

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

CONSOLIDATED FINANCIAL STATEMENTS

AS OF

JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

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Douglas Wilson & Company, P.C.

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Douglas WILSON
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Great Falls, Montana

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statement of financial position of Great Falls Development Authority, Inc., "the Authority" (a nonprofit organization) as of June 30, 2009, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority'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 2008 financial statements and, in our report dated September 26, 2008, we expressed an unqualified opinion on those 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, 2009, 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 September 10, 2009, 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, 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 accompanying schedule of federal awards for the year ended June 30, 2009, 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
September 10, 2009

Great Falls Development Authority, Inc.
Consolidated Statement of Financial Position
As of June 30, 2009
(With Comparative Totals as of June 30, 2008)

	6/30/09	6/30/08
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 23,434	\$ 17,737
Cash Restricted For Loans and Grants	621,491	643,522
Accounts Receivable	18,224	36,033
Prepaid Expenses	760	1,688
Current Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$50,000 in 2009 and \$122,000 in 2008)	1,203,390	191,710
Total Current Assets	1,867,299	890,690
Furniture and Equipment, Net	47,249	38,296
Noncurrent Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$227,000 in 2009)	3,438,147	4,405,866
Total Assets	\$ 5,352,695	\$ 5,334,852
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 56,811	\$ 103,427
Accrued Liabilities	74,737	37,524
Note Payable - Operating Line of Credit	95,000	222,000
Obligation Under Capital Lease	2,467	2,272
Current Portion of Long-Term Debt	37,526	102,773
Total Current Liabilities	266,541	467,996
Long-Term Obligation Under Capital Lease, Net of Current Portion	5,838	8,305
Long-Term Debt, Net of Current Portion	705,653	787,213
Net Assets		
(Excess) of Liabilities Over Unrestricted Assets	(145,008)	(542,908)
Temporarily Restricted Net Assets	67,355	26,095
Permanently Restricted Net Assets	4,452,316	4,588,151
Total Net Assets	4,374,663	4,071,338
	\$ 5,352,695	\$ 5,334,852

See accompanying notes to consolidated financial statements.

Great Falls Development Authority, Inc.
Consolidated Statement of Activities
For The Year Ended June 30, 2009
(With Comparative Totals For The Year Ended June 30, 2008)

	6/30/09			Total	6/30/08
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Private Support	\$ 424,038	\$ -	\$ -	\$ 424,038	\$ 445,014
Public Support	330,172	-	-	330,172	150,000
Total Support	754,210	-	-	754,210	595,014
Grants	-	229,610	-	229,610	115,694
Contracts and Program Revenues	-	69,203	-	69,203	42,585
Expense Reimbursements	10,011	44,635	-	54,646	68,776
Interest	1	273,906	-	273,907	233,230
Fees and Miscellaneous Income	49,159	22,349	-	71,508	79,683
Total Support and Revenues	813,381	639,703	-	1,453,084	1,134,982
Net Assets Released From Restrictions	598,443	(598,443)	-	-	-
Total Support, Revenues and Reclassifications	1,411,824	41,260	-	1,453,084	1,134,982
Expenses					
Programs and Services Objectives					
Business Attraction and Expansion	96,815	-	-	96,815	148,795
Real Estate Investment	49,771	-	-	49,771	90,940
Workforce Development	240	-	-	240	58,111
Lending and Finance	400,621	-	-	400,621	288,202
Business Technical Assistance	124,397	-	-	124,397	113,473
Programs and Services Objectives Expenses	671,844	-	-	671,844	699,521
Grants	238,003	-	-	238,003	216,886
Management and General	196,629	-	-	196,629	205,941
Fundraising	43,283	-	-	43,283	90,054
Total Expenses	1,149,759	-	-	1,149,759	1,212,402
Change in Net Assets	262,065	41,260	-	303,325	(77,420)
Revolving Loan Fund Expenses In Excess of Earnings	135,835	-	(135,835)	-	-
Net Assets (Excess of Liabilities Over Assets), Beginning of Year	(542,908)	26,095	4,588,151	4,071,338	4,148,758
Net Assets (Excess of Liabilities Over Assets), End of Year	\$ (145,008)	\$ 67,355	\$ 4,452,316	\$ 4,374,663	\$ 4,071,338

See accompanying notes to consolidated financial statements.

Great Falls Development Authority, Inc.
Consolidated Statement of Cash Flows
For The Year Ended June 30, 2009
(With Comparative Totals For The Year Ended June 30, 2008)

	6/30/09	6/30/08
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 303,325	\$ (77,420)
Adjustments To Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	16,521	19,566
Abatement of Debt	(180,171)	-
Increase in Allowance For Loan Losses	155,000	58,080
(Increase) Decrease in Operating Assets:		
Pledges Receivable	-	13,509
Accounts Receivable	17,809	(15,539)
Prepaid Expenses	928	(652)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(46,616)	(29,449)
Accrued Liabilities	43,198	21,049
Net Cash Provided (Used) By Operating Activities	309,994	(10,856)
Cash Flows From Investing Activities:		
Principal Payments Received on Notes Receivable	628,472	447,613
Loans Made To Third Parties	(827,433)	(1,430,580)
Purchase of Office Furniture and Equipment	(25,474)	(15,130)
Net Cash (Used) By Investing Activities	(224,435)	(998,097)
Cash Flows From Financing Activities:		
Advances Received on Line of Credit and Notes Payable	224,612	231,830
Payments Made on Line of Credit and Notes Payable	(324,233)	(140,780)
Payments Made on Capital Lease	(2,272)	(1,925)
(Increase) Decrease in Cash Restricted For Loans and Grants	22,031	816,026
Net Cash Provided (Used) By Financing Activities	(79,862)	905,151
 Net Increase (Decrease) in Cash	5,697	(103,802)
 Cash and Cash Equivalents, Beginning of Year	17,737	121,539
 Cash and Cash Equivalents, End of Year	\$ 23,434	\$ 17,737
 Supplemental Information:		
Interest Paid In Cash	\$ 16,751	\$ 31,308
Interest Received in Cash	\$ 273,907	\$ 233,230
 Noncash Investing and Financing Transaction:		
Lease of Equipment		
Equipment	\$ -	\$ 12,502
Capital Lease Obligation	\$ -	\$ 12,502

See accompanying notes to consolidated financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1: GREAT FALLS DEVELOPMENT AUTHORITY, INC.:

Great Falls Development Authority, Inc. (the "Authority") exists to (a) promote, stimulate and effect economic development in Cascade County and the surrounding region; (b) increase the volume of commerce within the jurisdiction of the Great Falls Port Authority; (c) cooperate with other organizations in the development of commerce and other economic activity within the State of Montana; (d) support the creation, expansion, retention and relocation of new and existing businesses and industries within the State of Montana; (e) forge alliances that strengthen workforce skills and recruit new workers to the Great Falls region; and, (f) attract investment to targeted distressed and designated growth areas of the City of Great Falls and Cascade County.

The Authority is a tax exempt organization as described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to the provisions of Section 501(a) of the Code. The Authority receives funding from the City of Great Falls, Cascade County and businesses and residents of the region. The Authority earns additional revenue through certain loan programs and the provisions of grants and program economic development services under contract with various public and non-profit agencies.

The Authority has been certified as a Community Development Financial Institution ("CDFI") by the U.S. Department of Treasury. As a CDFI the Authority assists businesses, real estate developers and non-profit organizations with business and project planning, growth and modernization plans, and in arranging financial assistance. The Authority operates several loan funds in conjunction with the Economic Development Administration, U.S. Department of Commerce, and the U.S. Environmental Protection Agency. The Authority operates a sub-center of the Montana Small Business Development ("SBDC") program under contract with the Montana Department of Commerce. The Montana SBDC program is part of the national SBDC program administered by the U.S. Small Business Administration. The Authority also operates a satellite center of the Montana Procurement Technical Assistance Center ("PTAC") program under a contract with Big Sky EDA. The Montana PTAC program is part of the national PTAC program administered by the U.S. Department of Defense.

High Plains Financial, Inc. ("HPF") was formed on March 28, 2003, to be the financing arm of the Authority. HPF is a tax exempt organization as described under Section 501(c) (4) of the Code and is generally exempt from income taxes pursuant to the provisions of Section 501(a) of the Code.

HPF has been designated a Certified Development Company ("CDC") by the U.S. Small Business Administration. As a CDC, HPF assists prospective borrowers in arranging financing that will foster economic development, create or preserve jobs and stimulate growth or modernization of small businesses. HPF operates loan programs in conjunction with the U.S. Department of Agriculture, the U.S. Small Business Administration, the Montana Board of Investments and the Community Reinvestment Fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. Basis of Financial Statement Presentation** – The accompanying consolidated financial statements of the Authority have been prepared on the accrual basis of accounting and have been prepared to focus on the Authority as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Unrestricted net assets represent those assets that the Authority may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Authority is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Authority pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Authority is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Authority.

- B. Principles of Consolidation** – The consolidated financial statements include the accounts of the Authority and High Plains Financial, Inc. All material interorganization accounts and balances have been eliminated in consolidation.
- C. Use of Estimates** – The process of preparing consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates.
- D. June 30, 2008 Financial Information** – The consolidated financial statements include certain prior-year summarized financial information. Such information does not include sufficient detail to constitute presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's consolidated financial statements as of and for the year ended June 30, 2008.
- E. Cash and Cash Equivalents** - For purposes of the consolidated statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit and money market accounts, all with original maturities of three months or less.
- F. Promises to Give** - The Authority accounts for contributions in accordance with the provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the condition(s) upon which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. An allowance for estimated uncollectible pledges and contributions receivable is provided based upon management's judgment, including such factors as prior collection history, the type of pledge or contribution and the nature of the fund-raising activity.

Contributions and pledges received are recorded as unrestricted, temporarily restricted or permanently restricted depending upon the existence and/or nature of donor imposed restrictions.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

- G. Accounts Receivable** – Accounts receivable include grants, contracts and other receivables and are reported at amounts management expects to collect on balances outstanding at year-end. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on experience and other factors which may affect the ability of debtors to meet their obligations to the Authority. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.
- H. Loans Receivable** – Loans receivable are the result of the Authority's lending activities and are carried in the consolidated balance sheet at the amount management expects to collect on unpaid principal balances outstanding at year-end. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on past experience, known and inherent risks in the Authority's loan portfolio, adverse conditions that may affect the borrower's ability to repay, the estimated value of any underlying collateral, current economic conditions and other factors which may affect the ability of debtors to meet their obligations to the Authority. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to notes receivable. Interest income on notes receivable is recognized over the term of the notes and is calculated in accordance with the terms of the notes. Accrual of interest income is discontinued when management believes that, based upon current economic and business conditions and management's evaluations, the borrowers financial condition is such that collection of interest is doubtful. Interest income is subsequently recognized to the extent cash payments are received until such time as in management's judgment, the borrower's ability to make periodic interest and principal payments has been restored, in which case the loan is returned to accrual status.
- I. Furniture and Equipment** – Furniture and equipment are stated primarily at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Expenditures aggregating \$500 or more are capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from five to ten years.
- J. Advertising** – The Authority uses advertising to promote its programs and activities. The production costs of advertising are expensed as incurred. Advertising costs totaled \$19,462 during 2009.
- K. Expense Allocations** – Expenses have been allocated amongst programs and/or services on the basis of actual benefit received and by estimates made by management.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3: CONCENTRATIONS AND RISKS:

The Authority maintains cash deposits at financial institutions located in Great Falls, Montana. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Authority has established a repurchase agreement with one such financial institution to collateralize funds held in excess of the insured amount. At June 30, 2009 the Authority had a balance of \$394,503 in the repurchase account secured by government securities.

The Authority's existing loans and the market for its lending activities are concentrated in the Great Falls and north central Montana area and are subject to the economic conditions within that area.

NOTE 4: PROMISES TO GIVE:

In 2007 the Authority implemented a "Forward Great Falls" fund-raising campaign to provide revenues to pursue strategies in accordance with the Authority's mission. Statements of intent under the Forward Great Falls campaign are not considered unconditional promises to give. Conditional promises to give are not recognized as assets or as revenues until such time as they become unconditional, that is, when the condition(s) upon which they depend are substantially met.

NOTE 5: LOANS RECEIVABLE:

The Authority has the ability to make loans to third parties pursuant to the provisions of programs administered through the United States Economic Development Administration, the United States Environmental Protection Agency and/or the United States Department of Agriculture. The loan portfolio contains notes receivable ranging in principal balance at June 30, 2009 from \$26,550 to \$936,349 and bearing interest rates ranging from 4 percent to 10.75 percent. All notes have been issued with an original maturity of twenty (20) years or less, and are secured by a combination of property and equipment of varying market values. There were no loans receivable on "non-accrual" status at June 30, 2009 and there were no loans receivable more than ninety (90) days past due and still accruing interest at June 30, 2009. The current portion of loans receivable includes only those principal payments scheduled to be received during the next fiscal year.

Loans receivable issued pursuant to the provisions of programs administered through the indicated agency at June 30, 2009 are as follows:

U.S. Economic Development Administration	\$ 4,221,566
U.S. Environmental Protection Agency	--
U.S. Department of Agriculture	<u>696,971</u>
Total Loans Receivable	4,918,537
Less Allowance For Doubtful Loans	<u>(277,000)</u>
Total Loans Receivable, Net	<u>\$ 4,641,537</u>

The U.S. Economic Development Administration loans are net of a loan participation sold to the Montana Board of Investments. The participation is for 67.75% of loan. The amount of the participation at June 30, 2009 was \$855,619.

At June 30, 2009, The Authority had loan commitments to borrowers in the amount of \$102,180.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6: FURNITURE AND EQUIPMENT:

Furniture and equipment consists of office furniture and office equipment, including electronic data processing equipment, with a total gross carrying amount at June 30, 2009 of \$130,260 and total accumulated depreciation at June 30, 2009 of \$83,011. Depreciation expense was \$16,521 for the year ended June 30, 2009.

NOTE 7: NOTE PAYABLE – OPERATING LINE OF CREDIT:

The Authority has a line-of-credit with First Interstate Bank in the amount of \$175,000, of which \$95,000 was used at June 30, 2009. The line-of-credit carries interest at the rate of 1 percent above the prime rate and is payable monthly. The interest rate in effect at June 30, 2009 was 4.25%. The line-of-credit is secured by furniture, equipment and accounts and pledges receivable. The line-of-credit is due on November 30, 2010.

NOTE 8: OBLIGATION UNDER CAPITAL LEASE:

The Authority leases office equipment under a capital lease. Following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2009:

June 30, 2010	\$ 3,060
June 30, 2011	3,060
June 30, 2012	3,060
June 30, 2013	<u>255</u>
Total Minimum Lease Payments	9,435
Less: Amount Representing Interest	<u>(1,130)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 8,305</u></u>

NOTE 9: LONG-TERM DEBT:

Long-term debt consists of the following at June 30, 2009:

<p>Note Payable, U. S. Department of Agriculture - Rural Business Cooperative Service: Dated October 13, 2004, 1% Interest, interest only payments until October 13, 2008, then principal and interest in 27 equal annual installments. Note is secured by assignment of loans receivable derived from the proceeds.</p>	\$ 576,918
<p>Note Payable, Montana Board of Investments: Dated November 29, 2004, 2% interest, quarterly principal and interest payments in the amount of \$1,899 until November 29, 2034. Note is secured by assignment of loans derived from the proceeds</p>	151,410

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note Payable, First Interstate Bank: Dated September 5, 2006, variable interest rate, 3.5% at June 30, 2009, monthly principal and interest payments in the amount of \$575 through September 2011.	<u>14,851</u>
	743,179
Less Current Portion of Long-Term Debt	<u>(37,526)</u>
Long-Term Debt	<u>\$ 705,653</u>

Future scheduled principal maturities of the foregoing obligations are as follows:

June 30, 2010	\$ 37,526
June 30, 2011	37,738
June 30, 2012	33,043
June 30, 2013	31,748
June 30, 2014	32,115
Thereafter	<u>571,009</u>
	<u>\$ 743,179</u>

NOTE 10: RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets at June 30, 2009 consisted primarily of grants restricted for particular purposes.

Permanently restricted net assets at June 30, 2009 consisted primarily of amounts restricted for use in making loans to third parties pursuant to the provisions of programs administered through the United States Economic Development Administration and the United States Department of Agriculture.

NOTE 11: RETIREMENT PLAN:

The Authority maintains a 401(k) profit sharing plan for its employees. The Authority contributes to the plan at the maximum rate of 6.9% of qualified compensation. The Authority contributed \$15,896 to the plan during the year ended June 30, 2009.

NOTE 12: OPERATING LEASE:

The Authority leases office space under an operating lease. Office rent paid during the year ended June 30, 2009 was \$30,089. Future minimum rental payments on non-cancelable operating leases as of June 30, 2009 are as follows:

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

<u>Fiscal Year Ended:</u>	<u>Future Minimum Rental Payments</u>
June 30, 2010	\$ 31,593
June 30, 2011	33,173
June 30, 2012	<u>8,393</u>
	<u>\$ 73,159</u>

NOTE 13: DEFERRED REVENUES AND ACCRUED LIABILITIES:

Deferred revenues and accrued liabilities consisted of the following at June 30, 2009

Compensation	\$ 35,203
Interest	4,646
Deferred Revenue	31,160
Payroll Taxes and Liabilities	<u>3,728</u>
	<u>\$ 74,737</u>

**Great Falls Development Authority, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009**

<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") - Major Program		
Outstanding RLF Loans	11.307	\$ 4,221,566
Cash Balance Available	11.307	505,531
Administrative Costs	11.307	386,206
Support for Planning Organizations	11.302	18,312
		<u>\$ 5,131,615</u>
U. S. Department of Defense		
Office of Economic Adjustment/Cascade County, Montana		
Community Economic Adjustment Diversification Planning	12.614	\$ 1,569
Defense Logistics Agency/State of Montana/ Procurement Technical Assistance Program	12.002	9,628
		<u>\$ 11,197</u>
U. S. Environmental Protection Agency		
Brownfields Assessment and Cleanup		
Brownfields Revolving Loan Fund	66.818	<u>\$ 19,169</u>
U. S. Department of the Treasury		
Community Development Financial Institutions Fund	21.020	\$ 12,128
Community Development Financial Institutions Fund	21.020	30,610
Community Development Financial Institutions Fund	21.020	28,910
		<u>\$ 71,648</u>
U. S. Small Business Administration/Montana Department of Commerce/Small Business Development Center	N/A	<u>\$ 43,275</u>
U. S. Department of Housing and Urban Development		
Rail Spur Development	N/A	<u>\$ 8,723</u>
Total Expenditures of Federal Awards		<u>\$ 5,285,627</u>

NOTE 1: BASIS OF PRESENTATION:

This Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority 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.

Great Falls Development Authority, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

NOTE 2: COST SHARING:

This Schedule of Expenditures of Federal Awards does not include the amount of cost sharing funds provided by or through the Authority as required under the terms of certain grants or programs. The Authority provided cost sharing under the U. S. Small Business Administration/Montana Department of Commerce/Small Business Development Center in the amount of \$42,780, under the U. S. Department of Commerce/Economic Development Administration/Support for Planning Organizations (CFDA 11.302) in the amount of \$12,605 and under the Defense Logistics Agency/State of Montana/Procurement Technical Assistance Program in the amount of \$9,628.

NOTE 3: REVOLVING LOANS:

The Authority made loans to two business projects during the fiscal year ended June 30, 2009 with terms ranging from two to ten years and interest rates ranging from 7.5% to 10.75%. The following is a summary of loan activity for the year ended June 30, 2009.

Outstanding Loans, July 1, 2008	\$ 4,122,258
Advances Made on New Loans During the Year	697,820
Principal Payments Received on Loans During the Year	(598,512)
Outstanding Loans, June 30, 2009	\$ 4,221,566

Costs of Administration

Salaries and Wages	\$ 142,641
Payroll Taxes and Benefits	29,865
Reserve For Loan Losses	150,100
Legal Fees	1,618
Insurance	4,757
Other Costs of Administration	57,225
	\$ 386,206



Douglas WILSON
and Company, PC

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

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

Bruce H. Gaare, CPA
Dixie L. Swanson, 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, 2009, and have issued our report thereon dated September 10, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Great Falls Development Authority, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Great Falls Development Authority, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal courses of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Great Falls Development Authority, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Great Falls Development Authority, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the Great Falls Development Authority, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Great Falls Development Authority, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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
September 10, 2009



Douglas WILSON
and Company, PC

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

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**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, 2009. 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Great Falls Development Authority, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, P. C.

Great Falls, Montana
September 10, 2009

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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 X No
Reportable condition(s) identified not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? ___ Yes X No
Reportable condition(s) identified not considered to be material weakness(es)? ___ Yes X 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 X No

Identification of major programs:

CFDA Number(s) 11.307 Name of Federal Program or Cluster 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? X Yes ___ No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

**STATUS OF PRIOR YEAR'S RECOMMENDATIONS
JUNE 30, 2009**

None