

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, 2017 and 2016



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

<u>Member</u>	<u>Business</u>	<u>Term Expires</u>
Matt Ellis	Downtown Business	April 30, 2018
Pat Corrick	Downtown Business	April 30, 2019
Heidi Kendall	Downtown Business	April 30, 2019
Joe Easton	Jackson Contractor Group	April 30, 2020
John Roemer	Roemer's Tire Factory	April 30, 2021

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, 2017 and 2016, 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, 2017 and 2016, 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 through 7, the schedule of funding progress for retiree health insurance benefit plan on page 34, the schedule of proportionate share of PERS net pension liability for the last ten fiscal years on page 35, and the schedule of contributions for the last ten fiscal years on page 36 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 39 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 January 24, 2018, on our consideration of the Missoula Parking Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missoula Parking Commission's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
January 24, 2018

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

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, 2017 and 2016. 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, 2017 and 2016, 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, 2017 and 2016

Condensed Financial Information

The following tables summarize financial condition and operating results for 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>
Current Assets	\$ 1,061,033	\$ 800,125	\$ 260,908	\$ 681,333	\$ 118,792
Capital Assets	14,776,663	15,250,905	(474,242)	14,715,889	535,016
Other Assets	<u>3,463,719</u>	<u>3,682,397</u>	<u>(218,678)</u>	<u>3,271,216</u>	<u>411,181</u>
Total assets	<u>19,301,415</u>	<u>19,733,427</u>	<u>(432,012)</u>	<u>18,668,438</u>	<u>1,064,989</u>
Deferred Outflows of Resources	<u>97,149</u>	<u>39,102</u>	<u>58,047</u>	<u>33,265</u>	<u>5,837</u>
Total assets and deferred outflows of resources	<u>\$ 19,398,564</u>	<u>\$ 19,772,529</u>	<u>\$ (373,965)</u>	<u>\$ 18,701,703</u>	<u>\$ 1,070,826</u>
Current Liabilities	\$ 775,336	\$ 719,252	\$ 56,084	\$ 496,809	\$ 222,443
Long-Term Liabilities	<u>8,012,304</u>	<u>8,370,636</u>	<u>(358,332)</u>	<u>7,382,098</u>	<u>988,538</u>
Total liabilities	<u>8,787,640</u>	<u>9,089,888</u>	<u>(302,248)</u>	<u>7,878,907</u>	<u>1,210,981</u>
Deferred Inflows of Resources	<u>114,888</u>	<u>158,687</u>	<u>(43,799)</u>	<u>232,951</u>	<u>-</u>
Net Position					
Net investment in capital assets	6,799,977	6,836,861	(36,884)	7,402,111	(565,250)
Restricted for Debt Service	528,325	664,538	(136,213)	591,045	73,493
Unrestricted	<u>3,167,734</u>	<u>3,022,555</u>	<u>145,179</u>	<u>2,596,689</u>	<u>425,866</u>
Total net position	<u>10,496,036</u>	<u>10,523,954</u>	<u>(27,918)</u>	<u>10,589,845</u>	<u>(65,891)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 19,398,564</u>	<u>\$ 19,772,529</u>	<u>\$ (373,965)</u>	<u>\$ 18,701,703</u>	<u>\$ 1,145,090</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>
OPERATING REVENUES					
Parking and ticket revenues	<u>\$ 2,251,065</u>	<u>\$ 1,885,502</u>	<u>\$ 365,563</u>	<u>\$ 1,629,455</u>	<u>\$ 256,047</u>
OPERATING EXPENSES					
Personnel	643,117	631,959	11,158	674,523	(42,564)
Contract - City of Missoula	198,358	178,892	19,466	173,680	5,212
Rent	17,186	18,450	(1,264)	16,800	1,650
Depreciation and amortization	495,616	446,035	49,581	404,057	41,978
Repairs, maintenance and supplies	143,437	100,671	42,766	108,952	(8,281)
Other operating expenses	<u>602,587</u>	<u>419,011</u>	<u>183,576</u>	<u>297,689</u>	<u>121,322</u>
	<u>2,100,301</u>	<u>1,795,018</u>	<u>305,283</u>	<u>1,675,701</u>	<u>119,317</u>
Operating income (loss)	150,764	90,484	60,280	(46,246)	136,730
Net Nonoperating Revenue (Expense)	<u>(178,682)</u>	<u>(156,375)</u>	<u>(22,307)</u>	<u>(144,208)</u>	<u>(12,167)</u>
Change in net position	(27,918)	(65,891)	37,973	(190,454)	124,563
Net Position					
Beginning of year	<u>10,523,954</u>	<u>10,589,845</u>	<u>(65,891)</u>	<u>10,780,299</u>	<u>(190,454)</u>
End of year	<u>\$ 10,496,036</u>	<u>\$ 10,523,954</u>	<u>\$ (27,918)</u>	<u>\$ 10,589,845</u>	<u>\$ (65,891)</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017 and 2016

Discussion of Financial Results

There were three significant events of note for the Parking Commission in FY 2017. The first was the rollout of the Mobile application (Passport) which gives parking customers the ability to pay for their metered parking from their phone. Secondly, we added the option to pay fines on our website through T2's Flexport system. Lastly, we updated our Right of Way (ROW)/Meter Bag policy and increased the rate due per space used.

Passport was rolled out in late February with an ongoing positive reception from our users. We had anticipated complaints about the additional cost per transaction (\$0.25) but have received very few. In fact, we received many comments stating the convenience was worth the additional cost. It is important to note that when a parker uses Passport, the Parking Commission doesn't pay the merchant fee on the transaction, ultimately lowering what we pay in credit card transaction fees.

Parking revenue was up \$297,839 in FY 2017. There are several contributing factors to this increase. Part of the increase was getting things back to normal after installation of a completely new electronic metering system where tickets were not written for more than a month and many tickets were voided while the public familiarized themselves to the system. Ticket revenue got back into the normal range increasing \$67,724 to \$234,053 with 36,886 tickets written. The rate increase that came with the new meters, the ability to pay with a credit card, and the addition of Passport all helped increase meter revenue by \$283,409. In addition, the update to the ROW policy led to an increase of \$7,591.

Lease revenue was up \$32,150 partially due to all of our lots and garages being fully leased. Timing of when lease payments come in also was a factor in the larger number.

The one significant decrease in revenue came from transient parking in Park Place. Revenue was down just over \$17,000 due primarily to the gating equipment malfunctioning. All new gating equipment should be installed by the end of FY 2018.

Operating expenses were up \$305,283 with a third of the increase coming from an increase in meter expenses. Meter expenses include module costs per kiosk, internal component replacement and back office software. It is important to note that in FY 2016 much of the meter expense was paid out of loan proceeds so was not reflected in those numbers. Professional fees were up \$92,674 primarily due to increased use of a parking consultant. Various other line items attributed for the remainder of the increase.

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 803,140	\$ 540,054
Investments	16,618	19,348
Other receivables	139,275	140,723
Current portion of note receivable	<u>102,000</u>	<u>100,000</u>
Total current assets	<u>1,061,033</u>	<u>800,125</u>
NONCURRENT ASSETS		
Capital assets, net	14,776,663	15,250,905
Restricted cash and investments	528,325	664,538
Note receivable, net of current portion	2,572,000	2,674,000
Prepaid expenses	278,088	333,450
Other assets	<u>85,306</u>	<u>10,409</u>
Total noncurrent assets	<u>18,240,382</u>	<u>18,933,302</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>97,149</u>	<u>39,102</u>
Total deferred outflows of resources	<u>97,149</u>	<u>39,102</u>
Total assets and deferred outflows of resources	<u>\$ 19,398,564</u>	<u>\$ 19,772,529</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 NET POSITION (CONTINUED)
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 73,479	\$ 50,713
Accrued liabilities	81,973	60,619
Accrued bond interest	64,527	66,938
Compensated absences	33,527	31,042
Advance from other governments	81,230	78,540
Current portion of revenue bonds payable	255,000	250,000
Current portion of capital lease obligation	<u>185,600</u>	<u>181,400</u>
Total current liabilities	<u>775,336</u>	<u>719,252</u>
LONG-TERM LIABILITIES		
Net pension liability	514,131	448,100
Other postemployment benefits	75,273	59,036
Revenue bonds payable, less current portion	6,430,000	6,685,000
Capital lease obligation, less current portion	<u>992,900</u>	<u>1,178,500</u>
Total long-term liabilities	<u>8,012,304</u>	<u>8,370,636</u>
Total liabilities	<u>8,787,640</u>	<u>9,089,888</u>
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	1,702	39,543
Gain on refunding of debt	<u>113,186</u>	<u>119,144</u>
Total deferred inflows of resources	<u>114,888</u>	<u>158,687</u>
NET POSITION		
Net investment in capital assets	6,799,977	6,836,861
Restricted for debt service	528,325	664,538
Unrestricted	<u>3,167,734</u>	<u>3,022,555</u>
Total net position	<u>10,496,036</u>	<u>10,523,954</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 19,398,564</u>	<u>\$ 19,772,529</u>

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Parking revenues	\$ 2,017,012	\$ 1,719,173
Ticket revenues	<u>234,053</u>	<u>166,329</u>
Total operating revenues	<u>2,251,065</u>	<u>1,885,502</u>
OPERATING EXPENSES		
Personnel	643,117	631,959
Contract - City of Missoula	198,358	178,892
Rent	17,186	18,450
Depreciation and amortization	495,616	446,035
Repairs, maintenance and supplies	143,437	100,671
Other operating expenses	<u>602,587</u>	<u>419,011</u>
Total operating expenses	<u>2,100,301</u>	<u>1,795,018</u>
Operating income	<u>150,764</u>	<u>90,484</u>
NONOPERATING REVENUE (EXPENSE)		
Investment earnings	108,383	120,401
Bond interest	<u>(287,065)</u>	<u>(276,776)</u>
Total nonoperating revenue (expense)	<u>(178,682)</u>	<u>(156,375)</u>
Change in net position	(27,918)	(65,891)
Net Position		
Beginning of year	<u>10,523,954</u>	<u>10,589,845</u>
End of year	<u>\$ 10,496,036</u>	<u>\$ 10,523,954</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 2,252,513	\$ 1,861,272
Cash payments to suppliers	(934,293)	(1,072,390)
Cash payments to employees	<u>(654,251)</u>	<u>(642,753)</u>
Net cash flows from operating activities	<u>663,969</u>	<u>146,129</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contribution to restricted cash capital lease account	136,213	(136,213)
Revenue bond principal paid	(250,000)	(185,000)
Proceeds from capital lease	-	1,400,000
Payments on capital lease	(181,400)	(40,100)
Revenue bond interest and issuance costs paid	(295,435)	(289,604)
Acquisition of capital assets	<u>(21,374)</u>	<u>(981,051)</u>
Net cash flows from capital and related financing activities	<u>(611,996)</u>	<u>(231,968)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments, net	2,730	8,202
Collections on note receivable	100,000	74,000
Interest income	<u>108,383</u>	<u>120,401</u>
Net cash flows from investing activities	<u>211,113</u>	<u>202,603</u>
 Net change in cash and cash equivalents	263,086	116,764
 Cash and cash equivalents, beginning of year	<u>540,054</u>	<u>423,290</u>
 Cash and cash equivalents, end of year	<u>\$ 803,140</u>	<u>\$ 540,054</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 (CONTINUED)
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 150,764	\$ 90,484
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	495,616	446,035
Changes in operating assets and liabilities		
Other receivables	1,448	(24,230)
Prepaid expenses	55,362	(333,450)
Other assets	(74,897)	(1,518)
Pension contributions and adjustments	(29,856)	(17,210)
Postemployment benefits	16,237	6,234
Advance from other governments	2,690	-
Accounts payable	22,766	(29,807)
Accrued liabilities	23,839	9,591
Net cash flows from operating activities	<u>\$ 663,969</u>	<u>\$ 146,129</u>
 SUPPLEMENTAL DISCLOSURE OF		
NONCASH ACTIVITIES		
Change in net pension liability	<u>\$ 66,032</u>	<u>\$ 156,132</u>
Transfer of capital assets from construction in progress	<u>\$ -</u>	<u>\$ 62,700</u>

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

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

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, 2017, the approximate percentage of revenues from all sources was as follows:

Leased spaces	37%
Parking meters	44
Parking tickets	9
Other sources	4
Parking structures	<u>6</u>
	<u>100%</u>

For the years ended June 30, 2017 and 2016, on-street hourly parking fees were \$1.00 and \$0.50 per hour, respectively. The parking fees for the three structures were as follows for the years ended June 30, 2017 and 2016, 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, 2017 and 2016

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 Commission has adopted the provisions of the following GASB pronouncement for fiscal year 2017:

- *Statement No. 77 – Tax Abatement Disclosures.* This Statement addresses the disclosure of tax abatements within the notes to the financial statements. The Statement provides guidance for the reporting of (1) the total tax abated in the current fiscal year, (2) the general description of each tax abatement, and (3) any obligations the Commission incurred with respect to the approved abatement program. This Statement is effective for fiscal years beginning after December 15, 2015. For the year ended June 30, 2017, the Commission had no tax abatements.

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 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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 meet certain conditions. Investments held by the Commission are reported at fair value.

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets (these investments are valued using matrix pricing); Level 2 inputs are significantly other observable inputs (these investments are valued using matrix pricing); Level 3 inputs are significant unobservable inputs (these investments are valued using consensus pricing).

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.

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, equipment and vehicles	5-15 years
Furniture, fixtures and computers	5-15 years

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

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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*.

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, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 2,395	\$ 2,395
Demand deposits	1,329,070	1,202,197
Certificates of deposit	<u>16,618</u>	<u>19,348</u>
Total cash and cash equivalents and investments	1,348,083	1,223,940
Less restricted cash held for debt service reserves	<u>(528,325)</u>	<u>(664,538)</u>
Net cash and cash equivalents and investments	<u>\$ 819,758</u>	<u>\$ 559,402</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 investments in government securities. This risk is managed by the City.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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.

NOTE 3. NOTE RECEIVABLE

In December 2010, Missoula Redevelopment Agency (MRA) agreed to fund \$3,000,000 of the Series 2010B bonds issued to construct the Park Place parking structure. MRA has committed to paying 40% of the principal and interest for the life of the bonds. Under the terms of the agreement, MRA will transfer \$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, 2017 and 2016, the Commission has recorded a liability of \$81,230. The expected payments to maturity on the MRA note receivable are as follows:

Year Ending June 30,	Principal	Interest	Total
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	114,000	91,470	205,470
2023-2027	634,000	390,310	1,024,310
2028-2032	764,000	253,352	1,017,352
2033-2037	728,000	80,305	808,305
Total	<u>\$ 2,674,000</u>	<u>\$ 1,214,017</u>	<u>\$ 3,888,017</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 4. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Parking lots and land	\$ 3,587,760	\$ -	\$ -	\$ 3,587,760
Total capital assets not being depreciated	<u>3,587,760</u>	<u>-</u>	<u>-</u>	<u>3,587,760</u>
Capital Assets Being Depreciated				
Parking structures	12,624,241	-	-	12,624,241
Furniture, fixtures and computers	259,057	-	-	259,057
Machinery, equipment and vehicles	191,405	-	-	191,405
Parking lot improvements	<u>2,244,098</u>	<u>21,374</u>	<u>-</u>	<u>2,265,472</u>
	15,318,801	21,374	-	15,340,175
Less accumulated depreciation	<u>(3,655,656)</u>	<u>(495,616)</u>	<u>-</u>	<u>(4,151,272)</u>
Total capital assets being depreciated, net	<u>11,663,145</u>	<u>(474,242)</u>	<u>-</u>	<u>11,188,903</u>
Capital Assets, Net	<u>\$ 15,250,905</u>	<u>\$ (474,242)</u>	<u>\$ -</u>	<u>\$ 14,776,663</u>

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
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>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017 and 2016

NOTE 5. LONG-TERM LIABILITIES

Revenue Bonds

Long-term debt at June 30 consists of:

	<u>2017</u>	<u>2016</u>
\$7,160,000 Series 2014 refunding bonds, 2% to 4.35%, due in varying amounts to October 2035	\$ 6,685,000	\$ 6,935,000
Less current portion	<u>(255,000)</u>	<u>(250,000)</u>
Revenue bonds payable, less current portion	<u>\$ 6,430,000</u>	<u>\$ 6,685,000</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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	285,000	222,975	507,975
2023 - 2027	1,585,000	945,550	2,530,550
2028 - 2032	1,910,000	594,124	2,504,124
2033 - 2037	<u>1,820,000</u>	<u>161,608</u>	<u>1,981,608</u>
Total	<u>\$ 6,685,000</u>	<u>\$ 2,904,557</u>	<u>\$ 9,589,557</u>

Capital Leases

In 2015, the Commission entered into a capital lease purchase agreement with First Security Bank to finance the purchase of 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, 2017, the Commission has capitalized \$1,038,445 in meter costs with an associated accumulated depreciation balance of \$51,922.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

Annual lease payment requirements as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	202,900	8,101	211,001
2023	<u>207,600</u>	<u>3,510</u>	<u>211,110</u>
Total	<u>\$ 1,178,500</u>	<u>\$ 87,943</u>	<u>\$ 1,266,443</u>

The changes in long-term liabilities for the years ended June 30, 2017 and 2016 were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Revenue bonds	\$ 6,935,000	\$ -	\$ 250,000	\$ 6,685,000	\$ 255,000
Capital lease obligations	1,359,900	-	181,400	1,178,500	185,600
Compensated absences	<u>31,042</u>	<u>32,964</u>	<u>30,479</u>	<u>33,527</u>	<u>33,527</u>
Total	<u>\$ 8,325,942</u>	<u>\$ 32,964</u>	<u>\$ 461,879</u>	<u>\$ 7,897,027</u>	<u>\$ 474,127</u>

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
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	<u>30,860</u>	<u>71,157</u>	<u>70,975</u>	<u>31,042</u>	<u>31,042</u>
Total	<u>\$ 7,150,860</u>	<u>\$ 1,471,157</u>	<u>\$ 296,075</u>	<u>\$ 8,325,942</u>	<u>\$ 462,442</u>

NOTE 6. DESIGNATED NET POSITION

The Commission's board has designated \$3,167,734 and \$1,266,671 of unrestricted net assets as of June 30, 2017 and 2016, respectively for the acquisition of parking lots, facilities, and equipment.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 7. RELATED PARTY TRANSACTIONS

The Commission paid \$198,358 and \$178,892 to the City of Missoula for the years ended June 30, 2017 and 2016, respectively, for administrative services.

NOTE 8. 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 \$17,186 and \$18,450 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9. RETIREMENT PLAN

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (PERS or the Plan). Employers are required to record and report their proportionate share of the collective net pension liability (NPL); pension expense; and deferred inflows and deferred outflows of resources associated with pensions.

The Commission uses a June 30, 2016 and 2015 measurement date for the 2017 and 2016 reporting, respectively.

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 government's and school district's collective NPL that is associated with the non-State employer.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Net Pension Liability (Continued)

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.

	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Commission					
Proportionate Share	\$ 514,131	\$ 448,100	0.03018%	0.03206%	-0.00188%
State of Montana					
Proportionate					
Share associated					
with Employer	<u>6,282</u>	<u>5,505</u>	<u>0.00037%</u>	<u>0.00039%</u>	<u>-0.00002%</u>
Total	<u>\$ 520,413</u>	<u>\$ 453,605</u>	<u>0.03055%</u>	<u>0.03245%</u>	<u>-0.00190%</u>

The Table above displays the Commission's share of the NPL for June 30, 2017 and 2016. The Commission's proportionate share of the NPL was based on the Commission's contributions received by the PERS during the measurement period July 1, 2014 through June 30, 2015 and July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERS' participating employers. As of June 30, 2017 and 2016, the Commission recorded a liability of \$514,131 and \$448,100 and the Commission's appropriate share was 0.03018% and 0.03206%, 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 NPL and June 30, 2017, there were no changes in proportion that would have an effect on the Commission's proportionate share of the collective NPL since the previous measurement date.

Pension Expense

	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Commission's		
Proportionate Share of PERS	\$ 40,455	\$ 20,418
State of Montana Proportionate Share		
associated with the Commission	526	347
State of Montana Coal Tax associated		
with the Commission	<u>9,008</u>	<u>10,912</u>
Total	<u>\$ 49,463</u>	<u>\$ 31,677</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Pension Expense (Continued)

At June 30, 2017 and 2016, the Commission recognized its proportionate share of the PERS' Pension Expense of \$40,455 and \$20,418, respectively. The Commission also recognized grant revenue of \$526 and \$347, 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 \$9,008 and \$10,912 from the Coal Tax Fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the Commission reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ -	\$ 1,702
Changes in assumptions	2,774	-
Difference between projected and actual earnings on pension plan investments	48,370	-
Changes in proportion differences between Commission contributions and proportionate share of contributions	12,856	-
Difference between actual and expected contributions	-	-
Contributions paid to PERS subsequent to the measurement date – fiscal year 2017*	<u>33,149</u>	<u>-</u>
Total	<u>\$ 97,149</u>	<u>\$ 1,702</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, 2018.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Recognition of Deferred Inflows and Outflows (Continued)

At June 30, 2016, 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	\$ -	\$ 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>

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

<u>Year Ended June 30:</u>	<u>Amounts of deferred outflows and deferred inflows recognized in future years as an increase to Pension Expense</u>
2018	\$ 2,342
2019	2,342
2020	27,487
2021	17,272

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Plan Description (Continued)

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.

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Summary of Benefits (Continued)

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.

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.

Fiscal Year	Member		State & Universities Employer	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11		Employer	State	Employer	State
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Overview of Contributions (Continued)

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 Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
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.

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>

MISSOULA PARKING COMMISSION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in June 30, 2016, 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:

Investment Return (net of admin expense)	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 TPL 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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Discount Rate (Continued)

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 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period covering fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed 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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.6%	4.00%	0.10%
Domestic Equity	36.0%	4.55%	1.64%
Foreign Equity	18.0%	6.35%	1.14%
Fixed Income	23.4%	1.00%	0.23%
Private Equity	12.0%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	100.0%		4.37%
Inflation			<u>3.00%</u>
Portfolio Return Expectation			7.37%

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	\$ 26,201,138	\$ 18,056,380	\$11,040,468
Missoula Parking Commission's Net Pension Liability	\$ 746,043	\$ 514,131	\$ 314,363

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 9. RETIREMENT PLAN (CONTINUED)

Sensitivity Analysis (Continued)

The sensitivity of the NPL to the discount rate is shown in the table above. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

Summary of Significant Accounting Policies

MPERA prepared its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, the fiduciary net position; and additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Defined Contribution Plan

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

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

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 10. 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 11. 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 12 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.

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, 2017:

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

<u>Coverage</u>	<u>Retiree Contribution</u>	<u>City Contribution</u>	<u>Total Premium</u>
Retiree	\$ 651.79	\$ 115.02	\$ 766.81
Retiree, spouse	750.72	132.48	883.20
Retiree, spouse, child	791.87	139.74	931.61
Retiree, spouse, 2 children	833.02	147.00	980.02
Retiree, spouse, 3 children	874.17	154.26	1,028.43
Retiree, spouse, 4 children	915.32	161.52	1,076.84
Retiree, child	692.94	122.28	815.22
Retiree, 2 children	734.09	129.54	863.63
Retiree, 3 children	775.24	136.80	912.04
Retiree, 4 children	816.39	144.06	960.45

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 23,875	\$ 11,765	\$ 14,235
Interest and ARC Adjustment	<u>(1,127)</u>	<u>(889)</u>	<u>(776)</u>
Annual OPEB cost	22,748	10,876	13,459
Contributions made	<u>(6,511)</u>	<u>(4,642)</u>	<u>(4,994)</u>
Change in net OPEB obligation	16,237	6,234	8,465
Net OPEB obligation - beginning of year	<u>59,036</u>	<u>52,802</u>	<u>44,337</u>
Net OPEB obligation - end of year	<u>\$ 75,273</u>	<u>\$ 59,036</u>	<u>\$ 52,802</u>
Percentage of annual OPEB cost contributed	29%	43%	37%

The Commission's unfunded accrued actuarial liability as of June 30, 2017 and 2016, based on the study prepared as of June 30, 2017 and June 30, 2015 was \$232,702 and \$123,941, 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 \$451,272 and \$459,317 and the unfunded actuarial liability was 52% and 27% of covered payroll for the fiscal years ended June 30, 2017 and 2016, 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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

For the actuarial valuations performed at June 30, 2017, the projected unit credit actuarial cost method was used. The health care cost trend rate, which includes an inflation rate, was 6.8% in 2017 and grades down to 5% over a nine year period. The assumed discount and long-term rate of return was 3.13%. 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, 2017 and 2016.

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, 2017 and 2016

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
2017	\$ -	\$ 75,723	\$ 232,702	-	\$ 451,272	52%
2016	\$ -	\$ 59,036	\$ 123,941	-	\$ 459,317	27%

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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability as a percentage	0.030180%	0.032060%	0.031700%
Employer's proportionate share of the net pension liability as an amount	\$ 514,131	\$ 448,100	\$ 394,296
State of Montana's proportionate share of the net pension liability associated with the Employer	<u>6,282</u>	<u>5,505</u>	<u>4,820</u>
Total	<u>\$ 520,413</u>	<u>\$ 453,605</u>	<u>\$ 399,116</u>
Employer's pensionable payroll	\$ 379,605	\$ 358,594	\$ 399,531
Employer's proportionate share of the net pension liability as a percentage of its pensionable payroll	135.438%	124.960%	98.690%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	78.40%	79.90%

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS
June 30, 2017

Schedule of Contributions for the Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 33,149	\$ 33,507	\$ 33,092
Contributions in relation to the contractually required contributions	<u>33,149</u>	<u>33,507</u>	<u>33,092</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 396,046	\$ 379,605	\$ 358,594
Contributions of covered-employee payroll	8.37%	8.83%	9.23%

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017 and 2016

Changes of Benefit Terms

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

2013 Legislative Changes:

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.

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.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 June 30, 2017 and 2016

2015 Legislative Changes (Continued):

General Revisions – House Bill 101, effective January 1, 2016 (Continued)

Second Retirement Benefit – for PERS (Continued)

- 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.

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%
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There were no changes following the 2013 Economic Experience study.

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

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75%, 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, 2017

REVENUES

Total operating revenue	\$ 2,251,065
Missoula Redevelopment Agency pledge	<u>266,851</u>
Total revenues pledged	<u>2,517,916</u>

EXPENSES

Operating expenses	(2,100,301)
Add back depreciation	495,616
Add back administrative charges	<u>198,358</u>
Total operating expenses	<u>(1,406,327)</u>

Revenues available for debt service \$ 1,111,589

DEBT SERVICE

Principal	\$ 250,000
Interest	<u>265,850</u>
Total debt service	<u>\$ 515,850</u>

Total coverage 215%

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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 24, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
January 24, 2018



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