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.

anderson ZURMUEHLEN

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

FINANCIAL REPORT

June 30, 2013

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

Ellen Buchanan .... Director

Board of Commissioners

Karl Englund... Chair

Nancy Moe.. Vice-Chair

Rosalie Cates .... Member

Ruth Reineking .... Member

Daniel Kemmis .... Member

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Missoula Redevelopment Agency
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Missoula Redevelopment Agency (the Agency), a component unit of the City of Missoula, Montana, as of and for the year ended June 30, 2013, 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. 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.

Opinion
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, 2013, 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 and budgetary comparison information on pages 5 through 22 and 52 through 54, and the schedule of funding progress for the retiree health insurance program on page 55 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 56 through 59 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 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 January 27, 2014, on our consideration of the Missoula Redevelopment 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
January 27, 2014

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, 2013. Please read it in conjunction with the Agency's financial statements and accompanying notes, which begin on page 23.

Financial Highlights
The following tables summarize the financial condition and operating results for 2013 compared to 2012:

	2013	2012	Increase (Decrease)
Current assets	$ 10,756,480	$ 5,532,115	$ 5,224,365
Noncurrent assets	1,248,364	338,200	910,164
Total assets	12,004,844	5,870,315	6,134,529
Current liabilities	2,354,610	1,195,204	1,159,406
Long-term liabilities	18,297,470	11,455,988	6,841,482
Total liabilities	20,652,080	12,651,192	8,000,888
Net position			
Restricted for debt service	675,665	250,400	425,265
Unrestricted	(9,322,901)	(7,031,277)	(2,291,624)
Total net position	$ (8,647,236)	$ (6,780,877)	$ (1,866,359)

	2013	2012	Increase (Decrease)
Revenues			
General revenues	$ 3,941,497	$ 4,425,761	$ (484,264)
Total revenues	3,941,497	4,425,761	(484,264)
Expenses			
Housing and community development	5,314,355	5,362,294	(47,939)
Interest	493,501	568,825	(75,324)
Total expenses	5,807,856	5,931,119	(123,263)
Change in net position	(1,866,359)	(1,505,358)	(361,001)
Net Position			
Beginning of year	(6,780,877)	(5,336,519)	(1,444,358)
Restatement	-	61,000	(61,000)
Beginning of year - restated	(6,780,877)	(5,275,519)	(1,505,358)
End of year	$ (8,647,236)	$ (6,780,877)	$ (1,866,359)

- During the year the Agency had revenues of $3,941,497 and expenses totaling $5,807,856, which resulted in a decrease of net position of $1,866,359.

- 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 2013 revenues were $484,264 lower than in fiscal year 2012.

- Expenditures for fiscal year 2013 were related to public/private redevelopment partnerships such as 310 & 316 Inez (Huff), 38th Street/Shelby Apartments, Catlin Plaza, Dakota Greens (Loken), Corso Apartment Homes and The Source Fitness Center on Russell Street.

- Public projects funded solely or in part with tax increment funds in fiscal year 2013 include California Street improvements, Cedar Street Triangle improvements, Milwaukee Trail, Montana Rail Link (MRL) Trestle replacement, Scott/Toole Intersection, Silver Park, Traffic Signal Box Public Art, Walnut Street Neighborhood Landscaping, West Broadway Island, Western Montana Mental Health Center's Recovery Center, Wyoming Street improvements and the placement of street trees and fire hydrants, and sidewalk and street improvements in URD II & URD III. The Agency also paid out $1,281,511 in debt service payments.

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

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

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

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

The fund financial statements provide detailed information about the most significant funds, not the Agency as a whole. The Agency had four urban renewal districts (URDs) active in fiscal year 2013 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. Tax increment is collected by the County, transferred to the City, and deposited into the respective urban renewal districts' development funds, which 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 of Missoula, the Agency employees participate in the Montana Public Employees Retirement System (PERS). The City of Missoula through the Agency, 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 the Agency owns is a 2001 Dodge Durango. This company vehicle was purchased as a used vehicle at a government auction for $10,500 and put into service on January 28, 2005. All other physical assets or improvements to public assets through purchases or construction undertaken by the Agency are owned by the City of Missoula. 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, prepaid health insurance premiums and amounts due from other governments. The Agency complies with the City of Missoula's Fixed Asset Management System with respect to tracking furniture, equipment and computer related assets.

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

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.

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 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.

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.

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 is 1.35 times 40% of the average annual debt service of the $7.5 million Parking Revenue Bonds (Series 2010B) dated December 29, 2010, provided in two equal installments of $134,211. Excess increment is returned to the Agency after the October 1st Bond payment and is used to fulfill subordinate debt requirements.

Resolution 7587 also authorized the issuance of a Front Street URD Subordinate Lien Note to First Interstate Bank in the amount of $1,623,380. The Series 2010 Note will bear interest at the annual rate of 6.55% for a period of 25 years.

Resolution 7587 also clarified that previously incurred obligations payable from Front Street URD tax increment would be subordinate to the payment of the Series 2010 Bonds and any additional bonds. Front Street URD's previous obligation to the Wilma project was renegotiated to a Promissory Note in the outstanding principal amount of $220,000 bearing interest at the rate of 3.25% per annum, payable in semiannual payments of principal and interest in the amount of $25,000, on each December 15 and June 15, commencing December 15, 2010 until paid.

On August 15, 2011, the City of Missoula pursuant to Resolution 7644 approved the use of $2,000,000 in tax increment revenue to purchase the interest of certain secured lenders in the Missoula Civic Stadium located adjacent to McCormick Park. The Resolution authorized an initial payment of $500,000 and the issuance of $1,500,000 in Civic Stadium Subordinate Lien Notes. Negotiations between all parties continued for several months and the City acquired the Stadium in February 2012.

In the Settlement Agreement, the Secured Lenders agreed to release all claims, mortgages and encumbrances against the Civic Stadium and City Land upon repayment of $3,555,000 in satisfaction of the Secured Loans, currently outstanding in the principal amount of $3,907,680.56 and with accrued interest of $1,067,666.93 as of June 15, 2011.

In the Civic Stadium Agreement, Play Ball agreed to transfer all of its interest in the Civic Stadium and the City Land to the City, free and clear of any claims, mortgages or encumbrances upon release of the Mortgages.

In order to implement the Settlement Agreement and the Civic Stadium Agreement, the City allocated $2,000,000 of Tax Increment Revenues to satisfy the claims of certain Secured Lenders and issued Civic Stadium Revenue Bonds in the amount of $1,555,000 payable from lease payments received pursuant to a long term lease of the Civic Stadium to Mountain Baseball to satisfy the claims of certain other Secured Lenders.

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 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. Interest is calculated on the basis of a year of 360 days composed of twelve 30-day months. 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.

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. The projects on the site include a residential development to be known as Corso Apartment Homes and a fitness center to be known as The Source. The original purchaser of the negotiated sale bonds was First Security Bank, Missoula Montana, 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 bonds 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, 2015. Maximum annual debt service per the amortization schedule is $146,292.50 in fiscal year 2028.

Refer to Note 5 on page 37 for further information regarding the Agency's long-term debt.

Revenues

In fiscal year 2013, the Agency received only general revenues and did not generate any program revenue. Of the Agency's $3,941,497 total revenue reported in the Statement of Activities, 82% 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 Public Employees Retirement System (PERS) contributions. State of Montana funds account for nearly 17% of the Agency's total revenue received. The Agency reported investment income of $13,014 in fiscal year 2013.

Expenses
Under the Statement of Activities, most of the Agency's expenses are expressed under Housing and Community Development. Specifically, expenses include project assistance under the Agency's redevelopment and rehabilitation programs and administrative costs such as personnel, office supplies and equipment. There was also interest expense paid on the Series 2006 and Series 2007 tax increment revenue bonds, the Series 2010 Front Street Parking Structure bonds, the Brownfields RLF Note, First Interstate Bank Note and Wilma Note.

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. Both of these types of activities may be reflected as "transfers to other governments" in the financial statements. Although the Agency partnered with the City Street department to make improvements to certain streets in URD II and URD III in fiscal year 2013, those contributions were recorded as expenditures in the fund financial statements. There were no transfers to other governments in fiscal year 2013.

In addition, 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 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. The amount paid in fiscal year 2013 was $110,334 and was recorded as an administrative expense in the financials.

Administrative transfers between districts are done annually to reimburse the district that has paid the administrative expenses of the Agency. In fiscal year 2013, the administrative expenses were paid from URD III. The amount of money transferred in fiscal year 2013 from URD II to URD III for administrative expenses was $250,000 and is based on the proportionate share of staff time spent working on projects in URD II in fiscal year 2013. 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. 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
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.

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 the reimbursements he would receive from Mountain Water for making the infrastructure improvement, to the Agency. 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. The reimbursements the Agency receives from Mountain Water Company do not include an interest component; therefore, are recorded as cash out and as a Note Receivable on the fund financial statements.

In fiscal year 2013, the Agency provided assistance to four more projects that included water main installations or upgrades or other infrastructure improvements that qualified for the reimbursement program. Below is a summary of the Agency's current Mountain Water Notes Receivable.

Urban Renewal District II
Fire Hydrant Installation – $18,592.43 (2013)
Corso Apartment Homes (Montana Apartment Co) – $126,546 (2013)
Western Montana Mental Health Center – Recovery Center – $64,914.52 (2013)
Wyoming Street – $259,178.05 (2013)

Urban Renewal District III
Bitterroot Town Homes (Colin Bangs) – $40,000 (2012)
Fire Hydrant Installation – $35,397.36 (2013)

Balances and Transactions of Individual Government Funds

	URD I	URD II	URD III
Beginning Balance 7/1/12	$ 5,248	$ 1,593,665	$ 2,152,456
Ending Balance 6/30/13	44	4,781,492	3,575,464
$ Change	$ (5,204)	$ 3,187,827	$ 1,423,008
% Change	-99%	200%	66%

Reserved fund balance	Front Street	Riverfront Triangle	Debt Service
Beginning Balance 7/1/12	$ 266,937	$ 13,190	$ 898,613
Ending Balance 6/30/13	394,349	17,873	1,400,655
$ Change	$ 127,412	$ 4,683	$ 502,042
% Change	48%	36%	56%

URD I's tax increment financing provision sunset in fiscal year 2005. The district was officially closed out (last payments made on projects) in fiscal year 2007. Payments of delinquent taxes due to the Agency are still transferred to the City when received by the County. In fiscal year 2013, the Agency disbursed the delinquent tax increment that had been collecting in the URD I account since sunset and disbursed it to the taxing jurisdictions based on their pro rata share of the total mills levied in the final year of the district. The total amount disbursed was $5,200.

Missoula County Treasurer	749.36
Missoula County High School District	613.41
Missoula Urban Transportation District	90.21
City of Missoula	1,346.69
Missoula Elementary School District #1	1,167.60
Missoula County Treasurer	937.68
MT Department of Administration	295.05
Total	5,200.00

URD II saw a 200% increase in fund balance in fiscal year 2013. This increase was primarily due to the Agency's issuance of two large tax increment urban renewal revenue bonds. Total expenditures were $4,585,646 in addition to a $250,000 transfer to URD III for administrative expenses. The Agency made financial contributions to the following projects in URD II during fiscal year 2013:

2012 Street Tree Project	Montana Rail Link Trestle
310 & 316 Inez Street (Huff)	Scott/Toole Intersection Improvements
Brownfields RLF (Millsite)	Sidewalks & Streets – URD II Western
California Street Engineering	Silver Park
Catlin/Wyoming ROW Landscape	The Source Fitness Center
Cedar Street Triangle Improvements	Walnut Street Neighborhood – ROW Landscaping
Corso Apartment Homes	Wayfinding System
Dakota Greens (Loken)	West Broadway Island Trail & Bridge
Milwaukee Trail Lighting	Western Montana Mental Health Center – Recovery Center
Missoula Economic Partnership – Developers Showcase	Wyoming Street

URD III saw a 66% increase in fund balance in fiscal year 2013. This increase is primarily attributable to fewer projects being active during the year. Total expenditures were $693,559 and included $524,927 for administrative expenses and $150,632 for the following projects:

2605 Eaton Street Sidewalks (Ramos)	Missoula Economic Partnership – Developers Showcase
2012 Street Tree Project	Streets – Residential Sidewalks – Chip/Seal
38th Street/Shelby Apartments	Traffic Signal Box Public Art
Catlin Plaza – 2501 Catlin Street	Wayfinding System

Front Street URD saw a 48% increase in fund balance in fiscal year 2013. This increase is attributable to there being very few projects active in this district. The activity in Front Street URD was primarily on the debt service side including requirements for the Series 2010 Front Street Parking Structure Bonds, First Interstate Bank Note, and Wilma Note. Total expenditures were $25,505 for the following projects:

Downtown Property Inventory	Pattee Street Crosswalk Improvements
Minicozzi Recruitment & Retention Study	

Riverfront Triangle URD saw a 36% increase in fund balance in fiscal year 2013. This increase is attributable to the district receiving revenue from the State Personal Property reimbursements and having no currently active projects in the district. Total expenditures were $245, which was the final payment on the Riverfront Triangle/St. Patrick Hospital Parking Study.

Overall Financial Position

Changes in the Agency's overall financial position from 2012 to 2013 from the Government-wide perspective include an increase in assets of $6,134,529 and an increase in total liabilities of $8,000,888 with a resulting net overall position being ($8,647,236). This is attributable to the Agency's issuance of additional long term debt in URD II related to the Montana Rail Link Trestle replacement, Wyoming Street extension, Silver Park improvements and the former Intermountain Lumber site projects; Corso Apartment Homes and The Source Fitness Center.

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 three projects primarily in the *planning* phase during fiscal year 2013, the Old Sawmill District and West Broadway Island in URD II and the Fox Site in Riverfront Triangle URD.

The developers of the Old Sawmill District received assistance from the Agency to buy the lease on the land in 2006 and continue to receive assistance to facilitate site remediation. The soils remediation is complete and the developer has submitted close-out documents on the methane abatement to the Montana Department of Environmental Quality (DEQ). Closeout of the Voluntary

Cleanup Plan was expected in fiscal year 2013 but the developers received a one year extension from the Montana DEQ. Construction of public infrastructure, namely Wyoming Street and replacement of the Montana Rail Link (MRL) Trestle were completed by the Agency in fiscal year 2013. The developers are currently working on securing financing for the first building to be developed on the site, which is planned as condominiums.

West Broadway Island is a five acre site along the Clark Fork River and West Broadway in URD II. 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 other portions are in the floodway. During fiscal year 2013, the Agency contracted with CP Callahan, Inc. to conduct an environmental inventory of the parcel to help determine the site's redevelopment possibilities and constraints. In November 2013, the Agency engaged a design team to plan and engineer a new pedestrian access along with renovation of an existing access, engineer pedestrian trails, stabilize the northern bank, and develop a plan to minimize noxious weeds and restore native riparian vegetation. The work will also include design analysis and implementation of public safety measures consistent with the City's *Crime Prevention through Environmental Design Principles.*

Much of what makes up the Fox Site was given to the City by the owners of the Fox Theater in the mid-1980s. Later, two more, smaller, adjacent properties were added to make up a comprehensive redevelopment site. Between the time the site was acquired and 2005, the City, through the Agency, demolished structures, improved utility infrastructure and removed a buried landfill that was used in the early part of the 20th century. At the direction of the City, the Agency conducted several unsuccessful Request-For-Proposals (RFP) processes seeking a private entity to redevelop the property. The most recent RFP was conducted in 2011. Upon the Agency's recommendation, the City Council authorized the Agency to conduct development agreement negotiations for one year with one of the respondents, Hotel Fox Partners, for redevelopment of the Fox Site to an upscale conference hotel and conference center. By the end of December 2012, the potential developer had conducted initial market studies and financing feasibility investigations for its project and, by request of the Mayor, a community conference center. In January 2013, Hotel Fox received a one-year extension from the City Council to keep working on the project. In January 2014, the City Council granted the Hotel Fox Partners a second one-year extension on their exclusive right to negotiate a develop agreement so the group could complete feasibility and conceptual design work on the Hotel and to continue working with adjacent property owners on a potential much larger project in the Riverfront Triangle. The initial agreement describing responsibilities and tasks to be accomplished by Hotel Fox leading up to a complete development agreement was between the Agency and Hotel Fox, as are the two subsequent amendments that reflect deadline extensions and additional tasks.

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* project in fiscal year 2013 was the URD III sidewalks and infrastructure project. $1,200,000 was set aside in anticipation of possible improvements to Brooks Street at Dore Lane or undertaking additional sidewalk projects in the district. Ultimately this money was not expended due to uncertainty about what the Montana Department of Transportation had planned for the Brooks Street & Dore Lane intersection in response to safety concerns.

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.

The most significant committed projects in URD II were Silver Park, Wyoming Street, MRL Trestle and the former Intermountain Lumber site projects. In March 2013, the Agency sold $5,750,000 in tax increment urban renewal revenue bonds to fund public improvements related to Silver Park, Wyoming Street and the MRL Trestle replacement. In May 2013, the Agency sold $1,753,500 in tax increment urban renewal revenue bonds to fund the public improvement components of the Intermountain Lumber site property projects, which include the development of 224 residential apartments and The Source Fitness center. Another parcel adjacent to Russell Street is intended to be developed within the next three years.

Silver Park includes the development of a 14.5-acre park along the Clark Fork River as part of the Old Sawmill District project. Design and construction of the Park was divided into four phases as funding became available. During the first phase, a non-motorized trail was constructed along the riverfront between the existing trail near the Civic Stadium across a majority of the site. Phase two included construction of a parking lot west of the Stadium and a boat ramp to the Clark Fork River. Phase three included landscaping and lighting the entire trail and parking lot, landscaping approximately six acres next to the trail and installing a pedestrian bridge over the irrigation ditch to complete the riverfront trail's connection to the California Street Pedestrian Bridge. Phase four was initiated in fiscal year 2013, to complete the remainder of the park area which includes landscaping and installation of many trees, shrubs and acres of turf; the building of two large timber frame structures as gathering and party venues; and construction of nearly a mile of internal pathways.

Wyoming Street improvements included extending Wyoming Street from Cregg Lane to California Street creating a much needed new east/west collector street. The new street segment creates a connection between Orange and Russell Streets, both of which will ultimately be signalized intersections. Wyoming Street was built as an urban street with wide sidewalks, curb extensions, pedestrian crosswalks, brick paved sidewalks and pedestrian lighting. If the type of private development that is anticipated along Wyoming comes to fruition, a new mixed use neighborhood will be created on the sawmill site that has been abandoned for decades.

As part of the improvements to Wyoming Street, the MRL Trestle over the street at Cregg Lane was replaced. This was a requirement of MRL in order for the City to have a street right-of-way under the railroad. The City had the option to make short term repairs to the structure, but would have been required to replace it in a few years. The decision was made to undertake full replacement in conjunction with the Wyoming Street project so that money was only spent one time and the street alignment could be the best possible rather than trying to adapt to the old Trestle.

For several decades, the Intermountain Lumber Company sold wholesale lumber and hardware from a 12-acre parcel on North Russell Street. The business moved in the late 1990s and the site sat vacant for many years until the Missoula Housing Authority (MHA) purchased it with a goal of partnering with a private developer to construct a commercial and residential project. MHA re-platted the site into several large lots to be served by a new east-west connector street linking Catlin and Russell Streets. The MHA plan did not come to fruition so it, with Agency assistance, constructed an income-qualified development on nearly three acres and listed the reminder for sale. Some years later, a group of investors with experience developing large apartment projects entered into a sale agreement with MHA. Currently, the developer group (Montana Apartment L.P.) is completing construction of a 224-unit apartment complex (now called Corso Apartment Homes) within seven buildings plus for resident amenities such as laundry, workout facility, theater, community rooms, etc. The developer also provided the City with a nearly one-acre easement along the project's border with the public Milwaukee Trail for community gardens. Garden City Harvest will manage the garden area for the City to be used by residents of the project and surrounding neighborhood. The project plan also included marketing of two lots adjacent to Russell Street for commercial or mixed-use development. One of the lots was purchased and is being developed into a 25,000 square foot health and fitness center named The Source. Agency involvement included assistance in providing utility main lines to the site, demolition and site clearing, installation of access sidewalks required by the City, and construction of the new public street (Milwaukee Way) with pedestrian facilities connecting Russell and Catlin Streets.

The most significant committed project in URD III in fiscal year 2013 was the South Crossing project which includes a major redevelopment of the former Kmart building and property. In May 2013, the Agency committed $565,543 for demolition of the dilapidated Kmart site and approved the project to proceed without prejudice. As a result of negotiations between the Agency and the developers, the proposed development has been modified to meet the goals that the Agency has established for redevelopment in URD III in general and Brooks Street in particular. Consequently, in December 2013, an additional $1,831,824 was committed for reconstruction of Dore Lane with sidewalks on both sides of the new street, construction of new sidewalks with pedestrian scale street lighting and street trees on Brooks and a total reconstruction of the Brooks/Dore Lane intersection with curb extensions, pedestrian islands, a traffic signal and street lighting. This project will be the first phase of the transformation of Brooks Street from Paxson to Reserve Street.

In addition, the Agency financially participated in several smaller private/public partnerships and publicly funded *committed* projects during fiscal year 2013.

URD II

- **public/private partnership projects:** 310 &316 Inez (Huff), Corso Apartment Homes (Montana Apartment L.P.), Dakota Greens (Loken), The Source Fitness Center
- **public projects:** Brownfields RLF for Old Sawmill District, California Street Engineering, Catlin/Wyoming ROW Landscaping, Cedar Street Triangle Improvements, Milwaukee Trail Lighting, Walnut Street Neighborhood Landscaping, sidewalk, streets, street trees and landscaping improvements

URD III

- **public/private partnership projects:** 2605 Eaton Street (Ramos), 38th Street/Shelby Apartments, Catlin Plaza (2501 Catlin)
- **public projects:** Missoula Economic Partnership's Developer Showcase, street trees and landscaping improvements

FRONT STREET URD

- **public/private partnership projects:** none
- **public projects:** Downtown Property Inventory, Minicozzi Retention & Recruitment

RIVERFRONT TRIANGLE URD

- **public/private partnership projects:** none
- **public projects:** Riverfront Triangle/St. Patrick Hospital Parking Study

Taxing Policies

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

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. Therefore as of fiscal year 2012, all of the Agency's urban renewal districts receive state reimbursements through the Entitlement Share.

During fiscal year 2009, reappraisal took place of all commercial and residential (class four) properties in the State of Montana. Per State law, if the value increased on a property, the difference between the old and new values is phased in over a period of six years, when reappraisal takes place again. In addition to reappraisal, substantial changes to the formula used to calculate taxable values of property came out of the 2009 Legislative session. Most notably, the "homestead" and "comstead" exemptions on residential and commercial properties respectively were increased and the factor used in the formula to calculate Taxable Value was decreased in each of the six phase-in years. Although the Legislature's intent was to mitigate the potential tax impact of substantially increased property values, the Agency has projected that overall, these actions may result in declining taxable values over the six year period. The net result appears to indicate declining tax revenue for local jurisdictions assuming a level mill value. Local jurisdictions may "float" their mill values to compensate for such loss of value in accordance with M.C.A. 15-10-420. Statewide school levies appear fixed by the State law at a total maximum of 95 mills and do not appear to be flexible to "float" with decreasing taxable value.

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

In addition, Senate Bill 372 was passed into law in 2011. This Bill reduced the taxation for a portion of the taxable market value of class eight business equipment owned by a tax payer; provided future tax reductions contingent on increases in state collections of individual income tax and corporation license tax over the revenue estimated amount; changed other provisions related to taxation of class eight property; and provided a partial reimbursement to local governments and tax increment financing districts under the Entitlement share payment, to school districts through the Block Grant program and to the Montana university system through support to public education institutions for the loss of class eight and class twelve property tax revenue. The Agency's original reimbursement for fiscal year 2012 for strict personal property was $102,876.34. After making an inquiry to the Department of Revenue, it was discovered there was an invalid tax increment financing (TIF) indicator in Missoula County that was used to calculate the reimbursement amounts. On December 4, 2012, the Department of Revenue sent out revised reimbursement schedules for fiscal year 2012 and 2013 for Missoula County TIF districts. The Agency received an additional $74,373.83 for fiscal year 2012 and the reimbursement schedule for fiscal year 2013 is shown below.

County Name	TIF Name	TIF Number	Annual Entitlement Share Payments Per 15-1-121(8)(b), MCA (1)		Annual Class 8 Personal Property Reimbursement		Total Annual Entitlement & Reimbursement Payment		Semiannual Payment
Missoula	Urban Renewal District III (1-1D)	04-0583D	$0.00	+	$121,115.56	=	$ 121,115.56	/2=	**$60,557.78**
Missoula	Urban Renewal District II (1-1C)	04-0583C	$250,279.00	+	$57,789.45	=	$ 308,068.45	/2=	**$154,034.23**
Missoula	Urban Renewal District II (4-1C)	04-0586C	$30,009.00	+	$4,238.69	=	$ 34,247.69	/2=	**$17,123.85**
Missoula	Front Street URD (1-1F)	04-0583F	$0.00	+	$22,982.54	=	$ 22,982.54	/2=	**$11,491.27**
Missoula	River Front URD (1-1R)	04-0583R	$0.00	+	$4,494.11	=	$ 4,494.11	/2=	**$2,247.06**
			$280,288.00		**$210,620.35**		**$ 490,908.35**		**$245,454.18**

During the 2013 legislative session, Senate Bill 16 was passed into law. This Bill revised the Entitlement Share amount for Missoula's URD II 1-1C taxing jurisdiction. An error occurred in the final draft of House Bill 495 during the 2011 legislative session which reduced Entitlement Share amounts to all increment districts by 10%. The reduction to Missoula's taxing jurisdiction 1-1C was omitted. Senate Bill 16 corrected the oversight and reduces the original Entitlement Share amount of $250,279 annually by 10% ($25,028) to $225,251 annually beginning in fiscal year 2014.

House Bill 472 was introduced during the 2013 legislative session and would have further reduced the taxes assessed on class eight business equipment. The bill proposed replacing the exemption threshold, currently at $20,000, with a $250,000 exemption beginning in tax year 2014. This bill would have caused the first $250,000 of class eight business equipment owned by a person or business to be exempt from taxation, regardless of how much class eight business equipment is owned by the person or business. Current law is assumed to provide a tax rate of 1.5% on the first $3 million of taxable market value, and 3% for all taxable market value in excess of $3 million owned by a taxpayer in tax year 2014 under the provisions of Senate Bill 372 (2011 session). Reimbursements are provided to the university system, local governments, local schools, and TIFs from the general fund for reductions in property tax revenue. House Bill 472 ultimately died in the taxation committee but represents the type of changes that can occur on the legislative level that affect future tax increment. All reimbursements that are rolled into the Entitlement Share provided to tax increment districts revert back to the State, not local taxing jurisdictions, upon sunset of a district.

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 four 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. More recently, 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.

URD II is a district that has been slower to redevelop. The Agency's involvement in the Old Sawmill District project allowed the Agency to extend the life of URD II through the issuance of tax increment revenue bonds in 2006. The debt was issued for 25 years which extended the district's life 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 Agency has been building Silver Park, a part of the Old Sawmill District, over the past several years. This year the Agency made a commitment to complete the Park, build Wyoming Street through the site and replace an aging railroad trestle. $5,750,000 of tax increment revenue bonds were sold to fund these improvements. Environmental remediation of the entire site has been completed with the removal of wood waste and installation of methane abatement and monitoring systems. The Voluntary Cleanup Plan should have been closed out in fiscal year 2013; however, delays have pushed that to fiscal year 2014. Another high impact project in URD II is the private development of 224 units of market rate apartments and a large fitness center on the former Intermountain Lumber site on Russell Street. The City sold $1,753,500 in tax increment revenue bonds to fund infrastructure and utility improvements. The project will be completed in fiscal year 2014. The Record of Decision for the Environmental Impact Statement for the reconstruction of Russell and South 3rd Streets was finalized. The State has negotiated a design contract for Russell Street and the design of South 3rd Street is underway by an engineering firm under contract with the City. These are key arterial streets in URD II; consequently, it is anticipated that significant redevelopment will occur when the redesign and improvements are completed.

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 work with the Downtown Master Plan Implementation 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 reconstruction of North Higgins Avenue which was initiated by the Agency, construction of the new parking structure on Front Street which was financed through the issuance of bonds which 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 and assistance with the construction of a new homeless shelter.

In fiscal year 2011, the Agency sent out a Request for Proposals for the development of the City owned portion of the Riverfront Triangle. The City Council subsequently entered into an agreement with Hotel Fox Partners, LLC to grant them the exclusive right for one year to perform their due diligence and negotiate a Development Agreement with the Agency/City. In January 2013, they received a one-year extension to continue their feasibility studies for a larger conference hotel and community conference center. This proposed development is another important step in the implementation of the Downtown Master Plan.

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 spent over $5,000,000 and built over 10 miles of new sidewalks in the past four 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.

Summary

Highlights for fiscal year 2013 include the replacement of the MRL Trestle over Cregg Lane, and construction of Wyoming Street from Cregg Lane to California Street creating a much needed new east west collector street. The Agency continued to put a great deal of effort into the completion of Silver Park in the Old Sawmill District. That project is slated for completion in fiscal year 2014. Completion of the construction of the new parking structure on East Front Street has been a milestone for the Agency. The Agency will work with its partner organizations to 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 will support developments that reflect good urban design and add diversity to the housing supply. The Agency's efforts continue to be targeted at 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 III with a commitment to completing the networks in both districts. Major undertakings in the coming year will focus on redevelopment in the Front Street URD, redevelopment of the Riverfront Triangle property, implementation of the Downtown Master Plan components, encouraging appropriate redevelopment in URD II and III and the creation of affordable housing opportunities.

Missoula Redevelopment Agency
Ellen Buchanan
Director

FINANCIAL STATEMENTS

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
STATEMENT OF NET POSITION
June 30, 2013

ASSETS	Governmental Activities
CURRENT ASSETS	
Cash and investments	$ 9,783,018
Taxes/assessments receivable, net	528,701
Current portion of notes receivable	19,729
Other current assets	79,551
Due from other governments	345,481
Total current assets	10,756,480
NONCURRENT ASSETS	
Notes receivable	572,699
Restricted cash	675,665
Total assets	12,004,844
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	1,472,441
Accrued wages	12,772
Compensated absences	25,354
Current portion of notes payable	608,479
Current portion of guarantor payable	21,564
Current portion of tax increment revenue bonds payable	214,000
Total current liabilities	2,354,610
NONCURRENT LIABILITIES	
Post employment benefits	16,848
Compensated absences, less current portion	27,952
Notes payable, less current portion	6,553,073
Guarantor payable, less current portion	75,097
Tax increment revenue bonds payable, less current portion	11,624,500
Total noncurrent liabilities	18,297,470
Total liabilities	20,652,080
NET POSITION	
Restricted for debt service	675,665
Unrestricted	(9,322,901)
Total net position	$ (8,647,236)

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, 2013

FUNCTIONS/PROGRAMS	Expenses	Governmental Activities
Governmental Activities		
Housing and community development	$ 5,314,355	$ (5,314,355)
Interest expense	493,501	(493,501)
Total governmental activities	5,807,856	(5,807,856)
Total primary government	$ 5,807,856	(5,807,856)
General Revenues		
Property taxes for general purposes		3,233,154
State contribution - PERS		269
State entitlement funds (HB124)		280,288
Personal property reimbursement (SB372)		387,871
Investment income		13,014
Miscellaneous		26,901
Total general revenues		3,941,497
Change in net position		(1,866,359)
Net Position		
Beginning of year		(6,780,877)
End of year		$ (8,647,236)

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, 2013

	Urban Renewal District I	Urban Renewal District II	Urban Renewal District III	Front Street District	Riverfront Triangle District	Major Debt Service	Total
ASSETS							
Current Assets							
Cash and investments	$ 3,897	$ 5,467,666	$ 3,312,023	$ 334,619	$ 15,537	$ 649,276	$ 9,783,018
Taxes/assessments receivable, net	3,369	-	307,395	-	89	217,848	528,701
Current portion of notes receivable	-	11,744	7,985	-	-	-	19,729
Other current assets	-	-	3,835	-	-	75,716	79,551
Due from other governments	-	-	100,838	-	2,247	242,396	345,481
Interfund receivable	-	308,895	-	59,730	-	-	368,625
	7,266	5,788,305	3,732,076	394,349	17,873	1,185,236	11,125,105
Noncurrent Assets							
Notes receivable	-	457,487	115,212	-	-	-	572,699
Restricted cash	-	-	-	-	-	675,665	675,665
	-	457,487	115,212	-	-	675,665	1,248,364
Total assets	$ 7,266	$ 6,245,792	$ 3,847,288	$ 394,349	$ 17,873	$ 1,860,901	$12,373,469
LIABILITIES							
Current Liabilities							
Accounts payable	$ 3,853	$ 1,464,300	$ 4,288	$ -	$ -	$ -	$ 1,472,441
Interfund payable	-	-	-	-	-	368,625	368,625
Accrued wages	-	-	12,772	-	-	-	12,772
Deferred revenue	3,369	-	254,764	-	-	91,621	349,754
Total liabilities	7,222	1,464,300	271,824	-	-	460,246	2,203,592
FUND BALANCES							
Nonspendable	-	457,487	119,047	-	-	-	576,534
Restricted	44	4,324,005	3,456,417	394,349	17,873	1,400,655	9,593,343
Total fund balance	44	4,781,492	3,575,464	394,349	17,873	1,400,655	10,169,877
Total liabilities and fund balances	$ 7,266	$ 6,245,792	$ 3,847,288	$ 394,349	$ 17,873	$ 1,860,901	$12,373,469

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, 2013

Total fund balances - governmental funds	$ 10,169,877
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	349,754
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	(19,166,867)
Total net position - governmental activities	$ (8,647,236)

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

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Urban Renewal District I	Urban Renewal District II	Urban Renewal District III	Front Street District	Riverfront Triangle District	Major Debt Service	Total
REVENUES							
Tax increment property tax	$ -	$ -	$ 1,626,757	$ -	$ 363	$ 1,803,958	$ 3,431,078
State contribution - PERS	-	-	269	-	-	-	269
State entitlement funds (HB124)	-	-	-	-	-	280,288	280,288
Personal property reimbursement (SB372)	-	-	234,257	-	4,564	149,050	387,871
Investment earnings (losses)	(4)	(432)	5,284	(41)	1	8,213	13,021
Miscellaneous	-	26,895	-	-	-	-	26,895
Total revenues	(4)	26,463	1,866,567	(41)	4,928	2,241,509	4,139,422
EXPENDITURES							
Current							
Housing and community development	-	446,624	640,356	25,505	245	-	1,112,730
Capital outlay	-	4,139,022	53,203	-	-	-	4,192,225
Debt service expense - interest	-	-	-	-	-	493,501	493,501
Debt service expense - principal	-	-	-	-	-	788,010	788,010
Miscellaneous	5,200	-	-	-	-	-	5,200
Total expenditures	5,200	4,585,646	693,559	25,505	245	1,281,511	6,591,666
Excess (deficiency) of revenues over expenditures	(5,204)	(4,559,183)	1,173,008	(25,546)	4,683	959,998	(2,452,244)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	811,204	250,000	152,958	-	705,097	1,919,259
Transfers out	-	(756,206)	-	-	-	(1,163,053)	(1,919,259)
Issuance of long-term debt	-	7,692,012	-	-	-	-	7,692,012
Total other financing sources (uses)	-	7,747,010	250,000	152,958	-	(457,956)	7,692,012
Net change in fund balance	(5,204)	3,187,827	1,423,008	127,412	4,683	502,042	5,239,768
FUND BALANCES							
Beginning of year	5,248	1,593,665	2,152,456	266,937	13,190	898,613	4,930,109
End of year	$ 44	$ 4,781,492	$ 3,575,464	$ 394,349	$ 17,873	$ 1,400,655	$10,169,877

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

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Amounts reported for *governmental activities* in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 5,239,768
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	(197,925)
The change in compensated absence payable is reported in the statement of activities as an expense	(2,236)
The change in the other post employment benefits is reported in the statement of activities as an expense	(1,964)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(7,692,012)
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 assets.	788,010
Change in net position - statement of activities	$ (1,866,359)

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 five urban renewal districts: URD I in 1978, URD II in 1991, URD III in 2000, Front Street district in 2007, and Riverfront Triangle district in 2008. The five-member governing board is appointed by the Mayor and approved by City Council. Due to the control exercised by the City, 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 is scheduled to terminate in December 2015. Front Street URD was scheduled to terminate in 2022 but was extended to 2035 through the issuance of a tax increment note on December 22, 2010. Riverfront Triangle URD is scheduled to terminate in 2023.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Government-wide Statements (Continued)
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.

Over the past several years, Missoula County has experienced delays in preparing and mailing the property tax bills. This delay is considered an extenuating circumstance in accordance with GAAP. In response to the billing delays the Agency extended its revenue recognition period from 60 days to 75.

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 recorded as deferred revenue, 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 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

Debt Service Funds

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Classification of Fund Balance

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

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

Expenditure Order for Resource Categories

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

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

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

a) On or before June 10, department heads and supervisors file with the City detailed and itemized estimates, both of the probable revenue from sources other than taxation and of all expenditures required by the office or department for the next fiscal year.
b) The City finance department prepares a tabulation showing the complete expenditure program of the Agency for the next fiscal year and the sources of revenue by which it is to be financed.
c) On or before the fourth Monday in July, the City Council shall make any revisions it considers advisable.
d) Public hearings are held.
e) By the second Monday in August, the City Council adopts the final budget.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements
The Agency implemented Governmental Accounting Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for fiscal year 2013. This statement amends the definitions of certain assets and liabilities, provides guidance for the presorting of deferred inflows and outflows, and redefines the residual measure as net position.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Increment (Continued)
Taxable valuations for each Urban Renewal District and the corresponding tax increment amounts for November 2012 property tax billing are as follows:

	Taxable Value	Increment Value
Urban Renewal District II	$ 3,641,946	$ 1,782,123
Urban Renewal District III	9,179,048	2,174,702
Front Street Urban Renewal District	1,987,146	574,111
Riverfront Triangle Urban Renewal District	112,863	-

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	$ 2,882,635
Government Securities	7,398,252
Certificates of Deposit	177,796
Less restricted cash held for debt service reserve	(675,665)
	$ 9,783,018

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.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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

NOTE 3. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30, 2013:

Prepaid expenses	$ 3,835
Missoula Parking Commission receivable	75,716
	$ 79,551

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, 2013, the note had an outstanding balance of $48,800.

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. At June 30, 2013, the note had an outstanding balance of $39,000.

In March 2013, the Agency executed additional notes in relation to the Water Main Extension Contract with Mountain Water Company and fire hydrant installation for $504,628. The notes bear interest at 0% and call for annual payments of $12,629 over forty years. At June 30, 2013, the outstanding balance was $469,231 and $35,397 in URD II and URD III, respectively.

NOTE 4. NOTES RECEIVABLE (CONTINUED)

Collections to maturity at June 30, 2013, are as follows:

Year Ending June 30,	Principal
2014	$ 19,729
2015	19,729
2016	19,729
2017	19,729
2018	19,729
Thereafter	493,783
Total	$ 592,428

NOTE 5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2013, were as follows:

	Beginning Balance	Additions	Debt Retired	Ending Balance	Current Portion
Compensated Absences	$ 51,070	$ 28,858	$ (26,622)	$ 53,306	$ 25,354
Notes Payable	7,595,407	188,512	(622,367)	7,161,552	608,479
Guarantor Payable	117,303	-	(20,642)	96,661	21,564
Bonds Payable	4,480,000	7,503,500	(145,000)	11,838,500	214,000
Total	$ 12,243,780	$ 7,720,870	$ (814,631)	$ 19,150,019	$ 869,397

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 and site development of the Champion Mill Site Property located within District II. The bonds were issued at par, bear interest ranging from 4.5% to 5.125%, and are secured by a first lien upon and pledge of tax increment revenues from District II. The bond resolution requires, among other things, that all of District II's tax increment revenues, except revenues generated by the excluded properties as identified in the bond covenants, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, including additional expenses for the Mill Site development, 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.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Mill Site Bonds (Continued)

Debt service requirements to maturity on the August 2006 tax increment bonds at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 110,000	$ 140,300	$ 250,300
2015	110,000	135,350	245,350
2016	120,000	130,400	250,400
2017	125,000	125,000	250,000
2018	130,000	119,375	249,375
2019-2023	735,000	503,431	1,238,431
2024-2028	935,000	302,017	1,237,017
2029-2033	675,000	65,075	740,075
Total	$ 2,940,000	$ 1,520,948	$ 4,460,948

The Agency issued $5,750,000 of Tax Increment Urban Renewal Bonds in March 2013. The bonds were issued to finance additional site development of the Champion Mill Site Property located within District II. The bonds were issued at par and bear an interest rate of 3.15%. The bonds are secured by a first lien upon and pledge of tax increment revenues from District II. The Agency estimates tax increment revenues to be sufficient to cover the principal and interest requirements of the Series 2006 and Series 2013 Bonds. The bond resolution requires, among other things, that all of District II's tax increment revenues, except revenues generated by the excluded properties as identified in the bond covenants, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, and to provide certain reserves for future bond payments. After all required amounts have been deposited in the accounts, the remaining tax increment funds may be used to pay costs associated with construction of other urban renewal activities within District II, including additional expenses for the Mill 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.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Mill Site Bonds (Continued)
Debt service requirements to maturity on the March 2013 tax increment bonds at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 64,000	$ 184,422	$ 248,422
2015	247,000	177,172	424,172
2016	256,000	169,297	425,297
2017	264,000	161,170	425,170
2018	272,000	152,791	424,791
2019-2023	1,496,000	628,709	2,124,709
2024-2028	1,751,000	377,606	2,128,606
2029-2033	1,400,000	89,508	1,489,508
Total	$ 5,750,000	$ 1,940,675	$ 7,690,675

Intermountain Lumber Site
The Agency issued $1,753,500 of Tax Increment Urban Renewal Bonds in May 2013. The bonds were issued to finance acquisition and site development of the Intermountain Lumber Site Property located within District II. The bonds were issued at par and bear an interest rate of 4.25%. The bonds are secured by a first lien upon and pledge of tax increment revenues derived from the Project Site. The bond resolution requires, among other things, that the Project's tax increment revenues, be deposited in a debt service fund as required to pay principal and interest on the bonds when due, 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, 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.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Intermountain Lumber Site (Continued)
Debt service requirements to maturity on the May 2013 tax increment bonds at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 43,679	$ 43,679
2015	35,500	74,524	110,024
2016	74,000	72,239	146,239
2017	76,500	69,063	145,563
2018	80,500	65,769	146,269
2019-2023	455,500	274,146	729,646
2024-2028	561,500	167,567	729,067
2029-2033	470,000	40,789	510,789
Total	$ 1,753,500	$ 807,776	$ 2,561,276

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.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Safeway Bonds (Continued)
Repayment of the debt service deficiency to the Guarantor at June 30, 2013, is scheduled as follows:

Year Ending June 30,	Principal
2014	$ 21,564
2015	25,273
2016	18,227
2017	21,701
2018	9,896
Total	$ 96,661

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

Year Ending June 30,	Principal	Interest	Total
2014	$ 40,000	$ 96,258	$ 136,258
2015	45,000	93,478	138,478
2016	45,000	90,524	135,524
2017	50,000	87,049	137,049
2018	50,000	83,574	133,574
2019-2023	330,000	356,187	686,187
2024-2028	465,000	221,705	686,705
2029-2033	370,000	46,565	416,565
Total	$ 1,395,000	$ 1,075,340	$ 2,470,340

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. The Agency agreed to fund $3,000,000 of the bonds which will be supported by parking revenue and tax increment revenue. The bonds bear interest ranging from 2.29% to 8.0%. The Agency has committed to paying 40% of all principal and interest payments for the life of the bond. Under the terms of the agreement, the Agency will transfer $134,211 to MPC on March 15 and September 15 of each year. MPC will make the required debt service payments on April 1 and October 1 of each year, and the difference between the Agency's transfers and the actual debt service will be refunded back to the Agency on October 15 of each year.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

MPC Note Payable (Continued)
As of June 30, 2013, the Agency had recorded a receivable of $75,516 which represents the $134,211 transfer made on March 15, 2013, less the interest payment made on April 1, 2013 of $58,695. An additional $134,211 was transferred in October 2013. After the debt service payments are made by MPC in October 2013, the Agency expects to receive $121,431 from MPC.

Debt service requirements to maturity on the MPC note payable at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 30,000	$ 116,732	$ 146,732
2015	30,000	116,134	146,134
2016	70,000	114,958	184,958
2017	96,000	112,802	208,802
2018	100,000	111,484	211,484
2019-2023	548,000	496,879	1,044,879
2024-2028	664,000	378,560	1,042,560
2029-2033	818,000	220,606	1,038,606
2034-2037	582,000	39,115	621,115
Total	$ 2,938,000	$ 1,707,270	$ 4,645,270

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 sub recipient 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 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 is not a general obligation of the City. For these reasons, the loan is reflected as a liability of MRA. Subsequent to issuance, the servicing on the loan transferred to Montana Community Development Corporation. In July 2012, the loan was increased from $1.125 million to $1.775 million. 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.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Brownfields RLF Note Payable (Continued)
Debt service requirements to maturity on Brownfields note payable at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ 12,023	$ 12,023
2015	-	23,850	23,850
2016	-	23,850	23,850
2017	-	23,850	23,850
2018	-	23,850	23,850
2019-2023	266,344	117,377	383,721
2024-2028	887,812	69,329	957,141
2029-2033	435,833	9,687	445,520
Total	$ 1,589,989	$ 303,816	$ 1,893,805

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

Debt service requirements to maturity on the First Interstate Bank note payable at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 30,767	$ 100,604	$ 131,371
2015	32,783	98,523	131,306
2016	34,930	96,306	131,236
2017	37,218	93,943	131,161
2018	39,656	91,425	131,081
2019-2023	240,813	413,195	654,008
2024-2028	330,711	320,354	651,065
2029-2033	454,167	192,854	647,021
2034-2037	350,280	35,384	385,664
Total	$ 1,551,325	$ 1,442,588	$ 2,993,913

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Wilma Note Payable
In February 2009, the Agency entered into a Development Agreement with the Master Wilma Condominium Association (the Association) pledging $250,000 of tax increment funding for façade and sidewalk improvements for the Wilma building. On July 19, 2010, the Agency and the Association amended the Agreement to extend the deadline to make the improvements to September 2010, to allow progress payments and to change the date when final payments would begin to December 2010. On July 20, 2010, the Association assigned the Agreement to Simba Development Group, LLC. As of December 2010, the remaining amount to reimburse Simba was $220,000 and a reimbursement schedule was adopted as part of the negotiations surrounding the Front Street Parking Structure and First Interstate Bank pledges. The Wilma pledge is subordinate to the Front Street Parking Structure commitment but is not subordinate to the First Interstate Bank commitment. The schedule adopted reimburses Simba over a five-year period at 3.25% interest with semi-annual payments due on December 15 and June 15. In May 2011, Simba received a loan from Bank of Montana secured in part by their interest in the Development Agreement and the Agency agreed to make the semi-annual payment to Bank of Montana.

Debt service requirements to maturity on the Wilma note payable at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 47,712	$ 2,288	$ 50,000
2015	34,526	725	35,251
Total	$ 82,238	$ 3,013	$ 85,251

Civic Stadium Notes Payable
In February 2012, the Agency issued a series of ten subordinate lien notes in the aggregate principal amount of $1,500,000 for the purpose of releasing a portion of the mortgage on the Civic Stadium so that all rights, title, and interest in the Civic Stadium could be transferred to the City free and clear of any lien, mortgage, or encumbrance, keeping the Civic Stadium publicly owned and publicly accessible. None of the notes bear interest. The notes are payable in six equal semiannual installments beginning August 1, 2012 and ending February 1, 2015.

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Civic Stadium Notes Payable (Continued)
Debt service requirements to maturity on the Civic Stadium notes payable at June 30, 2013, are as follows:

Year Ending June 30,	Principal
2014	$ 500,000
2015	500,000
Total	$ 1,000,000

NOTE 6. COMMITMENTS

The Agency has entered into contracts for various projects and activities. As of June 30, 2013, the Agency had commitments totaling $3,935,475 that will be financed from operating funds.

Urban Renewal District II:		
Public:		
California Street Engineering	$	10,812
Catlin/Wyoming Landscape		150
Cedar Street Triangle		78,289
Milwaukee Trail		121,051
Poverello Center		119,600
Scott/Toole Intersection		90,000
Series 2013 Bond		203,074
Western		68,644
Phase IV		1,121,086
West Broadway Island Trail and Bridge		49,000
Montana Apartment Company LLC		877,191
Lifestyle Fitness		123,826
YWCA Secret Seconds		23,670
Private:		
Brownsfield		69,820
Dakota Greens		86,692
	$	3,042,905

NOTE 6. COMMITMENTS (CONTINUED)

Urban Renewal District III:

Public:		
Bitterroot Branch Trail	$	50,000
Bond Services		10,000
South Crossing		565,453
Street Tree Project		2,483
Private:		
Territorial Landworks, Inc.		70,268
Montana Mapping & GPS		93,895
	$	792,099

Front Street Urban Renewal District:

Public:		
Front / Main Streets Conversion Study		2,684
spectrUM Discovery Area		97,787
	$	100,471

NOTE 7. RETIREMENT PLAN

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

Rates: Year Ended June 30,	Employee	Agency	State
2013	6.900%	7.070%	0.100%
2012	6.900%	7.070%	0.100%
2011	6.900%	7.070%	0.100%

NOTE 7. RETIREMENT PLAN (CONTINUED)

MPERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. The MPERS is a mandatory multiple-employer, cost-sharing plan administered by the Montana Public Employees' Retirement Administration (MPERA).

MPERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary.

A guaranteed annual benefit adjustment (GABA) of 1.5% or 3%, depending on date of hire, is provided each January for benefit recipients if they have been receiving a benefit for at least 12 months. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 6.90% of monthly compensation. Local government entities are required to contribute 7.070% of members' compensation. The state of Montana contributes 0.1% of members' compensation on behalf of local government entities.

The amounts contributed during the years ended June 30, 2013, 2012, and 2011, were equal to the required contribution for each year. The amounts contributed by the Agency and the state of Montana were as follows:

Contributions: Year Ended June 30,	Agency	State
2013	$ 20,582	$ 291
2012	19,189	271
2011	20,937	296

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

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

NOTE 8. INTERFUND TRANSACTIONS

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

	Transfers In	Transfers Out
Urban Renewal District II	$ 811,204	$ 756,206
Urban Renewal District III	250,000	-
Front Street URD	152,958	-
Debt Service	705,097	1,163,053
	$ 1,919,259	$ 1,919,259

NOTE 9. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, damage or loss of assets, errors and omissions, injuries to employees, employee medical claims, and natural disasters. The Agency manages these risks through participation with the City's risk management practices. Information related to the City's risk management is available in its CAFR.

NOTE 10. POSTEMPLOYMENT BENEFITS

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

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Retirees and the Agency contribute to the plan. The plan is financed on a pay-as-you-go basis with the Agency contributions ensuring that adequate reserves are maintained in the plan. The Agency's contribution is not contributed to a trust for only retiree benefits so it is not considered a contribution towards the annual required contribution under GASB Statement No. 45. The contributions to the plan are as follows for June 30, 2013.

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

Based on an actuarial study prepared as of June 30, 2013, the Agency's portion of the annual other post-employment benefit cost was $16,848 for the fiscal year ended June 30, 2013. 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 post-employment benefit obligation increased from $14,884 to $16,848 at June 30, 2013. A schedule of the Agency's annual OPEB cost is presented below:

	2013	2012	2011
Annual required contribution (ARC)	$ 8,646	$ 6,702	$ 6,532
Interest and ARC Adjustment	(259)	(198)	(364)
Annual OPEB cost	8,387	6,504	6,168
Contributions made	(6,423)	(3,576)	(3,547)
Change in net OPEB obligation	1,964	2,928	2,621
Net OPEB obligation - beginning of year	14,884	11,956	9,335
Net OPEB obligation - end of year	$ 16,848	$ 14,884	$ 11,956
Percentage of annual OPEB cost contribute	77%	55%	58%

NOTE 10. POSTEMPLOYMENT BENEFITS (CONTINUED)

As of June 30, 2013, the Agency's portion of the plan had an unfunded accrued actuarial liability of $88,430. 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 $235,898 for fiscal year 2013; the unfunded actuarial liability was 37% 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. For the actuarial valuation performed at June 30, 2013, the projected unit credit actuarial cost method was used. The health care cost trend rate was 7.0% for 2013 decreasing to 5% for 2017 and after. The assumed discount and long-term rate of return was 3.326%. 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, 2013.

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 $110,334 for administrative services.

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

NOTE 12. GOVERNMENTAL FUND BALANCE REPORTING AND SPENDING PRIORITIES

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

At June 30, 2013, the Agency had a total fund balance in Governmental funds of $10,169,887. In accordance with GASB Statement No. 54 this fund balance has been classified as follows:

Special Revenue Funds		
Nonspendable	$ 576,534	Prepaid expenses and notes receivable
Restricted	8,192,688	Restricted for urban renewal development
Debt Service		
Restricted	1,400,655	Restricted for debt service
	$ 10,169,877	

R E Q U I R E D   S U P L E M E N T A R Y   I N F O R M A T I O N

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2013

	Urban Renewal District II				Urban Renewal District III			
	Budgeted Amounts			Variance with	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget	Original	Final	Actual	Final Budget
Budgetary Fund Balance, July 1, 2012	$ 1,593,665	$ 1,593,665	$ 1,593,665	$ -	$ 2,152,456	$ 2,152,456	$ 2,152,456	$ -
Resources (Inflows):								
Miscellaneous	-	26,895	26,895	-	6,100	-	-	-
Investment earnings (expense)	1,000	1,000	(432)	(1,432)	1,000	1,000	5,284	4,284
Long-term debt proceeds	258,332	7,761,832	7,692,012	(69,820)	-	-	-	-
Tax increment property tax	-	-	-	-	2,015,943	1,651,512	1,626,757	(24,755)
State contribution PERS	-	-	-	-	-	-	269	269
State personal property tax reimbursement	-	-	-	-	-	-	234,257	234,257
Grant	-	-	-	-	-	121,116	-	(121,116)
State entitlement	255,260	-	-	-	-	-	-	-
Transfers in	422,615	811,204	811,204	-	250,000	250,000	250,000	-
Amounts available for appropriation	$ 2,530,872	$ 10,194,596	10,123,344	$ (71,252)	$ 4,425,499	$ 4,176,084	4,269,023	$ 92,939
Charges to Appropriations (Outflows):								
Housing and community development	$ 1,670,587	$ 3,605,362	446,624	$ 3,158,738	$ 2,524,848	$ 640,356	640,356	$ -
Capital outlay	725,378	5,023,072	4,139,022	884,050	1,200,569	53,203	53,203	-
Transfers out	250,000	1,542,768	756,206	786,562	-	-	-	-
Total charges to appropriations	$ 2,645,965	$ 10,171,202	5,341,852	$ 4,829,350	$ 3,725,417	$ 693,559	693,559	$ -
Excess of resources (inflows) over charges to appropriations (outflows)			4,781,492				3,575,464	
Budgetary Fund Balance, June 30, 2013			$ 4,781,492				$ 3,575,464	

	Front Street District				Riverfront Triangle District			
	Budgeted Amounts			Variance with	Budgeted Amounts			Variance with
	Original	Final	Acutal	Final Budget	Original	Final	Actual	Final Budget
Budgetary Fund Balance, July 1, 2012	$ 266,937	$ 266,937	$ 266,937	$ -	$ 13,190	$ 13,190	$ 13,190	$ -
Resources (Inflows):								
Miscellaneous	-	-	-	-	-	-	-	-
Investment earnings (expense)	-	-	(41)	(41)	-	-	1	1
Long-term debt proceeds	-	-	-	-	-	-	-	-
Tax increment property tax	-	-	-	-	8,321	8,321	363	(7,958)
State contribution PERS	-	-	-	-	-	-	-	-
State personal property tax reimbursement	-	-	-	-	-	4,494	4,564	70
Grant	-	-	-	-	-	-	-	-
State entitlement	-	-	-	-	-	-	-	-
Transfers in	139,157	130,890	152,958	22,068	-	-	-	-
Amounts available for appropriation	$ 406,094	$ 397,827	419,854	$ 22,027	$ 21,511	$ 26,005	18,118	$ (7,887)
				-				-
Charges to Appropriations (Outflows):				-				-
Housing and community development	$ 323,296	$ 397,827	25,505	$ (372,322)	$ 23,036	$ 17,684	245	$ (17,439)
Capital outlay	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total charges to appropriations	$ 323,296	$ 397,827	25,505	$ (372,322)	$ 23,036	$ 17,684	245	$ (17,439)
Excess of resources (inflows) over charges to appropriations (outflows)			394,349				17,873	
Budgetary Fund Balance, June 30, 2013			$ 394,349				$ 17,873	

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION – SPECIAL REVENUE FUNDS

June 30, 2013

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
Sources/Inflows of Resources				
Actual available for appropriation from the budgetary comparison schedule	$ 10,123,344	$ 4,269,023	$ 419,854	$ 18,118
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,593,665)	(2,152,456)	(266,937)	(13,190)
Issuance of long-term debt is a budgetary resource but is not a current year revenue for financial reporting purposes	(7,692,012)	-	-	-
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	(811,204)	(250,000)	(152,958)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 26,463	$ 1,866,567	$ (41)	$ 4,928
Uses/Outflows of Resources				
Actual total charges to appropriations from the budgetary comparison schedule	$ 5,341,852	$ 693,559	$ 25,505	$ 245
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(756,206)	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 4,585,646	$ 693,559	$ 25,505	$ 245

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH INSURANCE BENEFIT PLAN
June 30, 2013

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
2011	$ -	$ 80,682	$ 80,682	0%	$ 276,145	29%
2013	$ -	$ 88,430	$ 88,430	0%	$ 235,898	37%

SUPPLEMENTARY INFORMATION

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BALANCE SHEET – COMBINING DEBT SERVICE
June 30, 2013

	Millsite Bonds	MAEDC Brownfields Note	Safeway St. Patrick Hospital Bonds	Front Street Notes	Inter-Mountain Bonds	Total
ASSETS						
Current Assets						
Cash and investments	$ 251,417	$ 7	$ 77,266	$ 240,838	$ 79,748	$ 649,276
Taxes/assessments receivable, net	147,312	-	-	70,536	-	217,848
Other current assets	-	-	-	75,716	-	75,716
Due from other governments	224,175	-	-	18,221	-	242,396
	622,904	7	77,266	405,311	79,748	1,185,236
Noncurrent Assets						
Restricted cash	675,665	-	-	-	-	675,665
Total assets	$ 1,298,569	$ 7	$ 77,266	$ 405,311	$ 79,748	$ 1,860,901
LIABILITIES						
Current Liabilities						
Interfund payable	$ 308,895	$ -	$ -	$ 59,730	$ -	$ 368,625
Deferred revenue	62,592	-	-	29,029	-	91,621
Total liabilities	371,487	-	-	88,759	-	460,246
FUND BALANCES						
Restricted	927,082	7	77,266	316,552	79,748	1,400,655
Total fund balances	927,082	7	77,266	316,552	79,748	1,400,655
Total liabilities and fund balances	$ 1,298,569	$ 7	$ 77,266	$ 405,311	$ 79,748	$ 1,860,901

MISSOULA REDEVELOPMENT AGENCY

(A Component Unit of the City of Missoula)

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

For the Year Ended June 30, 2013

	Millsite $3.6 M Bonds	MAEDC Brownfields Note	Safeway St. Patrick Hospital Bonds	Front Street Notes	Inter-Mountain Bonds	Total
REVENUES						
Tax increment property tax	$ 1,366,591	$ -	$ -	$ 437,367	$ -	$ 1,803,958
State Entitlement/CMAQ Funds	280,288	-	-	-	-	280,288
State Personal Property Tax Reimbursement	108,443	-	-	40,607	-	149,050
Investment earnings (losses)	5,061	(1)	27	3,119	7	8,213
Total revenues	1,760,383	(1)	27	481,093	7	2,241,509
EXPENDITURES						
Current:						
Interest expense	145,406	23,048	100,287	223,560	1,200	493,501
Principal expense	605,000	19,294	60,642	103,074	-	788,010
Total expenditures	750,406	42,342	160,929	326,634	1,200	1,281,511
Excess (deficiency) of revenues over expenditures	1,009,977	(42,343)	(160,902)	154,459	(1,193)	959,998
OTHER FINANCING SOURCES (USES)						
Transfers in	425,265	42,214	156,677	-	80,941	705,097
Transfers out	(1,010,095)	-	-	(152,958)	-	(1,163,053)
Total other financing sources (uses)	(584,830)	42,214	156,677	(152,958)	80,941	(457,956)
Net change in fund balance	425,147	(129)	(4,225)	1,501	79,748	502,042
FUND BALANCES						
Beginning of year	501,935	136	81,491	315,051	-	898,613
End of year	$ 927,082	$ 7	$ 77,266	$ 316,552	$ 79,748	$ 1,400,655

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – BUDGET-TO-GAAP RECONCILIATION –
DEBT SERVICE
June 30, 2013

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	$ 3,845,219
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(898,613)
Transfers from other funds are inflows of budgetary resource but are not revenues for financial reporting purposes	(705,097)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 2,241,509
Uses/Outflows of Resources	
Actual total charges to appropriations from the budgetary comparison schedule	$ 2,444,564
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,163,053)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,281,511

MISSOULA REDEVELOPMENT AGENCY
(A Component Unit of the City of Missoula)
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE
For the Year Ended June 30, 2013

	Major Debt Service			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Budgetary Fund Balance, July 1, 2012	$ 898,613	$ 898,613	$ 898,613	$ -
Resources (Inflows):				
Investment earnings	-	8,453	8,213	(240)
Tax increment property tax	1,843,381	1,804,739	1,803,958	(781)
State personal property tax reimbursement	-	149,050	149,050	-
State entitlement	-	280,288	280,288	-
Transfers in	1,420,766	1,836,479	705,097	(1,131,382)
Amounts available for appropriation	$ 4,162,760	$ 4,977,622	3,845,219	$ (1,132,403)
Charges to Appropriations (Outflows):				
Debt service expenditures	$ 1,281,738	$ 1,282,239	1,281,511	$ 728
Transfers out	1,982,538	2,294,645	1,163,053	1,131,592
Total charges to appropriations	$ 3,264,276	$ 3,576,884	2,444,564	$ 1,132,320
Excess of resources (inflows) over charges to appropriations (outflows)			1,400,655	
Budgetary Fund Balance, June 30, 2013			$ 1,400,655	

1821 SOUTH AVENUE WEST · FIFTH FLOOR · P.O. BOX 2368 · MISSOULA, MT 59806-2368
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
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, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 27, 2014.

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. 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, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
January 27, 2014

Finding 2012-1	*Material Restatement of Prior Period Balances*
Condition:	During 2012, it was determined that a prior year note receivable totaling $61,000 was incorrectly recorded as an expenditure instead of a note receivable in the URD III fund. This resulted in a material adjustment to prior period balances.
Criteria:	When a material audit adjustment is recorded, it indicates a significant deficiency in internal control over financial reporting due to the quantitative impact on the fund and government-wide financial statements.
Cause:	The Agency executed a note receivable as part of its Façade Improvement Program in 2011. This was the first time the Agency had dealt with a transaction of this nature. When repayments on the note commenced in February 2012, it was determined that the note had not been properly recorded in the prior year. The transaction was not correctly recorded because the client did not have experience with these types of transactions.
Effect:	A material audit adjustment was required in the URD III fund.
Updated Status:	The Agency continues to see these types of arrangements and appears to have recorded the notes appropriately in the current year.

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