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Certified Public Accountants and Business Advis

To the Honorable Mayor,  
City Commissioners, and City Manager  
City of Great Falls, Montana

**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 the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Great Falls, Montana as of and for the year ended June 30, 2006, which collectively comprise the City of Great Falls, Montana's basic financial statements and have issued our report thereon dated October 11, 2006. 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. We did not audit the financial statements of the Great Falls Business Improvement District and the Great Falls Public Library Foundation, included in the financial statements of the City of Great Falls, Montana. Those financial statements were audited by other auditors whose reports have been furnished to us, and our report on compliance and on internal control over financial reporting, insofar as it relates to the Great Falls Business Improvement District and the Great Falls Public Library Foundation, is based upon the reports of the other auditors. The financial statements of the Great Falls Public Library Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Great Falls, Montana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Great Falls, Montana's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

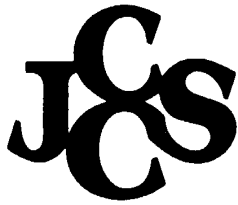
**To the Honorable Mayor,  
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City of Great Falls, Montana  
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We noted certain other matters that we have reported to the management of the City of Great Falls, Montana in a separate letter dated October 11, 2006.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Commission, the State of Montana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Junkermier, Clark, Campanella, Stevens, P.C.*

Great Falls, Montana  
October 11, 2006



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**To the Honorable Mayor,  
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City of Great Falls, Montana**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**Compliance**

We have audited the compliance of the City of Great Falls, Montana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Great Falls, Montana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Great Falls, Montana's management. Our responsibility is to express an opinion on the City of Great Falls, Montana's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the City of Great Falls, Montana'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. Our audit does not provide a legal determination on the City of Great Falls, Montana's compliance with those requirements.

In our opinion, the City of Great Falls, Montana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the City of Great Falls, Montana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Great Falls, Montana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**To the Honorable Mayor,  
City Commissioners and City Manager  
City of Great Falls, Montana  
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Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Commission, the State of Montana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Junkermier, Clark, Campanella, Stevens, P.C.*

Great Falls, Montana  
October 11, 2006

**City of Great Falls, Montana**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2006**

<u>Funding Agency</u>	<u>Federal CFDA Number</u>	<u>Program Number</u>	<u>Program or Award Amount</u>	<u>Balance July 1, 2005</u>	<u>Grant Revenues</u>	<u>Expenditures</u>	<u>Balance June 30, 2006</u>
Department of Housing and Urban Development							
Direct Programs							
Community Development Block Grant Entitlement Program	14.218	B04-MC-30-0002	\$ 1,092,496	\$ -	\$ 836,581	\$ 836,581	\$ -
HOME Investment Partnership Program	14.239	M03-MC-30-0218	457,842	-	101,724	101,724	-
HOME Investment Partnership Program	14.239	M04-MC-30-0218	456,266	-	64,824	64,824	-
HOME Investment Partnership Program	14.239	M05-MC-30-0218	435,726	-	362,074	362,074	-
Pass-through State of Montana Department of Administration							
HOME Pass-through	14.239	M04-SG3001-14	70,886	-	68,698	68,698	-
Total Department of Housing & Urban Development				-	1,433,901	1,433,901	-
Department of Transportation							
Direct Programs							
Highway Planning and Construction	20.205	N/A	\$ -	\$ -	\$ 296,948	\$ 296,948	\$ -
Community Transportation Enhancement Program	20.205	N/A	-	-	384,834	384,834	-
Federal Transit Metropolitan Planning Funds	20.505	N/A	-	-	75,012	75,012	-
Pass-through State of Montana Department of Transportation							
Federal Highway Administration - MACI	20.505	N/A	-	-	187,851	187,851	-
Montana Fish Wildlife and Parks	20.505	RT2002-46	34,960	-	34,960	34,960	-
STEP - DUI enforcement	20.600	2005-13-01-09	3,733	-	3,733	3,733	-
Total Department of Transportation				-	983,338	983,338	-
Department of Justice							
Pass-through Great Falls Weed & Seed Steering Committee							
Weed and Seed Program 05	16.595	15-0334-0-1-751	\$ -	\$ -	\$ 53,261	\$ 53,261	\$ -
Weed and Seed Program 06	16.595	N/A	-	-	3,489	3,489	-
Weed and Seed Program Code Enforcement	16.595	N/A	-	-	9,659	9,659	-
Weed and Seed Neighborhood Council	16.595	N/A	-	-	5,577	5,577	-
Weed and Seed Housing Authority	16.595	N/A	57,807	-	45,473	45,473	-
Pass-through Montana Board of Crime Control							
Local Law Enforcement Block Grant	16.592	04-U01-81901	52,225	-	52,225	52,225	-
Justice Assistance Grant	16.592	2005-DF-BX-1654	131,675	-	102,817	102,817	-
Total Department of Justice				-	272,501	272,501	-

Continued on next page

**City of Great Falls, Montana**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**Year Ended June 30, 2006**

<u>Funding Agency</u>	<u>Federal CFDA Number</u>	<u>Program Number</u>	<u>Program or Award Amount</u>	<u>Balance July 1, 2005</u>	<u>Grant Revenues</u>	<u>Expenditures</u>	<u>Balance June 30, 2006</u>
Department of Homeland Security							
Pass-through State of Montana Disaster and Emergency Services Division							
Department of Military Affairs	97.004	2003-MU-T3-0021	\$ 107,337	\$ -	\$ 105,212	\$ 105,212	\$ -
HAZMAT Trailer Equipment	97.067	2005-GE-T5-0006	-	-	1,279	1,279	-
Total Department of Homeland Security				-	106,491	106,491	-
Department of Health and Human Services							
Direct Programs							
EMS for Children - Smoke Alarm Grant	93.127	06-07-3-11-020-0	\$ 6,000	\$ -	\$ 6,000	\$ 6,000	\$ -
Total Department of Health & Human Services				-	6,000	6,000	-
US Department of the Interior							
Direct Programs							
Explore! The Big Sky	15.642	ESA04DE57	\$ 41,000	\$ -	\$ 41,000	\$ 41,000	\$ -
Total US Department of the Interior				-	41,000	41,000	-
US Department of Agriculture							
Direct Programs							
Explore! The Big Sky		02-CS-11011500-020	\$ 400	\$ -	\$ 400	\$ 400	\$ -
Total US Department of Agriculture				-	400	400	-
National Park Service							
Direct Programs							
Historic Preservation Fund	15.904	MT-05-20428-016	\$ 5,500	\$ -	\$ 5,500	\$ 5,500	\$ -
Explore! The Big Sky	15.642	H6490C218	100,000	-	100,000	100,000	-
Pass-through University of Great Falls							
Explore! The Big Sky	15.642	N/A	30,000	-	30,000	30,000	-
Total Environmental Protection Agency				-	135,500	135,500	-
Total Expenditures of Federal Awards				\$ -	\$ 2,979,131	\$ 2,979,131	\$ -

**City of Great Falls, Montana**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2006**

**1. Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of the City of Great Falls, Montana. The City of Great Falls, Montana's reporting entity is defined in Note 1 to the City's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

**2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements.

**City of Great Falls, Montana**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2006**

**Summary of Auditor's Results**

The auditor's report expresses an unqualified opinion on the financial statements of the City of Great Falls, Montana.

No reportable conditions were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the City of Great Falls, Montana, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

No reportable conditions of internal control over major federal award programs were disclosed during the audit.

The auditor's report on compliance for major federal award programs for the City of Great Falls, Montana expresses an unqualified opinion on all major federal programs.

There were no audit findings related to federal award programs for the City of Great Falls, Montana that we are required to report.

The programs tested as a major program include:

Department of Transportation - Highway Planning and Construction and Community Transportation Enhancement (CFDA #20.205)

Department of Transportation - Transit Metro Planning, MACI, Fish Wildlife and Parks (CAFDA #20.505)

The threshold for distinguishing Types A and B programs was \$300,000 in expenditures.

The City of Great Falls, Montana was determined to be a low-risk auditee.

**Findings – Financial Statement Audit**

There were no findings related to the financial statements reported in accordance with *Government Auditing Standards*.

**Findings and Questioned Costs – Major Federal Program Award Audit**

No reportable conditions or questioned costs were noted during the audit.

**City of Great Falls, Montana  
Independent Auditor's Report on Compliance and on  
Internal Control Over Financial Reporting  
Status of Prior Year Comments  
June 30, 2006**

**Major Federal Award Programs**

There were no prior year audit findings relative to major federal award programs.

**Financial Statement Audit Findings**

There were no prior year audit findings relative to the financial statements.

