

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

AS OF

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

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Douglas Wilson & Company, P.C.

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Douglas WILSON
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Great Falls Development Authority, Inc., "the Authority" (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Great Falls Development Authority, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of Great Falls Development Authority, Inc.'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 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 Great Falls Development Authority, Inc.'s internal control over financial reporting and compliance.



Great Falls, Montana
October 27, 2014

Great Falls Development Authority, Inc.
Statement of Financial Position
As of June 30, 2014
(With Comparative Totals as of June 30, 2013)

	2014	2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 31,629	\$ 169,995
Cash Restricted For Loans and Grants	3,200,700	3,326,056
Accounts Receivable	33,103	27,290
Accrued Interest Receivable	19,469	15,641
Current Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$22,100 in 2014 and 2013)	401,326	679,902
Total Current Assets	3,686,227	4,218,884
Furniture and Equipment, Net	27,897	14,681
Noncurrent Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$316,500 in 2014 and 286,578 in 2013)	4,561,291	3,512,728
Total Assets	\$ 8,275,415	\$ 7,746,293
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 98,944	\$ 236,010
Accrued Liabilities	57,868	76,078
Deferred Grant Revenues	36,680	65,547
Due To High Plains Financial	11,145	7,234
Current Portion of Notes Payable	112,246	85,502
Total Current Liabilities	316,883	470,371
Long-Term Liabilities		
Notes Payable, Net of Current Portion	996,721	1,014,717
Net Assets		
Unrestricted	295,343	238,943
Temporarily Restricted	2,065,616	1,459,960
Permanently Restricted	4,600,852	4,562,302
Total Net Assets	6,961,811	6,261,205
Total Liabilities and Net Assets	\$ 8,275,415	\$ 7,746,293

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Activities
For The Year Ended June 30, 2014
(With Comparative Totals For The Year Ended June 30, 2013)

	2014			Total	2013
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Private Support	\$ 409,695	\$ -	\$ -	\$ 409,695	\$ 430,919
Public Support	50,000	-	-	50,000	50,000
Total Support	<u>459,695</u>	<u>-</u>	<u>-</u>	<u>459,695</u>	<u>480,919</u>
Grants	-	931,903	80,000	1,011,903	2,191,228
Contracts and Program Revenues	-	108,338	-	108,338	156,161
Interest	25,412	258,532	-	283,944	203,148
Sale of AgriTech Lots - Net of Cost	79,780	-	-	79,780	231,428
Fees and Miscellaneous Income	130,489	39,396	-	169,885	138,337
Total Support and Revenues	<u>695,376</u>	<u>1,338,169</u>	<u>80,000</u>	<u>2,113,545</u>	<u>3,401,221</u>
Net Assets Released From Restrictions	<u>728,574</u>	<u>(728,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and Reclassifications	<u>1,423,950</u>	<u>609,595</u>	<u>80,000</u>	<u>2,113,545</u>	<u>3,401,221</u>
Expenses					
Strategic Priorities					
Business Attraction and Expansion	149,510	-	-	149,510	148,865
Great Falls AgriTech Park	92,265	-	-	92,265	295,532
Great Falls Brand Development	-	-	-	-	5,784
Black Eagle Road	-	-	-	-	168,622
Business Technical Assistance	196,052	-	-	196,052	208,723
Fundraising	90,485	-	-	90,485	112,440
Grants	280,037	-	-	280,037	1,061,409
Lending and Finance	429,347	-	-	429,347	414,903
Management and General	175,243	-	-	175,243	149,183
Total Expenses	<u>1,412,939</u>	<u>-</u>	<u>-</u>	<u>1,412,939</u>	<u>2,565,461</u>
Change in Net Assets	<u>11,011</u>	<u>609,595</u>	<u>80,000</u>	<u>700,606</u>	<u>835,760</u>
Revolving Loan Fund Expenses in Excess of Earnings	<u>45,389</u>	<u>(3,939)</u>	<u>(41,450)</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year	<u>238,943</u>	<u>1,459,960</u>	<u>4,562,302</u>	<u>6,261,205</u>	<u>5,425,445</u>
Net Assets, End of Year	<u>\$ 295,343</u>	<u>\$ 2,065,616</u>	<u>\$ 4,600,852</u>	<u>\$ 6,961,811</u>	<u>\$ 6,261,205</u>

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Cash Flows
For The Year Ended June 30, 2014
(With Comparative Totals For The Year Ended June 30, 2013)

	2014	2013
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 700,606	\$ 835,760
Adjustments To Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Grants and Contracts Restricted for Long Term Purposes	(80,000)	(50,000)
Provision for Loan Losses	29,922	91,700
Depreciation	9,003	8,764
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(5,813)	44,929
Accrued Interest Receivable	(3,828)	(1,747)
Due from High Plains Financial, Inc.	-	81
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(137,066)	1,577
Accrued Liabilities	(18,210)	6,586
Funds Held in Trust	-	(1,000)
Deferred Grant Revenues	(28,867)	(256,953)
Due to High Plains Financial, Inc.	3,911	7,234
Net Cash Provided By Operating Activities	469,658	686,931
Cash Flows From Investing Activities:		
Principal Payments Received on Notes Receivable	2,408,091	409,898
Loans Made To Third Parties	(3,208,000)	(1,640,148)
Purchase of Office Furniture and Equipment	(22,219)	-
Net Cash Used By Investing Activities	(822,128)	(1,230,250)
Cash Flows From Financing Activities:		
Proceeds from Grants and Contracts Restricted for Long Term Purposes	80,000	50,000
Advances Received on Lines-of-Credit	-	177,965
Advances Received on Long-Term Notes Payable	90,107	500,000
Payments Made on Lines-of-Credit	-	(50,500)
Payments Made on Long-Term Notes Payable	(81,359)	(49,781)
Payments Made on Capital Lease	-	(253)
(Increase) Decrease in Cash Restricted For Loans and Grants	125,356	31,009
Net Cash Provided By Financing Activities	214,104	658,440
Net Increase (Decrease) in Cash	(138,366)	115,121
Cash and Cash Equivalents, Beginning of Year	169,995	54,874
Cash and Cash Equivalents, End of Year	\$ 31,629	\$ 169,995
Supplemental Information:		
Interest Paid In Cash	\$ 43,674	\$ 33,514
Interest Received in Cash	\$ 280,116	\$ 201,401

See accompanying notes to financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: GREAT FALLS DEVELOPMENT AUTHORITY, INC.:

Great Falls Development Authority, Inc. (the "Authority") exists to (a) lead Great Falls economic development efforts to promote growth, diversification and the creation of high wage jobs; (b) promote, stimulate and effect economic development in Cascade County and the surrounding region; (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, the U.S. Department of Commerce, the U.S. Department of Treasury, the U.S. Environmental Protection Agency, the Montana Board of Investments, the Montana Department of Commerce, the City of Great Falls and Cascade County. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. Basis of Financial Statement Presentation** – The accompanying 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.

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.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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. Use of Estimates** – The process of preparing 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.
- C. June 30, 2013 Financial Information** – The 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 financial statements as of and for the year ended June 30, 2013.
- D. Cash and Cash Equivalents** – For purposes of the 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.
- E. Promises to Give** – 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.

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 Statement of Activities as net assets released from restrictions.

- F. 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

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

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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.

- G. Loans Receivable** – Loans receivable are the result of the Authority's lending activities and are carried in the 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 borrower's 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.
- H. 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 basis over the estimated useful lives of the respective assets ranging from five to ten years.
- I. Advertising** – The Authority uses advertising to promote its programs and activities and to market the Great Falls region. The production costs of advertising are expensed as incurred. Advertising costs totaled \$13,942 and \$18,058 during 2014 and 2013, respectively.
- J. Expense Allocations** – Expenses have been allocated amongst programs and/or services on the basis of actual benefit received and by estimates made by management.
- K. Income Tax Status** – The Authority is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Authority's tax returns for the years prior to 2011 are generally no longer subject to examination.
- L. 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.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3: CASH RESTRICTED FOR LOANS AND GRANTS:

The following is a summary of restricted cash by loan program and grant awards as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Economic Development Administration	\$ 899,476	\$ 1,954,641
Montana Small Business Credit Initiative	1,057,191	134,891
MicroBusiness Finance Program	243,838	428,232
Community Development Financial Institutions Program	721,080	557,464
EPA Brownfield Revolving Loan Fund	23,990	28,626
Community Development Block Grant	192,344	143,357
Downtown Revolving Loan Fund	58,688	61,134
Small Business Development Program	4,093	14,457
Housing and Urban Development	-	3,254
Total	<u>\$ 3,200,700</u>	<u>\$ 3,326,056</u>

NOTE 4: 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 (FDIC) 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, 2014 the Authority had a balance of \$879,700 in the repurchase account secured by government securities. The total amount exceeding the FDIC limits at other financial institutions as of June 30, 2014 total \$1,579,255.

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 5: PROMISES TO GIVE:

In 2012, 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, i.e., payment is received. The Authority received \$453,875 and \$475,919 under the campaign during 2014 and 2013, respectively.

NOTE 6: LOANS RECEIVABLE:

U.S. Economic Development Administration – 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 (EDA). The EDA Revolving Loan Fund (RLF) loan portfolio contains notes receivable ranging in principal balance at June 30, 2014 from \$53,570 to \$711,606 and bearing interest rates ranging from 4% to 10%.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

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U.S. Department of Treasury – Community Development Financial Institutions (CDFI) Program – During fiscal year 2013, The Authority entered into an agreement U.S Department of Treasury CDFI Fund. The Authority received a grant of \$766,101 and a loan of \$250,000 (see Note 10) to provide financial assistance under the agreement. A loan of \$85,000 was made during 2014, and the loan bears interest at 8%. The CDFI loan portfolio contains notes receivable ranging in principal balance at June 30, 2014 from \$83,320 to \$134,008 and bearing interest rates ranging from 6% to 8%.

EPA Brownfield Revolving Loan Fund – The Authority has the ability to make loans and grants to third parties pursuant to a Brownfield Assessment and Cleanup Cooperative Agreement with the United States Environmental Protection Agency (EPA). During the fiscal year, the Authority drew \$391,348 against the \$1.3 million available under this agreement. Total draws under the agreement are \$962,584 as of June 30, 2014.

The draws and available cash were disbursed for the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Loan Advances	\$ 128,000	\$ 4,101
Grants	263,348	362,272
Administrative Costs - Current Period	10,203	26,310
Total	<u>\$ 401,551</u>	<u>\$ 392,683</u>

Platinum, LLC has a loan balance under the agreement of \$46,511 as of June 30, 2014. The interest rate on this loan is 1%. The Arvon Block Development Venture, LLC has a loan balance under the agreement of \$127,221 as of June 30, 2014. The interest rate on this loan is 3%.

Downtown Revolving Loan Fund –The Authority received \$80,000 from the City of Great Falls during 2014. The loan portfolio contains notes receivable ranging in principal balance at June 30, 2014 from \$19,153 to \$100,000 and bearing interest rates ranging from 3.39% to 10% at June 30, 2014.

Montana Department of Commerce MicroBusiness Finance Program – The Authority has entered into a MicroBusiness Finance Program with the Montana Department of Commerce. The Montana Department of Commerce has loaned the Authority \$500,000 as of June 30, 2014. The Authority loaned out \$200,000 in 2014. Notes receivable balances range from \$58,570 to \$100,000, at June 30, 2014 and bear interest between 6.25% and 10%.

Montana Department of Commerce Small Business Credit Initiative Loan Participation Program – The Authority has an agreement with the Montana Department of Commerce for a Small Business Credit Initiative (SSBCI) Loan Participation Program. A total of \$495,000 was loaned out by the Authority during 2014. The SSBCI Program loan portfolio contains notes receivable ranging in principal balances at June 30, 2014 from \$71,638 to \$464,355 and bearing interest rates ranging from 0% to 4%. The funds granted to the Authority under this program are restricted until April 1, 2017, and have been recorded as temporarily restricted net assets.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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 are as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
U.S. Economic Development Administration	\$ 3,469,667	\$ 2,411,547
U.S. Treasury CDFI Fund	217,329	386,980
EPA Brownfield Revolving Loan Fund	173,731	46,510
Downtown Revolving Loan Fund	241,654	163,874
Community Development Block Grant - City of Great Falls	-	46,146
MicroBusiness Loan Fund	354,335	173,394
Small Business Credit Initiative Loan Participation Program	844,501	1,272,857
Total Loans Receivable	<u>5,301,217</u>	<u>4,501,308</u>
Less: Allowance for Doubtful Loans	<u>(338,600)</u>	<u>(308,678)</u>
Total Loans Receivable, Net	<u><u>\$ 4,962,617</u></u>	<u><u>\$ 4,192,630</u></u>

The U.S. Economic Development Administration loans are recorded 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, 2014 and 2013 was \$433,782 and \$493,748, respectively.

The Authority uses payment activity as the primary credit quality indicator for loans receivable. The Authority evaluates the credit quality indicator of its loans receivable on a monthly basis. Loans, by credit quality indicator, are as follows as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Performing	\$ 5,301,217	\$ 4,501,308
Nonperforming	-	-
Total	<u><u>\$ 5,301,217</u></u>	<u><u>\$ 4,501,308</u></u>

The following table presents the changes in the allowance for loan losses and the recorded investment in loans as of June 30, 2014 and 2013:

	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Allowance for Doubtful Loans:			
Beginning Balance July 1, 2012	\$ 235,100	\$ 250,000	\$ 485,100
Charge-Offs	-	(248,570)	(248,570)
Recoveries	-	-	-
Provision	73,578	(1,430)	72,148
Ending Balance June 30, 2013	<u><u>\$ 308,678</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 308,678</u></u>

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Allowance for Doubtful Loans (Cont'd):			
Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 308,678</u>	<u>\$ -</u>	<u>\$ 308,678</u>
Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 4,501,309</u>	<u>\$ -</u>	<u>\$ 4,501,309</u>
	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Allowance for Doubtful Loans:			
Beginning Balance July 1, 2013	\$ 308,678	\$ -	\$ 308,678
Charge-Offs	-	-	-
Recoveries	-	-	-
Provision	29,922	-	29,922
Ending Balance June 30, 2014	<u>\$ 338,600</u>	<u>\$ -</u>	<u>\$ 338,600</u>
Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 338,600</u>	<u>\$ -</u>	<u>\$ 338,600</u>
Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 5,301,217</u>	<u>\$ -</u>	<u>\$ 5,301,217</u>

All loans were current at June 30, 2014 and 2013. There were no loans receivable more than ninety (90) days past due and still accruing interest at June 30, 2014 or 2013.

NOTE 7: 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, 2014 and 2013 of \$173,962 and \$151,743, respectively, and total accumulated depreciation at June 30, 2014 and 2013 of \$146,065 and \$137,062, respectively. Depreciation expense was \$9,003 and \$8,764 for the years ended June 30, 2014 and 2013, respectively.

NOTE 8: NOTE PAYABLE – LINES-OF-CREDIT:

The Authority has a line-of-credit with First Interstate Bank associated with the Downtown Revolving Loan Fund in the amount of \$300,000. These loan funds were to be used to provide financial assistance in the form of real estate secured projects within the Tax Increment Financing (TIF) Development District of Great Falls. The interest rate on the line-of-credit was a floating rate based upon the Prime + 0.00% adjusting as Prime changes with a floor of 5.00%. The line-of-credit matures on January 5, 2016, and is reviewed annually to determine if future advances will be made available. There was no outstanding balance on this line of credit at June 30, 2014 and 2013.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9: ACCRUED LIABILITIES:

Accrued liabilities consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Compensation	\$ 45,873	\$ 69,858
Payroll Taxes and Liabilities	2,277	1,920
Interest and Servicing Fees	9,718	4,300
Total	<u>\$ 57,868</u>	<u>\$ 76,078</u>

NOTE 10: NOTES PAYABLE:

Notes Payable at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Montana State Department of Commerce - \$500,000 loan to be used for activities under the Montana State MicroBusiness Development Act, payable in quarterly interest-only payments, maturing December 31, 2015. The initial interest rate of 2% is subject to annual adjustments, with a maximum rate of 3.25% during the loan term. The note is secured by any assets or income derived from the Authority's MicroBusiness loan program.	\$ 500,000	\$ 500,000
Wells Fargo Bank - \$200,000 loan to be used in connection with "Forward Great Falls" fundraising campaign, payable in monthly payments of \$4,617 including interest at 5.05%, maturing February 1, 2016.	113,216	161,436
First Interstate Bank - \$200,000 loan payable in monthly installments of \$3,800 including interest at 5%, maturing February 1, 2018. The note is secured by furniture, equipment, and accounts receivable.	164,043	188,783
First Interstate Bank - \$81,815 loan payable in monthly installments of \$2,095 including interest at 5.5%, maturing September 25, 2017. The note is secured by furniture, equipment, accounts receivable, and assignment of option to purchase real property.	81,708	-
U.S. Department of Treasury Community Development Financial Institutions Fund - \$250,000 loan to be used for for activities under the CDFI fund, payable in interest-only payments at 5%, maturing January 8, 2019.	250,000	250,000
	1,108,967	1,100,219
Less: Current Portion	(112,246)	(85,502)
	<u>\$ 996,721</u>	<u>\$ 1,014,717</u>

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 14: RELATED PARTY TRANSACTIONS:

The Authority provides expertise and management for High Plains Financial, Inc., another similar non-profit organization. Expenses incurred for the benefit of High Plains Financial, Inc. are allocated to High Plains Financial, Inc. on the basis of actual benefit received and by estimates made by management. The Authority's management fee revenue from High Plains Financial, Inc. totaled \$96,562 for 2014. The Authority owed High Plains Financial, Inc. \$11,145 and \$7,234 as of June 30, 2014 and 2013, respectively.

NOTE 15: SUBSEQUENT EVENTS:

Accounting Standards Codification (ASC) No. 855: Subsequent Events establishes general standards of accounting for and disclosures of events that occur after the statement of financial position date but before the financial statements are issued or are available to be issued. Specifically, it sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the statement of financial position date.

In accordance with ASC No. 855, the Authority, Inc. evaluated subsequent events through October 27, 2014, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Great Falls Development Authority, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
U. S. Department of Commerce			
Direct Grant			
Economic Development Administration			
Economic Adjustment Assistance			
Revolving Loan Funds ("RLF")			
Outstanding RLF Loans	11.307	05-89-02898	\$ 3,469,667
Cash Balance Available	11.307	05-89-02898	990,750
Administrative Costs	11.307	05-89-02898	219,082
Great Falls Regional Manufacturing Partnership	11.307	05-79-05498	1,130
			<u>4,680,629</u>
U. S. Department of Defense			
Pass Through From State of Montana			
Defense Logistics Agency/State of Montana/			
Procurement Technical Assistance Program	12.002	SP4800-12-2-1222	24,258
			<u>24,258</u>
U. S. Environmental Protection Agency			
Direct Grant			
Office of Solid Waste and Emergency Response			
Brownfield Assessment and Cleanup			
Brownfield Revolving Loan Fund	66.818	BL-97813001-1	173,731
Brownfield Revolving Loan Fund - Cash Balance Available	66.818	BL-97813001-1	23,990
Brownfield Revolving Loan Fund - Subgrants Paid	66.818	BL-97813001-1	263,348
Brownfield Revolving Loan Grant - Administrative Costs	66.818	BL-97813001-1	10,203
			<u>471,272</u>
U. S. Small Business Administration			
Pass Through Montana Department of Commerce			
Montana Department of Commerce/Small Business			
Development Center	59.037	11-51-005	55,815
Direct Grant			
Congressional Grants Branch	59.059	SBAHQ-10-I-0269	15,559
			<u>71,374</u>
U.S. Department of Treasury			
Direct Grant			
Community Development Financial Institutions Program			
Outstanding CDFI Loans	21.020	121FA011065	217,329
Cash Balance Available	21.020	121FA011065	720,977
Administrative Costs	21.020	121FA011065	51,716
			<u>990,022</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,237,555</u></u>

Great Falls Development Authority, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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.

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 \$46,729 and under the Defense Logistics Agency/State of Montana/Procurement Technical Assistance Program in the amount of \$24,258.

NOTE 3: ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOANS:

The Authority made loans on four business projects during the fiscal year ended June 30, 2014 . The following is a summary of loan activity for the year ended June 30, 2014:

Outstanding Loans, July 1, 2013	\$ 2,411,547
Advances Made on New Loans During the Year	2,200,000
Loans Written Off During the Year	-
Principal Payments Received on Loans During the Year	<u>(1,141,880)</u>
Outstanding Loans, June 30, 2014	<u><u>\$ 3,469,667</u></u>

Costs of Administration	
Salaries and Wages	\$ 134,843
Payroll Taxes and Benefits	34,901
Other Costs of Administration	49,338
	<u><u>\$ 219,082</u></u>

Great Falls Development Authority, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

NOTE 4: EPA BROWNFIELD REVOLVING LOAN FUND:

The Authority has the ability to make loans and grants to third parties pursuant to a Brownfield Assessment and Cleanup Cooperative Agreement with the United States Environmental Protection Agency (EPA). Subgrants were awarded to two recipients during the year totaling \$263,348. Loan advances of \$128,000 were made to one recipient during the year. The following is a summary of loan activity for the year ended June 30, 2014:

Outstanding Loans, July 1, 2013	\$ 46,511
Advances Made on New Loans During the Year	128,000
Principal Payments Received on Loans During the Year	(780)
Outstanding Loans, June 30, 2014	<u>\$ 173,731</u>
Costs of Administration:	
Salaries and Wages	\$ 6,235
Payroll Taxes and Benefits	1,596
Other Costs of Administration	2,372
	<u>\$ 10,203</u>

NOTE 5: U.S. DEPARTMENT OF TREASURY CDFI LOAN FUND:

The Authority made one loan on a business project during the fiscal year ended June 30, 2014. The following is a summary of loan activity for the year ended June 30, 2014:

Outstanding Loans, July 1, 2013	\$ 386,980
Advances Made on New Loans During the Year	85,000
Principal Payments Received on Loans During the Year	(254,651)
Outstanding Loans, June 30, 2014	<u>\$ 217,329</u>
Costs of Administration:	
Salaries and Wages	\$ 27,956
Payroll Taxes and Benefits	7,394
Other Costs of Administration	16,366
	<u>\$ 51,716</u>



Douglas **WILSON**
and Company, PC

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

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

**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**

We have audited, 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, the financial statements of Great Falls Development Authority, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Falls Development Authority, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Great Falls Development Authority, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in finding 2014-002 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-001.

Great Falls Development Authority, Inc.'s Response to Findings

Great Falls Development Authority, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Great Falls Development Authority, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Great Falls, Montana
October 27, 2014



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

Douglas **WILSON**
and Company, PC

Randal J. Boysun, CPA
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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited Great Falls Development Authority, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Great Falls Development Authority, Inc.'s major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Great Falls Development Authority, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Great Falls Development Authority, Inc.'s compliance.

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Opinion on Each Major Federal Program

In our opinion, Great Falls Development Authority, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

Great Falls Development Authority, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Great Falls Development Authority, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Great Falls Development Authority, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Great Falls Development Authority, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a significant deficiency.

Great Falls Development Authority, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Great Falls Development Authority, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of AMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Great Falls, Montana
October 27, 2014

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No
Significant deficiencies 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
Significant deficiencies identified not considered
to be material weakness(es)? Yes None
Reported

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

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 Adjustment Assistance
21.020	U.S. Department of Treasury – Community Development Financial Institutions Program

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

See Finding #2014-002.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

See Finding #2014-001.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

FINDING 2014-001

**U.S. Department of Commerce
Economic Adjustment Assistance CFDA #11.307
Year Ending June 30, 2014**

**Questioned
Costs**

Condition: The Authority loaned revolving loan funds (RLF) to four borrowers in 2014 totaling \$2,200,000. No documentation was included in these loan files showing that the borrower had been turned down from a banking institution for the loan.

Criteria: The standard loan documentation for RLF loans include a signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed.

Context: All four newly originated EDA RLF loans in 2014 were reviewed and none of the loans had documentation of a bank-turn down letter.

Effect: Noncompliance with EDA requirements.

Cause: There was turn-over in loan personnel and this documentation was not retained.

Auditor's Recommendation: We recommend that the Authority develop a method of documenting and retaining support for the bank turn-down letter prior to issuing RLF loans to borrowers.

Authority's Response: Loan closing checklists will be used for every loan closing to insure that all required documentation has been filed for each new loan.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

FINDING 2014-002

**Credit Card Payable Balances
Year Ending June 30, 2014**

**Questioned
Costs**

Condition: The credit card payable balance is not routinely reconciled to the general ledger in the accounting records. As a result of audit testing we noted some credit card expenses were not recorded in the general ledger. Authority staff have credit cards, and their credit card charges were reviewed timely by the President/CEO. The President/CEO charges are to be reviewed by a board member. It was noted as a result of the audit that this review did not occur during the audit period until subsequent to year end.

Criteria: Generally accepted accounting principles require that transactions be reported in the accounting records in the period incurred. In addition, internal control discussions noted that reviewing credit card charges of the President/CEO is a responsibility of the Board.

Context: The credit card payable balance had not been reconciled to the general ledger since February 2012. The President/CEO's credit card charges were not reviewed during the 2014 year.

Effect: The financial statements were adjusted to include the additional credit card payable amount of \$14,031.

Cause: The Authority did not perform reconciliations over credit card charges and a review of the President/CEO's charges was not completed.

Auditor's Recommendation: We recommend that the Authority 1) reconcile the credit card statements to the general ledger quarterly to ensure completeness of expenses reported in the accounting records, and 2) have the President/CEO's credit card charges reviewed by a board member.

Authority's Response: All credit card statements and accounts will be reconciled monthly. The President/CEO credit card charges will be reviewed and approved by an officer monthly.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

**STATUS OF PRIOR YEAR'S RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

**U.S. Department of Treasury
Community Development Financial Institutions Program
Year Ending June 30, 2013**

Condition: The Authority loaned \$386,980 to an entity under the program, but did not ascertain if the entity had been debarred, suspended, excluded or disqualified by the Department of Treasury, or any other Federal department or agency.

Auditor's Recommendation: We recommend that the Authority develop a method of ascertaining whether individuals or entities that receive financial assistance are debarred, suspended, excluded or disqualified by the Department of Treasury, or any other Federal department or agency.

Implementation Status: Implemented