

INTRODUCTORY SECTION

- Letter of Transmittal
- GFOA Certificate of Achievement
- Elected Officials and Principal Appointed Officers
- Organizational Chart



November 22, 2005

Mayor Edward J. Gormley
City Councilors
Citizens of the City of McMinnville

City management is pleased to submit the City of McMinnville's *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2005. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2005 and the results of City operations and proprietary fund cash flows for the year then ended. The City's financial statements and schedules were prepared following generally accepted accounting principles (GAAP) and were audited by Talbot, Korvola & Warwick LLP in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. Talbot, Korvola & Warwick LLP concluded the basic financial statements are free of material misstatement and issued an unqualified opinion presented in the second section of this report. Financial accuracy, completeness, and fairness of presentations in the *CAFR* are the responsibility of City of McMinnville's management. City management asserts the *CAFR* is complete and reliable in all material respects.

Comprehensive Annual Financial Report: The *CAFR* contains the following three sections:

Introductory Section: Letter of transmittal; Government Financial Officers Association Certificate of Achievement for period ended June 30, 2004; list of elected officials; and the City's organizational chart.

Financial Section: Talbot, Korvola & Warwick LLP's independent auditor's report; management's discussion and analysis; government-wide financial statements for the City as a whole and the component unit; fund financial statements; notes to the financial statements; supplemental combining and individual fund statements and schedules; and supplemental information. The management's discussion and analysis (MD&A) is intended to provide 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 together with it. The MD&A is found on pages 19–34.

Statistical Section: Ten-year summaries of various financial schedules, property tax valuations, construction valuations, debt analyses, and miscellaneous statistical information. The statistical section is found on pages 143–167.

Following these three sections are reports required by State of Oregon statutes and Government Auditing Standards of the City's independent certified public accountants, Talbot, Korvola & Warwick LLP.

Reporting Entity:

City: The City is a municipal government incorporated as a town in 1876 and as a city in 1882 and is now governed by a council-manager form of government. The elected officials are a mayor and six city council members. All seven positions are elected for staggered four-year terms. The City provides a full range of services --- City administration, finance, and information services; police protection and investigation; municipal court; fire protection and inspection; sewer treatment and system construction and maintenance; street construction and maintenance; engineering services;

**Transmittal Letter
Year Ended June 30, 2005**

planning services; building inspection services; library; parks and recreation including aquatic center, community center, and senior center; park system; emergency ambulance; and a municipal airport.

City management is responsible for maintaining a system of internal accounting controls that provides for reasonable assurance that City assets are safeguarded against loss or unauthorized use. The City's annual budget serves as the foundation for financial planning and City Council control. Oregon Budget Law requires a specific public notification and public hearing process that includes City Council budget adoption prior to July 1 of each fiscal year. Department directors have budgetary control within their respective appropriated budgets; however, transfers of appropriations between appropriated budgets require City Council budget transfer approval, as do supplemental budgets. Budget to actual financial schedule comparisons are located on pages 54–62, 114–122, and 126–130.

Department: In addition to the City's primary services, over which the elected officials exercise financial control, the City has one discretely presented component unit, the McMinnville Water and Light Department (Department) that is governed by a City Council appointed Water and Light Commission. The Department provides water and electrical services to City residents. Besides the component unit financial statements, additional information on the Department is located in the notes to the financial statements, note I. A. 2., page 69.

Factors Affecting Financial Condition:

Employers: The City of McMinnville is located in the agriculturally rich Willamette Valley 40 miles southwest of Portland and 25 miles northwest of Salem at an elevation of 157 feet. The area has a mild climate averaging 70 degrees from June to September and 40 degrees from November to February. The average rainfall is 42 inches with the growing season approximately 175 days. The City of McMinnville's economy is widely diversified and continues to grow at a moderate pace. The primary industries include commercial aviation, steel rebar production, medical services, insurance products and services, manufactured home and recreational vehicle production, plastics fabrication, tourism, and food production. As the county seat of Yamhill County and the home of Linfield College, McMinnville is the economic hub for a growing county. Agriculture plays a major role in the county, as does McMinnville's commercial sector. The City's diverse economy is based primarily on companies of smaller than 50 employees, although several larger companies are also based in McMinnville. The City's largest employers are listed below.

Ten Largest Employers ¹

Employer	Product or service	Employment October 2005	Employment October 2004
McMinnville School District	Education	582	593
Linfield College	Higher education – liberal arts	339	493 ²
Willamette Valley Medical Center	Hospital services	534	489
Evergreen Enterprises, Inc.	Air freight, helicopters, agriculture	458	477
Cascade Steel Rolling Mills, Inc.	Steel production – rebar, sheets, strips	451	456
Yamhill County	County government services	343	375
Wal-Mart	Retail merchandise	270	250
Oregon Mutual Insurance Company	Insurance products and services	255	249
Skyline Manufacturing Corporation	Manufactured home production	242	236
Lowe's Home Improvement Center	Retail merchandise	110	113

Employment: Employment in McMinnville in 2003 ³ was concentrated in the retail/wholesale trade, transportation and utilities sectors, 17 percent; followed by private education and health services

¹ Source: City of McMinnville Planning Department.

² Source: Includes Linfield College employees outside McMinnville, primarily at Good Samaritan Hospital Nursing School campus in Portland, Oregon.

³ Source: Oregon Department of Employment compilation of 2004 employment data not yet available.

employment, 15 percent; in large part due to Linfield College. Manufacturing employment also represented a large percentage of total employment, 14 percent, a slightly larger percentage than that found statewide; government employment, 14 percent, was slightly lower than the state average. The remaining employment was divided amongst a number of categories. According to the Oregon Employment Department's 2004 data, most of the employment in McMinnville is in industries with above-average levels of payroll per employee. McMinnville's average payroll per employee is \$29,721. During the past decade, most of the largest industries in McMinnville showed increases in employment, with health services, 664 new employees; local government, 496; and construction, 320, leading the way. It is interesting to note that during this same period of time, over half of the employment growth was from industries with a payroll per employee above the average for McMinnville as a whole.

Recent economic forecasts for McMinnville suggest that the area will continue to grow at a slightly faster rate than Yamhill County and the northern Willamette Valley Region, as it has over the last several decades. These same forecasts estimate that McMinnville's employment, which currently totals approximately 15,045, will continue to grow at an average annual growth rate of 2.06 percent over the course of the next twenty years.

Population Growth: Connected to the growth of the employment base, over the last ten years, McMinnville has experienced one of the fastest population growth rates in Oregon, 35.6 percent. Both new employers and residents are attracted to McMinnville because of its "livability" and its close proximity to the Portland metropolitan area; Salem, the state's capital; the Cascade mountain range; and the Oregon coast. Other factors contributing to the livability besides the location and economic base are the vitality of McMinnville's downtown, Linfield College, excellence of medical services, and excellence of City services. During the same 10-year period, the state of Oregon has grown 15.9 percent, less than half the rate of growth of McMinnville, while Yamhill County population has grown by 21.1 percent. Since 1985, the city's population has doubled while the State of Oregon's population has increased by 26.5 percent.

Population Estimates

Year	McMinnville		Yamhill County		State of Oregon	
	Population	Percent Change	Population	Percent Change	Population	Percent Change
1995	22,140	5.5%	74,600	1.7%	3,132,000	1.6%
2001	27,500	8.9	86,500	1.2	3,472,400	1.5
2002	28,200	5.4	87,500	1.2	3,504,700	0.9
2003	28,890	2.4	88,150	0.7	3,541,500	1.1
2004	29,200	1.1	89,200	1.2	3,582,600	1.2
2005	30,089	3.0	90,310	1.2	3,628,700	1.3

Source: US Census Bureau, Portland State University Population Research Center certified yearly rounded estimates

Using forecasts published by the Oregon Office of Economic Analysis, McMinnville's population is expected to increase over the next twenty years at an average annual increase of 2.4 percent. At this rate, McMinnville's year 2025 population is expected to reach 46,195; an increase of some 16,106 residents from its 2005 estimated population total.

Residential, Commercial, and Industrial Development: McMinnville's physical landscape has seen dramatic changes in recent years due to development that continues to occur in primarily its residential, institutional, and commercial sectors. In the past few years, the city saw many significant new development projects including the following: 1) the opening of the new \$6.1 million, 161,700 square foot Lowe's Home Improvement Center, the centerpiece of a planned 25-acre commercial development in southwest McMinnville that also includes the new, \$1 million Rice

Transmittal Letter
Year Ended June 30, 2005

Furniture store, a dental office, Subway restaurant, and several other vacant retail pads; 2) the construction of a nearly 71,000 square foot shopping center that houses an Albertson's grocery store, a \$2.85 million project, the city's first Starbuck's Coffee, Coldstone Creamery, and other upscale retail space near Linfield College; 3) the extensive interior and exterior remodel of Roth's grocery store; 4) the start of construction of a 22,000 square foot IMAX-type theater addition to the Evergreen Aviation Museum complex which houses Howard Hughes HK-1 Flying Boat, "Spruce Goose"; 5) expansion of the Harmony Fields Living Center; 6) construction of two apartment complexes that added 94 additional housing units to the city's inventory; 7) several downtown building renovations, most notably La Rambla Restaurant and the Lewis Building; 8) of particular note downtown, is the plan to develop the new Granary District on the eastern edge of McMinnville's downtown with space for new businesses; 9) major renovations of several buildings on the recently expanded Linfield College campus including a theater and art department complex and a new state-of-technology library. In addition, since 2001, the City has granted approval for the development of 28 residential subdivisions that, when completed, will add 1,192 lots to help meet the area's demand for housing.

As evidence of the level of residential building activity experienced in McMinnville in the past year, Building Division records show that there were 363 permits issued for residential construction in 2005. This compares to 377 and 340 permits for the years of 2004 and 2003, respectively. In addition, the level of commercial and industrial construction was 155 permits for 2005, as compared to 177 in 2004 and 155 in 2003.

In October of 2003, the McMinnville City Council adopted the *McMinnville Growth Management and Urbanization Plan* that will ensure adequate lands for economic growth, housing, recreation, and infrastructure for the next twenty years. This plan is currently being updated to provide additional lands within the McMinnville urban growth boundary to support anticipated growth through the year 2026.

Property Values: Real market value growth is another factor in measuring the economic health of a community. As illustrated below, the real market value for McMinnville has grown by a healthy 135.9 percent over the last 10 years. Also illustrated is the effect of a tax limitation measure enacted in 1996 that split maximum assessed value for taxation valuation purposes from real market values. This tax limitation measure rolled back assessed values for taxing purposes two years, and limited future growth to three percent except for new construction and major improvements made to existing structures. Over this same ten-year period, maximum assessed values increased by 72.1 percent. The property values table below also illustrates that McMinnville is located in a growing economic region, as the growth of Yamhill County's real market value has grown by 129.1 percent in the last 10 years. In 2005, the percentage differential between maximum assessed value and real market value continued to widen with the differential of 72.93 percent which is a drop from 2004 when the differential was 78.45 percent.

Cascade Steel Rolling Mills (CSRМ), the City's largest taxpayer, appealed their maximum assessed valuation, which is valued by special State of Oregon industrial assessors for fiscal years 2002 and 2003. With the economic problems of the steel industry in the United States, the Oregon Tax Court lowered CSRМ's assessed valuation by approximately \$35 and \$44 million, for those years respectively. With the recent high demand for steel in the Pacific Rim, and particularly in China, CSRМ's operating position looks bright. With the improving steel industry climate, it is extremely unlikely CSRМ's valuation will again significantly decrease. Even with the significantly lower CSRМ valuation, in 2002 and 2003, the City's maximum assessed valuation rose 5.0 percent during that two-year period. This rise in assessed valuation is a testament to the overall economic health and diversity of McMinnville.

Property Values --- Maximum Assessed Value and Real Market Value
((\$s in thousands)

<u>Fiscal Year End</u>	<u>McMinnville</u>				<u>Yamhill County</u>	
	<u>Maximum Assessed Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>
1995	\$ 856,248	15.1%	\$ 856,248	15.1%	\$ 2,876,051	15.1%
2001	1,259,933	5.8	1,573,772	6.8	5,207,471	8.2
2002	1,275,635	1.2	1,610,697	2.4	5,327,822	2.3
2003	1,323,091	3.7	1,716,334	6.5	5,616,522	5.4
2004	1,381,286	4.4	1,760,704	2.6	5,814,566	3.5
2005	1,473,341	6.7	2,020,287	14.7	6,587,913	13.3

Source: Yamhill County Assessor's Office

Property Tax Rates: The 1996 property tax limitation measure converted the prior property tax system, which for McMinnville was a combination system of dollar property tax base which could rise by 6 percent per year and rate based millage levies for fire and parks services, to an entirely rate based property tax system. The new property tax system, finalized with the passage of Measure 50, allows the maximum assessed valuation of established residences and business to rise by only 3 percent per year. New construction is valued at estimated real market value discounted by the percentage differential between the City's total maximum assessed value and the City's total real market value.

Since the 2000-2001 fiscal year, the City of McMinnville has levied the entire \$5.02 permanent property tax rate for operations, which was established by the 1996 tax limitation measure. Also illustrated below is McMinnville citizens' support of a new 20-year parks improvement general obligation bond, first levied in fiscal year 2001-2002.

Property Tax Rates
(per thousand of assessed valuation)

<u>Fiscal Year Ended</u>	<u>City of McMinnville - Only</u>			<u>McMinnville Tax Code #40</u>
	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Total Property Tax Levy</u>	<u>Consolidated Property Tax Rate</u>
1995	\$ 4.52	\$ 0.96	\$ 5.48	\$ 18.48
2001	5.02	0.67	5.69	16.96
2002	5.02	1.30	6.32	17.12
2003	5.02	1.27	6.29	17.30
2004	5.02	1.25	6.27	17.50
2005	5.02	0.96	5.98	15.93

Source: Yamhill County Assessor's Office

City of McMinnville Government: The 2004-2005 fiscal year continued to be a challenging one for most of Oregon's local governments and the City of McMinnville was not exempt from those challenges. As mentioned above, the City has levied the maximum operating property tax rate of \$5.02 for the last five years. Given the pressures of increased operating costs, most notably police and fire union salary and cost-of-living adjustments, health insurance increases, and the Oregon Public Employee Retirement System contribution rate, the City Council is looking toward a potential local option levy measure being placed on the November 2006 ballot. During fiscal year 2005-2006, the City's management team will begin a level of service analysis that will help provide City Council with information to decide whether or not to place a local option levy on the ballot in November 2006 and if so at what rate per thousand.

2004-2005 – Year in Review – Major Accomplishments and Issues:

Governance and Fiscal Policy: The City's fiscal 2004-2005 Adopted Budget was essentially a "hold the line" budget. The City Council goal to increase the level of Ending Fund Balances in the property tax supported funds was met. The property tax rate for 2004-2005 fell from \$ 6.27 per \$1,000 of assessed value in fiscal 2003-2004 to \$ 5.98. In January 2005, three new City Councilors were sworn into office, two of which were long-tenured City Budget Committee members. At their February 2005 goal-setting session, the Mayor and City Council discussed the need to develop a program to more directly involve citizens in a discussion about the future of City services, priorities for the City and the related policy and financial choices. Subsequently, the City Council adopted a "Community Choices" program – a project intended to solicit public opinion about the city as a whole, City government operations, and the future of both. Key elements of the project, to be completed between August of 2005 and November of 2005, include: a community attitude survey; presentations to service clubs, and a series of seven neighborhood meetings, hosted by the Mayor and City Council. The 2005-2006 Adopted Budget included \$35,000 to develop, administer and market this program. The Budget Committee and City Council will review the information gathered with staff in the winter of 2006. From these conversations with citizens, policy decisions will be made regarding future fiscal policies and program and service level priorities.

Public Safety: Following a lengthy application and review process, the McMinnville Fire Department was designated by Yamhill County as the exclusive ambulance service provider for the McMinnville service area. Funded by a federal Homeland Security Grant, installation began of mobile data terminals in police and fire department vehicles. A traffic safety program of purchasing and installing automated radar speed displays in school zones began with installations at three locations in 2004. Three more locations are being funded in the fall of 2005. During the first half of 2005, the McMinnville Fire Department completed an update of its strategic plan. The plan will be used to help guide future service, equipment, and facility priorities and proposals. In the spring of 2005, the Mayor and City Council established an ad-hoc Public Safety Building Citizens Advisory Committee. The purpose of the committee, which is now operative, is to work with City staff and a project architect to develop a specific plan for construction of a new public safety building and related facilities. The committee will consider a bonded debt levy for submittal to the voters to fund the building project.

Parks: Construction was completed in the spring of 2005 on the new 20-acre Discovery Meadows Park in southwest McMinnville. It is the first major community park in southwest McMinnville and the first community park to be constructed in decades. Significant improvements to two existing community parks were also completed at Wortman Park and City Park. Construction of a major extension of the Westside Pedestrian/Bicycle Path along a Bonneville Power Administration (BPA) easement, between West Second Street and Wallace Road, was begun in the summer of 2005 and expected to be completed in the fall of 2005. This BPA Pedestrian/Bikeway addition is approximately ½ mile in length. All of these improvements were funded primarily from the proceeds of the 2001 \$9,500,000 park improvement bond sale. Additional park maintenance funding was included in both the City's 2004-2005 and 2005-2006 Adopted Budgets.

Public Utilities & Community Development: Construction was completed on the second phase of a new sanitary sewer collector line and pump station to serve the city's Three-Mile Lane corridor in southeast McMinnville. McMinnville Water and Light Department completed construction of a new water main to improve service and fire protection along this same corridor. McMinnville Water and Light Department also completed the raising of its main water storage reservoir, McGuire Dam, located just northwest of McMinnville in the coast range, increasing the dam's capacity from 1.25 to 3.25 billion gallons. The Water and Light Department began offering expanded commercial and institutional access to the fiber optic backbone as an economic development tool. The Community Development Department units of Engineering, Building, and Planning continued to respond to a consistently high level of residential and commercial development projects. The Budget Committee

and City Council adopted a budget for 2005-2006 that includes funds to acquire a building to address serious facility needs and develop a "one-stop" Community Development Center.

2005-2006 – Future Issues and Initiatives:

Governance and Fiscal Policy: Significant resources will continue to be devoted to implementing citizen information received through the Community Choices program. The program will provide significant citizen input into future City Council policies and decisions about service levels and taxation.

Public Safety: It is tentatively scheduled to put before the voters in May of 2006 a general obligation bond measure to fund a new public safety building and multi-purpose public meeting room. This is contingent upon the final recommendation of the Ad-Hoc Citizen Advisory Committee and City Council action on their recommendation at the beginning of 2006. With several existing bond issues being retired over the next two years, the City will have an improved opportunity to be successful in its capital funding request. The Fire Department will continue its follow-up work on its new Strategic Plan. An increased level of emergency management training will continue into 2006.

Public Utilities and Community Development: Funds have been budgeted in 2005-2006 to update the City's sanitary sewer collection system master plan and to begin evaluation of the Water Reclamation Facility's capacity and future expansion needs. By completing the acquisition and reuse of Oregon Mutual Insurance Company's regional building, the City can provide a cost effective solution to space needs and develop an effective and efficient Community Development Center. Funds are designated in the 2005-2006 Budget to complete this purchase.

Financial Administration: Work has begun and resources budgeted to acquire a new financial software system for the City. The new financial system selection is scheduled to be completed by the end of June 2006 with the 2006-2007 fiscal year scheduled for implementation.

Parks: Planning will take place to continue the extension of the Westside Pedestrian/Bicycle Pathway. Management will continue to follow-up on opportunities for acquiring future parks and open space, as part of the park improvement bond program implementation.

Planning: Planning staff, at the direction of the City Council, has begun work on a sign ordinance which will go to public review and hearing in early 2006. In conjunction with the Engineering Division, the Planning staff is reviewing street construction standards and traffic calming strategies. The Planning Commission and City Council will review this information in the fall of 2005. Planning staff is continuing to work on amendments to the proposed *Urban Growth Management Plan (Plan)* and associated urban growth boundary amendments. The Planning Commission and City Council will review this work in early winter of 2006. It is hoped that the City's proposed *Plan* will be back before the Department of Land Conservation and Development Commission by spring of 2006.

Debt Service:

Governmental Activities: The summary debt table below illustrates the variety of debt used to meet the governmental facility and infrastructure development goals of the City. The general obligation bonds, which must be voter approved and thus supported by dedicated debt service property taxes, support transportation system projects, final maturity December 2006; fire station construction, final maturity March 2007; and major park system improvements, final maturity August 2021.

The other governmental activities debt is supported by either the City's operating property tax levy or other governmental activities sources of revenue. The certificates of participation supported the purchase of fire self-contained breathing apparatus, final maturity January 2007; and public safety equipment, final maturity June 2009. Notes payable supported purchase of land adjacent to the library, final maturity May 2010. The capital leases financed purchases of two police vehicles, final maturity 2007.

City Outstanding Debt – Governmental Activities

	<u>Debt Outstanding</u>	<u>Annual Debt Service</u>
General Obligation Bonds	\$10,690,000	\$1,852,445
Debt Service Paid By Debt Service Property Tax Levy	<u>10,690,000</u>	<u>1,852,445</u>
Certificates of Participation	854,265	254,023
Notes Payable	126,461	29,303
Capital Leases	<u>9,671</u>	<u>6,700</u>
Debt Service Paid By Operating Property Tax Levy and Other Revenue Sources	<u>990,397</u>	<u>290,026</u>
Total Governmental Activities Long-Term Debt	<u>\$11,680,397</u>	<u>\$2,142,471</u>

Source: City of McMinnville notes to the financial statements, note III. F., pages 87–94

Business-Type Activities: In February 2004, the original 1994 sewer revenue bonds and 1993 Oregon Economic and Community Development Department (OECDD) Special Public Works Fund (SPWF) note were refunded and combined into the 2004 sewer system revenue refunding bonds, business-type activities debt. The original debt financed the building of a new water reclamation facility (WRF) that went online January 1996; a new raw sewage pump station collections facility; and extensive sewer system inflow and infiltration repairs and sewer system upgrades. This combined debt refunding moved the OECDD SPWF note from a subordinate to a parity position for bond coverage tests. The 2004 sewer system revenue refunding bonds mature February 2014, as did the prior two debt issues; and the remaining OECDD Water/Wastewater note payable matures December 2009. In the City’s 2004-2005 Budget, preliminary plans are starting for future WRF expansion.

City Outstanding Debt – Business-Type Activities

	<u>Debt Outstanding</u>	<u>Annual Debt Service</u>
Sewer Revenue Bonds	\$22,540,036	\$2,936,062
Sewer Notes Payable	<u>2,023,167</u>	<u>472,111</u>
Total Business-Type Activities Debt Funded by Sewer Revenue	<u>\$24,563,203</u>	<u>\$3,408,173</u>

Source: City of McMinnville notes to the financial statements, note III. F., pages 87–94

Cash and Investment Management:

Cash Management: Day-to-day City cash needs are managed using four bank accounts: a general operations account, a linked payroll account, a municipal court bail account, and an escrow account. The four bank accounts utilize a sweep system, which invests overnight surplus float in bank repurchase agreements, note III. A., pages 78–80.

Investment Management: The City’s general operations account balance, which exceeds current operating needs, is invested following the City’s investment policy and Oregon Revised Statutes. The City’s investment policy’s first priority is preservation of capital; second priority is liquidity; and third priority is rate of return. The management of the City’s investment portfolio is kept relatively simple due to its comparative small size and due to staffing limitations. During this fiscal year, all surplus capital was invested in the State of Oregon Local Government Investment Pool, notes I. E. 1. and III. A., pages 74 and 78–80, respectively.

Risk Management:

The City is covered for comprehensive liability, property, auto liability and physical damage, employers’ liability, and workers’ compensation insurance through City County Insurance Services (CIS). CIS is a public entity risk pool, established in 1981, by the League of Oregon Cities and the Association of Oregon Counties. CIS provides a full range of insurance coverages and loss control services to a significant number of Oregon cities and counties. More comprehensive insurance information is found in the notes to the financial statements, note IV. A. pages 95–96.

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 McMinnville for its *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2004. The City has received this recognition for sixteen consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized *CAFR* and must satisfy both generally accepted accounting principles and applicable legal requirements. This award is the highest form of recognition for excellence in state and local government financial reporting.

A Certificate of Achievement is valid for a period of one year only. We believe our current *CAFR* continues to meet these standards and will be submitted to GFOA to determine eligibility for another certificate.

Acknowledgements:

The preparation of the *Comprehensive Annual Financial Report* is the final step in completing a successful year for the City's Finance Department. This third year of the City implementation of the *GASB Statement #34* reporting model established by the Governmental Accounting Standards Board (GASB) went smoothly. The revised reporting and capitalization procedures established in the first year of implementation continued to work effectively. We would like to thank the City's three full-time accountants for their day-to-day dedication who provide the City with professional accounting services and accurate accounting records. We would also like to give special recognition to the dedication of Laurie S. LeCours, CPA, as the City's financial statement preparation project leader. Also, the continued help from the City's Engineering Department is critical to accurate infrastructure reporting. Furthermore, we would like to acknowledge the efforts of all City department personnel who provided additional information that make the report more meaningful than merely a presentation of financial statements.

Special appreciation should also go to the City of McMinnville Mayor and City Councilors for their interest and support in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Kent L. Taylor
City Manager

Carole M. Benedict, CPA
Finance Director