

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, 2017



MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)

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MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
ORGANIZATION
Fiscal Year Ended June 30, 2017

Director

Ellen Buchanan..... Director

Board of Commissioners

Karl EnglundChair

Nancy MoeVice-Chair

Melanie BrockMember

Ruth Reineking.....Member

Daniel Kemmis.....Member

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, 2017, 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, 2017, 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 through 35, budgetary comparison information on pages 79 through 81, the schedule of funding progress for retiree health insurance benefit plan on page 83, the schedule of proportionate share of the PERS net pension liability on page 84, the schedule of PERS contributions on page 85, and the notes to required supplementary information on pages 86 and 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 through 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 28, 2018, 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 28, 2018

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 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, 2017. 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 2017 compared to 2016:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Current assets	\$ 10,955,283	\$ 9,886,112	\$ 1,069,171
Noncurrent assets	<u>1,331,476</u>	<u>1,287,887</u>	<u>43,589</u>
Total assets	<u>12,286,759</u>	<u>11,173,999</u>	<u>1,112,760</u>
Deferred outflows of resources	<u>108,565</u>	<u>28,928</u>	<u>79,637</u>
Total assets and deferred outflows of resources	<u>12,395,324</u>	<u>11,202,927</u>	<u>1,192,397</u>
Current liabilities	3,247,550	1,392,352	1,855,198
Noncurrent liabilities	<u>28,586,530</u>	<u>21,503,126</u>	<u>7,083,404</u>
Total liabilities	<u>31,834,080</u>	<u>22,895,478</u>	<u>8,938,602</u>
Deferred inflows of resources	<u>1,581</u>	<u>29,579</u>	<u>(27,998)</u>
Total liabilities and deferred inflows of resources	<u>31,835,661</u>	<u>22,925,057</u>	<u>8,910,604</u>
Net position			
Restricted for debt service	675,665	675,665	-
Unrestricted	<u>(20,116,002)</u>	<u>(12,397,795)</u>	<u>(7,718,207)</u>
Total net position	<u>\$ (19,440,337)</u>	<u>\$ (11,722,130)</u>	<u>\$ (7,718,207)</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
REVENUES			
General revenues	\$ 4,741,221	\$ 4,605,822	\$ 135,399
Total revenues	<u>4,741,221</u>	<u>4,605,822</u>	<u>135,399</u>
EXPENSES			
Housing and community development	11,420,490	4,862,366	6,558,124
Interest	<u>1,038,938</u>	<u>739,802</u>	<u>299,136</u>
Total expenses	<u>12,459,428</u>	<u>5,602,168</u>	<u>6,857,260</u>
Change in net position	(7,718,207)	(996,346)	(6,721,861)
NET POSITION			
Beginning of year	(11,722,130)	(10,845,921)	(876,209)
Restatement	<u>-</u>	<u>120,137</u>	<u>(120,137)</u>
End of year	<u>\$ (19,440,337)</u>	<u>\$ (11,722,130)</u>	<u>\$ (7,718,207)</u>

- During the year the Agency had revenues of \$4,741,221 and expenses totaling \$12,459,428, which resulted in a change in net position of (\$7,718,207), a decrease of \$6,721,861 from 2016.
- 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 2017 revenues were \$135,399 higher than in fiscal year 2016.
- Public/Private Partnership expenditures for fiscal year 2017 included Consumer Direct (100 Consumer Direct Way), Helen Apartments (534 East Front Street), Lucky Diamond Plaza (3700 Brooks Street), Lacey's Apartments (201 N. California Street), Tia's Big Sky Restaurant (1016 West Broadway), and Western Cider Company (101 N. California Street).
- Public projects funded solely or in part with tax increment funds in fiscal year 2017 include Bitterroot Trail, Brooks Street Corridor, Mary Avenue East, Mary Avenue West, MRL Property on Johnson Street, Traffic Signal Box public art, Garden City Harvest, Missoula Housing Authority (110 S California Street), Orchard Homes Ditch Culvert Cover, West Broadway Island, North Reserve Signal Warrant Study, A Carousel for Missoula, Caras Park Storm Water, Ron's River Trail Map, Wyoming Street Trees, and sidewalk improvements in URD III.
- The Agency also paid out \$823,765 in principal and \$1,038,938 in interest for a total of \$1,862,703 in debt service payments.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

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 a 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 2017 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 2017 provided the 2017 taxable value of the districts was higher than the base year (2014).

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

About the Agency (Continued)

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 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 of the Agency's compensated absences (vacation hours) 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 of the Agency's compensated absences (sick and compensatory hours), and the long-term portion of the notes payable, guarantor payable and tax increment revenue bonds payable.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Bonds and Notes Payable

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

Series 2006 \$3,600,000 Millsite Lease Buy Out
Series 2006 \$1,750,000 Brownfields Revolving Loan Fund Note
Series 2007 \$1,500,000 Safeway/St. Pats Project
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
Series 2016 \$7,065,000 Mary Avenue East Improvements
Series 2017A \$1,162,500 2010 FIB Note Refunding (taxable)
Series 2017B \$277,500 2010 FIB Note Refunding (tax exempt)
Series 2017C \$3,260,500 Front Street Student Housing Project
Series 2017A \$1,600,000 URD III Mary Avenue West

\$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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Bonds and Notes Payable (Continued)

\$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.

\$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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Bonds and Notes Payable (Continued)

\$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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Bonds and Notes Payable (Continued)

\$1,162,500 – First Interstate Bank Note Refunding - Taxable

On December 19, 2016 the City of Missoula pursuant to Resolution 8126 approved the sale of \$1,162,500 in subordinate lien tax increment urban renewal revenue and refunding bonds in Front Street URD to refund the Series 2010 First Interstate Bank Note. This bond Series 2017A was issued on January 12, 2017 for the refunding of the *taxable* portions of the Note and is subordinate to the Series 2014 Front Street Parking Structure Refunding Bonds. 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, 2041. The interest rate on the bond is 5.750% 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 Front Street URD to the City's paying agent, US Bank, commencing January 1, 2018. Maximum annual debt service per the amortization schedule is \$90,748 in fiscal year 2029.

\$277,500 – First Interstate Bank Note Refunding – Tax Exempt

On December 19, 2016 the City of Missoula pursuant to Resolution 8126 approved the sale of \$277,500 in subordinate lien tax increment urban renewal revenue and refunding bonds in Front Street URD to refund the Series 2010 First Interstate Bank Note. This bond Series 2017B was issued on January 12, 2017 for the refunding of the *tax-exempt* portions of the Note and is subordinate to the Series 2014 Front Street Parking Structure Refunding Bonds. 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, 2041. The interest rate on the bond is 4.500% 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 Front Street URD to the City's paying agent, US Bank, commencing January 1, 2018. Maximum annual debt service per the amortization schedule is \$19,368 in fiscal year 2023.

\$3,260,500 – E. Front Street Student Housing (ROAM) – Public Parking

On December 19, 2016 the City of Missoula pursuant to Resolution 8126 approved the sale of up to \$3,260,500 in subordinate lien tax increment urban renewal revenue and refunding bonds in Front Street URD to finance the acquisition of one floor of the parking garage created as part of a 485-bed student housing project. The parking will be owned and operated by the Missoula Parking Commission. This bond Series 2017C was issued on January 12, 2017 and will be drawn down in two installments; costs of issuance at the time of issue and the acquisition funds on May 31, 2018. 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, 2041. The interest rate on the bond is 4.500% per annum. Interest only payments are due July 1 and January 1 commencing July 1, 2017 through January 1, 2019. 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 Front Street URD to the City's paying agent, US Bank, commencing July 1, 2019. Maximum annual debt service per the amortization schedule is \$234,778 in fiscal year 2040.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Bonds and Notes Payable (Continued)

\$1,600,000 – Mary Avenue West

On June 5, 2017 the City of Missoula pursuant to Resolution 8165 approved the sale of \$1,600,000 in tax increment urban renewal revenue bonds in URD III to fund public infrastructure improvements related to the reconstruction of Mary Avenue west from the Bitterroot railroad line to Reserve Street. This bond Series 2017A was issued on parity with the \$5,000,000 South Reserve Street Pedestrian Bridge bond and closed on June 22, 2017. The bond was completely drawn down at 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 4.650% per annum. An initial interest payment is due on January 1, 2018 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 July 1, 2018. Maximum annual debt service per the amortization schedule is \$116,850 in fiscal year 2031.

Refer to Note 5 on page 51 for further information regarding the Agency's long-term debt including schedules of outstanding balances.

Revenues

In fiscal year 2017, the Agency received general and other revenues and did not generate any program revenue. Of the Agency's \$4,741,221 total revenue reported in the Statement of Activities, 83% 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 16.5% of the Agency's total revenue received. The remaining <1% is \$33,568 in miscellaneous revenue.

Expenses

In the Statement of Activities, most of the Agency's expenses are expressed under Housing and Community Development. Specifically, these 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 \$1,038,938 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Special Items, Contributions, Transfers, Other (Continued)

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 2017 was \$148,636 and was recorded as an administrative expense in the financial statements.

Administrative transfers between districts are done annually to reimburse the district that has paid the administrative expenses of the Agency. In fiscal year 2017, the administrative expenses were paid from URD III. The amount of money transferred in fiscal year 2017 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 calendar year 2016 was still below the base value (2014) so there was no tax increment revenue in that district in fiscal year 2017. 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. As of June 30, 2017, four payments remain on this note receivable

\$10,368 – Montana Mapping & GPS

In fiscal year 2014, the Agency granted an interest-free loan to Montana Mapping & GPS (now known as onXmaps) for facade improvements to their building located at 1925 Brooks Street in URD III. The loan was executed on May 22, 2014 for \$10,368 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 onXmaps to remit \$1,036.80 to the Agency by May 1st each year beginning in 2015 (FY15). As of June 30, 2017, seven payments remain on this note receivable.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Notes Receivable (Continued)

\$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 2017 (FY17). As of June 30, 2017, nine payments remain on this note receivable.

Water Infrastructure Notes

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. During FY 2017, the primary government assumed all Mountain Water Infrastructure Notes.

Below is a summary of the Agency's current primary government notes receivable projects that included water main installations or upgrades or primary government infrastructure improvements that previously qualified for the reimbursement program and were assumed by the City of Missoula.

	Project Name	Final Amended Contract	Total Payments to 6/30/17	Outstanding Balance as of 6/30/17	URD II / 7392	URD III / 7393	NRSS URD/7397
1	Eaton Street (Bitterroot) Townhomes	\$ 40,000.08	\$ 6,000.02	\$ 34,000.06		\$ 34,000.06	
2	Fire Hydrant Installation - URD II (2 hydrants)	\$ 18,592.43	\$ 2,279.37	\$ 16,313.06	\$ 16,313.06		
3	Fire Hydrant Installation - URD III (4 hydrants)	\$ 35,397.36	\$ 4,469.35	\$ 30,928.01		\$ 30,928.01	
4	Western Montana Mental Health Center	\$ 64,914.52	\$ 8,114.30	\$ 56,800.22	\$ 56,800.22		
5	Russell Street (Corso) Apartments	\$ 130,178.80	\$ 13,017.88	\$ 117,160.92	\$ 117,160.92		
6	Wyoming Street	\$ 259,178.05	\$ 25,917.85	\$ 233,260.20	\$ 233,260.20		
7	South Crossing/Dore Lane	\$ 8,988.52	\$ 674.13	\$ 8,314.39		\$ 8,314.39	
8	S. 1st Street W Fire Hydrant	\$ 14,394.44	\$ 719.72	\$ 13,674.72	\$ 13,674.72		
9	Bretz RV Fire Hydrant	\$ 9,918.70	\$ 495.94	\$ 9,422.76			\$ 9,422.76
10	Burlington Regent Fire Hydrant	\$ 7,479.13	\$ 373.96	\$ 7,105.17		\$ 7,105.17	
11	Consumer Direct - water main extension	\$ 73,463.51	\$ 1,883.68	\$ 71,579.83			\$ 71,579.83
			\$ -	\$ -			
		\$ 662,505.54	\$ 63,946.20	\$ 598,559.34	\$ 437,209.12	\$ 80,347.63	\$ 81,002.59

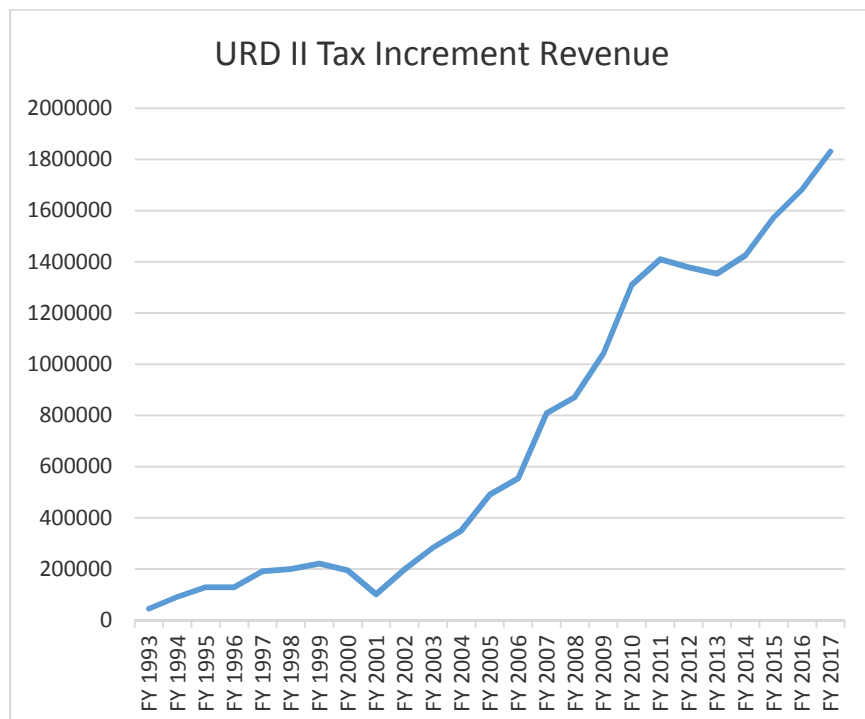
MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2017

Fund Balances and Transactions of Individual Governmental Funds

	URD I	URD II	URD III	
Beginning Balance 7/1/16	\$ 44	\$ 1,312,631	\$ 6,662,142	
Ending Balance 6/30/17	44	2,071,401	4,591,551	
\$ Change	<u>\$ -</u>	<u>\$ 170,878</u>	<u>\$ 3,193,982</u>	
% Change	0%	15%	92%	

	Front Street	Riverfront Triangle	N. Reserve Scott Street	Debt Service
Beginning Balance 7/1/15	\$ 698,395	\$ 27,645	\$ 54,868	\$ 1,431,310
Ending Balance 6/30/16	766,581	36,961	259,005	1,683,564
\$ Change	<u>\$ 68,186</u>	<u>\$ 9,316</u>	<u>\$ 204,137</u>	<u>\$ 252,254</u>
% Change	10%	34%	372%	18%

URD II saw a 58% increase in fund balance in fiscal year 2017. This increase was primarily due to the Agency having fewer projects completed during the year and a 9% increase in tax increment revenue from fiscal year 2016. The most significant completed projects were Lacey's Apartments, a work force housing development in the Old Sawmill District; Tia's Big Sky restaurant, a locally owned artisanal Mexican restaurant on West Broadway and Western Cider Company on North California Street, Missoula's first cidery offering a unique line of ciders using apples grown in the Bitterroot Valley and throughout the northwest. Total revenues including transfers in from debt service funds were \$1,233,645. Expenditures and transfers out were \$474,875 including a \$250,000 transfer to URD III for administrative expenses.

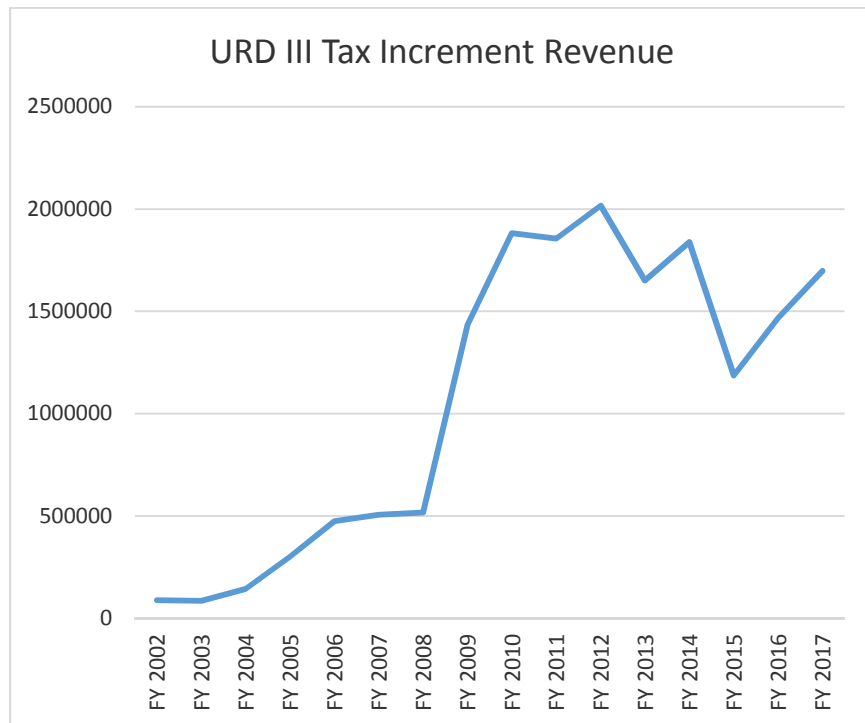


MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2017

Fund Balances and Transactions of Individual Governmental Funds (Continued)

URD II	
Project Name	Expenditure Amount
Admin - Transfers to Other Funds	\$ 250,000
Garden City Harvest - 1657 River Road	16,500
Lacey's Apartments - 210 North California Street	48,500
Missoula Housing Authority - 110 S California Street	15,769
Orchard Homes Ditch Company - Irrigation Structure	10,420
West Broadway Island - Improvements	3,021
Western Cider Company - 501 N. California Street	76,518
Wyoming Street - Street Tree Replacement	6,960
Total	\$ 474,875

URD III saw a 31% decrease in fund balance in fiscal year 2017. This decrease is primarily attributable to two large projects nearing completion by the end of the year; South Reserve Crossing and Mary Avenue East. URD III saw a 16% increase in tax increment revenue from fiscal year 2016. The increase in revenue can be attributed to new commercial growth in the district, such as the South Crossing, and the sale of two tax increment revenue bonds related to Mary Avenue improvements. Total revenues including transfers in from debt service funds were \$8,462,069. Total expenditures were \$10,532,660 and included \$716,444 for administrative expenses and \$9,816,216 for project related expenses.



MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

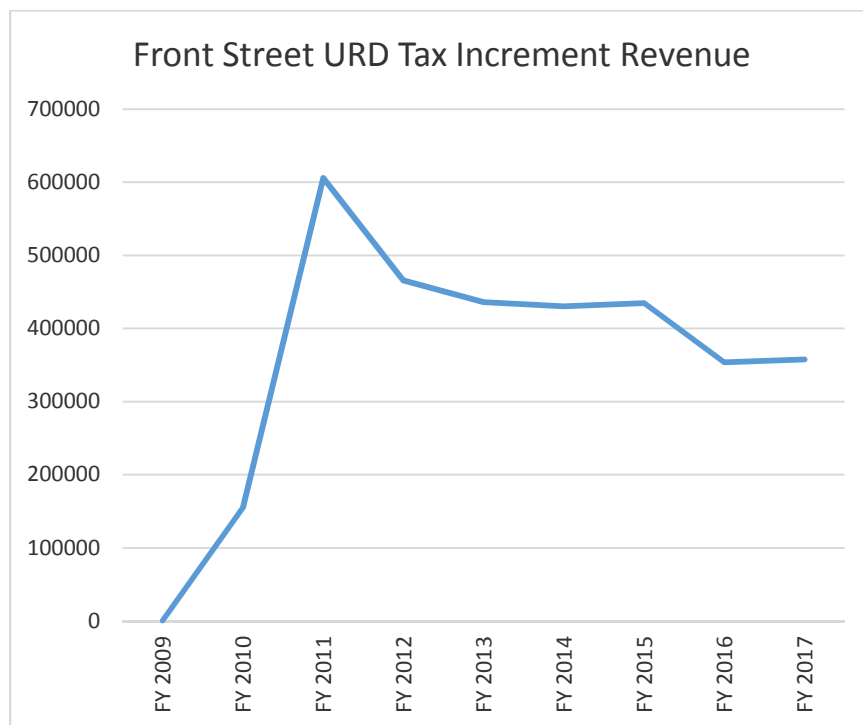
Fund Balances and Transactions of Individual Governmental Funds (Continued)

URD III	
Project Name	Expenditure Amount
\$1.6M Series 2017A Mary Avenue West TIB - COI	\$ 31,469
\$7.065M Series 2016 Mary Avenue East TIB - COI	70,066
Admin - Communication & Transportation	110
Admin - Employer Contributions	125,957
Admin - Gasoline	208
Admin - Office Supplies	2,727
Admin - Other repair and maintenance supplies	747
Admin - Overtime	719
Admin - PERS Contributions	286
Admin - Printing, Duplication, Binding	2,112
Admin - Professional Services	160,681
Admin - Publicity, Subscriptions and Dues	6,250
Admin - Repair & Maintenance Services	4,046
Admin - Salaries & Wages	406,299
Admin - Telephone	126
Admin - Training	1,045
Admin - Travel	5,131
Bitterroot Trail - Johnson Street Extension	32,395
Bitterroot Trail - South/Johnson Crossing Study	10,000
Brooks Street Corridor Study - New Mobility West	5,000
Clark Street Sidewalks - Construction	101,991
Clark Street Sidewalks - Design, Engineering & Const. Mgmt	87,211
Lucky Diamond Plaza - 3700 Brooks Street	82,482
Mary Avenue East - Construction	4,416,662
Mary Avenue West - Final Design & Construction Docs	139,683
Mary Avenue West - Planning Study	59,122
Montana Mapping & GPS	(10,368)
MRL Property on Johnson Street - Acquisition	1,616,186
MRL Property on Johnson Street - Certificate of Survey & Site Map	5,026
MRL Property on Johnson Street - Legal for Acquisition	3,074
MRL Property on Johnson Street - Legal for Research	4,128
NRSS URD Master Plan	7,036
S. Reserve Street Trail Crossing - Construction	2,930,021
S. Reserve Street Trail Crossing - Construction Admin	223,732
Traffic Signal Box - Brooks & Dore Lane	1,000
URD III Grant St Sidewalks - Street Tree Maintenance	300
Total	\$ 10,532,660

MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2017

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Front Street URD saw a 10% increase in fund balance in fiscal year 2017. There was a 1% increase in tax increment revenue and only a few active projects during the year. Other activity in Front Street URD included a bond sale for the Front Street Housing project *ROAM*, the refunding of the First Interstate Bank Note and debt service requirements for the Series 2014 Front Street Parking Structure Refunding Bonds. Total revenues including transfers in from debt service funds were \$1,620,365. Total expenditures were \$1,552,179 for project and debt service related expenses.

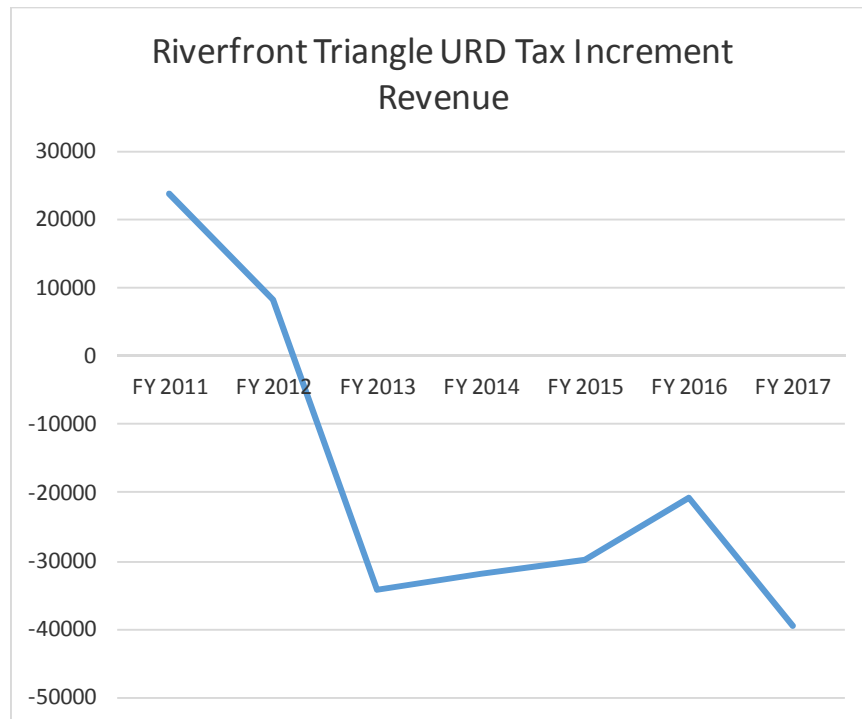


Front Street URD	
Project Name	Expenditure Amount
\$277,500 Series 2017B FIB Note Refunding TIB - COI	\$ 6,085
\$3,260,500 Series 2017C Front St Housing TIB - COI	60,337
Caras Park Stormwater Project	3,397
Carousel for Missoula	25,000
First Interstate Bank - \$1,623,380 Note	1,432,502
Helen Apartments - 534 East Front Street	22,216
Ron's River Trail	2,642
Total	\$ 1,552,179

MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Fund Balances and Transactions of Individual Governmental Funds (Continued)

Riverfront Triangle URD saw a 34% increase in fund balance in fiscal year 2017. This increase is attributable to there being no expenditures in the district during the year. 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 revenues were \$9,316 and total expenditures were \$-0-.

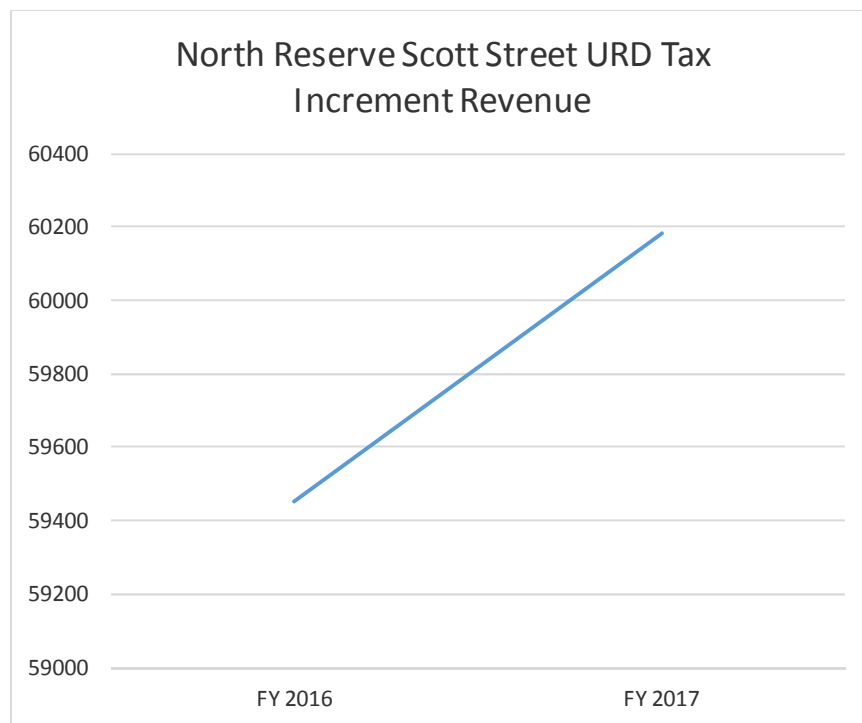


Hellgate URD received no tax increment revenue since the 2016 taxable value was lower than the base year value. No tax increment will be available for projects until the taxable value of the property in the district exceeds the 2014 base year value. Total revenues were \$-0- and total expenditures were \$-0-.

MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2017

Fund Balances and Transactions of Individual Governmental Funds (Continued)

North Reserve – Scott Street (NRSS) URD saw a 372% increase in fund balance in fiscal year 2017. This increase is directly attributable to new development in the district since its creation in 2014. NRSS had two large projects nearing completion by the end of the year; Consumer Direct and Scott Street Village – Phase 1. The district saw only a 1% increase in tax increment from fiscal year 2016. The majority of revenue was received from bond proceeds for the above mentioned projects. Total revenues including transfers in from debt service funds were \$684,883. Total expenditures were \$480,747.



North Reserve-Scott Street URD	
Project Name	Expenditure Amount
\$1,364,400 Series 2015 NRSS TIB - D/S - Bretz Cap I	\$ 2,918
\$1,364,400 Series 2015 NRSS TIB - D/S - Consumer Direct Cap I	8,704
\$1,364,400 Series 2015 NRSS TIB - D/S Edgell Cap I	1,275
Consumer Direct	466,506
N. Reserve Street Signal Warrant Study	1,343
Total	\$ 480,746

MISSOULA REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Overall Financial Position

Changes in the Agency's overall financial position from 2016 to 2017 from the Government-wide perspective include an increase in total assets and deferred outflows of resources of \$1,192,397 and an increase in total liabilities and deferred inflows of resources of \$8,910,604 with a resulting overall net position of (\$19,440,337). The increase in assets can be attributable to the sale of three tax increment revenue bonds and those related project expenditures not being fully paid out during the fiscal year and few active projects in URD II. 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 four projects primarily in the *planning* phase during fiscal year 2017, the **Brooks Street Transit Oriented Design Study** in URD III; the **California Street Improvements** and **West Broadway Island** in URD II; and the **Fox Site** in Riverfront Triangle URD.

Brooks Street Transit Oriented Design Study (previously known as 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Planned Projects (Continued)

California Street Improvements South – Dakota to S 3rd St W: The Agency has engaged WGM Group to lead a public process with public and private stakeholders in the California Street vicinity to develop a vision of a redesigned California Street between Dakota Street and S. 3rd St. W. Several meetings were held with private property owners and public agencies to gather input on streetscape elements and the functioning of California Street west of the Old Sawmill District in URD II. WGM is currently developing design alternatives to present to the stakeholders with the goal of selecting a preferred design alternative and preparing an approved preliminary design and a probable cost of construction to reconstruct this portion of California Street. The construction phase of the project will be dependent on available resources.

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 bridge 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" (CPTED) measure. The best development for this project will respond to design of the Max Wave project, an irrigation diversion replacement and corollary kayak play wave proposed within the river adjacent to the southeast side West Broadway Island. During fiscal year 2017, the Max Wave project design was undergoing permit review by County, State, and federal 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. Two more adjacent properties were added later to make up a comprehensive redevelopment site. Since that time, the City, through the Agency, has 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 City authorized the Agency to conduct development agreement negotiations one of the respondents to the most recent RFP, 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 found that, with City participation it is feasible to build and operate a much larger regional conference center. It also found that a larger full-service hotel may be feasible along with including residential condominiums in the hotel design. Hotel Fox purchased nearly seven acres of land adjacent to the Fox Site for a much larger development.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Planned Projects (Continued)

Fox Site (Continued): In February 2017, the City, MRA, and Hotel Fox entered into a Master Development Agreement for redevelopment of the Fox Site. That agreement identifies the primary components of several subsequent collateral agreements that will address specific development components. The collateral agreements which cover the sale of the land; design, financing and construction of the individual components of the project, lease and condominiumization of portions of the property, etc. must be executed by November 2017, in the second quarter of fiscal year 2018

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 2017 were the **Montana Rail Link (MRL) Properties** (URD III) and the **Wayfinding System** (URD II & III).

MRL Property Acquisition and Development Overview: The City was in negotiations with Montana Rail Link (MRL) for years in an effort to get the necessary easements to complete the Bitterroot Trail, which runs adjacent to the Bitterroot Branch Railroad line through Missoula. Late in fiscal year 2016, it appeared that MRL might be open to selling the City the 12 acre property adjacent to the major missing trail segment between North Avenue and South Avenue. The sale of the property to the City was successfully completed in fiscal year 2017 through the use of TIF funding. The Agency began planning for construction of the remaining missing trail segment and the development of a 4 acre park in a dense neighborhood with a large deficit of park land. Both projects are anticipated to be completed in fiscal years 2018-2019.

MRL Property - Bitterroot Trail Extension: The City of Missoula and the Agency completed the purchase of the MRL property just north of Southgate Mall in fiscal year 2017. The property is bounded by North Avenue, Johnson Street, South Avenue, and the west right-of-way line of the MRL rail road tracks. This triangular shaped property created a significant gap in the Bitterroot Trail, and closing this gap has been a priority for the Agency for many years. With the purchase of the property completed, MRA engaged DJ&A, P.C. as the project engineer for the trail extension project. Final design of the trail segment including a signalized diagonal bike crossing of South Avenue was completed in December 2017. The project is currently out to bid with construction slated for spring 2018. The construction of this trail section will complete the 50-mile paved Bitterroot Trail between downtown Missoula and Hamilton, Montana.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Pledged Projects (Continued)

MRL Park: The acquisition of the MRL Property on Johnson Street provided the opportunity to create a much-needed neighborhood park in the densely-populated Franklin to the Fort Neighborhood. The park, which will be named Montana Rail Link Park, will be located on approximately 4.5 acres at the southern end of the site, and the park design will reflect a railroad theme. Staff from the Agency and from the Department of Parks and Recreation will conduct an extensive public input process to develop a masterplan for the park, which will incorporate the Bitterroot Trail and the Central Avenue Greenway.

The Agency will manage design and construction, with assistance from Parks and Recreation. The selected design consultant team will be required to be led by a landscape architecture firm licensed to do business in Montana. The park is expected to be completed in the fall of 2018

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 signage for URD II was added to the CIP when the decision was made to fund and implement the vehicular layer for the entire system as one project. The pedestrian level signs for the downtown had funding and were installed in 2016. The emphasis in URDs II & III is the major corridors as gateways into Missoula important links 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 areas and installation is anticipated to begin in fiscal year 2018.

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 2017 were the **Missoula Food Bank, Tia's Big Sky Restaurant** and **Western Cider Company**.

Missoula Food Bank: The new Missoula Food Bank (MFB) facility consolidates all MFB programs, food storage and operations under one roof, and includes a 41-car parking lot. The Agency received a request from Mayor Engen to provide TIF funding to provide interior finishes for a space in the new MFB building and to enter into a lease/purchase agreement to use the space to provide free nutritional education programming for children. The space is designed with its own entrance/exit and restroom facilities and can be closed off to the remainder of the MFB building, allowing for evening and weekend use, independent of MFB operations.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Committed Projects (Continued)

Missoula Food Bank (Continued): The TIF funding was used to finish this space “from the studs in,” and the City of Missoula arranged to lease the space from MFB for \$1/year for a period of seven years. The City in turn subleased the space to the University of Montana’s spectrUM Discovery Center for \$1/year for a period of 10 years, to provide free nutrition and science education programming for children. At the end of its lease period, the City will purchase the space from MFB at fair market value (as evaluated at that time), with the TIF investment being credited toward the purchase price. At the end of its lease period, spectrUM will be given the option to renew its lease in 10-year increments. If spectrUM chooses to move elsewhere, the City will work with the MFB Board of Directors to seek another tenant that meets the needs of the public and the mission of the Food Bank.

Tia’s Big Sky: The overall Tia’s Big Sky project in Urban Renewal District II was envisioned in two phases. During the first phase, completed in fiscal year 2016, the owners renovated and expanded the existing building into a Mexican themed restaurant that includes take-out and dine-in areas. The second phase was an upgrade of the overly large parking area to accommodate other food carts/trucks and create a plaza area for outside dining as well as space for artists to display art and crafts. In fiscal year 2016, the first Tia’s Big Sky phase received assistance under the Façade Improvement Program (\$20,008) for phase one improvements and in fiscal year 2017, the project was completed and remaining funds disbursed (\$7,802) for façade items to improve the building’s functionality, appearance and energy efficiency and (\$39,385) for public sidewalk, curb and gutter, and other right-of-way improvements.

Western Cider Company: The Western Cider Company occupies a leased 7,200 square-foot portion of a former truck tire retreading facility at 101 North California Street. The business’s project was to renovate the building to accommodate a 2,000 square foot tasting room and a 5,000 square foot cider production area. All systems in the building required upgrades to meet current codes and the walls and floors were made ready for food production. A lighted outdoor seating area was constructed on the south side of the building facing the Clark Fork River. The project received assistance under three programs, \$17,203 under the Tax Increment Financing (TIF) Program for public sidewalk, curb and gutter and other right-of-way; \$9,315 under the Code Compliance Program (CCP) for two new emergency exits, and \$50,000 under the Facade Improvement Program (FIP) through which the exterior of the large concrete building received additional window and door openings, painting, door and window awnings, and increased energy efficiency components. The project was completed in December 2016.

The most significant *committed* projects in **URD III** in fiscal year 2017 were **Bitterroot Trail Bridge, Clark Street Sidewalks, Mary Avenue East and Mary Avenue West.**

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Committed Projects (Continued)

Bitterroot Trail Bridge (previously South Reserve Pedestrian Bridge): In September 2017 the Agency completed the construction of this steel arch bicycle/pedestrian bridge spanning South Reserve Street near the intersection of Reserve Street and Brooks Street in URD III. The bridge is 707 feet long from ramp landing to ramp landing with a 190-foot span over Reserve Street. The bridge deck consists of heated Fiber Reinforced Polymer panels that sense temperature and precipitation to turn on the heating system for melting snow and ice from the bridge deck surface. The Bitterroot Trail Bridge provides a safe crossing of Reserve Street for pedestrians and cyclists using this 50-mile stretch of world class trail connecting downtown Missoula to Hamilton, Montana.

Clark Street Sidewalks: The Clark Street Sidewalk Project was completed in October 2017 as part of the URD III Sidewalk Program. This sidewalk project completed the missing sidewalk segments in the area of URD III that was amended into the district in 2015. The project consisted of excavation and constructing an embankment, base course, concrete curb and gutter, concrete sidewalk, asphalt pavement, drainage sumps, pavement markings, signage, landscaping, and other related infrastructure.

Mary Avenue East: The City had identified the need for a street connection between Brooks and Reserve Streets with a railroad crossing at Mary Avenue. In fiscal year 2016, the Southgate Mall Associates decided that the street through the Mall, connecting neighborhoods to each other and to the retail center was a benefit to the community and the Mall. After much discussion and planning, the Agency Board and the City Council approved a request from Southgate Mall Associates for reimbursement for the construction of a new City street through the Mall property during fiscal year 2017. Bonds were authorized and construction began and progressed through fiscal year with completion anticipated in fiscal year 2018.

Mary Avenue West: Through a comprehensive process that engaged all residents and property owners on Mary Avenue, City staff, and elected representatives, a consultant team led by DJ&A, P.C. developed a conceptual plan for street improvements on Mary Avenue West. The design balances the community's primary interests of: working within the street's existing 60' right-of-way; promoting traffic-calming, safety, and an aesthetically pleasing streetscape; addressing all modes of transportation; and, providing sufficient parking. Once an acceptable conceptual design was in place, the consultant team finalized construction documents for the street improvements project, and Grant Creek Excavating was selected as the preferred contractor. The street improvements are expected to be completed in the fall of 2017.

The most significant *committed* projects in the **Front Street URD** were **Missoula Mercantile** and **ROAM Student Housing**.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Committed Projects (Continued)

Missoula Mercantile: In fiscal year 2016, a developer approached the City and the Agency about a project to redevelop a critical half block in downtown at the corner of Front Street and Higgins Avenue. The property consisted of one of the oldest commercial buildings in Missoula and had previously been home to Macys Department Store. Macys closed in 2010 and the building had been empty for six years, during which time it continued to deteriorate. After efforts to restore the building and add on to it, it was not deemed to be feasible for a number of reasons and the proposal was to demolish the structure and replace it with a large hotel with a significant amount of ground floor retail. After a great deal of community discussion lasting well into fiscal year 2017, the City Council approved the issuance of a demolition permit and entered into a development agreement with the developer. The Agency Board approved a request to Proceed without Prejudice so that the deconstruction/demolition could be carried out while construction documents were being completed for the hotel. Deconstruction/demolition began in fiscal year 2017 after an unsuccessful lawsuit challenging the City Council action in approving the permit. TIF funds for reimbursement for remediation, deconstruction/demolition, utility relocation and improvements in the right of way was approved at the end of fiscal year 2017 with the anticipation that bonds will be issued in fiscal year 2018. Construction of the hotel is anticipated to be complete in fiscal year 2018 or early fiscal year 2019.

ROAM Student Housing: Lambros-Farran, LLC is developing a 488-bed purpose-built student housing project along the 300 block of East Front Street. The project will be a six-story building which will include two levels of structured parking totaling about 300 spaces, four levels of purpose-built residential units, many common area amenities, and 6,200 square feet of street front retail space.

The project targets the college student market in a model that will lease by the room rather than the unit. The residence units will be comprised of a common area surrounded by up to four individual rooms that include beds, a study area, and a private bathroom. General amenities for residents include group study rooms, club or gathering rooms, a cyber lounge/business center, fitness center, music practice rooms, a bike and ski maintenance room, secure bicycle storage, natural light to most rooms, outdoor courtyards, etc. The location was chosen by the developer because of its proximity to the University of Montana Main Campus and Missoula College along with easy non-motorized access to downtown entertainment and shopping. Including recent price increases in materials, the total project cost is estimated at \$38,000,000. The project will have a major impact on both existing downtown businesses and potential future retail businesses by providing a substantial new customer base.

TIF assistance approved by the City Council upon Agency recommendation was for the purchase of the upper parking floor for ownership and management as public parking by the Missoula Parking Commission. The approximately \$3.2 million cost of the parking floor will be financed through a TIF revenue bond based on the project's new taxes to be paid by the developer. The developer anticipates the construction to be complete by May 2018. The property transfer to the Parking Commission and payment of the cost will be at that time.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Committed Projects (Continued)

The most significant *committed* project in the **Riverfront Triangle URD** in fiscal year 2017 was **Stockman Bank**.

Stockman Bank: Stockman Bank purchased property in downtown Missoula to construct a new 6-story bank and office building on the corner of Broadway and Orange Streets. The Agency Board approved a request for the bank to Proceed without Prejudice in April 2015 for the deconstruction/demolition of two buildings on the property while plans were being finalized. In fiscal year 2017, Stockman applied for TIF funding for deconstruction/demolition, utility relocations and improvements in the public right of way. The Board approved the request and the building will be completed in fiscal year 2018.

The most significant *committed* projects in the **North Reserve-Scott Street (NRSS) URD** in fiscal year 2017 were **Consumer Direct** and **Scott Street Village – Phase I**.

Consumer Direct: Consumer Direct is a rapidly growing home health management family of companies that is currently made up of 19 companies and over 22,000 employees spread across 12 states. Prior to the project, the company headquarters with approximately 275 employees was scattered in five locations around Missoula. The new building provides room for new local services in addition to home care and management of the other companies whose services include nursing, hospice, mental health, and retail sales of durable equipment and other items.

Scott Street Village – Phases I-III: The overall Scott Street Village project is the type of development long advocated and hoped for by the Northside Neighborhood. The development is in keeping with community goals stated in the Growth Policy, Urban Renewal Plan and NRSS area Master Plan, for adding housing affordable for the moderate income or “workforce” families of Missoula’s population.

Scott Street Village is a three phase home-ownership residential development on the former Clausen Manufacturing industrial site at the corner of Scott and Rodgers Streets in the North Reserve-Scott Street Urban Renewal District (NRSS). Edgell Building, Inc., owned by David and Mark Edgell is the developer of Scott Street Village assisted by Collin Bangs, longtime Missoula real estate broker and developer.

The Agency approved \$518,320 in TIF assistance for the first phase of the project in July 2015 which included construction and upgrade of public streets and sidewalks, extension and upgrade of main sewer, gas, and water transmission lines to the site, and demolition of dilapidated former industrial buildings. The TIF pledged to Phase I was financed by bundling it with TIF assistance to two other approved projects in the NRSS URD (Bretz RV and Marine building expansion and Consumer Direct Home Care building construction). Reimbursement for approved TIF eligible items in Phase I (24 single family homes and four townhomes) will occur at completion of construction which, according to the development agreement, will occur in the second quarter of fiscal year 2018.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Committed Projects (Continued)

Scott Street Village – Phases I-III (Continued): Phase II of Scott Street Village will include six single family homes and 18 townhouses. All units will face the main streets internal to the site. By the end of fiscal year 2017, Phase II had received all required permits and permissions from the City and had secured all necessary construction and permanent financing. Phase III is planned as a 60-unit apartment complex to be built on at the west end of the project site. Phase III is tentatively scheduled for construction completion in 2020 at a total estimated cost of \$5 million. The TIF eligible infrastructure for Phase III is estimated to be \$162,000. In June 2017, the Agency approved the developer's Phase II TIF request of \$524,868 and Phase III request of \$162,000. Circumstances delayed City Council action on issuing a TIF revenue bond for the assistance to Phases II and III until the second quarter of fiscal year 2018. Reimbursement for TIF eligible items will be upon completion of Phase II, no later than the end of the second quarter of fiscal year 2019 according to the Development Agreement.

In addition to the above, the Agency financially participated in several smaller private/public partnerships and publicly funded *committed* projects during fiscal year 2017. 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. 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 2017, all of the Agency's urban renewal districts except North Reserve-Scott Street URD and Hellgate URD, receive state reimbursements through the Entitlement Share.

2015 Legislative Session

Senate Bill 157

Passed 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

2015 Legislative Session (Continued)

Senate Bill 157 (Continued)

The bill specifies that class ten property is revalued every six years and all other property is 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.

2017 Legislative Session

House Bill 30

Passed during the 2017 legislative session, this bill, which was requested by the Revenue and Transportation Interim Committee, amends Montana Code Annotated section 7-15-4286. The bill amends tax increment provisions related to certain local mill levies and exempts levies voted on after the adoption of tax increment financing. It applies to tax increment provisions adopted by urban renewal districts and targeted economic development districts established on or after April 6, 2017 and voted levies approved after April 6, 2017.¹

House Bill 76

Passed during the 2017 legislative session, this bill, which was requested by the Revenue and Transportation Interim Committee, amends Montana Code Annotated section 7-15-4291. The bill requires remittances of unused tax increment to be made proportionally to all affected taxing jurisdictions and applies to remittance agreements entered into on or after October 1, 2017.¹

House Bill 396

Passed during the 2017 legislative session, this bill amends Montana Code Annotated section 7-15-4221 and 7-15-4282. The bill revises laws related to tax increment financing, and requires consultation with affected local taxing jurisdictions when adopting tax increment financing provisions as part of an urban renewal plan or a targeted economic development district comprehensive plan and when modifying an urban renewal plan related to the use of general obligation bonds. The bill was effective April 4, 2017.¹

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Fiscal Year Ended June 30, 2017

2017 Legislative Session (Continued)

Senate Bill 27

Passed during the 2017 legislative session, this bill amends Montana Code Annotated section 2-7-503, 7-15-4221, 7-15-4236, 7-15-4237 and 7-15-7279. The bill revises tax increment financing laws, requires a public meeting with opportunity for public comment for urban renewal agencies, requires local government annual financial reports to include information on the financial activities of districts using tax increment financing, and requires an urban renewal agency to include certain additional information in its annual report. The bill was effective October 1, 2017. ¹

State Reimbursements

FY17 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 issued bonds in the NRSS URD during fiscal year 2016 with a term of 20 years, extending the life of that district to 2035 if the bonds are not retired early. The bonds facilitated the construction of a new five story office building and the first phase of a large housing project, both of which were completed in fiscal year 2017.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Currently Known Facts (Continued)

It is anticipated that additional bonds will be issued in fiscal year 2018 for phase two and three infrastructure improvements for the housing project. 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 was completed in fiscal year 2017.

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. Three new housing projects have been completed in the Old Sawmill District and others are under construction 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. This project was completed in fiscal year 2017 and the bond issue extends the life of URD III until 2040.

A second bond in the amount of \$7.065 million was issued in October 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. The majority of work on that street was performed in fiscal year 2017 with the street anticipated to open in early fiscal year 2018.

During fiscal year 2017, Montana Rail Link agreed to sell a 12 acre tract of land in URD III to the City at a greatly reduced price enabling the MRA to build a much needed park for the neighborhood along with one of the last missing Bitterroot Trail segments. The sale was closed on May 2, 2017 and planning for the trail and park began shortly thereafter. Construction of the trail will be completed in fiscal year 2018 and it is hoped that the park will be on a similar schedule. The park will occupy approximately 4 acres and the balance will be developed as a mixed use project with an emphasis on a mix of housing types and price points in a public/private partnership. There are currently three tenants on the property and the relocation of those tenants will dictate when the rest of the development will take place.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

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, improvements to Caras Park and A Carousel for Missoula, and assistance with the redevelopment of the historic Missoula Mercantile property which is a catalyst project identified in the Master Plan. The construction of the student housing and Mercantile projects began in fiscal year 2017 and will be completed in fiscal year 2018. The Downtown Master Plan Implementation Committee has acknowledged the need for an update to the Plan and began identifying funding sources with a goal of beginning the update in fiscal year 2018.

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. Several extensions were granted to study the feasibility of a larger hotel and community conference center. Decisions about moving forward with development of a conference center, the size, ownership and management structure continued through fiscal year 2016.

Those discussions continued, resulting in a Master Development Agreement approved in fiscal year 2017 that included a hotel, large conference center, three floors of residential condos and structured parking. The hotel/conference center is another important component in the implementation of the Downtown Master Plan.

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 Streets in the Riverfront Triangle URD. 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. During fiscal year 2017, the Agency approved a request for tax increment financing assistance for deconstruction/demolition and public improvements in the City's right of ways. The building will be completed in fiscal year 2018.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2017

Currently Known Facts (Continued)

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 almost 14 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 approved funding to install sidewalks in this area in fiscal year 2017 with the work to be completed in fiscal year 2018.

Summary

The Agency will work with its partner organizations to update and continue implementation 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 implementation of the NRSS URD Master Plan, redevelopment in the Front Street URD, and redevelopment of the Riverfront Triangle property.

Missoula Redevelopment Agency
Ellen Buchanan
Director

1. Megan Moore, R. A. (June 2017). *Summary of Tax Legislation Enacted and Vetoed During the 2017 Legislative Session.*

FINANCIAL STATEMENTS

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

STATEMENT OF NET POSITION

June 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities
CURRENT ASSETS	
Cash and investments	\$ 10,322,564
Taxes/assessments receivable, net	313,547
Current portion of notes receivable - unrelated	13,337
Current portion of notes receivable - primary government	16,870
Other current assets	204,316
Due from other governments	<u>84,649</u>
Total current assets	<u>10,955,283</u>
NONCURRENT ASSETS	
Notes receivable - unrelated	74,121
Notes receivable - primary government	581,690
Restricted cash	<u>675,665</u>
Total noncurrent assets	<u>1,331,476</u>
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on debt refunding	18,287
Pension contributions and adjustments	<u>90,278</u>
Total deferred outflows of resources	<u>108,565</u>
Total assets and deferred outflows of resources	<u>\$ 12,395,324</u>

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, 2017

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	Governmental Activities
CURRENT LIABILITIES	
Accounts payable	\$ 2,690,001
Accrued wages	9,510
Accrued interest	1,900
Compensated absences	69,765
Current portion of notes payable	102,000
Current portion of guarantor payable	16,874
Current portion of tax increment revenue bonds payable	<u>357,500</u>
Total current liabilities	<u>3,247,550</u>
NONCURRENT LIABILITIES	
Post employment benefits	37,224
Compensated absences, less current portion	24,200
Net pension liability	477,765
Notes payable, less current portion	4,165,068
Guarantor payable, less current portion	40,893
Tax increment revenue bonds payable, less current portion	<u>23,841,380</u>
Total noncurrent liabilities	<u>28,586,530</u>
Total liabilities	<u>31,834,080</u>
DEFERRED INFLOWS OF RESOURCES	
Pension adjustments	<u>1,581</u>
NET POSITION	
Restricted for debt service	675,665
Unrestricted	<u>(20,116,002)</u>
Total net position	<u>(19,440,337)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,395,324</u>

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 ACTIVITIES

For the Year Ended June 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Governmental Activities</u>
<u>Governmental Activities</u>		
Housing and community development	\$ 11,420,490	\$ (11,420,490)
Interest expense	<u>1,038,938</u>	<u>(1,038,938)</u>
Total governmental activities	<u>12,459,428</u>	<u>(12,459,428)</u>
 Total primary government	 <u>\$ 12,459,428</u>	 <u>(12,459,428)</u>
<u>General Revenues</u>		
Property taxes for general purposes		3,923,638
State contribution - PERS		8,860
State entitlement funds (HB124)		255,260
Personal property reimbursement (SB372 and SB96)		528,472
Miscellaneous		<u>24,991</u>
Total general revenues		<u>4,741,221</u>
 Change in net position		 (7,718,207)
 Net Position		
Beginning of year		<u>(11,722,130)</u>
End of year		<u>\$ (19,440,337)</u>

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, 2017

	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	\$ 1,534,652	\$ 6,767,447	\$ 744,100	\$ 36,961	\$ 400,485	\$ 838,875	\$10,322,564
Taxes/assessments receivable, net	3,369	-	-	-	-	-	310,178	313,547
Current portion of notes receivable - unrelated	-	-	13,337	-	-	-	-	13,337
Current portion of notes receivable - primary government	-	12,194	2,296	-	-	2,380	-	16,870
Other current assets	-	-	33,391	-	-	-	170,925	204,316
Due from other governments	-	-	-	-	-	-	84,649	84,649
Interfund receivable	-	115,309	79,037	25,123	-	2,487	-	221,956
	<u>3,413</u>	<u>1,662,155</u>	<u>6,895,508</u>	<u>769,223</u>	<u>36,961</u>	<u>405,352</u>	<u>1,404,627</u>	<u>11,177,239</u>
NONCURRENT ASSETS								
Notes receivable - unrelated	-	-	74,121	-	-	-	-	74,121
Notes receivable - primary government	-	425,015	78,052	-	-	78,623	-	581,690
Restricted cash	-	-	-	-	-	-	675,665	675,665
	-	425,015	152,173	-	-	78,623	675,665	1,331,476
Total assets	<u>\$ 3,413</u>	<u>\$ 2,087,170</u>	<u>\$ 7,047,681</u>	<u>\$ 769,223</u>	<u>\$ 36,961</u>	<u>\$ 483,975</u>	<u>\$ 2,080,292</u>	<u>\$12,508,715</u>
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable	\$ -	\$ 15,769	\$ 2,446,620	\$ 2,642	\$ -	\$ 224,970	\$ -	\$ 2,690,001
Accrued wages	-	-	9,510	-	-	-	-	9,510
Interfund payable	-	-	-	-	-	-	221,956	221,956
Accrued interest payable	-	-	-	-	-	-	1,900	1,900
Total liabilities	-	15,769	2,456,130	2,642	-	224,970	223,856	2,923,367
DEFERRED INFLOW OF RESOURCES								
Uncollected tax revenue	3,369	-	-	-	-	-	172,872	176,241
Total deferred inflow of resources	3,369	-	-	-	-	-	172,872	176,241
FUND BALANCES								
Nonspendable	-	-	78,860	-	-	-	-	78,860
Restricted	44	2,071,401	4,512,691	766,581	36,961	259,005	1,683,564	9,330,247
Total fund balance	44	2,071,401	4,591,551	766,581	36,961	259,005	1,683,564	9,409,107
Total liabilities deferred inflows and fund balances	<u>\$ 3,413</u>	<u>\$ 2,087,170</u>	<u>\$ 7,047,681</u>	<u>\$ 769,223</u>	<u>\$ 36,961</u>	<u>\$ 483,975</u>	<u>\$ 2,080,292</u>	<u>\$12,508,715</u>

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, 2017

Total fund balances - governmental funds	\$ 9,409,107
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	176,241
Deferred outflows of resources related to unamortized loss on debt refunding are applicable to future periods and, therefore, are not reported in the funds	18,287
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	90,278
Deferred inflows of resources related to pensions	(1,581)
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	<u>(29,132,669)</u>
Total net position - governmental activities	<u><u>\$ (19,440,337)</u></u>

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 BALANCES
– GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,899,101	\$ 3,899,101
State contribution - PERS	-	-	8,860	-	-	-	-	8,860
State entitlement funds (HB124)	-	-	-	-	-	-	255,260	255,260
Personal property reimbursement (SB372 and SB96)	-	-	-	-	9,316	-	519,156	528,472
Miscellaneous	-	-	1,429	-	-	-	23,562	24,991
Total revenues	-	-	10,289	-	9,316	-	4,697,079	4,716,684
EXPENDITURES								
Housing and community development	-	207,124	5,713,010	117,422	-	467,849	-	6,505,405
Capital outlay	-	17,751	4,819,650	842	-	-	-	4,838,243
Debt service expense - interest	-	-	-	-	-	-	1,038,938	1,038,938
Debt service expense - principal	-	-	-	-	-	-	823,765	823,765
Total expenditures	-	224,875	10,532,660	118,264	-	467,849	1,862,703	13,206,351
Excess (deficiency) of revenues over expenditures	-	(224,875)	(10,522,371)	(118,264)	9,316	(467,849)	2,834,376	(8,489,667)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	1,233,645	1,451,780	119,877	-	39,717	2,091,394	4,936,413
Transfers out	-	(250,000)	-	-	-	(12,897)	(4,673,516)	(4,936,413)
Transfers to other governments	-	-	-	(1,433,915)	-	-	-	(1,433,915)
Issuance of long-term debt	-	-	7,000,000	1,500,488	-	645,166	-	9,145,654
Total other financing sources (uses)	-	983,645	8,451,780	186,450	-	671,986	(2,582,122)	7,711,739
Net change in fund balances	-	758,770	(2,070,591)	68,186	9,316	204,137	252,254	(777,928)
FUND BALANCES								
Beginning of year	44	1,312,631	6,662,142	698,395	27,645	54,868	1,431,310	10,187,035
End of year	<u>\$ 44</u>	<u>\$ 2,071,401</u>	<u>\$ 4,591,551</u>	<u>\$ 766,581</u>	<u>\$ 36,961</u>	<u>\$ 259,005</u>	<u>\$ 1,683,564</u>	<u>\$ 9,409,107</u>

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 BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2017

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (777,928)
Proceeds from long-term debt agreements are revenues in the statement of activities, but do not provide current financial resources to the governmental funds	(9,145,654)
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	24,537
The change in compensated absences payable is reported in the statement of activities as an expense	(11,864)
The change in the other postemployment benefits is reported in the statement of activities as an expense	(8,118)
The change in the proportionate share of the net pension liability related to proportionate share of collective pension expense is reported on the statement of activities as an expense	(65,720)
On-behalf State contributions to pensions are revenues in the statement of activities, but do not provide current financial resources to the governmental fund	8,860
Proceeds from the modification of a long-term debt agreement are revenues in the statement of activities, but do not provide current financial resources to the governmental fund	1,433,915
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	<u>823,765</u>
Change in net position - statement of activities	<u><u>\$ (7,718,207)</u></u>

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

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 2041 through the issuance of a revenue bond on January 12, 2017. 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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
- Hellgate District – used to account for all activities of Hellgate District (no activity)

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

<u>Order</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>
First:	Restricted	Assigned
Second:	Committed	Committed
Third:	Assigned	Restricted
Fourth:	Unassigned	Unassigned

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Budgets and Budgetary Accounting (Continued)

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.

New Accounting Pronouncements

The Agency has adopted the provisions of the following GASB pronouncements for fiscal year 2017:

- *Statement No. 77 – Tax Abatement Disclosures*. This Statement addresses the disclosure of tax abatements within the notes to the financial statements. The Statement provides guidance for the reporting of (1) the total tax abated in the current fiscal year, (2) the general description of each tax abatement, and (3) any obligations the Agency incurred with respect to the approved abatement program. This Statement is effective for fiscal years beginning after December 15, 2015. For the year ended June 30, 2017, the Agency had no tax abatements.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2016 property tax billing are as follows:

	<u>Taxable Value</u>	<u>Increment Value</u>
Urban Renewal District II	\$ 3,948,513	\$ 2,088,690
Urban Renewal District III	10,098,332	1,925,488
Front Street Urban Renewal District	1,818,814	405,779
Riverfront Triangle Urban Renewal District	112,904	-
Hellgate Urban Renewal District	982,778	-
North Reserve Scott Street Urban Renewal District	1,563,627	103,839

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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	\$ 10,853,775
Cash on Hand	8,875
Certificates of Deposit	135,579
Less restricted cash held for debt service reserve	<u>(675,665)</u>
	<u><u>\$ 10,322,564</u></u>

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 3. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2017:

Prepaid expenses	\$ 4,739
Other receivables	<u>199,577</u>
	<u>\$ 204,316</u>

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, 2017, the note had an outstanding balance of \$24,400. In May 2014 and December 2015, the Agency executed additional note receivables under its Façade Improvement Program in the amount of \$10,368 and \$62,000, respectively. The notes bear interest at 0% and call for annual payments of \$1,037 and \$6,200, respectively, over ten years. At June 30, 2017, the notes had an outstanding balance of \$7,258 and \$55,800, respectively.

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, 2016 and 2017, the Agency executed additional notes in relation to the Water Main Extension Contracts and fire hydrant installations with Mountain Water Company for \$508,261, \$40,781 and \$73,464, respectively. The notes bear interest at 0% and call for annual payments over forty years. In June 2017, the City of Missoula assumed all of the Mountain Water notes. At June 30, 2017, the outstanding balance of all the City of Missoula notes was \$437,209, \$80,348 and \$81,003 in URD II, URD III, and the NRSS, respectively.

Collections to maturity at June 30, 2017, are as follows:

Year Ending June 30,	Principal
2017	\$ 30,207
2018	30,207
2019	30,207
2020	30,207
2021	30,207
Thereafter	<u>534,983</u>
Total	<u>\$ 686,018</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Debt Retired	Ending Balance	Current Portion
Compensated Absences	\$ 82,101	\$ 11,864	\$ -	\$ 93,965	\$ 69,765
Notes Payable	5,853,639	-	(1,586,571)	4,267,068	102,000
Guarantor Payable	57,767	-	-	57,767	16,874
Bonds Payable	<u>15,706,047</u>	<u>9,145,654</u>	<u>(652,821)</u>	<u>24,198,880</u>	<u>357,500</u>
Total	<u>\$ 21,699,554</u>	<u>\$ 9,157,518</u>	<u>\$ (2,239,392)</u>	<u>\$ 28,617,680</u>	<u>\$ 546,139</u>

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 revenue, 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, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	155,000	94,625	249,625
2023-2027	890,000	346,898	1,236,898
2028-2032	<u>880,000</u>	<u>106,875</u>	<u>986,875</u>
Total	<u>\$ 2,475,000</u>	<u>\$ 989,898</u>	<u>\$ 3,464,898</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 revenue 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 revenue, 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, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 137,000	\$ 75,332	\$ 212,332
2019	281,000	144,160	425,160
2020	290,000	135,230	425,230
2021	299,000	126,032	425,032
2022	308,000	116,534	424,534
2023-2027	1,696,000	431,455	2,127,455
2028-2032	<u>1,772,000</u>	<u>142,414</u>	<u>1,914,414</u>
Total	<u>\$ 4,783,000</u>	<u>\$ 1,171,157</u>	<u>\$ 5,954,157</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 revenue, 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, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 40,500	\$ 32,459	\$ 72,959
2019	83,500	62,326	145,826
2020	87,000	58,735	145,735
2021	91,000	54,995	145,995
2022	95,000	51,085	146,085
2023-2027	538,500	190,687	729,187
2028-2032	<u>592,000</u>	<u>64,676</u>	<u>656,676</u>
Total	<u>\$ 1,527,500</u>	<u>\$ 514,963</u>	<u>\$ 2,042,463</u>

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Safeway Bonds (Continued)

Repayment of the debt service deficiency to the Guarantor at June 30, 2017, is scheduled as follows:

Year Ending June 30,	Principal
2018	\$ 16,874
2019	15,177
2020	8,825
2021	12,995
2022	3,896
Total	<u>\$ 57,767</u>

Debt service requirements to maturity on the tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 50,000	\$ 83,574	\$ 133,574
2019	60,000	79,925	139,925
2020	60,000	75,755	135,755
2021	65,000	71,585	136,585
2022	70,000	66,894	136,894
2023-2027	435,000	220,836	655,836
2028-2032	<u>475,000</u>	<u>77,840</u>	<u>552,840</u>
Total	<u>\$ 1,215,000</u>	<u>\$ 676,409</u>	<u>\$ 1,891,409</u>

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 4.35%, 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. 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

South Reserve Street Pedestrian Bridge Bonds (Continued)

Debt service requirements to maturity on the December 2016 tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 106,031	\$ 106,031
2019	130,000	209,235	339,235
2020	135,000	203,471	338,471
2021	140,000	197,490	337,490
2022	145,000	191,291	336,291
2023-2027	825,000	854,014	1,679,014
2028-2032	1,020,000	654,240	1,674,240
2033-2037	1,260,000	407,378	1,667,378
2038-2040	<u>1,220,000</u>	<u>108,968</u>	<u>1,328,968</u>
Total	<u>\$ 4,875,000</u>	<u>\$ 2,932,118</u>	<u>\$ 7,807,118</u>

North Reserve/Scott Street Bonds

In December 2015, the City of Missoula approved the sale of \$1,364,400 of Senior Subordinate 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 the NRSS District. The bond resolution requires, among other things, that NRSS District's tax increment revenue, 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 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

North Reserve/Scott Street Bonds (Continued)

Debt service requirements to maturity on the December 2015 tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 26,812	\$ 26,812
2019	-	60,379	60,379
2020	-	58,230	58,230
2021	-	55,732	55,732
2022	-	53,121	53,121
2023-2027	-	222,073	222,073
2028-2032	-	136,460	136,460
2033-2037	<u>822,892</u>	<u>33,358</u>	<u>856,250</u>
Total	<u>\$ 822,892</u>	<u>\$ 646,165</u>	<u>\$ 1,469,057</u>

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

Front Street Series A Bonds

In December 2016, the City of Missoula approved the sale of \$1,162,500 of Tax Increment Urban Renewal Subordinate Lien Revenue Refunding Bonds in the Front Street District. The bonds were issued to refund the taxable portion of the Series 2010 First Interstate Bank Note. The bonds were issued at par, bear interest of 5.75%, and are secured by a subordinate lien upon and pledge of tax increment revenues derived from Front Street District. The bond resolution requires, among other things, that Front Street District'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 Front Street 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series A Bonds (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 64,801	\$ 64,801
2019	23,500	66,168	89,668
2020	25,000	64,774	89,774
2021	26,500	63,293	89,793
2022	28,000	61,726	89,726
2023-2027	166,000	281,808	447,808
2028-2032	220,000	226,694	446,694
2033-2037	289,500	153,884	443,384
2038-2042	<u>384,000</u>	<u>57,644</u>	<u>441,644</u>
Total	<u>\$ 1,162,500</u>	<u>\$ 1,040,792</u>	<u>\$ 2,203,292</u>

The Agency increased its aggregate debt service payments by 153,521 over the next 25 years by refunding the prior debt and there was an economic gain on the refunding of \$114,419. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. In accordance with GASB Statement No. 65 (GASB 65) this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. At June 30, 2017, the City reports deferred outflows of resources in the amount of \$18,287 related to the refunding bonds. The deferred charges will be amortized as a component of interest expense in the Statement of Revenues, Expenses and Changes in Fund Balances.

Front Street Series B Bonds

In December 2016, the City of Missoula approved the sale of \$277,500 of Tax Increment Urban Renewal Subordinate Lien Revenue Refunding Bonds in the Front Street District. The bonds were issued to refund the portion of the Series 2010 First Interstate Bank Note related to financing the 2010 public improvement. The bonds were issued at par, bear interest of 4.50%, and are secured by a subordinate lien upon and pledge of tax increment revenues derived from Front Street District. The bond resolution requires, among other things, that Front Street District'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 Front Street 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series B Bonds (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 12,106	\$ 12,106
2019	6,500	12,341	18,841
2020	7,000	12,038	19,038
2021	7,000	11,722	18,722
2022	7,500	11,396	18,896
2023-2027	43,500	51,401	94,901
2028-2032	54,500	40,421	94,921
2033-2037	67,500	26,719	94,219
2038-2042	<u>84,000</u>	<u>9,788</u>	<u>93,788</u>
Total	<u>\$ 277,500</u>	<u>\$ 187,932</u>	<u>\$ 465,432</u>

Information regarding the change in cash flow and economic gain related to the refunding are noted above under Front Street Series A Bonds. The refunding was completed with the issuance of both the Front Street Series A and B Bonds.

Front Street Series C Bonds

In December 2016, the City of Missoula approved the sale of \$3,260,500 of Tax Increment Urban Renewal Subordinate Lien Revenue Bonds in the Front Street District. The bonds will be used to acquire a public parking unit to be owned and operated by the Missoula Parking Commission as well as fund the issuance costs. The bonds were issued as subordinate debt to the 2014 bonds and any future debt issued at parity with the 2014 bonds approved by the Front Street 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 Front Street District. The bond resolution requires, among other things, that Front Street District'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 the Front Street 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Front Street Series C Bonds (Continued)

Debt service requirements to maturity on the January 2017 tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 3,342	\$ 3,342
2019	-	87,423	87,423
2020	-	146,093	146,093
2021	-	143,460	143,460
2022	-	139,365	139,365
2023-2027	-	628,706	628,706
2028-2032	-	494,843	494,843
2033-2037	-	327,881	327,881
2038-2042	<u>60,488</u>	<u>119,936</u>	<u>180,424</u>
Total	<u>\$ 60,488</u>	<u>\$ 2,091,049</u>	<u>\$ 2,151,537</u>

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, 2041.

URD III Series A – Mary Avenue West Bonds

In June 2017, the City of Missoula approved the sale of \$1,600,000 of Tax Increment Urban Renewal Revenue Bonds in District III. The bonds were issued to fund certain public improvements and extensions to Mary Avenue from the Bitterroot Branch Railroad Line westward to Reserve Street. The bonds were issued on parity with other URD III bonds. The bonds were issued at par, bear interest of 4.65%, 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. 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, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

URD III Series A – Mary Avenue West Bonds (Continued)

Debt service requirements to maturity on the June 2017 tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 39,060	\$ 39,060
2019	40,000	73,470	113,470
2020	40,000	71,610	111,610
2021	45,000	69,634	114,634
2022	45,000	67,541	112,541
2023-2027	270,000	302,250	572,250
2028-2032	335,000	232,284	567,284
2033-2037	415,000	145,196	560,196
2038-2042	<u>410,000</u>	<u>39,292</u>	<u>449,292</u>
Total	<u>\$ 1,600,000</u>	<u>\$ 1,040,337</u>	<u>\$ 2,640,337</u>

URD III – Mary Avenue East Bonds

In January 2016, the City of Missoula approved the sale of \$7,065,000 of Tax Increment Urban Renewal Revenue Bonds in District III. The bonds were issued to fund certain infrastructure improvements in connection with the Southgate Mall Project. The bonds were on parity with other URD III bonds. The bonds were issued at par, bear interest of 4.35%, 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. 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, as provided by state law.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

URD III – Mary Avenue East Bonds

Debt service requirements to maturity on the June 2017 tax increment bonds at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 24,717	\$ 24,717
2019	-	24,717	24,717
2020	-	24,819	24,819
2021	-	24,750	24,750
2022	-	24,131	24,131
2023-2027	-	80,707	80,707
2028-2031	<u>5,400,000</u>	<u>16,468</u>	<u>5,416,468</u>
Total	<u>\$ 5,400,000</u>	<u>\$ 220,309</u>	<u>\$ 5,620,309</u>

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, 2040.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

MPC Note Payable (Continued)

Debt service requirements to maturity on the MPC note payable at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	114,000	91,470	205,470
2023-2027	634,000	390,310	1,024,310
2028-2032	764,000	253,352	1,017,352
2033-2037	<u>728,000</u>	<u>80,305</u>	<u>808,305</u>
Total	<u>\$ 2,674,000</u>	<u>\$ 1,214,017</u>	<u>\$ 3,888,017</u>

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Brownfields RLF Note Payable (Continued)

Debt service requirements to maturity on the Brownfields note payable at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 24,717	\$ 24,717
2019	-	24,717	24,717
2020	-	24,819	24,819
2021	-	24,750	24,750
2022	177,562	24,131	201,693
2022-2026	887,812	80,707	968,519
2027-2031	<u>527,694</u>	<u>16,468</u>	<u>544,162</u>
Total	<u>\$ 1,593,068</u>	<u>\$ 220,309</u>	<u>\$ 1,813,377</u>

2010 Series 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 agreed to a repayment schedule that included a subordinate note that was to be financed by the Bank's guaranteed minimum tax payments over 25 years at 6.55%.

On January 12, 2017, the Agency issued two subordinate lien revenue refunding bonds, Series 2017A and Series 2017B, which is a current refunding of the above note. Additional details related to the refunding are included above under the Series 2017A and Series 2017B Front Street Bonds. Due to the refunding, the Bank note was paid in full as of June 30, 2017.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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, 2017, the Agency had commitments totaling \$7,995,911 that will be financed from operating funds and bond proceeds.

Urban Renewal District II:

Public:

California Street Improvements	\$ 10,812
Garden City Harvest	36,500
Legal Services	10,000
Missoula Food Bank	185,000
Missoula Housing Authority	4,475
Wayfinding & Entry Features	77,750
West Broadway Island	11,739

Program:

Unidentified Program Projects	<u>165,685</u>
	<u>\$ 501,961</u>

Front Street Urban Renewal District:

Public:

Caras Park	\$ 56,103
MUTD/UM Transit Study	10,000

Private:

Lee Gordon Place - 503 East Front Street	<u>81,220</u>
	<u>\$ 147,323</u>

North Reserve/Scott Street Urban Renewal District:

Private:

Consumer Direct	\$ 164,748
Edgell	<u>159</u>
	<u>\$ 164,907</u>

MISSOULA REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 6. COMMITMENTS (CONTINUED)

Urban Renewal District III:

Facade Improvement:

Uncommitted Program Funds	\$ 107,200
2000 South Ave West	42,800
Berkshire Hathaway	50,000
Missoula Organization of Realtors (MOR)	50,000
YWCA-Secret Seconds	50,000

Public:

Agnes Avenue Shared Use Path	21,773
Bitterroot Trail	105,088
Bond Services	100,000
Brooks Street Corridor	168,772
Design Standards Consultant	25,000
Mary Avenue East - Bond	2,575,457
Mary Avenue West - Bond	1,357,131
MRL Property on Johnson Street	41,900
S Reserve St Trail Crossing	876,429
Sidewalks - Clark Street	234,616
Wayfinding & Entry Features	125,750

Private:

2000 South Avenue West	19,775
Berkshire Hathaway	14,940
Lucky Strike/Five Valleys Bowl	541,172
Morrison-Maierle Office	221,366
onXmaps	291,341
South Crossing (Woodbury)	94,499
Stevenson Building	29,377
YWCA-Secret Seconds	37,334
	<u>\$ 7,181,720</u>

NOTE 7. PENSION PLAN

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (PERS or the Plan). Employers are required to record and report their proportionate share of the collective net pension liability (NPL); pension expense; and deferred inflows and deferred outflows of resources associated with pensions.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The Agency uses a June 30, 2016 and 2015 measurement date for the 2017 and 2016 reporting, respectively.

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

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

	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Agency's Proportionate Share	\$ 477,765	\$ 331,558	0.02805%	0.02372%	0.00433%
State of Montana Proportionate Share associated with Agency	5,838	4,073	0.00034%	0.00029%	0.00005%
Total	<u>\$ 483,603</u>	<u>\$ 335,631</u>	<u>0.02839%</u>	<u>0.02401%</u>	<u>0.00438%</u>

The Table above displays the Agency's share of the NPL for June 30, 2017 and 2016. The Agency's proportionate share of the NPL was based on the Agency's contributions received by the PERS during the measurement period July 1, 2014 through June 30, 2015 and July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERS' participating employers. As of June 30, 2017 and 2016, the Agency recorded a liability of \$477,765 and \$331,558 and the Agency's appropriate share was 0.02805% and 0.02372%, 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 NPL and June 30, 2017, there were no changes in proportion that would have an effect on the Agency's proportionate share of the collective NPL since the previous measurement date.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. PENSION PLAN (CONTINUED)

Pension Expense

	Pension Expense <u>as of 6/30/2017</u>	Pension Expense <u>as of 6/30/2016</u>
Agency's		
Proportionate Share of PERS	\$ 37,593	\$ 15,025
State of Montana Proportionate Share associated with the Agency	489	255
State of Montana Coal Tax associated with the Agency	<u>8,371</u>	<u>8,030</u>
Total	<u><u>\$ 45,964</u></u>	<u><u>\$ 23,055</u></u>

At June 30, 2017 and 2016, the Agency recognized its proportionate share of the PERS' Pension Expense of \$37,593 and \$15,025, respectively. The Agency also recognized grant revenue of \$489 and \$255, respectively, 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 \$8,371 and \$8,030 from the Coal Tax Fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, 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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ 2,579	\$ 1,581
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	44,948	-
Changes in proportionate differences between Agency contributions and proportionate share of contributions	11,947	-
Difference between actual and expected contributions	-	-
Contributions paid to PERS subsequent to the measurement date – fiscal year 2017*	<u>30,804</u>	<u>-</u>
Total	<u><u>\$ 90,278</u></u>	<u><u>\$ 1,581</u></u>

*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, 2018.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. PENSION PLAN (CONTINUED)

Recognition of Deferred Inflows and Outflows (Continued)

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

Year Ended <u>June 30:</u>	Amounts of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to <u>Pension Expense</u>
2017	\$2,176
2018	2,176
2019	25,542
2020	16,050
2021	-
Thereafter	-

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 (Defined Contribution Retirement Plan) 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.
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Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.
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MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. PENSION PLAN (CONTINUED)

Summary of Benefits (Continued)

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

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

MISSOULA REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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.

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 year and remains below 25 years following the reduction of both the additional employer and member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. PENSION PLAN (CONTINUED)

Overview of Contributions (Continued)

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.

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, actuarial valuation and applying standard roll forward procedures to update the total pension liability to June 30, 2016. 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:

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

MISSOULA REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. PENSION PLAN (CONTINUED)

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period covering fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			<u>3.00%</u>
Portfolio Return Expectation			7.37%

Sensitivity Analysis

	<u>1.0% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1.0% Increase (8.75%)</u>
City of Missoula's Net Pension Liability	\$ 26,201,138	\$ 18,056,380	\$11,040,468
Missoula Redevelopment Agency's Net Pension Liability	\$ 693,272	\$ 447,765	\$ 292,126

The sensitivity of the NPL to the discount rate is shown in the table above. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies

Montana Public Employee Retirement Administration (MPERA) prepared its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, the fiduciary net position; and additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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 statute 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:

	<u>Transfers In</u>	<u>Transfers Out</u>
Urban Renewal District II	\$ 1,233,645	\$ 250,000
Urban Renewal District III	1,451,780	-
Front Street URD	119,877	-
NRSS URD	39,717	12,897
Debt Service	<u>2,091,394</u>	<u>4,673,516</u>
	<u>\$ 4,936,413</u>	<u>\$ 4,936,413</u>

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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.

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 is 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, 2017.

Coverage	Retiree Contribution	MRA Contribution	Total Premium
Retiree	\$ 651.79	\$ 115.02	\$ 766.81
Retiree, spouse	750.72	132.48	883.20
Retiree, spouse, child	791.87	139.74	931.61
Retiree, spouse, 2 children	833.02	147.00	980.02
Retiree, spouse, 3 children	874.17	154.26	1,028.43
Retiree, spouse, 4 children	915.32	161.52	1,076.84
Retiree, child	692.94	122.28	815.22
Retiree, 2 children	734.09	129.54	863.63
Retiree, 3 children	775.24	136.80	912.04
Retiree, 4 children	816.39	144.06	960.45

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

Based on an actuarial study prepared as of June 30, 2017, the Agency's portion of the annual other postemployment benefit cost was \$8,118 for the fiscal year ended June 30, 2017. 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 \$29,106 to \$37,224 at June 30, 2017. A schedule of the Agency's annual OPEB cost is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution (ARC)	\$ 11,937	\$ 7,058	\$ 5,931
Interest and ARC Adjustment	<u>(594)</u>	<u>(370)</u>	<u>(323)</u>
Annual OPEB cost	11,343	6,688	5,608
Contributions made	<u>(3,225)</u>	<u>(2,948)</u>	<u>(2,081)</u>
Change in net OPEB obligation	8,118	3,740	3,527
Net OPEB obligation - beginning of year	<u>29,106</u>	<u>25,366</u>	<u>21,839</u>
Net OPEB obligation - end of year	<u><u>\$ 37,224</u></u>	<u><u>\$ 29,106</u></u>	<u><u>\$ 25,366</u></u>
Percentage of annual OPEB cost contributed	28%	44%	37%

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 is included below.

As of June 30, 2017, the Agency's portion of the plan had an unfunded accrued actuarial liability of \$116,351. 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 \$417,647 for fiscal year 2017; the unfunded actuarial liability was 28% 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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial calculations are performed every two years with the last calculation performed as of June 30, 2017. For the actuarial valuation performed at June 30, 2017, the projected unit credit actuarial cost method was used. The health care cost trend rate was 6.8% for 2017 and grades down to 5% over a nine year period. The assumed discount and long-term rate of return was 3.13%. 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, 2017.

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 \$148,636 for administrative services (\$119,135), pro rata contribution to the City's employee health benefits fund (\$4,131), worker's compensation fund (\$4,113), and other various expense (\$21,257).

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

In June 2017, the City of Missoula acquired Mountain Water Company and assumed all of the notes between Mountain Water and the Agency. See Note 4 for additional information.

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 12. GOVERNMENTAL FUND BALANCE REPORTING AND SPENDING PRIORITIES (CONTINUED)

At June 30, 2017, the Agency had a total fund balance in Governmental funds of \$9,409,107. In accordance with GASB Statement No. 54 this fund balance has been classified as follows:

Special Revenue Funds		
Nondisposable	\$ 78,860	Prepaid expenses and notes receivable
Restricted	7,646,683	Restricted for urban renewal development
Debt Service		
Restricted	<u>1,683,564</u>	Restricted for debt service
	<u>\$ 9,409,107</u>	

NOTE 13. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, pursuant to Resolution 8229, the Agency issued \$723,514 Series 2017 NRSS tax increment senior subordinate bonds on December 21, 2017, related to the Scott Street Village Phase 2-3 improvements. The bonds were issued at par, bear interest of 4.75%, and are secured by a senior subordinate lien upon and pledge of tax increment revenues derived from the NRSS District.

NOTE 14. DEFICIT NET POSITION

As of June 30, 2017, the Agency had a deficit net position of \$19,440,337. Liabilities and deferred inflows exceed assets and deferred outflows 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, 2017

	Urban Renewal District II				Urban Renewal District III			
	Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final			Original	Final		
Budgetary Fund Balance, July 1, 2016	\$ 1,312,631	\$ 1,312,631	\$ 1,312,631	\$ -	\$ 6,662,142	\$ 6,662,142	\$ 6,662,142	\$ -
Resources (Inflows):								
Miscellaneous	-	-	-	-	7,100,000	-	1,429	1,429
Investment earnings (expense)	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	-	-	-	-
State contribution PERS	-	-	-	-	-	-	8,860	8,860
State personal property tax reimbursement	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Long-term debt proceeds	-	-	-	-	-	7,000,000	7,000,000	-
Transfers in	<u>1,121,177</u>	<u>1,270,190</u>	<u>1,233,645</u>	<u>(36,545)</u>	<u>1,651,738</u>	<u>1,779,484</u>	<u>1,451,780</u>	<u>(327,704)</u>
Amounts available for appropriation	<u>\$ 2,433,808</u>	<u>\$ 2,582,821</u>	<u>2,546,276</u>	<u>\$ (36,545)</u>	<u>\$ 15,413,880</u>	<u>\$ 15,441,626</u>	<u>15,124,211</u>	<u>\$ (317,415)</u>
Charges to Appropriations (Outflows):								
Housing and community development	\$ 2,101,766	\$ 2,222,821	207,124	\$ 2,015,697	\$ 10,522,361	\$ 9,873,532	5,713,010	\$ 4,160,522
Capital outlay	110,000	110,000	17,751	92,249	5,268,094	5,268,094	4,819,650	448,444
Transfers to other governments	-	-	-	-	-	-	-	-
Transfers out	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>\$ 2,461,766</u>	<u>\$ 2,582,821</u>	<u>474,875</u>	<u>\$ 2,107,946</u>	<u>\$ 15,790,455</u>	<u>\$ 15,141,626</u>	<u>10,532,660</u>	<u>\$ 4,608,966</u>
Budgetary Fund Balance, June 30, 2017			<u>\$ 2,071,401</u>				<u>\$ 4,591,551</u>	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)
For the Year Ended June 30, 2017

	Front Street District				Riverfront Triangle District			
	Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final			Original	Final		
Budgetary Fund Balance, July 1, 2016	\$ 698,395	\$ 698,395	\$ 698,395	\$ -	\$ 27,645	\$ 27,645	\$ 27,645	\$ -
Resources (Inflows):								
Miscellaneous	-	-	-	-	-	-	-	-
Investment earnings (expense)	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	-	-	-	-
State contribution PERS	-	-	-	-	-	-	-	-
State personal property tax reimbursement	-	-	-	-	9,316	9,316	9,316	-
Grant	-	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Long-term debt proceeds	-	1,506,586	1,500,488	(6,098)	-	-	-	-
Transfers in	<u>70,235</u>	<u>90,679</u>	<u>119,877</u>	<u>29,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>\$ 768,630</u>	<u>\$ 2,295,660</u>	<u>2,318,760</u>	<u>\$ 23,100</u>	<u>\$ 36,961</u>	<u>\$ 36,961</u>	<u>36,961</u>	<u>=</u>
Charges to Appropriations (Outflows):								
Housing and community development	\$ 629,034	\$ 676,745	117,422	\$ (559,323)	\$ 36,962	\$ 36,962	-	\$ (36,962)
Capital outlay	-	185,000	842	(184,158)	-	-	-	-
Transfers to other governments	-	1,433,915	1,433,915	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>\$ 629,034</u>	<u>\$ 2,295,660</u>	<u>1,552,179</u>	<u>\$ (743,481)</u>	<u>\$ 36,962</u>	<u>\$ 36,962</u>	<u>-</u>	<u>\$ (36,962)</u>
Budgetary Fund Balance, June 30, 2017			<u>\$ 766,581</u>				<u>\$ 36,961</u>	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS (CONTINUED)
For the Year Ended June 30, 2017

	North Reserve Scott Street District			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, 2016	\$ 54,868	\$ 54,868	\$ 54,868	\$ -
Resources (Inflows):				
Miscellaneous	-	-	-	-
Investment earnings (expense)	-	-	-	-
Tax increment property tax	-	53,510	-	(53,510)
State contribution PERS	-	-	-	-
State personal property tax reimbursement	-	-	-	-
Grant	-	-	-	-
State entitlement	-	-	-	-
Long-term debt proceeds	-	177,726	645,166	467,440
Transfers in	-	-	39,717	39,717
Amounts available for appropriation	<u>\$ 54,868</u>	<u>\$ 286,104</u>	<u>739,751</u>	<u>\$ 453,647</u>
Charges to Appropriations (Outflows):				
Housing and community development	\$ 27,762	\$ 467,849	467,849	\$ -
Capital outlay	-	-	-	-
Transfers to other governments	-	-	-	-
Transfers out	-	12,897	12,897	-
Total charges to appropriations	<u>\$ 27,762</u>	<u>\$ 480,746</u>	<u>480,746</u>	<u>\$ -</u>
Budgetary Fund Balance, June 30, 2017			<u>\$ 259,005</u>	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
SPECIAL REVENUE FUNDS
June 30, 2017

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	\$2,546,276	\$ 15,124,211	\$2,318,760	\$ 36,961	\$ 739,751
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,312,631)	(6,662,142)	(698,395)	(27,645)	(54,868)
Issuance of long-term debt is a budgetary resource but is not a current year revenue for financial reporting purposes	-	(7,000,000)	(1,500,488)	-	(645,166)
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	<u>(1,233,645)</u>	<u>(1,451,780)</u>	<u>(119,877)</u>	<u>-</u>	<u>(39,717)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ -</u>	<u>\$ 10,289</u>	<u>\$ -</u>	<u>\$ 9,316</u>	<u>\$ -</u>
Uses/Outflows of Resources					
Actual total charges to appropriations from the budgetary comparison schedule	\$ 474,875	\$ 10,532,660	\$ 1,552,179	\$ -	\$ 480,746
Transfers to other governments are outflows of budgetary resources but are not expenditures for financial reporting purposes	-	-	(1,433,915)	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,897)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 224,875</u>	<u>\$ 10,532,660</u>	<u>\$ 118,264</u>	<u>\$ -</u>	<u>\$ 467,849</u>

MISSOULA REDEVELOPMENT AGENCY
 (A Component Unit of the City of Missoula)
SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH INSURANCE BENEFIT PLAN
 June 30, 2017

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	-	74,365	74,635	0%	338,507	22%
2017	-	116,351	116,351	0%	417,647	28%

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS
June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability as a percentage	0.02805%	0.02372%	0.02343%
Employer's net pension liability as an amount	\$ 477,765	\$ 331,558	\$ 291,968
State of Montana's net pension liability associated with the Agency	<u>5,838</u>	<u>4,073</u>	<u>3,565</u>
Total	<u><u>\$ 483,603</u></u>	<u><u>\$ 335,631</u></u>	<u><u>\$ 295,533</u></u>
Employer's covered payroll	\$ 335,973	\$ 279,336	\$ 265,198
Employer's proportionate share as a percentage of covered payroll	143.94%	120.15%	111.44%
Plan fiduciary net position as a percentage of the total pension liability	98.79%	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, 2017

Schedule of Contributions for the Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 30,804	\$ 24,657	\$ 22,861
Contributions in relation to the contractually required contributions	<u>30,804</u>	<u>24,657</u>	<u>22,861</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 368,031	\$ 279,336	\$ 265,198
Contributions of covered-employee payroll	8.37%	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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Changes of Benefit Terms

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

2013 Legislative Changes:

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.

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2017

2015 Legislative Changes (Continued):

General Revisions – House Bill 101, effective January 1, 2016 (Continued)

Second Retirement Benefit – for PERS (Continued)

- 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%
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There were no changes following the 2013 Economic Experience study.

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

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75%, 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, 2017

	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	\$ 276,353	\$ 2,196	\$ 57,571	\$ 174,816	\$ -	\$ 293,698	\$ 34,241	\$ 838,875
Taxes/assessments receivable, net	225,619	-	-	23,678	-	58,443	2,438	310,178
Other current assets	-	-	-	81,230	-	89,695	-	170,925
Due from other governments	<u>29,862</u>	<u>-</u>	<u>-</u>	<u>8,631</u>	<u>-</u>	<u>45,893</u>	<u>263</u>	<u>84,649</u>
	<u>531,834</u>	<u>2,196</u>	<u>57,571</u>	<u>288,355</u>	<u>-</u>	<u>487,729</u>	<u>36,942</u>	<u>1,404,627</u>
NONCURRENT ASSETS								
Restricted cash	<u>675,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,665</u>
Total assets	<u>\$ 1,207,499</u>	<u>\$ 2,196</u>	<u>\$ 57,571</u>	<u>\$ 288,355</u>	<u>\$ -</u>	<u>\$ 487,729</u>	<u>\$ 36,942</u>	<u>\$ 2,080,292</u>
LIABILITIES								
CURRENT LIABILITIES								
Interfund payable	\$ 115,309	\$ -	\$ -	\$ 25,123	\$ -	\$ 79,037	\$ 2,487	\$ 221,956
Accrued interest payable	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600</u>	<u>700</u>	<u>-</u>	<u>1,900</u>
Total liabilities	<u>115,909</u>	<u>-</u>	<u>-</u>	<u>25,123</u>	<u>600</u>	<u>79,737</u>	<u>2,487</u>	<u>223,856</u>
DEFERRED INFLOW OF RESOURCES:								
Uncollected tax revenue	<u>140,173</u>	<u>-</u>	<u>-</u>	<u>7,186</u>	<u>-</u>	<u>25,299</u>	<u>214</u>	<u>172,872</u>
Total deferred inflow of resources	<u>140,173</u>	<u>-</u>	<u>-</u>	<u>7,186</u>	<u>-</u>	<u>25,299</u>	<u>214</u>	<u>172,872</u>
FUND BALANCES								
Restricted	<u>951,417</u>	<u>2,196</u>	<u>57,571</u>	<u>256,046</u>	<u>(600)</u>	<u>382,693</u>	<u>34,241</u>	<u>1,683,564</u>
Total fund balances	<u>951,417</u>	<u>2,196</u>	<u>57,571</u>	<u>256,046</u>	<u>(600)</u>	<u>382,693</u>	<u>34,241</u>	<u>1,683,564</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,207,499</u>	<u>\$ 2,196</u>	<u>\$ 57,571</u>	<u>\$ 288,355</u>	<u>\$ -</u>	<u>\$ 487,729</u>	<u>\$ 36,942</u>	<u>\$ 2,080,292</u>

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – COMBINING DEBT SERVICE

For the Year Ended June 30, 2017

	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	\$ 1,783,168	\$ -	\$ -	\$ 354,130	\$ -	\$ 1,671,827	\$ 89,976	\$ 3,899,101
State Entitlement/CMAQ Funds	255,260	-	-	-	-	-	-	255,260
State Personal Property Tax								
Reimbursement	187,331	-	-	53,975	-	277,850	-	519,156
Miscellaneous	<u>-</u>	<u>-</u>	<u>23,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,562</u>
Total revenues	<u>2,225,759</u>	<u>-</u>	<u>23,562</u>	<u>408,105</u>	<u>-</u>	<u>1,949,677</u>	<u>89,976</u>	<u>4,673,517</u>
EXPENDITURES								
<u>Current:</u>								
Interest expense	286,062	24,366	88,299	193,641	68,637	348,953	28,980	1,038,938
Principal expense	<u>393,000</u>	<u>33,726</u>	<u>56,321</u>	<u>137,218</u>	<u>78,500</u>	<u>125,000</u>	<u>-</u>	<u>823,765</u>
Total expenditures	<u>679,062</u>	<u>58,092</u>	<u>144,620</u>	<u>330,859</u>	<u>147,137</u>	<u>473,953</u>	<u>28,980</u>	<u>1,862,703</u>
Excess (deficiency) of revenues over expenditures	<u>1,546,697</u>	<u>(58,092)</u>	<u>(121,058)</u>	<u>77,246</u>	<u>(147,137)</u>	<u>1,475,724</u>	<u>60,996</u>	<u>2,810,814</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	679,473	58,092	115,103	288,227	139,447	747,896	63,156	2,091,394
Transfers out	<u>(2,225,760)</u>	<u>-</u>	<u>-</u>	<u>(408,104)</u>	<u>-</u>	<u>(1,949,676)</u>	<u>(89,976)</u>	<u>(4,673,516)</u>
Total other financing sources (uses)	<u>(1,546,287)</u>	<u>58,092</u>	<u>115,103</u>	<u>(119,877)</u>	<u>139,447</u>	<u>(1,201,780)</u>	<u>(26,820)</u>	<u>(2,582,122)</u>
Net change in fund balance	410	-	(5,955)	(42,631)	(7,690)	273,944	34,176	252,254
FUND BALANCES								
Beginning of year	<u>951,007</u>	<u>2,196</u>	<u>63,526</u>	<u>298,677</u>	<u>7,090</u>	<u>108,749</u>	<u>65</u>	<u>1,431,310</u>
End of year	<u>\$ 951,417</u>	<u>\$ 2,196</u>	<u>\$ 57,571</u>	<u>\$ 256,046</u>	<u>\$ (600)</u>	<u>\$ 382,693</u>	<u>\$ 34,241</u>	<u>\$ 1,683,564</u>

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE
For the Year Ended June 30, 2017

	Major Debt Service			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Budgetary Fund Balance, July 1, 2016	\$ 1,431,310	\$ 1,431,310	\$ 1,431,310	\$ -
Resources (Inflows):				
Miscellaneous	-	-	23,562	23,562
Long-term debt proceeds	-	645,167	-	(645,167)
Tax increment property tax	3,771,571	4,015,425	3,899,101	(116,324)
State personal property tax reimbursement	519,156	519,156	519,156	-
State entitlement	255,260	255,260	255,260	-
Transfers in	1,746,126	2,197,619	2,091,394	(106,225)
Amounts available for appropriation	<u>\$ 7,723,423</u>	<u>\$ 9,063,937</u>	<u>8,219,783</u>	<u>\$ (844,154)</u>
Charges to Appropriations (Outflows):				
Debt service expenditures	\$ 1,716,368	\$ 1,854,797	1,862,703	\$ (7,906)
Miscellaneous	-	-	-	-
Transfers out	4,545,987	4,741,434	4,673,516	67,918
Total charges to appropriations	<u>\$ 6,262,355</u>	<u>\$ 6,596,231</u>	<u>6,536,219</u>	<u>\$ 60,012</u>
Budgetary Fund Balance, June 30, 2017			<u>\$ 1,683,564</u>	

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
DEBT SERVICE
June 30, 2017

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	\$ 8,219,783
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,431,310)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(2,091,394)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 4,697,079</u>

Uses/Outflows of Resources

Actual total charges to appropriations from the budgetary comparison schedule	\$ 6,536,219
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(4,673,516)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,862,703</u>

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, 2017, 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 28, 2018.

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 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.

A handwritten signature in dark ink that reads "Anderson Zurmuehlen & Co., P.C." in a cursive, slightly stylized font.

Missoula, Montana
February 28, 2018



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