

**GREAT FALLS TOURISM
BUSINESS IMPROVEMENT DISTRICT**

GREAT FALLS, MONTANA

**FINANCIAL STATEMENT
AS OF
JUNE 30, 2014**

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Douglas Wilson & Company, P.C.

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GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

**BOARD OF DIRECTORS
JULY 1, 2013 – JUNE 30, 2014**

Mr. Robert Dompier..... Chairman
Mr. Scott Shull..... Vice-Chairman
Ms. Malissa Hollan Secretary/Treasurer
Mr. Scott Arensmeyer..... Director
Mr. David Buckingham Director
Ms. Sandra Johnson Thares Director
Ms. Becky Amaral Miller Director



WILSON

To the Board of Directors
Great Falls Tourism 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

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Great Falls Tourism Business Improvement District (the District), a component unit of the City of Great Falls as of and for the year ended June 30, 2014, 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Great Falls Tourism Business Improvement District, as of June 30, 2014, and the respective changes in financial position for the year 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 6 through 9 and 21 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 September 10, 2014 on our consideration of the Great Falls Tourism 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 Tourism Business Improvement District's internal control over financial reporting and compliance.



Great Falls, Montana
September 10, 2014

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Great Falls Tourism Business Improvement District (the 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 10.

FINANCIAL HIGHLIGHTS

- Net position increased \$208,485.
- The District spent approximately \$108,000 in Opportunity, Marketing and Community Enhancement. Two prominent projects rise to the top of this funding. First being, Western Art Week held each March for over 40 years. The District funded the first comprehensive collection of information for this signature event. The second project was a feasibility analysis of a potential new/expanded indoor multipurpose center in Great Falls
- The District spent approximately \$40,000 promoting sporting events in Great Falls, including the resurrection of Horse racing, High School and University Athletics, Special Olympics, PRCA and College Rodeos, Senior Olympics and prominent gold medalist Abby Wambach with Get Fit Great Falls.
- The District spent approximately \$46,000 in Leisure marketing to our Canadian neighbors in partnership with the Great Falls Convention and Visitor Center and Central Montana Travel Region. Leisure marketing also included continued support of low cost air service to Great Falls.

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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 TOURISM BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF THE 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 10-15 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 16-20 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 21 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 \$1,356,133 and \$1,147,648, respectively. 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 Assets

	2014	2013
Current assets	\$ 1,194,020	\$ 987,396
Noncurrent assets	162,113	160,252
Total assets	1,356,133	1,147,648
Current liabilities	-	-
Total net position	\$ 1,356,133	\$ 1,147,648

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position increased by \$208,485 and \$237,894 during the years ended June 30, 2014 and 2013, respectively. The following is a summary of the District's revenues and expenditures 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		
Assessment income	\$ 456,334	\$ 415,418
General revenues		
Interest income	2,926	1,504
Penalties & Misc	551	813
Reimbursement / Refunds		
	<u>50,000</u>	<u>-</u>
Total general revenues	<u>53,477</u>	<u>2,317</u>
Total revenues	509,811	417,735
Program expenditures	<u>301,326</u>	<u>180,049</u>
Change in net position	208,485	237,686
Net position, beginning of year	<u>1,147,648</u>	<u>909,962</u>
Net position, end of year	<u>\$ 1,356,133</u>	<u>\$ 1,147,648</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 total revenues exceeded the budget by \$42,435. Actual expenditures were under budgeted expenditures during the year by \$118,674.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the fiscal year 2015 budget, revenues are budgeted to decrease by approximately \$40,507 from the current year's actual revenues.

Expenditures are budgeted to increase 51.46% percent from the current year's actual expenditures.

The approved budget for fiscal year 2015 includes net revenue of approximately \$1,100. Total budgeted expenditures amount to \$456,400, which include \$132,800 already committed.

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

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, the contact information is as follows:

Karen Venetz, Administrative and Marketing Director
TBID
P.O. Box 648
Great Falls, MT 59403
Phone: (406) 868-5989

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 518,156
Assessments Receivable	675,864
Total Current Assets	<u>1,194,020</u>

NONCURRENT ASSETS

Certificate of Deposit	<u>162,113</u>
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Total Assets	<u><u>\$ 1,356,133</u></u>
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NET POSITION

Unrestricted	<u>\$ 1,356,133</u>
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Total Net Position	<u><u>\$ 1,356,133</u></u>
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The Notes to Financial Statements
are an integral part of this statement.

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Governmental Activities
EXPENDITURES:	
Sports Sales and Tournament Retention	\$ 40,364
Meeting, Convention and Event Sales	25,839
Leisure Marketing	46,020
Opportunity Marketing and Community Enrichment	108,072
Administration	81,031
Total Expenditures	<u>301,326</u>
PROGRAM REVENUES:	
Assessment Income	456,334
Total Program Revenues	<u>456,334</u>
Net Program Revenue	<u>155,008</u>
GENERAL REVENUES:	
Interest	2,926
Penalties	551
Reimbursements/Refunds	50,000
Total General Revenues	<u>53,477</u>
Change in Net Position	208,485
Net Position, Beginning of Year	<u>1,147,648</u>
Net Position, End of Year	<u><u>\$ 1,356,133</u></u>

The Notes to Financial Statements
are an integral part of this statement.

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2014

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 518,156
Assessments Receivable	675,864
Certificate of Deposit	162,113
Total Assets	<u><u>\$ 1,356,133</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Assessment Revenue	\$ 473,411
Total Deferred Inflows of Resources	<u>473,411</u>
FUND BALANCE	
Assigned	291,845
Unassigned	590,877
Total Fund Balance	<u>882,722</u>
Total Deferred Inflows of Resources and Fund Balance	<u><u>\$ 1,356,133</u></u>

The Notes to Financial Statements
are an integral part of this statement.

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balance - Governmental Fund \$ 882,722

Amounts reported for governmental activities in the statement
of net assets are different because:

Assessments receivable are not available to pay for
current period expenditures and, therefore, are deferred in
the governmental fund balance sheet

473,411

Total Net Position - Governmental Activities

\$ 1,356,133

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>
Revenues:	
Assessment Income	\$ 410,058
Interest Income	2,926
Penalties Income	551
Reimbursements/Refunds	50,000
Total Revenues	<u>463,535</u>
Expenditures:	
Sports Sales and Tournament Retention	40,364
Meeting, Convention and Event Sales	25,839
Leisure Marketing	46,020
Opportunity Marketing and Community Enrichment	108,072
Administration	81,031
Total Expenditures	<u>301,326</u>
Net Change In Fund Balance	162,209
Fund Balance at July 1	<u>720,513</u>
Fund Balance at June 30	<u><u>\$ 882,722</u></u>

The Notes to Financial Statements
are an integral part of this statement.

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balance - Governmental Fund \$ 162,209

In the statement of activities, certain program revenues such as assessment income are recognized by the amounts earned during the year. In the governmental funds, however, revenues are recognized by the amount of financial resources measurable and available. This is the increase in the deferred inflows of resources related to assessment revenue.

46,276

Total Change in Net Position - Governmental Activities \$ 208,485

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations - The Great Falls Tourism Business Improvement District (the District) was created by resolution of the City Commission of the City of Great Falls under the authority of Sections 7-12-1121 through 7-12-1133, Montana Code Annotated. The mission of the District is to generate room nights for lodging facilities in the Great Falls, Montana (the City) by effectively marketing the region as a preferred travel destination.

The Board of Directors of the District is appointed by the City. Directors must be property owners, or their assignees, within the District. The Board has all powers necessary to carry out the functions of the District including entering into contracts, hiring and terminating personnel, and providing for the management and administration of the affairs of the District, among others.

Reporting Entity - 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; therefore, its financial statements are included in the financial statements of the City. The City exercises oversight responsibility through its ability to select the District's Board of Directors.

Accounting Standards - The District adopted Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) and Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). 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. GASB 65 defines which items should be deferred inflows and outflows of resources. The financial reporting impact resulting from the implementation of GASB 63 and 65 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".

Fund Accounting - 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 expenditures. All financial activities of the District are accounted for under one fund: the general fund. The general fund is classified as a Governmental Fund Type and uses the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred. The general fund accounts for all financial activities of the District, except those required to be accounted for in other funds.

Basis of Presentation - The District follows generally accepted accounting principles (GAAP), as embodied in GASB 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", as a special-purpose entity engaged in a single governmental program. The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include assessments collected from local hotels, motels, or inns. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from general revenues of the District.

Fund Financial Statements - The District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The emphasis of governmental fund financial statements is on major funds. Each major fund is presented in a separate column, of which the District only has a general fund. Generally accepted accounting principles require the general fund be reported as a major fund, as well as all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds. Accordingly, the District reports the general fund as a major fund.

Basis of Accounting - The government-wide financial statements of the District are reported using the economic resources measurement focus under the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenues from assessments are recognized when billed, rather than when collected. The governmental fund financial statements of the District are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Certain revenues of the District require specific revenue recognition terms. The District considers assessments as available if they are collected within 60 days after the date the assessments become delinquent.

Uncollected assessments become delinquent each May 31. Therefore, assessments collected through July 31 are reported as revenue in the fiscal year ended June 30. The amount of assessments receivable not collected is a reconciling difference between the government-wide financial statements and the governmental fund financial statements.

Fund Equity - Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable - Amounts that cannot be spent, either because they are in nonspendable form, or because they are legally or contractually required to be maintained intact. The District had no nonspendable fund balances for the year ended June 30, 2014.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District had no restricted fund balances for the year ended June 30, 2014.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors. The District had no committed fund balances for the year ended June 30, 2014.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The amounts designated by the Board of Directors as "set-asides" for future funding requests of organizations and projects are considered to be assigned fund balances. The District had assigned fund balances in the amount of \$291,845 as of June 30, 2014.

Unassigned - All other spendable amounts that are not categorized in the above fund balance categories. The District had unassigned fund balances in the amount of \$590,877 at June 30, 2014.

Net Position - The District classifies its net position into the following three categories:

- **Net Investment in Capital Assets** - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- **Restricted** – The restricted component of net position consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. This represents the resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Unrestricted** - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. This represents the resources that are available for general use.

Use of Restricted Funds - When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash, Cash Equivalents and Investments - The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash consists of amounts in demand deposit accounts. At June 30, 2014, the District had no cash balances in excess of FDIC insured limits.

The District, as a component unit of the City, utilizes the City's investment policy. Investment criteria are established via Montana Code Annotated (MCA) 7-6-202 and the City's investment policy. The City investment committee reviews policies and conducts an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers. Investments of the District consist solely of a certificate of deposit, described in Note 2 to the financial statements.

The City has a comprehensive investment policy addressing safety, liquidity, and yield priorities. This investment policy is more restricted than State Law. The City has a policy of holding its investments to maturity. This is often referred to as "passive investing". The District follows this policy for a number of reasons. First, the two main priorities when investing District funds are safety and liquidity. A more active approach to investing requires additional staff time and more intensive continuing education and training. Also, "active investing" exposes the District to risks related to timing the buying and selling of investments in the market.

All depositories must be either Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Deposit Insurance Corporation (FSLIC) insured. All deposits over the FDIC or FSLIC insured amount are required to be secured by collateral having a market value of at least 100% of the deposit balance. District criteria for collateral are a limited list of instruments with a readily verifiable market value and established marketability. Collateral must be held by an approved third party financial institution in the name of the District.

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 governmental fund financial statements. As required by Section 7-12-1132, MCA, the District submits, at a time determined by the City, 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 occupied room nights 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.

Investment Risks - Due to the nature of the District's investments, interest rate risk, credit risk, and concentration of credit risk are not applicable for the year ended June 30, 2014. The District does not have policies for interest rate risk, credit risk, and concentration of credit risk. Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments. However, for the year ended June 30, 2014, the District had no unsecured or uncollateralized investments.

Economic Dependency - The District's sole source of funding is its assessment revenue, which results from a \$1 per occupied room night assessment from hotels, motels, and inns located in Great Falls, Montana. The amount of assessment revenue is dependent on the number of stays by qualified persons during the year.

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.

NOTE 2: CERTIFICATE OF DEPOSIT:

As of June 30, 2014, the District had certificates of deposit in the amount of \$162,113 at two financial institutions located in Great Falls, Montana. The certificates of deposit have fixed interest rates of 1.25% and 1.20%, and maturity dates of May 31, 2015 and March 26, 2017. Interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of June 30, 2014. As of June 30, 2014, the balances were fully insured.

NOTE 3: ASSESSMENTS RECEIVABLE:

Assessments receivable includes all delinquent assessments from all years. All hotels, motels, or inns with six or more rooms that are within the District are assessed for the costs of tourism promotion and operating the Great Falls Tourism Business Improvement District. The applicable hotels are subject to an annual assessment of \$1 per occupied room night. Stays by persons who are otherwise exempt from paying a transient occupancy tax are exempt from the assessment. The assessments may be modified annually by resolution or adoption of the City's budget.

Each hotel, motel, or inn reports its occupied room totals to the City on a quarterly basis. Assessments are included on the tax rolls of the City and are collected in the same manner as other taxes of the City. Taxes are due 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.

Assessments receivable are carried at original invoice amount. Assessments receivable are included as part of the County property tax assessments and would be collected upon a sale should the County place a lien on the property for delinquent taxes. The County would assess a tax lien on the property rather than deeming the receivables uncollectible, and the District follows this policy. Accordingly, an allowance for uncollectible assessments is not considered necessary.

NOTE 4: DEFERRED INFLOWS OF RESOURCES:

The unassigned fund balance amount of \$590,877 includes the effect of deferring the recognition of amounts associated with imposed nonexchange revenue transactions for assessments as of June 30, 2014. The \$473,411 balance of the deferred inflow of resources will be recognized as revenue and increase unassigned fund balance next year.

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

**SCHEDULE OF REVENUES AND EXPENDITURES,
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	<u>Original Budget (No Amendments)</u>	<u>Actual</u>	<u>Variance from Budget Positive (Negative)</u>
REVENUES:			
Assessments	\$ 420,000	\$ 410,058	\$ (9,942)
Interest	1,100	2,926	1,826
Penalties	-	551	551
Reimbursements/Refunds		50,000	50,000
Total Revenues	<u>421,100</u>	<u>463,535</u>	<u>42,435</u>
EXPENDITURES:			
Sports Sales and Tournament Retention	75,000	40,364	(34,636)
Meeting, Convention and Event Sales	60,000	25,839	(34,161)
Leisure Marketing	40,000	46,020	6,020
Electronic Marketing	12,000	-	(12,000)
Opportunity Marketing and Community Enrichment	140,000	108,072	(31,928)
Administration	93,000	81,031	(11,969)
Total Expenditures	<u>420,000</u>	<u>301,326</u>	<u>(118,674)</u>
Net Change in Fund Balance	<u>\$ 1,100</u>	162,209	<u>\$ 161,109</u>
Fund Balance at July 1, 2013		<u>720,513</u>	
Fund Balance at June 30, 2014		<u>\$ 882,722</u>	



WILSON

To the Board of Directors
Great Falls Tourism 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 governmental activities and the major fund of the Great Falls Tourism Business Improvement District (the District), a component unit of the City of Great Falls, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 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 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
September 10, 2014

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2014

Findings Relating to Basic Financial Statements

None.

GREAT FALLS TOURISM BUSINESS IMPROVEMENT DISTRICT

GREAT FALLS, MONTANA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

Findings Relating to Basic Financial Statements

None