

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, 2018



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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>
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
Matt Ellis	Downtown Business	April 30, 2022

Director

Rod Austin (Fiscal Year 2018)

Interim Director

Tiffany Brander (Fiscal Year 2019)

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Missoula Parking Commission (a component unit of the City of Missoula, Montana) as of and for the year ended June 30, 2018, 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, 2018, and its changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 11 to the financial statements, the Commission has adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which has resulted in a restatement of the net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

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 8, the schedule of changes in other post employment benefits liability and related ratios for the last ten years on page 38, the schedule of proportionate share of PERS net pension liability for the last ten fiscal years on page 39, and the schedule of contributions for the last ten fiscal years on page 40 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 44 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of coverage for the Series 2014 bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 December 28, 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
December 28, 2018

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018 and 2017

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

Our discussion and analysis of the Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2018 and 2017. It should be read in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL REPORTING

The Commission has issued a complete set of financial statements for the fiscal year ended June 30, 2018, 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, 2018

Condensed Financial Information

The following tables summarize financial condition and operating results for 2018, 2017, and 2016:

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>2016</u>	<u>Change</u>
Current assets	\$ 2,455,343	\$ 1,061,033	\$ 1,394,310	\$ 800,125	\$ 260,908
Capital assets	14,992,220	14,776,663	215,557	15,250,905	(474,242)
Other assets	<u>3,298,624</u>	<u>3,463,719</u>	<u>(165,095)</u>	<u>3,682,397</u>	<u>(218,678)</u>
Total assets	<u>20,746,187</u>	<u>19,301,415</u>	<u>1,444,772</u>	<u>19,733,427</u>	<u>(432,012)</u>
Deferred outflows of resources	<u>174,802</u>	<u>97,149</u>	<u>77,653</u>	<u>39,102</u>	<u>58,047</u>
Total assets and deferred outflows of resources	<u>\$ 20,920,989</u>	<u>\$ 19,398,564</u>	<u>\$ 1,522,425</u>	<u>\$ 19,772,529</u>	<u>\$ (373,965)</u>
Current liabilities	\$ 1,308,466	\$ 775,336	\$ 533,130	\$ 719,252	\$ 56,084
Long-term liabilities	<u>8,722,646</u>	<u>8,012,304</u>	<u>710,342</u>	<u>8,370,636</u>	<u>(358,332)</u>
Total liabilities	<u>10,031,112</u>	<u>8,787,640</u>	<u>1,243,472</u>	<u>9,089,888</u>	<u>(302,248)</u>
Deferred inflows of resources	<u>115,095</u>	<u>114,888</u>	<u>207</u>	<u>158,687</u>	<u>-</u>
Net position					
Net investment in capital assets	5,692,327	6,799,977	(1,107,650)	6,836,861	(36,884)
Restricted for debt service	1,186,762	528,325	658,437	664,538	(136,213)
Unrestricted	<u>3,895,693</u>	<u>3,167,734</u>	<u>727,959</u>	<u>3,022,555</u>	<u>145,179</u>
Total net position	<u>10,774,782</u>	<u>10,496,036</u>	<u>278,746</u>	<u>10,523,954</u>	<u>(27,918)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 20,920,989</u>	<u>\$ 19,398,564</u>	<u>\$ 1,522,425</u>	<u>\$ 19,772,529</u>	<u>\$ (330,166)</u>
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>2016</u>	<u>Change</u>
OPERATING REVENUES					
Parking and ticket revenues	<u>\$ 2,623,619</u>	<u>\$ 2,251,065</u>	<u>\$ 372,554</u>	<u>\$ 1,885,502</u>	<u>\$ 365,563</u>
OPERATING EXPENSES					
Personnel	756,335	643,117	113,218	631,959	11,158
Contract - City of Missoula	199,699	198,358	1,341	178,892	19,466
Rent	12,525	17,186	(4,661)	18,450	(1,264)
Depreciation and amortization	490,729	495,616	(4,887)	446,035	49,581
Repairs, maintenance and supplies	148,440	143,437	5,003	100,671	42,766
Other operating expenses	<u>513,257</u>	<u>602,587</u>	<u>(89,330)</u>	<u>419,011</u>	<u>183,576</u>
	<u>2,120,985</u>	<u>2,100,301</u>	<u>20,684</u>	<u>1,795,018</u>	<u>305,283</u>
Operating income	502,634	150,764	351,870	90,484	60,280
Net nonoperating expense	<u>(160,859)</u>	<u>(178,682)</u>	<u>17,823</u>	<u>(156,375)</u>	<u>(22,307)</u>
Change in net position	341,775	(27,918)	369,693	(65,891)	37,973
Net Position					
Beginning of year	10,496,036	10,523,954	(27,918)	10,589,845	(65,891)
Restatement for OPEB liability	<u>(63,029)</u>	<u>-</u>	<u>(63,029)</u>	<u>-</u>	<u>(63,029)</u>
End of year	<u>\$ 10,774,782</u>	<u>\$ 10,496,036</u>	<u>\$ 278,746</u>	<u>\$ 10,523,954</u>	<u>\$ (27,918)</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Discussion of Financial Results

Fiscal Year 2018 (FY18) was a year of preparation and planning for the Commission. In anticipation of owning and operating the ROAM P1 garage in early Fiscal Year 2019, the Commission began the procurement process for a new Parking Access Revenue Control System (PARCS) and the addition of License Plate Recognition (LPR) to our enforcement operation. The year started with finalizing the selection of the vendor and ended with the installation of the upgraded PARCS equipment, followed by a shift of focus to LPR.

In reviewing the financial highlights from an operational perspective, the overall Operating Revenue and Operating Expenses resulted in a net change of \$502,634. The Operating Revenue represents short-term parking, long-term parking and parking fines revenues.

Short-term revenue was up approximately \$190,098 due to greater use of the on-street and off-street parking meter kiosks as well as an increase of use in our Central Park, Park Place, and Bank Street structures. This increase was due mostly to the influx of development in the downtown area. Construction was wrapping up on the Stockman's Bank Project as the Mercantile and Roam Student Housing Projects were beginning. Each project brought many single occupancy vehicles to the downtown area creating steady congestion and an increase of meter bag payments throughout the year.

Long-term revenue was up by approximately \$126,519. Parking was again leased to capacity, and in some cases over leased, in all of the Commission's lease areas. Two new on-street lease areas were introduced in FY18 accounting for an additional \$1,190 in lease revenue. Beginning July 1, 2017, the Commission increased monthly lease rates in Central Park 1, 2, & 3, Bank Street, and Park Place by ten dollars per space, per month and in all other lease areas, increased rates by five dollars per space, per month.

Parking Fine revenue continues to trend upward from years prior with an increase of approximately \$18,500 from Fiscal Year 17 (FY17). While ticket issuance has not grown, the Commission notes that more individuals paid for citations received. The addition of the Flexport online payment option in FY17 continues to be an asset to the Commission by allowing a more convenient option for customers to make their ticket payments. Adding in miscellaneous operating revenue, the general parking revenues were up by \$372,554 from FY17.

General Operating Expenses were up by \$20,684. This was mostly a result of Personnel expenses, which increased by \$113,218, while Other Operating Expenses decreased by \$89,330. FY18 included the addition of a fourth member to the Commission's Maintenance Team as well as both union and non-union pay increases. From FY17, the Commission's net position of FY18 increased by \$369,693 to an overall end of year position of \$10,774,782.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Looking forward to FY2019, in October 2018, the Director of the Commission retired. Per the direction of the Commission Board, the recruitment for the Director position will take place in late summer to early fall of 2019. With current Commission staff members acting in the interim to fill the open Director position and the Administrative Services Manager position, the Commission anticipates an increase in salaries for FY19 as temporary personnel have been hired to ensure continuity of customer service. The addition of the Commission's new PARCS equipment, LPR, and an additional inventory of approximately 139 spaces with the Roam P1 garage should all prove to have an effect on our FY19 revenues and expenses.



Missoula Parking Commission
Tiffany Brander
Interim Parking Services Director

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET POSITION
 June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 2,103,871
Investments	29,263
Other receivables	212,209
Current portion of note receivable	<u>110,000</u>
Total current assets	<u>2,455,343</u>

NONCURRENT ASSETS

Capital assets, net	14,992,220
Restricted cash and investments	528,325
Note receivable, net of current portion	2,462,000
Prepaid expenses	211,368
Other assets	<u>96,931</u>
Total noncurrent assets	<u>18,290,844</u>

DEFERRED OUTFLOWS OF RESOURCES

OPEB contributions and adjustments	67
Pension contributions and adjustments	<u>174,735</u>
Total deferred outflows of resources	<u>174,802</u>

Total assets and deferred outflows of resources	<u>\$ 20,920,989</u>
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MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET POSITION (CONTINUED)
 June 30, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND
NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 488,497
Accrued liabilities	100,200
Accrued bond interest	62,635
Compensated absences	31,198
Advance from other governments	82,760
Current portion of revenue bonds payable	275,000
Current portion of capital lease obligations	<u>268,176</u>
Total current liabilities	<u>1,308,466</u>

LONG-TERM LIABILITIES

Net pension liability	586,442
Other postemployment benefits	145,153
Revenue bonds payable, less current portion	6,155,000
Capital lease obligations, less current portion	<u>1,836,051</u>
Total long-term liabilities	<u>8,722,646</u>
Total liabilities	<u>10,031,112</u>

DEFERRED INFLOWS OF RESOURCES

Pension adjustments	4,787
OPEB adjustments	3,079
Gain on refunding of debt	<u>107,229</u>
Total deferred inflows of resources	<u>115,095</u>

NET POSITION

Net investment in capital assets	5,692,327
Restricted for capital projects, net of related debt	658,437
Restricted for debt service	528,325
Unrestricted	<u>3,895,693</u>
Total net position	<u>10,774,782</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,920,989</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For The Year Ended June 30, 2018

OPERATING REVENUES	
Parking revenues	\$ 2,368,268
Ticket revenues	<u>255,351</u>
Total operating revenues	<u>2,623,619</u>
OPERATING EXPENSES	
Personnel	756,335
Contract - City of Missoula	199,699
Rent	12,525
Depreciation and amortization	490,729
Repairs, maintenance and supplies	148,440
Other operating expenses	<u>513,257</u>
Total operating expenses	<u>2,120,985</u>
Operating income	<u>502,634</u>
NONOPERATING REVENUE (EXPENSE)	
Investment earnings	130,666
Bond interest	<u>(291,525)</u>
Total nonoperating revenue (expense)	<u>(160,859)</u>
Change in net position	341,775
Net Position	
Beginning of year	10,496,036
Prior period adjustment for OPEB liability	<u>(63,029)</u>
Beginning of year, as restated	<u>10,433,007</u>
End of year	<u>\$ 10,774,782</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 Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 2,550,685
Cash payments to suppliers	(376,378)
Cash payments to employees	<u>(758,663)</u>
Net cash flows from operating activities	<u>1,415,644</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Contribution to restricted cash capital lease account	-
Revenue bond principal paid	(255,000)
Proceeds from capital lease	1,210,940
Payments on capital lease	(285,213)
Revenue bond interest and issuance costs paid	(299,375)
Acquisition of capital assets	<u>(706,286)</u>
Net cash flows from capital and related financing activities	<u>(334,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments, net	(12,645)
Collections on note receivable	102,000
Interest income	<u>130,666</u>
Net cash flows from investing activities	<u>220,021</u>
Net change in cash and cash equivalents	1,300,731
Cash and cash equivalents, beginning of year	<u>803,140</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,103,871</u></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 Year Ended June 30, 2018

RECONCILIATION OF OPERATING INCOME	
TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 502,634
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	490,729
Changes in operating assets and liabilities	
Other receivables	(72,933)
Prepaid expenses	66,720
Other assets	(11,625)
Pension contributions and adjustments	(2,190)
OPEB contribution and adjustments	9,863
Advance from other governments	1,530
Accounts payable	415,018
Accrued liabilities	<u>15,898</u>
Net cash flows from operating activities	<u>\$ 1,415,644</u>
SUPPLEMENTAL DISCLOSURE OF	
NONCASH ACTIVITIES	
Change in net pension liability	<u>\$ 72,311</u>
Change in post employee benefit obligation	<u>\$ 3,079</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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 1,049 off-street leased parking spaces and 145 on-street leased parking spaces 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, 2018, the approximate percentage of revenues from all sources was as follows:

Leased spaces	37%
Parking meters	42
Parking tickets	9
Other sources	7
Parking structures	<u>5</u>
	<u>100%</u>

For the year ended June 30, 2018, on-street hourly parking fees were based on an escalating rate structure as follows: .5 hour \$.50, 1 hour \$1.00, 2 hours \$2.00, 3 hours \$3.50, 4 hours \$5.50, 5 hours \$8.00, 6 hours \$11.00, 7 hours \$14.50, and 8 hours \$18.50. The short-term parking fees for the parking structures were as follows for the year ended June 30, 2018: in Park Place and Central Park, first hour free and \$1.00/hr. for each subsequent hour and first hour free and \$1.00/hr. for each subsequent hour and in Bank Street \$1.00/hr. and \$1.00/hr. Lease rates range from \$35 to \$85 per month. The average lease rate for the lots and structures was \$60.

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, 2018

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 2018:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Position (Continued)

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

The Commission categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets (these investments are valued using prices in active markets); Level 2 inputs are significant other observable inputs (these investments are valued using matrix pricing); Level 3 inputs are significant unobservable inputs (these investments are valued using consensus pricing). The Commission had no investments that required categorization within the fair value hierarchy.

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, 2018

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

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

Compensated Absences

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

Restricted Assets

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

Other Receivables

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

Other Postemployment Benefits

The Commission recognizes and reports its postemployment health care benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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, 2018, consists of the following:

Cash on hand	\$ 2,779
Demand deposits	2,629,417
Certificates of deposit	<u>29,263</u>
Total cash and cash equivalents and investments	2,661,459
Less restricted cash held for debt service reserves	<u>(528,325)</u>
Net cash and cash equivalents and investments	<u>\$ 2,133,134</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.

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 \$133,425 to the Commission on March 15 and September 14 of each year. The difference between MRA's transfer and the actual debt service will be refunded back to MRA on October 15 of each year. As of June 30, 2018, the Commission has recorded a liability of \$82,760 which reflects the difference between MRA's transfer and the actual debt service amount.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 3. NOTE RECEIVABLE (CONTINUED)

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

Year Ending June 30,	Principal	Interest	Total
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	118,000	86,910	204,910
2024-2028	658,000	366,130	1,024,130
2029-2033	794,000	221,946	1,015,946
2034-2038	556,000	48,982	604,982
Total	<u>\$ 2,572,000</u>	<u>\$ 1,109,628</u>	<u>\$ 3,681,628</u>

NOTE 4. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Work in progress	\$ -	\$ 658,437	\$ -	\$ 658,437
Parking lots and land	3,587,760	-	-	3,587,760
Total capital assets not being depreciated	<u>3,587,760</u>	<u>658,437</u>	<u>-</u>	<u>4,246,197</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	47,850	-	239,255
Parking lot improvements	2,265,472	-	-	2,265,472
	15,340,175	47,850	-	15,388,025
Less accumulated depreciation	<u>(4,151,272)</u>	<u>(490,730)</u>	<u>-</u>	<u>(4,642,002)</u>
Total capital assets being depreciated, net	<u>11,188,903</u>	<u>(442,880)</u>	<u>-</u>	<u>10,746,023</u>
Capital Assets, Net	<u>\$ 14,776,663</u>	<u>\$ 215,557</u>	<u>\$ -</u>	<u>\$ 14,992,220</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 5. LONG-TERM LIABILITIES

Revenue Bonds

Long-term debt at June 30, 2018 consists of:

\$7,160,000 Series 2014 refunding bonds, 2% to 4.35%, due in varying amounts to October 2035	\$ 6,430,000
Less current portion	<u>(275,000)</u>
Revenue bonds payable, less current portion	<u>\$ 6,155,000</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*.

Debt service requirements to maturity on the bonds at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	295,000	202,325	497,325
2024 - 2028	1,645,000	882,203	2,527,203
2029 - 2033	1,985,000	514,008	2,499,008
2034 - 2036	<u>1,390,000</u>	<u>92,220</u>	<u>1,482,220</u>
Total	<u>\$ 6,430,000</u>	<u>\$ 2,636,881</u>	<u>\$ 9,066,881</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 and interest on the lease obligation. As of June 30, 2018, the Commission has capitalized \$1,038,445 in meter costs with an associated accumulated depreciation balance of \$259,611.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

Annual lease payment requirements as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
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>\$ 992,900</u>	<u>\$ 62,465</u>	<u>\$ 1,055,365</u>

In 2018, the Commission entered into a capital lease purchase agreement with First Security Bank to finance the purchase of parking access and revenue control equipment, license plate recognition technology, and one electric scooter. The lease has a one-year term with seven annual, one-year renewal options exercisable by the Commission with an interest component of 3.00%. First Security Bank's interest in the assets will terminate upon the Commission's payment of \$1,195,400 in principal and interest on the lease obligation. As of June 30, 2018, the Commission has capitalized \$706,287 in total assets related to this capital lease with an associated accumulated depreciation balance of \$-0- as the assets were not yet in service.

Annual lease payment requirements as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 78,376	\$ 16,737	\$ 95,113
2020	160,297	29,930	190,227
2021	165,142	25,085	190,227
2022	170,133	20,094	190,227
2023	175,275	14,952	190,227
2024-2025	<u>362,104</u>	<u>13,850</u>	<u>375,954</u>
Total	<u>\$ 1,111,327</u>	<u>\$ 120,648</u>	<u>\$ 1,231,975</u>

The changes in long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Revenue bonds	\$ 6,685,000	\$ -	\$ 255,000	\$ 6,430,000	\$ 275,000
Capital lease obligations	1,178,500	1,210,940	285,213	2,104,227	268,176
Compensated absences	<u>33,527</u>	<u>31,047</u>	<u>33,376</u>	<u>31,198</u>	<u>31,198</u>
Total	<u>\$ 7,897,027</u>	<u>\$ 1,241,987</u>	<u>\$ 573,589</u>	<u>\$ 8,565,425</u>	<u>\$ 574,374</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 6. DESIGNATED NET POSITION

The Commission's board has designated \$3,895,693 of unrestricted net assets as of June 30, 2018, for the acquisition of parking lots, facilities, and equipment.

NOTE 7. RELATED PARTY TRANSACTIONS

The Commission paid \$199,699 to the City of Missoula for the year ended June 30, 2018, 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 \$12,525 for the year ended June 30, 2018.

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, 2017 measurement date for the 2018 and 2017 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, 2018

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 6/30/2018	Net Pension Liability as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2017	Change in Percent of Collective NPL
Commission					
Proportionate Share	\$ 586,442	\$ 514,131	0.03011%	0.03018%	-0.00007%
State of Montana					
Proportionate					
Share associated					
with Employer	<u>7,946</u>	<u>6,282</u>	<u>0.00040%</u>	<u>0.00037%</u>	<u>-0.00002%</u>
Total	<u>\$ 594,388</u>	<u>\$ 520,413</u>	<u>0.03051%</u>	<u>0.03055%</u>	<u>-0.00009%</u>

The table above displays the Commission's share of the NPL for June 30, 2018 and 2017. 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, 2015 through June 30, 2016 and July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERS' participating employers. As of June 30, 2018 and 2017, the Commission recorded a liability of \$586,442 and \$514,131 and the Commission's appropriate share was .03011% and 0.03018%, respectively.

Changes in Actuarial Assumptions and Methods:

Effective July 1, 2017, the following assumption changes were used:

- Lowered interest rate from 7.75% to 7.65%
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Net Pension Liability (Continued)

Changes in Benefit Terms:

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Changes in Proportionate Share:

Between the measurement date of the collective NPL and June 30, 2018, 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

	<u>Pension Expense as of 6/30/2018</u>	<u>Pension Expense as of 6/30/2017</u>
Commission's		
Proportionate Share of PERS	\$ 87,584	\$ 40,455
State of Montana Proportionate Share associated with the Commission	424	526
State of Montana Coal Tax associated with the Commission	<u>8,389</u>	<u>9,008</u>
Total	<u>\$ 95,973</u>	<u>\$ 49,463</u>

At June 30, 2018 and 2017, the Commission recognized its proportionate share of the PERS' Pension Expense of \$87,584 and \$40,455, respectively. The Commission also recognized grant revenue of \$424 and \$526, 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 \$8,389 and \$9,008 from the Coal Tax Fund.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Recognition of Deferred Inflows and Outflows

At June 30, 2018, 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	\$ 14,442	\$ 849
Changes in assumptions	80,161	-
Difference between projected and actual earnings on pension plan investments		3,939
Changes in proportion differences between Commission contributions and proportionate share of contributions	37,659	-
Contributions paid to PERS subsequent to the measurement date – fiscal year 2018*	<u>42,473</u>	<u>-</u>
Total	<u>\$174,735</u>	<u>\$4,787</u>

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	-
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, 2019 and 2018, respectively.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Recognition of Deferred Inflows and Outflows (Continued)

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 to <u>Pension Expense</u>
2019	\$ 20,773
2020	48,857
2021	35,667
2022	(12,482)

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.

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Summary of Benefits (Continued)

Second Retirement (requires returning to PERS-covered employer or PERS service):
Retire before January 1, 2016 and accumulate less than 2 years additional service credit or
retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

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

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

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

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, 2018

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Overview of Contributions (Continued)

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

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Employer	State	Employer	State
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

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.
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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

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 (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the measurement date valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

Investment Return (net of admin expense)	7.65%
Admin Expense as % of Payroll	0.26%
General Wage Growth*	3.50%
*includes Inflation at	2.75%
Merit Increases	0% to 4.8%
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 2020 with scale BB, males back one year.
 - Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the TPL was 7.65%. 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 0.10% 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 Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121.

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 was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 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-estimate ranges 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized below.

<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>2.75%</u>
Portfolio Return Expectation			7.12%

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Target Allocations (Continued)

The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, 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.

	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	<u>\$ 32,934,064</u>	<u>\$ 22,613,111</u>	<u>\$ 13,949,453</u>
Missoula Parking Commission's Net Pension Liability	<u>\$ 854,103</u>	<u>\$ 586,442</u>	<u>\$ 361,761</u>

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 9. RETIREMENT PLAN (CONTINUED)

Defined Contribution Plan (Continued)

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.

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Commission adopted the provisions of GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions," in fiscal year 2018. GASB 75 addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) that are provided to the employees of state and local governments, establishing standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses. For defined benefit OPEB plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Information on the City's health benefits plan for retirees is included below.

The City's medical plan is a self-funded PPO plan. The table below presents a high-level summary of the medical benefits offered in the plan year beginning July 1, 2018, which was used for the June 30, 2018 valuation. Dental benefits are not provided for retirees.

Medical Deductible (Individual/Family)	\$470/\$1,300
Out-of-Pocket Maximum (Individual/Family)	\$3,170/\$6,350
Coinsurance (In Network/Out of Network)	30%/50%
Prescription Deductible	\$50
Prescription Copays (Tier 1/Tier 2/Tier 3)	10% (min \$5)/20% (min \$20)/50% (min \$35)
Prescription Out-of-Pocket Maximum	\$3,400/\$6,800

The retiree contributes 85% of the total active premium, excluding dental coverage, and the City contributes the remaining 15% to the plan. The plan is financed on a pay-as-you-go basis with Commission contributions ensuring that adequate reserves are maintained in the plan. Reserves maintained by the City are not considered assets of the post-employment benefits plan since they are not contributed to a trust that meets the criteria in GASB 75, paragraph 4. The retiree and Commission contribution rates for the plan for fiscal year 2019 were used for the June 30, 2018 valuation and are as follows.

<u>Coverage</u>	<u>Retiree Contribution</u>	<u>Commission Contribution</u>	<u>Total Premium</u>
Retiree	\$ 774.50	\$ 136.65	\$ 911.15
Retiree, spouse	890.80	157.20	1,048.00
Retiree, spouse, child	939.25	165.75	1,105.00
Retiree, child	822.80	145.20	968.00
Each additional child	48.45	8.55	57.00

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

The following table reports the changes to the OPEB liability for fiscal year 2018, as well as deferred inflows and outflows of resources and OPEB expense recognized.

Changes in OPEB Liability	
OPEB Liability, Beginning Balance	\$ 75,273
Restatement-Change in Accounting Principle	<u>63,029</u>
Restated Beginning Balance	<u>138,302</u>
Service Cost	8,528
Interest	4,771
Difference between expected and actual experience	(3,583)
Changes in assumptions	77
Employer Contributions	<u>(2,942)</u>
Net Change	<u>6,851</u>
OPEB Liability, Ending Balance	<u><u>\$ 145,153</u></u>
Deferred Inflows of Resources	
Difference between expected and actual experience	\$ 3,583
Current year amortization of experience differences	<u>(504)</u>
Ending Balance	<u><u>\$ 3,079</u></u>
Deferred Outflows of Resources	
Changes in assumptions	\$ 77
Current year amortization of assumption changes	<u>(10)</u>
Ending Balance	<u><u>\$ 67</u></u>
OPEB Expense	\$ 12,805

The Commission's total OPEB liability is \$145,153 as of June 30, 2018 and was determined by an actuarial valuation as of that date. The Commission's beginning OPEB liability for the year ended June 30, 2017 was restated by a total of \$63,029 due to the implementation of GASB 75. The following assumptions and other inputs were used to calculate the total OPEB liability using the entry age normal cost method in the actuarial valuation.

Discount Rate	3.45% - S&P Municipal Bond 20 Year High Grade Rate Index as of July 2, 2018
Payroll Growth	2.75% to 3%, used midpoint 2.875%
General Inflation	3.0% per year
Participation Rate	35% of eligible employees are assumed to elect healthcare coverage in retirement
Admin Trend Rate	3%
Mortality Rate	Male and Female RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using scale BB, males set back 1 year

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

Medical Trend Rate	Effective July 1	Trend Rate
	2018	6.20%
	2019	6.00%
	2020	5.80%
	2021	5.60%
	2022	5.40%
	2023	5.20%
	2024+	5.00%

Cost Sharing Projections related to the sharing of benefit-related costs are based on an established pattern of practice with the City of Missoula contributing 15% of retiree premiums.

The table below shows the assumption changes from the beginning balance at June 30, 2017.

Changes of Assumptions

Discount Rate		
	6/30/2017	3.13%
	6/30/2018	3.45%
Medical Trend		
	6/30/2017	6.8%
	6/30/2018	6.2%

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

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

	1% Decrease	Discount Rate	1% Increase
	(2.45%)	(3.45%)	(4.45%)
Total OPEB Liability	<u>\$ 175,717</u>	<u>\$ 145,153</u>	<u>\$ 121,515</u>

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

	1% Decrease	Trend Rate	1% Increase
	(5.2%)	(6.2%)	(7.2%)
Total OPEB Liability	<u>\$ 118,855</u>	<u>\$ 145,153</u>	<u>\$ 180,148</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 11. POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the total OPEB liability due to changes in actuarial assumptions and differences between expected actuarial experience and actual experience are deferred and recognized in the OPEB expense over a closed period equal to the average expected remaining service lives of employees and retirees, starting with the current reporting period. The average remaining service lives as of June 30, 2018 was 7.11 years. Amounts reported as deferred inflows and outflows of resources will be recognized in OPEB expense as follows.

Year	Actual to Expected Experience (Inflow)	Changes in Assumptions (Outflow)	Combined
2018	\$ (504)	\$ 10	\$ (494)
2019	(504)	10	(494)
2020	(504)	10	(494)
2021	(504)	10	(494)
2022	(504)	10	(494)
2023	(504)	10	(494)
2024	(504)	10	(494)
2025	(56)	1	(55)
Total	\$ (3,584)	\$ 71	\$ (3,513)

The City of Missoula allocated the annual retired contributions and the liability to the component units based on the number of active participants in the plan as of June 30, 2018.

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

NOTE 12. RESTATEMENT OF BEGINNING NET POSITION

In 2018, as described in Note 11, the Commission implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, beginning net position has been restated to reflect previously unrecognized pension liability as follows:

Beginning net position, as originally reported	\$ 10,496,036
Other post employment benefits liability, June 30, 2017	(75,273)
Other post employment benefits liability, June 30, 2017, as restated	<u>(138,302)</u>
Net restatement	<u>(63,029)</u>
Beginning net position, as restated	<u>\$ 10,433,007</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIOS FOR THE LAST TEN FISCAL YEARS
 June 30, 2018

Schedule of Changes in Other Post Employment Benefits Liability and Related Ratios
For the Last Ten Fiscal Years*

	<u>2018</u>
OPEB Liability, Beginning Balance	\$ 75,273
Restatement-Change in Accounting Principle	<u>63,029</u>
Restated Beginning Balance	138,302
Service Cost	8,528
Interest	4,771
Deferred Inflows - Difference between expected and actual experience	(3,583)
Deferred Outflow - Changes in assumptions	77
Employer Contributions	<u>(2,942)</u>
Net Change	<u>6,851</u>
Ending Balance	<u>\$ 145,153</u>
Covered Payroll	476,554
Total Other Post-Employment Benefits Liability as a percentage of Covered Payroll	30.5%

Note to Schedule: Assets are not accumulated in a trust to pay related benefits that meets the criteria in GASB 75, paragraph 4.

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

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, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's proportion of the net pension liability as a percentage	0.030111%	0.030180%	0.032060%
Employer's proportionate share of the net pension liability as an amount	\$ 586,442	\$ 514,131	\$ 448,100
State of Montana's proportionate share of the net pension liability associated with the Employer	<u>7,946</u>	<u>6,282</u>	<u>5,505</u>
Total	<u>\$ 594,388</u>	<u>\$ 520,413</u>	<u>\$ 453,605</u>
Employer's pensionable payroll	\$ 373,519	\$ 379,605	\$ 358,594
Employer's proportionate share of the net pension liability as a percentage of its pensionable payroll	157.005%	135.438%	124.960%
Plan fiduciary net position as a percentage of the total pension liability	73.75%	74.70%	78.40%

*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, 2018

Schedule of Contributions for the Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 31,264	\$ 33,149	\$ 33,507
Contributions in relation to the contractually required contributions	<u>31,264</u>	<u>33,149</u>	<u>33,507</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 373,519	\$ 396,046	\$ 379,605
Contributions of covered-employee payroll	8.37%	8.37%	8.83%

*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, 2018

Changes of Benefit Terms

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

2015 Legislative Changes:

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

Second Retirement Benefit – for PERS

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 the January immediately following second retirement.

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 the January after receiving recalculated benefit for 12 months.

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 the January immediately following second retirement.

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 the 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 Plan Choice Rate (PCR) was paid off effective March 2016 and the contributions of 2.37%, 0.47%, and the 1.00% 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, 2018

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitation – for PERS

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

Terminating Employers – Recovery of actuary costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

- Terminating members eligible to retire may, in lieu of receiving monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.

Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive on lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution (DC) Members

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

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 June 30, 2018

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

- FY2018 - \$31.386 million
- FY2019 - \$31.958 million
- Beginning July 1, 2019 through at least June 30, 2025, 101% of the contributions from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - FY2020 - \$32.277 million
 - FY2021 - \$32.6 million
 - FY2022 - \$32.926 million
 - FY2023 - \$33.255 million
 - FY2024 - \$33.588 million
 - FY2025 - \$33.924 million

Changes in Actuarial Assumptions and Methods

Method and Assumptions used in Calculations of Actuarially Determined Contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 4.8%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	Form males and females: RP 2000 Combined Mortality Table
Admin expenses as % of payroll	0.26%

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

SUPPLEMENTARY INFORMATION

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
SCHEDULE OF COVERAGE – SERIES 2014 BONDS
 June 30, 2018

REVENUES

Total operating revenue	\$ 2,623,619
Missoula Redevelopment Agency pledge	<u>(266,851)</u>
Total revenues pledged	<u>2,356,768</u>

EXPENSES

Operating expenses	(2,120,985)
Add back depreciation and amortization	490,729
Add back administrative charges	<u>199,699</u>
Total operating expenses	<u>(1,430,557)</u>

Revenues available for debt service \$ 926,211

DEBT SERVICE

Principal	\$ 255,000
Interest	<u>260,975</u>
Total debt service	<u>\$ 515,975</u>

Total coverage 180%

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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 28, 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, and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2018-01 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
December 28, 2018

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Finding #2018-001: Material Misstatements

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

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

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

Effect: Audit adjustments were proposed to correct capital assets, prepaid expenses, accounts receivable, machinery and equipment expense, improvement expense, and bad debt 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. Recognizing the effects of staff turnover and implementation of new technologies on our financial reporting, the Commission will implement standing monthly meetings with the City of Missoula Finance Department beginning January 2019. Additionally, the Director of the Commission will ensure there is a clear pathway and set plan to facilitate a formal financial close process between the City of Missoula Finance Department, the Commission, and the Commission's contracted accountant. Lastly, 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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