



December 5, 2006

Citizens of the City of Great Falls
Honorable Mayor and City Commission
City of Great Falls, Montana

I am pleased to submit the Comprehensive Annual Financial Report of the City of Great Falls, Montana for the fiscal year ended June 30, 2006. The Fiscal Services Department is responsible for preparing this report. Montana statutes state that local governments must file a financial report with the Montana Department of Administration within six months of the end of a fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006. Management is responsible for the content of the report, the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures. It is believed that the data presented is accurate in all material aspects, presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. This belief is based on a comprehensive system of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All disclosures necessary for the readers to gain maximum understanding of the City's financial affairs have been included.

Junkermier, Clark, Campanella, Stevens, P. C., have issued an unqualified ("clean") opinion on the City of Great Falls' financial statements for the fiscal year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report (page 7).

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in combination with it. The City of Great Falls' MD&A can be found immediately following the report of the independent auditors (page 9).

PROFILE OF GOVERNMENT

The City of Great Falls, incorporated in 1888, operates under the Commission-Manager form of government. The Mayor and four City Commissioners are elected at large, by popular vote, on a non-partisan basis. The Mayor serves a two-year term, while Commissioners serve four-year terms. The City Manager is appointed by the City Commission and is in turn responsible for all other City employees. The city became a charter form of government in accordance with the Constitution of Montana effective July 1, 1986. This charter entitles the city to all the powers of a self-governing charter city not prohibited by the Montana Constitution, the charter, or specific provisions of Montana law. The self-governing powers of the city shall be liberally construed. Every reasonable doubt as to the existence of a power or authority of the city shall be resolved in favor of the existence of that power or authority.

Services provided by the City of Great Falls include police, fire, planning, library, street repair and maintenance, water, sanitary sewer, storm drain, sanitation, electricity, and economic development. Great Falls has nine neighborhood councils comprised of five members each. Members are elected to two-year terms. The elections are held in conjunction with the City general election. Neighborhood council members must be residents of their designated districts. The councils act in an advisory capacity to the City Commission, the City Manager, and to other City advisory bodies. The Municipal Court Judge is also an elected position with a four-year term of office.

The City has had an audit committee since fiscal year 1992. Members include the Mayor, a City Commissioner, the City Manager, the City Fiscal Services Director, and one private citizen. During the annual audit, committee members are kept apprised of the audit schedules' progression and any special events that may come to light during the audit. Committee members may make suggestions for additional information to be included in the letter of transmittal or the statistical section.

Montana statutes require the Commission to approve and adopt by resolution the budget by the later of the second Monday in August or 45 calendar days after receiving certified taxable values from the Montana Department of Revenue. The legal spending limits of the City of Great Falls are established at the fund level. Funds with appropriated budgets are the General Fund, special revenue funds, debt service funds, capital project funds, enterprise funds, and internal service funds.

GREAT FALLS AND CASCADE COUNTY ECONOMIC OUTLOOK

The base economy of Great Falls is predominantly agricultural, medical services, and military. The job sector for Great Falls is diversified with 13% of the workforce in wholesale trade, 15% in education and health services, 18% in each government and education, health services, 15% in leisure and hospitality, 16% in retail trade and 9% in financial activities. The City is experiencing growth in tourism, telecommunications, manufacturing, and medical services. The fiscal year 2006 unemployment rate of 3.4% compares favorably to the fiscal year 2000 rate of 5.1%. The Great Falls Development Authority is working to develop the area's employment market with the support of expansion potential of AvMax at the Great Falls International Airport and Cable Technology Inc in the downtown area. Efforts by the City of Great Falls and Great Falls Development Authority continue to redevelop the "brownfields" areas along the west bank of the Missouri River.

MAJOR INITIATIVES FOR FISCAL YEAR 2007

The City anticipates continued strong involvement by the City in securing long term, stable and predictable electricity supply, thereby stabilizing rates. This includes expansion of the Electric City Power Utility by providing electric supply to a growing customer base, assuming ownership of newly installed portions of the City's street light system, and continues its financing efforts to participate in the permitting and constructing of the Highwood Electric Generating Plant. Recreation amenities are also a priority for fiscal year 2007. To this end the City will: 1) implement the voters' decision for a general obligation bond issue for capital projects at the four municipal swimming pools; 2) find viable solutions to the funding and operations problems at the two municipal golf courses; 3) reestablish the Park and Recreation Foundation.

ACCOMPLISHMENTS IN FISCAL YEAR 2006

The City continued operating an electric utility and marketing electric power services in Great Falls. The City through Electric City Power Utility began serving customers with electricity October 1, 2004. The City constructed two city-owned street lighting districts. The Port Authority continued the construction and implementation of the Medical Technology Park area. The City annexed several areas into the City limits in order to limit the number of un-annexed "islands".

AWARDS

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Great Falls, Montana for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the twelfth consecutive year that the government has achieved this prestigious award (fiscal years ended 1994-2005). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must fairly reflect the financial condition of the city and satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award: The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Great Falls, Montana for its annual budget for the fiscal year beginning July 1, 2005. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

ACKNOWLEDGMENTS

Preparation of this report required the cooperative efforts of many City personnel; in particular, I would like to thank Melissa Kinzler, Assistant Fiscal Services Director, and the Accounting Division of the Fiscal Services Department. Their dedication to preparing this document each year is sincerely appreciated.

Respectively submitted,



Coleen Balzarini
Fiscal Services Director