

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 STATEMENTS

June 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

C O N T E N T S

	<u>PAGE</u>
BOARD MEMBERS	1
INDEPENDENT AUDITORS' REPORT	2 and 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 to 7
FINANCIAL STATEMENTS	
Statements of Net Assets	8
Statements of Revenues, Expenses and Changes in Fund Net Assets.....	9
Statements of Cash Flows.....	10 and 11
Notes to Financial Statements	12 to 19
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21 and 22

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

Board Members

<u>Member</u>	<u>Business</u>	<u>Term Expires</u>
John Roemer, President	Retailer	April 25, 2007
Carol Williams	Administrator	April 25, 2007
Teresa Cox	Public Attraction	April 25, 2007
Tom Wilkins	Retailer	April 30, 2009
John Smith	Attorney	April 30, 2008

Director

Anne Guest



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the accompanying statements of net assets of Missoula Parking Commission (a component unit of the City of Missoula, Montana) as of June 30, 2005 and 2004, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These component unit financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Missoula Parking Commission as of June 30, 2005 and 2004, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2005, on our consideration of Missoula Parking Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Anderson Zev Muehlen & Co., P.C.

Missoula, Montana
December 19, 2005



Missoula Parking Commission

128 West Main Street • Missoula, Montana 59802 • (406) 721-3501

December 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. It should be read in conjunction with the Commission's financial statements, which begin on page 8.

Financial Highlights

Condensed Financial Information

The following tables summarize financial condition and operating results for 2005 compared to 2004:

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 2,550,589	\$ 2,327,017	\$ 223,572
Nondepreciable Capital Assets	2,397,866	2,397,866	-
Depreciable Capital Assets, Net	2,693,854	2,693,788	66
Other Assets	<u>165,543</u>	<u>187,040</u>	<u>(21,497)</u>
Total assets	<u>7,807,852</u>	<u>7,605,711</u>	<u>202,141</u>
Current Liabilities	154,942	147,300	7,642
Long-Term Liabilities	<u>1,434,499</u>	<u>1,360,000</u>	<u>74,499</u>
Total liabilities	<u>1,589,441</u>	<u>1,507,300</u>	<u>82,141</u>
Net Assets			
Net investment in plant	3,747,193	3,658,624	88,569
Restricted	150,000	170,000	(20,000)
Unrestricted	<u>2,476,160</u>	<u>2,269,787</u>	<u>206,373</u>
Total net assets	<u>\$ 6,373,353</u>	<u>\$ 6,098,411</u>	<u>\$ 274,942</u>

	2005 Actual	2004 Actual	Increase (Decrease) Over 2004
Operating Revenues			
Parking and ticket revenues	<u>\$ 1,369,511</u>	<u>\$ 1,407,378</u>	<u>\$ (37,867)</u>
Operating Expenses			
Personnel	505,804	455,605	50,199
Contract - City of Missoula	71,299	52,635	18,664
Rent	14,803	14,790	13
Depreciation and amortization	130,055	122,302	7,753
Repairs, maintenance and supplies	149,057	193,672	(44,615)
Other operating expenses	<u>205,084</u>	<u>247,808</u>	<u>(42,724)</u>
	<u>1,076,102</u>	<u>1,086,812</u>	<u>(10,710)</u>
Loss from operations	293,409	320,566	(27,157)
Net Nonoperating Revenues (Expenses)	<u>(18,467)</u>	<u>(44,892)</u>	<u>26,425</u>
Increase in net assets	274,942	275,674	(732)
Net Assets			
Beginning of year	<u>6,098,411</u>	<u>5,822,737</u>	<u>275,674</u>
End of year	<u>\$ 6,373,353</u>	<u>\$ 6,098,411</u>	<u>\$ 274,942</u>

Discussion of Financial Results

The most notable difference between 2004 Actual and 2005 Actual is in Parking and Ticket Revenues. Specifically, the loss is associated with ticket revenues only and not with the overall parking revenue. There are mainly two explanations for this loss. As reported in the audit for FY04, the Parking Commission implemented a new ticket management program from Cardinal Tracking, Inc. This program included an interface with the Montana Department of Motor Vehicles in order to produce monthly notices of outstanding parking fines. The generic ticket management program had to be customized in order to access the registered owner's information. This proved to be more complicated than anticipated which prevented the Parking Commission from sending out the monthly notices for the months of April, May and June. The next monthly notices went out in July which means that the outstanding fines will be collected though will be reflected in FY06 revenue figures.

Another factor affecting this loss is the fact that one of the Parking Enforcement Officers went on maternity leave starting in April and was out of work for three months. During that time, the Parking Commission hired a part-time officer that was only able to fill in one-fourth of the missing FTE. Thus fewer tickets were written during this time which means less collection of

parking revenue. In summary, the inability to send out monthly notices and the decrease in parking enforcement resulted in the loss noted above.

In the area of Repairs, Maintenance & Supplies, FY05 indicates a decrease in expenses from FY04. This is mainly due to the bulk of our contract with Western Waterproofing was actualized in FY04. This was a contract that lasted several years and involved extensive renovation of Central Park and some significant repairs to Bank Street Structure. By FY05, there was some expense from Western Waterproofing but not to the extent as it was in FY04.

Operating Expenses were much the same though this involved implementing the new ticket management system with Cardinal Tracking, Inc. Overall, the cost of the new program was \$77,000 and the bulk of that expense occurred in FY04 with still some outstanding expenses in FY05.

Key Factors Affecting Financial Performance in Fiscal Year 2006

New major expenditures that will occur in FY2006 will include:

1. For the last several years, the Parking Commission has conducted an extensive renovation project to Central Park along with repairs to the Bank Street structure. The original contract is 100% complete, however, there were several repairs that still needed attention so an additional \$26,000 will be reflected in FY06 repairs and maintenance. There is still an issue with the major joint connecting the Bank Street Structure to the retaining wall in the Pedestrian Plaza. That will need to be address in the near future though no figure is available at this time.
2. The Parking Commission has partnered with the Missoula Redevelopment Agency in supporting a Missoula Downtown Streets Project that will renovate the three blocks north of Broadway. This renovation will update the current streetscape and lighting in addition to increasing the on-street parking by approximately 25 spaces. At this point, the Parking Commission's Board of Directors have approved \$150,000 for this project. The contract will be awarded in late winter with construction anticipated to be complete by late spring.
3. In December 2005, the Parking Commission was granted permission by the Missoula Redevelopment Agency to construct a temporary parking lot on West Front at the Fox site. This lot of 75 spaces will be utilized as a monthly lease lot with a net gain of 50 spaces to the total lease spaces managed by the Parking Commission. The construction and engineering cost of this construction was \$76,575.72.
4. During the last fiscal year, a new entrance control system was installed in Central Park replacing the original entry system when the structure was built in 1990. Half of the cost of this system was paid for in last fiscal year. The other half, \$15,323.29, will be noted in FY06.

5. The Parking Commission is committed to keeping its maintenance equipment up to date in order for the maintenance staff to be quickly responsive and able to keep control of our responsibility to keep our facilities clean and safe. To this point, the Parking Commission purchased a sweeper for \$9,547.84 which replaced a very old inefficient one.

6. The Parking Commission Board of Directors has committed support with our participation in the Riverfront Triangle development project. Again, the role the Parking Commission has not yet been defined but potentially could include our ability to partner in financing and/or managing parking for the demands of the triangle development. Although the project costs and financing have not yet been determined, the request for the Parking Commission's participation could be substantial.

Revenues for FY2006 should remain about the same.

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

Statements of Net Assets
June 30, 2005 and 2004

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 110,653	\$ 2,202,501
Investments	2,221,426	100,000
SID assessments receivable	19,964	17,704
SID interest receivable	3,179	6,812
Other receivables	195,367	-
Total current assets	2,550,589	2,327,017
Nondepreciable Capital Assets	2,397,866	2,397,866
Depreciable Capital Assets, Net	2,693,854	2,693,788
Bond Issuance Costs (Net of Amortization of \$6,988 in 2005 and \$5,491 in 2004)	15,473	16,970
Restricted Cash - Debt Service Reserve	150,000	170,000
Other Assets	70	70
Total assets	7,807,852	7,605,711
LIABILITIES		
Current Liabilities		
Accounts payable	20,970	18,577
Accrued expenses	11,490	12,173
Compensated absences	27,482	17,357
Current portion of revenue bonds payable	95,000	90,000
Total current liabilities	154,942	138,107
Long-Term Liabilities		
Long-term portion of compensated absences	14,557	9,193
Revenue bonds payable, less current portion	1,265,000	1,360,000
Total liabilities	1,434,499	1,507,300
NET ASSETS		
Investment in capital assets, net of related debt	3,747,193	3,658,624
Restricted for debt service	150,000	170,000
Unrestricted	2,476,160	2,269,787
Net assets	\$ 6,373,353	\$ 6,098,411

The accompanying notes are an integral part of these financial statements.

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

Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2005 and 2004

	2005	2004
Operating Revenues		
Parking revenues	\$ 1,120,703	\$ 1,119,736
Ticket revenues	248,808	287,642
Total operating revenues	1,369,511	1,407,378
Operating Expenses		
Personnel	505,804	455,605
Contract - City of Missoula	71,299	52,635
Rent	14,803	14,790
Depreciation and amortization	130,055	122,302
Repairs, maintenance and supplies	149,057	193,672
Other operating expenses	205,084	247,808
Total operating expenses	1,076,102	1,086,812
Operating income	293,409	320,566
Nonoperating Expenses		
Bond interest	70,508	68,484
Amortization of bond issuance costs	1,497	1,498
Total nonoperating expenses	72,005	69,982
Nonoperating Revenue		
Interest income	53,538	25,090
Total nonoperating revenue	53,538	25,090
Net nonoperating expense	(18,467)	(44,892)
Increase in net assets	274,942	275,674
Net Assets		
Beginning of year	6,098,411	5,822,737
End of year	\$ 6,373,353	\$ 6,098,411

The accompanying notes are an integral part of these financial statements.

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

Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 1,369,511	\$ 1,407,378
Cash payments to suppliers	(437,850)	(628,371)
Cash payments to employees	(490,316)	(455,605)
Net cash provided by operating activities	441,345	323,402
Cash Flows From Capital and Related Financing Activities		
Revenue bond principal paid	(90,000)	(85,000)
Revenue bond interest paid	(71,190)	(74,951)
Decrease in bond reserve, net	20,000	-
Purchase of fixed assets	(325,488)	(65,557)
SID assessment receivables collected	(2,260)	7,011
SID assessment interest collected	3,909	(550)
Net cash used in capital and related financing activities	(465,029)	(219,047)
Cash Flows From Investing Activities		
Purchase of investments	(2,121,426)	-
Interest income	53,262	24,865
Net cash provided by (used in) investing activities	(2,068,164)	24,865
Net increase (decrease) in cash and cash equivalents	(2,091,848)	129,220
Cash and Cash Equivalents		
Beginning of year	2,202,501	2,073,281
End of year	\$ 110,653	\$ 2,202,501

The accompanying notes are an integral part of these financial statements.

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

Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	2005	2004
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>		
Operating Income	\$ 293,409	\$ 320,566
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation and amortization	130,055	122,302
Changes in Operating Assets and Liabilities		
Other receivables	-	14,404
Accounts payable	2,393	(133,870)
Accrued liabilities	15,488	-
Net cash provided by operating activities	\$ 3,747,193	\$ 3,658,624
 <u>Supplemental Disclosure of Cash Flow Information</u>	 2,476,160	 2,269,787
 Noncash Activities:		
Decrease in fixed assets for asbestos removal receivable	\$ 195,367	\$ -

The accompanying notes are an integral part of these financial statements.

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

Notes to Financial Statements
June 30, 2005 and 2004

Note 1 – Summary of Significant Accounting Policies

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

Parking Operations, Facilities, and Rates – The Commission manages approximately 1,061 parking meters that are located both on street and in various off-street lots throughout Missoula's downtown. The Commission also manages approximately 1,275 off-street parking spaces located in 14 lease lots utilized mainly by downtown employees. The commission also operates two parking structures (Central Park and the Bank Street Structure) that offer both short-term and long-term parking. The Commission's jurisdiction extends beyond the Central Business District and includes a Residential Parking Permit Program adjacent to The University of Montana with approximately 820 on-street parking spaces. For the year ended June 30, 2005, the approximate percentage of revenues from all sources were as follows:

Parking tickets	18%
Parking meters	32
Parking structures	19
Leased spaces (other than parking structures)	24
All other sources	<u>7</u>
	<u>100%</u>

As of June 30, 2005, on-street hourly parking fees were \$0.50 per hour. The parking fees for the two structures are as follows: \$0.25/hr. for the first two hours, \$0.50 for the third hour and \$0.75/hr for subsequent hours. Lease rates for the off-street lots and structures range from \$30 to \$65 per month. The average lease rate for the off-street lots and structures was \$45.

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Accounting – The Commission adopted the provisions of GASB Statement No. 34 for fiscal year 2003. Under the provisions of GASB 34, the Commission utilizes accounting principles applicable to proprietary funds. The Commission uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when services are rendered and the liability is incurred. Operating revenues and expenses generally arise from managing parking structures, lots, and spaces in the City of Missoula. All other revenues and expenses are classified as nonoperating. The Commission has elected to apply the provisions of applicable pronouncements issued by the Financial Accounting Standards Board and the AICPA prior to November 30, 1989, except those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

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

Classification of Net Assets – The Commission classifies its net assets as follows:

Investment in Capital Assets, Net of Related Debt – The Commission's investment in property and equipment, net of depreciation and related outstanding debt.

Restricted – Resources that are not expendable due to bond agreements are reported as restricted net assets. Restricted net assets are principally amounts that cannot be spent prior to outstanding bonds being repaid.

Unrestricted – Resources over which the governing board has discretionary control.

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

For purpose of the statements of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Maintenance and repairs are charged to expense as incurred and betterments costing more than \$1,000 are capitalized.

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

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

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

Note 2 – Cash and Cash Equivalents and Investments

During fiscal year 2005, the Commission added its cash to the City's investment pool.

The Commission's cash is invested in the City's investment pool. The Commission's portion of underlying cash and investments of the City's investment pool at June 30, 2005, consist of the following:

	<u>2005</u>
Cash on hand	\$ 445
Demand deposits	110,208
Repurchase Investment Account	44,347
Government Securities	1,592,707
Investment in State Short-Term Investment Pool	700,124
Certificates of Deposit	<u>34,248</u>
	2,482,079
Less restricted cash held for debt service reserve	<u>(150,000)</u>
	<u>\$ 2,332,079</u>

Cash and investments at June 30, 2004, were as follows:

	<u>2004</u>
Cash on hand	\$ 445
Demand deposits	25,488
Certificates of deposits	100,000
Money market account	2,330,491
Cash in City's investment pool	<u>16,077</u>
	2,472,501
Less restricted cash held for debt service reserve	<u>(170,000)</u>
	<u>\$ 2,302,501</u>

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

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

Note 3 – Capital Assets

A summary of capital assets at June 30 is as follows:

Changes in Capital Assets for 2005:

	July 1, 2004 Balance	Additions	Deletions	June 30, 2005 Balance
Capital Assets not being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
Capital Assets being Depreciated				
Parking structures	2,451,828	-	195,367	2,256,461
Furniture, fixtures and computers	131,092	58,254	-	189,346
Machinery, equipment and vehicles	364,055	69,326	-	433,381
Parking lot improvements	879,081	197,908	-	1,076,989
Capitalized interest	409,007	-	-	409,007
	<u>4,235,063</u>	<u>325,488</u>	<u>195,367</u>	<u>4,365,184</u>
Less accumulated depreciation	<u>(1,541,275)</u>	<u>(130,055)</u>		<u>(1,671,330)</u>
Total capital assets being depreciated, net	<u>2,693,788</u>	<u>195,433</u>	<u>195,367</u>	<u>2,693,854</u>
Capital assets, net	<u>\$ 5,091,654</u>	<u>\$ 195,433</u>	<u>\$ 195,367</u>	<u>\$ 5,091,720</u>

Changes in Fixed Assets for 2004:

	July 1, 2003 Balance	Additions	Deletions	June 30, 2004 Balance
Capital Assets not being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
Capital Assets being Depreciated				
Parking structures	2,451,828	-	-	2,451,828
Furniture, fixtures and computers	124,218	6,874	-	131,092
Machinery, equipment and vehicles	305,372	58,683	-	364,055
Parking lot improvements	879,081	-	-	879,081
Capitalized interest	409,007	-	-	409,007
	<u>4,169,506</u>	<u>65,557</u>	<u>-</u>	<u>4,235,063</u>
Less accumulated depreciation	<u>(1,418,973)</u>	<u>(122,302)</u>	<u>-</u>	<u>(1,541,275)</u>
Total capital assets being depreciated, net	<u>2,750,533</u>	<u>(56,745)</u>	<u>-</u>	<u>2,693,788</u>
Capital assets, net	<u>\$ 5,148,399</u>	<u>\$ (56,745)</u>	<u>\$ -</u>	<u>\$ 5,091,654</u>

Note 4 – Long-Term Debt

Long-term debt at June 30 consists of:

	<u>2005</u>	<u>2004</u>
\$1,700,000 Series 2000 revenue bonds, 4.4 % to 5.5%, due in varying amounts to November 2015	<u>\$ 1,360,000</u>	<u>\$ 1,450,000</u>

Changes in the revenue bonds for the years ended June 30, 2005 and 2004, consisted of principal payments of \$90,000 and \$85,000, respectively.

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

A total of \$131,208 of interest on the Series 2000 Revenue Bonds was capitalized.

Debt service requirements to maturity on the revenue bonds at June 30, 2004, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 95,000	\$ 66,757	\$ 161,757
2007	100,000	62,222	162,222
2008	105,000	57,379	162,379
2009	110,000	52,245	162,245
2010	115,000	46,788	161,788
2011	120,000	40,970	160,970
2012	130,000	34,655	164,655
2013	135,000	27,830	162,830
2014	140,000	20,610	160,610
2015	150,000	12,850	162,850
2016	<u>160,000</u>	<u>4,400</u>	<u>164,400</u>
Total	<u>\$ 1,360,000</u>	<u>\$ 426,706</u>	<u>\$ 1,786,706</u>

Note 5 – Designated Net Assets

The Commission's board has designated \$1,310,838 as of June 30, 2005 and 2004, of unrestricted net assets for acquisition of parking lots and parking facilities.

Note 6 – Related Party Transactions

The Commission paid \$71,299 and \$52,635 to the City of Missoula for the years ended June 30, 2005 and 2004, respectively, for administrative services. Accounts payable at June 30, 2004, included \$3,120 due to the City of Missoula for vehicle maintenance, administrative services, and health insurance.

Note 7 – Leases

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

Note 8 – Retirement Plan

All full-time employees of the Commission are covered under the Montana Public Employees' Retirement System (PERS). The plan is established by state law and administered by the state of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates are determined by state law. The contribution rate was 6.8% for employees, 6.7% for employers, and 0.1% for the state of Montana, expressed as a percentage of covered payroll.

The amounts contributed during the years ended June 30, 2003, 2004, and 2005, were equal to the required contribution for each year. The amounts contributed by the Commission were as follows:

2003	\$ 20,808
2004	\$ 21,573
2005	\$ 23,224

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

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

Note 9 – Risk Management

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

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 STANDARD*



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

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the component unit financial statements of Missoula Parking Commission, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Missoula Parking Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Missoula Parking Commission in a separate letter dated December 19, 2005.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Commissioners and management, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zev Muehlen & Co., P.C.

Missoula, Montana
December 19, 2005