

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

**COMPONENT UNIT FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**June 30, 2001**  
**(With Independent Auditors' Reports Thereon)**

This report contains 20 pages.

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

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Board of Directors and Management  
Missoula Redevelopment Agency  
Missoula, Montana

Independent Auditors' Report

We have audited the accompanying component unit financial statements of Missoula Redevelopment Agency, a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2001, as listed in the accompanying table of contents. These component unit financial statements are the responsibility of Missoula Redevelopment Agency's management. Our responsibility is to express an opinion on these component unit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Missoula Redevelopment Agency, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2001, on our consideration of Missoula Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the component unit financial statements of Missoula Redevelopment Agency, taken as a whole. The supplementary information on pages 16-19 is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the component unit financial statements taken as a whole.

/s/ Elmore & Associates, P.C.

Certified Public Accountants  
August 23, 2001

## Combined Balance Sheet

June 30, 2001

	Governmental Funds			General Long-Term Debt Account Group	Totals (Memorandum Only)	
	Urban Renewal District I	Urban Renewal District II	District I Debt Service Funds		2001	2000
<b>ASSETS</b>						
Cash and Investments	\$ 3,971,931	\$ 131,805	\$ 451,880	\$ -	\$ 4,555,616	\$ 3,673,644
Tax Increment Receivable	-	11,393	105,483	-	116,876	623,599
Accrued Interest	23,494	780	2,673	-	26,947	12,765
Other Receivables	-	1,318	-	-	1,318	1,318
Due from Missoula County	-	19,102	562,784	-	581,886	244,454
Due from Other Funds	572,669	-	-	-	572,669	724,170
Grants Receivable	9,524	2,100	-	-	11,624	11,624
Notes Receivable	-	-	-	-	-	6,653
Amount Available in Debt Service Funds	-	-	-	454,553	454,553	445,065
Amount to Be Provided to Retire Long-Term Debt	-	-	-	610,283	610,283	841,751
<b>Total assets</b>	<b>\$ 4,577,618</b>	<b>\$ 166,498</b>	<b>\$ 1,122,820</b>	<b>\$ 1,064,836</b>	<b>\$ 6,931,772</b>	<b>\$ 6,585,043</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 312,561	\$ 2,630	\$ -	\$ -	\$ 315,191	\$ 74,287
Accrued payroll	9,572	-	-	-	9,572	9,822
Due to other funds	-	-	572,669	-	572,669	724,170
Deferred revenue	-	9,019	95,598	-	104,617	100,680
Compensated absences	-	-	-	34,836	34,836	31,816
Bonds payable	-	-	-	1,030,000	1,030,000	1,255,000
<b>Total liabilities</b>	<b>322,133</b>	<b>11,649</b>	<b>668,267</b>	<b>1,064,836</b>	<b>2,066,885</b>	<b>2,195,775</b>
<b>Fund Balances</b>						
Unreserved						
Designated for debt service	-	-	454,553	-	454,553	445,065
Designated for future projects	3,356,371	53,000	-	-	3,409,371	3,399,917
Undesignated	899,114	101,849	-	-	1,000,963	544,286
<b>Total fund balances</b>	<b>4,255,485</b>	<b>154,849</b>	<b>454,553</b>	<b>-</b>	<b>4,864,887</b>	<b>4,389,268</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,577,618</b>	<b>\$ 166,498</b>	<b>\$ 1,122,820</b>	<b>\$ 1,064,836</b>	<b>\$ 6,931,772</b>	<b>\$ 6,585,043</b>

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
 For the Year Ended June 30, 2001

	Urban Renewal District I	Urban Renewal District II	District I Debt Service Funds	Totals (Memorandum Only)	
				2001	2000
<b>Revenues</b>					
Tax increment (T. I.) property taxes	\$ 1,534,643	\$ 110,612	\$ -	\$ 1,645,255	\$ 2,103,895
Less payment to other taxing jurisdictions	(250,000)	-	-	(250,000)	(250,000)
T. I. property taxes - net	1,284,643	110,612	-	1,395,255	1,853,895
State personal property tax reimbursement	562,785	37,392	267,934	868,111	459,122
Investment earnings	247,890	12,370	31,059	291,319	283,867
Grant and miscellaneous revenue	7,632	-	-	7,632	574,927
<b>Total revenues</b>	<b>2,102,950</b>	<b>160,374</b>	<b>298,993</b>	<b>2,562,317</b>	<b>3,171,811</b>
<b>Expenditures</b>					
Current operations					
Community development	853,135	109,160	-	962,295	2,577,854
Capital outlay	803,112	4,010	-	807,122	1,022,719
Debt service					
Principal	-	-	225,000	225,000	215,000
Interest and fees	-	-	64,505	64,505	74,235
<b>Total expenditures</b>	<b>1,656,247</b>	<b>113,170</b>	<b>289,505</b>	<b>2,058,922</b>	<b>3,889,808</b>
Excess of revenues over (under) expenditures	446,703	47,204	9,488	503,395	(717,997)
<b>Other Financing Sources (Uses)</b>					
Transfers in (out)	<b>72,224</b>	<b>(100,000)</b>	<b>-</b>	<b>(27,776)</b>	<b>(363,186)</b>
Excess of revenues over (under) expenditures and other financing sources	518,927	(52,796)	9,488	475,619	(1,081,183)
<b>Fund Balances</b>					
Beginning of year	<b>3,736,558</b>	<b>207,645</b>	<b>445,065</b>	<b>4,389,268</b>	<b>5,470,451</b>
End of year	<b>\$ 4,255,485</b>	<b>\$ 154,849</b>	<b>\$ 454,553</b>	<b>\$ 4,864,887</b>	<b>\$ 4,389,268</b>

Combined Statement of Revenues, Expenditures and Transfers - Budget and Actual - Governmental Funds  
For the Year Ended June 30, 2001

	District I						Totals	
	Urban Renewal District I		Urban Renewal District II		Debt Service Funds		(Memorandum Only)	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>Revenues</b>								
Tax increment (T. I.) property taxes	\$ 1,136,123	\$ 1,534,643	\$ 104,323	\$ 110,612	\$ -	\$ -	\$ 1,240,446	\$ 1,645,255
Less payments to other taxing jurisdictions	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
T. I. property taxes - net	886,123	1,284,643	104,323	110,612	-	-	990,446	1,395,255
State personal property tax reimbursement	878,712	562,785	34,821	37,392	298,618	267,934	1,212,151	868,111
Investment earnings	150,000	247,890	8,000	12,370	-	31,059	158,000	291,319
Grant and miscellaneous revenue	14,940	7,632	205,924	-	-	-	220,864	7,632
Total revenues	<u>1,929,775</u>	<u>2,102,950</u>	<u>353,068</u>	<u>160,374</u>	<u>298,618</u>	<u>298,993</u>	<u>2,581,461</u>	<u>2,562,317</u>
<b>Expenditures</b>								
Current operations								
Community development								
Administration	408,494	331,895	-	-	-	-	408,494	331,895
Acquisition of property	850,000	578,390	-	-	-	-	850,000	578,390
Public works	3,542,042	427,765	137,779	93,830	-	-	3,679,821	521,595
Private rehabilitation	486,953	287,733	75,000	2,857	-	-	561,953	290,590
Planning	25,000	8,092	-	750	-	-	25,000	8,842
Clearing and demolition	322,594	22,372	12,933	15,733	-	-	335,527	38,105
TEA-21 activity	-	-	235,000	-	-	-	235,000	-
Total current operations	<u>5,635,083</u>	<u>1,656,247</u>	<u>460,712</u>	<u>113,170</u>	<u>-</u>	<u>-</u>	<u>6,095,795</u>	<u>1,769,417</u>
Debt service								
Principal	-	-	-	-	225,000	225,000	225,000	225,000
Interest and fees	-	-	-	-	64,130	64,505	64,130	64,505
Total expenditures	<u>5,635,083</u>	<u>1,656,247</u>	<u>460,712</u>	<u>113,170</u>	<u>289,130</u>	<u>289,505</u>	<u>6,384,925</u>	<u>2,058,922</u>
Excess (deficiency) of revenues over expenditures	(3,705,308)	446,703	(107,644)	47,204	9,488	9,488	(3,803,464)	503,395
<b>Other Financing Sources (Uses)</b>								
Transfers in (out)	<u>(31,249)</u>	<u>72,224</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(131,249)</u>	<u>(27,776)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ <u>(3,736,557)</u>	\$ <u>518,927</u>	\$ <u>(207,644)</u>	\$ <u>(52,796)</u>	\$ <u>9,488</u>	\$ <u>9,488</u>	\$ <u>(3,934,713)</u>	\$ <u>475,619</u>

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

Notes to Financial Statements  
June 30, 2001

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Missoula Redevelopment Agency (MRA) conform to generally accepted accounting principles (GAAP) applicable to governments. The following is a summary of the more significant policies.

Reporting Entity – MRA 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). MRA 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 three urban renewal districts: District I in 1978, District II in 1991, and District III in 2000. The five-member governing board is appointed by the Mayor and approved by City Council. Due to the control exercised by the City, MRA is considered a component unit of the City.

MRA has no authority to levy taxes. However, under the City's Urban Renewal Plans, 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 MRA.

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 bonds have been retired. Because the tax increment provisions for District I were enacted on December 18, 1978, MRA 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 extends the tax increment provisions for the term of the bonds, whose final maturity is July 1, 2005 (see Note 4). District II is scheduled to terminate in 2006, as required by State law, which amended the term of urban renewal districts to fifteen years after enactment. District III is scheduled to terminate in December 2015.

Fund Accounting – The accounts of MRA are organized on the basis of separate accounting entities referred to as funds or account groups. Each fund's operations are accounted for with a separate set of self-balancing accounts consisting of its assets, liabilities, fund balance, revenues and expenditures. MRA uses the following funds:

## Note 1 – Summary of Significant Accounting Policies (Continued)

### *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 (no activity in fiscal year 2001).

*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 indenture. This fund is included as a debt service fund in the City's financial statements.

*General Long-Term Debt Account Group* – This account group is established to account for all long-term debt of MRA including tax increment bonds and compensated absences. This account group is included with other long-term debt in the City's financial statements.

Basis of Accounting and Measurement Focus – Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenues which are accrued consist principally of tax increment transfers, federal grants and investment earnings. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Total Columns – The columns captioned "Totals Memorandum Only" are presented in the accompanying financial statements to facilitate financial comparison and analysis. The amounts in these columns are not intended to present consolidated financial information because interfund transactions and balances have not been eliminated.

Budgets – MRA follows the City's procedures in developing the budget information reflected in the financial statements, as follows:

- (1) Prior to the first Monday in July, a proposed operating budget is submitted by the Mayor to the City Council for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. A budget is legally required for MRA.
- (2) Public hearings are conducted to obtain public comments.

Note 1 – Summary of Significant Accounting Policies (Continued)

- (3) On or before the second Monday in August, the budget is legally enacted through an official resolution of adoption.
- (4) Budget transfers between departments within any fund are allowable with approval of the Mayor and the City Council.
- (5) All appropriations lapse at the end of a fiscal year.

MRA prepares its budget generally on the modified accrual basis. Revenues (except for property taxes) 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 property taxes levied for the fiscal year is included in the City's budget. Appropriations may exceed anticipated revenues because MRA includes available cash reserves in the budgeting process.

Budgets cannot be increased except by (a) a public emergency which could not have been reasonably foreseen at the time of adoption of the original budget or (b) for funds received from federal or state governments. Budget transfers may be made between and among the general classifications of salaries and wages, operations and maintenance, and capital outlay upon a resolution adopted by the governing body; however, no budget transfers can increase the salary and wage classification. Expenditures may not legally exceed appropriations for an individual fund. The level of budgetary control is established by the three categories referenced above within an individual fund. Individual fund budgetary amounts equal appropriation amounts. Unexpended appropriations lapse at the end of the year. Reported budget amounts represent the original adopted budget.

Property Taxes – Property tax levies are set by the City on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed by Missoula County within ten days after the third Monday in October and are due in equal amounts on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon 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 those on mobile homes are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing and the second due September 30.

Urban Renewal District I is located entirely within Missoula School District No. 1. Urban Renewal District II is located partially in Missoula School District No. 1 and partially in Hellgate School District No. 4.

Taxable valuations for all taxing districts and the corresponding tax increment amounts for November 2000 property tax billings were as follows:

Note 1 – Summary of Significant Accounting Policies (Continued)

	<u>Taxable Valuation</u>	<u>Number of Mills</u>
Taxable Value of All Taxing Districts, City of Missoula	\$ 78,662,970	633.10
Incremental Value of Tax Increment Districts:		
Urban Renewal District I	1,794,540	
Urban Renewal District II	169,471	

**Cash, Investments and Investment Income** – State law permits investment of MRA funds in savings accounts, certificates of deposit, bank repurchase agreements, government and government agency securities and notes, and the state's short-term investment pool (STIP). Cash and investments include pooled accounts with the City treasurer. Under the provisions of GASB 31, investments are generally reported at fair value. Demand deposits, repurchase agreements, and non-participating certificates of deposit are carried at cost, while STIP is carried at reported share value, which approximate fair value for these investments.

**Fixed Assets** – Fixed assets are recorded in the City's general fixed asset accounts.

**Compensated Absences** – Under terms of state law, MRA 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 General Long-Term Debt Account Group to the extent they are vested.

Note 2 – Cash and Investments

MRA's cash is invested in the City's investment pool. MRA's portion consists of the following:

Demand Deposits	\$ 1,771,733
Government Securities	1,752,270
Investment in State Short-Term Investment Pool	<u>1,031,613</u>
<b>Total</b>	<b><u>\$ 4,555,616</u></b>

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

### Note 3 – Due from Missoula County

The amount due from Missoula County is the second half of the state personal property tax reimbursement which is received by the County in June, but not received by the City until July.

### Note 4 – Long-Term Debt

Changes in long-term debt for the year ended June 30, 2001, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Debt Retired</u>	<u>Ending Balance</u>
Refunding Tax Increment Bonds	\$ 1,255,000	\$ -	\$(225,000)	\$ 1,030,000
Compensated Absences	<u>31,816</u>	<u>3,020</u>	<u>-</u>	<u>34,836</u>
Total	<u>\$ 1,286,816</u>	<u>\$ 3,020</u>	<u>\$(225,000)</u>	<u>\$ 1,064,836</u>

MRA issued \$3,000,000 of Tax Increment Renewal Bonds in December 1989. The bonds were issued to finance construction of a multi-level parking structure located within District I. In 1997, MRA defeased the 1989 bonds by placing the proceeds of Tax Increment Renewal Refunding Bonds issued in April 1997 in an irrevocable trust to provide all future debt service payments on the old bond issue. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in MRA's financial statements. As of June 30, 2001, the outstanding balance of the 1989 defeased bonds is \$1,325,000.

The refunding bonds have an average yield of 4.96% over the life of the bonds and have stated interest rates ranging from 4.2% to 5.3%. Final payment is due July 1, 2005; however, the refunding bonds may be redeemed early beginning July 1, 2001.

The City assigned MRA with the responsibility to manage the construction of the parking structure. Upon completion in 1991, the parking structure was leased to the Missoula Parking Commission, another component unit of the City, for \$1 annually. The Missoula Parking Commission is responsible for the ongoing operations of the parking structure.

The bonds are payable solely from and are secured by a first lien and pledge of tax increment revenues from District I. The bond resolution requires, among other things, that all of District I's tax increment revenues be deposited in a Debt Service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District I, including additional expenses for the parking structure, to redeem all or a portion of the Series 1989 bonds or to return a portion of the tax increment revenues to the taxing jurisdictions located within District I, as provided by state law. In 2001, the City Council returned \$250,000 of District I's tax increment revenues to the applicable taxing jurisdictions.



#### Note 4 – Long-Term Debt (Continued)

Annual debt service requirements are as follows:

Fiscal Year Ending <u>June 30,</u>	
2002	\$ 293,105
2003	291,105
2004	293,355
2005	<u>289,575</u>
	1,167,140
Less interest payments	<u>(137,140)</u>
	<u><u>\$ 1,030,000</u></u>

#### Note 5 – Designated Fund Balances

The Board of MRA has committed a portion of fund balance for certain urban renewal projects, as follows:

##### Urban Renewal District I:

###### Public:

City – County Health Department	\$ 63,220
Civic Stadium	996,500
County Renovation	398,500
Downtown Alley Rehabilitation	100,000
Downtown Street Renovation	100,000
Fox Site – Mustard Seed Demolition	40,000
Kiwanis Park Trail	20,000
Northside Railroad Bridge Enclosure	40,000
Orange Street Bridge Supplement	644,020
Orange Street Bridge Underpass	69,763
Tennis Courts	100,000
Transfer Center – Public Art Project	15,000

###### Private:

Lenox Flats	700
Millennium Building	221,029
Monte Dolack Gallery	2,500
St. Patrick Hospital	525,003
Watercolor Computer Training	<u>20,136</u>
Total	<u><u>\$ 3,356,371</u></u>

##### Urban Renewal District II:

###### Private:

Nutritional Laboratories	\$ <u>53,000</u>
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#### Note 6 – Retirement Plan

All full-time employees of MRA are covered under the Montana Public Employees' Retirement System (PERS). The plan is established by state law and administered by the State of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Contribution rates are determined by state law. The contribution rate for employees was 6.8%, employers was 6.7%, and State of Montana was .1% in 2001, expressed as a percentage of covered payroll.

The amounts contributed during the years ended June 30, 1999, 2000, and 2001 were equal to the required contribution for each year. The amounts contributed by both the Agency and its employees were as follows:

1999	\$ 23,209
2000	27,301
2001	28,459

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

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

#### Note 7 – Leases

MRA leases office space for its operations on a yearly basis. In 2001, MRA leased its office space from an outside party under a triple net lease for \$20,928.

#### Note 8 – Interfund Transactions

Urban Renewal District I has \$572,669 due from the Debt Service Fund for tax increment revenue in excess of debt service requirements in URD I.

Urban Renewal District II transferred \$100,000 to Urban Renewal District I for its share of administrative costs. Urban Renewal District I transferred \$17,500 to the City's Capital Improvements Fund; of this transfer, \$10,000 was for the Basketball Courts project and \$7,500 was for the Studebaker Building Public Art project.

The Urban Renewal District I also transferred \$3,354 to the City for a portion of railroad insurance and \$6,922 was transferred to the City's employee benefits fund.

## Note 9 – Risk Management

MRA 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. MRA manages these risks through participation with the City's risk management practices. Information related to the City's risk management is available in its comprehensive annual financial report.

## Note 10 – Change in Tax Financing

In its 2001 session, the Montana Legislature passed House Bill 124, which significantly changed the manner in which local governments are financed. The new law replaces certain transfer payments that were previously apportioned to local governments (motor vehicle, alcohol, gambling, financial institutions taxes and personal property tax reimbursements) with a single entitlement. The portion of this entitlement that is allocated to tax increment districts statewide is set by statute at an amount equal to the actual transfer payments received in 2000. In addition, the new law repeals previously existing limits on property tax assessments and permits local governments to increase their mill levies by one half of the inflation rate as measured by the Consumer Price Index. The new law, which is effective for fiscal year 2002 and later, is not expected to have a materially adverse affect on the Districts.

## **SUPPLEMENTARY INFORMATION**

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

Schedule of Expenditures - Budget and Actual - Urban Renewal District I  
For the Year Ended June 30, 2001

	Budget	Actual
Administration		
Personnel	\$ 250,493	\$ 207,666
Other	<u>158,001</u>	<u>124,229</u>
Total administration	<u>408,494</u>	<u>331,895</u>
Acquisition of Property		
Civic Stadium	-	3,500
Contingency	<u>100,000</u>	<u>-</u>
Total acquisition of property before capital outlay	<u>100,000</u>	<u>3,500</u>
Acquisition of property - capital outlay		
Civic Stadium	250,000	-
Fox Site - Mustard Seed Property	<u>500,000</u>	<u>574,890</u>
Total acquisition of property capital outlay	<u>750,000</u>	<u>574,890</u>
Total acquisition of property	<u>850,000</u>	<u>578,390</u>
Public Works		
Bank Street Pedestrian Mall	48,000	46,044
Basketball Courts	10,000	10,000
County Renovation	228,500	-
Downtown Street Renovations	100,000	-
Kiwanis Park Trail	7,200	-
Lenox Flats	15,800	22,475
Millennium Project	159,407	123,379
Orange Street Bridge	713,783	-
St. Patrick Hospital - Ambulatory Services	394,781	-
Station Drive Park	6,000	3,645
Studebaker Building - Public Art Project	7,500	7,500
Weir Debris Removal at Caras Park	10,000	4,000
Contingency	<u>585,819</u>	<u>-</u>
Total public works before capital outlay	<u>2,286,790</u>	<u>217,043</u>
Public Works Capital Outlay		
Bank Street Pedestrian Mall	352,000	202,384
Civic Stadium	750,000	-
Downtown Alley Rehabilitation	75,000	-
Downtown Corner Pavers	-	120
Kiwanis Park Trail	52,800	-
Northside Bridge Modifications	18,652	18,208
Orange Street Bridge - Tunnel	4,500	5,510
Station Drive Park	44,000	-
Streetscape Amenities	45,000	-
Weir Debris Removal at Caras Park	<u>30,800</u>	<u>2,000</u>
Total public works capital outlay	<u>1,372,752</u>	<u>228,222</u>
Total public works including transfers to other city funds	3,659,542	445,265
Less transfers to other city funds	<u>(117,500)</u>	<u>(17,500)</u>
Total public works	<u>3,542,042</u>	<u>427,765</u>

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

Schedule of Expenditures - Budget and Actual - Urban Renewal District I  
For the Year Ended June 30, 2001

Rehabilitation Loans/Grants		
City-County Health Department	39,016	-
Goldsmith's Bed & Breakfast	7,950	7,950
Lenox Flats	34,200	25,000
Mac's Restaurant	57,917	-
MacArthur, Means & Wells	7,480	7,480
Montana Antique Mall	19,400	19,400
Watercolor Computer Training	20,136	-
Western Montana Development	77,903	77,903
Wilma Theater	150,000	150,000
Contingency	72,951	-
Total rehabilitation loans/grants	<u>486,953</u>	<u>287,733</u>
Planning and Management		
Fox Site	10,000	8,092
Non-motorized Transportation Services	10,000	-
Office of Planning and Grants	5,000	-
Total planning and management	<u>25,000</u>	<u>8,092</u>
Clearing and Demolition		
County Renovation	170,000	-
Millennium Project	22,372	22,372
St. Patrick Hospital - Ambulatory Service	130,222	-
Total clearing and demolition	<u>322,594</u>	<u>22,372</u>
Total Expenditures	\$ 5,635,083	\$ 1,656,247

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

**Schedule of Expenditures - Budget and Actual - Urban Renewal District II**  
**For the Year Ended June 30, 2001**

	<u>Budget</u>	<u>Actual</u>
<b>Public Works</b>		
Residential Rehabilitation Program	\$ 36,000	\$ -
Sweetheart Bread	13,000	21,512
Thrasher/Huff Project	21,308	21,308
Western Montana Mental Health Center	47,000	47,000
Contingency	19,271	-
Total public works before capital outlay	<u>136,579</u>	<u>89,820</u>
<b>Public Works - Capital Outlay</b>		
California Street Bridge	-	2,630
Milwaukee Trail Interpretive Plaques	1,200	1,380
Total public works capital outlay	<u>1,200</u>	<u>4,010</u>
Total public works	<u>137,779</u>	<u>93,830</u>
<b>Rehabilitation Loans/Grants</b>		
Cozy Court	-	2,857
Contingency	75,000	-
Total rehabilitation loans/grants	<u>75,000</u>	<u>2,857</u>
<b>Planning &amp; Management Activity</b>		
West Broadway Island Trail	-	750
<b>TEA-21 Activity</b>		
California Street Bridge Enhancements	15,000	-
<b>TEA-21 Activity - Capital Outlay</b>		
California Street Bridge Enhancements	220,000	-
Total TEA-21 activity	<u>235,000</u>	<u>-</u>
<b>Clearing and Demolition</b>		
Sweetheart Bread	12,000	14,800
Thrasher/Huff Project	933	933
Total clearing and demolition	<u>12,933</u>	<u>15,733</u>
<b>Total Expenditures</b>	<u>\$ 460,712</u>	<u>\$ 113,170</u>

MISSOULA REDEVELOPMENT AGENCY

Schedule of Tax Increment Funding by Taxing District  
For the Year Ended June 30, 2001

Taxing District	Urban Renewal District I		Urban Renewal District II				Total Revenue	
	School District 1		School District 1		School District 4			
	Mills	Revenue	Mills	Revenue	Mills	Revenue		
City of Missoula	159.15	\$ 285,601	159.15	\$ 12,051	159.15	\$ 14,920	\$ 26,971	
Missoula County	100.15	179,723	100.15	7,584	100.15	9,389	16,973	
School District No. 1	307.86	552,467	307.86	23,312	171.14	16,044	39,356	
School District No. 4	-	-	-	-	80.47	7,544	7,544	
State of Montana (1)	49.00	87,932	49.00	3,710	49.00	4,594	8,304	
Urban Transportation	10.94	19,632	10.94	828	10.94	1,026	1,854	
Totals	<u>627.10</u>	<u>\$ 1,125,356</u>	<u>627.10</u>	<u>\$ 47,485</u>	<u>570.85</u>	<u>\$ 53,517</u>	<u>\$ 101,002</u>	
Taxable Value of Property								
Within the Urban Renewal District		\$ 1,794,540		\$ 75,722		\$ 93,749		
Mills Levied		<u>627</u>		<u>627</u>		<u>571</u>		
Increment revenue generated		<u>\$ 1,125,356</u>		<u>\$ 47,485</u>		<u>\$ 53,517</u>		

(1) Excludes University mills

Board of Directors  
Missoula Redevelopment Agency  
Missoula, Montana

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

We have audited the component unit financial statements of Missoula Redevelopment Agency, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 23, 2001. 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.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information and use of the Board of Directors, management, the State of Montana Department of Transportation and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Elmore & Associates, P.C.

Certified Public Accountants  
August 23, 2001