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 REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

FINANCIAL REPORT

June 30, 2016

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MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
ORGANIZATION
Fiscal Year Ended June 30, 2016

Director

Ellen Buchanan .... Director

Board of Commissioners

Karl Englund .... Chair

Nancy Moe .... Vice-Chair

Melanie Brock .... Member

Ruth Reineking .... Member

Daniel Kemmis .... Member

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Missoula Redevelopment Agency
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Missoula Redevelopment Agency (the Agency), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Missoula Redevelopment Agency, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–35, budgetary comparison information on pages 78-81, the schedule of funding progress for retiree health insurance benefit plan on page 82, the schedule of proportionate share of the PERS net pension liability on page 83, the schedule of PERS contributions on page 86, and the notes to required supplementary information on pages 85-87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information presented on pages 88–91 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining debt service balance sheet and combining debt service statement of revenues, expenditures and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The debt service budgetary comparison schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Anderson ZurMuehlen & Co., P.C.

Missoula, Montana
February 27, 2017

The Missoula Redevelopment Agency (the Agency) is a component unit of the City of Missoula (the City). Its budget is prepared at the same time as the City Budget and undergoes review and approval by City officials as part of the City's budgeting process. Moreover, all expenditures of the Agency are reviewed and approved by the Missoula City Finance Office and the Missoula City Council.

The financial statements of the Agency are based on information provided by the Missoula County Treasurer and the City Finance Office. The Agency records are reconciled with the information prepared and maintained by the City.

Our discussion and analysis of the Agency's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Agency's financial statements and accompanying notes, which begin on page 36.

Financial Highlights

The following tables summarize the financial condition and operating results for 2016 compared to 2015:

	2016	2015	Increase (Decrease)
Current assets	$ 9,886,112	$ 6,110,011	$ 3,776,101
Noncurrent assets	1,287,887	1,236,063	51,824
Total assets	11,173,999	7,346,074	3,827,925
Deferred outflows of resources	28,928	33,265	(4,337)
Total assets and deferred outflows of resources	11,202,927	7,379,339	3,823,588
Current liabilities	1,392,352	1,217,007	175,345
Long-term liabilities	21,503,126	16,906,360	4,596,766
Total liabilities	22,895,478	18,123,367	4,772,111
Deferred inflows of resources	29,579	101,893	(72,314)
Total liabilities and deferred inflows of resources	22,925,057	18,225,260	4,699,797
Net position			
Restricted for debt service	675,665	675,665	-
Unrestricted	(12,397,795)	(11,521,586)	(876,209)
Total net position	$ (11,722,130)	$ (10,845,921)	$ (876,209)

	2016	2015	Increase (Decrease)
REVENUES			
General revenues	$ 4,605,822	$ 4,059,235	$ 546,587
EXPENSES			
Housing and community development	4,862,366	3,967,466	894,900
Interest	739,802	701,684	38,118
Total expenses	5,602,168	4,669,150	933,018
Change in net position	(996,346)	(609,915)	(386,431)
NET POSITION			
Beginning of year	(10,845,921)	(9,759,342)	(1,086,579)
Restatement	120,137	(476,664)	596,801
End of year	$ (11,722,130)	$ (10,845,921)	$ (876,209)

- During the year the Agency had revenues of 4,605,822 and expenses totaling $5,602,168 which resulted in a change in net position of ($996,346) a decrease of $386,431 from 2015.
- The Agency's revenues are derived primarily from Tax Increment Property Tax, State Personal Property Tax Reimbursements, State Entitlements, and Investment Earnings. Small amounts of revenue are received from other miscellaneous sources. The Agency's fiscal year 2016 revenues were $546,587 higher than in fiscal year 2015.
- Public/Private Partnership expenditures for fiscal year 2016 included Allegiance, Arby's, Bretz RV & Marine, Dairy Queen, Felton Dental, Glidewell Insurance and Investment Group, Krispy Kreme, Midtown Apartments, Ole's Country Store, TC Glass and the Vintage Home.
- Public projects funded solely or in part with tax increment funds in fiscal year 2016 include Brooks Street Corridor Improvements, Burlington/Regent Fire Hydrant Relocation, Caras Park Storm Water, Carousel for Missoula, Design Excellence Workshop, Mary Avenue Planning Study, MRL Property Negotiations, North Reserve/Scott Street Master Plan, South Reserve Street Trail Crossing, Sweetgrass Commons, West Broadway Island, Westside Neighborhood project and sidewalk and street improvements in URD II & URD III.
- The Agency also paid out $636,627 in principal and $739,802 in interest for a total of $1,376,429 in debt service payments.

Using This Report

This audit report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are government-wide statements, which are required by Governmental Accounting Standards Board (GASB) Statement 34. These statements report on all of the Agency's activities and are on full-accrual basis. They are intended to present a long-term view of the Agency's finances.

The Balance Sheet and Income Statement (Statement of Revenues, Expenditures and Changes in Fund Balances) are considered fund financial statements, which are financial statements that report on one or more funds (governmental funds) of the governmental entity. These statements are on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds are used to account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Governmental funds include general funds, special revenue funds, debt service funds, and capital project funds. The fund financial statements tell how the Agency's redevelopment activities were financed in the short term as well as what remains for future redevelopment. Also, these statements report the Agency's operations in more detail than the government-wide statements by providing information about the Agency's most significant funds.

About the Agency

Two of the most important questions asked about the Agency are, "How well did the Agency respond to redevelopment opportunities in the past fiscal year?" and "What ability will it have to respond to future redevelopment opportunities?" The Statement of Net Position and the Statement of Activities report information about the Agency as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

You can think of the Agency's net position (the difference between assets and liabilities) as one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether the Agency has been responding to redevelopment opportunities at a level equal to, above, or below its annual revenue. When reviewing the Agency's overall financial position, however, other non-financial factors should also be considered such as changes in the property tax assessment formula, which is determined by the State legislature, the total mills levied by the taxing jurisdictions and whether the Agency has sold bonds to assist a redevelopment project.

The fund financial statements provide detailed information about the most significant funds, not the Agency as a whole. The Agency had six urban renewal districts (URDs) active in fiscal year 2016 and each has its own fund. URD II, URD III, Front Street URD and Riverfront Triangle URD all derived a majority of their revenue from tax increment provisions allowed by State law. Hellgate URD and North Reserve/Scott Street URD were created on August 25, 2014 and will receive their first transmittal of tax increment in November 2016 provided the 2016 taxable value of the districts is higher than the base year (2014). Tax increment is collected by the County, transferred to the City, and deposited into the respective urban renewal districts' development fund. These funds in turn provide money for the Agency's redevelopment programs: Tax Increment Financing (TIF), Commercial Rehabilitation Loan Program (CRLP), the Code Compliance Assistance Program (CCP) and the Façade Improvement Program (FIP). The TIF program is provided for by State law. The other three programs, CRLP, CCP and FIP, are redevelopment programs approved by the Agency's Board and/or Missoula City Council as allowed by State law.

In sum, the government-wide financial statements provide a long-term view of the Agency's financial well-being, whereas the fund financial statements provide a detailed short-term view of the Agency's general operations, basic services and fund balances for future redevelopment. The relationship (or difference) between the government-wide statements (as reported in the Statement of Net Position and the Statement of Activities) and the fund financial statements (as reported in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances) is explained in the reconciliations included in the financial statements section of this report.

Retirement Plans
As a component unit of the City, the Agency employees participate in the Montana Public Employees Retirement System (PERS). The Agency employees and the State of Montana all contribute to the retirement plan. The retirement plan is administered by the State of Montana.

Capital Assets
Other than office furniture and equipment, the only other asset associated with the Agency is a 2015 Dodge Grand Caravan. This company vehicle was purchased through the City's procurement process for $24,576 and put into service on December 24, 2014. This asset is listed under the City's general capital assets account. All other physical assets or improvements to public assets through purchases or construction undertaken by the Agency are owned by the City. Assets created or improved as a result of projects developed with private entities pursuant to urban renewal activities or programs of voluntary or compulsory repairs are assets of the private entities. As reported in the Statement of Net Position, the Agency's assets include cash and investments, taxes/assessments receivable (net), other receivables, and amounts due from other governments. The Agency complies with the City's Fixed Asset Management System with respect to tracking furniture, equipment and computer related assets.

Current and Noncurrent Liabilities

The Agency has current and noncurrent liabilities. Current liabilities include accounts payable for project related expenditures, accrued wages, the current portion (vacation hours) of the Agency's compensated absences and the current portion of notes payable, guarantor payable and tax increment revenue bonds payable. Noncurrent liabilities include post-employment benefits, the long-term portion (sick and compensatory hours) of the Agency's compensated absences, and the long term portion of the notes payable, guarantor payable and tax increment revenue bonds payable.

Bonds and Notes Payable

Below is a summary list of the Agency's long term debt:

Series 2006 $1,775,000 Brownfields Revolving Loan Fund Note
Series 2006 $3,600,000 Millsite Lease Buy Out
Series 2007 $1,500,000 Safeway/St. Pats Project
Series 2010 $1,623,380 First Interstate Bank Note
Series 2013 $5,750,000 URD II Silver Park, Trestle, Wyoming St
Series 2013 $1,753,500 Intermountain Project (Corso/The Source)
Series 2014 $2,864,000 2010 Front St Parking Refunding
Series 2015 $1,364,400 NRSS Projects (Bretz, C.D., Edgell)
Series 2015 $5,000,000 S. Reserve St Pedestrian Crossing

$3,600,000 – Millsite Lease Buy-Out

On August 6, 2006 the City of Missoula pursuant to Resolution 7120 approved the sale of $3,600,000 in tax increment revenue bonds related to the Old Sawmill District project in URD II. The bond terms are 25 years and therefore extend the life of URD II until 2031. The Series 2006 $3.6 million tax increment bonds received an AA rating from Standard & Poors; the first rating of a tax increment bond in the State of Montana.

$1,775,000 – Brownfields Revolving Loan Fund Note

On August 10, 2006, the Missoula Revitalization Project LLC, the City of Missoula and the Agency entered into a Loan Agreement and Note with the Missoula Area Economic Development Corporation for a $1,000,000 loan, later increased to $1,125,000, from the Missoula Brownfields Revolving Loan Fund. Tax Increment currently received from the Old Sawmill District property and the tax increment generated as a result of the environmental remediation and subsequent platting of the property was pledged to service the loan over the life of URD II. On December 14, 2009 the amount of the loan was increased to $1,525,000. On December 22, 2009 the terms of the Loan Agreement and Note were amended to defer paying principal until 2023. On July 2, 2012, pursuant to resolution 7712, the amount of the loan was increased to $1,775,000. The loan is now serviced by Montana & Idaho Community Development Corporation.

$1,500,000 – Safeway/St. Patrick Hospital Project
On October 15, 2007 the City of Missoula pursuant to Resolution 7286 approved the sale of $1.5 million in tax increment revenue bonds related to the Safeway/St. Patrick Hospital project in URD II. The bonds are secured by a first lien upon and pledge of tax increment revenues derived from the project.

$3,000,000 – Front Street Parking Structure
On December 22, 2010 the City of Missoula pursuant to Resolution 7587 pledged $3 million in tax increment funds from the Front Street URD to the Missoula Parking Commission for payment of Parking Facilities Revenue Bonds issued to construct the Front Street Parking Structure. The pledged TIF was 1.35 times 40% of the average annual debt service of the $7.5 million Parking Revenue Bonds (Series 2010B) dated December 29, 2010 and was provided in two equal installments of $134,211. Excess increment was returned to the Agency after the October 1st Bond payment and is used to fulfill subordinate debt requirements. On April 9, 2014, the Missoula Parking Commission redeemed the Series 2010B bonds and reissued $7,160,000 in Parking Facilities Revenue Refunding Bonds, Series 2014. This decision was made as a result of the reduction of approximately 8.7% in federal subsidy payments due to the sequestration. The Commission was receiving the subsidy as part of the government's direct-pay tax credit for eligible bonds. The Agency confirmed its pledge of tax increment to the Series 2014 Refunding Bonds in the principal amount of $2,864,000 in Resolution 7864, which was approved on April 7, 2014. The pledged TIF amount on the new bonds is provided in two equal installments of $133,425. The refunding of the 2010B bonds resulted in $44,000 proceeds from debt restructuring for the Agency, which was reported as Other Revenue in the government-wide statements.

$1,623,380 – First Interstate Bank
On December 22, 2010 the City of Missoula pursuant to Resolution 7587 authorized the issuance of a Front Street URD Subordinate Lien Note to First Interstate Bank in the amount of $1,623,380 for reimbursement of tax increment eligible costs incurred in the construction of the new bank building on the corner of Higgins Avenue and Front Street. The Series 2010 Note bears interest at the annual rate of 6.55% for a period of 25 years.

$5,750,000 – Wyoming Street / MRL Trestle / Silver Park
On March 4, 2013 the City of Missoula pursuant to Resolution 7758 approved the sale of $5,750,000 in tax increment urban renewal revenue bonds in URD II to fund public improvements related to the extension of Wyoming Street, replacement of the MRL Trestle and construction of the City-owned park parcel known as Silver Park. The original purchaser of the negotiated sale bonds was First Security Bank, Missoula MT, a division of Glacier Bank. Per Montana Urban Renewal law, the bond term is limited to a final maturity date no later than the existing Series 2006 bond maturity date of July 1, 2031. The interest rate on the bond is 3.150% per annum. Principal and interest payments are due to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2014. Maximum annual debt service per the amortization schedule is $426,028 in fiscal year 2029.

$1,753,500 – Intermountain Site
On May 20, 2013 the City of Missoula pursuant to Resolution 7782 approved the sale of $1,753,500 in tax increment urban renewal revenue bonds in URD II to fund certain public improvements related to redevelopment of the former Intermountain Lumber Site along Russell Street. The projects on the site include a residential development known as Corso Apartment Homes and a fitness center known as The Source. The original purchaser of the negotiated sale bonds was First Security Bank, Missoula MT, a division of Glacier Bank. Per Montana Urban Renewal law, the bond term is limited to a final maturity date no later than the existing Series 2006 bond maturity date of July 1, 2031. The interest rate on the bond is 4.250% per annum. Interest is calculated on the basis of a year of 360 days composed of twelve 30-day months. Capitalized interest payments are payable from the bond funds on January 1 and July 1, 2014. Thereafter, principal and interest payments are payable from tax increment generated by the projects to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2016. Maximum annual debt service per the amortization schedule is $146,292 in fiscal year 2028.

$5,000,000 – South Reserve Street Pedestrian Bridge
On November 16, 2015 the City of Missoula pursuant to Resolution 8022 approved the sale of $5,000,000 in tax increment urban renewal revenue bonds in URD III to fund the design and construction of a pedestrian bridge over South Reserve Street connecting the Missoula to Lolo Trail to the Bitterroot Branch Trail. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2040. The interest rate on the bond is 4.350% per annum. Initial interest payment was due July 1, 2016 and thereafter, interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by URD III to the City's paying agent, US Bank, commencing January 1, 2017. Maximum annual debt service per the amortization schedule is $342,500 in fiscal year 2018.

$1,364,400 – North Reserve/Scott St. (Bretz RV, Consumer Direct and Scott Street Village)
On December 14, 2015 the City of Missoula pursuant to Resolution 8031 approved the sale of $1,364,400 in tax increment urban renewal revenue bonds in North Reserve/Scott Street (NRSS) URD to fund certain public improvements related to redevelopment of Bretz RV & Marine, construction of the new Consumer Direct office building and the Scott Street Village housing project. The bond was issued as senior subordinate debt to future public improvement bonds approved in the district. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2035. The interest rate on the bond is 4.50% per annum. Capitalized interest payments are payable from the bonds funds on July 1, 2016, January 1, 2017 and July 1, 2017. Thereafter, principal and interest payments are payable from tax increment generated by the NRSS district to the City's paying agent, US Bank, on January 1 and July 1, commencing January 1, 2018. The Debt Service Schedule shall be revised following the final advance of principal in accordance with the Disbursement Agreement in order to reflect installments of principal and interest sufficient to pay the outstanding principal amount by July 1, 2035. Maximum annual debt service per the current amortization schedule is $56,646 in fiscal year 2035.

$7,065,000 – Mary Avenue East - Infrastructure Improvements
On January 25, 2015 the City of Missoula pursuant to Resolution 8038 approved the sale of up to $7,100,000 in tax increment urban renewal revenue bonds in URD III to fund certain public infrastructure improvements related to the construction of an extension of Mary Avenue from the Bitterroot railroad line east through the Southgate Mall property to Brooks Street. This bond was issued on parity with the $5,000,000 South Reserve Street Pedestrian Bridge bond and closed on October 14, 2016 for the final amount of $7,065,000. The bond will be drawn down in five installments beginning with $3,000,000 drawn upon closing. The original purchaser of the negotiated sale bonds was First Security Bank Division of Glacier Bank, Missoula MT. The final maturity date is July 1, 2040. The interest rate on the bond is 4.350% per annum. An initial interest payment is due on July 1, 2017 and thereafter, interest only payments are due on January 1 and principal and interest payments are due on July 1 payable from tax increment generated by URD III to the City's paying agent, US Bank, commencing January 1, 2018. Maximum annual debt service per the amortization schedule is $492,271 in fiscal year 2018.

Refer to Note 5 on page 52 for further information regarding the Agency's long-term debt including schedules of outstanding balances.

Revenues
In fiscal year 2016, the Agency received general and other revenues and did not generate any program revenue. Of the Agency's $4,605,822 total revenue reported in the Statement of Activities, 78% was tax increment received from property taxes. The next largest revenue source for the Agency is the State of Montana in the form of State entitlement funds authorized under 2001 Legislative House Bill 124, Personal Property Reimbursements authorized under 2011 Legislative Senate Bill 372 and 2013 Legislative Senate Bill 96 and Public Employees Retirement System (PERS) contributions. State of Montana funds account for 17% of the Agency's total revenue received. The remaining 5% is $241,404 in miscellaneous revenue relating to the Sweetgrass Commons project wherein the Agency participated in a land cost write-down.

Expenses
Under the Statement of Activities, most of the Agency's expenses are expressed under Housing and Community Development. Specifically, expenses include project assistance under the Agency's redevelopment and rehabilitation programs and administrative costs such as personnel, office supplies and equipment. There was also $739,802 in interest expense paid on the Agency's outstanding bonds and notes.

Special Items, Contributions, Transfers, Other

When applicable, the Agency financially contributes its proportionate share towards City of Missoula activities that affect the Agency, such as purchase of new computer servers and software. In addition, the Agency may contribute to City projects undertaken by other departments within the URDs.

The Agency contracts with the City of Missoula to provide administrative support as well as assistance from Engineering, Public Works, Finance, Parks and Recreation, and the Attorney's Office on various projects. The amount paid to the City also includes the Agency's pro rata share of the City's liability insurance coverage for errors and omissions and its pro rata share of General Fund transfers to the employee health benefits fund. The amount paid in fiscal year 2016 was $123,809 and was recorded as an administrative expense in the financials.

Administrative transfers between districts are done annually to reimburse the district that has paid the administrative expenses of the Agency. In fiscal year 2016, the administrative expenses were paid from URD III. The amount of money transferred in fiscal year 2016 from URD II to URD III for administrative expenses was $250,000, the budgeted amount for the proportionate share of staff time spent working on projects in URD II during the fiscal year. Since tax increment is still limited (due to commitments to debt service or lack of redevelopment) in the Front Street and Riverfront Triangle URDs, staff time spent on their creation and working on projects in those districts is still being tracked for future reconciliation of administrative expenses. Hellgate's incremental taxable value for 2015 was below the base value (2014) so there was no tax increment revenue in that district in fiscal year 2016. North Reserve /Scott Street URD received its first tax increment revenue in fiscal year 2016 in the amount of $57,874. Staff time spent on these new districts' creation and new projects is being tracked for future reconciliation. A detailed accounting of what each district owes URD III is maintained so a reimbursement can be made when tax increment revenues from these districts are sufficient.

Notes Receivable

$61,000 – The Women's Center

In fiscal year 2011, the Agency granted an interest free loan to The Women's Center under the Façade Improvement Program for improvements to their building in URD III. The loan was executed in February 2011 for $61,000 repayable over ten years. Since this loan does not have a revenue generating component (interest), it was recognized as cash out and as a Note Receivable on the fund financial statements. Repayment of the Note requires The Women's Center to remit $6,100 to the Agency by February 1 each year beginning in 2012. Five payments remain on this note receivable.

$62,000 – Glidewell Investments & Insurance Group (GiiG)
In fiscal year 2015, the Agency granted an interest-free loan to Glidewell Investments & Insurance Group (GiiG) for facade improvements to their building located at 1750 South Avenue West in URD III. The loan was executed on December 30, 2015 for $62,000 repayable over ten years. Since this loan does not have a revenue generating component (interest), it was recognized as cash out and as a Note Receivable on the fund financial statements. Repayment of the Note requires GiiG to remit $6,200 to the Agency by October 1 each year beginning in 2016 (FY17).

Mountain Water Company
In fiscal year 2012, the Agency entered into an agreement with the developer of the Bitterroot Town Homes, Collin Bangs. Whereas in exchange for tax increment financing used to extend a water main to the project, Mr. Bangs assigned to the Agency the reimbursements he would have received from Mountain Water for making the infrastructure improvements. The Mountain Water Company reimbursement program as authorized under State law includes providing reimbursements to developers for expenses to install, upgrade or extend water mains or fire hydrants. The program does not apply to service lines. Reimbursements occur over a 40 year period. When the Agency approves tax increment financing for eligible Mountain Water Company infrastructure expenses as part of a project, the developer is asked to assign any reimbursements they would receive to the Agency. The reimbursements the Agency receives do not include an interest component; therefor are recorded as cash out and as a note receivable on the fund financial statements.

Below is a summary of the Agency's current Mountain Water Company notes receivable projects that included water main installations or upgrades or other infrastructure improvements that qualified for the reimbursement program.

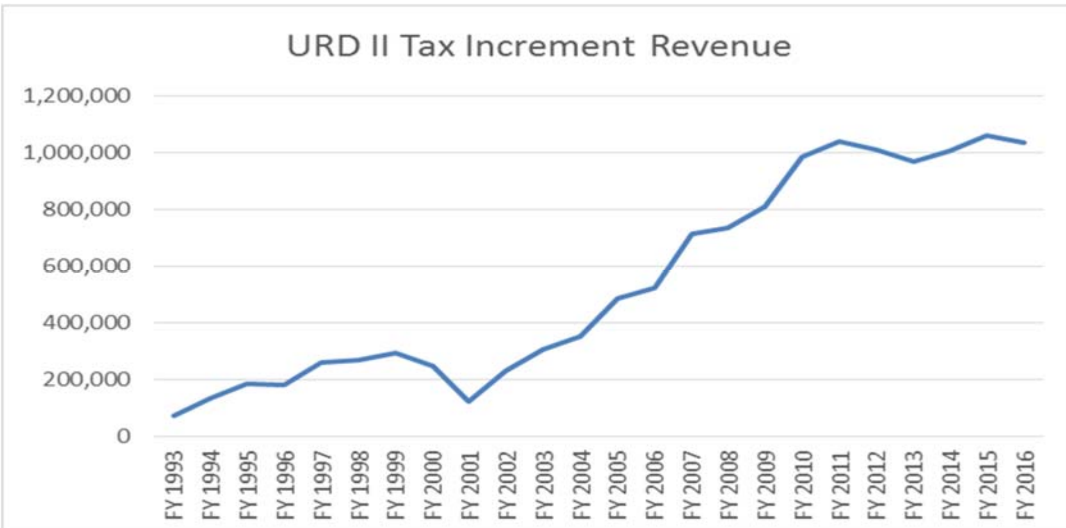
					Outstanding Balance as of 6/30/16 by URD		
	Project Name	Final Amended Contract	Total Payments to 6/30/16	Outstanding Balance as of 6/30/16	URD II / 7392	URD III / 7393	NRSS URD/7397
1	Eaton Street (Bitterroot) Townhomes	$ 40,000	$ 4,000	$ 36,000		$ 36,000	
2	Fire Hydrant Installation - URD II (2 hydrants)	18,592	1,365	17,228	17,228		
3	Fire Hydrant Installation - URD III (4 hydrants)	35,397	2,685	32,713		32,713	
4	Western Montana Mental Health Center	64,915	4,869	60,046	60,046		
5	Russell Street (Corso) Apartments	130,179	6,509	123,670	123,670		
6	Wyoming Street	259,178	12,959	246,219	246,219		
7	South Crossing/Dore Lane	8,989	225	8,764		8,764	
8	S. 1st Street W Fire Hydrant	14,394	0	14,394	14,394		
9	Bretz RV Fire Hydrant	9,919	0	9,919			9,919
10	Burlington Regent Fire Hydrant	7,479	0	7,479		7,479	
			0	0			
		$ 589,042	$ 32,610	$ 556,432	$ 461,557	$ 84,956	$ 9,919

Fund Balances and Transactions of Individual Governmental Funds

	URD I	URD II	URD III
Beginning Balance 7/1/15	$ 44	$ 1,141,753	$ 3,468,160
Ending Balance 6/30/16	44	1,312,631	6,662,142
$ Change	$ -	$ 170,878	$ 3,193,982
% Change	0%	15%	92%

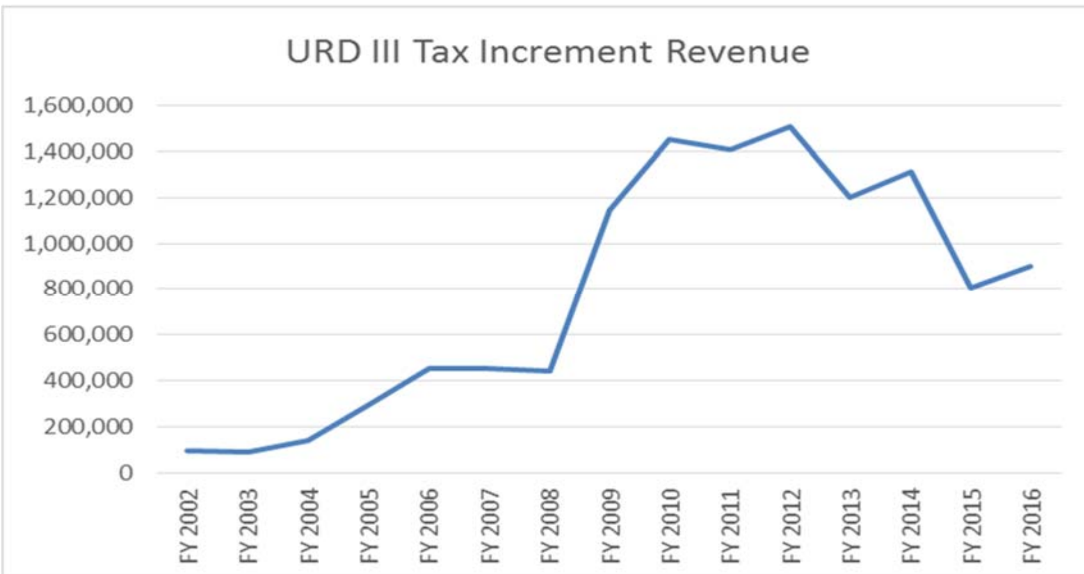
	Front Street	Riverfront Triangle	N. Reserve Scott Street	Debt Service
Beginning Balance 7/1/15	$ 585,748	$ 21,830	$ -	$ 1,468,484
Ending Balance 6/30/16	698,395	27,645	54,868	1,431,310
$ Change	$ 112,647	$ 5,815	$ 54,868	$ (37,174)
% Change	19%	27%	N/A	-3%

URD II saw a 15% increase in fund balance in fiscal year 2016. This increase was primarily due to the Agency having fewer large projects completed during the year and a 7% increase in tax increment revenue from fiscal year 2015. The most significant completed projects were Sweetgrass Commons, an affordable housing project in the Old Sawmill District area and the Midtown Apartments off of Third Street near the Good Food Store. Total expenditures and transfers were $1,558,697 including a $250,000 transfer to URD III for administrative expenses.



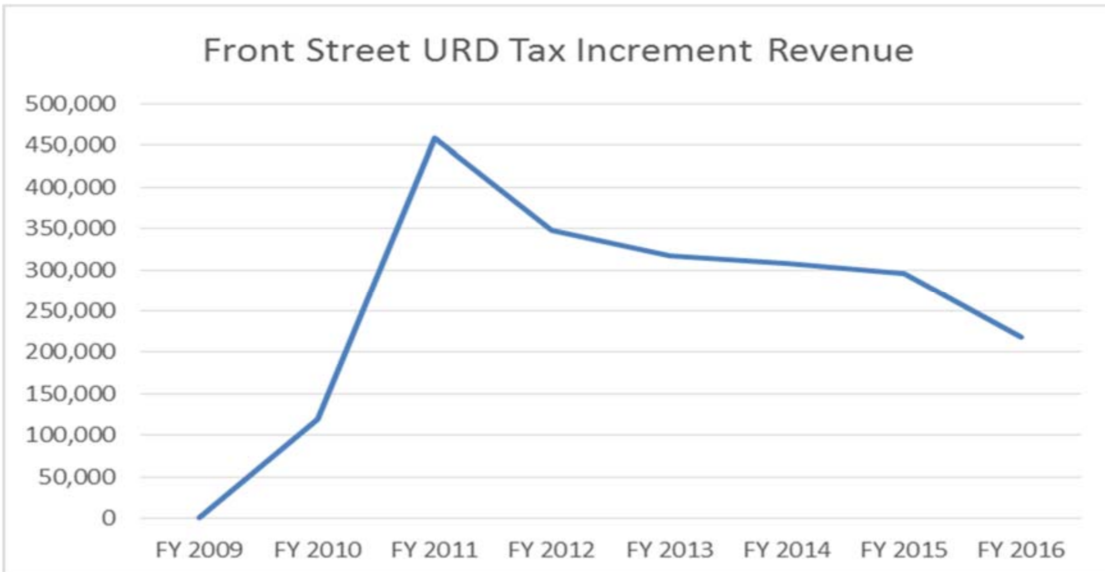
URD II	
Project Name	**Expenditure Amount**
$5.75M Series 2013 TIB - Transfer to DS	$ 355,148
Admin - Transfers to Other Funds	250,000
Midtown Apartments	147,514
Sweetgrass Commons	491,147
Tia's Big Sky - 1016 West Broadway	20,008
URD II Western Sidewalk - Phase 4 Construction	226,877
URD II Western Sidewalk - Phase 4 Design/Eng	24,494
URD II Western Sidewalk - Phase 4 Misc	549
West Broadway Island - Design, Engineering, Const. Admin	34,674
West Broadway Island - Public Parking Improvements	1,440
Westside Neighborhood Project	6,846
Total	$ 1,558,697

URD III saw a 92% increase in fund balance in fiscal year 2016. This increase is primarily attributable to a $5,000,000 tax increment revenue bond being sold for the South Reserve Trail Crossing project and a 24% increase in tax increment revenue from fiscal year 2015. The increase in revenue can be attributed to the new commercial growth in the district, such as the South Crossing project at the intersection of Brooks and Reserve Streets. Total expenditures were $3,671,144 and included $614,613 for administrative expenses and $3,056,533 for the projects detailed on the following page.



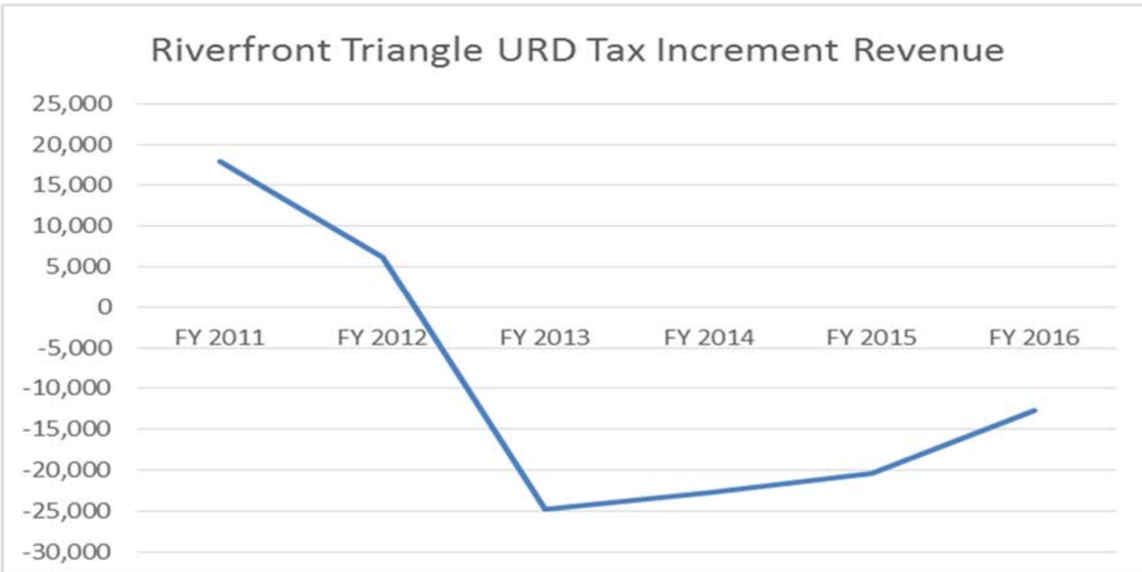
URD III	
Project Name	**Expenditure Amount**
Admin - Communication & Transportation	$ 609
Admin - Employer Contributions	103,978
Admin - Garbage	578
Admin - Gasoline	184
Admin - Machinery & Equipment	5,515
Admin - Office Supplies	6,069
Admin - Operating Supplies	1,839
Admin - Other Repair & Maintenance Supplies	354
Admin - Other Supplies	747
Admin - Overtime/Termination	144
Admin - PERS Contributions	354
Admin - Printing, Duplication, Binding	2,043
Admin - Professional Services	136,055
Admin - Publicity, Subscriptions and Dues	4,525
Admin - Repair & Maintenance Services	3,924
Admin - Salaries & Wages	338,008
Admin - Telephone	650
Admin - Training	1,261
Admin - Transportation	264
Admin - Travel	7,511
Allegiance - 2300 Brooks Street	67,700
Arby's Restaurant - 2900 Brooks Street	50,000
Brooks Street Corridor Public Imp. - Ph. 2 - Design/Eng	26,533
Dairy Queen - 2515 Brooks Street	30,345
Design Excellence Workshop	5,280
Felton Dental - 1760 Brooks Street	97,984
GiiG Project - 1750 South Ave	104,103
Krispy Kreme - 1019 West Central	38,000
Mary Avenue Planning Study	46,774
MRL Property near Bob Wards	420
MRL Property near Johnson Street	550
NRSS URD Master Plan	224,147
Ole's Country Store - 1600 Russell Street	73,210
S. Reserve Street Trail Crossing - 100% Design	343,844
S. Reserve Street Trail Crossing - COI	54,445
S. Reserve Street Trail Crossing - Construction	779,390
S. Reserve Street Trail Crossing - Construction Admin	135,974
South Crossing - Phase I	(8,989)
South Crossing - Phase II	330,804
TC Glass - 1100 Kensington Avenue	20,494
The Vintage Home	7,775
URD III Burlington/Garfield Sidewalk - Construction	556,909
URD III Burlington/Garfield Sidewalk - Design/Eng	69,663
URD III Grant Street Sidewalk - Design/Eng	165
URD III Grant Street Sidewalk - Tree Maintenance	1,013
Total	$ 3,671,144

Front Street URD saw a 19% increase in fund balance in fiscal year 2016, despite a 19% decrease in tax increment revenue. The fund balance increase is attributable to there being only two projects active in the district. Other activity in Front Street URD was primarily for debt service including requirements for the Series 2014 Front Street Parking Structure Refunding Bonds and First Interstate Bank Note. Total expenditures were $50,000 for the Caras Park Stormwater and Carousel for Missoula projects.



Front Street URD		
Project Name	**Expenditure Amount**	
Caras Park Stormwater Project	$	25,000
Carousel for Missoula		25,000
Total	$	50,000

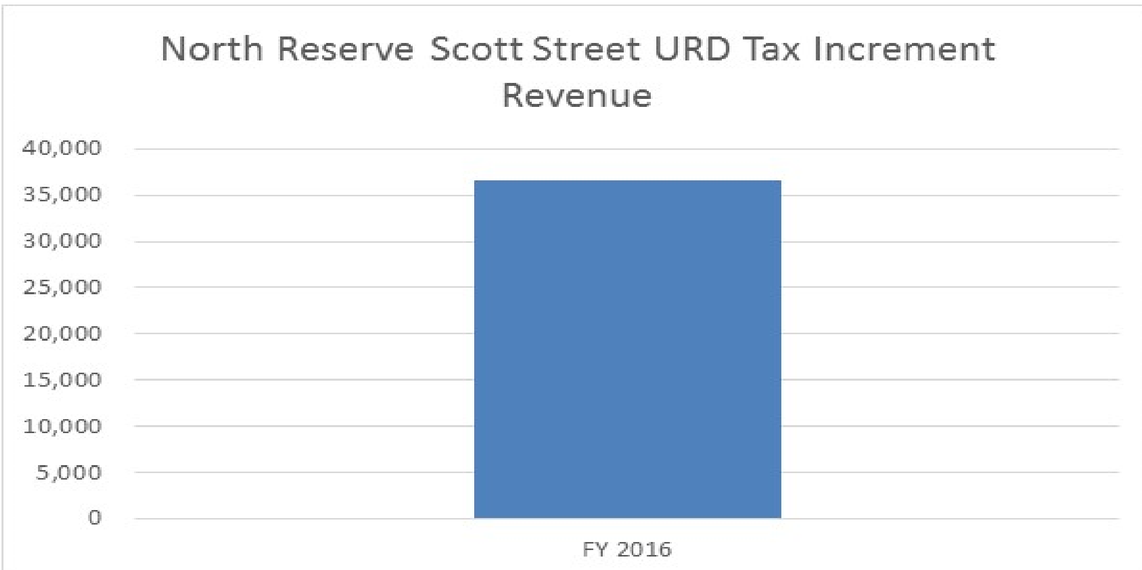
Riverfront Triangle URD saw a 27% increase in fund balance in fiscal year 2016. This increase is attributable to there being only one project active in this district. Currently this district's taxable value is below the base taxable value so there is no tax increment revenue. The district does receive personal property reimbursements from the State. Total expenditures were $3,500 for the Fox Site appraisal.



Riverfront URD	
Project Name	Expenditure Amount
Fox Site - appraisal	$ 3,500
Total	$ 3,500

Hellgate URD – no expenditures were attributed to this district because the 2015 (fiscal year 2016) taxable value for the district was lower than the base year value. No tax increment will be available for projects until the taxable value of the property in the district exceeds the 2014 base year value.

North Reserve – Scott Street URD – This is the first year this district has received tax increment revenue. Like the Hellgate URD, its base year is 2014. In addition to tax increment revenue, the district received bond revenue from the Series 2015 $1,364,400 bond issue to provide funding for the Bretz RV, Consumer Direct and Scott Street Villages projects. Total expenditures were $180,732 for the projects listed below.



North Reserve - Scott Street URD	
Project Name	**Expenditure Amount**
$1,364,400 NRSS Series 2015 Bond - COI	$ 63,854
Bretz RV & Marine	104,663
Bretz RV & Marine - Transfers	3,775
Consumer Direct - Transfers	1,489
Edgell - Transfers	744
NRSS Traffic Warrant Study	6,207
Total	$ 180,732

Overall Financial Position

Changes in the Agency's overall financial position from 2015 to 2016 from the Government-wide perspective include an increase in total assets and deferred outflows of resources of $3,823,588 and an increase in total liabilities and deferred inflows of resources of $4,699,797 with a resulting overall net position of ($11,722,130). The increase in assets is attributable to the sale of two tax increment revenue bonds and those related project expenditures not being fully paid out during the fiscal year. The increase in liabilities can be attributed to the same revenue bonds, which effectively increase the Agency's long term debt.

Due to ever-changing project completion schedules, it is not uncommon for projects that are budgeted in one year to be completed in another year. The Agency's tax increment funds, as they are accrued, are *planned, pledged or committed* to projects or held in contingency accounts for projects that arise during the year.

Planned Projects

Planned projects are projects that are under consideration and in the pre-development stage. During this stage, estimated budgets are created as "place holders". As project planning proceeds, the Agency's Board may pledge or commit to the projects, or abandon them if costs or circumstances warrant it. Similarly, the Agency funds a number of redevelopment programs adopted by the Missoula City Council. These programs are made available to assist private property owners with smaller projects that fit the program objectives and criteria. Since it is impossible to determine in advance how many property owners might apply for assistance under these programs, at any given time the program budgets may be underutilized. Still, it is the Agency's practice to be responsive to private sector redevelopment initiatives—even small ones—so these programs are adequately funded each year.

There were five projects primarily in the *planning* phase during fiscal year 2016, the **Brooks Street Improvements-Phase 2** and **Mary Avenue West** project in URD III; the **California Street Improvements** and **West Broadway Island** in URD II; and the **Fox Site** in Riverfront Triangle URD.

Brooks Street Improvements-Phase 2: Phase 2 of the Brooks Street Improvements consists of reconstruction of the key intersections on Brooks Street between Dore Lane and Paxson Street. The improvements are tailored to making Brooks more accessible for bicyclists and pedestrians by slowing traffic and adding amenities. The project, which is being done in conjunction with the Montana Department of Transportation (MDT), will consist of curb extensions, pedestrian scale lighting, landscaping, pedestrian crosswalks and refuges where appropriate, and bicycle lanes. This project has evolved into a much more comprehensive look at the entire Brooks corridor with the planned expansion of transit service on Brooks. Mountain Line has plans to put bus service on Brooks St. with 15 minute headways. The last year has seen a concerted effort to transform the corridor into a transit-oriented corridor consisting of higher density residential and commercial development. The work envisioned as Phase II of the Brooks Street Improvements will now be part of a much larger effort.

Mary Avenue West: The extension of Mary Avenue through the Southgate Mall property along with the projected further extension of that street across the MRL railroad tracks to Reserve Street caused a great deal of concern in that three block segment of Mary Avenue. The street has always been a dead end street, stopping at the railroad tracks, and was being proposed to become a much needed east-west collector between Brooks and Reserve Streets. The City Council asked MRA to conduct a very public and inclusive outreach process with the neighborhood. MRA issued a Request for Proposals for a consultant team to facilitate this neighborhood discussion in the spring of 2016 and ultimately entered into a professional services contract with DJ&A with the goal of arriving at the best possible design for the street which met the neighborhood goals, creation of construction documents and construction of the new street. The project is ongoing with construction targeted for summer of 2017.

California Street Improvements: There is renewed interest on the part of City Council to finalize the design of California Street in URD II from Dakota Street to South 3rd Street. The design will likely occur in fiscal year 2018 with prospects for reconstruction dependent on available resources. MRA had $10,812 budgeted for design in fiscal year 2016.

West Broadway Island: The West Broadway Island is a five acre site along the Clark Fork River and West Broadway. The City purchased the property, which is technically not an island, through the Agency in 2012 for use as open space and conservation lands. Much of the site is within the 100-year floodplain and floodway. During fiscal year 2014, the Agency engaged Morrison-Maierle, Inc. to plan and engineer a new pedestrian access along with renovation of an existing access to the property, design new pedestrian trails, stabilize the northern bank, and develop an action plan to minimize noxious weeds and restore native riparian vegetation. Morrison-Maierle's work also includes design analysis and implementation of public safety measures consistent with the City's *Crime Prevention through Environmental Design Principles.* The best development for this project includes understanding the design of the Max Wave project, an irrigation diversion replacement and corollary kayak play wave proposed within the river adjacent to the West Broadway Island. During fiscal year 2016, the Max Wave project design was undergoing review by County and State officials. Final design and construction of the West Broadway Island project is on hiatus to allow the Max Wave permit review process to be completed and to assure the two projects work well together.

Fox Site: Much of what makes up the Fox Site was given to the City by the owners of the Fox Theater in the mid-1980s. Later, two more adjacent properties were added to make up a comprehensive redevelopment site. Since that time, the City, through the Agency, demolished structures, improved utility infrastructure and removed a buried landfill that was used in the early part of the 20th century. At the direction of the City, the Agency conducted several unsuccessful Request For Proposals (RFP) processes seeking a private entity to redevelop the property. The most recent RFP was conducted in 2011. Upon the Agency's recommendation, the City Council authorized the Agency to conduct development agreement negotiations with one of the respondents, Hotel Fox Partners, for redevelopment of the Fox Site into an upscale conference hotel and conference center. At the request of the Mayor, Hotel Fox began investigating the feasibility of a much larger community conference center that may include City participation. Hotel Fox also negotiated a possible land transaction of nearly seven acres of land adjacent to the Fox Site for a much larger development. While continuing to work through these issues, the City Council has granted Hotel Fox extensions regarding negotiating a development agreement for disposition of the Fox Site. Hotel Fox, the Agency, City Staff, and City Council continued negotiating the development agreement and potential TIF assistance for the hotel/conference center/parking structure in fiscal year 2016.

Pledged Projects

Often times the Agency Board will make a conditional pledge to a public or private project that is not fully financed or completely planned. The purpose of the pledge is to create "seed money," "matching funds," or other financing incentives for the project sponsors or investors. This period also allows for further development of the project design and time to acquire the necessary approvals.

The most significant *pledged* projects in fiscal year 2016 were the **Bitterroot Trail** and **Wayfinding System** in URD III.

Bitterroot Trail: The City has been in negotiations with Montana Rail Link (MRL) for years in an effort to get the necessary easements to complete the Bitterroot Trail through Missoula that runs adjacent to the Bitterroot Branch railroad line. Late in fiscal year 2016, it appeared that MRL might be open to selling the City the 12 acre property adjacent to one of the missing trail segments between North Avenue and South Avenue. The other segment to be completed is the short trail segment southwest of South Avenue next to the Gateway Printing property. That segment was put on hold after cost estimates came back too high. The hope is that both segments could be combined into a larger project for better pricing in the near future.

Wayfinding: The Agency programmed $175,000 in fiscal year 2016 to implement a Wayfinding System in URD III. This project has been a part of the Agency's Capital Improvements Program as a placeholder while final planning, design features and funding were being worked out for the City-wide wayfinding system. Wayfinding for the downtown has funding and was installed in 2016. The emphasis in URD III is the Brooks Street corridor as a gateway into Missoula from the Bitterroot Valley and an important link to downtown and The University of Montana. Funding has been approved in the City's Capital Improvement Program to install the vehicle layer of the wayfinding in the surrounding area for fiscal year 2017. This will trigger the installation of signs in URD III.

Committed Projects

If and when project sponsors complete fundraising to a level that allows a project to proceed, *pledged* funds become *committed* through use of development agreements. Development agreements specify required performance by the project sponsor in order to obtain tax increment funding. The funds become contractually committed in the development agreement and often the commitment will bridge one or more fiscal years. When the Agency undertakes public infrastructure improvements within a district, tax increment funds become committed when the project receives approval by the Agency Board of Commissioners.

The most significant *committed* projects in URD II in fiscal year 2016 were the **Midtown Apartments** and **Sweetgrass Commons** projects.

Midtown Apartments: The Midtown Apartment project is located along the entire block of South Fourth Street West between Catlin and Garfield Streets. The project involves construction of a 60-unit apartment complex at a total project cost of approximately $5,000,000. Tax increment financing assistance up to $147,513 was approved for costs associated with new sidewalks along South Fourth Street West and portions of Garfield Street, paving a public alley on the north side of the project, installation of drain sumps and landscaping in all three right–of-ways, bank stabilization in the Catlin and Garfield right-of-ways, and upgrade of major utility main lines to the site. The Agency and the developer negotiated a set aside of 10% of the apartments for US Department of Housing and Urban Development (HUD) Section 8 referrals from the Missoula Housing Authority (MHA), or for rental at the current Section 8 levels if no referrals are available. The developer will submit annual reports regarding the set aside to the Agency and MHA who will monitor compliance with this agreement.

Sweetgrass Commons Project: TIF assistance was provided to Homeword, Inc. to "write-down" or discount the cost of land for development of 26 permanently affordable housing units on California Street. The discount process was MRA's purchase of the land for $488,775 then immediate resale to Homeward, Inc. in the amount of $238,775 yielding a $250,000 subsidy. The legal ability to participate in TIF land cost assistance for low-income housing can be found in State Law (M.C.A. 7-15-4262 (5)) which allows for real property acquired by the City to be sold to a corporation at a reduced price for the purpose of constructing permanently low-income multi-family housing. The project began construction after the land transaction and was completed in calendar year 2016.

The most significant *committed* projects in URD III in fiscal year 2016 were **Burlington/Garfield Streets sidewalks**, **Glidewell Investments & Insurance Group (GiiG)**, **South Crossing** and **South Reserve Street Trail Crossing Pedestrian Bridge**.

Burlington/Garfield Sidewalks: Completed in fiscal year 2016, this public works project installed curb, gutter, and sidewalk on portions of Grant Street, Garfield Street, Sussex Avenue, and Central Avenue north of Southgate Mall; and portions of Burlington Avenue, Oxford Street, Regent Street, Holborn Street, Bow Street, Addision Street, Harlem Street, Lawrence Street, Cleveland Street, Rollins Street, Edith Street, and Woodford Street between Russell Street and Brooks Street in URD III. This project reduced blighted conditions (lack of public infrastructure and public safety concerns) north of Southgate Mall and along the north edge of URD III, and enhances the pedestrian environment. Trees that were removed to make way for the sidewalk were replaced in various locations in the project area.

Glidewell Investments & Insurance Group (GiiG): This project involved the transformation of a building with little detail or aesthetics into a modern commercial building with architectural appeal. In January 2015, the Agency approved $54,103 for demolition of an addition to the building and improvements in the public right of way. The Agency also approved a $50,000 Façade Improvement Program grant for façade work. In March 2015, the Agency approved an additional request under the Façade Improvement Program for a no-interest loan of $62,000, repayable over 10 years. Construction was underway until late 2015. The project has transformed the building into attractive office space with significant pedestrian appeal.

South Crossing I & II: This project included a major redevelopment of the former underutilized Kmart building and property along Brooks Street. The project has spanned several fiscal years, as large projects almost always do. As a result of negotiations between the Agency and the developers, the proposed development was modified to meet the goals the Agency established for redevelopment in URD III in general and Brooks Street in particular. Consequently, in May 2013, the Agency committed up to $565,543 for demolition of the dilapidated Kmart site and in December 2013, an additional amount of up to $1,831,824 was committed for reconstruction of Dore Lane with sidewalks on both sides of the new street, construction of new sidewalks with pedestrian scale street lighting and street trees on Brooks, and a total reconstruction of the Brooks/Dore Lane intersection with curb extensions, pedestrian islands, a traffic signal and street lighting. These improvements were completed in fiscal year 2014 and the developer purchased adjacent property to develop South Crossing II. In January 2015, the Agency's Board approved $425,303 for demolition of the old Cinema 6 theater building and improvements in the public right of way, including curb, gutter, sidewalks, lighting and landscaping. South Crossing II will consist of four new buildings housing a number of commercial uses, including retail, and food and beverage services, and has been designed in a way that meets the Agency's goals of improving the pedestrian environment and enhancing aesthetic appeal. In fiscal year 2016, three of the four buildings were completed. The fourth building will be constructed and the improvements to the public right of way completed in fiscal year 2017. The developers have been reimbursed $330,804 for approved demolition and right of way improvements. Additional reimbursement will be requested upon completion of the last building.

South Reserve Street Trail Crossing Pedestrian Bridge: The South Reserve Street Trail Crossing will provide a critical link between the Bitterroot Branch Trail and the Missoula to Lolo Trail (M2L). Missoula County received a federal grant to build the missing trail segment between Reserve Street in Missoula and Lolo, where it will connect with the existing trail that parallels Highway 93 to Hamilton. The Agency's Board approved design, engineering and ultimately construction of a grade separated crossing over Reserve Street due to the high vehicular traffic volumes and high speeds at Reserve and Old Highway 93. $5,000,000 in Tax Increment Revenue bonds were sold in December 2015 to finance the bridge's design and construction. Missoula's DJ&A Architects, HDR Engineering and Jackson Contractor Group, Inc. were selected to design and construct the bridge. Construction on the bridge got underway in February 2016 and the anticipated completion date is late fall 2016.

The most significant *committed* projects in the North Reserve Scott Street (NRSS) URD in fiscal year 2016 were **Bretz RV & Marine** and the **NRSS Master Plan**.

Bretz RV & Marine: When designing a 15,240 square foot expansion of its showroom, sales, and trailer repair building, Bretz RV and Marine found there was inadequate water supply in the area required for fire flows to the new structure. The business received TIF assistance for infrastructure improvements including a new water main installed along the southern boundary of its property. In addition, a high speed communication conduit was extended along the new water line. The water main is adequate to supply potable uses and fire flow requirements for several other adjacent large properties that are vacant, in part due to the lack of these types of public infrastructure.

NRSS Master Plan: At the end of fiscal year 2015, the Agency entered into an agreement with WGM Group to produce the North Reserve-Scott Street Urban Renewal District Master Plan. The primary goal of the Plan is to guide the Agency's priorities and actions. It also includes recommendations to the City regarding amending the Growth Policy for this area. The Plan will include analyses and recommendations regarding: the type and spatial placement of land uses along with design guidelines for the uses; area-wide transportation modes, routes, and design, which will include location and design for new streets and trails; marketing and development strategies for the recommended uses in the overall area and any sub areas; and implementation approaches to guide the Agency and City actions to achieve the Plan's goals. In fiscal year 2016, the consultant completed the draft document and it began being presented for review and comment to stakeholders, neighborhood and community groups, and government agencies.

In addition to the above, the Agency financially participated in several smaller private/public partnerships and publicly funded *committed* projects during fiscal year 2016. These were included in the district's expenditure summaries presented earlier.

Taxing Policies

Taxing policies adopted by the Montana State Legislature, for example those that decrease the valuation of personal property or business equipment, have had an effect on the growth of the tax increment funds. While these changes did not have a significant effect on the URD I fund (where early growth during robust periods of increasing taxable value yielded strong annual increments), less robust growth has been seen in the other districts.

Taxing Policies (Continued)
Often the Legislature will provide reimbursement or other mechanisms to offset the financial impact their policy changes have on local taxing jurisdictions. The Agency's revenues are tied to revenues collected by the local taxing jurisdictions. State reimbursements or entitlements are intended to "make whole" on the losses experienced as a result of tax policy changes. An example of such revenue the Agency receives from the State of Montana is the State Entitlement Share funds authorized under 2001 Legislative House Bill 124. Looking forward, one negative aspect of this situation is that, as the current law reads, the State Entitlement funds that the Agency receives disappear upon the sunset of a district. Unlike the tax increment revenue normally captured by the district, which will revert back to the taxing jurisdictions upon sunset, the State Entitlement amount received annually by the Agency will revert back to the State of Montana. When House Bill 124 was passed into law, only URD II received Entitlement funds. More recent legislative changes to the taxes assessed on personal property included reimbursement components to local tax increment financing districts through the Entitlement Share program. As of fiscal year 2016, all of the Agency's urban renewal districts except the two new districts receive state reimbursements through the Entitlement Share.

2011 Legislative Session

House Bill 495: During the 2011 legislative session, House Bill 495 was passed into law. This Bill revised statutory appropriations and local government Entitlement share payments. For tax increment financing districts, House Bill 495 reduced the current State Entitlement amounts (established under 2001 Legislative House Bill 124) by 10%. In fiscal year 2011, URD II's entitlement share was $283,622; beginning in fiscal year 2012 the amount was reduced by $28,362 to $255,260.

Senate Bill 372: In addition, Senate Bill 372 was passed into law in 2011. This Bill reduced the taxation for a portion of the taxable market value of class eight business equipment owned by a tax payer; provided future tax reductions contingent on increases in state collections of individual income tax and corporation license tax over the revenue estimated amount; changed other provisions related to taxation of class eight property; and provided a partial reimbursement to local governments and tax increment financing districts under the Entitlement share payment, to school districts through the Block Grant program and to the Montana university system through support to public education institutions for the loss of class eight and class twelve property tax revenue. The Agency's original reimbursement for fiscal year 2012 for strict personal property was $102,876. After making an inquiry to the Department of Revenue, it was discovered there was an invalid tax increment financing (TIF) indicator in Missoula County that was used to calculate the reimbursement amounts. On December 4, 2012, the Department of Revenue sent out revised reimbursement schedules for fiscal year 2012 and 2013 for Missoula County TIF districts. The Agency received an additional $74,374 for fiscal year 2012.

2013 Legislative Session

Senate Bill 16: During the 2013 legislative session, Senate Bill 16 was passed into law. This Bill revised the Entitlement Share amount for Missoula's URD II 1-1C taxing jurisdiction. An error occurred in the final draft of House Bill 495 during the 2011 legislative session which reduced Entitlement Share amounts to all increment districts by 10%. The reduction to Missoula's taxing jurisdiction 1-1C was omitted. Senate Bill 16 corrected the oversight and reduces the original Entitlement Share amount for 1-1C of $250,279 by 10% to $225,251 beginning in fiscal year 2014.

Senate Bill 96: Senate Bill 96 was also passed into law during the 2013 session. This bill reduced the tax rate for a portion of the taxable market value of class eight business equipment owned by a taxpayer. In addition it increased the exemption amount and provided for a partial reimbursement to the local governments, tax increment financing districts, school districts, county school retirement and transportation reimbursement and the university system. Senate Bill 96 increased the exemption amount from $20,000 to $100,000 and extended the 1.5% tax rate on class eight business equipment from the first $3 million in excess of the exemption to the first $6 million in excess of the exemption. For business equipment market value in excess of $6 million, the tax rate remains at 3%. Reimbursements provided to local governments and tax increment financing districts have become part of the entitlement share payment. A one time reimbursement attributable to the tax on strict personal property (personal property taxes that are not a lien on real property) was also made during fiscal year 2014. [Note: This narrative has been updated from the fiscal year 2014 audit report, which inadvertently reported an earlier version of the bill.]

2015 Legislative Session

Senate Bill 157: Passed into law during the 2015 legislative session this bill generally revised the property tax laws. The bill provides for a 2-year reappraisal cycle for class three agricultural and class four residential and commercial property. The purpose of this bill was to mitigate the fluctuations in market value for class three and four properties that occurred during the previously adopted 6-year reappraisal cycle. The bill specifies that class ten property is revalued every six years and all other property are revalued annually. The bill clarifies that the method of appraisal and assessment provided for in Section 15-7-111 MCA must be used in each county of the state so that comparable properties with similar full market values and subject to taxation in Montana have substantially equal taxable values in the tax year.

House Bill 114: Passed during the 2015 legislative session, this bill passed and clarified the laws related to the usage of tax increment remittances to school districts. Tax increment law allows for local governments to enter into agreement with other affected taxing bodies to remit any portion of the annual tax increment not currently required for the payment of costs allowed in 7-15-4288 MCA (tax increment activities) or pledged to the payment of principal and interest on bonds. With respect to any portion of a remittance to a school district, the law now reads that the amount must be used to reduce property taxes or be designated as operating reserve for the fiscal year following the fiscal year in which the remittance was received.

State Reimbursements

FY16 MRA Entitlement Share & Class 8 Personal Property Reimbursement Schedule

County Name	TIF Name	TIF Number	Annual Entitlement Share Payments Per 15-1-121(8)(b), MCA (1) (HB 124)		Annual Class 8 Personal Property Reimbursement (SB 372)		Annual Class 8 Personal Property Reimbursement (SB 96)		Total Annual Entitlement & Reimbursement Payment
Missoula	Urban Renewal District III (1-1D)	04-0583D	$ -	+	$ 121,116	+	$ 156,734	=	$ 277,850
Missoula	Urban Renewal District II (1-1C)	04-0583C	225,251	+	57,789	+	117,246	=	400,286
Missoula	Urban Renewal District II (4-1C)	04-0586C	30,009	+	4,239	+	8,058	=	42,305
Missoula	Front Street URD (1-1F)	04-0583F	-	+	22,983	+	30,992	=	53,975
Missoula	Riverfront URD (1-1R)	04-0583R	-	+	4,494	+	4,822	=	9,316
			$ 255,260		**$ 210,620**		**$ 317,851**		**$ 783,732**

Budget to Actual Variances

Occasionally, there will be variations between budgeted amounts for projects and the actual amount expended. This is due to timing anomalies that are driven by project completion dates. Often times the Agency may budget funds for a project in one fiscal year but expend them in a later year if the project is put on hold or delayed for other reasons. A variety of factors from weather and financing to the availability of supplies, material or equipment may cause a project schedule to slip. In Montana, where the construction season straddles two fiscal years, it is not uncommon for a project to begin in one fiscal year and be completed in a subsequent fiscal year.

Currently Known Facts

The City of Missoula has six urban renewal districts that generate tax increment revenue administered by the Agency. URD II and III have existed for a number of years and have established revenues. Several years ago, the City created Front Street and Riverfront Triangle Districts, both of which are part of what was the original downtown district, URD I. They are areas that did not experience the level of redevelopment investment enjoyed by other parts of the downtown district. On August 25, 2014, the City created two new districts, the Hellgate Urban Renewal District and the North Reserve-Scott Street (NRSS) Urban Renewal District. Both have a base tax year of 2014 and per state law their tax increment provisions run 15 years and expire in 2029 (fiscal year 2030) unless outstanding debt exists in the districts. The City has since issued bonds in the NRSS URD with a term of 20 years, extending the life of that district to 2035 if the bonds are not retired early. The bonds will assist a new five story office building and large housing project that are currently under construction. Late in fiscal year 2015, the Agency initiated a process to develop a master plan for the NRSS District to guide Agency investment in the area. The Plan is anticipated to be complete in late 2016. In June 2016, the City formed a new department called the Department of Redevelopment, Housing and Economic Development (DRHED). The Agency Director was promoted to head this department. The newly created Department of Housing and Community Development (DHCD) is housed within the DRHED and administers the CDBG, HOME and Brownfields funds for the City. This collaboration provides a unique opportunity for the Agency and the DHCD to establish housing policy for the city and leverage funding for housing and environmental remediation from multiple funding sources.

The Agency's involvement in the Old Sawmill District project in URD II provided the opportunity to extend the life of the district through the issuance of tax increment revenue bonds in 2006. The debt was issued for 25 years which pushed the district's sunset date to 2031. With the life of the district extended, the Agency expanded the URD II boundaries to more appropriately reflect areas of need and is focusing on several large redevelopment projects as well as smaller spinoff projects that will rely on the Agency for assistance. The reconstruction of Russell Street in the next few years will be a catalyst for significant redevelopment, some of which has already begun occurring. Four new housing projects are underway in the Old Sawmill District that are a direct result of the investment of tax increment funds in the area's infrastructure or directly into the project.

The City issued two bonds in URD III for infrastructure projects that will greatly enhance both motorized and non-motorized transportation in the district. The boundaries for URD III were also adjusted in 2015 to more accurately reflect needs in that part of Missoula. A $5 million bond with a 25-year term was issued in December 2015 to finance the construction of a bicycle/pedestrian bridge over South Reserve Street, completing the Bitterroot Trail between Missoula and Hamilton. A second bond in the amount of $7.065 million was approved in January 2016 for the construction of the extension of Mary Avenue (east) through the Southgate Mall property. This will create a much needed east-west connection between Brooks and Reserve Streets as well as start to create a street network through the Mall. These bond issues extend the life of URD III to July 2040.

Currently Known Facts (Continued)
In 2008, the Agency partnered with the Downtown Business Improvement District, the Missoula Parking Commission, the Missoula Downtown Association and private investors to create the Greater Downtown Master Plan. The Master Plan encompasses much of the West Broadway corridor, the east-west spine of URD II and all of the Front Street and Riverfront Triangle Urban Renewal Districts. The Agency staff continues to be a part of the Downtown Master Plan Implementation Committee, with the Director serving as Chair of the Committee. Numerous projects that were recommendations from the Master Plan have been accomplished with assistance from the Agency and the use of tax increment funds. These include the construction of the new parking structure on Front Street, which was financed through the issuance of bonds that are being paid for by a combination of parking and tax increment revenues, securing funding to study the conversion of Front and Main Streets from a one-way couplet to two-way streets, assistance with the construction of a new homeless shelter, approval of assistance with the construction of a 488 bed student housing project on Front Street and improvements to Caras Park and A Carousel for Missoula.

In fiscal year 2011, the Agency sent out a Request for Proposals for the development of the City owned portion of the Riverfront Triangle. The City Council subsequently entered into an agreement with Hotel Fox Partners, LLC to grant them the exclusive right for one year to perform their due diligence and negotiate a Development Agreement with the Agency/City. In January 2013, they received a one-year extension to continue their feasibility studies for a larger conference hotel and community conference center. During fiscal year 2014, a conference center feasibility study, partially funded by the Agency, was undertaken with final recommendations that a regional conference center was feasible, with several alternatives proposed. Decisions about moving forward with development of a conference center, the size, ownership and management structure continued through fiscal year 2016. Those determinations are expected to be completed prior to the end of 2016. This proposed development is another important component in the implementation of the Downtown Master Plan.

In fiscal year 2014, the Montana Department of Transportation (MDT) initiated a study of the Higgins Avenue and Madison Street Bridges. Staff has been a critical part of that process, particularly as a function of the implementation of the Downtown Master Plan. The result of that study was a decision by MDT to undertake major renovations of the two bridges, both of which are part of the Front Street URD. The Higgins Avenue Bridge will need to be widened in order to provide adequate bicycle and pedestrian accommodations and the Agency will most certainly play a role in those improvements when the time comes and if adequate tax increment resources exist. Due to some unanticipated deficiencies on the Madison Street Bridge, reconstruction was moved forward to begin in 2016 with new improved lighting and pedestrian and bicycle facilities. It is now anticipated that the renovations to the Higgins Avenue Bridge will be moved forward to 2020. The widening will require approximately $1.6 million in City participation and the Agency will likely be a part of that funding. Agency staff continues to work with the MDT and other downtown advocates to assure that these investments meet the needs of all downtown users and residents.

Currently Known Facts (Continued)
In April 2015, Stockman Bank brought a proposal to the Agency to build a five or six story bank and Class A office building on the corner of Broadway and Orange Street in the Riverfront Triangle district. The new building, which will occupy a half block in the prominent downtown location, will include two levels of structured parking, several floors of bank space and rental office space. The Agency granted the Bank the right to proceed without prejudice with the understanding that the Bank's intention was to request tax increment financing assistance for demolition and public improvements in the City's right of ways. Construction is underway.

At the beginning of the recession, the Agency embarked on a project to build sidewalks in those areas of URD II and URD III that do not presently have any sidewalks or have gaps in the system. The Agency has built over 13 miles of new sidewalks in the past several years and will continue the program until there is a complete sidewalk system in both districts. This program provides sidewalks and improves drainage in lower income neighborhoods that would otherwise not have these amenities in the foreseeable future. One of the major adjustments to the URD III boundary was to include a five block area on the western edge of the District that was not included when URD III was created in 2000. The Agency will now be able to install sidewalks in this area just as it has done in the rest of the neighborhood.

URD III saw significant investment in fiscal years 2015 and 2016. With assistance from the Agency, South Crossing, a new development on the old Kmart property on South Brooks Street, is serving as a catalyst for both public and other private development. Kohl's, Cabela's, Petco, Boot Barn, City Brew, Men's Warehouse and other restaurants have been built on the site. The developers purchased an adjacent property where they have constructed three new commercial buildings with plans for a fourth. This was done with assistance from the Agency for demolition and public improvements. The South Crossing development has also spurred the Agency to make a significant investment into improvements to Brooks Street. In fiscal year 2015, reconstruction of the Brooks and Dore Lane intersection and of Dore Lane south of Brooks was completed. Further improvements are in the planning stages.

Summary

The Agency will work with its partner organizations to continue implementation and reevaluation of the Downtown Master Plan and redevelopment of the Riverfront Triangle. The Agency continues to seek out redevelopment opportunities in URD III that include design elements that reflect good urban design and add diversity to the housing supply, particularly through the transformation of Brooks Street as an urban street which invites transit, pedestrian and bicycle use. The Agency's efforts continue to be targeted on the creation of more pedestrian friendly, sustainable development patterns and economic development projects. That effort is evidenced by the major sidewalk construction projects in URD II and URD III with a commitment to completing the networks in both districts. Major undertakings in the coming year will focus on planning efforts in the NRSS URD, redevelopment in the Front Street URD, redevelopment of the Riverfront Triangle property, revisiting the Downtown Master Plan and updating it with current goals and objectives, encouraging appropriate redevelopment and enhancing housing opportunities for a range of income groups.

Missoula Redevelopment Agency
Ellen Buchanan
Director

FINANCIAL STATEMENTS

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
STATEMENT OF NET POSITION
June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities
CURRENT ASSETS	
Cash and investments	$ 9,391,229
Taxes/assessments receivable, net	216,757
Current portion of notes receivable	36,710
Other current assets	85,723
Due from other governments	155,693
Total current assets	9,886,112
NONCURRENT ASSETS	
Notes receivable	612,222
Restricted cash	675,665
Total noncurrent assets	1,287,887
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions and adjustments	28,928
Total assets and deferred outflows of resources	$ 11,202,927

The Notes to Financial Statements are an integral part of this statement.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2016

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		Governmental Activities
CURRENT LIABILITIES		
Accounts payable	$	804,494
Accrued wages		30,591
Accrued interest		175
Compensated absences		50,179
Current portion of notes payable		137,218
Current portion of guarantor payable		16,874
Current portion of tax increment revenue bonds payable		352,821
Total current liabilities		1,392,352
NONCURRENT LIABILITIES		
Post employment benefits		29,106
Compensated absences, less current portion		31,922
Pension liability		331,558
Notes payable, less current portion		5,716,421
Guarantor payable, less current portion		40,893
Tax increment revenue bonds payable, less current portion		15,353,226
Total noncurrent liabilities		21,503,126
Total liabilities		22,895,478
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments		29,579
NET POSITION		
Restricted for debt service		675,665
Unrestricted		(12,397,795)
Total net position		(11,722,130)
Total liabilities, deferred inflows of resources, and fund position	$	11,202,927

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Governmental Activities
Governmental Activities		
Housing and community development	$ 4,862,366	$ (4,862,366)
Interest expense	739,802	(739,802)
Total governmental activities	5,602,168	(5,602,168)
Total primary government	$ 5,602,168	(5,602,168)
General Revenues		
Property taxes for general purposes		3,580,333
State contribution - PERS		354
State entitlement funds (HB124)		255,260
Personal property reimbursement (SB372 and SB96)		528,471
Miscellaneous		241,404
Total general revenues		4,605,822
Change in net position		(996,346)
Net Position		
Beginning of year		(10,845,921)
Prior period adjustment for net pension liability		120,137
Beginning of year - restated		(10,725,784)
End of year		$ (11,722,130)

The Notes to Financial Statements are an integral part of this statement.

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2016

	Urban Renewal District I	Urban Renewal District II	Urban Renewal District III	Front Street District	Riverfront Triangle District	N. Reserve Scott Street District	Major Debt Service	Total
ASSETS								
Current Assets								
Cash and investments	$ 44	$ 744,256	$ 7,217,225	$ 680,791	$ 27,645	$ 44,727	$ 676,541	$ 9,391,229
Taxes/assessments receivable, net	3,369	-	-	-	-	-	213,388	216,757
Current portion of notes receivable	-	12,194	14,597	-	-	9,919	-	36,710
Other current assets	-	-	6,443	-	-	-	79,280	85,723
Due from other governments	-	-	-	-	-	-	155,693	155,693
Interfund receivable	-	126,826	69,888	17,604	-	6,429	-	220,747
	3,413	883,276	7,308,153	698,395	27,645	61,075	1,124,902	10,106,859
Noncurrent Assets								
Notes receivable	-	449,363	162,859	-	-	-	-	612,222
Restricted cash	-	-	-	-	-	-	675,665	675,665
	-	449,363	162,859	-	-	-	675,665	1,287,887
Total assets	$ 3,413	$ 1,332,639	$ 7,471,012	$ 698,395	$ 27,645	$ 61,075	$ 1,800,567	$ 11,394,746
LIABILITIES								
Current Liabilities								
Accounts payable	$ -	$ 20,008	$ 778,279	$ -	$ -	$ 6,207	$ -	$ 804,494
Accrued wages	-	-	30,591	-	-	-	-	30,591
Interfund payable	-	-	-	-	-	-	220,747	220,747
Accrued interest payable	-	-	-	-	-	-	175	175
Total liabilities	-	20,008	808,870	-	-	6,207	220,922	1,056,007
DEFERRED INFLOW OF RESOURCES:								
Uncollected tax revenue	3,369	-	-	-	-	-	148,335	151,704
Total deferred inflow of resources	3,369	-	-	-	-	-	148,335	151,704
FUND BALANCES								
Nonspendable	-	449,363	169,302	-	-	-	-	618,665
Restricted	44	863,268	6,492,840	698,395	27,645	54,868	1,431,310	9,568,370
Total fund balance	44	1,312,631	6,662,142	698,395	27,645	54,868	1,431,310	10,187,035
Total liabilities deferred inflows and fund balances	$ 3,413	$ 1,332,639	$ 7,471,012	$ 698,395	$ 27,645	$ 61,075	$ 1,800,567	$ 11,394,746

The Notes to Financial Statements are an integral part of this statement.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances - governmental funds	$ 10,187,035
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	151,704
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund	
Deferred outflows of resources related to pensions	28,928
Deferred inflows of resources related to pensions	(29,579)
Long-term liabilities, both current and noncurrent portions are not due and payable in the current period and therefore are not reported as liabilities in the funds	(22,060,218)
Total net position - governmental activities	$ (11,722,130)

The Notes to Financial Statements are an integral part of this statement.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Urban Renewal District I	Urban Renewal District II	Urban Renewal District III	Front Street District	Riverfront Triangle District	N. Reserve Scott Street District	Major Debt Service	Total
REVENUES								
Tax increment property tax	$ -	$ -	$ 800,419	$ -	$ -	$ 34,337	$ 2,692,391	$ 3,527,147
State contribution - PERS	-	-	354	-	-	-	-	354
State entitlement funds (HB124)	-	-	-	-	-	-	255,260	255,260
Personal property reimbursement (SB372 and SB96)	-	-	277,850	-	9,315	-	241,306	528,471
Miscellaneous	-	237,869	3,535	-	-	-	-	241,404
Total revenues	-	237,869	1,082,158	-	9,315	34,337	3,188,957	4,552,636
EXPENDITURES								
Housing and community development	-	234,976	2,137,900	50,000	3,500	710	-	2,427,086
Capital outlay	-	718,573	1,533,244	-	-	174,014	-	2,425,831
Debt service expense - interest	-	-	-	-	-	-	739,802	739,802
Debt service expense - principal	-	-	-	-	-	-	636,627	636,627
Total expenditures	-	953,549	3,671,144	50,000	3,500	174,724	1,376,429	6,229,346
Excess (deficiency) of revenues over expenditures	-	(715,680)	(2,588,986)	(50,000)	5,815	(140,387)	1,812,528	(1,676,710)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	1,491,706	782,968	162,647	-	23,537	1,284,050	3,744,908
Transfers out	-	(605,148)	-	-	-	(6,008)	(3,133,752)	(3,744,908)
Issuance of long-term debt	-	-	5,000,000	-	-	177,726	-	5,177,726
Total other financing sources (uses)	-	886,558	5,782,968	162,647	-	195,255	(1,849,702)	5,177,726
Net change in fund balance	-	170,878	3,193,982	112,647	5,815	54,868	(37,174)	3,501,016
FUND BALANCES								
Beginning of year	44	1,141,753	3,468,160	585,748	21,830	-	1,468,484	6,686,019
End of year	$ 44	$ 1,312,631	$ 6,662,142	$ 698,395	$ 27,645	$ 54,868	$ 1,431,310	$ 10,187,035

The Notes to Financial Statements are an integral part of this statement.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Amounts reported for *governmental activities* in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 3,501,016
Proceeds from long-term debt agreement are revenues in the statement of activities, but do not provide current financial resourses to the government funds	(5,177,726)
Tax increment revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements	53,186
The change in compensated absence payable is reported in the statement of activities as an expense	(16,287)
The change in the other postemployment benefits is reported in the statement of activities as an expense	(3,740)
The decrease in expense due to the decrease in the liability for post employment benefits reported in the statement of activities does not consume current financial resources and, therefore, is not reported in the governmental funds	2,597
On behalf State contributions to pensions not reported as revenues on the statement of revenues, expenditures, and change in fund balance are reported as revenues on the Statement of Activities	7,981
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	636,627
Change in net position - statement of activities	$ (996,346)

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Missoula Redevelopment Agency (the Agency) was established in 1978 by the City of Missoula (the City) as a separate legal entity in accordance with state urban renewal laws (Section 7-15-4201, MCA). The Agency has the authority to renovate property within blighted areas legally designated as urban renewal districts, but the authority to exercise the power of eminent domain, acquire and resell property, and to issue tax increment bonds remains with the City. The City has established seven urban renewal districts (URDs): URD I in 1978, URD II in 1991, URD III in 2000, Front Street district in 2007, Riverfront Triangle district in 2008, North Reserve – Scott Street Urban Renewal District in 2014 and Hellgate Urban Renewal District in 2014. The five-member governing board is appointed by the Mayor and approved by City Council. Due to the control exercised by the City and the limited powers of the Agency, the Agency is considered a component unit of the City.

The Agency has no authority to levy taxes. However, under the City's Urban Renewal Plans, revenue derived from incremental property taxes, which result from increases in the taxable value of property within an urban renewal district, are designated for urban renewal purposes and provide the primary funding source for the Agency.

State law provides that the tax increment provisions applicable to a renewal district established prior to 1980 be terminated seventeen years after enactment or when all tax increment debt has been retired. For districts established after 1980, state law provides they be terminated fifteen years after enactment or when all tax increment debt has been retired. Because the tax increment provisions for URD I were enacted on December 18, 1978, the Agency was scheduled to terminate on December 18, 1995. However, the City issued tax increment bonds on December 15, 1989, as permitted by state law. The issuance of these bonds extended the tax increment provisions for the term of the bonds, whose final maturity was July 1, 2005. URD II was scheduled to terminate in 2006, but was extended to 2031 through the issuance of tax increment bonds on August 15, 2006. URD III was scheduled to terminate in 2015 but was extended to 2040 through the issuance of a tax increment bond on December 1, 2015. Front Street URD was scheduled to terminate in 2022 but was extended to 2035 through the issuance of a tax increment note on December 22, 2010. Riverfront Triangle URD is scheduled to terminate in 2023. On August 25, 2014, the North Reserve – Scott Street (NRSS) Urban Renewal District Plan and the Hellgate Urban Renewal District Plan were approved. Hellgate URD will sunset in 2029. NRSS URD was extended to 2035 through the issuance of a tax increment bond on December 17, 2015.

Basis of Presentation and Basis of Accounting

The Agency complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Government-wide Statements

The statement of net position and the statement of activities report information about the overall financial position and activities of the Agency.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Agency are generally financed through incremental property taxes and state entitlements. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function. However, the Agency does not collect any program revenue. Accordingly, all revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Fund Financial Statements

These statements provide information about the Agency's funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column in the governmental funds statements. The Agency reports all of its urban renewal districts as major funds. Individual debt service funds are aggregated into a single debt service major fund.

Governmental fund financial statements use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers all revenues available if they are collected within 75 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term liabilities which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)
Fund Financial Statements (Continued)

Real and personal property taxes and interest earnings are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Agency and are recognized as revenue at that time. The Agency recorded real and personal property taxes for the current year as revenue. Taxes and assessments receivable remaining unpaid at year-end and not expected to be collected soon enough thereafter to be available to pay obligations of the current year were reserved and off set against taxes/assessments receivable, with a corresponding reduction in revenues, as required by GAAP. In addition, prior period delinquent taxes collected in the current period were recorded as revenue in the current period as required by GAAP. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Due to the nature of the Agency, there is no General Fund.

Major Funds
GASB Statement No. 34 requires that all governmental funds whose assets, liabilities, revenues or expenditures exceed 10% or more of the total for all government funds be reported as major funds. An entity may also determine if a fund should be reported as major that does not meet the above requirement. Accordingly, the Agency has chosen to record all of its URD development funds as major funds. A description of these funds follows:

Special Revenue Funds

- Urban Renewal District I – used to account for all activities of District I
- Urban Renewal District II – used to account for all activities of District II
- Urban Renewal District III – used to account for all activities of District III
- Front Street District – used to account for all activities of Front Street District
- Riverfront Triangle District – used to account for all activities of Riverfront Triangle District
- North Reserve/Scott Street District – used to account for all activities of North Reserve/Scott Street District

Debt Service Funds

These are used to account for the accumulation of resources for, and the payment of, tax increment debt principal, interest and related costs, and to comply with the requirements of the tax increment bond and note covenants and resolutions. These funds are included as a debt service fund in the City's financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Classification of Fund Balance

The Agency has adopted GASB Statement No. 54, which defines how fund balances of the governmental funds are presented in the financial statements. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – Constraint is imposed by City Council by resolution. The Agency Board does not have the authority to issue resolutions.
- Assigned – Amounts the Agency intends to use for a specific purpose. Constraint is internally expressed intent by government body or authorized official through budget approval process or express assignment.
- Unassigned – No constraints and negative balance in non-general funds.

Expenditure Order for Resource Categories

Order	Special Revenue Funds	Debt Service Funds
First:	Restricted	Assigned
Second:	Committed	Committed
Third:	Assigned	Restricted
Fourth:	Unassigned	Unassigned

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Budgets and Budgetary Accounting

An annual appropriated operating budget is adopted each fiscal year for the governmental funds on the modified accrual basis of accounting. Revenues are budgeted in the year they are measurable and available. Expenditures are budgeted in the year they are expected to be incurred. As required by Montana law, the full amount of increment derived from property taxes levied for the fiscal year is included in the Agency's budget.

As required by State statute, the Agency follows these procedures to develop its annual budget:

a) On or before June 10, department heads and supervisors file with the City detailed and itemized estimates, both of the probable revenue from sources other than taxation and of all expenditures required by the office or department for the next fiscal year.

b) The City finance department prepares a tabulation showing the complete expenditure program of the Agency for the next fiscal year and the sources of revenue by which it is to be financed.

c) On or before the fourth Monday in July, the City Council shall make any revisions it considers advisable.

d) Public hearings are held.

e) By the second Monday in August, the City Council adopts the final budget.

Budget appropriation transfers may be made between the general classifications of salaries and wages, maintenance and operations and capital outlay. Final reported budget amounts represent the originally adopted budget as amended by resolution of the City Council. It is management's responsibility to see that the budget is followed to the fund level.

The City Council may amend a final budget when shortfalls in budgeted revenues require reductions in approved appropriations to avert deficit spending; when savings result from unanticipated adjustments in projected expenditures; when unanticipated state or federal monies are received; for bonding; or when a public emergency occurs which could not have been foreseen at the time of adoption. The procedure to amend the budget in total can be made only after the Agency prepares a resolution, notice is published of a public hearing, and a public hearing is held in accordance with state law.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements
The Agency has adopted the provisions of the following GASB pronouncements for fiscal year 2016:

- Statement No. 72 –*Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015.
- Statement No 82 – *Pension Issues, an amendment to GASB No. 67, 68, and 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68 Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016 with early application encouraged.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents
The Agency'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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These short-term interfund loans are reported as "interfund receivables and payables" in the fund financial statements.

Tax Increment

Property tax levies are set on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, the taxes become delinquent (and a lien is placed upon the property). After three years, the County may exercise the lien and take title to the property. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are usually billed at the end of April. The first half is due thirty days after billing (usually by May 31) and the second half is due November 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxable valuations for each Urban Renewal District and the corresponding tax increment amounts for November 2015 property tax billing are as follows:

	Taxable Value	Increment Value
Urban Renewal District II	$ 3,891,582	$ 2,031,759
Urban Renewal District III	8,771,049	1,766,703
Front Street Urban Renewal District	1,839,099	426,064
Riverfront Triangle Urban Renewal District	132,883	-
Hellgate Urban Renewal District	960,528	-
North Reserve Scott Street Urban Renewal District	1,563,946	72,741

Capital Assets

Capital assets are recorded in the City's general capital asset accounts.

Compensated Absences

Under terms of state law, the Agency 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. Expenditures for these compensated absences are recorded when paid, because the amounts expected to be liquidated from current resources do not vary materially from year to year. Compensated absences to be funded from future resources are reflected as liabilities in the government-wide financial statements to the extent they are vested.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits
The Agency recognizes and reports its postemployment health care benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

NOTE 2. CASH AND INVESTMENTS

The Agency's cash is invested in the City's investment pool. The Agency's portion of underlying cash and investments of the City's investment pool consists of the following:

Demand Deposits	$	6,413,463
Cash on Hand		9,324
Government Securities		3,484,975
Certificates of Deposit		159,132
Less restricted cash held for debt service reserve		(675,665)
	$	9,391,229

The City's investment pool does not have a credit rating. Investment in the pool exposes the Agency 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 (CAFR). 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. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2016:

Prepaid expenses	$	6,443
Other receivables		79,280
	$	85,723

NOTE 4. NOTES RECEIVABLE

In July 2010, the Agency executed a $61,000 note receivable under its Façade Improvement Program. The note bears interest at 0% and calls for annual payments of $6,100 over ten years. At June 30, 2016, the note had an outstanding balance of $30,500. In December 2015, the Agency executed another note receivable under its Façade Improvement Program in the amount of $62,000. The note bears interest at 0% and calls for annual payments of $6,200 over ten years. At June 30, 2016, the note had an outstanding balance of $62,000.

In October 2011, the Agency was assigned a $40,000 note receivable in relation to a Water Main Extension Contract with Mountain Water Company. The note bears interest at 0% and calls for annual payments of $1,000 over forty years. In 2013 and 2016, the Agency executed additional notes in relation to the Water Main Extension Contracts and fire hydrant installations with Mountain Water Company for $508,261 and $40,781, respectively. The notes bear interest at 0% and call for annual payments over forty years. At June 30, 2016, the outstanding balance of all the Mountain Water Company notes was $461,557, $84,956 and $9,919 in URD II, URD III, and NRSS URD, respectively.

Collections to maturity at June 30, 2016, are as follows:

Year Ending June 30,	Principal
2017	$ 27,039
2018	27,039
2019	27,039
2020	27,039
2021	27,039
Thereafter	513,737
Total	$ 648,932

NOTE 5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Debt Retired	Ending Balance	Current Portion
Compensated Absences	$ 65,814	$ 16,287	$ -	$ 82,101	$ 50,179
Notes Payable	5,988,076	-	(134,437)	5,853,639	137,218
Guarantor Payable	60,778	-	(3,011)	57,767	16,874
Bonds Payable	11,027,500	5,177,726	(499,179)	15,706,047	352,821
Total	$ 17,142,168	$ 5,194,013	$ (636,627)	$ 21,699,554	$ 557,092

Bonds Payable

Mill Site Bonds

The Agency issued $3,600,000 of Tax Increment Urban Renewal Bonds in August 2006. The bonds were issued to finance acquisition of the Champion Mill Site Property located within District II. The bonds were issued at par, bear interest ranging from 4.5% to 5.125%, and are secured by a first lien upon and pledge of tax increment revenues from District II. The bond resolution requires, among other things, that all of District II's tax increment revenues, except revenues generated by the excluded properties as identified in the bond covenants, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, to redeem all or a portion of the Series 2006 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District II, as provided by state law.

Debt service requirements to maturity on the August 2006 tax increment bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 125,000	$ 125,000	$ 250,000
2018	130,000	119,375	249,375
2019	135,000	113,525	248,525
2020	140,000	107,450	247,450
2021	145,000	101,150	246,150
2022-2026	850,000	390,460	1,240,460
2027-2031	1,075,000	157,938	1,232,938
Total	$ 2,600,000	$ 1,114,898	$ 3,714,898

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Silver Park, Wyoming Street and Trestle Bonds

The Agency issued $5,750,000 of Tax Increment Urban Renewal Bonds in March 2013. The bonds were issued to finance public improvements in Silver Park, the construction of Wyoming Street from Hickory Street to California Street and replace the aging train trestle located within District II. The bonds were issued at par and bear an interest rate of 3.15%. The bonds are secured by a first lien upon and pledge of tax increment revenues from District II. The Agency estimates tax increment revenues to be sufficient to cover the principal and interest requirements of the Series 2006 and Series 2013 Bonds. The bond resolution requires, among other things, that all of District II's tax increment revenues, except revenues generated by the excluded properties as identified in the bond covenants, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, to redeem all or a portion of the Series 2013 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District II, as provided by state law.

Debt service requirements to maturity on the March 2013 tax increment bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 133,000	$ 79,553	$ 212,553
2018	272,000	152,791	424,791
2019	281,000	144,160	425,160
2020	290,000	135,230	425,230
2021	299,000	126,032	425,032
2022-2026	1,643,000	481,619	2,124,619
2027-2031	1,924,000	205,492	2,129,492
2032-2034	209,000	3,292	212,292
Total	$ 5,051,000	$ 1,328,169	$ 6,379,169

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Intermountain Lumber Site

The Agency issued $1,753,500 of Tax Increment Urban Renewal Bonds in May 2013. The bonds were issued to finance demolition, site preparation, and infrastructure improvements on the old Intermountain Lumber Site Property located within District II. The bonds were issued at par and bear an interest rate of 4.25%. The bonds are secured by a first lien upon and pledge of tax increment revenues derived from the Project Site. The bond resolution requires, among other things, that the Project's tax increment revenues, be deposited in a debt service fund as required to pay principal and interest on the bonds when due. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, including additional expenses for the Lumber Site development, to redeem all or a portion of the Series 2013 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District II, as provided by state law.

Debt service requirements to maturity on the May 2013 tax increment bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 38,500	$ 69,063	$ 107,563
2018	80,500	65,769	146,269
2019	83,500	62,326	145,826
2020	87,000	58,735	145,735
2021	91,000	54,995	145,995
2022-2026	516,500	212,872	729,372
2027-2031	637,500	92,055	729,555
2032	71,500	1,519	73,019
Total	$ 1,606,000	$ 617,334	$ 2,223,334

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Safeway Bonds

The Agency issued $1,500,000 of Tax Increment Urban Renewal Revenue Bonds in October 2007. The bonds were issued to finance demolition, site preparation and infrastructure improvements and their associated design costs related with the Safeway, Inc. Project site. The bonds were issued at par, bear interest of 6.95%, and are secured by a first lien upon and pledge of tax increment revenues derived from the Project Site. Should tax increment revenues in any given year not be sufficient to pay the principal and interest payments, Safeway, Inc. (the Guarantor) is obligated to pay the deficiency. Tax increment in excess of debt service requirements will be (1) used to make Guarantor reimbursements for prior debt service deficiencies, (2) retained in an excess tax increment fund until the amount equals the maximum annual debt service for the bonds, and (3) used to prepay the Series 2007 bonds.

Repayment of the debt service deficiency to the Guarantor at June 30, 2016, is scheduled as follows:

Year Ending June 30,	Principal
2017	$ 16,874
2018	15,177
2019	8,825
2020	12,995
2021	3,896
Total	$ 57,767

Debt service requirements to maturity on the tax increment bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 56,321	$ 87,049	$ 143,370
2018	50,000	83,574	133,574
2019	60,000	79,925	139,925
2020	60,000	75,755	135,755
2021	65,000	71,858	136,858
2022-2026	405,000	281,127	686,127
2027-2031	575,000	116,065	691,065
Total	$ 1,271,321	$ 795,353	$ 2,066,674

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

South Reserve Street Pedestrian Bridge Bonds

The Agency issued $5,000,000 of Tax Increment Urban Renewal Revenue Bonds in December 2015. The bonds were issued to fund the design and construction of a pedestrian bridge over South Reserve Street connecting the Missoula to Lolo Trail to the Bitterroot Branch Trail. The bonds were issued at par, bear interest of 4.350%, and are secured by a first lien upon and pledge of tax increment revenues derived from District III. The bond resolution requires, among other things, that District III's tax increment revenues, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District III, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District III, as provided by state law.

Debt service requirements to maturity on the December 2016 tax increment bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 110,440	$ 110,440
2018	125,000	214,781	339,781
2019	130,000	209,235	339,235
2020	135,000	203,471	338,471
2021	140,000	197,490	337,490
2022-2026	790,000	889,140	1,679,140
2027-2031	980,000	697,740	1,677,740
2032-2036	1,205,000	460,991	1,665,991
2037-2040	1,495,000	168,019	1,663,019
Total	$ 5,000,000	$ 3,151,307	$ 8,151,307

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

North Reserve/Scott Street Bonds

In December 2015, the City of Missoula approved the sale of $1,364,400 of Tax Increment Urban Renewal Revenue Bonds in the North Reserve/Scott Street district. The bonds were issued to fund certain public improvements related to redevelopment of Bretz RV & Marine, construction of the new Consumer Direct office building and the Scott Street Village housing project. The bonds were issued as senior subordinate debt to future public improvement bonds approved by the NRSS District. The bonds were issued at par, bear interest of 4.50%, and are secured by a first lien upon and pledge of tax increment revenues derived from NRSS District. The bond resolution requires, among other things, that NRSS District's tax increment revenues, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within NRSS District, to redeem all or a portion of the bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District, as provided by state law.

Debt service requirements to maturity on the December 2015 tax increment bonds at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 11,251	$ 11,251
2018	-	45,851	45,851
2019	-	60,379	60,379
2020	-	58,232	58,232
2021	-	55,733	55,733
2022-2026	-	237,024	237,024
2027-2031	-	155,133	155,133
2032-2036	-	52,853	52,853
2037-2040	177,726	-	177,726
Total	$ 177,726	$ 676,456	$ 854,182

The above schedule shall be revised following the final advance of principal in accordance with the Disbursement Agreement in order to reflect installments of principal and interest sufficient to pay the outstanding principal amount by July 1, 2035.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable

MPC Note Payable

In December 2010, the Missoula Parking Commission (MPC) issued $7,500,000 of bonds to fund the construction of a new parking structure. In April 2014, MPC refunded the 2010 bonds and issued new bonds totaling $7,160,000. The Agency agreed to fund a portion of the bonds which will be supported by parking revenue and tax increment revenue. The bonds bear interest ranging from 2.00% to 4.35%. The Agency has committed to paying 40% of all principal and interest payments for the life of the bond. The reduction in the bond issuance resulted in proceeds from debt modification of $44,000 which was reported under other revenues on the Statement of Activities at June 30, 2014. Under the terms of the agreement, the Agency will transfer $133,425 of pledged tax increment funds to MPC in two equal installments each year.

Debt service requirements to maturity on the MPC note payable at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 100,000	$ 108,290	$ 208,290
2018	102,000	104,390	206,390
2019	110,000	101,330	211,330
2020	110,000	98,030	208,030
2021	112,000	94,830	206,830
2022-2026	612,000	413,610	1,025,610
2027-2031	736,000	283,392	1,019,392
2032-2036	892,000	118,435	1,010,435
Total	$ 2,774,000	$ 1,322,307	$ 4,096,307

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Brownfields RLF Note Payable

In 2004, the City of Missoula applied for and received a $1 million grant from the U.S. Environmental Protection agency (EPA) to create a revolving loan fund (RLF) to be used for brownfields remediation. The City entered into a subrecipient agreement with the Missoula Area Economic Development Corporation (MAEDC) to manage the revolving loan fund. MAEDC provided $200,000 in matching funds required under the EPA grant, creating a total loan fund of $1.2 million. In August 2006, MAEDC, at the direction of the Missoula Brownfields Cleanup RLF Committee, made a loan of $1,000,000 bearing interest at 1.5% to Millsite Revitalization Project (MRP) LLC, the developer of the Old Sawmill District, with MRA and the City identified as co-borrowers. The loan will be repaid solely from tax increment revenue resulting from the increased taxable value of the property within the Old Sawmill District and post remediation, and is not a general obligation of the City. For these reasons, the loan is reflected as a liability of MRA. The City received additional funding from EPA and in December 2009, MRA, MRP, and MAEDC elected to increase the loan by $400,000 under the same terms. Subsequent to issuance, the servicing on the loan transferred to Montana Community Development Corporation. In July 2012, the loan was increased to $1.775 million.

Debt service requirements to maturity on Brownfields note payable at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 24,886	$ 24,886
2018	-	24,717	24,717
2019	-	24,717	24,717
2020	-	24,819	24,819
2021	-	24,750	24,750
2022-2026	862,305	94,021	956,326
2027-2031	764,489	27,286	791,775
Total	$ 1,626,794	$ 245,196	$ 1,871,990

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

First Interstate Bank Note Payable

In December 2010, the Agency issued a note with First Interstate Bank (the Bank) for $1,623,380 to repay the Bank for project costs incurred that were legally eligible for reimbursement from tax increment funding. The Agency and the Bank have agreed to a repayment schedule that includes a subordinate note that will be financed by the Bank's guaranteed minimum tax payments over 25 years at 6.55%.

Debt service requirements to maturity on the First Interstate Bank note payable at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 37,218	$ 93,943	$ 131,161
2018	39,656	91,425	131,081
2019	42,253	88,742	130,995
2020	45,021	85,884	130,905
2021	47,969	82,839	130,808
2022-2026	291,300	361,054	652,354
2027-2031	400,045	248,750	648,795
2032-2036	549,383	94,518	643,901
Total	$ 1,452,845	$ 1,147,155	$ 2,600,000

NOTE 6. COMMITMENTS

The Agency has entered into contracts for various projects and activities as approved by the Board of Commissioners. As of June 30, 2016, the Agency had commitments totaling $11,769,843 that will be financed from operating funds and bond proceeds.

Urban Renewal District II:		
Public:		
California Street Improvements - Engineering	$	10,812
Garden City Harvest		53,000
Missoula Food Bank		35,000
West Broadway Island Trail and Bridge		11,739
Private:		
Thompson Apartments		48,500
Tia's Big Sky Oasis		39,385
	$	198,436
Front Street Urban Renewal District:		
Public:		
A Carousel for Missoula	$	25,000
MUTD/UM Transit Study		10,000
	$	35,000
North Reserve/Scott Street Urban Renewal District:		
Public:		
North Reserve Signal Warrant Study	$	1,343
	$	1,343

NOTE 6. COMMITMENTS (CONTINUED)

Urban Renewal District III:	
Facade Improvement:	
Lucky Diamond Plaza	50,000
TC Glass	2,830
Public:	
Brooks Street Corridor Public Imp.	118,772
Mary Avenue East Improvements	7,100,000
Mary Avenue Planning Study	70,787
NRSS URD Master Plan	6,126
S Reserve St Trail Crossing	4,030,191
Private:	
Lucky Diamond Plaza	32,482
South Crossing	94,499
Stevenson Building	29,377
	$ 11,535,064

NOTE 7. PENSION PLAN

Plan Description
The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and the defined contribution retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service;
or	
	Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.

Early Retirement

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Vesting

5 years of membership service

NOTE 7. PENSION PLAN (CONTINUED)

Summary of Benefits (Continued)

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
    - 1.5% for each year PERS is funded at or above 90%
    - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%
    - 0% whenever the amortization period for PERS is 40 years or more

NOTE 7. PENSION PLAN (CONTINUED)

Overview of Contributions
Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

2. Employer contributions to the system:
    a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 year and remains below 25 years following the reduction of both the additional employer and member contributions rates.
    b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
    c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions
    a. Special Funding
        i. The State contributes 0.1% of members' compensation on behalf of local government entities
        ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
    b. Not Special Funding
        i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

NOTE 7. PENSION PLAN (CONTINUED)

Overview of Contributions (Continued)

	Member		State &	Local Government		School Districts	
Fiscal	Hired	Hired	Universitities				
Year	<07/01/11	>07/01/11	Employer	Employer	State	Employer	State
2,016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2,015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2,014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

Stand-Alone Statements

The PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154.

CAFR information including standalone financial statements can be found on the website at http://mpera.mt.gov/annualreports.shtml

The latest actuarial valuation and experience study can be found at the website at http://mpera.mt.gov/actuarialvaluations.shtml

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the measurement date valuation were based on the results of the last actuarial experience study, dated June 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

General Wage Growth* 4.00%

Investment Return 7.75%

Admin Expense as % of Payroll 0.27%

General Wage Growth* 4.00%

*includes Inflation at 3.00%

Merit Increases 0% to 6%

Postretirement Benefit Increases

NOTE 7. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increase by the applicable percentage each January, inclusive of other adjustments to member's benefits.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013

Members hired on or after July 1, 2013

- 1.5% for each year PERS is funded at or above 90%
- 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
- 0% whenever the amortization period for PERS is 40 years or more.

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was incorporated in the discount rate.

NOTE 7. PENSION PLAN (CONTINUED)

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010 and is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Summarized in the table below are best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
PERS' Net Pension Liability	$ 22,194,304	$ 14,395,213	$ 7,809,062
Missoula Redevelopment Agency's Net Pension Liability	$ 510,956	$ 331,558	$ 179,959

The above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

NOTE 7. PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies
The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements

Net Pension Liability
In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows, and deferred outflows of resources associated with pensions.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local governments and school district's collective net pension liability that is associated with the non-State employer.

The State of Montana also has a funding situation that is not special funding whereby the State General Fund provides contributions from the coal tax severance fund. All employers are required to report the portion of coal tax severance income and earnings attributable to the employer.

NOTE 7. PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

	Net Pension Liability as of 6/30/2016	Net Pension Liability as of 6/30/2015 (As Restated)	Percent of Collective NPL as of 6/30/2016	Percent of Collective NPL as of 6/30/2015 (As Restated)	Change in Percent of Collective NPL (As Restated)
Agency's Proportionate Share	$ 331,558	$ 291,968	0.02372%	0.02343%	0.00029%
State of Montana Proportionate Share associated with Agency	4,073	3,565	0.00029%	0.00029%	0.00000%
Total	$ 335,631	$ 295,533	0.02401%	0.02372%	0.00029%

The Table above displays the Agency's share of the NPL for June 30, 2015 and 2016. The Agency's proportionate share of the net pension liability was based on the Agency's contributions received by the PERS during the measurement period July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERS' participating employers. As of June 30, 2016 and 2015, the Agency recorded a liability of $331,558 and $291,968 and the Agency's appropriate share was 0.024010% and 0.023718 %, respectively.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and June 30, 2016 there were some changes in proportion that may have an effect on the Agency's proportionate share of the net pension liability.

NOTE 7. PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

	Pension Expense as of 6/30/2016	Pension Expense as of 6/30/2015 (As Restated)
Agency's Proportionate Share of PERS	$ 23,310	$ 22,556
State of Montana Proportionate Share associated with the Agency	8,285	8,254
Total	$ 31,595	$ 30,810

At June 30, 2016, the Agency recognized its proportionate share of the PERS' Pension Expense of $23,210. The Agency also recognized grant revenue of $8,285 for the support provided by the State of Montana for the proportionate share of the Pension Expense that is associated with the Agency, and grant revenue of $8,030 from the Coal Tax Fund.

NOTE 7. PENSION PLAN (CONTINUED)

Recognition of Deferred Inflows and Outflows
At June 30, 2016, the Agency reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 2,024
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	27,555
Changes in proportion differences between Agency contributions and proportionate share of contributions	3,510	-
Difference between actual and expected contributions	-	-
Contributions paid to PERS subsequent to the measurement date – fiscal year 2016*	25,418	-
Total	$29,928	$29,579

*Amounts reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability beginning in the year ended June 30, 2017.

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

Year Ended June 30:	Amounts of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense
2017	$(11,385)
2018	(11,385)
2019	(11,385)
2020	7,367
2021	-
Thereafter	-

NOTE 8. INTERFUND TRANSACTIONS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statue or budget requires to expend them. Transfers are also used to reimburse Urban Renewal District III for the fund's share of administrative costs. A summary of interfund transfers follows:

	Transfers In	Transfers Out
Urban Renewal District II	$ 1,491,706	$ 605,148
Urban Renewal District III	782,968	-
Front Street URD	162,647	-
N. Reserve Scott Street URD	23,537	6,008
Debt Service	1,284,050	3,133,752
	$ 3,744,908	$ 3,744,908

NOTE 9. RISK MANAGEMENT

The Agency 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 Agency manages these risks through participation with the City's risk management practices. Information related to the City's risk management is available in its CAFR.

NOTE 10. POSTEMPLOYMENT BENEFITS

The Agency participates in the City of Missoula's defined benefit health plan. The single employer plan administered by the City is named the Health Benefits Plan for the Employees of the City of Missoula. Benefits and contributions rates are established by the City, with input from the Employee Benefits Committee, and are approved by City Council. The plan's financial information is included as part of the City's self-insurance internal service fund in the City of Missoula CAFR. Terminated employees of the Agency may remain on the City's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal C.O.B.R.A. law. Retirees of the Agency may remain on the City's health plan as long as they wish, provided they pay the monthly premiums. State law requires the Agency to provide this benefit. There are no other postemployment benefits provided by the Agency. The Agency has six employees participating in the plan, one retiree, and no C.O.B.R.A. participants.

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Agency has adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans*. GASB Statement No. 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for retirees. The provisions of this statement were applied prospectively. Information on the City's health benefits plan for retirees in included below.

Retirees and the Agency contribute to the plan. The plan is financed on a pay-as-you-go basis with the Agency contributions ensuring that adequate reserves are maintained in the plan. The Agency's contribution is not contributed to a trust for only retiree benefits so it is not considered a contribution towards the annual required contribution under GASB Statement No. 45. The contributions to the plan are as follows for June 30, 2016.

Coverage	Retiree Contribution	MRA Contribution	Total Premium
Retiree	$ 631.68	$ 111.47	$ 743.15
Retiree, spouse	727.73	128.42	856.15
Retiree, spouse, child	767.68	35.47	803.15
Retiree, spouse, 2 children	807.63	142.52	950.15
Retiree, spouse, 3 children	847.58	149.57	997.15
Retiree, spouse, 4 children	887.53	156.62	1,044.15
Retiree, child	671.63	118.52	790.15
Retiree, 2 children	711.58	125.57	837.15
Retiree, 3 children	751.53	132.62	884.15
Retiree, 4 children	791.48	139.67	931.15

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

Based on an actuarial study prepared as of June 30, 2015, the Agency's portion of the annual other postemployment benefit cost was $25,366 for the fiscal year ended June 30, 2016. This cost and the related net other postemployment benefit obligation consisted of the annual required contribution for the year. There were no qualified contributions made toward this cost. The net other postemployment benefit obligation increased from $25,366 to $29,106 at June 30, 2016. A schedule of the Agency's annual OPEB cost is presented below:

	2016	2015	2014
Annual required contribution (ARC)	$ 7,058	$ 5,931	$ 8,365
Interest and ARC Adjustment	(370)	(323)	(281)
Annual OPEB cost	6,688	5,608	8,084
Contributions made	(2,948)	(2,081)	(3,093)
Change in net OPEB obligation	3,740	3,527	4,991
Net OPEB obligation - beginning of year	25,366	21,839	16,848
Net OPEB obligation - end of year	$ 29,106	$ 25,366	$ 21,839
Percentage of annual OPEB cost contributed	44%	37%	38%

The Agency has adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans*. GASB Statement No. 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution (ARC) for retirees. The provisions of this statement were applied prospectively. Information on the City's health benefits plan for retirees in included below.

As of June 30, 2016, the Agency's portion of the plan had an unfunded accrued actuarial liability of $74,365. This liability is not recorded under GASB Statement No. 45 since there are no assets allocated to an irrevocable trust for the retiree benefit plan. Therefore, the funded status of the plan is 0%. The annual covered payroll was $338,507 for fiscal year 2016; the unfunded actuarial liability was 22% of covered payroll.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the substantive plan at the time of the actuarial valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term prospective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial calculations are performed every two years with the last calculation performed as of June 30, 2013. For the actuarial valuation performed at June 30, 2015, the projected unit credit actuarial cost method was used. The health care cost trend rate was 5.0% for 2015 and after. The assumed discount and long-term rate of return was 3.98%. The unfunded actuarial liability was amortized on a level-dollar basis over an open period of 30 years. The City of Missoula allocated the annual retired contributions and the underfunded liability to the component units based on the number of active participants in the plan as of June 30, 2016.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE 11. RELATED PARTY TRANSACTIONS

The Agency paid the City of Missoula $123,809 for administrative services ($115,665) and its pro rata contribution to the City's employee health benefits fund ($4,131) and worker's compensation fund ($4,013).

The City of Missoula provides the Agency with office space through a development agreement. The office space is currently being provided rent-free.

NOTE 12. GOVERNMENTAL FUND BALANCE REPORTING AND SPENDING PRIORITIES

The Agency has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds.

NOTE 12. GOVERNMENTAL FUND BALANCE REPORTING AND SPENDING PRIORITIES

At June 30, 2016, the Agency had a total fund balance in Governmental funds of $10,187,035. In accordance with GASB Statement No. 54 this fund balance has been classified as follows:

Special Revenue Funds			
Nonspendable	$	618,665	Prepaid expenses and notes receivable
Restricted		8,137,060	Restricted for urban renewal development
Debt Service			
Restricted		1,431,310	Restricted for debt service
	$	10,187,035	

NOTE 13. RESTATEMENT OF BEGINNING NET POSITION

In 2016, the City informed the Agency that the net pension liability, deferred outflows, deferred inflows, pension expense, and grant revenue related to contributions from the state of Montana for the PERS retirement plan were misallocated to the Agency for fiscal year 2015. As such, net position, net pension liability, accrued liabilities, deferred outflows, and deferred inflows have been restated based on the proper allocation as follows:

	As Previously Reported	As Restated
July 1, 2014:		
Net position	$ (10,236,006)	$ (10,112,300)
June 30, 2015:		
Deferred outflows - pension contributions and adjustments	33,265	24,633
Net pension liability	394,296	291,967
Deferred inflows - pension adjustments	101,893	75,449
Net position	(10,845,921)	(10,725,780)
Change in net position	(609,915)	(613,480)

NOTE 14. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the Agency issued $7,065,000 Series 2016 URD III bonds on October 14, 2016, related to the Mary Avenue East improvements. The Agency also issued $3,260,500 Series 2017C Front Street URD tax exempt subordinate TIF bonds on January 12, 2017, related to the Front Street Student Housing project. Additionally, the Agency issued two subordinate TIF notes (taxable and tax exempt) to refund a 2010 First Interstate Bank Note, Series 2017A and 2017B in the amount of $1,162,500 and $277,500, respectively.

NOTE 15. DEFICIT NET POSITION

As of June 30, 2016, the Agency had a deficit net position of $11,722,130. Liabilities and deferred inflows exceed assets and deferred inflows due to the inherent nature of the Agency. Debt is issued to fund urban renewal projects, which are not held as assets by the Agency. The majority of the debt held by the Agency is secured by tax increment revenues derived from related districts.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2016

	Urban Renewal District II				Urban Renewal District III			
	Budgeted Amounts			Variance with	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Budgetary Fund Balance, July 1, 2015	$ 1,141,753	$ 1,141,753	$ 1,141,753	$ -	$ 3,468,160	$ 3,468,160	$ 3,468,160	$ -
Resources (Inflows):								
Miscellaneous	-	237,870	237,869	(1)	-	-	3,535	3,535
Investment earnings (expense)	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	1,837,654	1,431,541	800,419	(631,122)
State contribution PERS	-	-	-	-	-	-	354	354
State personal property tax reimbursement	-	-	-	-	121,116	277,850	277,850	-
Grant	200,000	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Long-term debt proceeds	-	-	-	-	-	12,100,000	5,000,000	(7,100,000)
Transfers in	616,365	1,811,138	1,491,706	(319,432)	250,000	250,000	782,968	532,968
Amounts available for appropriation	$ 1,958,118	$ 3,190,761	2,871,328	$ (319,433)	$ 5,676,930	$ 17,527,551	10,333,286	$ (7,194,265)
Charges to Appropriations (Outflows):								
Housing and community development	$ 879,248	$ 1,866,055	234,976	$ 1,631,079	$ 4,023,729	$ 11,856,557	2,137,900	$ 9,718,657
Capital outlay	680,000	719,558	718,573	985	2,115,956	5,370,994	1,533,244	3,837,750
Transfers out	250,000	605,148	605,148	-	-	-	-	-
Total charges to appropriations	$ 1,809,248	$ 3,190,761	1,558,697	$ 1,632,064	$ 6,139,685	$ 17,227,551	3,671,144	$ 13,556,407
Budgetary Fund Balance, June 30, 2016			$ 1,312,631				$ 6,662,142	

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)

For the Year Ended June 30, 2016

	Front Street District				Riverfront Triangle District			
	Budgeted Amounts			Variance with	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Budgetary Fund Balance, July 1, 2015	$ 585,748	$ 585,748	$ 585,748	$ -	$ 21,830	$ 21,830	$ 21,830	$ -
Resources (Inflows):								
Miscellaneous	-	-	-	-	-	-	-	-
Investment earnings (expense)	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	-	-	-	-
State contribution PERS	-	-	-	-	-	-	-	-
State personal property tax reimbursement	-	-	-	-	11,862	9,316	9,315	(1)
Grant	-	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Long-term debt proceeds	-	-	-	-	-	-	-	-
Transfers in	164,160	163,047	162,647	(400)	-	-	-	-
Amounts available for appropriation	$ 749,908	$ 748,795	748,395	$ (400)	$ 33,692	$ 31,146	31,145	$ (1)
								-
Charges to Appropriations (Outflows):								-
Housing and community development	$ 530,252	$ 748,795	50,000	$ (698,795)	$ 26,862	$ 31,146	3,500	$ (27,646)
Capital outlay	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total charges to appropriations	$ 530,252	$ 748,795	50,000	$ (698,795)	$ 26,862	$ 31,146	3,500	$ (27,646)
Budgetary Fund Balance, June 30, 2016			$ 698,395				$ 27,645	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)
For the Year Ended June 30, 2016

	North Reserve Scott Street District			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Budgetary Fund Balance, July 1, 2015	$ -	$ -	$ -	$ -
Resources (Inflows):				
Miscellaneous	-	-	-	-
Investment earnings (expense)	-	-	-	-
Tax increment property tax	-	53,510	34,337	(19,173)
State contribution PERS	-	-	-	-
State personal property tax reimbursement	-	-	-	-
Grant	-	-	-	-
State entitlement	-	-	-	-
Long-term debt proceeds	-	177,726	177,726	-
Transfers in	-	-	23,537	23,537
Amounts available for appropriation	$ -	$ 231,236	235,600	$ 4,364
Charges to Appropriations (Outflows):				
Housing and community development	$ -	$ 710	710	$ -
Capital outlay	-	224,518	174,014	(50,504)
Transfers out	-	6,008	6,008	-
Total charges to appropriations	$ -	$ 231,236	180,732	$ (50,504)
Budgetary Fund Balance, June 30, 2016			$ 54,868	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
SPECIAL REVENUE FUNDS
June 30, 2016

Explanation of perspective differences between budgetary inflows and outflows and GAAP revenues and expenditures	Urban Renewal District II	Urban Renewal District III	Front Street District	Riverfront Triangle District	N. Reserve Scott Street District
Sources/Inflows of Resources					
Actual available for appropriation from the budgetary comparison schedule	$ 2,871,328	$ 10,333,286	$ 748,395	$ 31,145	$ 235,600
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,141,753)	(3,468,160)	(585,748)	(21,830)	-
Issuance of long-term debt is a budgetary resource but is not a current year revenue for financial reporting purposes	-	(5,000,000)	-	-	(177,726)
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	(1,491,706)	(782,968)	(162,647)	-	(23,537)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 237,869	$ 1,082,158	$ -	$ 9,315	$ 34,337
Uses/Outflows of Resources					
Actual total charges to appropriations from the budgetary comparison schedule	$ 1,558,697	$ 3,671,144	$ 50,000	$ 3,500	$ 180,732
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(605,148)	-	-	-	(6,008)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 953,549	$ 3,671,144	$ 50,000	$ 3,500	$ 174,724

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

SCHEDULE OF FUNDING PROGRESS FOR

RETIREE HEALTH INSURANCE BENEFIT PLAN

June 30, 2016

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
2013	$ -	$ 85,566	$ 85,566	0%	$ 289,782	30%
2015	-	62,486	62,486	0%	320,344	20%

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILTY

FOR THE LAST TEN FISCAL YEARS

June 30, 2016

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

	2016	2015 (As Restated)
Employer's proportion of the net pension liability as a percentage	0.02372%	0.02343%
Employer's proportionate share of the net pension liability as an amount	$ 331,557	$ 291,968
State of Montana's proportionate share of the net pension liability associated with the Employer	4,073	3,565
Total	$ 335,630	$ 295,533
Employer's pensionable payroll	$ 279,336	$ 265,198
Employer's proportionate share of the net pension liability as a percentage of its pensionable payroll	120.15%	111.44%
Plan fiduciary net position as a percentage of the total pension liability	98.79%	98.79%

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

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS
June 30, 2016

Schedule of Contributions for the Last Ten Fiscal Years*	2016	2015 (As Restated)
Contractually required contributions	$ 24,657	$ 22,861
Contributions in relation to the contractually required contributions	24,657	22,861
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 279,336	$ 265,198
Contibutions of covered-employee payroll	8.83%	8.62%

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

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

2013 Legislative Changes:

Working Retirees – House Bill 95 – PERS, SRS, and FURS, effective July 1, 2013
- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap – House Bill 97, effective July 1, 2013

All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.

All bonuses paid to PERS members on or after July 1, 2013, will not be treated as compensation for retirement purposes.

House Bill 454 – Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

Guaranteed Annual Benefit Adjustment (GABA) – for PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.
- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
  a. 1.5% each year PERS is funded at or above 90%;
  b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  c. 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes:

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

Second Retirement Benefit – for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
   - refund of member's contributions from second employment plus regular interest (currently 0.25%);
   - no service credit for second employment;
   - start same benefit amount the month following termination; and
   - GABA starts again in the January immediately following second retirement.

2) For members who retire **before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:**
   - member receives a recalculated retirement benefit based on laws in effect at second retirement; and
   - GABA starts in the January after receiving recalculated benefit for 12 months.

3) For members who retire **on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:**
   - refund of member's contributions from second employment plus regular interest (currently 0.25%);
   - no service credit for second employment;
   - start same benefit amount the month following termination; and
   - GABA starts again in the January immediately following second retirement.

4) For members who retire **on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:**
   - member receives same retirement benefit as prior to return to service;
   - member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
   - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws – House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%

The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

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

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SUPPLEMENTARY INFORMATION

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BALANCE SHEET – COMBINING DEBT SERVICE
June 30, 2016

	URD II Bonds	Brownfields RLF Note	Safeway St. Patrick Hospital Bonds	Front Street Notes	Inter-Mountain Bonds	URD III Bonds	N. Reserve Scott Street Bonds	Total
ASSETS								
Current Assets								
Cash and investments	$ 275,517	$ 2,196	$ 63,526	$ 219,397	$ 7,090	$ 108,750	$ 65	$ 676,541
Taxes/assessments receivable, net	106,845	-	-	21,491	-	83,178	1,874	213,388
Other current assets	-	-	-	79,280	-	-	-	79,280
Due from other governments	86,571	-	-	11,671	-	52,890	4,561	155,693
	468,933	2,196	63,526	331,839	7,090	244,818	6,500	1,124,902
Noncurrent Assets								
Restricted cash	675,665	-	-	-	-	-	-	675,665
Total assets	$ 1,144,598	$ 2,196	$ 63,526	$ 331,839	$ 7,090	$ 244,818	$ 6,500	$ 1,800,567
LIABILITIES								
Current Liabilities								
Interfund payable	$ 126,826	$ -	$ -	$ 17,604	$ -	$ 69,888	$ 6,429	$ 220,747
Accrued interest payable	175	-	-	-	-	-	-	175
Total liabilities	127,001	-	-	17,604	-	69,888	6,429	220,922
DEFERRED INFLOW OF RESOURCES:								
Uncollected tax revenue	66,590	-	-	15,558	-	66,181	6	148,335
Total deferred inflow of resources	66,590	-	-	15,558	-	66,181	6	148,335
FUND BALANCES								
Restricted	951,007	2,196	63,526	298,677	7,090	108,749	65	1,431,310
Total fund balances	951,007	2,196	63,526	298,677	7,090	108,749	65	1,431,310
Total liabilities, deferred inflows and fund balances	$ 1,144,598	$ 2,196	$ 63,526	$ 331,839	$ 7,090	$ 244,818	$ 6,500	$ 1,800,567

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – COMBINING DEBT SERVICE

For the Year Ended June 30, 2016

	URD II Bonds	Brownfields RLF Note	Safeway St. Patrick Hospital Bonds	Front Street Notes	Inter-Mountain Bonds	URD III Bonds	N. Reserve Scott Street Bonds	Total
REVENUES								
Tax increment property tax	$ 1,638,184	$ -	$ -	$ 353,407	$ -	$ 677,264	$ 23,536	$ 2,692,391
State Entitlement/CMAQ Funds	255,260	-	-	-	-	-	-	255,260
State Personal Property Tax Reimbursement	187,331	-	-	53,975	-	-	-	241,306
Miscellaneous	-	-	3,535	-	-	-	-	3,535
Total revenues	2,080,775	-	-	407,382	-	677,264	23,536	3,188,957
EXPENDITURES								
Current:								
Interest expense	296,790	24,819	91,774	213,663	71,267	35,547	5,942	739,802
Principal expense	380,000	25,507	46,690	108,930	75,500	-	-	636,627
Total expenditures	676,790	50,326	138,464	322,593	146,767	35,547	5,942	1,376,429
Excess (deficiency) of revenues over expenditures	1,403,985	(50,326)	(138,464)	84,789	(146,767)	641,717	17,594	1,812,528
OTHER FINANCING SOURCES (USES)								
Transfers in	952,018	54,716	127,012	-	-	144,297	6,007	1,284,050
Transfers out	(2,270,304)	-	-	(162,647)	-	(677,265)	(23,536)	(3,133,752)
Total other financing sources (uses)	(1,318,286)	54,716	127,012	(162,647)	-	(532,968)	(17,529)	(1,849,702)
Net change in fund balance	85,699	4,390	(11,452)	(77,858)	(146,767)	108,749	65	(37,174)
FUND BALANCES								
Beginning of year	865,308	(2,194)	74,978	376,535	153,857	-	-	1,468,484
End of year	$ 951,007	$ 2,196	$ 63,526	$ 298,677	$ 7,090	$ 108,749	$ 65	$ 1,431,310

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE
For the Year Ended June 30, 2016

	Major Debt Service			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Budgetary Fund Balance, July 1, 2015	$ 1,468,484	$ 1,468,484	$ 1,468,484	$ -
Resources (Inflows):				
Investment earnings	-	-	-	-
Tax increment property tax	2,070,887	2,799,601	2,692,391	(107,210)
State personal property tax reimbursement	-	241,306	241,306	-
State entitlement	255,260	255,260	255,260	-
Transfers in	1,545,622	1,172,928	1,284,050	111,122
Amounts available for appropriation	$ 5,340,253	$ 5,937,579	5,941,491	$ 3,912
Charges to Appropriations (Outflows):				
Debt service expenditures	$ 1,702,058	$ 1,378,200	1,376,429	$ 1,771
Miscellaneous	116,134	-	-	-
Transfers out	2,326,147	3,513,706	3,133,752	379,954
Total charges to appropriations	$ 4,144,339	$ 4,891,906	4,510,181	$ 381,725
Budgetary Fund Balance, June 30, 2016			$ 1,431,310	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION – DEBT SERVICE
June 30, 2016

Explanation of perspective differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/Inflows of Resources	
Actual available for appropriation from the budgetary comparison schedule	$ 5,941,491
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,468,484)
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	(1,284,050)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 3,188,957
Uses/Outflows of Resources	
Actual total charges to appropriations from the budgetary comparison schedule	$ 4,510,181
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,133,752)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,376,429

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

Board of Commissioners
Missoula Redevelopment Agency
Missoula, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Missoula Redevelopment Agency (the Agency), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson Zurmuehlen + Co., P.C.

Missoula, Montana
February 27, 2017

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