

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.**

**GREAT FALLS, MONTANA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF**

**JUNE 30, 2006**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)**

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***Douglas Wilson & Company, P.C.***

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	3-4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2006 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2005 .....	5
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005 .....	6
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005 .....	7
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005 .....	8
NOTES TO THE FINANCIAL STATEMENTS .....	9-15
CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2006 .....	16
CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2006 .....	17
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006 .....	18-19
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	20-21
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	22-23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006 .....	24

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**Douglas WILSON**  
and Company, PC

Board of Directors  
Great Falls Development Authority, Inc.  
Great Falls, Montana

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Randal J. Boysun, CPA  
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Bruce H. Gaare, CPA

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statement of financial position of Great Falls Development Authority, Inc., (a nonprofit organization) as of June 30, 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2005 financial statements and, in our report dated December 6, 2005, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Great Falls Development Authority, Inc., as of June 30, 2006, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2006, on our consideration of Great Falls Development Authority, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The combining statement of financial position and combining statement of activities on pages 16 and 17 are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. The accompanying schedule of federal awards for the year ended June 30, 2006, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Douglas Wilson & Company, P.C.*

Great Falls, Montana  
November 22, 2006

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2006  
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2005)

	ASSETS	6/30/06	6/30/05
<b>Current Assets</b>			
Cash and Cash Equivalents		\$ 1,012,719	\$ 585,016
Accounts Receivable		60,263	69,744
Interest Receivable		-	26,241
Prepaid Expense		-	721
Current Portion of Notes Receivable		224,338	236,233
Current Portion of Unconditional Promises to Give		379,105	481,037
Total Current Assets		<u>1,676,425</u>	<u>1,398,992</u>
<b>Property and Equipment</b>			
Building		230,196	230,196
Office Equipment		227,207	227,207
		<u>457,403</u>	<u>457,403</u>
Less Accumulated Depreciation		(295,396)	(258,366)
		<u>162,007</u>	<u>199,037</u>
<b>Other Assets</b>			
Notes Receivable (Revolving Loan Fund)		4,338,119	4,694,594
Note Receivable (Intermediary Relending Program)		157,136	137,604
Unconditional Promises to Give (Net of Current Portion)		-	293,765
Agency Receivable		-	27,186
		<u>4,495,255</u>	<u>5,153,149</u>
Total Assets		<u>\$ 6,333,687</u>	<u>\$ 6,751,178</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts Payable		\$ 104,260	\$ 94,816
Payroll Liabilities		1,122	750
Deposits		-	80
Line of Credit		311,503	313,966
Current Portion of Long-Term Debt		69,353	69,613
Total Current Liabilities		<u>486,238</u>	<u>479,225</u>
<b>Long-Term Liabilities</b>			
Long-Term Debt (Net of Current Portion)		1,149,710	1,195,743
Accrued Vacation and Sick Leave Payable		22,235	30,179
Total Long-Term Liabilities		<u>1,171,945</u>	<u>1,225,922</u>
<b>Net Assets</b>			
Unrestricted		9,062	574,419
Temporarily Restricted		85,886	87,787
Permanently Restricted		4,580,556	4,383,825
Total Net Assets		<u>4,675,504</u>	<u>5,046,031</u>
Total Liabilities and Net Assets		<u>\$ 6,333,687</u>	<u>\$ 6,751,178</u>

See accompanying notes to financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total	2005 Total
<b>Support and Revenues</b>					
Federal Financial Awards					
PTA	\$ -	\$ 75,468	\$ -	\$ 75,468	\$ 97,644
SBDC	-	53,500	-	53,500	51,782
EPA Assessment Grant	-	86,460	-	86,460	294,897
EDA Planning Grant	-	-	-	-	14,132
HUD Grants	-	132,985	-	132,985	-
State of Montana - Railroad Spur Grant	-	-	-	-	55,000
SBDC In-Kind Revenue	-	7,676	-	7,676	11,978
NxLevel Revenue	-	5,931	-	5,931	3,900
City of Great Falls	-	85,000	-	85,000	85,000
Great Falls Airport Authority	-	60,000	-	60,000	60,000
Cascade County	-	20,000	-	20,000	-
SBA 504 Revenue	-	25,701	-	25,701	13,183
Micro Loans	-	-	-	-	40,000
Donations	21,204	-	-	21,204	244,681
In Kind Donations	-	-	-	-	1,058
Net Assets Released from Restrictions	554,622	(554,622)	-	-	-
<b>Total Support and Revenues</b>	<b>575,826</b>	<b>(1,901)</b>	<b>-</b>	<b>573,925</b>	<b>973,255</b>
<b>Expenses</b>					
Program Services					
NxLevel	7,832	-	-	7,832	8,100
Procurement Technical Assistance	117,309	-	-	117,309	139,623
Small Business Development Center	82,708	-	-	82,708	98,325
EPA & EDA Grants	218,071	-	-	218,071	297,186
Railroad Spur Expenses	30,307	-	-	30,307	55,000
SBA 504 Expenses	13,820	-	-	13,820	-
Supporting Services					
General and Administrative	687,769	-	-	687,769	813,574
<b>Total Expenses</b>	<b>1,157,816</b>	<b>-</b>	<b>-</b>	<b>1,157,816</b>	<b>1,411,808</b>
Support and Revenues in Excess (Deficit) of Expenses	(581,990)	(1,901)	-	(583,891)	(438,553)
<b>Other Revenues</b>					
Interest and Dividend Income	120	-	195,691	195,811	195,962
Loan Fees	5,759	-	1,040	6,799	3,015
Miscellaneous Income	10,754	-	-	10,754	38,997
Lease Income	-	-	-	-	19,985
<b>Total Other Revenues</b>	<b>16,633</b>	<b>-</b>	<b>196,731</b>	<b>213,364</b>	<b>257,959</b>
Increase (Decrease) in Net Assets	(565,357)	(1,901)	196,731	(370,527)	(180,594)
Net Assets, Beginning of Year	574,419	87,787	4,383,825	5,046,031	5,226,625
Net Assets, End of Year	\$ 9,062	\$ 85,886	\$ 4,580,556	\$ 4,675,504	\$ 5,046,031

The accompanying notes are an integral part of these financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)

	6/30/06	6/30/05
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (370,527)	\$ (180,594)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	37,030	40,411
(Increase) Decrease in:		
Interest Receivable	26,241	(2,966)
Accounts Receivable	9,481	(42,987)
Prepaid Expense	721	829
Agency Receivable	27,186	(27,186)
Increase (Decrease) in:		
Accounts Payable	9,444	50,843
Accrued Vacation and Sick Leave Payable	(7,944)	(9,570)
Payroll Liabilities	292	53
Net Cash Provided (Used) by Operating Activities	<u>(268,076)</u>	<u>(171,167)</u>
Cash Flows from Investing Activities		
Payments on Notes Receivable	486,588	219,589
Advances on Notes Receivable	(137,750)	(1,472,384)
Purchase of Office Equipment	-	(10,087)
Sale of Investments	-	165,902
Net Cash Provided (Used) by Investing Activities	<u>348,838</u>	<u>(1,096,980)</u>
Cash Flows from Financing Activities		
Repayment on Long-Term Debt	(78,756)	(15,750)
Advance on Line of Credit Advance and Long-Term Debt	30,000	1,074,416
Unconditional Promises to Give	395,697	192,514
Net Cash Provided (Used) by Financing Activities	<u>346,941</u>	<u>1,251,180</u>
Net Increase (Decrease) in Cash	427,703	(16,967)
Cash and Cash Equivalents, Beginning of Year	<u>585,016</u>	<u>601,983</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,012,719</u>	<u>\$ 585,016</u>
Cash and Cash Equivalents:		
Operating	\$ 30,123	\$ 63,932
Restricted for Loan Funds	982,596	521,084
	<u>\$ 1,012,719</u>	<u>\$ 585,016</u>
Additional Information:		
Schedule of Interest:		
Interest Paid	\$ 22,645	\$ 20,853
Interest Received	<u>\$ 195,811</u>	<u>\$ 195,962</u>

See accompanying notes to financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)

	PROGRAM SERVICES						SUPPORTING SERVICES		
	NxLevel	EPA & EDA Grants	SBA 504	Railroad Spur	Procurement Technical Assistance	Small Business Development Center	General and Administrative	6/30/06 Total	6/30/05 Total
Salaries	\$ -	\$ -	\$ 3,470	\$ -	\$ 71,338	\$ 51,099	\$ 254,333	\$ 380,240	\$ 387,478
Payroll Taxes and Benefits	-	-	-	-	16,694	11,925	69,807	98,426	106,078
Depreciation and Amortization	-	-	-	-	-	-	37,030	37,030	40,114
Dues and Subscriptions	-	-	-	-	399	-	825	1,224	4,097
Professional Training	-	-	-	-	507	874	1,272	2,653	2,882
Insurance	-	-	-	-	-	-	11,388	11,388	4,923
Marketing	161	-	-	-	-	1,481	166,541	168,183	192,805
Membership Dues	-	-	-	-	-	100	-	100	2,185
Interest	-	-	-	-	-	-	21,952	21,952	22,586
Legal and Accounting	-	-	8,133	-	180	1,915	57,704	67,932	63,240
Miscellaneous	717	-	282	-	37	195	1,283	2,514	10,087
Office Supplies	2,252	-	-	-	427	499	4,011	7,189	14,605
Postage	-	-	-	-	236	885	766	1,887	3,761
Professional Fees	1,755	218,071	225	-	-	-	19,051	239,102	407,011
Printing	-	-	-	-	140	129	2,320	2,589	139
Property Taxes	-	-	-	-	-	-	1,140	1,140	1,029
Rent	-	-	-	-	17,400	7,200	511	25,111	25,908
Repairs and Maintenance	918	-	-	-	1,609	1,496	11,298	15,321	28,769
Telephone	929	-	-	-	1,514	435	6,300	9,178	10,179
Travel	890	-	1,710	-	6,828	4,475	8,937	22,740	16,966
Utilities	210	-	-	-	-	-	11,400	11,610	10,966
Railroad Spur Expense	-	-	-	30,307	-	-	-	30,307	55,000
<b>Total</b>	<b>\$ 7,832</b>	<b>\$ 218,071</b>	<b>\$ 13,820</b>	<b>\$ 30,307</b>	<b>\$ 117,309</b>	<b>\$ 82,708</b>	<b>\$ 687,769</b>	<b>\$ 1,157,816</b>	<b>\$ 1,411,808</b>

See accompanying notes to financial statements.

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.**

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Great Falls Development Authority, Inc. (the "Authority") was formed on July 1, 1997. The Authority was created to:

- Promote, stimulate, and effect industrial and economic development in Cascade County, Montana.
- Endeavor to increase the volume of commerce within the jurisdiction of the Port Authority.
- Cooperate with other organizations in the development of commerce and other economic activity in the state.
- Support the creation, expansion, retention, and relocation of new and existing businesses and industry in the state.

**Principles of Consolidation** – The consolidated financial statements include the accounts of Great Falls Development Authority, Inc. and High Plains Financial Inc. All material interorganization transactions have been eliminated.

**Income Tax Status** - Great Falls Development Authority, Inc., has received tax exempt status under Section 501(c)(3) of the Internal Revenue Code, and is therefore not liable for federal or state income taxes.

**Use of Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The Authority considers cash to include cash on hand and in bank accounts.

**Basis of Accounting** - The accounting is organized on a functional basis, with the activities of each function or program accounted for in separate accounts. The Authority accounts for financial activity using the accrual method of accounting, whereby revenue is recognized when earned and becomes measurable. Expenses are recorded when the liability is incurred.

**Property and Equipment** - Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Expenditures over \$500 are capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from five (5) to twenty-five (25) years.

**Expense Allocation** - Expenses have been allocated among the programs of service on the basis of actual benefit received and estimates made by the Authority's management.

**Promises to Give** - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Contributed Services and Materials** - Contributed services are reported in the financial statements for voluntary donations of services when those services: (1) create or enhance non-financial assets, or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation.

Donated materials are recorded at their fair value at the date of the gift. The Authority does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

**Accounts Receivable** - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. If necessary, management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2006, the allowance for uncollectible amounts was \$0.

**Basis of Presentation** - Financial statement presentation follows the recommendations of Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Notes Receivable** - Notes Receivable are stated at unpaid principal balances. Interest on notes is recognized over the term of the note and is calculated using simple interest methods on principal amounts outstanding.

The Authority provides for losses on notes receivable using the allowance method. Managements' periodic evaluation of the adequacy of the allowance is based on the Authority's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay estimated value of any underlying collateral, and current economic conditions. As of June 30, 2006, management estimates an allowance is not necessary based on the above criteria.

Accrual of interest is discontinued when management believes, after considering economics, business conditions and evaluation efforts, that the borrowers financial condition is such that collection of interest is doubtful. Interest income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrowers ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

**June 30, 2005 Financial Information** - The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements as of and for the year ended June 30, 2005, from which the summarized information was derived.

**NOTE 2: CASH:**

The Authority maintains its cash deposits at banks located in Great Falls, Montana. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Authority has established a repurchase agreement with one local financial institution to collateralize funds in excess of the FDIC insurance. As of June 30, 2006 the Authority has a balance of \$836,943 in the repurchase account secured by government securities owned by the financial institution.

**NOTE 3: RESTRICTIONS ON NET ASSETS:**

**Permanently Restricted** - Permanently restricted net assets consist of cash, notes receivable, and interest receivable to be used in a revolving loan fund program. The revolving loan fund program was funded by the U.S. Department of Commerce - Economic Development Administration, the City of Great Falls and Great Falls Development Authority, Inc. in the year ended June 30, 1997. The funds are to be loaned to provide economic development in Cascade County. The current interest income and other income generated from revolving loan fund operations may be used only to capitalize the revolving loan fund or to cover eligible and reasonable costs necessary to administer the revolving loan fund. Repayment of the revolving loan fund principal and interest and other income earned in prior years may only be used for relending. The revolving loan fund reimbursed the Authority, for administrative expenses, \$70,594 in 2006.

**Temporarily Restricted** - Temporarily restricted net assets consist of the 2006/2007 annual contribution received from the City of Great Falls as of June 30, 2006. The \$85,000 contribution is restricted to the fiscal year ending June 30, 2006. In addition, NxLevel available program funds of \$886 are classified as temporarily restricted because of restrictions on the use of these funds.

**NOTE 4: PROMISES TO GIVE:**

The Authority held a fund-raising campaign called "Founding the Future" to provide funds to implement a five-year marketing campaign to attract new business. All promises to give are unconditional.

Unconditional promises to give at June 30, 2006 is as follows:

"Founding the Future" Campaign	<u>\$429,105</u>
Receivable in Less than One Year	\$429,105
Less Allowance for Uncollectible Promises Receivable	<u>(50,000)</u>
Net Unconditional Promises to Give	<u>\$379,105</u>

**NOTE 5: NOTES RECEIVABLE (REVOLVING LOAN PROGRAM):**

The Authority has provided financing for 14 business projects through the revolving loan program. All loans are for building and real estate projects. The terms for the loans are 3 to 20 years with interest rates from 2 to 5%. All loans are secured by real estate, equipment, and assignments of life insurance and leases. The following is a summary of notes receivable under the revolving loan fund:

Revolving Loan Program	
Notes Receivable	\$4,557,493
Less: Current Portion	<u>219,374</u>
Total	<u>\$4,338,119</u>

During the fiscal year ended June 30, 2006, the Authority advanced \$107,750 in new loans.

**NOTE 6: NOTE RECEIVABLE (INTERMEDIARY RELENDING PROGRAM):**

High Plains Financial, Inc. entered into a loan agreement with the Rural Business Service Cooperative of the U.S. Department of Agriculture and the Montana Board of Investments to establish an intermediary relending program for the five county area that includes Cascade County, excluding the City of Great Falls, Glacier, Pondera, Teton and Toole counties in North Central Montana. See Note 7 for further information concerning the long-term debt associated with this program.

Loan receivable at June 30, 2006 consists of the following:

6% note receivable; secured by building equipment, accounts receivable, assignment of leases and insurance policies; due May 1, 2025; balloon payment due May 1, 2010; monthly payment of \$1,016.	\$137,604
5% note receivable; secured by building due November 1, 2025, monthly payments of \$198	29,482
Less: Current Portion	(4,964)
Reserve	<u>(4,986)</u>
	<u>\$157,136</u>

**NOTE 7: LONG-TERM DEBT:**

Long-term debt consists of the following:

**Rural Business – Cooperative Service (RBS)  
of the U.S. Department of Agriculture:**

1% note payable, dated October 13, 2004; interest only due until October 13, 2008, then principal and interest payable in 27 equal annual installments; total loan proceeds \$750,000, secured by High Plains Financial, Inc. Intermediary Relending Program.	\$ 128,813
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**Montana Board of Investments:**

2% note payable, dated November 29, 2004; interest only due until December 31, 2007, then principal and interest payable in quarterly installments through November 29, 2034; total proceeds \$250,000 (available \$214,563); secured by High Plains Financial, Inc. Intermediary Relending Program.	42,937
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Canon copier lease for photocopier in monthly payments of \$250, including interest at 6.5% for 60 months.	3,362
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Note payable to First Interstate Bank, due in monthly payments of \$1,294, including interest at 6.25%, secured by office building.	29,896
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Montana Board of Investments loan participation note payable, 67.75% of 321 Associates, LLC note receivable as of April 12, 2005. 67.75% of monthly payments from 321 Associates, LLC including interest at 4.75%, secured by note receivable due from 321 Associates, LLC.

Less: Current Portion

1,014,055  
 1,219,063  
(69,353)  
**\$1,149,710**

The following is a summary of maturities due on long-term debt as of June 30, 2006:

2007	\$ 69,353
2008	71,905
2009	96,730
2010	118,961
2011	98,322
Thereafter	<u>763,792</u>
	<b><u>\$1,219,063</u></b>

**NOTE 8: PROFIT SHARING PLAN:**

The Authority maintains a 401(k) profit sharing plan for its employees. The Organization makes contributions to the fund at a current rate of 6.9% of qualified wages. The contribution expense for June 30, 2006 was \$16,929.

**NOTE 9: LINES OF CREDIT:**

First Interstate Bank

The Authority established a line of credit with a local bank in the amount of \$150,000. As of June 30, 2006, the Organization has drawn \$126,503 on the line-of-credit. The terms of the line-of-credit include interest at 4.5%; monthly interest payments with a maturity date of April 1, 2006. The line of credit is secured by the Organization's building.

City of Great Falls

High Plains Financial, Inc. obtained a \$250,000 line of credit through the City of Great Falls on May 1, 2003. The terms include a 3.48% interest rate with a maturity date of April 30, 2006. Great Falls Development Authority, Inc. is a guarantor on the note. As of June 30, 2006 the outstanding balance was \$185,000. Subsequent to yearend the line-of-credit was extended to April 30, 2007.

**NOTE 10: CONTINGENCIES:**

Federally funded programs are subject to special audit. Such audits could result in claims against the resources of the Authority, although management deems this possibility remote. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

**NOTE 11: HIGH PLAINS FINANCIAL INC.:**

High Plains Financial, Inc. was formed and began operating activities January 1, 2003. The purpose of HPF is to promote and effect industrial and economic development in Cascade County. HPF leases its two employees from the Authority. The total cost for employees and related expenses for the year ended June 30, 2006 was \$179,711.

**NOTE 12: CERTIFIED DEVELOPMENT COMPANY (CDC):**

High Plains Financial, Inc. was approved to operate (in the State of Montana) as a CDC on January 29, 2004 by the US Small Business Administration (SBA). As a result, the Organization is eligible to participate in the SBA 504 Loan Program.

As a CDC, High Plains Financial, Inc. assists prospective borrowers in arranging financing that will foster economic development, create or preserve jobs and stimulate growth and modernization of small business.

In fiscal year 2005/2006, High Plains Financial, Inc. assisted two borrowers in obtaining financing through the SBA 504 Loan Program. The SBA 504 Loan Program provides financing, for this portion of the financing package, through the sale of debentures in the private capital market.

The High Plains Financial, Inc. receives a 1.5% fee, based on the SBA 504 Loan plus a \$2,550 attorney fee for operating as a CDC.

**NOTE 13: REVENUES AND EXPENSES – HIGH PLAINS FINANCIAL, INC.:**

The following is a summary of the revenue and expenses for High Plains Financial, Inc. for the year ended June 30, 2006.

Revenue	
Federal Financial Award	\$ 106,928
Miscellaneous	51
	<u>106,979</u>
Expenses	
Program Services	141,397
General and Administrative	67,157
	<u>208,554</u>
Decrease in Net Assets	<u><b>\$(101,575)</b></u>

**NOTE 14: SUBSEQUENT EVENTS:**

**Office Building** - The Authority sold its office building subsequent to year end. The original cost, including improvements was \$230,196. The Authority realized a gain of \$107,082 from the building sale.

**EDA Revolving Loan Fund Matching Funds** - The Authority completed the required matching fund requirements as set forth in the EDA grant document. The Authority met the \$206,500 matching requirement by obtaining \$68,000 from the City and borrowing \$138,500 from a local financial institution.

**NOTE 15: BROWNSFIELD REVOLVING LOAN FUND:**

During fiscal year 2005/2006, the Authority received an award from the United States Environmental Protection Agency. The award amount is \$1,000,000 to be used for establishing a revolving loan fund to finance Brownsfield cleanups. As of June 30, 2006, the Authority had not made any loans.

**NOTE 16: RAILROAD SPUR LINE PROJECT:**

As of June 30, 2006, the Authority had expended \$3,502,707 in development and construction costs associated with the railroad spur line located in the Agriculture Industrial Park north of Great Falls. The Authority has been reimbursed a total of \$3,417,400 from IMC for construction costs. In addition, the Authority received a \$55,000 grant from the State of Montana to assist in construction. As of June 30, 2006, the Authority had expended \$30,307 in construction costs that were not reimbursed.

The Authority in conjunction with the City of Great Falls have agreed to reimburse IMC \$300,000 for costs associated with construction of the railroad spur line under the condition the railroad spur is owned by either the City or the Authority. The railroad spur line is currently owned by IMC. The authority has grant funds available to meet this obligation once ownership of the railroad spur line transfers to the City.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2006

	Great Falls Development Authority	High Plains Financial	Revolving Loan Fund	Eliminating Entries	Consolidated Total
<b>ASSETS</b>					
Current Assets					
Cash	\$ 878	\$ 44,505	\$ 967,336	-	\$ 1,012,719
Accounts Receivable	52,416	7,847	-	-	60,263
Intercompany Receivable	160,042	-	-	(160,042)	-
Current Portion of Notes Receivable	-	4,964	219,374	-	224,338
Current Portion of Unconditional Promises to Give	379,105	-	-	-	379,105
Total Current Assets	592,441	57,316	1,186,710	(160,042)	1,676,425
Property and Equipment					
Building	230,196	-	-	-	230,196
Office Equipment	217,447	9,760	-	-	227,207
	447,643	9,760	-	-	457,403
Less Accumulated Depreciation	(291,021)	(4,375)	-	-	(295,396)
	156,622	5,385	-	-	162,007
Other Assets					
Investment in High Plains Financial	206,500	-	-	(206,500)	-
Notes Receivable ( Revolving Loan Fund )	-	-	4,338,119	-	4,338,119
Note Receivable ( Intermediary Relending Program )	-	157,136	-	-	157,136
	206,500	157,136	4,338,119	(206,500)	4,495,255
Total Assets	\$ 955,563	\$ 219,837	\$ 5,524,829	\$ (366,542)	\$ 6,333,687
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities					
Accounts Payable	\$ 75,726	\$ 17,377	\$ 11,157	-	\$ 104,260
Payroll Liabilities	1,122	-	-	-	1,122
Intercompany Payable	-	156,763	3,279	(160,042)	-
Line of Credit	126,503	185,000	52,426	-	311,503
Current Portion of Long-Term Debt	16,927	-	66,862	-	83,789
Total Current Liabilities	220,278	369,140	66,862	(160,042)	486,238
Long-Term Liabilities					
Long-Term Debt (Net of Current Portion)	16,331	171,750	961,629	-	1,149,710
Accrued Vacation and Sick Leave Payable	22,235	-	-	-	22,235
Total Long-Term Liabilities	38,566	171,750	961,629	-	1,171,945
Net Assets					
Contributed Capital	-	206,500	-	(206,500)	-
Net Assets	696,719	(517,553)	4,496,338	(206,500)	4,675,504
Total Net Assets	696,719	(311,053)	4,496,338	(206,500)	4,675,504
Total Liabilities and Net Assets	\$ 955,563	\$ 219,837	\$ 5,524,829	\$ (366,542)	\$ 6,333,687

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.**

**GREAT FALLS, MONTANA**

**CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Great Falls Development Authority</u>	<u>High Plains Financial</u>	<u>Revolving Loan Fund</u>	<u>Eliminating Entries</u>	<u>Consolidating Total</u>
<b>Support and Revenues</b>					
Federal Financial Awards					
PTA	\$ 125,651	\$ 75,468	\$ -	\$ (125,651)	\$ 75,468
SBDC	53,500	-	-	-	53,500
EPA Assessment Grant	86,460	-	-	-	86,460
HUD Grants	132,985	-	-	-	132,985
SBDC In Kind Revenue	7,676	-	-	-	7,676
RLF Expense Reimbursement	70,594	-	-	(70,594)	-
PTA In-Kind Revenue	17,400	-	-	(17,400)	-
NxLevel Revenue	5,931	-	-	-	5,931
City of Great Falls	85,000	-	-	-	85,000
Great Falls Airport Authority	60,000	-	-	-	60,000
Cascade County	20,000	-	-	-	20,000
SBA 504 Revenue	-	25,701	-	-	25,701
Donations	21,204	-	-	-	21,204
<b>Total Support and Revenues</b>	<u>686,401</u>	<u>101,169</u>	<u>-</u>	<u>(213,645)</u>	<u>573,925</u>
<b>Expenses</b>					
Program Services					
NxLevel	7,832	-	-	-	7,832
Procurement Technical Assistance	-	117,309	-	-	117,309
Small Business Development Center	82,708	-	-	-	82,708
EPA & EDA Grants	218,071	-	-	-	218,071
Railroad Spur Expenses	30,307	-	-	-	30,307
SBA 504 Expenses	-	20,876	-	(7,056)	13,820
Supporting Services General and Administrative	739,771	70,369	84,218	(206,589)	687,769
<b>Total Expenses</b>	<u>1,078,689</u>	<u>208,554</u>	<u>84,218</u>	<u>(213,645)</u>	<u>1,157,816</u>
Support and Revenues in Excess (Deficit) of Expenses	<u>(392,288)</u>	<u>(107,385)</u>	<u>(84,218)</u>	<u>-</u>	<u>(583,891)</u>
<b>Other Revenues</b>					
Interest and Dividend Income	120	-	195,691	-	195,811
Loan Fees	-	5,759	1,040	-	6,799
Miscellaneous Income	10,703	51	-	-	10,754
<b>Total Other Revenues</b>	<u>10,823</u>	<u>5,810</u>	<u>196,731</u>	<u>-</u>	<u>213,364</u>
<b>Increase ( Decrease ) in Net Assets</b>	<u>(381,465)</u>	<u>(101,575)</u>	<u>112,513</u>	<u>-</u>	<u>(370,527)</u>
<b>Net Assets, Beginning of Year</b>	<u>1,078,184</u>	<u>(415,978)</u>	<u>4,383,825</u>	<u>-</u>	<u>5,046,031</u>
<b>Net Assets, End of Year</b>	<u>\$ 696,719</u>	<u>\$ (517,553)</u>	<u>\$ 4,496,338</u>	<u>\$ -</u>	<u>\$ 4,675,504</u>

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce Economic Development Administration Economic Adjustment Assistance Revolving Loan Funds (RLF)		
* Outstanding RLF Loans	11.307	\$4,557,493
*Cash Balance Available	11.307	927,150
*Administrative Costs	11.307	84,218
		<u>\$5,568,861</u>
U.S. Environmental Protection Agency Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	\$ 91,138
Brownsfield Revolving Loan Fund	66.818	16,039
		<u>\$ 107,177</u>
U.S. Small Business Administration/Montana Department of Commerce/Small Business Development Center	N/A	<u>\$ 53,500</u>
U.S. Department of Defense, Defense Logistics Agency/State of Montana/Procurement Technical Assistance Program	N/A	<u>\$ 75,468</u>
U.S. Department of Housing and Urban Development Statewide Value - Added Commodity Processing Park Rail Spur Development	N/A N/A	\$ 110,895 25,000
Cascade County Montana/Community Development Block Grant - Economic Development	N/A	9,785
		<u>\$ 145,680</u>
Total Expenditures of Federal Awards		<u>\$5,950,686</u>

\*Major Program

**NOTE 1: BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: REVOLVING LOANS:**

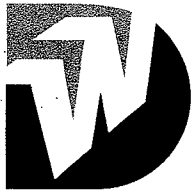
The Authority made loans to two additional business projects during the fiscal year ending June 30, 2006. The terms of the loans are from 3 to 20 years with interest rates of 2% to 5%. The following is a summary of loan activity for year ending June 30, 2006.

Outstanding Loans July 1, 2005	\$4,927,021
Advances on New Loans During the Fiscal Year	107,750
Payments Made on Loans	(477,278)
Outstanding Loans June 30, 2006	<u>\$4,557,493</u>

**NOTE 3: ADMINISTRATIVE COSTS:**

Administrative costs for the year ending June 30, 2006 are as follows:

Great Falls Development Authority, Inc. (Administration)	\$ 70,594
Legal	4,454
Miscellaneous	<u>9,170</u>
Total	<u>\$ 84,218</u>



**Douglas WILSON**  
and Company, PC

Board of Directors  
Great Falls Development Authority, Inc.  
Great Falls, Montana

Douglas N. Wilson, CPA  
Dixie L. Swanson, CPA  
Randal J. Boysun, CPA  
Gerard K. Schmitz, CPA  
Michael A. Diekhans, CPA  
Myra L. Bakke, CPA

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Bruce H. Gaare, CPA

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

We have audited the financial statements of Great Falls Development Authority, Inc., (a non-profit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Great Falls Development Authority, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the Executive Committee of the Great Falls Development Authority, Inc. in a separate letter dated November 22, 2006.

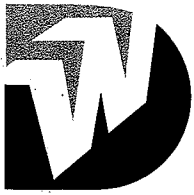
**Compliance**

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

This report is intended for the information of the Board of Directors, management, federal agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Douglas Wilson & Company, P. C.*

Great Falls, Montana  
November 22, 2006



**Douglas WILSON**  
and Company, PC

Board of Directors  
Great Falls Development Authority, Inc.  
Great Falls, Montana

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Bruce H. Gaare, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

**Compliance**

We have audited the compliance of Great Falls Development Authority, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2006. Great Falls Development Authority, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Great Falls Development Authority, Inc.'s management. Our responsibility is to express an opinion on Great Falls Development Authority, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great Falls Development Authority, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Great Falls Development Authority, Inc.'s compliance with those requirements.

In our opinion Great Falls Development Authority, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

Management of Great Falls Development Authority, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Great Falls Development Authority, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Douglas Wilson & Company, A.C.*

Great Falls, Montana  
November 22, 2006

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Reportable condition(s) identified not considered  
to be material weaknesses?  Yes  None  
Reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Reportable condition(s) identified not considered  
to be material weakness(es)?  Yes  None  
Reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
section 510(a)?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	U.S. Department of Commerce Economic Development Administration

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None