

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

AS OF

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

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Douglas Wilson & Company, P.C.

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Great Falls Development Authority, Inc.
Great Falls, Montana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 24, 2016, 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 24, 2016

Great Falls Development Authority, Inc.
Statement of Financial Position
As of June 30, 2016
(With Comparative Totals as of June 30, 2015)

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,440,526	\$ 157,950
Cash Restricted For Loans and Grants	2,037,926	1,219,292
Accounts Receivable	247,204	114,909
Accrued Interest Receivable	22,792	33,700
Current Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$19,000 in 2016 and \$22,100 in 2015)	420,267	393,121
Total Current Assets	4,168,715	1,918,972
Furniture and Equipment, Net	13,913	17,685
Noncurrent Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$361,000 in 2016 and \$352,900 in 2015)	5,132,968	6,454,838
Total Assets	\$ 9,315,596	\$ 8,391,495
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 252,408	\$ 234,846
Accrued Liabilities	130,372	103,466
Due To High Plains Financial	9,965	12,689
Current Portion of Notes Payable	63,126	615,153
Total Current Liabilities	455,871	966,154
Long-Term Liabilities		
Notes Payable, Net of Current Portion	1,092,144	499,532
Total Liabilities	1,548,015	1,465,686
Net Assets		
Unrestricted	1,118,642	243,957
Temporarily Restricted	2,032,753	2,062,234
Permanently Restricted	4,616,186	4,619,618
Total Net Assets	7,767,581	6,925,809
Total Liabilities and Net Assets	\$ 9,315,596	\$ 8,391,495

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Activities
For The Year Ended June 30, 2016
(With Comparative Totals For The Year Ended June 30, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Private Support	\$ 385,100	\$ -	\$ -	\$ 385,100	\$ 420,238
Sponsorships	17,460	-	-	17,460	19,000
Public Support	50,000	-	-	50,000	50,000
Total Support	<u>452,560</u>	<u>-</u>	<u>-</u>	<u>452,560</u>	<u>489,238</u>
Grants	625,787	196,714	-	822,501	131,008
Contracts and Program Revenues	-	96,531	-	96,531	101,239
Interest	26	393,923	-	393,949	402,393
Sale of AgriTech Lots - Net of Cost	419,412	-	-	419,412	-
TIF District Reimbursement	1,941,564	-	-	1,941,564	67,899
Fees and Miscellaneous Income	65,404	892	-	66,296	128,519
Total Support and Revenues	<u>3,504,753</u>	<u>688,060</u>	<u>-</u>	<u>4,192,813</u>	<u>1,320,296</u>
Net Assets Released					
From Restrictions	<u>702,203</u>	<u>(702,203)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and Reclassifications	<u>4,206,956</u>	<u>(14,143)</u>	<u>-</u>	<u>4,192,813</u>	<u>1,320,296</u>
Expenses					
Strategic Priorities					
Business Attraction and Expansion	15,554	-	-	15,554	45,208
Great Falls AgriTech Park	2,236,659	-	-	2,236,659	263,416
Business Technical Assistance	188,679	-	-	188,679	183,495
Fundraising	37,026	-	-	37,026	36,977
Grants	293,307	-	-	293,307	162,460
Lending and Finance	447,879	-	-	447,879	473,086
Management and General	131,937	-	-	131,937	150,618
Total Expenses	<u>3,351,041</u>	<u>-</u>	<u>-</u>	<u>3,351,041</u>	<u>1,315,260</u>
Change in Net Assets	<u>855,915</u>	<u>(14,143)</u>	<u>-</u>	<u>841,772</u>	<u>5,036</u>
Revolving Loan Fund Expenses in Excess of Earnings	<u>18,770</u>	<u>(15,338)</u>	<u>(3,432)</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year	<u>243,957</u>	<u>2,062,234</u>	<u>4,619,618</u>	<u>6,925,809</u>	<u>6,920,773</u>
Net Assets, End of Year	<u>\$ 1,118,642</u>	<u>\$ 2,032,753</u>	<u>\$ 4,616,186</u>	<u>\$ 7,767,581</u>	<u>\$ 6,925,809</u>

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Cash Flows
For The Year Ended June 30, 2016
(With Comparative Totals For The Year Ended June 30, 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 841,772	\$ 5,036
Adjustments To Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Provision for Loan Losses	5,000	36,400
Depreciation	7,220	10,212
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(132,295)	(81,806)
Accrued Interest Receivable	10,908	(14,231)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	17,562	135,902
Accrued Liabilities	26,906	4,560
Deferred Grant Revenues	-	(36,680)
Due to High Plains Financial, Inc.	(2,724)	1,544
Net Cash Provided By Operating Activities	774,349	60,937
Cash Flows From Investing Activities:		
Principal Payments Received on Notes Receivable	3,873,724	1,569,079
Loans Made To Third Parties	(2,584,000)	(3,490,821)
Purchase of Office Furniture and Equipment	(3,448)	-
Net Cash Used By Investing Activities	1,286,276	(1,921,742)
Cash Flows From Financing Activities:		
Advances Received on Lines-of-Credit	-	100,000
Advances Received on Long-Term Notes Payable	681,023	-
Payments Made on Long-Term Notes Payable	(640,438)	(94,282)
(Increase) Decrease in Cash Restricted For Loans and Grants	(818,634)	1,981,408
Net Cash Provided By Financing Activities	(778,049)	1,987,126
Net Increase (Decrease) in Cash	1,282,576	126,321
Cash and Cash Equivalents, Beginning of Year	157,950	31,629
Cash and Cash Equivalents, End of Year	\$ 1,440,526	\$ 157,950
Supplemental Information:		
Interest Paid In Cash	\$ 68,162	\$ 51,436
Interest Received in Cash	\$ 404,856	\$ 388,162

See accompanying notes to financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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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, 2015 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, 2015.
- 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

JUNE 30, 2016

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 Statement of Financial Position 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.
- H. Furniture and Equipment** – Furniture and equipment are stated 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 \$11,745 and \$8,759 during 2016 and 2015, 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.
- 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, 2016

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Economic Development Administration	\$ 140,353	\$ 858,030
Montana Small Business Credit Initiative	1,314,176	83,172
MicroBusiness Finance Program	325,867	68,674
Community Development Financial Institutions Program	-	7,534
EPA Brownfield Revolving Loan Fund	59,176	25,822
Community Development Block Grant	80,225	75,977
Downtown Revolving Loan Fund	115,094	96,249
Small Business Development Program	3,035	3,834
Total	<u>\$ 2,037,926</u>	<u>\$ 1,219,292</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, 2016 the Authority had a balance of \$120,423 in the repurchase account secured by government securities. The total amount exceeding the FDIC limits as of June 30, 2016 total \$2,371,508.

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: INTENTIONS 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 \$452,560 and \$489,237 under the campaign during 2016 and 2015, 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, 2015 from \$16,709 to \$1,644,000 and bearing interest rates ranging from 4% to 9.5%.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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 CDFI loan portfolio contains notes receivable ranging in principal balance at June 30, 2016 from \$32,232 to \$356,000 and bearing interest rates ranging from 4% 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 did not make any new loans or award any grants.

The draws and available cash were disbursed for the following reasons as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Loan Advances	\$ -	\$ 5,821
Administrative Costs - Current Period	13,656	12,056
Total	<u>\$ 13,656</u>	<u>\$ 17,877</u>

Notes receivable range in principal balance at June 30, 2016 from \$3,432 to \$117,550 and bear interest rates ranging from 1% to 3%.

Downtown Revolving Loan Fund – In past years the Authority received a total of \$300,000 from the City of Great Falls to capitalize a downtown revitalization loan fund. The loan portfolio contains notes receivable ranging in principal balance at June 30, 2016 from \$82,172 to \$100,000 and bearing interest rates ranging from 3% to 3.39%.

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. Notes receivable balances range from \$9,000 to \$98,288, at June 30, 2016 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. The SSBCI Program loan portfolio contains notes receivable ranging in principal balances at June 30, 2016 from \$20,647 to \$369,849 and bearing interest rates ranging from 0% to 2.19%. The funds granted to the Authority under this program are restricted until April 1, 2017, and have been recorded as temporarily restricted net assets.

The current portion of loans receivable includes only those principal payments scheduled to be received during the next fiscal year.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Loans receivable issued pursuant to the provisions of programs administered through the indicated agency are as follows at June 30, 2016 and 2015:

	2016	2015
U.S. Economic Development Administration	\$ 4,321,116	\$ 3,567,512
U.S. Treasury CDFI Fund	388,232	838,408
EPA Brownfield Revolving Loan Fund	120,982	164,709
Downtown Revolving Loan Fund	182,172	204,537
Community Development Block Grant - City of Great Falls	98,288	100,000
MicroBusiness Loan Fund	271,222	528,218
Small Business Credit Initiative Loan Participation Program	551,223	1,819,575
Total Loans Receivable	5,933,235	7,222,959
Less: Allowance for Doubtful Loans	(380,000)	(375,000)
Total Loans Receivable, Net	\$ 5,553,235	\$ 6,847,959

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, 2016 and 2015 was \$305,010 and \$370,749, 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, 2016 and 2015:

	2016	2015
Performing	\$ 5,933,235	\$ 7,222,959
Nonperforming	-	-
Total	\$ 5,933,235	\$ 7,222,959

The following table presents the changes in the allowance for loan losses and the recorded investment in loans as of June 30, 2016 and 2015:

	Performing	Non-performing	Total
Allowance for Doubtful Loans:			
Beginning Balance July 1, 2015	\$ 375,000	\$ -	\$ 375,000
Charge-Offs	-	-	-
Recoveries	33,629	-	33,629
Provision	(28,629)	-	(28,629)
Ending Balance June 30, 2016	\$ 380,000	\$ -	\$ 380,000
Ending Balance:			
Individually Evaluated for Impairment	\$ 380,000	\$ -	\$ 380,000

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

	Performing	Non- performing	Total
Allowance for Doubtful Loans (Cont'd):			
Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	\$ 5,933,235	\$ -	\$ 5,933,235
	Performing	Non- performing	Total
Allowance for Doubtful Loans:			
Beginning Balance July 1, 2014	\$ 338,600	\$ -	\$ 338,600
Charge-Offs	-	-	-
Recoveries	-	-	-
Provision	36,400	-	36,400
Ending Balance June 30, 2015	\$ 375,000	\$ -	\$ 375,000
Ending Balance:			
Individually Evaluated for Impairment	\$ 375,000	\$ -	\$ 375,000
Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	\$ 7,222,959	\$ -	\$ 7,222,959

All loans were current at June 30, 2016 and 2015. There were no loans receivable more than ninety (90) days past due and still accruing interest at June 30, 2016 or 2015.

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, 2016 and 2015 of \$177,410 and \$173,962, respectively, and total accumulated depreciation at June 30, 2016 and 2015 of \$163,497 and \$156,277, respectively. Depreciation expense was \$7,220 and \$10,212 for the years ended June 30, 2016 and 2015, 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, 2021, 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, 2016 and 2015.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9: ACCRUED LIABILITIES:

Accrued liabilities consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Compensation	\$ 50,644	\$ 52,481
Payroll Taxes and Liabilities	513	1,387
Accrued Real Estate Taxes	30,720	45,000
Interest and Servicing Fees	10,440	4,598
State Tribal Economic Development	38,055	-
Total	<u>\$ 130,372</u>	<u>\$ 103,466</u>

NOTE 10: NOTES PAYABLE:

Notes Payable at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</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, 2019. 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 August 1, 2016.	20,710	80,191
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.	84,560	124,748
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
First Interstate Bank - \$300,000 loan payable in a lump sum with interest paid monthly at 4.5%, maturing July 25, 2017. The note is secured by an assignment of deposit account.	300,000	100,000

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Notes Payable at June 30, 2016 and 2015 (continued):

	2016	2015
First Interstate Bank - \$90,000 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.	-	59,746
	1,155,270	1,114,685
Less: Current Portion	(63,126)	(615,153)
	\$ 1,092,144	\$ 499,532

Future scheduled principal maturities of notes payable for each of the next five years are as follows:

June 30,	
2017	\$ 63,126
2018	342,144
2019	250,000
2020	500,000
Thereafter	-
	\$ 1,155,270

NOTE 11: RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets at June 30, 2016 consisted primarily of grants restricted for particular purposes and amounts restricted for use in making loans to third parties pursuant to the provisions of programs administered through the Montana Department of Commerce Small Business Credit Initiative Loan Participation Program and the United States Environmental Protection Agency.

Permanently restricted net assets at June 30, 2016 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.

NOTE 12: 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 \$33,340 and \$30,132 to the plan during the year ended June 30, 2016 and 2015, respectively.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 13: OPERATING LEASE:

The Authority leases office space under an operating lease. Office rent paid during the year ended June 30, 2016 and 2015 was \$41,058 and \$41,057, respectfully. The lease term expires in September 30, 2017.

Future minimum rental payments on the non-cancelable operating lease as of June 30, 2016 are as follows:

<u>June 30,</u>	
2017	\$ 41,057
2018	10,264
	<u>\$ 51,321</u>

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 \$37,481 for 2016 and \$62,348 for 2015. The Authority owed High Plains Financial, Inc. \$9,965 and \$12,689 as of June 30, 2016 and 2015, 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 Statement of Financial Position 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 24, 2016, 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, 2016

<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	\$ 3,567,512
New Loans	11.307	05-89-02898	1,679,000
Cash Balance Available	11.307	05-89-02898	218,240
Administrative Costs	11.307	05-89-02898	209,984
Great Falls Regional Manufacturing Partnership	11.307	05-79-05498	84,699
			<u>5,759,435</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	31,357
			<u>31,357</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	164,709
New Loans	66.818	BL-97813001-1	-
Brownfield Revolving Loan Fund - Cash Balance Available	66.818	BL-97813001-1	59,176
Brownfield Revolving Loan Grant - Administrative Costs	66.818	BL-97813001-1	13,656
Brownfield Assessment Grant	66.818	96835001	91,829
			<u>329,370</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	49,912
			<u>49,912</u>
 U.S. Department of Treasury			
Direct Grant			
Community Development Financial Institutions Program			
Outstanding CDFI Loans	21.020	121FA011065	838,408
New Loans	21.020	121FA011065	356,000
Cash Balance Available	21.020	121FA011065	1,044,718
Administrative Costs	21.020	121FA011065	55,654
			<u>2,294,780</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,464,854</u></u>

Great Falls Development Authority, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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 the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 following programs: Small Business Development Center in the amount of \$56,955; Procurement Technical Assistance Program in the amount of \$31,354; and Great Falls Regional Manufacturing Partnership in the amount of \$101,593.

NOTE 3: ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOANS:

The Authority made loans on one business project during the fiscal year ended June 30, 2016 . The following is a summary of loan activity for the year ended June 30, 2016:

Outstanding Loans, July 1, 2015	\$ 3,567,512
New Loans During the Year	1,679,000
Loans Written Off During the Year	-
Principal Payments Received on Loans During the Year	<u>(925,394)</u>
Outstanding Loans, June 30, 2016	<u><u>\$ 4,321,118</u></u>
Costs of Administration	
Salaries and Wages	\$ 112,598
Payroll Taxes and Benefits	29,438
Other Costs of Administration	67,948
	<u><u>\$ 209,984</u></u>

Great Falls Development Authority, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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). There were no subgrants awarded during the year. The following is a summary of loan activity for the year ended June 30, 2016:

Outstanding Loans, July 1, 2015	\$ 164,709
Advances Made on New Loans During the Year	-
Principal Payments Received on Loans During the Year	(43,727)
Outstanding Loans, June 30, 2016	<u>\$ 120,982</u>
Costs of Administration:	
Salaries and Wages	\$ 8,838
Payroll Taxes and Benefits	2,265
Other Costs of Administration	2,553
	<u>\$ 13,656</u>

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

The Authority made one loan on business projects during the fiscal year ended June 30, 2016. The following is a summary of loan activity for the year ended June 30, 2016:

Outstanding Loans, July 1, 2015	\$ 838,408
Advances Made on New Loans During the Year	356,000
Principal Payments Received on Loans During the Year	(806,176)
Outstanding Loans, June 30, 2016	<u>\$ 388,232</u>
Costs of Administration:	
Salaries and Wages	\$ 21,721
Payroll Taxes and Benefits	5,555
Other Costs of Administration	28,378
	<u>\$ 55,654</u>

NOTE 6: INDIRECT COST RATE:

The Authority did not elect to use the 10% de minimis cost rate.



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

Douglas WILSON
and Company, PC

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

Douglas N. Wilson, CPA
Bruce H. Gaare, 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, 2016, 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 24, 2016.

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 GFDA'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 charged 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Douglas Wilson + Company, P.C." The signature is written in a cursive, flowing style.

Great Falls, Montana
October 24, 2016



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

Douglas WILSON
and Company, PC

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

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Bruce H. Gaare, CPA

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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, 2016.

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 the Uniform Guidance, 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Great Falls, Montana
October 24, 2016

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported	

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Significant deficiencies identified not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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 section 510(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.818	U.S. Environmental Protection Agency Brownfield Assessment and Cleanup
21.020	U.S. Department of Treasury Community Development Financial Institutions Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? 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
FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings reported for the year ended June 30, 2015.