

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

AS OF

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 November 9, 2018, 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
November 9, 2018

Great Falls Development Authority, Inc.
Statement of Financial Position
As of June 30, 2018
(With Comparative Totals as of June 30, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 851,046	\$ 422,725
Cash Restricted For Loans and Grants	609,375	685,889
Accounts Receivable	194,377	27,855
Accrued Interest Receivable	44,062	40,061
Current Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$16,863 in 2018 and \$19,000 in 2017)	423,122	354,431
Total Current Assets	2,121,982	1,530,961
Furniture and Equipment, Net	6,804	13,466
Noncurrent Portion of Loans Receivable (Net of Allowance for Doubtful Loans of \$577,137 in 2018 and \$495,050 in 2017)	9,448,597	8,774,369
Total Assets	\$ 11,577,383	\$ 10,318,796
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 135,304	\$ 120,158
Accrued Liabilities	101,149	95,518
Due To High Plains Financial	9,991	1,477
Deferred Grant Revenue	58,690	104,656
Funds Held in Trust	2,429	-
Current Portion of Notes Payable	369,394	108,545
Total Current Liabilities	676,957	430,354
Long-Term Liabilities		
Notes Payable, Net of Current Portion	1,686,095	1,050,000
Total Liabilities	2,363,052	1,480,354
Net Assets		
Unrestricted	3,074,799	3,033,071
Temporarily Restricted	57,889	1,052,955
Permanently Restricted	6,081,643	4,752,416
Total Net Assets	9,214,331	8,838,442
Total Liabilities and Net Assets	\$ 11,577,383	\$ 10,318,796

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Activities
For The Year Ended June 30, 2018
(With Comparative Totals For The Year Ended June 30, 2017)

	2018			Total	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Private Support	\$ 194,000	\$ -	\$ -	\$ 194,000	\$ 423,315
Sponsorships	10,000	300	-	10,300	11,400
Public Support	50,000	-	-	50,000	50,000
Total Support	<u>254,000</u>	<u>300</u>	<u>-</u>	<u>254,300</u>	<u>484,715</u>
Grants	744,096	-	387,269	1,131,365	1,987,197
Contracts and Program Revenues	102,247	8,311	-	110,558	97,638
Interest	218,815	33,592	250,055	502,462	397,732
TIF District Reimbursement	156,418	-	-	156,418	347,130
Fees and Miscellaneous Income	63,392	283	950	64,625	140,939
Total Support and Revenues	<u>1,538,968</u>	<u>42,486</u>	<u>638,274</u>	<u>2,219,728</u>	<u>3,455,351</u>
Net Assets Released					
From Restrictions	<u>340,850</u>	<u>(59,578)</u>	<u>(281,272)</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and Reclassifications	<u>1,879,818</u>	<u>(17,092)</u>	<u>357,002</u>	<u>2,219,728</u>	<u>3,455,351</u>
Expenses					
Strategic Priorities					
Business Attraction and Expansion	283,083	-	-	283,083	214,128
Great Falls AgriTech Park	424,340	-	-	424,340	664,456
Business Technical Assistance	225,071	-	-	225,071	205,125
Fundraising	-	-	-	-	19,959
Grants	118,253	-	-	118,253	330,250
Lending and Finance	603,684	-	-	603,684	808,915
Management and General	183,659	-	-	183,659	141,657
Total Expenses	<u>1,838,090</u>	<u>-</u>	<u>-</u>	<u>1,838,090</u>	<u>2,384,490</u>
Change in Net Assets	<u>41,728</u>	<u>(17,092)</u>	<u>357,002</u>	<u>381,638</u>	<u>1,070,861</u>
Net Assets, Beginning 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>
Prior Period Adjustment,					
Correction of an Error	-	(972,225)	972,225	-	-
Change in Reporting Entity	-	(5,749)	-	(5,749)	-
Net Assets, Beginning of Year Restated	<u>3,033,071</u>	<u>74,981</u>	<u>5,724,641</u>	<u>8,832,693</u>	<u>7,767,581</u>
Net Assets, End of Year	<u><u>\$ 3,074,799</u></u>	<u><u>\$ 57,889</u></u>	<u><u>\$ 6,081,643</u></u>	<u><u>\$ 9,214,331</u></u>	<u><u>\$ 8,838,442</u></u>

See accompanying notes to financial statements.

Great Falls Development Authority, Inc.
Statement of Cash Flows
For The Year Ended June 30, 2018
(With Comparative Totals For The Year Ended June 30, 2017)

	2018	2017
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 381,638	\$ 1,070,861
Adjustments To Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Change in Reporting Entity	(5,749)	-
Provision for Loan Losses	79,950	331,806
Depreciation	7,638	7,483
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(166,522)	201,022
Accrued Interest Receivable	(4,001)	(17,269)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	15,146	(132,250)
Accrued Liabilities	5,631	(34,854)
Deferred Grant Revenues	(45,966)	104,656
Funds Held in Trust	2,429	-
Due to High Plains Financial, Inc.	8,514	(8,488)
Net Cash Provided By Operating Activities	278,708	1,522,967
Cash Flows From Investing Activities:		
Principal Payments Received on Notes Receivable	790,628	457,747
Loans Made To Third Parties	(1,613,498)	(4,346,791)
Purchase of Office Furniture and Equipment	(975)	(7,036)
Net Cash Used By Investing Activities	(823,845)	(3,896,080)
Cash Flows From Financing Activities:		
Advances Received on Long-Term Notes Payable	1,444,909	370,000
Payments Made on Long-Term Notes Payable	(547,965)	(366,725)
(Increase) Decrease in Cash Restricted For Loans and Grants	76,514	1,352,037
Net Cash Provided By Financing Activities	973,458	1,355,312
Net Increase (Decrease) in Cash	428,321	(1,017,801)
Cash and Cash Equivalents, Beginning of Year	422,725	1,440,526
Cash and Cash Equivalents, End of Year	\$ 851,046	\$ 422,725
Supplemental Information:		
Interest Paid In Cash	\$ 134,723	\$ 111,119
Interest Received in Cash	\$ 497,330	\$ 380,463

See accompanying notes to financial statements.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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. In fiscal year 2018, the Authority began operation of a Food and Ag Development Center under contract with the Montana Department of Agriculture.

Starting in 2018, the Authority assumed responsibilities for a revolving loan fund under the Intermediary Relending Program ("IRP") administered through the United States Department of Agriculture, from High Plains Financial, Inc. As a result of this, an adjustment of \$5,749 is shown on the statement of activities. Revenue for the IRP is generated mainly through loan interest income and management fees. Borrowers under the IRP revolving loan fund are located primarily in rural areas around Great Falls, Montana.

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.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

- B. 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, 2017 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, 2017.
- 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.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

- 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 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 \$11,305 and \$4,976 during 2018 and 2017, 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, 2018**

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Economic Development Administration	\$ 73,360	\$ 215,643
Rural Development Intermediary Relending Program	165,429	-
MicroBusiness Finance Program	115,403	149,534
EPA Brownfield Revolving Loan Fund	65,678	238,788
Community Development Block Grant	43,868	20,362
Downtown Revolving Loan Fund	135,983	55,386
Small Business Development Program	9,654	6,176
Total	<u>\$ 609,375</u>	<u>\$ 685,889</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, 2018, the Authority had a balance of \$198,904 in the repurchase account secured by government securities. The total amount exceeding the FDIC limits as of June 30, 2018 total \$570,848 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:

The Authority undertakes fund-raising to provide revenues to pursue strategies in accordance with the Authority's mission. Statements of intent 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 \$254,300 and \$484,715 under the campaign during 2018 and 2017, 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, 2018 from \$27,114 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, 2018

IRP Loan Fund – The Authority has the ability to make loans to third parties pursuant to the provisions of the IRP administered through the United States Department of Agriculture. The loan portfolio contains loans receivable ranging in principal balances from \$18,312 to \$250,000 at June 30, 2018 from . The loans receivable bear interest at rates ranging from 8% to 9% for the year ended June 30, 2018.

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, 2018 from \$27,684 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 and the City CDBG EDA RLF agreement were used to meet the Authority's match requirements for the EDA RLF. The City CDBG RLF is a separate loan portfolio not associated with the EDA RLF. The City CDBG portfolio contains notes receivable ranging in principal balance at June 30, 2018 from \$17,697 to \$87,072 and bearing interest rates from 4.5% to 8%. The County CDBG portfolio contains a note receivable with a principal balance of \$51,110 at June 30, 2018, and bearing an interest rate of 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). Notes receivable range in principal balance at June 30, 2018 from \$108,311 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, 2018 from \$62,532 to \$101,944 and bearing interest rates ranging from 5.00% 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 \$25,002 to \$100,000 at June 30, 2018 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, 2018 and 2017:

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
U.S. Economic Development Administration	\$ 4,168,097	\$ 4,050,159
Rural Development IRP Loans	408,350	-
EPA Brownfield Revolving Loan Fund	1,422,334	917,401
Downtown Revolving Loan Fund	164,476	245,934
Community Development Block Grant - City of Great Falls	279,478	219,224
Community Development Block Grant - Cascade County - EDA	51,110	69,776
MicroBusiness Loan Fund	481,731	446,691
Community Development Block Grant - City of Great Falls - EDA	40,470	66,212
Enterprise Fund	<u>3,449,673</u>	<u>3,627,453</u>
Total Loans Receivable	10,465,719	9,642,850
Less: Allowance for Doubtful Loans	<u>(594,000)</u>	<u>(514,050)</u>
Total Loans Receivable, Net	<u>\$ 9,871,719</u>	<u>\$ 9,128,800</u>

The U.S. Economic Development Administration loans are recorded net of a loan participation sold to the Montana Board of Investments. The participation is for 67.75% of loan. The amount of the participation at June 30, 2018 and 2017 was \$169,489 and \$235,722, 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, 2018 and 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Performing	\$ 10,465,719	\$ 9,642,850
Nonperforming	-	-
Total	<u>\$ 10,465,719</u>	<u>\$ 9,642,850</u>

The following table presents the changes in the allowance for loan losses and the recorded investment in loans as of June 30, 2018 and 2017:

	<u>Performing</u>	<u>Non-performing</u>	<u>Total</u>
Allowance for Doubtful Loans:			
Beginning Balance July 1, 2017	\$ 514,050	\$ -	\$ 514,050
Charge-Offs	-	-	-
Recoveries	-	-	-
Provision	79,950	-	79,950
Ending Balance June 30, 2018	<u>\$ 594,000</u>	<u>\$ -</u>	<u>\$ 594,000</u>
 Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 594,000</u>	<u>\$ -</u>	<u>\$ 594,000</u>

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

	<u>Performing</u>	<u>Non- performing</u>	<u>Total</u>
Allowance for Doubtful Loans (Cont'd):			
Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 10,465,719</u>	<u>\$ -</u>	<u>\$ 10,465,719</u>

	<u>Performing</u>	<u>Non- performing</u>	<u>Total</u>
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	<u>\$ 514,050</u>	<u>\$ -</u>	<u>\$ 514,050</u>

Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 514,050</u>	<u>\$ -</u>	<u>\$ 514,050</u>

Loans Receivable:			
Ending Balance:			
Individually Evaluated for Impairment	<u>\$ 9,642,850</u>	<u>\$ -</u>	<u>\$ 9,642,850</u>

All loans were current at June 30, 2018 and 2017. There were no loans receivable more than ninety (90) days past due and still accruing interest at June 30, 2018 or 2017.

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, 2018 and 2017 of \$185,421 and \$184,446, respectively, and total accumulated depreciation at June 30, 2018 and 2017 of \$178,617 and \$170,980, respectively. Depreciation expense was \$7,638 and \$7,483 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: ACCRUED LIABILITIES:

Accrued liabilities consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Compensation	\$ 62,600	\$ 54,246
Payroll Taxes and Benefits	912	(686)
Accrued Real Estate Taxes	31,500	32,160
Interest and Servicing Fees	6,137	9,798
State Tribal Economic Development	-	-
Total	<u>\$ 101,149</u>	<u>\$ 95,518</u>

NOTE 10: NOTES PAYABLE:

Notes Payable at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</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. Loan rate was increased on April 1, 2018 to 2.75%. The note is secured by any assets or income derived from the Authority's MicroBusiness loan program.	\$ 500,000	\$ 500,000
First Interstate Bank - \$300,000 loan payable in monthly installments of \$5,730 including interest at 5.50% maturing January 23, 2023. The note is secured by furniture, equipment and accounts receivable.	278,165	-
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.	-	38,545
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.	250,000	250,000

GREAT FALLS DEVELOPMENT AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Notes Payable at June 30, 2018 and 2017 (continued):

	2018	2017
First Interstate Bank - \$300,000 loan payable in monthly interest-only payments at 2.55%, per annum and one principal and interest payment on the maturity date, July 15, 2019. The note is secured by an assignment of a deposit account.	300,000	-
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.	-	70,000
First Interstate Bank - \$201,245 loan payable in monthly interest payments only for the first year, and starting September 2018, monthly principal and interest payments totaling \$3,805; the interest rate is at 5.08% maturing August 29, 2023. The note is secured by all assets of Agritech Park.	163,659	-
U.S. Department of Agriculture - Rural Development: dated October 13, 2004, 1% interest, annual payments of \$31,838, including interest. Note is due October 12, 2033 and is secured by assignment of loans receivable derived from the proceeds.	455,793	-
Montana Board of Investments: dated November 29, 2004, 2% interest, quarterly payments of \$1,899, including interest. Note is due November 29, 2034 and is secured by assignment of loans receivable derived from the proceeds.	107,872	-
	2,055,489	1,158,545
Less: Current Portion	(369,394)	(108,545)
	\$ 1,686,095	\$ 1,050,000

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

June 30,	
2019	\$ 369,394
2020	930,987
2021	136,766
2022	142,796
2023	79,696
Thereafter	395,850
	\$ 2,055,489

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11: RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets at June 30, 2018 consisted primarily of grants restricted for particular purposes and amounts restricted for use in making loans to third parties pursuant to the provisions of the IRP and Microbusiness programs. The Authority has outstanding loan balances associated with the IRP and Microbusiness programs. Once the Authority pays off these loans the remaining balances become unrestricted.

Permanently restricted net assets at June 30, 2018 consisted 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, the Community Development Block Grant program of the U.S. Department of Housing and Urban Development, Downtown Revolving Loan Fund and Environmental Protection Agency Revolving Loan Fund. The portion of these net asset balances represent resources restricted by these agencies in perpetuity for use in making loans and are classified as permanently restricted. Although the net assets may be reduced from time to time by losses, and may eventually be exhausted, the resources are capable of providing economic benefits indefinitely and these agencies have instructed that these programs should be revolving in duration.

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 \$34,792 and \$30,779 to the plan during the year ended June 30, 2018 and 2017, respectively.

NOTE 13: OPERATING LEASE:

The Authority leases office space under an operating lease. Office rent paid during the year ended June 30, 2018 and 2017 was \$42,658 and \$41,058, respectfully. The lease expired June 30, 2018. The lease was extended for an additional three months through September 2018 for a monthly rental amount of \$3,421. Beginning October 1, 2018, the Authority is operating on a month-to-month lease for \$3,421 a month.

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 \$18,465 for 2018 and \$38,997 for 2017. The Authority owed High Plains Financial, Inc. \$9,991 and \$1,477 as of June 30, 2018 and 2017, 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.

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 15: YES FOR CASCADE COUNTY JOBS:

The Authority paid for a portion of the Yes for Cascade County Jobs campaign. Yes for Cascade County Jobs would have allowed Cascade County Commissioners to levy up to 3 mills annually for economic development in Great Falls. The Authority spent \$52,276 in 2018. The voters in Great Falls did not pass this measure.

NOTE 16: AGRITECH PARK, LLC RAIL LINE:

Pacific Hide and Fur Depot paid for the costs of the rail line totaling \$3,129,212, and transferred all rights, title and interest on the rail line to AgriTech Park, LLC. AgriTech Park, LLC then transferred the rail line to Great Falls AgriTech Park Owners Association, LLC for \$10. The Park Owners Association intends and desires to own and operate the rail line. A promissory note was signed by Pacific Hide and Fur Depot and AgriTech Park, LLC on April 13, 2018, outlining that AgriTech Park, LLC will reimburse Pacific Hide and Fur Depot for the cost of \$3,129,212 for the rail line in so far as the AgriTech Park, LLC receives tax increment funds (TIF) funds from the City of Great Falls. The principal sum of the note shall be payable in installments the AgriTech Park, LLC receives from TIF funds. In the event the TIF funds are not sufficient to fully repay Pacific Hide and Fur Depot, there shall be no recourse against AgriTech Park, LLC. Because of this, no liability has been recorded at year end June 30, 2018. No TIF funds have been received as of June 30, 2018.

NOTE 17: CORRECTION OF AN ERROR:

The Authority evaluated the net asset classifications and made a prior period adjustment on the statement of activities to correct the classifications between permanently restricted and temporarily restricted. Since the June 30, 2017 information is summarized, these adjustments have been made to the June 30, 2018 balances. Do to reclassifications of loan funds, the balance in permanently restricted increased by \$972,225 and the balance in temporarily restricted decreased by \$972,225. There was no change to the overall net asset balance.

NOTE 18: 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 November 9, 2018, 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, 2018**

<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")	11.307	05-89-02898; 05-49-03319	\$ 2,847,020
			<u>2,847,020</u>
U. S. Department of Housing and Urban Development			
Community Development Block Grant Program			
Pass Through from Cascade County, Montana			
Outstanding Loans	14.218		69,776
New Loans	14.218		-
Cash Balance Available	14.218		25,184
Administrative Costs	14.218		-
Pass Through from City of Great Falls, Montana			
Outstanding Loans	14.218		285,436
New Loans	14.218		146,542
Cash Balance Available	14.218		18,893
Administrative Costs	14.218		1,796
Household Labor Survey and Analysis	14.218		20,972
			<u>568,599</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	SP4800-17-2-1722	33,172
			<u>33,172</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	917,401
New Loans	66.818	BL-97813001-1	509,100
Brownfield Revolving Loan Fund - Cash Balance Available	66.818	BL-97813001-1	77,526
Brownfield Revolving Loan Grant - Grant to Subrecipients	66.818	BL-97813001-1	-
Brownfield Revolving Loan Grant - Administrative Costs	66.818	BL-97813001-1	60,508
Brownfield Assessment Grant	66.818	96835001	81,897
			<u>1,646,432</u>
U. S. Small Business Administration			
Pass Through Montana Department of Commerce			
Small Business Development Center	59.037	14-51-012D	56,575
			<u>56,575</u>

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<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	171FA023573	\$ 575,000
Outstanding CDFI Loan	21.020	121FA011065	250,000
			<u>825,000</u>
U.S. Department of Agriculture			
Direct Grant			
Intermediary Relending Program (IRP)			
Outstanding Loans	10.767		177,980
New Loans	10.767		250,000
Cash Balance Available	10.767		165,429
Administrative Costs	10.767		565
			<u>593,974</u>
U. S. Department of Agriculture			
Pass Through Montana Department of Agriculture			
Agriculture Marketing Service/Specialty Crop			
Block Grant Program	10.170	15SCBGPM0005	15,384
			<u>15,384</u>
Total Expenditures of Federal Awards			\$ <u>6,586,156</u>

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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 \$60,988 and Procurement Technical Assistance Center Program in the amount of \$37,262.

NOTE 3: ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOANS:

The Authority made two loans on one business project during the fiscal year ended June 30, 2018. The following is a summary of figures used in the SEFA calculation for the year ended June 30, 2018:

Outstanding Loans, June 30, 2018	\$ 4,168,097
Cash and Investment Balances	73,360
Loans Written Off During the Year	-
Administrative Expenses	207,011
	<u><u>\$ 4,448,468</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>\$ 2,847,020</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, 2018**

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

The following is a summary of loan activity for the year ended June 30, 2018:

Outstanding Loans, July 1, 2017	\$ 917,401
Advances Made on New Loans During the Year	509,100
Principal Payments Received on Loans During the Year	(4,167)
Outstanding Loans, June 30, 2018	<u>\$ 1,422,334</u>
Costs of Administration:	
Salaries and Wages	\$ 34,050
Payroll Taxes and Benefits	10,344
Other Costs of Administration	16,114
	<u>\$ 60,508</u>

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

The Authority did not receive any other CDFI loans during the year ending June 30, 2018. The following is a summary of loan activity:

Outstanding Loans, July 1, 2017	\$ 250,000
Loans Acquired During the Year	-
Principal Payments Made on Loans During the Year	-
Outstanding Loans, June 30, 2018	<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, 2018 with CDBG funds from the City.

The following is a summary of the loan activity for the year ended June 30, 2018:

City CDBG:

Outstanding Loans, July 1, 2017	\$ 285,436
Advances Made on New Loans During the Year	146,542
Loans Written Off During the Year	-
Principal Payments Received on Loans During the Year	(112,030)
Outstanding Loans, June 30, 2018	<u>\$ 319,948</u>
Costs of Administration:	
Salaries and Wages	\$ 860
Payroll Taxes and Benefits	306
Other Costs of Administration	630
	<u>\$ 1,796</u>

**GREAT FALLS DEVELOPMENT AUTHORITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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

County CDBG EDA:

Outstanding Loan, July 1, 2017	\$ 69,776
Advances Made on New Loans During the Year	-
Principal Payments Received on Loan During the Year	(18,666)
Outstanding Loan, June 30, 2018	<u>\$ 51,110</u>

Costs of Administration:

Salaries and Wages	\$ -
Payroll Taxes and Benefits	-
Other Costs of Administration	-
	<u>\$ -</u>

NOTE 7: U.S. DEPARTMENT OF AGRICULTURE:

The Authority made one loan on business projects during the fiscal year ended June 30, 2018 with IRP funds. The following is a summary of loan activity for the year ended June 30, 2018:

Outstanding Loans, July 1, 2017	\$ 177,980
Advances Made on New Loans During the Year	250,000
Principal Payments Received on Loans During the Year	(19,630)
Outstanding Loans, June 30, 2018	<u>\$ 408,350</u>

Costs of Administration:

Salaries and Wages	\$ -
Payroll Taxes and Benefits	-
Other Costs of Administration	565
	<u>\$ 565</u>

NOTE 8: 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, 2018, 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 November 9, 2018.

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. 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.



Great Falls, Montana
November 9, 2018



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, 2018. 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, 2018.

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
November 9, 2018

GREAT FALLS DEVELOPMENT AUTHORITY, INC.

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be
reported in accordance with
section 516(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	U.S. Department of Commerce Economic Adjustment Assistance
14.218	U.S. Department of Housing and Urban Development Community Development Block Grant
10.767	U.S. Department of Agriculture Intermediary Relending 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, 2018**

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. 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.

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

Implementation Status: Implemented.