



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

FINANCIAL STATEMENTS

June 30, 2007 and 2006

(With Independent Auditors' 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	Missoula Osprey	April 30, 2010
Teresa Cox	A Carousel for Missoula	April 30, 2011
Carol Williams	Legal Administrator	April 30, 2011
John Smith	Attorney	April 30, 2008

Director

Anne Guest

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Missoula Parking Commission
Missoula, Montana

& COMPANY

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, 2007, and 2006, 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, 2007 and 2006, 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 [REPORT DATE], 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.

Missoula, Montana
[REPORT DATE]

Draft



Missoula Parking Commission

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

date

& COMPANY

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, 2007. 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 2007 compared to 2006:

	<u>2007</u>	<u>2006</u>	Increase (Decrease)
Current Assets	\$ 3,348,333	\$ 2,953,934	\$ 394,399
Nondepreciable Capital Assets	2,397,866	2,397,866	-
Depreciable Capital Assets, Net	2,597,495	2,682,490	(84,995)
Other Assets	<u>169,916</u>	<u>171,083</u>	<u>(1,167)</u>
Total assets	<u>8,513,610</u>	<u>8,205,373</u>	<u>308,237</u>
Current Liabilities	187,420	178,619	8,801
Long-Term Liabilities	<u>1,075,201</u>	<u>1,179,029</u>	<u>(103,828)</u>
Total liabilities	<u>1,262,621</u>	<u>1,357,648</u>	<u>(95,027)</u>
Net Assets			
Net investment in plant	3,830,361	3,815,356	15,005
Restricted	150,000	150,000	-
Unrestricted	<u>3,270,628</u>	<u>2,882,369</u>	<u>388,259</u>
Total net assets	<u>\$ 7,250,989</u>	<u>\$ 6,847,725</u>	<u>\$ 403,264</u>

	2007	2006	Increase (Decrease) Over 2006
	<u>Actual</u>	<u>Actual</u>	
Operating Revenues			
Parking and ticket revenues	\$ 1,391,368	\$ 1,474,651	\$ (83,283)
Operating Expenses			
Personnel	518,205	502,053	16,152
Contract - City of Missoula	90,067	87,444	2,623
Rent	14,790	14,790	-
Depreciation and amortization	153,175	134,179	18,996
Repairs, maintenance and supplies	137,767	123,568	14,199
Other operating expenses	205,427	193,426	12,001
	<u>1,119,431</u>	<u>1,055,460</u>	<u>63,971</u>
Operating income	271,937	419,191	(147,254)
Net Nonoperating Revenues (Expenses)	<u>131,327</u>	<u>55,181</u>	<u>76,146</u>
Increase in net assets	403,264	474,372	(71,108)
Net Assets			
Beginning of year	<u>6,847,725</u>	<u>6,373,353</u>	<u>474,372</u>
End of year	<u>\$ 7,250,989</u>	<u>\$ 6,847,725</u>	<u>\$ 403,264</u>

Discussion of Financial Results

In reviewing the Financial Highlights for FY2007, the Missoula Parking Commission had an uneventful year overall. There were no significant programs initiated, no significant projects undertaken and no significant operating expenses.

Although operating parking revenues were down as compared to FY2006 but that year parking revenues were unusually high due to a variety of reasons. The parking revenues for FY2007 fall more into the norm of the previous years.

Operating expenses were up from FY2006 mainly due to the painting of Central Park at 128 W. Main. This structure was built in 1990 and had never been totally painted. A thorough treatment was given to all the walls and railings to help preserve the condition of the structure. The cost was approximately \$33,000.

In spite of the statements above, FY2007 ended with an increase of \$403,264 in total net assets for the overall parking program. This is in keeping with trends in the past.

Key Factors Affecting Financial Performance in Fiscal Year 2008

The most significant factor affecting financial performance in FY2008 will be the participation of the Parking Commission in the Downtown Master Plan for Missoula sponsored by the Missoula Downtown Business Improvement District, the Missoula Downtown Association, the Missoula Redevelopment Agency, individual business partners, and the City. The Parking Commission Board of Directors approved to contribute \$125,000 toward the study with the condition that this contribution be applied to having a complete analysis of the Parking Commission's program. The Master Plan should be completed in FY2008.

In response to new developments in the riverfront corridor, the Parking Commission has contracted with Carl Walker, Inc. to determine the feasibility of constructing additional parking inventory at our Riverside Lot location. The cost of this initial phase is \$28,000. If the study determines that there is a possibility and the cost per space is acceptable, then the Parking Commission would move to design and engineering including relative cost. Again, if approved, construction on a parking structure could begin as early as fall in FY2009.



FINANCIAL STATEMENTS

MISSOULA PARKING COMMISSION
 (A Component Unit of the City of Missoula)
STATEMENTS OF NET ASSETS
 June 30, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,874	\$ 148,288
Investments	3,189,991	2,759,695
SID interest receivable	-	576
Other receivables	57,468	45,375
Total current assets	<u>3,348,333</u>	<u>2,953,934</u>
NONDEPRECIABLE CAPITAL ASSETS	2,397,866	2,397,866
DEPRECIABLE CAPITAL ASSETS, NET	2,597,495	2,682,490
BOND ISSUANCE COSTS (Net of Amortization of \$9,985		
in 2007 and \$8,488 in 2006)	12,476	13,973
RESTRICTED CASH - DEBT SERVICE RESERVE	150,000	150,000
OTHER ASSETS	7,440	7,110
Total assets	<u>8,513,610</u>	<u>8,205,373</u>
 <u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	34,709	40,552
Accrued expenses	17,651	10,762
Compensated absences	30,060	27,305
Current portion of revenue bonds payable	105,000	100,000
Total current liabilities	<u>187,420</u>	<u>178,619</u>
 LONG-TERM LIABILITIES		
Long-term portion of compensated absences	15,201	14,029
Revenue bonds payable, less current portion	1,060,000	1,165,000
Total liabilities	<u>1,262,621</u>	<u>1,357,648</u>
 <u>NET ASSETS</u>		
Investment in capital assets, net of related debt	3,830,361	3,815,356
Restricted for debt service	150,000	150,000
Unrestricted	3,270,628	2,882,369
Net assets	<u><u>\$ 7,250,989</u></u>	<u><u>\$ 6,847,725</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 REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Parking revenues	\$ 1,126,022	\$ 1,194,358
Ticket revenues	265,346	280,293
Total operating revenues	<u>1,391,368</u>	<u>1,474,651</u>
Operating Expenses		
Personnel	518,205	502,053
Contract - City of Missoula	90,067	87,444
Rent	14,790	14,790
Depreciation and amortization	153,175	134,179
Repairs, maintenance and supplies	137,767	123,568
Other operating expenses	205,427	193,426
Total operating expenses	<u>1,119,431</u>	<u>1,055,460</u>
Operating income	<u>271,937</u>	<u>419,191</u>
Nonoperating Expenses		
Bond interest	61,739	66,230
Amortization of bond issuance costs	1,497	1,500
Loss on sale of asset	1,248	21
Total nonoperating expenses	<u>64,484</u>	<u>67,751</u>
Nonoperating Revenue		
Interest income	195,811	122,932
Total nonoperating revenue	<u>195,811</u>	<u>122,932</u>
Net nonoperating income (expense)	<u>131,327</u>	<u>55,181</u>
Increase in net assets	403,264	474,372
Net Assets		
Beginning of year	<u>6,847,725</u>	<u>6,373,353</u>
End of year	<u>\$ 7,250,989</u>	<u>\$ 6,847,725</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 1,391,368	\$ 1,474,651
Cash payments to suppliers	(466,692)	(250,359)
Cash payments to employees	(518,535)	(509,093)
Net cash provided by operating activities	<u>406,141</u>	<u>715,199</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Revenue bond principal paid	(100,000)	(95,000)
Revenue bond interest paid	(50,218)	(66,958)
Purchase of fixed assets	(69,428)	(122,836)
SID assessment receivables collected	-	19,964
SID assessment interest collected	<u>576</u>	<u>3,217</u>
Net cash used in capital and related financing activities	<u>(219,070)</u>	<u>(261,613)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(430,296)	(538,269)
Interest income	<u>195,811</u>	<u>122,318</u>
Net cash used in investing activities	<u>(234,485)</u>	<u>(415,951)</u>
Net increase (decrease) in cash and cash equivalents	(47,414)	37,635
 Cash and Cash Equivalents		
Beginning of year	<u>148,288</u>	<u>110,653</u>
End of year	<u>\$ 100,874</u>	<u>\$ 148,288</u>

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

	<u>2007</u>	<u>2006</u>
& COMPANY		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 271,937	\$ 419,191
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	153,175	134,179
Changes in operating assets and liabilities		
Other receivables	(12,093)	149,992
Other assets	(330)	(7,040)
Accounts payable	(5,843)	19,582
Accrued liabilities	(705)	(705)
Net cash provided by operating activities	<u>\$ 406,141</u>	<u>\$ 715,199</u>

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

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	17%
Parking meters	30
Parking structures	17
Leased spaces (other than parking structures)	20
All other sources	<u>16</u>
	<u>100%</u>

As of June 30, 2007, 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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued):

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Investments and Investment Income (Continued):

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.

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, 2007 and 2006

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal year 2007, 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, 2007, consist of the following:

	2007
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>

Cash and investments at June 30, 2006, were as follows:

	2006
Cash On Hand	\$ 1,045
Demand deposits	147,243
Repurchase Investment Account	9,237
Government Securities	1,874,926
Investment in State Short-Term Investment Pool	961,741
Certificates of Deposit	<u>63,791</u>
	3,057,983
Less restricted cash held for debt service reserve	<u>(150,000)</u>
	<u>\$ 2,907,983</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, 2007 and 2006

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

Recent media reports have stated that the Short-Term Investment Pool (STIP), along with many other public and private money market type accounts, holds asset-backed securities called Structural Investment Vehicles (SIV). These types of investments are issued by financial institutions and/or investment managers and are backed by underlying assets of various types. The investment rating of certain SIVs held by STIP was downgraded to CCC on November 9, 2007, which according to the Montana Board of Investments was approximately 3.69% of total STIP investments. At June 30, 2007, the Commission's investment in STIP amounted to 2.5% of its total investments. As of August 15, 2007, the City of Missoula only had \$5,000 invested in STIP. The effect of the potential revaluation of STIP would not be material to the Commission's financial statements.

NOTE 3. CAPITAL ASSETS

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

Changes in Capital 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
	4,300,595	69,428	24,333	4,345,690
Less accumulated depreciation	(1,618,105)	(153,175)	(23,085)	(1,748,195)
Total capital assets being depreciated, net	2,682,490	(83,747)	1,248	2,597,495
Capital assets, net	\$ 5,080,356	\$ (83,747)	\$ 1,248	\$ 4,995,361

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

NOTE 3. CAPITAL ASSETS (CONTINUED)

Changes in Fixed Assets for 2006:

	July 1, 2005 Balance	Additions	Deletions	June 30, 2006 Balance
Capital Assets not being Depreciated				
Parking lots	\$ 2,397,866	\$ -	\$ -	\$ 2,397,866
Capital Assets being Depreciated				
Parking structures	2,256,461	-	-	2,256,461
Furniture, fixtures and computers	189,346	-	134,456	54,890
Machinery, equipment and vehicles	433,381	25,524	52,105	406,800
Parking lot improvements	1,076,989	97,312	864	1,173,437
Capitalized interest	409,007	-	-	409,007
	4,365,184	122,836	187,425	4,300,595
Less accumulated depreciation	(1,671,330)	(134,179)	(187,404)	(1,618,105)
Total capital assets being depreciated, net	2,693,854	(11,343)	21	2,682,490
Capital assets, net	\$ 5,091,720	\$ (11,343)	\$ 21	\$ 5,080,356

NOTE 4. LONG-TERM DEBT

Long-term debt at June 30 consists of:

	<u>2007</u>	<u>2006</u>
\$1,700,000 Series 2000 revenue bonds, 4.4 % to 5.5%, due in varying amounts to November 2015	<u>\$ 1,165,000</u>	<u>\$ 1,265,000</u>

Changes in the revenue bonds for the years ended June 30, 2007 and 2006, consisted of principal payments of \$100,000 and \$95,000, 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.

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 (CONTINUED)

Debt service requirements to maturity on the revenue bonds at June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 105,000	\$ 57,379	\$ 162,379
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	<u>\$ 1,165,000</u>	<u>\$ 298,727</u>	<u>\$ 1,463,727</u>

NOTE 5. DESIGNATED NET ASSETS

The Commission's board has designated \$1,310,838 as of June 30, 2007 and 2006, of unrestricted net assets for acquisition of parking lots and parking facilities.

NOTE 6. RELATED PARTY TRANSACTIONS

The Commission paid \$90,067 and \$87,444 to the City of Missoula for the years ended June 30, 2007 and 2006, 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.

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

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, 2005, 2006, and 2007, were equal to the required contribution for each year. The amounts contributed by the Commission were as follows:

2005	\$ 23,224
2006	\$ 23,804
2007	\$ 23,412

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

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

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, 2007, the Commission had a commitment of \$125,000 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

Draft

We have audited the financial statements of Missoula Parking Commission, as of and for the year ended June 30, 2007, and have issued our report thereon dated [REPORT DATE]. 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.

Missoula, Montana
[REPORT DATE]