

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2009

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

5499 Amy Street • West Linn, OR 97068
Phone: (503) 723-0300 • Fax: (503) 723-9946 • www.merincpas.com

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

CITY OFFICIALS AS OF JUNE 30, 2009

<u>NAME</u>	<u>TERM EXPIRES</u>
Rob Wheeler – Mayor	December 31, 2010
Lori DeRemer – Council President	December 31, 2012
Markley Drake	December 31, 2010
Tom Andrusko	December 31, 2010
Michael Morrow	December 31, 2012

All council members receive mail at the address below.

ADMINISTRATIVE

Jason Tuck, Interim City Manager
16000 SE Misty Drive
Happy Valley, Oregon 97086
(503) 783-3800
(503) 658-5174

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Happy Valley
Happy Valley, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Happy Valley, Oregon, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Happy Valley, Oregon's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Happy Valley, Oregon, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Happy Valley, Oregon's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 15, 2009

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF HAPPY VALLEY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the City of Happy Valley's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHT

- The City's total net assets were \$60,768,435 at June 30, 2009.
- During the year, the City's net assets decreased by \$966,652. This is due to a decrease in revenues received by the City and the non-capital expenses associated with building the new city hall facility.
- The general fund had an unreserved fund balance at the end of the year of \$786,385. This is equal to 28 percent of total general fund expenditures for the year.
- The full faith and credit obligations end of the year balance was \$4,910,000. This decrease of \$90,000 is per the principle payment schedule as presented in the Official Statement for the obligations.
- An adjustment to the beginning fund balance was required to correct an error made on additions to capital assets in a prior period. The adjustment reduced net assets by \$651,567.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of; *management's discussion and analysis* (this section), *basic financial statements*, *required supplementary information*, and *other supplementary information*.

The basic financial statements include two kinds of statements which present different views of the City as well as the notes. The first two statements are *government-wide financial statements* and provide both *long-term* and *short-term* information about the City's overall financial status. The remaining statements are *fund financial statements* and focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements. The *governmental fund* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending. The notes contain information to help explain some of the information in the financial statements and provide more detailed data.

The basic financial statements are followed by a section of *required supplementary information* and *other supplementary information* to further explain and support the information in the basic financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net assets and how they changed. Net assets are the difference between the City's assets and liabilities and are a way to measure the City's financial health or *position*. Over time, increases or decreases in the City's net assets are an

indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements include *Governmental activities* which encompass most of the City's basic services. These include general government, public safety, planning, building, streets, and parks. Property taxes, franchise taxes, permits and fees, and intergovernmental revenues finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about each of the City's most significant funds but do not provide information about the City as a whole. Funds are accounting tools the City uses to track specific sources of funding and spending for particular purposes.

The City has governmental funds which are explained as follows:

- *Governmental funds* are used to account for the City's basic services. Governmental funds focus on near-term inflows and outflows of spendable resources and the balances of spendable resources available at fiscal year end. As a result, the governmental fund statements provide a detailed short-term view to determine whether there are more or fewer financial resources available to finance the City's services in the near future. Reconciliations are provided to explain the relationship (or differences) between these statements and the long-term focus of the government-wide statements.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information and other supplementary information concerning the City's compliance with its annual appropriated budget amounts. A budgetary comparison statement for each fund is provided in the supplementary and other supplementary information to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

CITY OF HAPPY VALLEY - NET ASSETS

	Total 2009	Total 2008
ASSETS:		
Current and Other Assets	\$ 8,759,838	\$ 13,819,731
Long Term Debt	140,713	148,531
Capital Assets	58,328,069	55,680,595
Total Assets	<u>67,228,620</u>	<u>69,648,857</u>
LIABILITIES:		
Current and Other Liabilities	1,687,323	2,312,113
Non-Current Liabilities	4,772,862	4,950,090
Total Liabilities	<u>6,460,185</u>	<u>7,262,203</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	53,377,979	50,638,277
Unrestricted	7,390,456	11,748,377
Total Net Assets	<u>\$ 60,768,435</u>	<u>\$ 62,386,654</u>

CITY OF HAPPY VALLEY - CHANGES IN NET ASSETS

	Total 2009	Total 2008
	<u> </u>	<u> </u>
REVENUES:		
Program Revenues:		
Charges for Services	\$ 2,057,977	\$ 2,307,968
General Revenues:		
Property Taxes-Perm Rate	988,849	859,558
Property Taxes-Levy	2,025,976	1,773,665
Other Taxes	422,485	428,381
Intergovernmental	567,585	559,998
Other Revenue	749,804	1,036,599
Gain on sale of capital assets	0	531,948
Total Revenues	<u>6,812,676</u>	<u>7,498,117</u>
EXPENSES:		
General Government	6,429,265	4,909,642
Building Inspection Program	707,295	797,763
Parks Development	126,200	2,054,712
Storm Drainage	58,962	24,302
Streets	252,246	4,366
Interest on long term debt	205,360	181,666
Total Expenses	<u>7,779,328</u>	<u>7,972,451</u>
Change in Net Assets	-966,652	-474,334
Beginning Net Assets	62,386,654	62,860,988
Prior Period Adjustment	<u>-651,567</u>	<u>0</u>
Ending Net Assets	<u>\$ 60,768,435</u>	<u>\$ 62,386,654</u>

The City's total revenues were \$6,812,676 and Net Assets decreased by \$966,652 which indicates a decrease in the City's financial position. The decrease was due in part to the downturn in the economy which resulted in lower revenues collected for services and lower interest rates. The completion of the new city hall facility lowered cash balances considerably which significantly lowered interest earnings.

The City of Happy Valley faces many challenges:

- The city hall facility was substantially completed in November 2008. This facility is much larger than the previous one and will require more resources to maintain.
- The economic slowdown continues to decrease the amount of building in the City. This has caused a considerable decrease in permits and fees paid to the City. As this downturn continues the City faces ongoing decreased revenues.
- East Happy Valley expansion will provide 2,500 acres for future growth. It was hoped this expansion would happen in the next year but due to the current state of the economy it does not seem likely in that time period.
- The majority of the roads (excluding the new developments in the City) do not meet current standards. Funds are not available to improve the roads to a higher level of service.
- Police services are funded through a local option levy and contracted through Clackamas County. The City will have to pass another local option levy next year to continue these services within the City.

- In order to diversify the tax base, the City must expand its boundaries. The City cannot anticipate when that might happen since annexation is by petition only.
- In November 2008 Clackamas County voters approved the creation of a Library District. Currently the City does not operate a library but with this new district there is the expectation of a Happy Valley library. The City is in the process of understanding the expected revenues and expenses associated with the operation of a library and the effect it may have on other finances of the City.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Revenues from governmental fund types totaled \$6,759,268 in 2009. Governmental fund balances totaled \$7,187,388 at June 30, 2009. A summary of changes in governmental fund balances follows:

City of Happy Valley - Changes in Governmental Fund Balances

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Change</u>
General Fund	\$ 786,385	\$ 815,253	\$ -28,868
Street Fund	\$ 386,212	\$ 748,525	\$ -362,313
Building Fund	\$ 559,371	\$ 764,296	\$ -204,925
System Development Fund	\$ 1,310,143	\$ 1,274,337	\$ 35,806
Road Improvement Fund	\$ 567,473	\$ 488,993	\$ 78,480
Public Safety Fund	\$ 1,682,291	\$ 1,679,931	\$ 2,360
New City Hall Fund	\$ 1,348,931	\$ 5,793,390	\$ -4,444,459
Reserve for Replacement Fund	\$ 546,582	\$ 0	\$ 546,582

The sizeable decrease in the New City Hall Fund marks the completion of the new facility in the fall of 2008. The considerable increase in the Reserve for Replacement Fund represents the City’s commitment to lessen the impact of capital equipment purchases on any one particular fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund ending fund balance decreased \$28,868 from the prior year. This decrease was due in part to the General Fund transfers to Reserve for Replacement Fund and Debt Service Fund and the decrease in Franchise, Development, Permit, and Business License Fees. Although the General Fund balance decreased there were some revenues in excess of budget estimates. They are as follows:

Property Taxes	\$ 68,046
State Shared Revenues	\$ 37,917
Traffic Fines	\$ 76,561

These excesses were not enough to overcome the deficit amount of the above mentioned fees and transfers.

CAPITAL ASSETS

At June 30, 2009, the City had \$58,328,069 invested in capital assets. This is an increase of \$2,647,474 from the previous year. This increase was due primarily to the construction of the new city hall facility. More detailed information about the City's capital assets is presented in the notes to the financial statements.

LONG TERM DEBT

At June 30, 2009, the City had outstanding debt of \$4,950,090. The City issued Full Faith and Credit Obligations Series August 2007 to finance a portion of the new city hall facility. The remaining amount for the project was financed using the fund balance accumulated by transfers from the General Fund and the Building Fund. Detailed information about the City's long term debt is presented in the notes to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The City's financial report is designed to provide our citizens, with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the City of Happy Valley. Our address is: 16000 SE Misty Drive, Happy Valley, OR 97086.

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

Current Assets:

Cash and Investments	\$ 8,347,730
Accounts Receivable	228,137
Property Taxes Receivable	183,971
Total Current Assets	<u>8,759,838</u>

Non-Current Assets:

Bond issuance costs	140,713
Capital Assets - non-depreciable	3,372,747
Capital Assets - depreciable	62,151,340
Less accumulated depreciation	<u>-7,196,018</u>
Total Non-Current Assets	<u>58,468,782</u>

Total Assets	<u>\$ 67,228,620</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 379,307
Payroll Liabilities	101,207
Other Payables	438,821
Accrued Vacation Payable	104,976
Cable Pegs Fees	198,209
Developer Trust Payable	78,472
Due to Clackamas County	209,103
Current portion of long term debt	<u>177,228</u>
Total Current Liabilities	<u>1,687,323</u>

Non-Current Liabilities:

Bonds Payable	4,735,000
Premium on bonds payable	<u>37,862</u>
Total Non-Current Liabilities	<u>4,772,862</u>

Total Liabilities	<u>6,460,185</u>
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NET ASSETS:

Invested in Capital Assets, Net of Related Debt	53,377,979
Unrestricted	<u>7,390,456</u>
Total Net Assets	<u>\$ 60,768,435</u>

The accompanying notes are an integral part of the basic financial statements.

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	
Governmental Activities				
General Government	\$ 6,429,265	\$ 1,314,049	\$ 0	\$ -5,115,216
Building	707,295	516,393	0	-190,902
Parks	126,200	71,006	0	-55,194
Storm Drainage	58,962	67,766	0	8,804
Streets	252,246	88,763	0	-163,483
Interest on long term debt	205,360	0	0	-205,360
Total Governmental Activities	\$ 7,779,328	\$ 2,057,977	\$ 0	-5,721,351

General Revenues

Property Taxes	3,014,825
Other Taxes	422,485
Intergovernmental	567,585
Other Revenue	749,804
Total General Revenues	4,754,699
Change in Net Assets	-966,652
Beginning Net Assets	62,386,654
Prior Period Adjustment	-651,567
Ending Net Assets	\$ 60,768,435

The accompanying notes are an integral part of the basic financial statements.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2009

	GENERAL FUND	STREET FUND	BUILDING FUND
ASSETS			
Cash and Investments	\$ 1,550,227	\$ 371,840	\$ 662,015
Accounts Receivable	190,549	37,588	0
Property Taxes Receivable	60,324	0	0
Total Assets	\$ 1,801,100	\$ 409,428	\$ 662,015
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 124,863	\$ 17,205	\$ 69,852
Payroll and Payroll Taxes Payable	73,199	6,011	18,872
Construction Fees	407,350	0	0
Retainage	31,471	0	0
Cable Pegs Fees	198,209	0	0
Deferred Taxes	54,877	0	0
Developer Trust Payable	78,472	0	0
Due to Clackamas County	46,274	0	13,920
Total Liabilities	1,014,715	23,216	102,644
Fund Balances:			
Unreserved and Undesignated	786,385	386,212	559,371
Total Fund Balances	786,385	386,212	559,371
Total Liabilities and Fund Balances	\$ 1,801,100	\$ 409,428	\$ 662,015

The accompanying notes are an integral part of the basic financial statements.

<u>SYSTEM DEVELOPMENT FUND</u>	<u>ROAD IMPROVEMENT FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>NEW CITY HALL FUND</u>	<u>RESERVE FOR REPLACEMENT</u>	<u>TOTAL</u>
\$ 1,459,052	\$ 568,018	\$ 1,731,734	\$ 1,427,853	\$ 576,991	\$ 8,347,730
0	0	0	0	0	228,137
0	0	123,647	0	0	183,971
<u>\$ 1,459,052</u>	<u>\$ 568,018</u>	<u>\$ 1,855,381</u>	<u>\$ 1,427,853</u>	<u>\$ 576,991</u>	<u>\$ 8,759,838</u>
\$ 0	\$ 0	\$ 58,056	\$ 78,922	\$ 30,409	\$ 379,307
0	545	2,580	0	0	101,207
0	0	0	0	0	407,350
0	0	0	0	0	31,471
0	0	0	0	0	198,209
0	0	112,454	0	0	167,331
0	0	0	0	0	78,472
148,909	0	0	0	0	209,103
<u>148,909</u>	<u>545</u>	<u>173,090</u>	<u>78,922</u>	<u>30,409</u>	<u>1,572,450</u>
<u>1,310,143</u>	<u>567,473</u>	<u>1,682,291</u>	<u>1,348,931</u>	<u>546,582</u>	<u>7,187,388</u>
<u>1,310,143</u>	<u>567,473</u>	<u>1,682,291</u>	<u>1,348,931</u>	<u>546,582</u>	<u>7,187,388</u>
<u>\$ 1,459,052</u>	<u>\$ 568,018</u>	<u>\$ 1,855,381</u>	<u>\$ 1,427,853</u>	<u>\$ 576,991</u>	<u>\$ 8,759,838</u>

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS**

June 30, 2009

Explanation of certain differences between the governmental fund balance sheet
and the government-wide statement of net assets.

Fund Balances		\$	7,187,388
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>			
Net Capital Assets			58,328,069
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>			
Accrued Vacation			-104,976
<p>Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items.</p>			
Long term debt	\$	-4,950,090	
Long term debt issuance costs		<u>140,713</u>	
Net Adjustment			-4,809,377
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>			
Deferred Property Tax Revenue			<u>167,331</u>
Total Net Assets		\$	<u><u>60,768,435</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>BUILDING FUND</u>	<u>SYSTEM DEVELOPMENT FUND</u>
REVENUES				
Property Taxes	\$ 971,046	\$ 0	\$ 0	\$ 0
Gas Tax Revenue	0	422,485	0	0
Licenses and Permits	1,329,775	0	516,393	0
System Development Charges	0	0	0	123,046
Intergovernmental Revenues	558,862	0	8,723	0
Other Revenue	575,515	8,276	37,421	27,252
Total Revenues	<u>3,435,198</u>	<u>430,761</u>	<u>562,537</u>	<u>150,298</u>
EXPENDITURES				
Personal Services	1,906,839	180,057	646,436	0
Materials & Services	863,538	89,688	60,859	0
Debt Service	0	0	0	0
Capital Outlay	19,416	115,329	0	114,492
Total Expenditures	<u>2,789,793</u>	<u>385,074</u>	<u>707,295</u>	<u>114,492</u>
Excess of Revenues Over, -Under Expenditures	645,405	45,687	-144,758	35,806
Other Financing Sources, -Uses				
Transfers In	0	0	0	0
Transfers Out	-674,273	-408,000	-60,167	0
Total Other Financing Sources, -Uses	<u>-674,273</u>	<u>-408,000</u>	<u>-60,167</u>	<u>0</u>
Net Change in Fund Balance	-28,868	-362,313	-204,925	35,806
Beginning Fund Balance	815,253	748,525	764,296	1,274,337
Ending Fund Balance	<u>\$ 786,385</u>	<u>\$ 386,212</u>	<u>\$ 559,371</u>	<u>\$ 1,310,143</u>

The accompanying notes are an integral part of the basic financial statements.

<u>ROAD IMPROVEMENT FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>NEW CITY HALL FUND</u>	<u>RESERVE FOR REPLACEMENT</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
\$ 0	\$ 1,990,371	\$ 0	\$ 0	\$ 0	\$ 2,961,417
0	0	0	0	0	422,485
88,763	0	0	0	0	1,934,931
0	0	0	0	0	123,046
0	0	0	0	0	567,585
<u>8,903</u>	<u>36,319</u>	<u>56,118</u>	<u>0</u>	<u>0</u>	<u>749,804</u>
<u>97,666</u>	<u>2,026,690</u>	<u>56,118</u>	<u>0</u>	<u>0</u>	<u>6,759,268</u>
19,186	72,425	0	0	0	2,824,943
0	1,772,304	333,172	15,079	0	3,134,640
0	0	0	0	297,588	297,588
<u>0</u>	<u>179,601</u>	<u>4,167,405</u>	<u>283,191</u>	<u>0</u>	<u>4,879,434</u>
<u>19,186</u>	<u>2,024,330</u>	<u>4,500,577</u>	<u>298,270</u>	<u>297,588</u>	<u>11,136,605</u>
78,480	2,360	-4,444,459	-298,270	-297,588	-4,377,337
0	0	0	844,852	297,588	1,142,440
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1,142,440</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>844,852</u>	<u>297,588</u>	<u>0</u>
78,480	2,360	-4,444,459	546,582	0	-4,377,337
<u>488,993</u>	<u>1,679,931</u>	<u>5,793,390</u>	<u>0</u>	<u>0</u>	<u>11,564,725</u>
<u>\$ 567,473</u>	<u>\$ 1,682,291</u>	<u>\$ 1,348,931</u>	<u>\$ 546,582</u>	<u>\$ 0</u>	<u>\$ 7,187,388</u>

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO STATEMENT OF ACTIVITIES**

For the year ended June 30, 2009

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures \$ -4,377,337

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Fixed Asset Additions	\$	4,775,147	
Fixed Asset Deletions		-100,164	
Depreciation Expense		-1,375,942	
Net Adjustment		3,299,041	3,299,041

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances between years.

Compensated Absences -26,173

The issuance of long term debt provides current financial resources and the repayment of principal of long term debt consumes current financial resources of governmental funds. The issuance of debt along with the related costs and discounts or premiums do not affect net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long term debt		90,000	
Amortization of LTD Issuance Costs		-7,818	
Amortization of LTD Premium		2,228	
Net Adjustment		84,410	84,410

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment is the net change in deferred taxes between last year and this year.

Property Taxes		53,407	
Change in Net Assets		-966,652	\$ -966,652

The accompanying notes are an integral part of the basic financial statements.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Happy Valley, Clackamas County, Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The more significant of the City's accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The City of Happy Valley was organized in November of 1965, as a Council-Mayor form of government. From January 1991 to December 2000 the City operated under Ordinance 105 that created the position of City Administrator and the City operated under the Council-Administrator form of government. On November 7, 2000 the voters approved a new charter now referred to as the 2000 Happy Valley Charter. The new charter created the position of City Manager. The new form of government formed by the new charter is the Council-Manager. The City Manager is the administrative head of the city government. Beginning with the November 2002 general election, the mayor was elected for a 4-year term and will be at each subsequent general election thereafter. At each general election two council members will be elected each for a 4-year term. The City Manager reports to and is responsible to the Mayor and City Council.

These financial statements include all funds, organizations, departments and offices that are not legally separate from the City of Happy Valley. The elected governing body, the City Council, is not financially accountable for any legally separate organization. In addition, there are no organizations, due to either their nature or significance to the City that would make these basic financial statements incomplete or misleading by their exclusion. The City of Happy Valley has no component units.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Assets and Statements of Activities display information about the reporting government as a whole.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities.

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the City’s taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City’s general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

GOVERNMENTAL FUND TYPES

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. DESCRIPTION OF FUNDS

The City reports the following major funds:

GENERAL FUND

This fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. The principal revenue sources are property taxes, intergovernmental revenues, various fees for provided services, and interest income.

STREET FUND

This fund accounts for the shared state highway revenues and the expenditures authorized by the Oregon Constitution to be made from those revenues.

BUILDING FUND

This fund accounts for the operations of building permits that are issued under state rules, which are Structural, Mechanical, Electrical, Plumbing and Manufactured Dwelling building permits. Revenue and related expenditures for these permits are accounted for in this fund.

SYSTEMS DEVELOPMENT CHARGE RESERVE FUND

This fund accounts for the City's development of infrastructure and improvements. Expenditures include credits to developers and capital outlay. Revenues are derived primarily from fees collected from developers.

ROAD IMPROVEMENT FUND

This fund accounts for road construction and improvements. Revenues in this fund are derived from collections from other entities or transfers from the General Fund.

PUBLIC SAFETY FUND

This fund accounts for the operations and maintenance of public safety in the City. Revenues in this fund are derived primarily with funds from the four-year law enforcement levy passed by the voters of Happy Valley in 2006.

RESERVE FOR NEW CITY HALL FUND

This fund accounts for purchase of land for and construction of a new City Hall. Revenues are derived from transfers from the General Fund, Building Department Fund and allocated interest.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. DESCRIPTION OF FUNDS (CONTINUED)

RESERVE FOR REPLACEMENT FUND

This fund accounts for the future purchase of items such as heavy equipment, vehicles, and equipment per a replacement schedule. Revenues are derived from transfers from the General Fund, Street Fund, and Building Department Fund.

RESERVE FOR DEBT SERVICE FUND

This fund accounts for the debt service payments for City of Happy Valley, Oregon Full Faith and Credit Obligations Series 2007 issued August 15, 2007. Revenues are derived from transfers from the General Fund.

D. PROPERTY TAXES RECEIVABLE

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Assets. In the Fund Financial Statements property taxes that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operation of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

E. BUDGETS

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The City begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Operating Contingency, and Interfund Transactions.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETS (CONTINUED)

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations.

F. CAPITAL ASSETS

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of five years. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 to 75 years
Equipment	5 to 15 years
Streets	40 years

G. LONG-TERM DEBT

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred. The face amount of the debt issued and premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

H. RETIREMENT PLAN

City employees are participants in Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. VESTED COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

J. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. NET ASSETS

Net assets comprise the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are no restricted assets.

Unrestricted net assets – consists of all other assets that are not included in the other categories previously mentioned.

2. CASH AND INVESTMENTS

Cash and Investments consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 400
Demand Deposits	213,990
Cash with County	22,169
Investments	<u>8,111,171</u>
 Total Cash and Investments	 <u>\$ 8,347,730</u>

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

DEPOSITS - Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statement is \$208,319. Of the current year bank balance, all is covered by federal depository insurance and are held at a financial institution on the list of qualified depositories found on the State of Oregon Treasurer’s website. The account is a non-interest bearing demand deposit account.

INVESTMENTS - Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers’ acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor’s Corporation or P1 by Moody’s Commercial Paper Record (A-2/P-2 if Oregon commercial paper) and the state treasurer’s local government investment pool. The City’s investments during the year were also invested in the State Treasurer’s Local Government Investment Pool.

The State Treasurer’s Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State’s investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2009.

Amounts in the State Treasurer’s Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District’s position in the State Treasurer’s Local Investment Pool and the value of the pool shares at June 30, 2009. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

At year-end, the City’s investment balances were as follows (carrying value is the same as fair market value):

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	18-59
Categorized Investments:				
Obligations of the U.S. Agencies	\$ 4,133,973	\$ 1,999,800	\$ 2,134,173	\$ 0
State Treasurer’s Local Government Investment Pool	3,977,198	3,977,198	0	0
Total	\$ 8,111,171	\$ 5,976,998	\$ 2,134,173	\$ 0

INTEREST RATE RISK – Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy submitted to and reviewed by the OSTFB. The City does not have any investments with a maturity date exceeding 18 months.

CREDIT RISK – Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Treasurer’s Local Government Investment Pool is not rated.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

CONCENTRATION OF RISK – At June 30, 2009, the City had 49% of total investments in the State Treasurer’s Local Government Investment Pool. State statutes do not limit the percentage of investments in this instrument. At June 30, 2009, the City had 51% of total investments in obligations of U.S. Agencies. This included one Freddie Mac Discount Note, two Federal Home Loan Discount Notes, one Federal National Mortgage, and one Farm Credit Note. The maturity date of each note is between ten and sixteen months from the date of purchase.

3. CAPITAL ASSETS

The changes in fixed assets for the fiscal year ended June 30, 2009 are as follows:

	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	June 30, 2008	Adjustments	Additions	Disposals	June 30, 2009
Land and Improvements (non depreciable)	\$ 3,372,747	\$ 0	\$ 0	\$ 0	\$ 3,372,747
Construction in Progress (non depreciable)	4,557,484	0	0	4,557,484	0
Buildings	1,266,324	0	8,914,280	58,192	10,122,412
Vehicles	326,685	0	36,709	20,934	342,460
Other Equipment	114,493	0	229,627	21,038	323,082
Park Improvements	2,274,249	0	0	0	2,274,249
Park Equipment	38,960	0	0	0	38,960
Streets	49,549,729	-651,567	152,015	0	49,050,177
Less: Accumulated Depreciation	-5,820,076	0	-1,398,486	-22,544	-7,196,018
Total Governmental Activities	\$ 55,680,595	\$ -651,567	\$ 7,934,145	\$ 4,635,104	\$ 58,328,069

Governmental Activities Depreciation Allocation to Functions

Function	Governmental Funds
General Government	\$ 1,183,905
Building	125,101
Parks	22,321
Streets	44,615
Total	\$ 1,375,942

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. LONG-TERM DEBT

Full Faith and Credit Obligation Bonds

In August 2008 the City issued \$5,000,000 of full faith and credit obligation bonds to provide funds for the construction of a new city hall building. Interest coupon rates range from 4% to 4.25%. The bonds are direct obligations and pledge the full faith and credit of the City. They are issued as 20-year serial bonds with increasing principal amounts due each year.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	175,000	201,956	376,956
2011	180,000	194,413	374,413
2012	190,000	186,550	376,550
2013	195,000	178,369	373,369
2014	205,000	169,869	374,869
2015	215,000	160,944	375,944
2016	220,000	151,700	371,700
2017	230,000	142,138	372,138
2018	240,000	132,450	372,450
2019	250,000	122,650	372,650
2020	260,000	112,288	372,288
2021	270,000	101,356	371,356
2022	285,000	89,909	374,909
2023	295,000	77,947	372,947
2024	310,000	65,469	375,469
2025	325,000	52,169	377,169
2026	340,000	38,038	378,038
2027	355,000	23,269	378,269
2028	370,000	7,863	377,863
	<u>\$ 4,910,000</u>	<u>\$ 2,209,344</u>	<u>\$ 7,119,344</u>

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. LONG-TERM DEBT, (CONTINUED)

Change in long-term liabilities

Long-term liability activity for the fiscal year ending June 30, 2009, was as follows:

	<u>6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2009</u>	<u>Due within one Year</u>
Bonds Payable					
Full Faith & Credit Obligation, Series 2007, Interest 4%-4.25%	\$5,000,000	\$ -	\$ 90,000	\$4,910,000	\$ 175,000
Plus deferred amounts:					
Bond Premium	42,318	-	2,228	40,090	2,228
Total bonds payable	5,042,318	-	92,228	4,950,090	177,228
Compensated Absences	78,803	26,173	0	104,976	104,976
 Total Long-term liabilities	 <u>\$5,121,121</u>	 <u>\$ 26,173</u>	 <u>\$ 92,228</u>	 <u>\$5,055,066</u>	 <u>\$ 282,204</u>

5. COMPENSATED ABSENCES PAYABLE

At June 30, 2009, the City's liability for vacation pay is estimated at \$104,976.

6. RETIREMENT PLANS

Plan Description

The City participates in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple -employer public employee retirement system. All employees of the City who work more than 600 hours each year are covered by the plans after six months of employment. PERS is a defined pension plan to which employee and employer contribute. Retirement is allowed at age 58 with full benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement is age 70. Retirement benefits are payable in lump sum or monthly amounts using several payment options. PERS also provides death and disability benefits. Benefits are established by State statute. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

Covered employees are required by State statute to contribute 6% of their salary to the plan. Beginning in July 2003, the City began paying this amount for the employee. Employee contributions for the year ended June 30, 2009 were \$104,862. The City is required to contribute at actuarially determined rates, as adopted by the PERS Board. The current rate effective July 1, 2009 is 9.61% of covered payroll for Tier 1/2 employees and 8.94% for OPSRP employees.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. RETIREMENT PLANS (CONTINUED)

Annual Pension Cost

The City's contribution to the plan for the years ending June 30, 2009, 2008, and 2007 was \$227,016, \$195,244, and \$161,837, respectively, and was equal to the required contributions for the year.

7. DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the City, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, are the property of the participants, and, accordingly are not recorded as assets of the City.

8. PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduced the amount of operating property tax revenues available to the City for its 1997-98 fiscal year, and thereafter. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempt from the reductions. The Constitution sets restrictive voter approval requirements for most tax, many fee increases, and new bond issues.

9. CABLE PEG FEES DEFERRED REVENUE

Cable PEG access is defined as Public, Educational and Governmental access collectively where the general public, schools and governmental institutions have the availability of equipment to create and the editorial control over non-commercial programming. The City has an existing cable franchise agreement that stipulates PEG access capital funds in the amount of 3% dedicated for the development of capital projects related to providing PEG access. PEG funds in the amount of \$198,209 are currently held in a deferred revenue liability account of the City.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

10. PRIOR PERIOD ADJUSTMENT

At June 30, 2008 capital assets were overstated by \$651,567 due to double counting certain infrastructure assets. This amount has been treated as a prior period adjustment.

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

Other Financial Schedules

**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES				
Taxes:				
Property Taxes - Current	\$ 893,000	\$ 893,000	\$ 948,525	\$ 55,525
Property Taxes - Delinquent	10,000	10,000	22,521	12,521
Total Taxes	903,000	903,000	971,046	68,046
Licenses, Fees, and Permits:				
Franchise Fees	762,250	762,250	736,898	-25,352
Sewer Permit Fee	10,000	10,000	5,043	-4,957
Erosion Control Permit Fee	50,000	50,000	17,987	-32,013
Miscellaneous Permits	25,500	25,500	2,070	-23,430
Right of Way Permits	60,000	60,000	7,350	-52,650
Development Fees	300,000	300,000	132,993	-167,007
Construction Fees	400,000	400,000	328,460	-71,540
Cell Tower Fees	26,000	26,000	34,765	8,765
Park Reservation Permits	25,000	25,000	15,726	-9,274
SDC-Administration Fees	27,300	27,300	6,118	-21,182
Business Licenses	80,000	80,000	22,199	-57,801
Animal Control Licenses	10,000	10,000	12,511	2,511
Alarm Permits and Penalties	7,000	7,000	7,655	655
Total Licenses, Fees, and Permits	1,783,050	1,783,050	1,329,775	-453,275
Intergovernmental:				
Alcohol Tax	127,500	127,500	132,660	5,160
Cigarette Tax	16,919	16,919	17,122	203
State Revenue Sharing	60,100	60,100	98,017	37,917
Park Revenue from NCPRD	212,180	212,180	212,180	0
Code Enforcement IGAs	108,000	108,000	50,252	-57,748
Grants	530,000	530,000	48,631	-481,369
Total Intergovernmental	1,054,699	1,054,699	558,862	-495,837
Other Revenue:				
Interest	108,000	108,000	100,877	-7,123
Traffic Fines	215,000	215,000	291,561	76,561
Municipal Court	58,700	58,700	49,636	-9,064
State Court Assessments	42,000	42,000	42,409	409
Community Events	40,000	40,000	39,734	-266
Miscellaneous Revenue	0	0	51,298	51,298
Total Other Revenue	463,700	463,700	575,515	111,815
Total Revenues	4,204,449	4,204,449	3,435,198	-769,251

Continued on page -26-

**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	POSITIVE -NEGATIVE
EXPENDITURES				
Personal Services				
Salaries	\$ 1,605,600	\$ 1,605,600	\$ 1,271,020	\$ 334,580
Employee Benefits	883,000	883,000	635,819	247,181
Total Personal Services	<u>2,488,600</u>	<u>2,488,600</u> (1)	<u>1,906,839</u>	<u>581,761</u>
Materials and Services				
Office Supplies	40,000	40,000	34,924	5,076
Public Works Supplies	52,000	52,000	23,226	28,774
Equipment under \$5,000	26,000	26,000	11,488	14,512
Travel	26,300	26,300	9,198	17,102
Training	38,000	38,000	19,182	18,818
Maps and Printing	5,000	5,000	2,110	2,890
Membership and Dues	14,000	14,000	15,839	-1,839
Utilities	110,000	110,000	89,391	20,609
Vehicle Operation and Maintenance	79,000	79,000	27,841	51,159
Publication and Subscription	25,500	25,500	25,144	356
Newsletter	60,000	60,000	60,796	-796
Postage	15,000	15,000	8,088	6,912
Insurance	55,000	55,000	50,564	4,436
Repairs and Maintenance	97,000	97,000	46,793	50,207
Emergency Supplies	25,000	25,000	16,703	8,297
Community Concept Planning	60,000	60,000	45,845	14,155
Miscellaneous Admin.	10,000	10,000	19,964	-9,964
Legal	95,000	95,000	114,660	-19,660
Audit	8,000	8,000	11,300	-3,300
HR/Recorder Projects	8,000	8,000	350	7,650
Contract Services	321,500	321,500	187,305	134,195
Software	5,000	5,000	0	5,000
Interpreting Services	2,000	2,000	797	1,203
Public Outreach	8,000	8,000	120	7,880
Community Events	50,000	50,000	41,910	8,090
Total Materials and Services	<u>1,235,300</u>	<u>1,235,300</u> (1)	<u>863,538</u>	<u>371,762</u>

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES (CONTINUED)				
Capital Outlay				
Facility Improvements	15,000	15,000	19,416	-4,416
Land/Land Improvements	480,000	480,000	0	480,000
Total Capital Outlay	<u>495,000</u>	<u>495,000</u> (1)	<u>19,416</u>	<u>475,584</u>
Contingency	<u>396,864</u>	<u>396,864</u> (1)	<u>0</u>	<u>396,864</u>
Total Expenditures	<u>4,615,764</u>	<u>4,615,764</u>	<u>2,789,793</u>	<u>1,825,971</u>
Excess of Revenues Over, -Under Expenditures	-411,315	-411,315	645,405	1,056,720
OTHER FINANCING USES				
Transfers Out To:				
Reserve for Replacement Fund	-376,685	-376,685	-376,685	0
Debt Service Fund	<u>-312,000</u>	<u>-312,000</u> (1)	<u>-297,588</u>	<u>14,412</u>
Net Change in Fund Balance	-1,100,000	-1,100,000	-28,868	1,071,132
Beginning Fund Balance	<u>1,100,000</u>	<u>1,100,000</u>	<u>815,253</u>	<u>-284,747</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 786,385</u>	<u>\$ 786,385</u>

(1) Appropriation Level

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**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

	<u>STREET FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Interest	\$ 35,000	\$ 35,000	\$ 8,276	\$ -26,724
Gas Tax Revenue	454,125	454,125	422,485	-31,640
Street Utility Fee	100,000	100,000	0	-100,000
Total Revenues	<u>589,125</u>	<u>589,125</u>	<u>430,761</u>	<u>-158,364</u>
EXPENDITURES				
Personal Services				
Salaries	161,500	161,500	118,877	42,623
Employee Benefits	88,800	88,800	61,180	27,620
Total Personal Services	<u>250,300</u>	<u>250,300</u> (1)	<u>180,057</u>	<u>70,243</u>
Materials and Services				
Equipment under \$5,000	3,500	3,500	3,386	114
Training	5,000	5,000	967	4,033
Vehicle Expenses	15,000	15,000	23,626	-8,626
Contract Services	95,000	95,000	10,146	84,854
Traffic Control Devices	10,000	10,000	1,413	8,587
Street Repair Materials	15,000	15,000	8,604	6,396
Traffic Signs and Striping	35,000	35,000	41,546	-6,546
Total Materials and Services	<u>178,500</u>	<u>178,500</u> (1)	<u>89,688</u>	<u>88,812</u>
Capital Outlay				
Street Reconstruction	393,925	393,925	115,329	278,596
Total Capital Outlay	<u>393,925</u>	<u>393,925</u> (1)	<u>115,329</u>	<u>278,596</u>
Contingency	128,400	128,400	0	128,400
Total Expenditures	<u>951,125</u>	<u>951,125</u>	<u>385,074</u>	<u>566,051</u>
Excess of Revenues Over, -Under Expenditures	<u>-362,000</u>	<u>-362,000</u>	<u>45,687</u>	<u>407,687</u>
OTHER FINANCING -USES				
Transfers Out To:				
Reserve for Replacement Fund	-408,000	-408,000	-408,000	0
Net Change in Fund Balance	-770,000	-770,000	-362,313	407,687
Beginning Fund Balance	770,000	770,000	748,525	-21,475
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 386,212</u>	<u>\$ 386,212</u>

(1) Appropriation Level

**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

	<u>BUILDING FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	POSITIVE -NEGATIVE
REVENUES				
Interest	\$ 15,000	\$ 15,000	\$ 13,617	\$ -1,383
Permits and Fees	863,275	863,275	516,393	-346,882
Construction Excise Tax	31,409	31,409	8,723	-22,686
Miscellaneous	<u>0</u>	<u>0</u>	<u>23,804</u>	<u>23,804</u>
Total Revenues	<u>909,684</u>	<u>909,684</u>	<u>562,537</u>	<u>-347,147</u>
EXPENDITURES				
Personal Services				
Salaries	547,300	547,300	425,365	121,935
Employee Benefits	<u>282,200</u>	<u>282,200</u>	<u>221,071</u>	<u>61,129</u>
Total Personal Services	<u>829,500</u>	<u>829,500 (1)</u>	<u>646,436</u>	<u>183,064</u>
Materials and Services				
Office Supplies	8,500	8,500	5,179	3,321
Equipment under \$5,000	20,000	20,000	720	19,280
Travel	5,500	5,500	1,742	3,758
Training	15,000	15,000	9,056	5,944
Membership and Dues	1,000	1,000	453	547
Utilities	22,500	22,500	16,790	5,710
Vehicle Expenses	13,000	13,000	3,873	9,127
Publications and Subscriptions	5,500	5,500	1,302	4,198
Postage	500	500	0	500
Insurance	9,000	9,000	0	9,000
Repairs and Maintenance	15,750	15,750	4,989	10,761
Public Outreach	5,000	5,000	1,500	3,500
Legal	7,500	7,500	0	7,500
Contract Services	36,800	36,800	4,373	32,427
Municipal Lease	5,600	5,600	9,705	-4,105
Software and Software Contract	<u>15,000</u>	<u>15,000</u>	<u>1,177</u>	<u>13,823</u>
Total Materials and Services	<u>186,150</u>	<u>186,150 (1)</u>	<u>60,859</u>	<u>125,291</u>
Contingency	<u>278,867</u>	<u>278,867 (1)</u>	<u>0</u>	<u>278,867</u>
Total Expenditures	<u>1,294,517</u>	<u>1,294,517</u>	<u>707,295</u>	<u>587,222</u>
Excess of Revenues Over, -Under Expenditures	-384,833	-384,833	-144,758	240,075

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009

	<u>BUILDING FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES (CONTINUED)				
OTHER FINANCING SOURCES, -USES				
Transfers Out To:				
Reserve for Replacment Fund	-102,167	-102,167	-60,167	42,000
Debt Service	-78,000	-78,000 (1)	0	78,000
Net Change in Fund Balance	-565,000	-565,000	-204,925	360,075
Beginning Fund Balance	565,000	565,000	764,296	199,296
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 559,371</u>	<u>\$ 559,371</u>

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**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES				
Interest	\$ 50,000	\$ 50,000	\$ 27,252	\$ -22,748
SDC-Storm Drainage	100,000	100,000	67,766	-32,234
SDC-Parks	0	0	55,280	55,280
	<u>150,000</u>	<u>150,000</u>	<u>150,298</u>	<u>298</u>
EXPENDITURES				
Capital Outlay				
SDC Projects-Transportation	170,000	170,000	0	170,000
SDC Projects-Storm Drainage	686,000	686,000	58,962	627,038
SDC Projects-Parks	584,000	584,000	55,530	528,470
	<u>1,440,000</u>	<u>1,440,000</u>	<u>114,492</u>	<u>1,325,508</u>
Total Capital Outlay	<u>1,440,000</u>	<u>1,440,000</u>	<u>114,492</u>	<u>1,325,508</u>
Total Expenditures	<u>1,440,000</u>	<u>1,440,000</u>	<u>114,492</u>	<u>1,325,508</u>
Net Change in Fund Balance	-1,290,000	-1,290,000	35,806	1,325,806
Beginning Fund Balance	<u>1,290,000</u>	<u>1,290,000</u>	<u>1,274,337</u>	<u>-15,663</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,310,143</u>	<u>\$ 1,310,143</u>

(1) Appropriation Level

**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

ROAD IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES				
Interest	\$ 20,000	\$ 20,000	\$ 8,903	\$ -11,097
Privilege Tax	79,470	79,470	88,763	9,293
Total Revenues	<u>99,470</u>	<u>99,470</u>	<u>97,666</u>	<u>-1,804</u>
EXPENDITURES				
Personal Services				
Salaries	19,800	19,800	13,464	6,336
Employee Benefits	9,400	9,400	5,722	3,678
Total Personal Services	<u>29,200</u>	<u>29,200</u> (1)	<u>19,186</u>	<u>10,014</u>
Materials and Services				
Contract Engineering	10,000	10,000	0	10,000
Total Materials and Services	<u>10,000</u>	<u>10,000</u> (1)	<u>0</u>	<u>10,000</u>
Capital Outlay				
Bicycle & Ped Pathways	535,270	535,270	0	535,270
Total Capital Outlay	<u>535,270</u>	<u>535,270</u> (1)	<u>0</u>	<u>535,270</u>
Total Expenditures	<u>574,470</u>	<u>574,470</u>	<u>19,186</u>	<u>555,284</u>
Net Change in Fund Balance	-475,000	-475,000	78,480	553,480
Beginning Fund Balance	<u>475,000</u>	<u>475,000</u>	<u>488,993</u>	<u>13,993</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 567,473</u>	<u>\$ 567,473</u>

(1) Appropriation Level

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009

	<u>PUBLIC SAFETY FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	POSITIVE -NEGATIVE
REVENUES				
Interest	\$ 60,000	\$ 60,000	\$ 36,319	\$ -23,681
Taxes:				
Property Taxes - Current	1,839,000	1,839,000	1,944,209	105,209
Property Taxes - Delinquent	<u>12,000</u>	<u>12,000</u>	<u>46,162</u>	<u>34,162</u>
Total Revenues	<u>1,911,000</u>	<u>1,911,000</u>	<u>2,026,690</u>	<u>115,690</u>
EXPENDITURES				
Personal Services				
Salaries	50,800	50,800	50,108	692
Employee Benefits	<u>24,700</u>	<u>24,700</u>	<u>22,317</u>	<u>2,383</u>
Total Personal Services	<u>75,500</u>	<u>75,500</u> (1)	<u>72,425</u>	<u>3,075</u>
Materials and Services				
Office Supplies	0	0	3,839	-3,839
Equipment under \$5,000	50,000	50,000	9,509	40,491
Travel	0	0	3,945	-3,945
Training	0	0	2,785	-2,785
Utilities	2,500	2,500	7,774	-5,274
Vehicle Operation and Maintenance	5,000	5,000	1,441	3,559
Repairs and Maintenance	1,100	1,100	7,764	-6,664
Emergency Events	131,000	131,000	900	130,100
Public Outreach	0	0	4,257	-4,257
Contract Services	10,000	10,000	23,493	-13,493
Contract Police Protection	<u>2,231,900</u>	<u>2,131,900</u>	<u>1,706,597</u>	<u>425,303</u>
Total Materials and Services	<u>2,431,500</u>	<u>2,331,500</u> (1)	<u>1,772,304</u>	<u>559,196</u>
Capital Outlay				
Equipment - over \$5,000	0	0	5,290	-5,290
Leasehold Improvements	<u>100,000</u>	<u>200,000</u>	<u>174,311</u>	<u>25,689</u>
Total Capital Outlay	<u>100,000</u>	<u>200,000</u> (1)	<u>179,601</u>	<u>20,399</u>
Contingency	<u>850,000</u>	<u>850,000</u> (1)	<u>0</u>	<u>850,000</u>
Total Expenditures	<u>3,457,000</u>	<u>3,457,000</u>	<u>2,024,330</u>	<u>1,432,670</u>
Net Change in Fund Balance	-1,546,000	-1,546,000	2,360	1,548,360
Beginning Fund Balance	<u>1,546,000</u>	<u>1,546,000</u>	<u>1,679,931</u>	<u>133,931</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,682,291</u>	<u>\$ 1,682,291</u>

(1) Appropriation Level

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009

RESERVE FOR REPLACEMENT

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
EXPENDITURES				
Materials and Services				
Equipment under \$5,000	<u>139,282</u>	<u>139,282</u>	<u>15,079</u>	<u>124,203</u>
Total Materials and Services	<u>139,282</u>	<u>139,282</u> (1)	<u>15,079</u>	<u>124,203</u>
Capital Outlay				
Equipment over \$5,000	<u>466,000</u>	<u>466,000</u>	<u>283,191</u>	<u>182,809</u>
Total Capital Outlay	<u>466,000</u>	<u>466,000</u> (1)	<u>283,191</u>	<u>182,809</u>
Contingency	<u>286,987</u>	<u>286,987</u> (1)	<u>0</u>	<u>286,987</u>
Total Expenditures	<u>892,269</u>	<u>892,269</u>	<u>298,270</u>	<u>593,999</u>
OTHER FINANCING SOURCES				
Transfers In				
From General Fund	376,685	376,685	376,685	0
From Street Fund	408,000	408,000	408,000	0
From Building Fund	<u>107,584</u>	<u>107,584</u>	<u>60,167</u>	<u>-47,417</u>
Net Change in Fund Balance	0	0	546,582	546,582
Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 546,582</u>	<u>\$ 546,582</u>

(1) Appropriation Level

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009

	<u>DEBT SERVICE</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE POSITIVE -NEGATIVE
EXPENDITURES				
Debt Service				
Principal Payments	90,000	90,000	90,000	0
Interest Payments	<u>300,000</u>	<u>300,000</u>	<u>207,588</u>	<u>92,412</u>
Total Debt Services	<u>390,000</u>	<u>390,000</u> (1)	<u>297,588</u>	<u>92,412</u>
Total Expenditures	<u>390,000</u>	<u>390,000</u>	<u>297,588</u>	<u>92,412</u>
OTHER FINANCING SOURCES				
Transfers In				
From General Fund	312,000	312,000	297,588	-14,412
From Building Fund	<u>78,000</u>	<u>78,000</u>	<u>0</u>	<u>-78,000</u>
Net Change in Fund Balance	0	0	0	0
Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

(1) Appropriation Level

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

OTHER SUPPLEMENTARY INFORMATION

Other Financial Schedules

**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

<u>NEW CITY HALL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES				
Interest	\$ 75,000	\$ 75,000	\$ 56,118	\$ -18,882
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>56,118</u>	<u>-18,882</u>
EXPENDITURES				
Materials and Services				
Equipment under \$5,000	<u>500,000</u>	<u>500,000</u>	<u>333,172</u>	<u>166,828</u>
Total Materials and Services	<u>500,000</u>	<u>500,000 (1)</u>	<u>333,172</u>	<u>166,828</u>
Capital Outlay				
City Hall	<u>5,575,000</u>	<u>5,575,000</u>	<u>4,167,405</u>	<u>1,407,595</u>
Total Capital Outlay	<u>5,575,000</u>	<u>5,575,000 (1)</u>	<u>4,167,405</u>	<u>1,407,595</u>
Total Expenditures	<u>6,075,000</u>	<u>6,075,000</u>	<u>4,500,577</u>	<u>1,574,423</u>
Net Change in Fund Balance	-6,000,000	-6,000,000	-4,444,459	1,555,541
Beginning Fund Balance	<u>6,000,000</u>	<u>6,000,000</u>	<u>5,793,390</u>	<u>-206,610</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,348,931</u>	<u>\$ 1,348,931</u>

(1) Appropriation Level

**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2009**

TAX YEAR	IMPOSED LEVY OR UNCOL- LECTED AT 7/1/08	DEDUCT DISCOUNTS	ADJUST- MENTS TO ROLLS	ADD INTEREST	CASH COLLEC- TIONS BY COUNTY TREAS- URER	BALANCE UNCOL- LECTED OR UNSEG- REGATED AT 6/30/09
CURRENT:						
2008-2009	\$ 3,092,721	\$ -73,308	\$ -7,358	\$ 736	\$ 2,880,037	\$ 132,754
PRIOR YEARS:						
2007-2008	92,910	40	-2,095	2,607	58,055	35,407
2006-2007	20,671	9	-331	1,075	10,223	11,201
2005-2006	7,001	4	-231	753	4,622	2,905
2004-2005	2,071	0	-66	281	1,492	794
2003-2004 & Prior	1,153	0	-63	56	236	910
Total Prior	123,806	53	-2,786	4,772	74,628	51,217
Total	<u>\$ 3,216,527</u>	<u>\$ -73,255</u>	<u>\$ -10,144</u>	<u>\$ 5,508</u>	<u>\$ 2,954,665</u>	<u>\$ 183,971</u>

RECONCILIATION OF REVENUE:

Cash Collections by County Treasurer Above	\$ 2,954,665
Accrual of Receivables:	
June 30, 2008	-9,855
June 30, 2009	<u>16,639</u>
Total Revenue	<u>\$ 2,961,449</u>

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

CITY OF HAPPY VALLEY, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2009

Introduction

Oregon Administrative Rules 162-10-000 through 162-10-330 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding section of this report. Required comments and disclosures related to our audit of such statements and schedules are contained in this section.

Internal Accounting Control

We have audited the financial statements of City of Happy Valley, Oregon (the City) for the year ended June 30, 2009 and have issued our report thereon dated December 15, 2009.

The management of the City is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control structure, errors or irregularities may never the less occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

CITY OF HAPPY VALLEY, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2009

principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in a separately issued letter to management dated December 15, 2009 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the Honorable Mayor, the City Council, and the State of Oregon, Secretary of State, Division of Audits, and is not intended to be and should not be used by anyone other than these specified parties.

In connection with our audit:

Accounting Records

We found the accounting records of the City to be adequate for audit purposes considering the size and complexity of the municipal corporation.

Collateral

The City was in compliance with ORS Chapter 295 regarding collateral securing deposits for fiscal year ended June 30, 2009.

Indebtedness

During our audit, nothing came to our attention that caused us to believe the City was not in compliance with limitation and the provision of bond indentures and other agreements.

Budgets

We reviewed budgets adopted by the City for the current and ensuing fiscal year. Budget preparation and adoption procedures followed by the City appear to be in compliance with Oregon Local Budget Law (ORS Chapter 294.305 to 294.520).

Insurance and Fidelity Bonds

We reviewed policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering the City-owned property in force at June 30, 2009 are adequate.

CITY OF HAPPY VALLEY, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2009

Programs Funded from Outside Sources

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. The City appeared to have appropriate procedures for making expenditures on behalf of, and reporting for, such programs.

Highway Funds

The City was in compliance with legal requirements pertaining to the use of Highway Funds.

Investments

The City's investments for the year ended June 30, 2009 were tested and appear to be in compliance with Oregon Revised Statutes Chapter 294 with regard to legal restrictions pertaining to the investment of public funds.

Public Contracts and Purchasing

We reviewed and tested the City's procedures for awarding public contracts. The City appears to be in compliance with the cost accounting guidelines developed by the State of Oregon Executive Department with regard to the City's construction projects and ORS Chapter 279 in the awarding of public contracts and the construction of public improvements.

Independently Elected Officials

The Independently Elected Officials of the City do not receive and disburse funds. Accordingly a Schedule of Accountability for Independently Elected Officials is not included.



Merina & Company, LLP
West Linn, Oregon
December 15, 2009

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