

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
GREAT FALLS, MONTANA
FINANCIAL STATEMENTS
AS OF
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

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Douglas Wilson & Company, P.C.

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 December 11, 2017, 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
December 11, 2017

Great Falls Development Authority, Inc.
Statement of Financial Position
As of June 30, 2017
(With Comparative Totals as of June 30, 2016)

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 422,725	\$ 1,440,526
Cash Restricted For Loans and Grants	685,889	2,037,926
Accounts Receivable	27,855	247,204
Accrued Interest Receivable	40,061	22,792
Current Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$19,000 in 2017 in 2016)	354,431	420,267
Total Current Assets	1,530,961	4,168,715
 Furniture and Equipment, Net	 13,466	 13,913
 Noncurrent Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$495,050 in 2017 and \$361,000 in 2016)	 8,774,369	 5,132,968
 Total Assets	 \$ 10,318,796	 \$ 9,315,596
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 120,158	\$ 252,408
Accrued Liabilities	95,518	130,372
Due To High Plains Financial	1,477	9,965
Deferred Grant Revenues	104,656	-
Current Portion of Notes Payable	108,545	63,126
Total Current Liabilities	430,354	455,871
 Long-Term Liabilities		
Notes Payable, Net of Current Portion	1,050,000	1,092,144
 Total Liabilities	 1,480,354	 1,548,015
 Net Assets		
Unrestricted	3,033,071	1,118,642
Temporarily Restricted	1,052,955	2,032,753
Permanently Restricted	4,752,416	4,616,186
Total Net Assets	8,838,442	7,767,581
 Total Liabilities and Net Assets	 \$ 10,318,796	 \$ 9,315,596

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Activities
For The Year Ended June 30, 2017
(With Comparative Totals For The Year Ended June 30, 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Private Support	\$ 423,315	\$ -	\$ -	\$ 423,315	\$ 385,100
Sponsorships	11,400	-	-	11,400	17,460
Public Support	50,000	-	-	50,000	50,000
Total Support	<u>484,715</u>	<u>-</u>	<u>-</u>	<u>484,715</u>	<u>452,560</u>
Grants	547,500	1,259,697	180,000	1,987,197	822,501
Contracts and Program Revenues	-	97,638	-	97,638	96,531
Interest	109	397,623	-	397,732	393,949
Sale of AgriTech Lots - Net of Cost	-	-	-	-	419,412
TIF District Reimbursement	347,130	-	-	347,130	1,941,564
Fees and Miscellaneous Income	139,773	1,166	-	140,939	66,296
Total Support and Revenues	<u>1,519,227</u>	<u>1,756,124</u>	<u>180,000</u>	<u>3,455,351</u>	<u>4,192,813</u>
Net Assets Released					
From Restrictions	<u>2,699,395</u>	<u>(2,699,395)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and Reclassifications	<u>4,218,622</u>	<u>(943,271)</u>	<u>180,000</u>	<u>3,455,351</u>	<u>4,192,813</u>
Expenses					
Strategic Priorities					
Business Attraction and Expansion	214,128	-	-	214,128	15,554
Great Falls AgriTech Park	664,456	-	-	664,456	2,236,659
Business Technical Assistance	205,125	-	-	205,125	188,679
Fundraising	19,959	-	-	19,959	37,026
Grants	330,250	-	-	330,250	293,307
Lending and Finance	808,915	-	-	808,915	447,879
Management and General	141,657	-	-	141,657	131,937
Total Expenses	<u>2,384,490</u>	<u>-</u>	<u>-</u>	<u>2,384,490</u>	<u>3,351,041</u>
Change in Net Assets	<u>1,834,132</u>	<u>(943,271)</u>	<u>180,000</u>	<u>1,070,861</u>	<u>841,772</u>
Revolving Loan Fund Expenses in Excess of Earnings	<u>80,297</u>	<u>(36,527)</u>	<u>(43,770)</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 3,033,071</u>	<u>\$ 1,052,955</u>	<u>\$ 4,752,416</u>	<u>\$ 8,838,442</u>	<u>\$ 7,767,581</u>

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Cash Flows
For The Year Ended June 30, 2017
(With Comparative Totals For The Year Ended June 30, 2016)

	2017	2016
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 1,070,861	\$ 841,772
Adjustments To Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Provision for Loan Losses	331,806	5,000
Depreciation	7,483	7,220
(Increase) Decrease in Operating Assets:		
Accounts Receivable	201,022	(132,295)
Accrued Interest Receivable	(17,269)	10,908
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(132,250)	17,562
Accrued Liabilities	(34,854)	26,906
Deferred Grant Revenues	104,656	-
Due to High Plains Financial, Inc.	(8,488)	(2,724)
Net Cash Provided By Operating Activities	1,522,967	774,349
Cash Flows From Investing Activities:		
Principal Payments Received on Notes Receivable	457,747	3,873,724
Loans Made To Third Parties	(4,346,791)	(2,584,000)
Purchase of Office Furniture and Equipment	(7,036)	(3,448)
Net Cash Provided (Used) By Investing Activities	(3,896,080)	1,286,276
Cash Flows From Financing Activities:		
Advances Received on Long-Term Notes Payable	370,000	681,023
Payments Made on Long-Term Notes Payable	(366,725)	(640,438)
(Increase) Decrease in Cash Restricted For Loans and Grants	1,352,037	(818,634)
Net Cash Provided (Used) By Financing Activities	1,355,312	(778,049)
Net Increase (Decrease) in Cash	(1,017,801)	1,282,576
Cash and Cash Equivalents, Beginning of Year	1,440,526	157,950
Cash and Cash Equivalents, End of Year	\$ 422,725	\$ 1,440,526
Supplemental Information:		
Interest Paid In Cash	\$ 111,119	\$ 68,162
Interest Received in Cash	\$ 380,463	\$ 404,856

See accompanying notes to financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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, 2016 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, 2016.
- 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 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 \$4,976 and \$11,745 during 2017 and 2016, 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, 2017

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Economic Development Administration	\$ 215,643	\$ 140,353
Montana Small Business Credit Initiative	-	1,314,176
MicroBusiness Finance Program	149,534	325,867
EPA Brownfield Revolving Loan Fund	238,788	59,176
Community Development Block Grant	20,362	80,225
Downtown Revolving Loan Fund	55,386	115,094
Small Business Development Program	6,176	3,035
Total	<u>\$ 685,889</u>	<u>\$ 2,037,926</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, 2017, the Authority had a balance of \$197,099 in the repurchase account secured by government securities. The total amount exceeding the FDIC limits as of June 30, 2017 total \$422,679, of which \$300,000 was borrowed in June and held in a deposit control account under an agreement with First Interstate Bank.

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 \$484,715 and \$452,560 under the campaign during 2017 and 2016, 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, 2017 from \$30,593 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, 2017

Enterprise Loan Fund – The Authority has a fund used to make loans and support economic development services that was capitalized by grants and a loan from the U.S. Department of Treasury – Community Development Financial Institution (CDFI) Program, and from grants from the Montana Department of Commerce using U.S. Department of Treasury – State Small Business Credit Initiative (SSBCI) program funds. The Enterprise Fund loan portfolio contains notes receivable ranging in principal balance at June 30, 2017 from \$30,016 to \$1,366,000 and bearing interest rates ranging from 2.19% to 8%.

U.S. Department of Housing and Urban Development – Community Development Block Grant (CDBG) Program – The Authority has entered into Community Development Block Grant revolving loan fund agreements with Cascade County and the City of Great Falls. The Cascade County loan portfolio was used to meet the Authority’s match requirements for the EDA RLF. The City CDBG EDA RLF agreement was used to meet the Authority’s match requirement for the EDA RLF. The City CDBG RLF is a separate loan portfolio not associated with the EDA RLF.

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). Notes receivable range in principal balance at June 30, 2017 from \$112,478 to \$804,923 and bear interest rates of 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, 2017 from \$64,272 to \$105,105 and bearing interest rates ranging from 3.39% to 5.95%.

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 \$31,295 to \$100,000 at June 30, 2017 and bear interest between 6% and 8%.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
U.S. Economic Development Administration	\$ 4,050,159	\$ 4,321,116
U.S. Treasury CDFI Fund	-	388,232
EPA Brownfield Revolving Loan Fund	917,401	120,982
Downtown Revolving Loan Fund	245,934	182,172
Community Development Block Grant - City of Great Falls	219,224	98,288
Community Development Block Grant - Cascade County - EDA	69,776	-
MicroBusiness Loan Fund	446,691	271,222
Community Development Block Grant - City of Great Falls - EDA	66,212	-
Enterprise Fund	3,627,453	-
Small Business Credit Initiative Loan Participation Program	-	551,223
Total Loans Receivable	<u>9,642,850</u>	<u>5,933,235</u>
Less: Allowance for Doubtful Loans	<u>(514,050)</u>	<u>(380,000)</u>
Total Loans Receivable, Net	<u>\$ 9,128,800</u>	<u>\$ 5,553,235</u>

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The funds granted to the Authority for Small Business Credit Initiative Loan Participation Program were released from federal restriction in April 2017.

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, 2017 and 2016 was \$235,722 and \$305,010, respectively. The Enterprise Fund loans are also recorded net of a loan participation sold to NeighborWorks Montana. The amount of the participation at June 30, 2017 was \$250,000.

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, 2017 and 2016:

	2017	2016
Performing	\$ 9,642,850	\$ 5,933,235
Nonperforming	-	-
Total	\$ 9,642,850	\$ 5,933,235

The following table presents the changes in the allowance for loan losses and the recorded investment in loans as of June 30, 2017 and 2016:

	Performing	Non- Performing	Total
Allowance for Doubtful Loans:			
Beginning Balance July 1, 2016	\$ 380,000	\$ -	\$ 380,000
Charge-Offs	(179,429)	-	(179,429)
Recoveries	-	-	-
Provision	313,479	-	313,479
Ending Balance June 30, 2017	\$ 514,050	\$ -	\$ 514,050
Ending Balance:			
Individually Evaluated for Impairment	\$ 514,050	\$ -	\$ 514,050
Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	\$ 9,642,850	\$ -	\$ 9,642,850
	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

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

	Performing	Non-Performing	Total
Allowance for Doubtful Loans (Cont'd):			
Ending Balance:			
Individually Evaluated for Impairment	\$ 380,000	\$ -	\$ 380,000
Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	\$ 5,933,235	\$ -	\$ 5,933,235

All loans were current at June 30, 2017 and 2016. There were no loans receivable more than ninety (90) days past due and still accruing interest at June 30, 2017 or 2016.

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, 2017 and 2016 of \$184,446 and \$177,410, respectively, and total accumulated depreciation at June 30, 2017 and 2016 of \$170,980 and \$163,497, respectively. Depreciation expense was \$7,483 and \$7,220 for the years ended June 30, 2017 and 2016, 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. The loan proceeds will 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 is 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, 2017 and 2016.

NOTE 9: ACCRUED LIABILITIES:

Accrued liabilities consist of the following at June 30, 2017 and 2016:

	2017	2016
Compensation	\$ 54,246	\$ 50,644
Payroll Taxes and Liabilities	(686)	513
Accrued Real Estate Taxes	32,160	30,720
Interest and Servicing Fees	9,798	10,440
State Tribal Economic Development	-	38,055
Total	\$ 95,518	\$ 130,372

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10: NOTES PAYABLE:

Notes Payable at June 30, 2017 and 2016 consist of the following:

	2017	2016
<p>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.</p>	\$ 500,000	\$ 500,000
<p>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.</p>	-	20,710
<p>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.</p>	38,545	84,560
<p>U.S. Department of Treasury Community Development Financial Institutions Fund - \$250,000 loan to be used for activities under the CDFI fund, payable in interest-only payments at 5%, maturing January 8, 2019.</p>	250,000	250,000
<p>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 a deposit account.</p>	-	300,000
<p>First Interstate Bank - \$150,000 loan payable in monthly payments, with interest at 4.75%, per annum maturing, January 30, 2018. The note is secured by all inventory, accounts receivable, equipment and assignment of loan portfolio.</p>	70,000	-

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Notes Payable at June 30, 2017 and 2016 (continued):

	2017	2016
First Interstate Bank - \$300,000 loan payable in monthly interest-only payments at 2.45%, per annum and one principal and interest payment on the maturity date, July 15, 2018. The note is secured by an assignment of a deposit account.	300,000	-
	1,158,545	1,155,270
Less: Current Portion	(108,545)	(63,126)
	\$ 1,050,000	\$ 1,092,144

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

June 30,	
2018	\$ 108,545
2019	550,000
2020	500,000
	\$ 1,158,545

NOTE 11: RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets at June 30, 2017 consisted primarily of grants restricted for particular purposes and amounts restricted for use in making loans to third parties pursuant to the provisions of a program administered through the United States Environmental Protection Agency.

Permanently restricted net assets at June 30, 2017 consisted primarily of amounts restricted for use in making loans to third parties pursuant to the provisions of programs administered through the United States Economic Development Administration and the Community Development Block Grant program of the U.S. Department of Housing and Urban Development.

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 \$30,779 and \$33,340 to the plan during the year ended June 30, 2017 and 2016, respectively.

NOTE 13: OPERATING LEASE:

The Authority leases office space under an operating lease. Office rent paid during the year ended June 30, 2017 and 2016 was \$41,058 and \$41,058, respectfully. The lease expires in June 30, 2018.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Future minimum rental payments on the non-cancelable operating lease as of June 30, 2017 are as follows:

<u>June 30,</u> 2018	\$ 41,058
	<u>\$ 41,058</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 \$38,997 for 2017 and \$37,481 for 2016. The Authority owed High Plains Financial, Inc. \$1,477 and \$9,965 as of June 30, 2017 and 2016, respectively.

The financial statements of the Authority include activity for Great Falls AgriTech Park, LLC. Expenses incurred for the benefit of Great Falls AgriTech Park, LLC are allocated on the basis of actual benefit received and by estimates made by management. These intercompany transactions between the Authority and Great Falls AgriTech Park, LLC have been eliminated from the financial statements.

NOTE 15: COMMUNITY DEVELOPMENT BLOCK GRANT:

The City of Great Falls has informed the Authority that too much in administrative fees has been used by the Authority for its Community Development Block Grant awarded by the City. New personnel with the City have requested that the method of determining administrative fees be revised, and be calculated on 20% of program income. The Authority's Executive Committee approved putting Authority funds into the loan fund to correct this.

NOTE 16: 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 December 11, 2017, 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, 2017**

<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; 05-49-03319	\$ 2,950,026
Great Falls Regional Manufacturing Partnership	11.307	05-89-05498	<u>25,844</u>
			<u>2,975,870</u>
U. S. Department of Housing and Urban Development			
Community Development Block Grant Program			
Pass Through from Cascade County, Montana			
Outstanding Loans	14.218		-
New Loans	14.218		69,776
Cash Balance Available	14.218		3,400
Administrative Costs	14.218		229
Pass Through from City of Great Falls, Montana			
Outstanding Loans	14.218		164,500
New Loans	14.218		182,000
Cash Balance Available	14.218		17,170
Administrative Costs	14.218		14,150
Household Labor Survey and Analysis	14.218		8,988
			<u>460,213</u>
U. S. Department of Defense			
Pass Through From Big Sky EDA			
Defense Logistics Agency/Big Sky EDA/			
Procurement Technical Assistance Center Program	12.002	SP4800-12-2-1222	29,442
			<u>29,442</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	120,982
New Loans	66.818	BL-97813001-1	804,923
Brownfield Revolving Loan Fund - Cash Balance Available	66.818	BL-97813001-1	281,036
Brownfield Revolving Loan Grant - Grant to Subrecipients	66.818	BL-97813001-1	42,248
Brownfield Revolving Loan Grant - Administrative Costs	66.818	BL-97813001-1	30,828
Brownfield Assessment Grant	66.818	96835001	215,714
			<u>1,495,731</u>
U. S. Small Business Administration			
Pass Through Montana Department of Commerce			
Small Business Development Center	59.037	11-51-005	49,308
			<u>49,308</u>

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<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 Treasury			
Direct Grant			
Community Development Financial Institutions Program	21.020	151FA013573	\$ 495,000
Outstanding CDFI Loan	21.020	121FA011065	<u>250,000</u>
			<u>745,000</u>
U. S. Department of Agriculture			
Pass Through Montana Department of Agriculture			
Agriculture Marketing Service/Specialty Crop Block Grant Program	10.170	15SCBGPMT0005	15,329
			<u>15,329</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,770,893</u></u>

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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 \$71,128; Procurement Technical Assistance Center Program in the amount of \$34,482; and Great Falls Regional Manufacturing Partnership in the amount of \$24,275. The Authority's cost share for the Small Business Development Center was comprised of \$14,063 from the Montana Department of Commerce and \$57,065 of Authority funds.

NOTE 3: ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOANS:

The Authority made loans on one business project during the fiscal year ended June 30, 2017. The following is a summary of figures used in the SEFA calculation for the year ended June 30, 2017:

Outstanding Loans, June 30, 2017	\$ 4,050,159
Cash and Investment Balances	215,643
Loans Written Off During the Year	130,543
Administrative Expenses	192,585
	<u><u>\$ 4,588,930</u></u>
Total Federal Share	<u><u>\$ 2,250,000</u></u>
Total Award	<u><u>\$ 3,500,000</u></u>
Calculated Federal Share	<u>64%</u>
Calculated SEFA Total	<u><u>\$ 2,950,026</u></u>

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 was one subgrant awarded during the year and one loan made during the year.

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4: EPA BROWNFIELD REVOLVING LOAN FUND (Continued):

The following is a summary of loan activity for the year ended June 30, 2017:

Outstanding Loans, July 1, 2016	\$ 120,982
Advances Made on New Loans During the Year	804,923
Principal Payments Received on Loans During the Year	(8,504)
Outstanding Loans, June 30, 2017	<u>\$ 917,401</u>
Costs of Administration:	
Salaries and Wages	\$ 15,976
Payroll Taxes and Benefits	4,645
Other Costs of Administration	10,207
	<u>\$ 30,828</u>

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

The Authority did not receive any other CDFI loans during the year ending June 30, 2017. The following is a summary of loan activity:

Outstanding Loans, July 1, 2016	\$ 250,000
Loans Acquired During the Year	-
Principal Payments Made on Loans During the Year	-
Outstanding Loans, June 30, 2017	<u>\$ 250,000</u>

NOTE 6: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

The Authority made three loans on business projects during the fiscal year ended June 30, 2017 with CDBG funds from the City, and one loan with County CDBG funds. The following is a summary of the loan activity for the year ended June 30, 2017:

City CDBG:

Outstanding Loans, July 1, 2016	\$ 164,500
Advances Made on New Loans During the Year	182,000
Loans Written Off During the Year	(48,891)
Principal Payments Received on Loans During the Year	(12,173)
Outstanding Loans, June 30, 2017	<u>\$ 285,436</u>
Costs of Administration:	
Salaries and Wages	\$ 7,228
Payroll Taxes and Benefits	2,078
Other Costs of Administration	4,844
	<u>\$ 14,150</u>

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued):

County CDBG EDA:

Outstanding Loans, July 1, 2016	\$	-
Advances Made on New Loans During the Year		69,776
Principal Payments Received on Loans During the Year		-
Outstanding Loans, June 30, 2017		<u><u>\$ 69,776</u></u>

Costs of Administration:

Salaries and Wages	\$	118
Payroll Taxes and Benefits		34
Other Costs of Administration		77
		<u><u>\$ 229</u></u>

NOTE 7: INDIRECT COST RATE:

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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
Melissa H. Soldano, 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, 2017, 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 December 11, 2017.

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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs in #2017-001, that we consider to be 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 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.



Great Falls, Montana
December 11, 2017



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 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, 2017. 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, 2017.

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
December 11, 2017

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	None Reported

Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No
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Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified not considered to be material weakness(es)?	<u> </u>	Yes	<u> X </u>	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 516(a)?	<u> </u>	Yes	<u> X </u>	No
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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

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No
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SECTION II - FINANCIAL STATEMENT FINDINGS

#2017-001.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

FINDING #2017-001

Community Development Block Grant

CFDA Number: 14.218

Specialty Crop Block Grant Program

CFDA Number: 10.170

Criteria: The auditee must prepare the schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. In accordance with the Uniform Guidance, 2 CFR 200.510(b), the SEFA must include the total amount of federal awards expended.

Condition: Our audit identified a significant deficiency in controls over the preparation of the financial statements and schedules, including the SEFA, which is supplementary information required by the federal government. The information for the Cascade County Community Development Block Grant and the Agriculture Marketing Service/Specialty Crop Block Grant Program was omitted from the SEFA. Information on the City Community Development Block Grant was included with Economic Development Administration, but should have been reflected separately on the SEFA.

Context: The total amount of the County Community Development Block Grant was \$73,405, the Agriculture Marketing Service/Specialty Crop Block Grant Program was \$15,329, and the City Community Development Block Grant was \$386,808.

Effect: Non-compliance with the Uniform Guidance regarding SEFA presentation. The client corrected the SEFA and it is accurately presented in the report.

Questioned Costs: None.

Cause: Unknown.

Recommendation: We recommend the Authority strengthen internal controls over the preparation of the SEFA to ensure accurate presentation of expenditures.

Authority's Response: The Authority agrees that it needs to strengthen internal controls over the preparation of the SEFA to ensure accurate presentation of expenditures. Steps will be taken to increase internal oversight and new procedures will be developed as part of updating our financial management policy.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

**STATUS OF PRIOR YEAR'S RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no findings reported for the year ended June 30, 2016.