

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





(A Component Unit of the City of Missoula)

FINANCIAL REPORT

June 30, 2016 and 2015



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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>
John Roemer	Roemer's Tire Factory	April 30, 2017
Matt Ellis	Downtown Business	April 30, 2018
Pat Corrick	Downtown Business	April 30, 2019
Heidi Kendall	Downtown Business	April 30, 2019
Joe Easton	Jackson Contractor Group	April 30, 2020

Director

Rod Austin

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the accompanying financial statements of Missoula Parking Commission (a component unit of the City of Missoula, Montana) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Missoula Parking Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missoula Parking Commission as of June 30, 2016 and 2015, and its changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–8, the schedule of funding progress for retiree health insurance benefit plan on page 37, the schedule of proportionate share of PERS net pension liability for the last ten fiscal years on page 38, and the schedule of contributions for the last ten fiscal years on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Missoula Parking Commission's basic financial statements. The accompanying schedule of coverage for the Series 2014 bonds on page 43 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of coverage for the Series 2014 bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of coverage for the Series 2014 bonds is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2017, on our consideration of the Missoula Parking Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missoula Parking Commission's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
February 23, 2017

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015

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, 2016 and 2015. It should be read in conjunction with the Commission's financial statements, which begin on page 9.

Financial Reporting

Missoula Parking Commission (the Commission) has issued a complete set of financial statements for the two fiscal years ended June 30, 2016 and 2015, in accordance with U.S. generally accepted accounting principles. These financial statements are designed to provide readers with a broad view of the Commission's finances in a manner similar to a private sector business. While this document contains information about the funds used by the Commission to provide services to our citizens, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statements of Net Position and the Statements 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 (CONTINUED)
June 30, 2016 and 2015

Condensed Financial Information

The following tables summarize financial condition and operating results for 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u> (As Restated)	<u>Change</u>	<u>2014</u>	<u>Change</u>
Current Assets	\$ 800,125	\$ 681,333	\$ 118,792	\$ 290,087	\$ 391,246
Capital Assets	15,250,905	14,715,889	535,016	15,083,134	(367,245)
Other Assets	<u>3,682,397</u>	<u>3,271,216</u>	<u>411,181</u>	<u>3,385,292</u>	<u>(114,076)</u>
Total assets	<u>19,733,427</u>	<u>18,668,438</u>	<u>1,064,989</u>	<u>18,758,513</u>	<u>(90,075)</u>
Deferred outflows of resources	<u>39,102</u>	<u>33,265</u>	<u>5,837</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 19,772,529</u>	<u>\$ 18,701,703</u>	<u>\$ 1,070,826</u>	<u>\$ 18,758,513</u>	<u>\$ (90,075)</u>
Current Liabilities	\$ 719,252	\$ 496,809	\$ 222,443	\$ 200,200	\$ 296,609
Long-Term Liabilities	<u>8,370,636</u>	<u>7,382,098</u>	<u>988,538</u>	<u>7,164,337</u>	<u>217,761</u>
Total liabilities	<u>9,089,888</u>	<u>7,878,907</u>	<u>1,210,981</u>	<u>7,364,537</u>	<u>514,370</u>
Deferred inflows of resources	<u>158,687</u>	<u>232,951</u>	<u>(74,264)</u>	<u>137,015</u>	<u>-</u>
Net Position					
Net investment in capital assets	6,836,861	7,402,111	(565,250)	7,750,146	(348,035)
Restricted	664,538	591,045	73,493	564,298	26,747
Unrestricted	<u>3,022,555</u>	<u>2,596,689</u>	<u>425,866</u>	<u>2,942,517</u>	<u>(345,828)</u>
Total net position	<u>10,523,954</u>	<u>10,589,845</u>	<u>(65,891)</u>	<u>11,256,961</u>	<u>(667,116)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 19,772,529</u>	<u>\$ 18,701,703</u>	<u>\$ 1,070,826</u>	<u>\$ 18,758,513</u>	<u>\$ (152,746)</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2016 and 2015

Condensed Financial Information (Continued)

	<u>2016</u>	<u>2015</u> <u>(As Restated)</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
Operating Revenues					
Parking and ticket revenues	\$ 1,885,502	\$ 1,629,455	\$ 256,047	\$ 1,572,202	\$ 57,253
Operating Expenses					
Personnel	631,959	674,523	(42,564)	617,501	57,022
Contract - City of Missoula	178,892	173,680	5,212	160,479	13,201
Rent	18,450	16,800	1,650	19,350	(2,550)
Depreciation and amortization	446,035	404,057	41,978	408,914	(4,857)
Repairs, maintenance and supplies	100,671	108,952	(8,281)	202,442	(93,490)
Other operating expenses	419,011	297,689	121,322	227,031	70,658
	<u>1,795,018</u>	<u>1,675,701</u>	<u>119,317</u>	<u>1,635,717</u>	<u>39,984</u>
Operating income (loss)	90,484	(46,246)	136,730	(63,515)	17,269
Net Nonoperating Revenue (Expense)	<u>(156,375)</u>	<u>(144,208)</u>	<u>(12,167)</u>	<u>(499,297)</u>	<u>355,089</u>
Change in net position	(65,891)	(190,454)	124,563	(562,812)	372,358
Net Position					
Beginning of year	10,589,845	11,256,961	(667,116)	11,819,773	(562,812)
Prior period adjustment for net pension liability	-	(476,662)	476,662	-	(476,662)
Beginning of year as restated	<u>10,589,845</u>	<u>10,780,299</u>	<u>(190,454)</u>	<u>11,819,773</u>	<u>(1,039,474)</u>
End of year	<u>\$ 10,523,954</u>	<u>\$ 10,589,845</u>	<u>\$ (65,891)</u>	<u>\$ 11,256,961</u>	<u>\$ (667,116)</u>

Discussion of Financial Results:

FY2016 financial highlights were driven by the purchase of new electronic metering and operating systems. The Commission had been studying the technological advancements in metering for several years as its old coin operated meters were aging to obsolescence. The T2 Multi-space Parking Meter Kiosks offer more payment options with the addition of a credit card payment function and the ability to implement a Pay-By-Phone application which will roll out in mid FY2017. Parking can still be paid for with coins. The Flex operating system replaces the old Cardinal one and will consolidate other operating systems as other technology is added.

The T2 Flex system collects parking data that was not available with the old meters. This technology will enable us to benchmark ourselves with other similar parking authorities and more importantly make improved management and operational decisions for a more efficient parking environment.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2016 and 2015

Discussion of Financial Results (Continued)

Operating revenues were up \$256,047 in 2016 in part due to the long overdue rate increase that took place with the installation of the new T2 multi-space parking meter kiosks. Simultaneous with the addition of the meters the cost to park for an hour went from \$.50 to \$1.00 with progressively increased pricing after the second hour. The ability of our new meters to accept credit cards also played a part in the increase. All that said, the system had not reached the monthly projected revenues on a consistent basis by the end of FY2016.

Lease revenue was up in almost every facility with Park Place and Central Park accounting for \$91,000 of the \$105,000 increase. Some of that increase was due to the timing of lease payments but much of it came about through increased demand. This demand remains strong with waiting lists for all but one surface lot. Newly added on-street leases contributed just under \$10,000 in additional lease revenue.

FY2016 fine revenue was \$158,079, down \$52,707 from 2015. We wrote 7,173 more citations in 2016 even though we were not ticketing through the month of December 2015 with the rollout of the T2 system. Over the months of January through March many tickets were voided as we helped Missoula's citizens learn to use the new meters.

While meter revenue was up significantly, 2016 expense numbers don't reflect the cost to operate the T2 meter system. Through FY2016, all meter related operating costs were being paid out of the loan funds. FY2017 monthly meter expenses are approximately \$8,100. With this in mind overall operating income was \$90,484 which was a net change from FY 2015 of \$136,730.

The new T2 metering system was purchased through a seven-year \$1.4MM lease in early FY2016. Annual payments for this lease are significant at just over \$211,000 (principal & interest) over seven years. One other significant annual expense is the amount paid to the City of Missoula for services. In FY2016 it was \$178,892, a 3% increase when compared to past years.

Missoula Parking Commission
Rod Austin
Director

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET POSITION
 June 30, 2016 and 2015

ASSETS	2016	2015 (As Restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 540,054	\$ 423,290
Investments	19,348	27,550
Other receivables	140,723	116,493
Current portion of note receivable	100,000	114,000
Total current assets	800,125	681,333
CAPITAL ASSETS, NET	15,250,905	14,715,889
RESTRICTED CASH AND INVESTMENTS	664,538	528,325
NOTE RECEIVABLE	2,674,000	2,734,000
PREPAID EXPENSES	333,450	-
OTHER ASSETS	10,409	8,891
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	39,102	33,265
Total deferred outflows of resources	39,102	33,265
Total assets and deferred outflows of resources	\$ 19,772,529	\$ 18,701,703

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET POSITION (CONTINUED)
 June 30, 2016 and 2015

LIABILITIES	2016	2015 (As Restated)
CURRENT LIABILITIES		
Accounts payable	\$ 50,713	\$ 80,520
Accrued liabilities	60,619	54,037
Accrued bond interest	66,938	67,852
Compensated absences	31,042	30,860
Advance from other governments	78,540	78,540
Current portion of revenue bonds payable	250,000	185,000
Current portion of capital lease obligation	181,400	-
Total current liabilities	719,252	496,809
LONG-TERM LIABILITIES		
Net pension liability	448,100	394,296
Postemployment benefits	59,036	52,802
Revenue bonds payable, less current portion	6,685,000	6,935,000
Capital lease obligation, less current portion	1,178,500	-
Total long-term liabilities	8,370,636	7,382,098
Total liabilities	9,089,888	7,878,907
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	39,543	101,893
Gain on refunding of debt	119,144	131,058
Total deferred inflows of resources	158,687	232,951
NET POSITION		
Net investment in capital assets	6,836,861	7,402,111
Restricted for capital projects, net of related debt	-	62,720
Restricted for debt service	664,538	528,325
Unrestricted	3,022,555	2,596,689
Net position	10,523,954	10,589,845
Total liabilities, deferred inflows of resources, and net position	\$ 19,772,529	\$ 18,701,703

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u> (As Restated)
Operating Revenues		
Parking revenues	\$ 1,719,173	\$ 1,411,610
Ticket revenues	<u>166,329</u>	<u>217,845</u>
Total operating revenues	<u>1,885,502</u>	<u>1,629,455</u>
Operating Expenses		
Personnel	631,959	674,523
Contract - City of Missoula	178,892	173,680
Rent	18,450	16,800
Depreciation and amortization	446,035	404,057
Repairs, maintenance and supplies	100,671	108,952
Other operating expenses	<u>419,011</u>	<u>297,689</u>
Total operating expenses	<u>1,795,018</u>	<u>1,675,701</u>
Operating income (loss)	<u>90,484</u>	<u>(46,246)</u>
Nonoperating Revenue (Expense)		
Investment earnings	120,401	125,481
Bond interest	<u>(276,776)</u>	<u>(269,689)</u>
Total nonoperating revenue (expense)	<u>(156,375)</u>	<u>(144,208)</u>
Change in net position	(65,891)	(190,454)
Net Position		
Beginning of year	10,589,845	11,256,961
Prior period adjustment for net pension liability	<u>-</u>	<u>(476,662)</u>
Beginning of year as restated	<u>10,589,845</u>	<u>10,780,299</u>
End of year	<u>\$ 10,523,954</u>	<u>\$ 10,589,845</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2016 and 2015

	2016	2015 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,861,272	\$ 1,633,353
Cash payments to suppliers	(1,072,390)	(446,623)
Cash payments to employees	(642,753)	(681,953)
Net cash flows from operating activities	146,129	504,777
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution to restricted cash capital lease account	(136,213)	-
Revenue bond principal paid	(185,000)	(40,000)
Proceeds from capital lease	1,400,000	-
Payments on capital lease	(40,100)	-
Revenue bond interest and issuance costs paid	(289,604)	(269,409)
Acquisition of capital assets	(981,051)	(36,812)
Net cash flows from capital and related financing activities	(231,968)	(346,221)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments, net	8,202	(13,513)
Collections on note receivable	74,000	16,000
Interest income	120,401	122,588
Net cash flows from investing activities	202,603	125,075
Net change in cash and cash equivalents	116,764	283,631
Cash and Cash Equivalents		
Beginning of year	423,290	139,659
End of year	\$ 540,054	\$ 423,290

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS (CONTINUED)
 For the Years Ended June 30, 2016 and 2015

	2016	2015 (As Restated)
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 90,484	\$ (46,246)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation and amortization	446,035	404,057
Changes in operating assets and liabilities		
Other receivables	(24,230)	3,898
Prepaid expenses	(333,450)	-
Other assets	(1,518)	76
Pension contributions and adjustments	(17,210)	(8,018)
Postemployment benefits	6,234	8,465
Advance from other governments	-	78,540
Accounts payable	(29,807)	54,377
Accrued liabilities	9,591	9,628
Net cash flows from operating activities	\$ 146,129	\$ 504,777
 SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Pension liability	\$ 156,132	\$ 394,296
Transfer of capital assets from construction in progress	\$ 62,700	\$ -

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016 and 2015

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 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 1,275 off-street parking spaces located in 14 lease lots utilized mainly by downtown employees. The Commission also operates three parking structures (Central Park, Park Place, and the Bank Street Structure) that offer both short-term and long-term parking. The Commission’s jurisdiction extends beyond the Central Business District and includes a Residential Parking Permit Program adjacent to The University of Montana with approximately 820 on-street parking spaces. For the year ended June 30, 2016, the approximate percentage of revenues from all sources was as follows:

Leased spaces	43%
Parking meters	38
Parking tickets	8
Other sources	5
Parking structures	<u>6</u>
	<u>100%</u>

For the years ended June 30, 2016 and 2015, on-street hourly parking fees were \$1.00 and \$0.50 per hour, respectively. The parking fees for the three structures are as follows for the years ended June 30, 2016 and 2015, respectively: first hour free and \$1.00/hr. for each subsequent hour and first hour free, \$0.50/hr for the second hour, and \$1.00/hr for subsequent hours. Lease rates range from \$30 to \$75 per month. The average lease rate for the lots and structures was \$45.

Basis of Accounting

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (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 and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues for the Commission are charges to customers for parking.

New Accounting Pronouncements

The District has adopted the provisions of the following GASB pronouncements for fiscal year 2016:

- Statement No. 72 – *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015.
- Statement No 82 – *Pension Issues, an amendment to GASB No. 67, 68, and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68 Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016 with early application encouraged.

Budgets

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Position

The Commission classifies its net position as follows:

Net Investment in Capital Assets

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

Restricted

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

Unrestricted

Resources over which the governing board has discretionary control.

Cash, Investments and Investment Income

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

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

Estimates

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

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.

Restricted Assets

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

Other Receivables

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

Other Postemployment Benefits

The Commission recognizes and reports its postemployment health care benefits in accordance with GASB Statement No. 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, 2016 and 2015

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission's portion of underlying cash and investments of the City's investment pool at June 30, 2016, consists of the following:

Cash on hand	\$ 2,395
Demand deposits	1,202,197
Certificates of deposit	19,348
Total cash and cash equivalents and investments	1,223,940
Less restricted cash held for debt service reserves	(664,538)
Net cash and cash equivalents and investments	\$ 559,402

Cash and investments at June 30, 2015, were as follows:

Cash on hand	\$ 1,237
Demand deposits	950,378
Certificates of deposit	27,550
Total cash and cash equivalents and investments	979,165
Less restricted cash held for debt service reserves	(528,325)
Net cash and cash equivalents and investments	\$ 450,840

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, 2016 and 2015

NOTE 3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2016, are as follows:

	July 1, 2015			June 30, 2016
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ 62,720	\$ -	\$ (62,720)	\$ -
Parking lots and land	<u>3,587,760</u>	<u>-</u>	<u>-</u>	<u>3,587,760</u>
Total capital assets not being depreciated	<u>3,650,480</u>	<u>-</u>	<u>(62,720)</u>	<u>3,587,760</u>
Capital Assets Being Depreciated				
Parking structures	12,624,241	-	-	12,624,241
Furniture, fixtures and computers	253,731	5,326	-	259,057
Machinery, equipment and vehicles	191,405	-	-	191,405
Parking lot improvements	<u>1,205,653</u>	<u>1,038,445</u>	<u>-</u>	<u>2,244,098</u>
	14,275,030	1,043,771	-	15,318,801
Less accumulated depreciation	<u>(3,209,621)</u>	<u>(446,035)</u>	<u>-</u>	<u>(3,655,656)</u>
Total capital assets being depreciated, net	<u>11,065,409</u>	<u>597,736</u>	<u>-</u>	<u>11,663,145</u>
Capital Assets, Net	<u>\$ 14,715,889</u>	<u>\$ 597,736</u>	<u>\$ (62,720)</u>	<u>\$ 15,250,905</u>

Changes in capital assets for the year ended June 30, 2015, are as follows:

	July 1, 2014			June 30, 2015
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ 35,973	\$ 26,747	\$ -	\$ 62,720
Parking lots and land	<u>3,587,760</u>	<u>-</u>	<u>-</u>	<u>3,587,760</u>
Total capital assets not being depreciated	<u>3,623,733</u>	<u>26,747</u>	<u>-</u>	<u>3,650,480</u>
Capital Assets Being Depreciated				
Parking structures	12,614,176	10,065	-	12,624,241
Furniture, fixtures and computers	253,731	-	-	253,731
Machinery, equipment and vehicles	191,405	-	-	191,405
Parking lot improvements	<u>1,205,653</u>	<u>-</u>	<u>-</u>	<u>1,205,653</u>
	14,264,965	10,065	-	14,275,030
Less accumulated depreciation	<u>(2,805,564)</u>	<u>(404,057)</u>	<u>-</u>	<u>(3,209,621)</u>
Total capital assets being depreciated, net	<u>11,459,401</u>	<u>(393,992)</u>	<u>-</u>	<u>11,065,409</u>
Capital Assets, Net	<u>\$ 15,083,134</u>	<u>\$ (367,245)</u>	<u>\$ -</u>	<u>\$ 14,715,889</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 4. LONG-TERM LIABILITIES

Bonds

Long-term debt at June 30 consists of:

	<u>2016</u>	<u>2015</u>
\$7,160,000 Series 2014 refunding bonds, 2% to 4.35%, due in varying amounts to October 2035	\$ 6,935,000	\$ 7,120,000
Less current portion	<u>(250,000)</u>	<u>(185,000)</u>
Long-term debt, less current portion	<u>\$ 6,685,000</u>	<u>\$ 6,935,000</u>

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 bonds carry interest rates ranging from 2% to 4.35% and mature annually through October 1, 2035.

Debt service requirements to maturity on the bonds at June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 250,000	\$ 265,850	\$ 515,850
2018	255,000	257,150	512,150
2019	275,000	249,200	524,200
2020	275,000	241,075	516,075
2021	280,000	232,875	512,875
2022 - 2026	1,530,000	1,004,900	2,534,900
2027 - 2031	1,840,000	670,931	2,510,931
2032 - 2036	<u>2,230,000</u>	<u>248,425</u>	<u>2,478,425</u>
Total	<u>\$ 6,935,000</u>	<u>\$ 3,170,406</u>	<u>\$ 10,105,406</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

In August of 2015, the Commission entered into a capital lease purchase agreement with First Security Bank to finance the purchase of new parking meters. The lease has a one-year term with seven annual, one-year renewal options exercisable by the Commission with an interest component of 2.25%. First Security Bank's interest in the meters will terminate upon the Commission's payment of \$1,400,000 in principal on the lease obligation. As of June 30, 2016, the Commission has capitalized \$1,038,445 in new meter costs with an associated accumulated depreciation balance of \$51,922.

Annual lease payment requirements as of June 30, 2016 were as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 181,400	\$ 29,583	\$ 210,983
2018	185,600	25,478	211,078
2019	189,800	21,278	211,078
2020	194,100	16,984	211,084
2021	198,500	12,592	211,092
2022 - 2023	410,500	11,611	422,111
Total	<u>\$ 1,359,900</u>	<u>\$ 117,526</u>	<u>\$ 1,477,426</u>

There were no capital lease obligations as of June 30, 2015.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

The changes in long-term liabilities for the years ended June 30, 2016 and 2015 were as follows:

<u>2016</u>	July 1, 2015			June 30, 2016	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Revenue bonds	\$ 7,120,000	\$ -	\$ 185,000	\$ 6,935,000	\$ 250,000
Capital lease obligations	-	1,400,000	40,100	1,359,900	181,400
Compensated absences	30,860	71,157	70,975	31,042	31,042
Total	<u>\$ 7,150,860</u>	<u>\$ 1,471,157</u>	<u>\$ 296,075</u>	<u>\$ 8,325,942</u>	<u>\$ 462,442</u>

<u>2015</u>	July 1, 2014			June 30, 2015	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Revenue bonds	\$ 7,160,000	\$ -	\$ 40,000	\$ 7,120,000	\$ 185,000
Compensated absences	38,737	29,355	37,232	30,860	9,440
Total	<u>\$ 7,198,737</u>	<u>\$ 29,355</u>	<u>\$ 77,232</u>	<u>\$ 7,150,860</u>	<u>\$ 194,440</u>

NOTE 5. DESIGNATED NET POSITION

The Commission's board has designated \$1,266,671 of unrestricted net assets as of June 30, 2016 and 2015 for acquisition of parking lots, facilities, and equipment.

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$178,892 and \$173,680 to the City of Missoula for the years ended June 30, 2016 and 2015, respectively, for administrative services.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 7. OPERATING 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 the 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. The Commission incurred rent expense of \$18,450 and \$16,800 for the years ended June 30, 2016 and 2015, respectively.

NOTE 8. RETIREMENT PLAN

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 covers the State, local governments, certain employees of the Montana University System, and school districts.

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 participants of both the defined benefit and the defined contribution 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 established by state law and can only be amended by the Legislature.

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;
or	
	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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Summary of Benefits (Continued)

Early Retirement

Early retirement, actuarially reduced:

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.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Summary of Benefits (Continued)

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

Overview of Contributions

Rates are specified by state law for periodic member and employer contributions 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 to the plan. Member and employer contribution rates are shown in the table below.

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 year and remains below 25 years following the reduction of both the additional employer and member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the 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 FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Overview of Contributions (Continued)

3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Employer	State	Employer	State
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%

Stand-Alone Statements

The PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154.

CAFR information including standalone financial statements can be found on the website at <http://mpera.mt.gov/annualreports.shtml>

The latest actuarial valuation and experience study can be found at the website at <http://mpera.mt.gov/actuarialvaluations.shtml>

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the measurement date valuation were based on the results of the last actuarial experience study, dated June 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Investment Return 7.75%

Admin Expense as % of Payroll 0.27%

General Wage Growth* 4.00%

*includes Inflation at 3.00%

Merit Increases 0% to 6%

Postretirement Benefit Increases

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increase by the applicable percentage each January, inclusive of other adjustments to member's benefits.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013

Members hired on or after July 1, 2013

- 1.5% for each year PERS is funded at or above 90%
- 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
- 0% whenever the amortization period for PERS is 40 years or more.

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was incorporated in the discount rate.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010 and is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce 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 and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Summarized in the table below are best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

Sensitivity Analysis

	1.0% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1.0% Increase <u>(8.75%)</u>
PERS' Net Pension Liability	\$ 22,194,304	\$ 14,395,213	\$ 7,809,062
Missoula Parking Commission's Net Pension Liability	\$ 691,217	\$ 448,100	\$ 243,563.75

The above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows, and deferred outflows of resources associated with pensions.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local governments and school district's collective net pension liability that is associated with the non-State employer.

The State of Montana also has a funding situation that is not special funding whereby the State General Fund provides contributions from the coal tax severance fund. All employers are required to report the portion of coal tax severance income and earnings attributable to the employer.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Net Pension Liability (Continued)

	Net Pension Liability as of 6/30/2016	Net Pension Liability as of 6/30/2015 (As Restated)	Percent of Collective NPL as of 6/30/2016	Percent of Collective NPL as of 6/30/2015 (As Restated)	Change in Percent of Collective NPL (As Restated)
Commission Proportionate Share	\$ 448,100	\$ 394,296	0.03206%	0.03170%	0.00036%
State of Montana Proportionate Share associated with Employer	5,505	4,820	0.03614%	0.04020%	-0.00406%
Total	\$ 453,605	\$ 399,116	0.06820%	0.07190%	-0.00370%

The Table above displays the Commission's share of the NPL for June 30, 2016 and 2015. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by the PERS during the measurement period July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERS' participating employers. As of June 30, 2016 and 2015, the Commission recorded a liability of \$448,100 and \$394,296 and the Commission's appropriate share was 0.03206% and 0.03170 % respectively.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

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

Changes in proportionate share: Between the measurement date of the collective net pension liability and June 30, 2016 there were some changes in proportion that may have an effect on the Commission's proportionate share of the net pension liability.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Net Pension Liability (Continued)

	<u>Pension Expense as of 6/30/2016</u>	<u>Pension Expense as of 6/30/2015 (As Restated)</u>
Commission's Proportionate Share of PERS	\$ 20,418	\$ 19,339
State of Montana Proportionate Share associated with the Commission	<u>11,259</u>	<u>11,161</u>
Total	<u>\$ 31,677</u>	<u>\$ 30,500</u>

At June 30, 2016 and 2015, the Commission recognized its proportionate share of the PERS' Pension Expense of \$20,418 and \$19,339, respectively. The Commission also recognized grant revenue of \$11,259 and \$11,161, respectively, for the support provided by the State of Montana for the proportionate share of the Pension Expense that is associated with the Commission, and grant revenue of \$10,912 and \$268 from the Coal Tax Fund.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Recognition of Deferred Inflows and Outflows

At June 30, 2016, the Commission reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 2,637
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	36,906
Changes in proportion differences between Commission contributions and proportionate share of contributions	4,718	-
Difference between actual and expected contributions	-	-
Contributions paid to PERS subsequent to the measurement date – fiscal year 2016*	<u>34,384</u>	<u>-</u>
Total	<u>\$39,102</u>	<u>\$39,543</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability beginning in the year ended June 30, 2017

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 8. RETIREMENT PLAN (CONTINUED)

Recognition of Deferred Inflows and Outflows (Continued)

At June 30, 2015, as restated, the Commission reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	101,880
Changes in proportion differences between Commission contributions and proportionate share of contributions	208	13
Difference between actual and expected contributions	-	-
Contributions paid to PERS subsequent to the measurement date – fiscal year 2015	<u>33,057</u>	<u>-</u>
Total	<u>\$33,265</u>	<u>\$101,893</u>

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

Year Ended <u>June 30:</u>	Amounts of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to <u>Pension Expense</u>
2017	\$(15,472)
2018	(15,472)
2019	(15,542)
2020	10,012
2021	-
Thereafter	-

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

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

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

Retirees and the Commission contribute to the plan. The plan is financed on a pay-as-you-go basis with Commission contributions ensuring that adequate reserves are maintained in the plan. The Commission's contribution is not contributed to a trust for only retiree benefits so it is not considered a contribution towards the annual required contribution under GASB Statement No. 45. The contributions to the plan are as follows for June 30, 2016:

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 11,765	\$ 14,235	\$ 20,078
Interest and ARC Adjustment	(889)	(776)	(675)
Annual OPEB cost	10,876	13,459	19,403
Contributions made	(4,642)	(4,994)	(7,423)
Change in net OPEB obligation	6,234	8,465	11,980
Net OPEB obligation - beginning of year	52,802	44,337	32,357
Net OPEB obligation - end of year	<u>\$ 59,036</u>	<u>\$ 52,802</u>	<u>\$ 44,337</u>
Percentage of annual OPEB cost contributed	43%	37%	38%

The Commission's unfunded accrued actuarial liability as of June 30, 2016 and 2015, based on the study prepared as of June 30, 2015 was \$123,941 and \$149,966 respectively. This liability is not funded under GASB Statement No. 45 since there are no assets allocated to an irrevocable trust for the plan. The annual covered payroll was \$459,317 and \$439,990 and the unfunded actuarial liability was 27% and 34% of covered payroll for the fiscal years ended June 30, 2016 and 2015, respectively.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the actuarial valuations performed at June 30, 2015, the projected unit credit actuarial cost method was used. The health care cost trend rate was 5% for 2015 and beyond. The assumed discount and long-term rate of return was 3.98%. The unfunded actuarial liability was amortized on a level-dollar basis over an open period of 30 years.

The City allocated the annual retired contributions and the underfunded liability to the Commission based on the number of active participants in the plan as of June 30, 2016 and 2015.

NOTE 11. NOTE RECEIVABLE

In December 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, 2016 and 2015, the Commission has recorded a liability of \$78,540. The expected payments to maturity on the MRA note receivable are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 100,000	\$ 108,290	\$ 208,290
2018	102,000	104,390	206,390
2019	110,000	101,330	211,330
2020	110,000	98,030	208,030
2021	112,000	94,830	206,830
2022-2026	612,000	413,610	1,025,610
2027-2031	736,000	283,392	1,019,392
2032-2036	892,000	118,435	1,010,435
Total	<u>\$ 2,774,000</u>	<u>\$ 1,322,307</u>	<u>\$ 4,096,307</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016 and 2015

NOTE 12. PRIOR PERIOD RESTATEMENT

In 2016, the City informed the Commission that the net pension liability, deferred outflows, deferred inflows, pension expense, and grant revenue related to contributions from the state of Montana for the PERS retirement plan were misallocated to the Commission for fiscal year 2015. As such, net position, net pension liability, accrued liabilities, deferred outflows, and deferred inflows have been restated based on the proper allocation as follows:

	As Previously Reported	As Restated
July 1, 2014:		
Net position	\$ 10,904,003	\$ 10,780,299
June 30, 2015:		
Deferred outflows - pension contributions and adjustments	24,632	33,265
Accrued liabilities	51,210	54,037
Net pension liability	291,968	394,296
Deferred inflows - pension adjustments	75,449	101,893
Unrestricted net position	2,719,655	2,596,689
Change in net position	(191,192)	(190,454)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities - pension contributions and adjustments	73,501	(8,018)

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION
AND ANALYSIS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH INSURANCE
BENEFIT PLAN
 June 30, 2016 and 2015

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
2016	\$ -	\$ 59,036	\$ 123,941	0%	\$ 459,317	27%
2015	-	52,802	149,966	-	439,990	34%

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, 2016 and 2015

Schedule of Proportionate Share of the Net Pension Liability for the Last Ten Fiscal Years*

	<u>2016</u>	2015 (As Restated)
Employer's proportion of the net pension liability as a percentage	0.032060%	0.031700%
Employer's proportionate share of the net pension liability as an amount	\$ 448,100	\$ 394,296
State of Montana's proportionate share of the net pension liability associated with the Employer	<u>5,505</u>	<u>4,820</u>
Total	<u>\$ 453,605</u>	<u>\$ 399,116</u>
Employer's pensionable payroll	\$ 379,605	\$ 358,594
Employer's proportionate share of the net pension liability as a percentage of its pensionable payroll	118.044%	110.072%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.90%

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

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS
 June 30, 2016 and 2015

Schedule of Contributions for the Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u> <u>(As Restated)</u>
Contractually required contributions	\$ 33,507	\$ 33,092
Contributions in relation to the contractually required contributions	<u>33,507</u>	<u>33,092</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 379,605	\$ 358,594
Contributions of covered-employee payroll	8.83%	9.23%

*The amounts presented for each fiscal year were determined as of June 30
 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)
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016 and 2015

Changes of Benefit Terms

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

2013 Legislative Changes:

Working Retirees – House Bill 95 – PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap – House Bill 97, effective July 1, 2013

All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.

All bonuses paid to PERS members on or after July 1, 2013, will not be treated as compensation for retirement purposes.

House Bill 454 – Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

Guaranteed Annual Benefit Adjustment (GABA) – for PERS

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 all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
 - a. 1.5% each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - c. 0% whenever the amortization period for PERS is 40 years or more.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2016 and 2015

2015 Legislative Changes:

General Revisions – House Bill 101, effective January 1, 2016

Second Retirement Benefit – for PERS

- 1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
- 2) For members who retire **before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:**
 - member receives a recalculated retirement benefit based on laws in effect at second retirement; and
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- 3) For members who retire **on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:**
 - refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
- 4) For members who retire **on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:**
 - member receives same retirement benefit as prior to return to service;
 - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws – House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 June 30, 2016 and 2015

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
-------------------------------	-------

The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SUPPLEMENTARY INFORMATION

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF COVERAGE – SERIES 2014 BONDS
 June 30, 2016

Revenues	
Total operating revenue	\$ 1,885,502
Missoula Redevelopment Agency pledge	<u>266,851</u>
Total revenues pledged	<u><u>2,152,353</u></u>
Expenses	
Operating expenses	(1,795,192)
Add back depreciation	446,035
Add back administrative charges	<u>178,892</u>
Total operating expenses	<u><u>(1,170,265)</u></u>
Revenues available for debt service	<u><u>\$ 982,088</u></u>
Debt service	
Principal	\$ 185,000
Interest	<u>272,575</u>
Total debt service	<u><u>\$ 457,575</u></u>
Total Coverage	<u><u>215%</u></u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Missoula Parking Commission (the Commission), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 23, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2016-01 that we consider to be a material weakness.

Compliance and Other Matters

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

Missoula Parking Commission's Response to Findings

The Commission's response to findings identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
February 23, 2017

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016

Finding 2016-01

Material Misstatements

Condition:

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

Criteria:

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

Cause:

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

Effect:

Material audit adjustments were proposed to correct capital assets, prepaid expenses, and depreciation expense.

Recommendation:

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

*Client response and
Corrective actions:*

We acknowledge the auditor's comment on control procedures for financial information. We plan to have City of Missoula staff review all accrual adjustments for accuracy as part of our year-end control procedures.



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