



P.O. Box 5021, 59403-5021

December 13, 2007

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, 2007. The Fiscal Services Department staff 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, 2007. 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, 2007. 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 5% of the workforce in wholesale trade, 18% in health services, 18% in government, 13% in accommodations, 17% in retail trade and 7% in financial activities. The City is experiencing growth in tourism, telecommunications, manufacturing, and medical services. The fiscal year 2007 unemployment rate of 2.5% compares favorably to the fiscal year 2000 rate of 5.1%. The Great Falls area's retail employment market is developing with the addition of two Walgreens stores, Ashley's Furniture Home Store, and Ross Dress for Less. Other businesses that are expanding their floor space are Scheels, Big R Stores, and Western Ranch Supply. The medical district is developing a new seven-story patient tower, while the construction of a new Specialty Center was completed. The Great Falls International Airport completed a runway upgrade in fiscal year 2007. This upgrade helps freight to come and go out on predictable schedules with little threat of weather-caused delays and less congestion with full U.S. Customs service available allowing for fast turn around capabilities.

MAJOR INITIATIVES FOR FISCAL YEAR 2008

The City's first major initiative for fiscal year 2008 is to encourage responsible City growth. To this end, the City is continuing a program to annex properties that are either wholly surrounded by city property, or who are receiving city utility services in order to accurately reflect our service area and as a "fairness" issue. The second major initiative is to support economic development. The City has created the West Bank Tax Increment District and will be working diligently to revitalize the old industrial area. Third, is to stabilize the energy future. The City will continue to operate an electric utility and sell power to large customers. Keeping neighborhoods safe is the fourth initiative. The City will continue to work closely and support our nine neighborhood councils.

ACCOMPLISHMENTS IN FISCAL YEAR 2007

The City voters approved a \$2.2 million bond issue that will result in improved swimming pools serving the community for many years to come. The improvements will lessen the maintenance and repair costs that have burdened the general fund for several years. A new growth policy and a unified land development code have been adopted following extensive community involvement. These ordinances and approved policies should place Great Falls in a good position as new growth occurs. The community's emergency medical response system has been reviewed by an outside consultant to ensure the community has a safe, reliable, unified EMS system to serve its needs.

LONG-TERM FINANCIAL PLANNING

As permitted by Section 7-6-4034, MCA, a balance Designated for Cash Flow shall be considered adequate at 17% (2mo./12 mo.) of annual appropriations in tax levy supported funds (General, Library, and Planning); for other operating funds of the City for seasonal operations; and for all other operating funds. Such balances designated for cash flow shall be used to meet extended revenue cycles, meet short term economic difficulties, respond to unique opportunities, provide for one-time expenditures, and respond to emergency and disaster situations. The balances shall not be available to meet recurring operating expenses. The City will live within its means. All agencies supported by the resources of this City must function within the limits of the financial resources identified or available specifically to them.

RELEVANT FINANCIAL POLICIES

The City's long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. A separate policy issued for special improvement districts (SIDS) financing was adopted by the City Commission on November 20, 1990. The City will use debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances: a.) When the project is included in the City's five-year capital improvement program and is in conformance with the City's general plan. b.) When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program or it is a project mandated immediately by state or federal requirements. c.) When the

project's useful life, or the projected service life of the equipment will be equal to or exceed the term of the financing. d.) When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost sharing revenues. e.) Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.

AWARDS

Comprehensive Annual Financial Report 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, 2006. This was the thirteenth consecutive year that the government has achieved this prestigious award (fiscal years ended 1994-2006). 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.

Popular Annual Financial Report Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to City of Great Falls for its Popular Annual Financial Report for the fiscal year ended June 30, 2006. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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, 2006. 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,

/S/

Coleen Balzarini
Fiscal Services Director