



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, 2008 and 2007

(With Independent Auditor's Report Thereon)

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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>
Tom Wilkins, Chair	Retired	April 30, 2009
Rodney Austin	Downtown Business Improvement District	April 30, 2010
Teresa Cox	A Carousel for Missoula	April 30, 2011
Carol Williams	Legal Administrator	April 30, 2011
John Smith	Attorney	April 30, 2012

Director

Anne Guest

INDEPENDENT AUDITOR'S 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, 2008, and 2007, 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, 2008 and 2007, 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 4, 2008, 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 4-6, 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 Zurmuehlen & Co., P.C.

Missoula, Montana
December 4, 2008



Missoula Parking Commission

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

December 4, 2008

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, 2008. It should be read in conjunction with the Commission's financial statements, which begin on page 7.

Financial Highlights

Condensed Financial Information

The following tables summarize financial condition and operating results for 2008 compared to 2007:

	<u>2008</u>	<u>2007</u>	Increase (Decrease)
Current Assets	\$ 3,696,535	\$ 3,348,333	\$ 348,202
Nondepreciable Capital Assets	2,397,866	2,397,866	-
Depreciable Capital Assets, Net	2,470,207	2,597,495	(127,288)
Other Assets	167,749	169,916	(2,167)
Total assets	<u>8,732,357</u>	<u>8,513,610</u>	<u>218,747</u>
Current Liabilities	194,589	187,420	7,169
Long-Term Liabilities	963,140	1,075,201	(112,061)
Total liabilities	<u>1,157,729</u>	<u>1,262,621</u>	<u>(104,892)</u>
Net Assets			
Net investment in capital assets	3,808,073	3,830,361	(22,288)
Restricted	150,000	150,000	-
Unrestricted	3,616,555	3,270,628	345,927
Total net assets	<u>\$ 7,574,628</u>	<u>\$ 7,250,989</u>	<u>\$ 323,639</u>

	2008	2007	Increase (Decrease) Over 2007
	<u>Actual</u>	<u>Actual</u>	
Operating Revenues			
Parking and ticket revenues	<u>\$ 1,429,972</u>	<u>\$ 1,391,368</u>	<u>\$ 38,604</u>
Operating Expenses			
Personnel	530,151	518,205	11,946
Contract - City of Missoula	93,670	90,067	3,603
Rent	17,186	14,790	2,396
Depreciation and amortization	146,145	153,175	(7,030)
Repairs, maintenance and supplies	89,101	137,767	(48,666)
Other operating expenses	<u>336,673</u>	<u>205,427</u>	<u>131,246</u>
	<u>1,212,926</u>	<u>1,119,431</u>	<u>93,495</u>
Operating income	217,046	271,937	(54,891)
Net Nonoperating Revenue	<u>106,593</u>	<u>131,327</u>	<u>(24,734)</u>
Increase in net assets	323,639	403,264	(79,625)
Net Assets			
Beginning of year	<u>7,250,989</u>	<u>6,847,725</u>	<u>403,264</u>
End of year	<u>\$ 7,574,628</u>	<u>\$ 7,250,989</u>	<u>\$ 323,639</u>

Discussion of Financial Results

The Financial Highlights outlined in the FY08 Audit reveal that the Parking Commission had an uneventful year with no major changes to personnel, equipment or repairs and little change in the overall financial picture. The only area indicating a significant difference between FY07 and FY08 is listed as "Other operating expenses" which shows \$131,246 in increased expenditure. An explanation of this is as follows:

The Downtown Business Improvement District of Missoula is administering a Greater Missoula Master Plan Study supported financially by several public and private partners. This study will be completed by the end of the 2008 calendar year. The Parking Commission paid \$125,000 toward the cost of this study. In the overall Master Plan, the parking consultant has conducted a "Best Practices" study on the Parking Commission's program that evaluated such aspects as inventory, utilization, effectiveness, policy development and long range planning strategies. A series of ten Guiding Principles will be incorporated into the final Master Plan document and the supporting reports will be addendums to the final document. After the Master Plan is adopted,

the Parking Commission will proceed with a public process to approve and adopt specific parking strategies that will support the Guiding Principles.

In addition to the Master Plan, the Parking Commission explored the feasibility of building a parking structure at the location of the Riverside Lot adjacent to the First Interstate Bank's new building project. The purpose of this exercise was to look at an opportunity to mitigate the demand of public parking created by this project. The cost of this feasibility study was approximately \$30,000 and unfortunately, resulted in the recommendation that it is unfeasible to build a parking structure at this location.

Key Factors Affecting Financial Performance in Fiscal Year 2009

The main focus of the Parking Commission's attention will be to explore other possible opportunities to build additional parking inventory in this area of Missoula's downtown. The Parking Commission will look primarily at the corner of E. Front Street and Pattee Street and begin negotiations with Macy's and the Holiday Inn.

Missoula Parking Commission
Anne Guest
Director

FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 76,558	\$ 100,874
Investments	3,563,935	3,189,991
Other receivables	<u>56,042</u>	<u>57,468</u>
Total current assets	3,696,535	3,348,333
NONDEPRECIABLE CAPITAL ASSETS	2,397,866	2,397,866
DEPRECIABLE CAPITAL ASSETS, NET	2,470,207	2,597,495
BOND ISSUANCE COSTS (Net of Amortization of \$11,482 in 2008 and \$9,985 in 2007)	10,979	12,476
RESTRICTED CASH - DEBT SERVICE RESERVE	150,000	150,000
OTHER ASSETS	<u>6,770</u>	<u>7,440</u>
Total assets	<u>8,732,357</u>	<u>8,513,610</u>
 <u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	39,529	34,709
Accrued expenses	19,511	17,651
Compensated absences	25,549	30,060
Current portion of revenue bonds payable	<u>110,000</u>	<u>105,000</u>
Total current liabilities	194,589	187,420
 LONG-TERM LIABILITIES		
Long-term portion of compensated absences	13,140	15,201
Revenue bonds payable, less current portion	<u>950,000</u>	<u>1,060,000</u>
Total liabilities	<u>1,157,729</u>	<u>1,262,621</u>
 <u>NET ASSETS</u>		
Investment in capital assets, net of related debt	3,808,073	3,830,361
Restricted for debt service	150,000	150,000
Unrestricted	<u>3,616,555</u>	<u>3,270,628</u>
Net assets	<u>\$ 7,574,628</u>	<u>\$ 7,250,989</u>

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Parking revenues	\$ 1,144,883	\$ 1,126,022
Ticket revenues	<u>285,089</u>	<u>265,346</u>
Total operating revenues	<u>1,429,972</u>	<u>1,391,368</u>
Operating Expenses		
Personnel	530,151	518,205
Contract - City of Missoula	93,670	90,067
Rent	17,186	14,790
Depreciation and amortization	146,145	153,175
Repairs, maintenance and supplies	89,101	137,767
Other operating expenses	<u>336,673</u>	<u>205,427</u>
Total operating expenses	<u>1,212,926</u>	<u>1,119,431</u>
Operating income	<u>217,046</u>	<u>271,937</u>
Nonoperating Expenses		
Bond interest	56,848	61,739
Amortization of bond issuance costs	1,497	1,497
Loss on sale of asset	<u>1,071</u>	<u>1,248</u>
Total nonoperating expenses	<u>59,416</u>	<u>64,484</u>
Nonoperating Revenue		
Interest	<u>166,009</u>	<u>195,811</u>
Total nonoperating revenue	<u>166,009</u>	<u>195,811</u>
Net nonoperating revenue	<u>106,593</u>	<u>131,327</u>
Increase in net assets	323,639	403,264
Net Assets		
Beginning of year	<u>7,250,989</u>	<u>6,847,725</u>
End of year	<u>\$ 7,574,628</u>	<u>\$ 7,250,989</u>

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,429,972	\$ 1,391,368
Cash payments to suppliers	(531,089)	(466,692)
Cash payments to employees	<u>(529,481)</u>	<u>(518,535)</u>
Net cash provided by operating activities	<u>369,402</u>	<u>406,141</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Revenue bond principal paid	(105,000)	(100,000)
Revenue bond interest paid	(60,855)	(50,218)
Purchase of fixed assets	(19,928)	(69,428)
SID assessment interest collected	<u>-</u>	<u>576</u>
Net cash used in capital and related financing activities	<u>(185,783)</u>	<u>(219,070)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(373,944)	(430,296)
Interest income	<u>166,009</u>	<u>195,811</u>
Net cash used in investing activities	<u>(207,935)</u>	<u>(234,485)</u>
Net increase (decrease) in cash and cash equivalents	(24,316)	(47,414)
 Cash and Cash Equivalents		
Beginning of year	<u>100,874</u>	<u>148,288</u>
End of year	<u>\$ 76,558</u>	<u>\$ 100,874</u>

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

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 217,046	\$ 271,937
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	146,145	153,175
Changes in operating assets and liabilities		
Other receivables	1,426	(12,093)
Other assets	670	(330)
Accounts payable	4,820	(5,843)
Accrued liabilities	(705)	(705)
Net cash provided by operating activities	<u>\$ 369,402</u>	<u>\$ 406,141</u>

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

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, 2007, the approximate percentage of revenues from all sources were as follows:

Parking tickets	18%
Parking meters	31
Parking structures	16
Leased spaces (other than parking structures)	21
All other sources	<u>14</u>
	<u>100%</u>

As of June 30, 2008, 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.

Basis of Presentation and Accounting:

The Commission adopted the provisions of GASB Statement No. 34 and has 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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

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 \$5,000 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.

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal year 2008, the Commission added its cash to the City's investment pool. The Commission's portion of underlying cash and investments of the City's investment pool at June 30, 2008, consist of the following:

Cash On Hand	\$ 1,045
Demand deposits	225,513
Repurchase Investment Account	301,762
Government Securities	3,166,654
Certificates of Deposit	<u>95,519</u>
	3,790,493
Less restricted cash held for debt service reserve	<u>(150,000)</u>
	<u>\$ 3,640,493</u>

Cash and investments at June 30, 2007, were as follows:

Cash On Hand	\$ 1,045
Demand deposits	99,829
Repurchase Investment Account	937,072
Government Securities	2,237,773
Investment in State Short-Term Investment Pool	85,025
Certificates of Deposit	<u>80,121</u>
	3,440,865
Less restricted cash held for debt service reserve	<u>(150,000)</u>
	<u>\$ 3,290,865</u>

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

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

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 3. CAPITAL ASSETS

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

Changes in Capital Assets for 2008:

	July 1, 2007 Balance	Additions	Deletions	June 30, 2008 Balance
Capital Assets not being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
Capital Assets being Depreciated				
Parking structures	2,265,634	-	-	2,265,634
Furniture, fixtures and computers	47,514	-	1,147	46,367
Machinery, equipment and vehicles	457,559	19,928	-	477,487
Parking lot improvements	1,165,976	-	-	1,165,976
Capitalized interest	409,007	-	-	409,007
	<u>4,345,690</u>	<u>19,928</u>	<u>1,147</u>	<u>4,364,471</u>
Less accumulated depreciation	<u>(1,748,195)</u>	<u>(146,145)</u>	<u>(76)</u>	<u>(1,894,264)</u>
Total capital assets being depreciated, net	<u>2,597,495</u>	<u>(126,217)</u>	<u>1,071</u>	<u>2,470,207</u>
Capital assets, net	<u>\$ 4,995,361</u>	<u>\$ (126,217)</u>	<u>\$ 1,071</u>	<u>\$ 4,868,073</u>

Changes in Fixed Assets for 2007:

	July 1, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Capital Assets not being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
Capital Assets being Depreciated				
Parking structures	2,256,461	9,173	-	2,265,634
Furniture, fixtures and computers	54,890	1,147	8,523	47,514
Machinery, equipment and vehicles	406,800	59,108	8,349	457,559
Parking lot improvements	1,173,437	-	7,461	1,165,976
Capitalized interest	409,007	-	-	409,007
	<u>4,300,595</u>	<u>69,428</u>	<u>24,333</u>	<u>4,345,690</u>
Less accumulated depreciation	<u>(1,618,105)</u>	<u>(153,175)</u>	<u>(23,085)</u>	<u>(1,748,195)</u>
Total capital assets being depreciated, net	<u>2,682,490</u>	<u>(83,747)</u>	<u>1,248</u>	<u>2,597,495</u>
Capital assets, net	<u>\$ 5,080,356</u>	<u>\$ (83,747)</u>	<u>\$ 1,248</u>	<u>\$ 4,995,361</u>

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007 and 2006

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30 consists of:

	2008	2007
\$1,700,000 Series 2000 revenue bonds, 4.4 % to 5.5%, due in varying amounts to November 2015	<u>\$ 1,060,000</u>	<u>\$ 1,165,000</u>

Changes in the revenue bonds for the years ended June 30, 2008 and 2007, consisted of principal payments of \$105,000 and \$100,000, 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 in prior years.

Debt service requirements to maturity on the revenue bonds at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 110,000	\$ 52,245	\$ 162,245
2010	115,000	47,788	162,788
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	160,000	4,400	164,400
Total	\$ 1,060,000	\$ 241,348	\$ 1,301,348

NOTE 5. DESIGNATED NET ASSETS

The Commission's board has designated \$1,310,838 as of June 30, 2008 and 2007 of unrestricted net assets for acquisition of parking lots and parking facilities.

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2008 and 2007

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$93,670 and \$90,067 to the City of Missoula for the years ended June 30, 2008 and 2007, respectively, for administrative services. Accounts payable at June 30, 2007, included \$444 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

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

<u>Year Ended June 30,</u>	<u>Employee</u>	<u>Commission</u>	<u>State</u>
2008	6.900%	6.935%	0.100%
2007	6.900%	6.800%	0.100%
2006	6.900%	6.800%	0.100%

MISSOULA PARKING COMMISSION
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 8. RETIREMENT PLAN (CONTINUED)

The amounts contributed during the years ended June 30, 2006, 2007, and 2008, were equal to the required contribution for each year. The amounts contributed by the Commission and the State of Montana were as follows:

	<u>Commission</u>	<u>State</u>
2008	\$ 26,157	\$ 371
2007	24,673	363
2006	24,294	357

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.

NOTE 10. COMMITMENTS

At June 30, 2008, the Commission had a commitment of \$25,000 for the Missoula Downtown Master Plan.

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

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

We have audited the financial statements of Missoula Parking Commission, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
December 4, 2008