



**GREAT FALLS
BUSINESS IMPROVEMENT DISTRICT**

GREAT FALLS, MONTANA

June 30, 2014

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
CONTENTS**

	<u>Page</u>
INTRODUCTORY SECTION	
Organization	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Management discussion and analysis	4-7
Government-Wide Financial Statements	
Statements of net position	8
Statements of activities	9
Fund Financial Statements	
Balance sheets – governmental fund	10
Statements of revenues, expenditures, and changes in fund balance – governmental fund	11
Notes to financial statements	12-17
REQUIRED SUPPLEMENTARY INFORMATION AND AUDIT FINDINGS	
Schedule of revenues and expenditures budget and actual – general fund	18
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 <i>Government Auditing Standards</i>	19-20
Schedule of Audit Findings and Responses	21
Status of Prior Year Audit Findings and Responses	22

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
ORGANIZATION
June 30, 2014**

BOARD OF TRUSTEES

Mr. Andrew Ferrin	Chairman
Mr. Garry Hackett	Vice Chairman
Ms. Kris Harrison	Treasurer
Ms. Sheila Rice	Trustee
Mr. Travis Neil	Trustee
Mr. Mark Smith	Trustee
Mr. Mauri Novak	Trustee

DISTRICT OFFICIALS

Ms. Joan Redeen	Executive Assistant
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WILSON

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Great Falls Business Improvement District
Great Falls, Montana

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Great Falls Business Improvement District, a component unit of the City of Great Falls, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Great Falls Business Improvement District, as of June 30, 2014 and 2013, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the Great Falls Business Improvement District'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 Business Improvement District's internal control over financial reporting and compliance.



Great Falls, Montana
November 7, 2014

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Great Falls Business Improvement District, a component unit of the City of Great Falls, Montana, financial performance provides an overview of the District's financial activity for the fiscal year ended June 30, 2014. It should be read in conjunction with the financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Net position decreased by approximately \$44,183 primarily due to continued emphasis on special projects funded partially from the District's net position.
- The District spent \$187,548 in special projects during the year. Projects included business development grants, beautification, art projects and holiday lights and decorations. This was a decrease of \$87,947 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

A special-purpose government's presentation of financial statements focuses on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the District's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. These statements combine governmental fund's current financial resources with capital assets and long-term obligations (if applicable).

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's operations are accounted for under one fund: general fund.

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison of the two.

The financial statements described above can be found on pages 8-11 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within financial statements. The notes to the financial statements can be found on pages 12 - 17 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain *required supplementary information* concerning the budgetary comparison for the general fund. This can be found on page 18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the years ended June 30, 2014 and 2013, assets exceeded liabilities by \$306,533 and \$350,716, respectively. By far the largest portion of the District's net position (over three-fourths) reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending. The following is a summary of the District's assets and liabilities at June 30 and is presented on the accrual basis.

District's Net Position

	<u>2014</u>	<u>2013</u>
Current assets	\$ 204,776	\$ 191,677
Capital assets (net)	<u>404,345</u>	<u>420,057</u>
Total assets	609,121	611,734
Total liabilities	<u>302,588</u>	<u>261,018</u>
Total net position	<u>\$ 306,533</u>	<u>\$ 350,716</u>

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position decreased by \$44,183 during the year ended June 30, 2014 and decreased by \$121,810 during the year ended June 30, 2013. The following is a summary of the District's revenues and expenses for the years ended June 30, 2014 and 2013, and is also presented on the accrual basis.

District's Changes in Net Position

	<u>2014</u>	<u>2013</u>
Program revenues		
Business Watch	\$ 450	\$ 750
Adopt a Tree	--	700
Coins for a Cause	425	185
Lease income	<u>15,538</u>	<u>17,221</u>
Total program revenues	<u>16,413</u>	<u>18,856</u>
General revenues		
Special Assessments	195,363	195,882
Miscellaneous	21,403	34,073
Interest income	<u>153</u>	<u>151</u>
Total general revenues	<u>216,919</u>	<u>230,106</u>
Total revenues	233,332	248,962
Program expenses	<u>277,515</u>	<u>370,772</u>
Change in net position	<u>\$ (44,183)</u>	<u>\$ (121,810)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

Since all of the District's operations are accounted for under the general fund, a separate discussion of the fund's activities is not particularly meaningful. The changes discussed in the section above provide adequate explanation of the fund's activities during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's actual revenues were greater than the budgeted revenues by \$22,001. Actual expenditures were more than the budgeted expenditures during the year by \$33,353.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

The District's investment in capital assets for its governmental activities as of the years ended June 30, 2014 and 2013, were \$404,345 and \$420,057, respectively (net of accumulated depreciation). This investment in capital assets includes additions to building, building improvements, furniture and fixtures, and equipment.

There were no capital assets purchased during the current fiscal year.

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

Long-Term Debt

The District had no debt activity during the current fiscal year or at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the fiscal year 2015 budget, revenues are budgeted to increase by approximately \$6,225 from the current year's actual revenues.

Expenditures are budgeted to decrease approximately 9% from the current year's actual expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, and grantors with a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the District's office at 13 5th Street North in Great Falls or call (406) 727-5430.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
For the years ended June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 113,537	\$ 152,234
Assessments receivable	88,531	37,035
Other receivables	22	-
Prepaid expenses	2,686	2,408
Total current assets	204,776	191,677
Capital assets		
Building and improvements	562,919	562,919
Equipment	25,163	45,330
	588,082	608,249
Less accumulated depreciation	183,737	188,192
Net capital assets	404,345	420,057
Total assets	609,121	611,734
 LIABILITIES		
Current liabilities		
Accounts payable	4,619	2,895
Payroll taxes payable	529	-
Fiscal Agent payable	-	338
Current portion of grants payable	174,095	135,875
Accrued vacation payable	845	660
Total current liabilities	180,088	139,768
Non-current Grants Payable	122,500	121,250
Total liabilities	302,588	261,018
 NET POSITION		
Invested in capital assets	404,345	420,057
Unrestricted	(97,812)	(69,341)
Total net position	\$ 306,533	\$ 350,716

The accompanying notes are an integral part of these financial statements.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2014 and 2013

	2014	2013
PROGRAM EXPENSES		
Advertising	\$ 652	\$ 980
Depreciation	15,712	16,299
Dues & Subscriptions	1,300	300
Employee Benefits	677	526
Insurance	5,870	4,295
Johnson Hotel Building expenses	923	2,820
Johnson hotel management expenses	11,332	13,289
Office Equipment	827	420
Office expense	858	732
Payroll taxes	3,163	4,111
Professional Services	4,300	4,250
Rent	4,400	5,200
Salaries	32,729	34,811
Special Projects	187,548	275,495
Supplies	3,744	3,700
Taxes, Licenses & Fees	911	807
Telephone	1,331	1,784
Travel & Education	20	100
Utilities	1,218	853
	277,515	370,772
Total program expenses		
PROGRAM REVENUES		
Adopt a Tree	-	700
Business Watch	450	750
Coins for a Cause	425	185
Johnson Hotel lease income	15,538	17,221
	16,413	18,856
Total program revenues		
Net program revenue (expenses)	(261,102)	(351,916)
GENERAL REVENUES		
Assessments	195,363	195,882
Miscellaneous	21,403	34,073
Interest income	153	151
	216,919	230,106
Total general revenues		
CHANGE IN NET POSITION	(44,183)	(121,810)
Net position, beginning of year	350,716	472,526
NET POSITION, END OF YEAR	\$ 306,533	\$ 350,716

The accompanying notes are an integral part of these financial statements.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEETS - GOVERNMENTAL FUND
For the years ended June 30, 2014 and 2013

	GENERAL FUND	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 113,537	\$ 152,234
Assessments receivable	88,531	37,035
Other receivables	22	-
Prepaid expenses	2,686	2,408
Total assets	204,776	191,677
LIABILITIES		
Accounts payable	4,619	2,895
Payroll taxes payable	529	-
Fiscal Agent payable	-	338
Grants payable	296,595	257,125
Accrued vacation payable	845	660
Total liabilities	302,588	261,018
DEFERRED INFLOWS OF RESOURCES		
Delinquent assessments not available	17,484	34,603
FUND BALANCE		
Unassigned	(115,296)	(103,944)
Total fund balance	(115,296)	(103,944)
Depreciable assets not considered financial resources and not included in funds	404,345	420,057
Other long-term assets not available to pay for current period expenditures and, therefore, deferred in the fund financial statements	17,484	34,603
Net position of governmental activities	\$ 306,533	\$ 350,716

The accompanying notes are an integral part of these financial statements.

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND**

For the years ended June 30, 2014 and 2013

	GENERAL FUND	
	<u>2014</u>	<u>2013</u>
REVENUES		
Assessments	\$ 212,482	\$ 180,733
Interest Income	153	151
Johnson Hotel lease income	15,538	17,221
Miscellaneous	21,828	34,958
Business Watch	<u>450</u>	<u>750</u>
Total revenues	<u>250,451</u>	<u>233,813</u>
EXPENDITURES		
Advertising	652	980
Capital Outlay	-	6,175
Dues & Subscriptions	1,300	300
Employee Benefits	677	526
Insurance	5,870	4,295
Johnson Hotel Building expenses	923	2,820
Johnson hotel management expenses	11,332	13,289
Office Equipment	827	420
Office expense	858	732
Payroll taxes	3,163	4,111
Professional Services	4,300	4,250
Rent	4,400	5,200
Salaries	32,729	34,811
Special Projects	187,548	275,495
Supplies	3,744	3,700
Taxes, Licenses & Fees	911	807
Telephone	1,331	1,784
Travel & Education	20	100
Utilities	<u>1,218</u>	<u>853</u>
Total expenditures	<u>261,803</u>	<u>360,648</u>
CHANGE IN FUND BALANCE	(11,352)	(126,835)
Fund balance, beginning of year	<u>(103,944)</u>	<u>22,891</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (115,296)</u></u>	<u><u>\$ (103,944)</u></u>
Change in fund balance	\$ (11,352)	\$ (126,835)
Capital assets purchased	-	6,175
Current year depreciation expense	(15,712)	(16,299)
Change in deferred assessments	<u>(17,119)</u>	<u>15,149</u>
Change in net position - governmental activities	<u><u>\$ (44,183)</u></u>	<u><u>\$ (121,810)</u></u>

The accompanying notes are an integral part of these financial statements.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Great Falls Business Improvement District was created and renewed by resolutions of the City Commission of the City of Great Falls under the authority of Sections 7-12-1101 through 7-12-1151, Montana Code Annotated. The objective of the District is to oversee and manage the appearance, security, and cleanliness of a designated area within Great Falls to make that area appealing to shoppers, office workers, area residents and tourists as a viable shopping and tourist destination.

The Board of Trustees of the District are appointed by the City of Great Falls Commissioners. The Board has all powers necessary to carry out the functions of the District including entering into contracts; hiring and terminating personnel; providing special police, maintenance, or cleaning personnel for the protection and enjoyment of the general public; contracting with the City of Great Falls to maintain, operate, or repair public parking facilities; contracting with the City to maintain streets, alleys, malls, bridges, ramps, tunnels, and landscaping; and providing for the management and administration of the affairs of the District, among others.

The financial statements of the District consist only of the operations of the District. The District has no oversight responsibility for any other entity. Oversight responsibility over another entity includes financial interdependency with that entity; the ability to select that entity's governing authority, the ability to select the entity's management, the ability to significantly influence the entity's operations, and accountability for the fiscal matters of the entity.

The District is considered a component unit of the City of Great Falls; therefore, its financial statements are included in the financial statements of the City of Great Falls. The City of Great Falls exercises oversight responsibility through its ability to select the District's board of trustees.

Basis of Accounting:

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental units. Generally accepted accounting principles are defined as those principles prescribed by the Governmental Accounting Standards Board (GASB). For the fiscal year ended June 30, 2003, the District adopted GASB Statement Number 34. GASB Statement Number 34 mandates Government-wide financial statements of net position and activities, which are presented on the measurement and accrual basis of accounting. It also requires that certain fixed assets be recorded at cost less accumulated depreciation. For fiscal year ended June 30, 2013, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB). GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the District's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of its assets, liabilities, fund balance, revenues and

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expenditures. All financial activities of the District are accounted for under one fund: the general fund. The general fund is classified as a Governmental Type Fund and uses the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. The general fund accounts for all financial activities of the District, except those required to be accounted for in other funds.

Use of Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes:

The Great Falls Business Improvement District is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. In addition, the agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Cash and Cash Equivalents:

For the purposes of reporting, cash and cash equivalents include cash on hand, cash in banks and money market funds.

Other Receivables:

Other receivables consist mainly of amounts due from the unit owners in the Johnson Hotel who share the cost of utilities and insurance, etc. with the District. Bad debts are written off using the direct method. The use of this method does not result in amounts materially different from the allowance method, which is the preferred method under General Accepted Accounting Principles.

Budget and Budgetary Accounting:

An operating budget is adopted each fiscal year for the general fund. The basis of budgetary accounting is the same as the basis described above for the general purpose financial statements. As required by Section 7-12-1132, MCA, the District submits, at a time determined by the City Commission of the City of Great Falls, the operating budget and a work plan to the Commission for its approval. The budget and work plan are discussed at a public hearing, after which the Commission either approves or denies the documents.

Upon approval, the Commission adopts a resolution levying an assessment on the property in the District. A copy of the resolution is maintained by the City in order to include the assessments on the tax rolls and collect in the same manner as other taxes.

Encumbrances:

All appropriations lapse at the end of the fiscal year. Encumbrances at year end are reflected as part of fund balance since they do not constitute expenditures or liabilities.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets:

Capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statement's balance sheet.

All capital assets are recorded at historical cost and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Computer Equipment	6
Office equipment and furniture	10

Fund Balances:

Effective July 1, 2010 the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the City Commission of the City of Great Falls. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Great Falls City Commission or (b) a body (a budget, finance committee, or City Manager or City Fiscal Services Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance – includes all other spendable amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Net Position:

In the government-wide financial statements, net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislations, constitutional provisions. The District had no restricted net position as of June 30, 2014.

Unrestricted Net Position – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30:

	2014	2013
Checking – Stockman Bank	\$ 4,800	\$ 67,524
Debit card – Stockman Bank	434	559
Money Market – Stockman Bank	108,303	84,151
	\$ 113,537	\$ 152,234

As of June 30, 2014 and 2013, all bank balances were covered by federal depository insurance.

3. ASSESSMENTS RECEIVABLE

Assessments receivable includes all delinquent assessments from all years. Assessments on property within the District are determined by applying a flat fee of \$200 and adding additional fees of \$.015 per square foot of property and \$.00165 multiplied by the market value of the property.

As mentioned previously, assessments are included on the tax rolls of the City of Great Falls and are collected in the same manner as other taxes of the City. Taxes are due to Cascade County in two equal installments, November 30 and May 31 of each fiscal year, and remitted monthly to the City as collected. The District’s portion of taxes collected is distributed monthly by the City.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

4. CAPITAL ASSETS

Changes in the capital asset accounts were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Buildings and improvement	\$ 562,919	\$ --	\$ --	\$ 562,919
Equipment	45,330	--	(20,167)	25,163
	608,249	--	(20,167)	588,082
Accumulated depreciation	<u>(188,192)</u>	<u>(15,712)</u>	<u>20,167</u>	<u>(183,737)</u>
Net book value	<u>\$ 420,057</u>	<u>\$ (15,712)</u>	<u>\$ --</u>	<u>\$ 404,345</u>

5. LONG-TERM LIABILITY

Long-term liability consists of grants payable and activity for the year ended June 30, 2014, was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>
Business development grants	\$ 257,125	\$ 125,766	\$ 86,296	\$ 296,595
Less: current portion	<u>(135,875)</u>			<u>(174,095)</u>
	<u>\$ 121,250</u>			<u>\$ 122,500</u>

6. SPECIAL PROJECTS

Special projects are comprised of the following at June 30:

	<u>2014</u>	<u>2013</u>
Business development grants	\$ 125,766	\$ 203,887
Beautification	17,893	13,522
Holiday Lights and decorations	5,672	5,637
Other	<u>38,217</u>	<u>52,449</u>
	<u>\$ 187,548</u>	<u>\$ 275,495</u>

7. LEASES

The Organization leased its office space through a month-to-month operating lease beginning April 2007. Total rent expense for this operating lease was \$4,800 for each of the years ended June 30, 2014 and 2013, respectively.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

8. RELATED PARTY TRANSACTIONS

Board members of the Great Falls Business Improvement District are eligible to receive special project grants from the Districts. At June 30, 2014, and 2013, respectively, the District's grants payable consisted of \$217,500 and \$50,000, due to board members.

The Downtown Great Falls Association is considered a related party to the District. At June 30, 2014 and 2013, the District had no accounts payable to this related party.

GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
June 30, 2014

	Original Budget (No Amendments)	Actual	Variance from Budget Positive (Negative)
REVENUES			
Assessments	\$ 195,000	\$ 212,482	\$ 17,482
Interest Income	150	153	3
Johnson Hotel lease income	19,000	15,538	(3,462)
Johnson Hotel Reimbursement	9,500	10,193	693
Miscellaneous	4,800	12,085	7,285
Total revenues	<u>228,450</u>	<u>250,451</u>	<u>22,001</u>
EXPENDITURES			
Advertising	1,000	652	348
Beautification	55,000	23,566	31,434
Capital Outlay	-	-	-
Dues & Subscriptions	400	1,300	(900)
Employee Benefits	750	677	73
Insurance	2,600	5,870	(3,270)
Johnson Hotel Building expenses	4,000	923	3,077
Johnson hotel management expenses	9,500	11,332	(1,832)
Miscellaneous	500	3,715	(3,215)
Office Equipment	500	827	(327)
Office expense	1,000	858	142
Payroll taxes	2,500	3,163	(663)
Professional Services	4,500	4,300	200
Rent	4,800	4,400	400
Salaries	35,000	32,729	2,271
Special Projects	99,200	160,267	(61,067)
Supplies	3,000	3,744	(744)
Taxes, Licenses & Fees	800	911	(111)
Telephone	1,600	1,331	269
Travel & Education	800	20	780
Utilities	1,000	1,218	(218)
Total expenditures	<u>228,450</u>	<u>261,803</u>	<u>(33,353)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(11,352)</u>	<u>\$ (11,352)</u>
Fund balance, beginning of year		(103,944)	
FUND BALANCE, END OF YEAR		<u>\$ (115,296)</u>	



WILSON

Board of Trustees
Great Falls Business Improvement District
Great Falls, Montana

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the 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 the Great Falls Business Improvement District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Great Falls Business Improvement District's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Falls Business Improvement District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Great Falls Business Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Great Falls Business Improvement District'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 a 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 Business Improvement District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-001.

Great Falls Business Improvement District's Response to Finding

The Great Falls Business Improvement District's response to the finding identified in our audit is described in the accompanying schedule of audit findings and responses. The Great Falls Business Improvement District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Great Falls, Montana
November 7, 2014

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
For the year ended June 30, 2014**

FINDING 2014-001

Criteria: The Great Falls Business Improvement District is required to amend its budget if actual expenditures exceed budgeted amounts.

Condition: The Great Falls Business Improvement District's actual expenditures exceeded budgeted amounts for the fiscal year ended June 30, 2014.

Cause: Management was unaware budget amendments were necessary if actual expenditures exceeded budgeted amounts.

Effect: Expenditures on Great Falls Business Improvement District's budgetary comparison schedule exceeded actual expenditures by \$33,353 for the fiscal year ended June 30, 2014.

Management Response: Management will review budget-to-actual reports monthly, and budget amendments will be made and approved by the District's board of directors as necessary.

**GREAT FALLS BUSINESS IMPROVEMENT DISTRICT
STATUS OF PRIOR AUDIT FINDINGS AND RESPONSES
For the year ended June 30, 2014**

There were no audit findings for the fiscal year ended June 30, 2013.