%	0.100%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 8. RETIREMENT PLAN (CONTINUED)

PERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. PERS is a mandatory multiple-employer, cost-sharing plan administered by the Montana Public Employees' Retirement Administration (MPERA).

PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary.

A guaranteed annual benefit adjustment (GABA) of 1.5% or 3%, depending on date of hire, is provided each January for benefit recipients if they have been receiving a benefit for at least 12 months. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the state legislature.

The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 6.90% of monthly compensation. Local government entities are required to contribute 7.070% and 6.935% of members' compensation in 2010 and 2009, respectively. The state of Montana contributes 0.1% of members' compensation on behalf of local government entities.

The amounts contributed during the years ended June 30, 2011, 2010, and 2009 were equal to the required contribution for each year. The amounts contributed by the Commission and the State of Montana were as follows:

<u>YEAR ENDED JUNE 30.</u>	<u>COMMISSION</u>	<u>STATE</u>
2011	\$ 25,337	\$ 373
2010	27,006	368
2009	26,518	363

PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from PERS at:

Public Employees Retirement Division
1712 Ninth Avenue
P.O. Box 200131
Helena, Montana 59620-0131
Telephone (406) 444-3154

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 9. RISK MANAGEMENT

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

NOTE 10. POSTEMPLOYMENT BENEFITS

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

The Commission adopted the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans," in fiscal year 2009. GASB 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for retirees. The provisions of this statement were applied prospectively. Information on the City's health benefits plan for retirees is included below.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

Retirees and the Commission contribute to the plan. The plan is financed on a pay-as-you-go basis with Commission contributions ensuring that adequate reserves are maintained in the plan. The Commission's contribution is not contributed to a trust for only retiree benefits so it is not considered a contribution towards the annual required contribution under GASB 45. The contributions to the plan are as follows for July 1, 2010:

<u>COVERAGE</u>	<u>RETIREE CONTRIBUTION</u>	<u>CITY CONTRIBUTION</u>	<u>TOTAL PREMIUM</u>
Retiree	\$ 509.49	\$ 89.91	\$ 599.40
Retiree, spouse	564.74	99.66	664.40
Retiree, spouse, child	588.12	103.79	691.91
Retiree, spouse, 2 children	611.49	107.91	719.40
Retiree, spouse, 3 children	634.87	112.04	746.91
Retiree, spouse, 4 children	658.24	116.16	774.40
Retiree, child	532.87	94.04	626.91
Retiree, 2 children	556.24	98.16	654.40
Retiree, 3 children	579.62	102.29	681.91
Retiree, 4 children	602.99	106.41	709.40

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution (ARC)			
	\$ 13,063	\$ 12,806	\$ 11,535
Interest and ARC Adjustment	<u>(666)</u>	<u>(313)</u>	<u>-</u>
Annual OPEB cost	12,397	12,493	11,535
Contributions made	<u>(7,154)</u>	<u>(8,067)</u>	<u>-</u>
Change in net OPEB obligation	5,243	4,426	11,535
Net OPEB obligation - beginning of year	<u>15,961</u>	<u>11,535</u>	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 21,204</u>	<u>\$ 15,961</u>	<u>\$ 11,535</u>
Percentage of annual OPEB cost contributed	58%	65%	-

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

As of June 30, 2011, the most recent actuarial valuation date, the Commission's portion of the plan's unfunded accrued actuarial liability was \$161,364. This liability is not funded under GASB 45 since there are no assets allocated to an irrevocable trust for the plan. The annual covered payroll was \$343,178 and 371,323 and the unfunded actuarial liability was 47% and 37.3% of covered payroll for the fiscal years ended June 30, 2011 and 2010, respectively.

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

For the actuarial valuation performed at June 30, 2011, the projected unit credit actuarial cost method was used. The health care cost trend rate was 7.0% for 2011 decreasing to 5% for 2015 and after. The assumed discount and long-term rate of return was 3.326%. The unfunded actuarial liability was amortized on a level-dollar basis over an open period of 30 years. The City of Missoula allocated the annual retired contributions and the underfunded liability to the component units based on the number of active participants in the plan as of June 30, 2011.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 11. NOTE RECEIVABLE

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

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2012	\$ 34,000	\$ 147,742	\$ 181,742
2013	28,000	117,202	145,202
2014	30,000	116,732	146,732
2015	30,000	116,134	146,134
2016	70,000	114,958	184,958
2017-2021	514,000	53,084	567,084
2022-2026	612,000	430,301	1,042,301
2027-2031	752,000	288,800	1,040,800
2032-2036	930,000	105,820	1,035,820
Total	<u>\$ 3,000,000</u>	<u>\$ 1,490,773</u>	<u>\$ 4,490,773</u>

NOTE 12. RECLASSIFICATIONS

Certain reclassifications have been made in the 2010 financial statements to conform to the 2011 presentation. None of these reclassifications affected net assets as of June 30, 2010, or the change in net assets for the year then ended.

REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2011	\$ -	\$ 21,204	\$ 161,364	0%	\$343,178	47.0%

SUPPLEMENTARY INFORMATION

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
SCHEDULE OF COVERAGE – SERIES 2010B BONDS
June 30, 2011

Revenues

Total operating revenue	\$ 1,308,869
Missoula Redevelopment Agency pledge	<u>134,216</u>
Total revenues pledged	<u>1,443,085</u>

Expenses

Operating expenses	(1,231,716)
Add back depreciation	138,479
Add back administrative charges	<u>145,448</u>
Total operating expenses	<u>(947,789)</u>

Revenues Available for Debt Service	<u><u>\$ 495,296</u></u>
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Debt Service

Principal	\$ 120,000
Interest	34,484
Less: federal credit	<u>(120,752)</u>
Net debt service	<u><u>\$ 33,732</u></u>

Total Coverage	<u>1468%</u>
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the financial statements of Missoula Parking Commission, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Missoula Parking Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Missoula Parking Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Missoula Parking Commission's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Missoula Parking Commission, in a separate letter dated December 22, 2011.

This report is intended solely for the information and use of management, board of directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
December 22, 2011