

*City of Great Falls
Montana*

*Annual Report to the Citizens
for the fiscal year 2007*



Close up of flowers in Gibson Park

Prepared by the Fiscal Services Department

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**This report is available on our website or contact the
Department for additional copies.**

The information for this report was taken from the City of Great Falls' Comprehensive Annual Financial Report (CAFR), which was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and applicable legal requirements for the year ended June 30, 2007.

Message from the Mayor

December 2007

Citizens of Great Falls,

On behalf of the Great Falls City Commission and staff, it is with pleasure that I present the 2007 Annual Report to the Citizens. This report reflects the progress made by the City over the past year to continue to grow as a City of quality. The City was able to continue its progress due to growth in new construction, several significant annexations including the Upper Lower River Road Water and Sewer District #1 and an increase in state shared revenues.

This past year we were able to continue to provide the expected level of services. We honored our commitments to our employees, and we absorbed significant inflationary increases. We began construction on our swim pools improvements and continue to improve the financial condition of our golf course fund. The past year saw increased attention on our public safety commitments including increased staff and organizational improvements for our police department.

Improvements made this past year toward a stronger energy future included completion of a capital project at the Wastewater Treatment Center to install a co-generation facility to reduce our heating and energy costs at the plant. The City continued to develop and secure customers for our electric utility, Electric City Power. Also, we continue to look forward to being a participating partner in the proposed Highwood Generating Station and thus ensuring a cost based supply of electricity for our use for the next 30 years.

Fiscal year 2007 saw the City re-evaluate the way animal enforcement services are provided in Great Falls and the adoption of an improved animal ordinance. The police department has assumed animal enforcement and operation of the animal shelter as we look for a satisfactory, long term solution.

We wish to thank the citizens of Great Falls and the Neighborhood Councils for their active participation in their government. There may be differences of opinion surrounding specific projects but this City Commission pledges to carefully consider your views as we grow the future of Great Falls.

Sincerely,
Dona Stebbins, Mayor

City Services and Costs

This report is intended to keep citizens informed about City services and the costs to provide these services. Information about 2006 service activity and the City's June 30, 2007 financial condition are provided. All discussion in this report does not include the City's component units of the Business Improvement District and the Library Foundation. For information about those component units, please refer to the CAFR that is available on the City's website or from the City. Contact us at 406-455-8423 for information. City services provided in calendar year 2006 include the following areas:

| |
|--|
| 407 residential building permits issued at a value of \$32,053,509 |
| 134 commercial building permits issued at a value of \$61,666,304 |
| 19 annexation applications reviewed |
| 20 subdivision applications reviewed |
| 17 zoning applications reviewed |
| 217,729 library patrons checking out 356,651 materials |
| 75,995 library patrons using the internet for 240,337 searches |
| 361 miles of streets and alleys, 11,000 street signs, 296.75 miles of water mains, 2,986 fire hydrants, 233.99 miles of sewer mains, 74 parks, and 46,139 trees maintained |
| 5,140 fire department calls which included 229 fires |
| 2,684 weed violations issued |
| 55 water main breaks repaired at a cost of \$153,777 |
| 50,384 calls to the 911 call center – 30,885 for the police |
| 23,185 violations issued at the municipal court |
| 10,052 monthly parking permits issued |
| 20,119 parking violations issued |

City Services and Costs (continued)

To manage the diverse activities of the City several different funds or accounting entities are used to manage City finances. Following are the types of funds and activities included within each fund:

General Fund – accounts for all financial resources of the City except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds – account for resources and expenditures which are designated by law or contractual agreement for specified functions or activities and are legally required to be accounted for in separate funds. Such resources are derived from specific taxes and federal grants and entitlements.

Debt Service Funds – account for the accumulation of resources for the payment of principal and interest on debt such as general obligation, tax increment, and special assessment.

Capital Projects Funds – account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Enterprise Funds – account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance.

Internal Service Funds – account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.



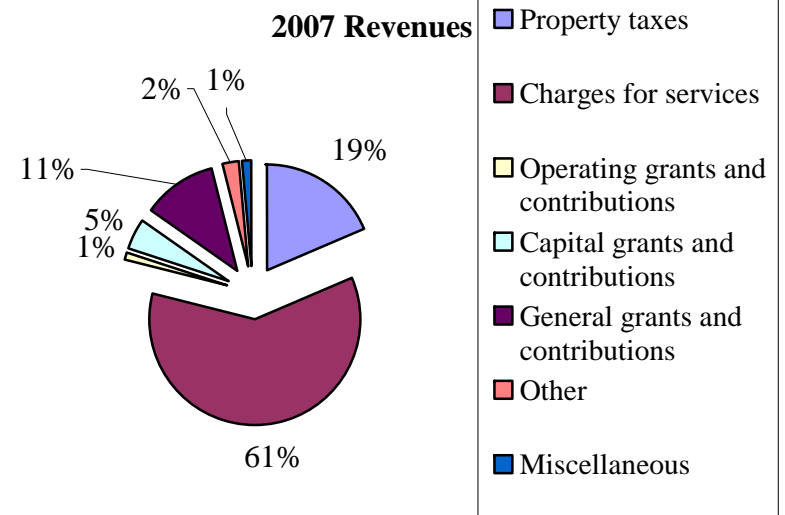
Produce at the Farmer's Market

City Services and Costs (continued)

Where the money came from

For the fiscal year ended June 30, 2007, all funds total revenues and other financing sources equaled \$68,188,697 as represented in the Management's Discussion and Analysis in the CAFR. A comparative summary of the revenues are summarized below:

| | 2007 | 2006 |
|------------------------------------|----------------------|----------------------|
| Property taxes | \$ 12,601,752 | \$ 12,041,937 |
| Charges for services | 41,103,401 | 37,330,805 |
| Operating grants and contributions | 867,359 | 816,517 |
| Capital grants and contributions | 3,203,670 | 2,595,101 |
| General grants and contributions | 7,809,913 | 7,755,847 |
| Other | 1,694,920 | 1,044,884 |
| Miscellaneous | 907,682 | 418,203 |
| Total revenues | \$ 68,188,697 | \$ 62,003,294 |

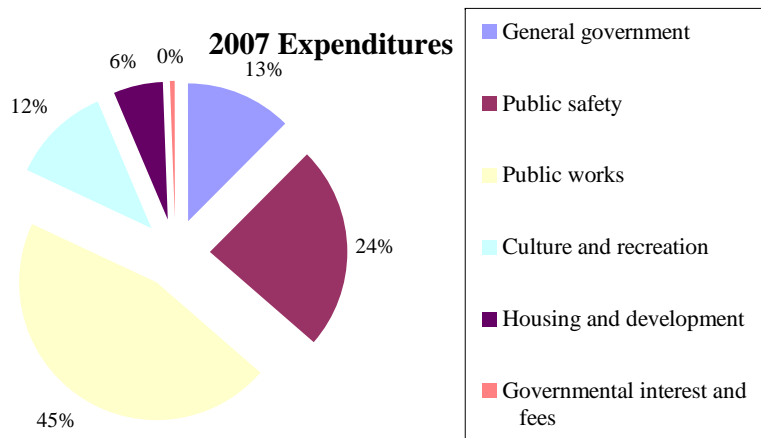


City Services and Costs (continued)

Where the money went

For the fiscal year ended June 30, 2007, all funds total expenditures and other financing uses equaled \$62,460,868 as represented in the Management’s Discussion and Analysis in the CAFR. A comparative summary of the expenditures are summarized below:

| | 2007 | 2006 |
|--------------------------------|----------------------|----------------------|
| General government | \$ 7,821,389 | \$ 7,324,544 |
| Public safety | 14,892,586 | 14,121,190 |
| Public works | 28,443,413 | 25,145,856 |
| Culture and recreation | 7,344,501 | 7,099,011 |
| Housing and development | 3,647,532 | 3,910,660 |
| Governmental interest and fees | 311,447 | 408,151 |
| Total expenditures | \$ 62,460,868 | \$ 58,009,412 |



City Departments

The City Commission serves as the legislative and governing body of the City of Great Falls. It is responsible for establishing City policies and goals. The City Commission has the authority to adopt laws, ordinances, and resolutions as needed to conduct the business of the City.

Administration includes:

- 1. The City Manager’s Office** is responsible for assuring the City Commission’s policy direction is carried out and overall management of all city functions. The staff is also responsible for a wide variety of special projects, such as developing intergovernmental agreements, measuring organizational efficiency, and budget development.
- 2. The City Clerk’s Office** is responsible for the history of the City as an organization. The accomplishments and accountability of municipal governments is documented by the creation, maintenance, and preservation of public records.
- 3. The Housing Authority** provides staff to the Great Falls Housing Authority Board of Commissioners to manage and operate 490 units of public housing, 16 units of unsubsidized affordable housing in Great Falls, and 200 Section 8 Vouchers.
- 4. The Human Resource Division** is responsible for recruitment, organizational training, labor relations, and development of City personnel.
- 5. Budget/Analysis** provides annual budget development and management studies.

City Departments (continued)

The Community Development Department serves the citizens of Great Falls by facilitating, promoting, and ensuring quality development for our community. The Department has seven primary functions:

| | |
|-----------------------------|--------------------------|
| Building Permits | Civic Center Maintenance |
| Federal Block & Home Grants | Neighborhood Councils |
| Licensing | Parking and Zoning |

The Fire Department's primary responsibility is to protect lives and property through fire prevention, fire suppression and investigation, emergency pre-hospital medical service, and maintenance of fire hydrants.

The Fiscal Services Department provides and accounts for services in support of other City operations. Fiscal Service operations encompass:

| | |
|----------------------------------|------------------------|
| Accounts Payable/Receivable | Mapping |
| Municipal Court | City Assessments |
| Payroll | Information Technology |
| Safety/Insurance | City Mail |
| Utility Billing/Customer Service | Financial Reporting |
| Banking and Investments | Debt Issuance |

The Legal Services Division provides legal advice for the City Commission and City Staff, assists departments in preparing new ordinances or changes to existing ones, represents the City in civil litigation and prosecutes misdemeanor violations in Municipal Court.

The Park and Recreation Department is responsible for the City's parks and trees, swim pools, golf courses, City implemented recreation programs, Civic Center events, and the Visitor Center.

City Departments (continued)

The Police Department's main objectives are to prevent and suppress crime. The 911 Dispatch Center located in the Police facility is managed by the Department and receives calls for the City of Great Falls, Cascade County, and four bordering counties.

The Planning Department provides services associated with land development, subdivision review, transportation planning, rezoning, annexations, and land use planning.

The Public Library provides the residents of Great Falls and Cascade County with access to information through books, internet access, interlibrary loan services, and the bookmobile. The Library also provides programming for children and adults as well as exhibits of art and culture. The Library is governed by a Board of Trustees appointed to five year terms by the City Commission.

The Public Works Department is responsible for the planning, organization, and coordination of three branches of Public Works:

- Utilities – Water, Sewer, and Storm Drain
- Operations – Sanitation, Street, and Central Garage
- Engineering – Technical support for Utilities and Operations



River's
Edge Trail
below 1st
Avenue
North
bridge

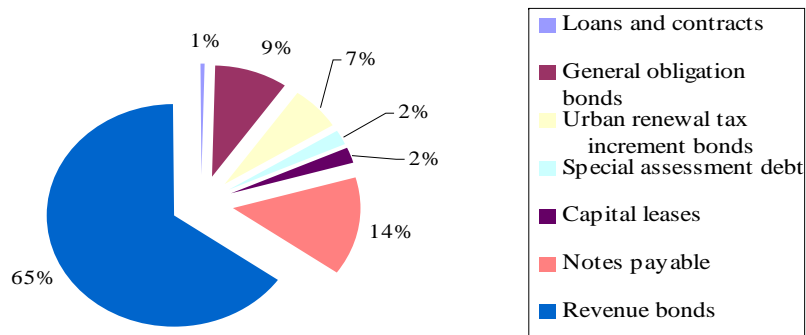
Debt

The issuance of long-term bonds has historically provided a major source of funding for capital needs. Due to the high cost of constructing or replacing infrastructure assets, the City of Great Falls is generally not able to accumulate enough cash from current receipts to pay for the necessary improvements. Borrowing money permits governments to acquire assets as needed rather than wait until a sufficient amount of cash has been built up. The issuance of bonds also spreads the costs of a capital asset to those who benefit from it, both now and in the future.

Amount of different types of long-term debt the City has:

| Type of debt | Balance due as of June 30, 2007 | Amount due within one year |
|--------------------------------------|------------------------------------|-------------------------------|
| Loans and contracts | \$ 257,416 | \$ 26,553 |
| General obligation bonds | 4,526,927 | 267,890 |
| Urban renewal tax increment bonds | 3,197,288 | 1,030,750 |
| Special assessment debt | 875,000 | - |
| Capital leases | 1,147,372 | 105,578 |
| Notes payable | 6,862,180 | 1,422,372 |
| Revenue bonds | 31,469,155 | 2,499,000 |
| Total debt | \$ 48,335,338 | \$ 5,352,143 |

Long Term Debt Types



Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of three years.

| Capital asset excluding depreciation | Amount as of June 30, 2007 |
|---|-------------------------------|
| Land | \$ 14,179,112 |
| Construction in progress | 9,754,781 |
| Buildings | 43,842,698 |
| Improvements | 107,705,504 |
| Machinery and equipment | 31,472,351 |
| Infrastructure | 134,667,506 |
| Total | \$ 341,621,952 |

Depreciation is the expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, or obsolescence. Land and Construction in progress are not depreciable.

| Capital asset net of depreciation | Amount as of June 30, 2007 |
|--------------------------------------|-------------------------------|
| Land | \$ 14,179,112 |
| Construction in progress | 9,754,781 |
| Buildings | 23,205,274 |
| Improvements | 76,505,886 |
| Machinery and equipment | 7,796,105 |
| Infrastructure | 60,961,616 |
| Total | \$ 192,402,774 |

Capital Assets (continued)

The following contracts are for some capital assets that are under construction (construction in progress) but had not yet been completed as of June 30, 2007.

| | Amount Expended to Date | Remaining Construction Commitment | Expected Date of Completion |
|-------------------------|-------------------------------|---|--------------------------------|
| 25th St. N Bridge GTF | | | |
| Pedestrian | \$ 19,587 | \$ 173,413 | December 2007 |
| Eagle Falls Development | 49,387 | 50,613 | June 2008 |
| Giant Springs Storm | | | |
| Drain | 8,019 | 391,981 | June 2008 |
| Westbank Storm | | | |
| Improvements | 12,756 | 92,394 | June 2008 |
| 10th Ave N Storm Drain | 131,398 | 18,602 | June 2008 |
| Wastewater Treatment | | | |
| Plant Renew Energy | 2,561,208 | 280,337 | June 2008 |
| Sunnyside Water | | | |
| Pressure | 23,483 | 994,722 | June 2008 |
| Horizon Water Main | 423,865 | 200,135 | June 2008 |
| 25th Ave NE Water | 608 | 249,392 | December 2007 |
| Sewer Rehabilitation | | | |
| Phase 2 | 141,887 | 9,523 | December 2007 |
| 6th St. NW Storm Drain | | | |
| Water Repair | 182,543 | 32,757 | December 2007 |
| Water Treatment Plant | | | |
| Flocculater Replacement | 1,282,855 | 63,208 | December 2007 |
| Centene Medical | | | |
| Technology Park | 973,801 | 273,899 | June 2008 |
| Swimming Pools | | | |
| Improvements | 116,741 | 2,131,914 | June 2008 |
| Upper Lower River Road | | | |
| Water Sewer | 210,696 | 121,304 | June 2008 |

Contracted Services

The City has entered into intergovernmental agreements with Cascade County for the following services:

Fire Districts

The City provides fire protection for 16 rural fire districts. The agreement is renewable annually and runs from July 1 to June 30.

Bulk Water Service

The City and Cascade County entered into an interlocal agreement for the City to provide bulk water service to Cascade County residents. The term of this agreement is for the period of fifteen (15) years from July 1, 1995, through June 20, 2010. The City will supply bulk water and storm drain service to the three (3) City dispensing station sites presently located within the City of Great Falls.

Dispatch and Communication Services

The City provides dispatching and communication services for the sheriff and rural fire departments. The agreement is dated May 21, 1996, and continues in effect until canceled by either party.

Library

The County contributes to the operations of the Library Board. The County assesses a rural mill levy for the purpose of making contributions to the City library operating costs.

Health Department

On November 22, 1999, the County and the City entered into an updated interlocal agreement establishing management authority, maintenance responsibilities, and ownership of record for the new City-County Health Department building. The City contributes to the operations of the City-County Health Department. The City remits to the County a contribution for operating costs on a periodic basis.

Contracted Services (continued)

The City has entered into agreements with the following entities for operation of certain facilities:

Animal Control Shelter

The City's animal control shelter is operated by the Humane Society of Cascade County. The contract ran for five years and expired in June 2007. The City took over operations of the animal shelter July 5, 2007.

Electric City Power

Electric City Power (ECP) is licensed through the Public Service Commission to supply electricity. The City has contracted with Southern Montana Electric (SMEG&T) for its energy supply contracts necessary to serve the City's electric utility customers.

On September 21, 2004, the City Commission approved a Wholesale Power Purchase Contract with SMEG&T. The result of the contract was to allow the City to provide enough electricity to supply the City's needs, and the needs of ECP customers including the School District and the Airport Authority.

Housing Authority

The City provides management and payroll services for the Great Falls Housing Authority. The authority reimburses the City for the costs related to providing these services.

Parking Facilities

The City has a management agreement with APCOA for operation of all the City's parking facilities and for enforcement of parking violations. The contract runs through December 31, 2007.

Contracted Services (continued)

Soccer Park

"The Seibel Soccer Park" was built and is owned by the City, but is operated and maintained through a lease by the Great Falls Soccer Foundation. All costs of operating the park will be paid from an endowment fund or through revenues collected from use of the facility.

Solid Waste

The City has contracted with Montana Waste Systems, currently operating a private landfill, for landfill privileges. The contract was initially approved March 19, 2002 with a five-year term with two five-year renewal options.

Wastewater Treatment Plant

The City's wastewater treatment plant is operated by Veolia Water North America Operating Services. The contract was renewed in fiscal year 2004 and expires in August 2014.



Gibson
band
shell in
early fall

Fund Equity (Fund balance)

Simply put, a fund's equity or fund balance is the difference between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reserved fund balance is simply to isolate the portion of fund balance that is not available for the year's budget, so that unreserved fund balance can serve as a measure of current available financial resources. Unreserved fund balance may be subdivided into designated and undesignated portions. A designation represents the City's intended future use of resources (e.g., contingencies, equipment replacement) and generally reflects actual plans approved by the City Commission.

Below is a summary of the types of funds and their total fund balances:

| Type of Fund | Fund balance June 30, 2007 | Fund balance June 30, 2006 |
|------------------|-------------------------------|-------------------------------|
| General | \$ 3,108,412 | \$ 2,922,544 |
| Special revenue | 5,921,390 | 4,931,722 |
| Debt service | 3,750,657 | 3,534,454 |
| Capital projects | 2,554,834 | 538,056 |
| Enterprise | 19,036,039 | 20,560,696 |
| Internal Service | 3,820,313 | 3,384,128 |
| Total | \$ 38,191,645 | \$ 35,871,600 |



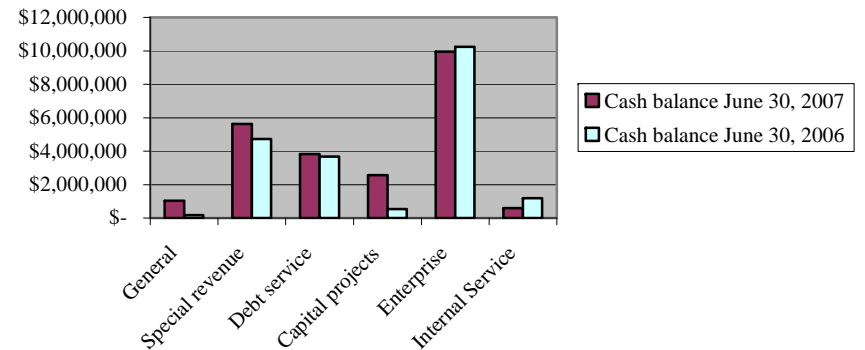
Canadian
Goose in
Gibson
Park

Cash and cash investments

As mentioned earlier, fund equity is defined as the difference between fund assets and fund liabilities. Because cash is a fund asset, it enters into this equation and has an effect upon fund equity. Cash, however, is only one of a number of fund assets and liabilities. Therefore, it is possible for fund equity to remain unchanged while cash balances decline or increase.

Below is a summary of the types of funds and their cash balances:

| Type of Fund | Cash balance June 30, 2007 | Cash balance June 30, 2006 |
|------------------|-------------------------------|-------------------------------|
| General | \$ 1,032,749 | \$ 165,411 |
| Special revenue | 5,620,492 | 4,729,834 |
| Debt service | 3,832,646 | 3,667,613 |
| Capital projects | 2,555,808 | 534,831 |
| Enterprise | 9,948,572 | 10,231,261 |
| Internal Service | 599,328 | 1,188,105 |
| Total | \$ 23,589,595 | \$ 20,517,055 |





Sunrise and moon behind Energy West Tower

The purpose of this information is to inform citizens of the City's financial activity. This information does not replace the CAFR; it is meant as a supplement to provide each of you with a better understanding of the City's overall financial condition. A CAFR is a financial report that contains, at a minimum, three sections: 1) introductory, 2) financial, and 3) statistical, and whose financial section provides information on each individual fund and component unit. For a complete review of the City's financial position for 2007, consult the CAFR, available on the City's website or from the City. Contact us at 406-455-8423 for information.



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