



City of Happy Valley, Oregon
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015



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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by

Finance Department
City of Happy Valley, Oregon

Available online at
www.happyvalleyor.gov

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

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INTRODUCTORY SECTION



December 15, 2015

To the Mayor, City Council and
Citizens of the City of Happy Valley:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2015. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Merina & Company, LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

Happy Valley is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains a hometown identity, high quality of life and natural resources and beauty. It currently occupies 9.18 square miles and serves a population of 17,510. The City is authorized to levy a property tax on real property located within its boundaries. It also is allowed by state statute to extend its city limits by annexation, which it has done from time to time.

The City is a municipality that operates under a council/manager form of government. The elected City Council consists of a Mayor and four Councilors who act as the board of directors. The Council sets policies for city government, enacts ordinances and hires, directs and evaluates the City Manager. In turn, the City Manager is the City’s chief executive officer, responsible for overall management and administration. The Council is required to adopt a formal budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City’s financial planning and control.

16000 SE Misty Drive, Happy Valley, Oregon 97086-4288
Telephone: (503) 783-3800 Fax: (503) 658-5174
happyvalleyor.gov

Preserving and enhancing the safety, livability and character of our community

Municipal services are provided by City employees under direction of the City Manager. The City operates its own municipal court, street operations, planning, engineering, fleet management, and park, and contracts with Clackamas County to provide City police services.

Clackamas Fire District provides fire and emergency services to the community. Water, sewer, and storm water management are provided by a variety of service providers who operate within the City. The City lies within Clackamas County, which is headed by a board of commissioners and based in Oregon City. The City is also part of Metro, the tri-county urban services district based in Portland.

Local economy

The City's economy is linked with that of the entire Portland Metropolitan area, but is more insulated from economic downturns because of the high education and skill level of its population. Per capita income is the highest of any city in the state of Oregon.

The City is primarily a residential community with a low ratio of heavy industry and retail based commercial activity. The largest employers are New Seasons Market and Camp Withycombe military base.

Median household incomes within the City are significantly higher than for the state as a whole. According to the year 2010 census, the City's median family income was \$103,633, the county's was \$64,352, while the state's was \$46,560.

Long-term financial planning

Long-term financial planning is performed on an ongoing basis. The controlling document is the City's five-year financial projection which includes reserves by fund that fall within policy guidelines set by Council and reviewed by the Citizen's Budget Committee as part of the annual budget process.

In regard to the City's long-term debt obligations, the City had \$3,750,000 outstanding in full faith and credit obligation bonds as of June 30, 2015. The City has accumulated an ending fund balance of close to two million in the Debt Service fund in anticipation of retiring the remaining outstanding bonds early in January 2017. This will save the City close to \$900k in future interest payments.

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund at year end was \$8,192,024. This amount includes reserve and debt service fund amounts as they are rolled into the General Fund in accordance with Generally Accepted Accounting Principles. The General Operation, Reserve for Replacement, and Debt Service Funds are financed per Council policies. The City's current expenditure levels are tied to development activity which is volatile by nature. The Council requires a certain level of service irrespective of the economic or development climate. It is therefore necessary to have a reserve amount high enough to ensure service quality in the event of an economic downturn. The \$2,000,000 General Operations reserve balance equates to approximately 4 months of expenditures in the General Fund. The Reserve for Replacement Fund ending fund balance of \$1,851,842 is reserved for the purchase and replacement of major assets and facility maintenance expenditures. This allows for a more consistent picture of operating costs in funds as they do not have large fluctuations caused by capital expenditures year to year.

Major Initiatives

This year marks the 50th anniversary of incorporation as a city and there were many celebrations planned throughout the year to promote community spirit.

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This coming 2015-16 fiscal year is the first year of library operations being managed by Happy Valley. We intend to use this year to fully integrate library staff and operations into the City and to better understand their operating model. Leading up to July 1, 2015, city staff worked diligently to ensure a smooth transition.

Police services are funded through a local option levy and currently contracted through Clackamas County. After voters rejected an increase in the rate in November 2014, Council chose to put a ballot measure to the voters at the \$1.38 per thousand rate. The ballot measure passed in May 2015 and we believe adequate revenue will be raised at this rate to support our current service level.

Annexations and development continue to increase the size and population of our city and increase the number of streets which require maintenance. As is the case in most jurisdictions, we have a significant shortfall in revenues required to fund street maintenance at a level consistent with standards. We continue to evaluate alternative revenue sources that will provide adequate funding for required maintenance and eventual replacement of city streets.

New Accounting Statement Implemented

With this audit report, the City implemented Government Accounting Standards Board, GASB Statement 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27. Summarized briefly, this statement requires a government agency to record its relative share of pension related amounts in its statement of net position and statement of activities. Previously, these pension related amounts were only disclosed in the notes to the financial statements. Accordingly, you will now see new line items in the financial statements with terminology to include net pension asset, net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense.

These audited amounts were provided to the City by the actuary of the Oregon Public Employees Retirement System (OPERS) and are now reflected in Happy Valley's statement of net position and statement of activities for fiscal year ended June 30, 2015. This new guidance also required the restatement of the prior year net position. The notes to the basic financial statements and management's discussion and analysis contain further information regarding the effects of implementing this statement.

Awards and Acknowledgements

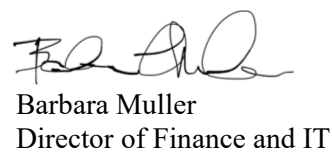
This document has been submitted to the Government Finance Officers Association of the United States and Canada for their award of a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This will be the first year the City submitted a CAFR for this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The preparation of this Comprehensive Annual Financial Report was a combined effort of the dedicated Finance staff. We wish to express our appreciation to everyone who contributed to the preparation of this report. Credit is also given to the Mayor, and Councilors for their unfailing support in maintaining the highest standard of professionalism in the management of the City's finances.

Respectfully submitted,



Jason Tuck
City Manager



Barbara Muller
Director of Finance and IT

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CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

CITY OFFICIALS AS OF JUNE 30, 2015

<u>NAME</u>	<u>TERM EXPIRES</u>
Lori DeRemer – Mayor	December 31, 2018
Michael Morrow – Council President	December 31, 2016
Markley Drake – Council President	December 31, 2018
Tom Ellis	December 31, 2016
Brett Sherman	December 31, 2018

All council members receive mail at the address below.

ADMINISTRATIVE

Jason Tuck, City Manager
16000 SE Misty Drive
Happy Valley, Oregon 97086
(503) 783-3800
www.happyvalleyor.gov

City of Happy Valley Organization Chart

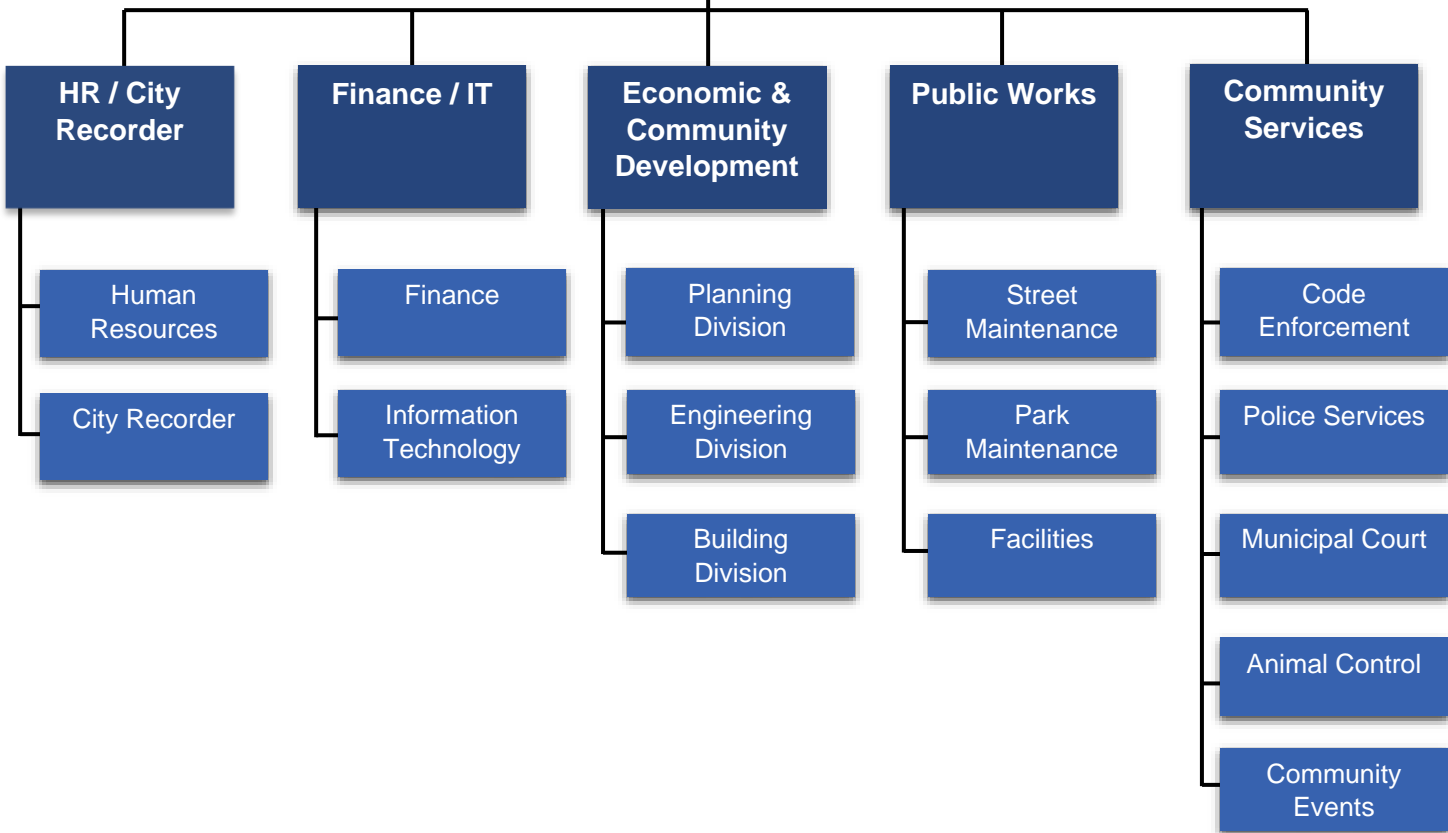
Citizens of Happy Valley



Mayor and Council

City Manager

City Attorney



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Happy Valley, Oregon (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis, the schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

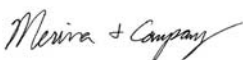
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 15, 2015, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Merina & Company, LLP
West Linn, Oregon
December 15, 2015

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

The management of the City of Happy Valley presents this analysis of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements and notes, which follow this section.

Financial Highlights

At June 30, 2015 the City's total net position was \$62,830,427 which was an increase of \$1,544,713 over the previous year. The increase of \$899,969 in the previous year can be attributed to a thirty percent jump in licenses and permits revenue. These fees are associated with development within in the City. Almost half of the current year increase is due to an adjustment associated with the implementation of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* and is explained on the following page as well as in the notes to the financial statements. Without that adjustment, net position would have increased \$731,523 due to sustained development activity and the associated fees.

The General Fund ended the fiscal year with a total fund balance of \$8,765,060. Of that balance, \$573,036 was nonspendable and restricted for prepaid expenses and franchise fees. The remaining \$8,192,024 was unrestricted with \$5,132,372 committed and \$3,059,652 unassigned. Committed funds are comprised of general operations reserve to be used to offset the cyclical nature of revenue and maintain agreed upon service levels, debt service reserve to be used for early retirement of outstanding bonds, and replacement reserves for the purchase of items based on an agreed upon replacement schedule. Unassigned fund balance is available for general operations.

The full faith and credit obligations end of year balance was \$3,750,000. The decrease of \$215,000 is per the principle payment schedule as presented in the Official Statement for the obligations. The schedule for future principle payments is disclosed in the notes to the financial statements.

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.

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year 2015. GASB Statement No. 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement No. 68 also provides guidance related to the calculation of pension expense (income). Fiscal year 2014 information reported in Tables 1 and 2 herein have been restated to conform to the new reporting and accounting standards.

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 position includes all City assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All current year 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 position and how it has changed. Net position is the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources and are a way to measure the City's financial health. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one must consider additional non-financial factors such as the City's tax base, local and statewide economic and legislative climate, as well as other factors.

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

For the year ended June 30, 2015 the City's assets exceeded its liabilities and deferred inflows of resources by \$62,830,427. Cash and Investments represent 20% of total assets. Long lived capital assets including land, buildings, streets, equipment, and vehicles comprise 78% of total assets. The remaining assets include prepaid items, accounts and property tax receivables, and a net pension asset

Repayment of full faith and credit obligations issued for construction of the city hall facility equals 73% of the City's liabilities. Remaining liabilities are payments to vendors, governments, and accrued personnel costs.

Table 1 – Net Position as of June 30th

	Total 2015	Total 2014 (restated)
Assets		
Current and Other Assets	\$ 14,940,274	\$ 14,201,364
Capital Assets	53,878,533	54,069,887
Total Assets	<u>68,818,807</u>	<u>68,271,251</u>
Deferred Outflows of Resources	<u>334,561</u>	<u>309,867</u>
Liabilities		
Current and Other Liabilities	1,617,332	3,518,680
Non-Current Liabilities	3,554,497	3,776,724
Total Liabilities	<u>5,171,829</u>	<u>7,295,404</u>
Deferred Inflows of Resources	<u>1,151,112</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	50,101,809	50,075,936
Restricted	3,520,302	3,357,477
Unrestricted	9,208,316	7,852,301
Total Net Position	<u>\$ 62,830,427</u>	<u>\$ 61,285,714</u>

The largest part of net position is an investment in capital assets less any outstanding debt used to acquire the assets. The City uses capital assets to provide services to citizens but those capital assets are not available for future spending. The resources needed to repay related debt must come from a source other than the capital assets themselves. The City did not issue general obligation debt, which allows for the imposition of a tax for debt repayment, so an adequate revenue source is required to fund our debt as well as general operations. Total net position of the City is positive and has increased from the prior fiscal year.

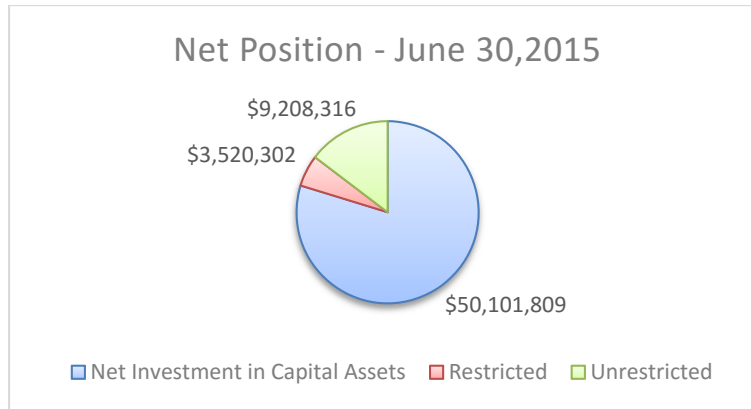


Table 2 - Changes in Net Position

	Total 2015	Total 2014 (restated)
Revenues:		
Program Revenues- Charges for Service	\$ 3,557,205	\$ 3,704,993
General Revenues		
Property Taxes	4,063,743	3,724,620
Gas Tax	930,226	875,088
Intergovernmental	847,935	851,229
Other Revenue	1,784,873	1,411,651
Total Revenues	<u>11,183,982</u>	<u>10,567,581</u>
Expenses:		
General Government	8,427,337	8,447,692
Parks	285,790	281,561
Storm Drainage	2,916	99,158
Streets	764,509	671,559
Interest on long term debt	158,717	167,642
Total Expenses	<u>9,639,269</u>	<u>9,667,612</u>
Change in net position	1,544,713	899,969
Beginning net position	<u>61,285,714</u>	<u>60,385,745</u>
Ending net position	<u>\$ 62,830,427</u>	<u>\$ 61,285,714</u>

The City's total revenues were \$11,183,982 and net position increased by \$1,544,713. This is a large increase compared to prior year's increase of \$899,969. A little over half of this increase is the result of program revenues and property taxes increasing at a faster rate than expenses. The remaining change in net position is due to pension income of \$813,190 which reduces General Government and Streets expenses. This pension income adjustment is a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*.

Development and building within the City is cyclical as are the revenues associated with those activities. To offset this, a reserve fund was created in 2012-13 with additional funding appropriated in subsequent budgets. As of June 30, 2015 the General Operations Reserve fund had a fund balance of \$2,000,000 and is fully funded according to policy.

City streets currently account for 74% of all capital assets owned by the City and 81% of the accumulated depreciation expense. Excluding most new development, many streets within the City do not meet acceptable standards. Even though many streets in the City were built within the last 7-10 years, some of these are already beginning to show signs of wear. Given our low permanent tax rate, the General Fund cannot afford to subsidize street maintenance without sacrificing other operations. The City currently has no adequate revenue source to maintain the inventory of streets, improve streets to acceptable standards, or reserve funds for the inevitable replacement of our streets.

City police services are funded through a local option levy and are currently contracted through Clackamas County. After voters rejected an increase in the rate in November 2014, Council chose to put a ballot measure to the voters at the \$1.38 per thousand rate. The ballot measure passed in May 2015 and we believe adequate revenue will be raised at this rate to support our current service level.

Financial Analysis of the City’s Funds

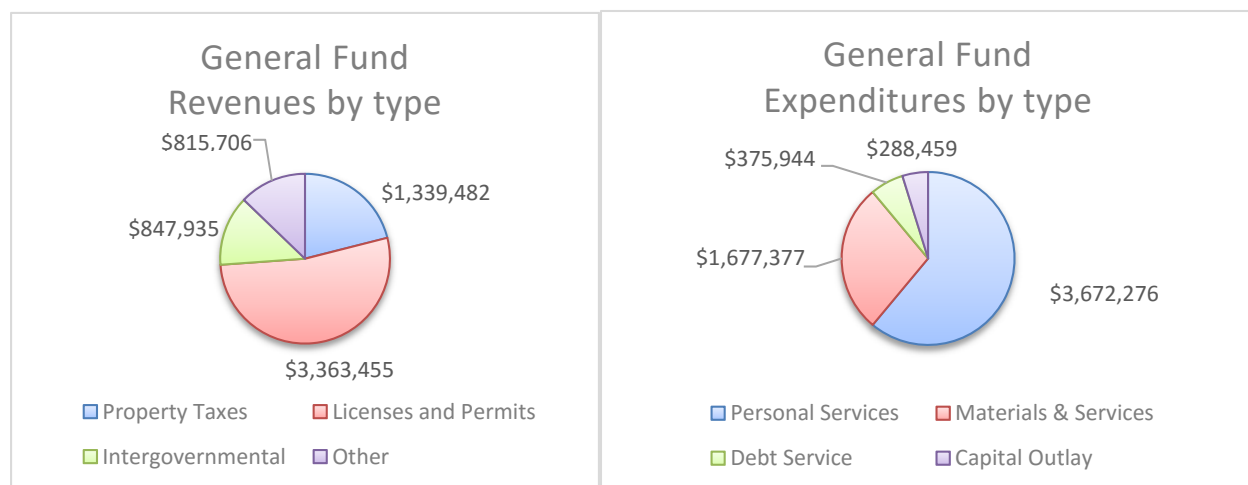
Revenues from governmental fund types totaled \$10,446,861 in 2015. Governmental fund balances totaled \$12,858,271 at June 30, 2015. The following is a summary of changes in governmental fund balances:

City of Happy Valley - Changes in Governmental Fund Balances

	June 30, 2015	June 30, 2014	Change
General Fund	\$ 8,765,060	\$ 9,058,400	\$ (293,340)
Street Fund	1,849,254	921,838	927,416
System Development Fund	700,815	693,579	7,236
Pedestrian Impr Proj Fund	751,284	684,633	66,651
Public Safety Fund	791,858	775,394	16,464

The General Fund decrease was due to large transfers out to reserve funds for early retirement of the City’s outstanding debt, equipment and facility replacement, and a reserve to mitigate the cyclical nature of revenue. The Street Fund increase was due to a change in accounting for amounts collected in lieu of current construction. The Street Fund balance now includes an amount committed for future construction projects. Without those funds the Street Fund would have decreased. This decrease is due to a large street maintenance project completed in the 2014-15 fiscal year. Revenue collected in the Street Fund is only enough to complete one major resurfacing project per year along with some street maintenance per the pavement quality index. The Public Safety Fund increase was the result of more tax revenue collected due to the continued economic upturn and ongoing development activity.

General Fund Budgetary Highlights



The General Fund – Budgetary Basis ending fund balance decreased \$293,340 from the previous year. The decrease is due to increased transfers out. The transfers out to the General Operation Reserve, Reserve for Replacement, and Debt Service Funds were made to per Council policy of reserving amounts for offsetting the volatility of revenues related to development and early payoff of the City’s outstanding debt. Offsetting these sizable transfers out were higher than budgeted revenues. Most notably, planning and engineering fees received were more than double the combined amount budgeted. This is an indication that building permits will very likely significantly increase in the coming year as planned projects come to fruition.

General Fund revenues were in excess of budget by the following amounts:

Revenue Source	Budget	Actual	Difference
Property Taxes	\$ 1,232,640	\$ 1,339,482	\$ 106,842
Franchise Fees	801,650	877,705	76,055
Planning Fees	175,000	495,400	320,400
Engineering Fees	200,000	384,515	184,515
State Shared Revenues	337,575	414,007	76,432
Traffic Fines	400,000	463,849	63,849
User Related Fees	200,000	222,656	22,656

Capital Assets

At June 30, 2015, the City had \$53,878,533 invested in capital assets net of depreciation expense. This is a decrease of \$191,354 from the previous year. The largest capital asset additions were the street additions of \$725,416, park improvements to basketball and tennis courts totaling \$121,127, council chamber upgrades of \$137,463 and a new street sweeper for \$248,316. The decrease is the effect of just over \$1.78M of depreciation expense versus \$1.6M of capital asset additions. Details of the changes in the City’s capital assets are disclosed in the notes to the financial statements.



Long Term Debt

At June 30, 2015, the City had outstanding debt of \$3,750,000. The City issued \$5,000,000 of Full Faith and Credit Obligations Series August 2007 to finance a portion of the new city hall facility. The remaining amount was financed using transfers from the General and Building Department Funds. Beginning in the 2012-13 fiscal year and continuing through the 2015-16 fiscal year the City will reserve enough for the early repayment of bonds. As a result, the Debt Service Fund had an ending fund balance of \$1,990,187 at June 30, 2015. The early payoff of the debt is scheduled for January 2017. Detailed information regarding the City’s long term debt is presented in the notes to the financial statements.

Economic Factors and Next Year’s Budget

As of July 1, 2015, the City took over operations of the Happy Valley Library. The transition of service from Clackamas County was discussed during the initial formation of the library district in 2009. This change increased the total number of City employees by 31 and created a new service provided by the City.

The City continues to evaluate street condition and maintenance levels. An additional revenue source will be required if we expect to maintain streets at an acceptable level. Streets are the City's most expensive asset and as such require we ensure maintenance at a level that provides the best service to our citizens.

The approval of our urban growth management agreement with Clackamas County ensures our area of annexation around the current borders and gives us the ability to diversify our tax base to include more commercial and industrial properties. This diversification will offset the high percentage of residential properties within the City.

The ongoing improvement in the real estate market is predicted to continue for the immediate future and should result in further commercial and residential construction within the City. The increase in construction has significantly decreased the number of currently developed lots and requires undeveloped areas to be planned and developed. This is reflected in the significant increase in planning and engineering fees for fiscal year 2014-15. Those projects will generate building permit fees in the next few years as lots are subdivided and ultimately built on. This ongoing development cycle will continue for the next 20 to 25 years with periods of boom and bust. We are doing what we can to mitigate the effects of the development cycle on our funding for ongoing operations.

The volatility of the development cycle can make it difficult to effectively project and our budget reflects a cautious but optimistic outlook. In the upcoming budget we project both increased revenues and increased expenditures based on a higher population, higher service levels, and increased development. Our annual budget process is used in conjunction with our five-year projection process to assess the long term direction of the City. These processes along with an ongoing review of revenues and expenditures help to ensure our long term organizational sustainability. Our review process is ongoing and allows for changes based on the economic outlook as well as what we see happening in real time.

Contacting the City's Financial Management

The City's financial report is designed to provide the user with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this report or need clarification of the information please contact the City of Happy Valley Director of Finance and IT at: 16000 SE Misty Drive, Happy Valley, OR 97086, phone number 503-783-3800.

BASIC FINANCIAL STATEMENTS

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2015

ASSETS

Cash and Investments	\$ 13,648,712
Prepaid items	46,655
Accounts Receivable	411,877
Property Taxes Receivable	236,474
Net Pension Asset	596,556
Capital Assets:	
Land, non-depreciable, and construction in progress	3,435,117
Building, improvements, equipment, and other capital assets (net of accumulated depreciation)	<u>50,443,416</u>
Total Assets	<u>68,818,807</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount related to pension	<u>334,561</u>
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LIABILITIES

Accounts Payable	462,303
Accrued Payroll Liabilities	111,998
Developer Deposits	237,100
Intergovernmental Payable	460,774
Compensated Absences	122,930
Noncurrent liabilities:	
Bond Related - Due within one year	222,227
Bond Related - noncurrent	<u>3,554,497</u>
Total Liabilities	<u>5,171,829</u>

DEFERRED INFLOWS OF RESOURCES

Deferred amount related to pension	<u>1,151,112</u>
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NET POSITION

Net Investment in Capital Assets	50,101,809
Restricted	3,520,302
Unrestricted	<u>9,208,316</u>
Total Net Position	<u><u>\$ 62,830,427</u></u>

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

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities			
General Government	\$ 8,427,337	\$ 2,485,750	\$ (5,941,587)
Parks	285,790	-	(285,790)
Storm Drainage	2,916	67,584	64,668
Streets	764,509	-	(764,509)
Interest on long term debt	158,717	-	(158,717)
Total Governmental Activities	\$ 9,639,269	\$ 2,553,334	(7,085,935)
General Revenues			
			4,063,743
			930,226
			877,705
			126,166
			847,935
			1,784,873
			8,630,648
			1,544,713
			61,285,714
			\$ 62,830,427

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

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
For the year ended June 30, 2015**

	General Fund Generally Accepted Accounting Principles	Street Fund Generally Accepted Accounting Principles	System Development Fund	Pedestrian Improvement Project Fund	Public Safety Fund Generally Accepted Accounting Principles	Total
ASSETS						
Cash and Investments	\$ 9,219,809	\$ 1,772,438	\$ 1,134,667	\$ 751,284	\$ 770,514	\$ 13,648,712
Prepaid items	46,655	-	-	-	-	46,655
Accounts Receivable	301,486	99,168	-	-	11,223	411,877
Property Taxes Receivable	77,494	-	-	-	158,980	236,474
Total Assets	\$ 9,645,444	\$ 1,871,606	\$ 1,134,667	\$ 751,284	\$ 940,717	\$ 14,343,718
LIABILITIES						
Accounts Payable	\$ 441,738	\$ 15,131	\$ -	\$ -	\$ 5,434	\$ 462,303
Accrued Payroll Liabilities	104,777	7,221	-	-	-	111,998
Developer Deposits	237,100	-	-	-	-	237,100
Intergovernmental Payable	26,922	-	433,852	-	-	460,774
Total Liabilities	810,537	22,352	433,852	-	5,434	1,272,175
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	69,847	-	-	-	143,425	213,272
FUND BALANCES						
Fund Balance By Category						
Nonspendable	46,655	-	-	-	-	46,655
Restricted	526,381	703,309	700,815	751,284	791,858	3,473,647
Committed	5,132,372	1,145,945	-	-	-	6,278,317
Unassigned	3,059,652	-	-	-	-	3,059,652
Total Fund Balances	8,765,060	1,849,254	700,815	751,284	791,858	12,858,271
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 9,645,444	\$ 1,871,606	\$ 1,134,667	\$ 751,284	\$ 940,717	\$ 14,343,718

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

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
For the year ended June 30, 2015

Explanation of certain differences between the balance sheet - governmental funds
and the statement of net position.

Total Fund Balances - governmental funds	\$ 12,858,271
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	53,878,533
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	596,556
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Pension related changes.	(816,551)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(122,930)
Long-term liabilities including bonds payable, are not due and payable in the current period and are not reported in the funds. The premium paid when the bonds were issued was expensed in the governmental funds however it is amortized over the life of the bonds.	(3,776,724)
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Unavailable revenue - property taxes	<u>213,272</u>
Total Net Position	<u><u>\$ 62,830,427</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, 2015**

	General Fund Generally Accepted Accounting Principles	Street Fund Generally Accepted Accounting Principles	System Development Fund	Pedestrian Improvement Project Fund	Public Safety Generally Accepted Accounting Principles	Total
REVENUES						
Property Taxes	\$ 1,339,482	\$ -	\$ -	\$ -	\$ 2,712,556	\$ 4,052,038
Gas Tax Revenue	-	930,226	-	-	-	930,226
Licenses and Permits	3,363,455	-	-	126,166	-	3,489,621
System Development Charges	-	-	67,584	-	-	67,584
Intergovernmental Revenues	847,935	-	-	-	-	847,935
Other Revenue	815,706	165,201	5,762	3,192	69,596	1,059,457
Total Revenues	6,366,578	1,095,427	73,346	129,358	2,782,152	10,446,861
EXPENDITURES						
Current						
General Government	4,569,236	-	-	-	-	4,569,236
Cultural and Recreation	314,936	-	-	-	-	314,936
Public Safety	465,481	-	-	-	2,534,003	2,999,484
Highways and Streets	-	555,049	-	2,857	-	557,906
Debt Service						
Principal	215,000	-	-	-	-	215,000
Interest	160,944	-	-	-	-	160,944
Capital Outlay	288,459	550,359	66,110	-	-	904,928
Total Expenditures	6,014,056	1,105,408	66,110	2,857	2,534,003	9,722,434
Excess of Revenues Over, (Under) Expenditures	352,522	(9,981)	7,236	126,501	248,149	724,427
OTHER FINANCING SOURCES, (USES)						
Transfers In	4,964,038	1,129,900	-	-	50,000	6,143,938
Transfers Out	(5,609,900)	(192,503)	-	(59,850)	(281,685)	(6,143,938)
Total Other Financing Sources, (Uses)	(645,862)	937,397	-	(59,850)	(231,685)	-
Net Change in Fund Balance	(293,340)	927,416	7,236	66,651	16,464	724,427
Beginning Fund Balance	9,058,400	921,838	693,579	684,633	775,394	12,133,844
Ending Fund Balance	\$ 8,765,060	\$ 1,849,254	\$ 700,815	\$ 751,284	\$ 791,858	\$ 12,858,271

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

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, 2015

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

Net Change in Fund Balances - Governmental Funds	\$	724,427
<p>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 depreciation exceeded capital outlay in the current period.</p>		
Fixed Asset Additions (net of disposals)	\$ 1,547,474	
Depreciation Expense (net of disposals)	<u>(1,738,828)</u>	
Net Adjustment		(191,354)
<p>Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense or income.</p>		
		813,190
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences		(30,482)
<p>Repayment of long term debt principal is an expenditure in governmental funds. It is not an expense but a reduction of long-term liabilities on the Statement of Net Position. The premium paid when the debt was issued is amortized over the life of the debt on the Statement of Activities.</p>		
Long term debt	215,000	
Amortization of LTD Premium	<u>2,227</u>	
Net Adjustment		217,227
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenue - Property Taxes		<u>11,705</u>
Change in Net Position	\$	<u><u>1,544,713</u></u>

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 Position and Statements of Activities display information about the reporting government as a whole.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred inflows 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 City's general revenues. These revenues include all development related fees.

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.

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

In the process of aggregating data for the Statement of Net Position 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 report only the net effect on assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

NET POSITION

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* reports equity as Net. The net position balance of \$62,830,427 at June 30, 2015 includes \$50,101,809 invested in capital assets, \$3,520,302 of restricted net position, and \$9,208,316 of unrestricted net position - available for other purposes.

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 - GAAP

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 - GAAP

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

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.

PEDESTRIAN IMPROVEMENT PROJECTS FUND

This fund accounts for pedestrian improvement projects such as bike lanes, pedestrian crossings, pedestrian refuge, sidewalks, and pathways. Revenues in this fund are from other entities, 1.5% privilege tax collected by Portland General Electric which began in 2004, and transfers from the General Fund.

PUBLIC SAFETY FUND - GAAP

This fund accounts for the operations and maintenance of public safety in the City. Revenues in this fund are derived primarily from the four-year law enforcement levy passed by the voters of Happy Valley in 2010.

The following funds are shown in the Other Supplementary Information section and are rolled into the above major funds in the Basic Financial Statements in accordance with GASB Statement number 54.

RESERVE FOR PENSION FUND

This fund sets aside funds to be expended in the future to offset the volatility of the City's pension liability. Revenues are derived from transfers from the General Fund.

RESERVE FOR GENERAL OPERATIONS FUND

This fund holds amounts to be expended in the future to offset the cyclical nature of resources used to provide the general operations of the City. Revenues are derived from transfers from the General Fund.

RESERVE FOR REPLACEMENT FUND

This fund accounts for the future purchase of large dollar items, both maintenance and capital, according to the replacement schedule which is reviewed annually. Revenues are derived from transfers from the General Fund, Street Fund, and Public Safety 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.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. PROPERTY TAXES RECEIVABLE

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Position. 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 Inflows - Unavailable Revenue because it is not deemed available to finance operations 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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information 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 Oregon Local Budget Law. 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.

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.

Budget/GAAP Reporting Differences Financial position, results of operations, and changes in fund balance/net position are reported on the basis of accounting principles generally accepted in the United States of America. The budgetary statements provided as part of the required supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is essentially the same as accounting principles generally accepted in the United States of America with some exceptions. Those exceptions include capital outlay expenditures are expensed when purchased, depreciation and amortization are not calculated, property taxes are recorded as revenue when received, and debt is expensed as paid instead of when incurred.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Currently the City does not own any intangible assets as defined by GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*. Intangible assets can include water rights, rights of way, and internal software development. 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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expenditure) until then. The City has only one type of deferred outflow that qualifies for reporting in this category. This is related to the City's pension plan and consists of employer contributions to OPERS after the measurement date.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and as such will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position.

H. LONG-TERM DEBT

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums 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.

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.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. VESTED COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned unused compensated absences 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. Unused compensated absence 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 or retirement.

K. 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.

L. PREPAID ITEMS

Certain payments to vendors reflect costs that will benefit periods beyond June 30, 2015 and as such are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

M. NET POSITION

Net position is classified in the following three categories:

Net investment in capital assets – 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 position – consists of all other assets that are not included in the other two categories.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. NET POSITION (CONTINUED)

On the **Balance Sheet – Governmental Funds**, fund balances are segregated into separate classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent.

Non-spendable fund balance – The portion that cannot be spent because of form and/or legally or contractually required to remain intact.

Restricted fund balance – Constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments. Constraints also imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – Constraints imposed by City Council in the form of a resolution and requires resolution to remove.

Assigned fund balance – Constraints imposed by City Council who grants that authority to the City Manager. The form used to assign fund balance is a memorandum.

Unassigned fund balance – Fund balance not categorized in one of the other classifications. Only the general fund should report a positive unassigned fund balance amount. For other funds a negative fund balance should be reported if more resources are used than are available in the fund.

The City will use restricted resources first then unrestricted resources as necessary. When only unrestricted resources are available for use the City will use committed resources, then assigned, and then unassigned resources as required.

2. CASH AND INVESTMENTS

Cash and Investments consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 3,200
Demand Deposits	1,251,354
Investments	<u>12,394,158</u>
 Total Cash and Investments	 <u><u>\$ 13,648,712</u></u>

DEPOSITS - Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements is \$1,249,250. Of the current year bank balance, all is covered by federal depository insurance and are held at financial institutions on the list of qualified depositories found on the State of Oregon Treasurer’s website. The accounts are non-interest bearing demand deposit accounts.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS - 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, 2015.

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, 2015. 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
State Treasurer’s Local Government Investment Pool	\$ 12,394,158	\$ 12,394,158	\$ -	\$ -
Total	<u>\$ 12,394,158</u>	<u>\$ 12,394,158</u>	<u>\$ -</u>	<u>\$ -</u>

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.

CONCENTRATION OF RISK – At June 30, 2015, the City had 100% of total investments in the State Treasurer’s Local Government Investment Pool. State statutes do not limit the percentage of investments in this instrument.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in fixed assets for the fiscal year ended June 30, 2015 are as follows:

	Governmental Activities Capital Assets			
	June 30, 2014	Additions	Disposals	June 30, 2015
Capital Assets, not being depreciated				
Land and Improvements	\$ 3,435,117	\$ -	\$ -	\$ 3,435,117
Totals, capital assets not being depreciated	3,435,117	-	-	3,435,117
Capital Assets, being depreciated				
Buildings	10,107,762	35,660	-	10,143,422
Vehicles	679,761	32,322	-	712,083
Other Equipment	538,826	485,326	(51,760)	972,392
Park Improvements	2,778,481	312,032	-	3,090,513
Park Equipment	52,452	8,478	-	60,930
Streets	51,906,063	725,416	-	52,631,479
Totals, capital assets being depreciated	66,063,345	1,599,234	(51,760)	67,610,819
Less: Accumulated Depreciation for:				
Buildings	(1,167,943)	(209,317)	-	(1,377,260)
Vehicles	(298,170)	(65,288)	-	(363,458)
Other Equipment	(223,658)	(73,097)	44,144	(252,611)
Park Improvements	(1,112,311)	(134,665)	-	(1,246,976)
Park Equipment	(24,429)	(5,304)	-	(29,733)
Streets	(12,602,064)	(1,295,301)	-	(13,897,365)
Total Accumulated Depreciation	(15,428,575)	(1,782,972)	44,144	(17,167,403)
Total capital assets, being depreciated, net	50,634,770	(183,738)	(7,616)	50,443,416
Total Governmental Activities	\$ 54,069,887	\$ (183,738)	\$ (7,616)	\$ 53,878,533

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Governmental Activities Depreciation Allocation to Functions

General Government	\$	1,546,007
Parks		52,467
Streets		140,354
Total	\$	<u>1,738,828</u>

4. LONG-TERM DEBT

Full Faith and Credit Obligation Bonds

In August 2007 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
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>\$ 3,750,000</u>	<u>\$ 1,117,244</u>	<u>\$ 4,867,244</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, 2015, was as follows:

	<u>06/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/2015</u>	<u>Due within one Year</u>
Bonds Payable					
Full Faith & Credit Obligation, Series 2007, Interest 4%- 4.25%	\$ 3,965,000	\$ -	\$ 215,000	\$ 3,750,000	\$ 220,000
Plus deferred amounts:					
Bond Premium	28,951	-	2,227	26,724	2,227
Total bonds payable	<u>3,993,951</u>	<u>-</u>	<u>217,227</u>	<u>3,776,724</u>	<u>222,227</u>
Compensated Absences	<u>92,448</u>	<u>122,930</u>	<u>92,448</u>	<u>122,930</u>	<u>122,930</u>
Total Long-term liabilities	<u>\$ 4,086,399</u>	<u>\$ 122,930</u>	<u>\$ 309,675</u>	<u>\$ 3,899,654</u>	<u>\$ 345,157</u>

5. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	<u>General Fund - GAAP</u>	<u>Street Fund - GAAP</u>	<u>Public Safety Fund - GAAP</u>	<u>Pedestrian Improvement Projects</u>	<u>Total Interfund Transfers</u>
Transfers In	\$ 4,964,038	\$ 1,129,900	\$ 50,000	\$ -	\$ 6,143,938
Transfers Out	(5,609,900)	(192,503)	(281,685)	(59,850)	(6,143,938)
	<u>\$ (645,862)</u>	<u>\$ 937,397</u>	<u>\$ (231,685)</u>	<u>\$ (59,850)</u>	<u>\$ -</u>

Transfers are budgeted and recorded to show legal commitments between funds. The principal purposes of these transfers was to fund the reserve funds to budgeted levels and to share the costs of General Fund administration as calculated in the City's cost allocation plan.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. COMPENSATED ABSENCES PAYABLE

At June 30, 2015, the City's liability for compensated absences is estimated at \$122,930. Compensated absences are generally liquidated by the general fund. As compensated absences are due and payable on demand, they are considered due within one year.

7. PENSION PLAN

General Information about the Pension Plan

Plan description. The City is a participating employer in the Oregon Public Employee Retirement System (PERS)—a cost-sharing multiple employer defined benefit pension plan administered under ORS 238 and Internal Revenue Service 401(a) by the Public Employees Retirement Board (PERB). PERB issues a publicly available financial report that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Plan Benefits

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

Tier One/Tier Two Retirement Benefit. Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (CONTINUED)

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

OPSRP Pension Program (OPSRP DB)

Pension Benefits. The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (CONTINUED)

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

IAP Plan Description:

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$310,009, excluding amounts to fund employer specific liabilities. The current rate effective July 1, 2013 is 15.07% of covered payroll for Tier 1/2 employees and 11.11% for OPSRP employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$596,556 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2014, the City's proportion was 0.0263 percent, which was unchanged from its proportion measured as of June 30, 2013.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2015, the City recognized pension income of \$813,190. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,151,112
Changes in proportion and differences between City contributions and proportionate share of contributions	24,552	-
Total (prior post MD contributions)	\$ 24,552	\$ 1,151,112
Contributions subsequent to the MD	310,009	-
Net Deferred Outflows (inflow) of Resources		\$ (816,551)

\$816,551 reported as net deferred inflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ (282,440)
2017	(282,440)
2018	(282,440)
2019	(282,440)
2020	3,200
Thereafter	-

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentate of the RP-2000 statistic combined disabled mortality sex-distinct table.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.75%

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 1,263,291	\$ (596,556)	\$ (2,169,551)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions Subsequent to Measurement Date:

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. Restoration payments to those benefit recipients will be made in the future.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and will not be included in the net pension liability (asset) proportionate shares provided to employers in June 30, 2015.

8. 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.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. 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.

10. CABLE PEG FEES

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 \$526,381 are currently held as Restricted Fund Balance.

11. 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.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. FUND BALANCE DETAIL

	General Fund GAAP	Street Fund GAAP	SDC Fund	Pedestrian Improv Project	Public Safety GAAP	Total
Fund Balances:						
Nonspendable	\$ 46,655	\$ -	\$ -	\$ -	\$ -	\$ 46,655
Restricted						
PEG	526,381	-	-	-	-	526,381
Street Maint	-	703,309	-	-	-	703,309
SDC Projects	-	-	700,815	-	-	700,815
Ped Improvements	-	-	-	751,284	-	751,284
Public Safety	-	-	-	-	791,858	791,858
	<u>526,381</u>	<u>703,309</u>	<u>700,815</u>	<u>751,284</u>	<u>791,858</u>	<u>3,473,647</u>
Committed						
Construction Fees	-	1,145,945	-	-	-	1,145,945
General Ops	2,000,000	-	-	-	-	2,000,000
Replacement	1,142,185	-	-	-	-	1,142,185
Debt Service	1,990,187	-	-	-	-	1,990,187
	<u>5,132,372</u>	<u>1,145,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,278,317</u>
Unassigned	<u>3,059,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,059,652</u>
Total Fund Balances	<u>\$ 8,765,060</u>	<u>\$ 1,849,254</u>	<u>\$ 700,815</u>	<u>\$ 751,284</u>	<u>\$ 791,858</u>	<u>\$ 12,858,271</u>

13. NEW ACCOUNTING PRONOUNCEMENT – GASB STATEMENT NO. 68 AND 71

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The City implemented GASB Statement No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note 7 - Pension Plan and Note 15 - Change in Accounting Principle.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

14. CHANGE IN ACCOUNTING PRINCIPLE

Based on implementation of GASB Statement No. 68 and 71, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. Net position has been restated as follows:

	<u>Governmental Activities</u>
Net position - beginning (as originally reported)	\$ 62,318,899
Cumulative effect of change in accounting principle	<u>(1,033,185)</u>
Net position - beginning (as restated)	<u>\$ 61,285,714</u>

15. SUBSEQUENT EVENT

Beginning July 1, 2015, operations of the Sunnyside Library transferred from Clackamas County to the City. The new Library Fund has budgeted resources of \$4,781,154 and requirements, less transfers and contingency, of \$2,068,500. The staff consisting of 15.15 FTE became employees of the City beginning July 1, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2015

GENERAL FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,232,640	\$ 1,232,640	\$ 1,339,482	\$ 106,842
Licenses & Permits	2,881,450	2,881,450	3,363,455	482,005
Intergovernmental	878,875	878,875	847,935	(30,940)
Other Revenue	800,000	800,000	815,706	15,706
Total Revenues	<u>5,792,965</u>	<u>5,792,965</u>	<u>6,366,578</u>	<u>573,613</u>
EXPENDITURES				
Current:				
General Government	5,952,100	5,952,100	4,569,236	1,382,864
Cultural and Recreation	522,600	522,600	314,936	207,664
Public Safety	551,500	551,500	465,481	86,019
Debt Service				
Principal	215,000	215,000	215,000	-
Interest	165,000	165,000	160,944	4,056
Capital Outlay	1,236,086	1,236,086	288,459	947,627
Contingency	1,784,903	1,834,903	-	1,834,903
Total Expenditures	<u>10,427,189</u>	<u>10,477,189</u>	<u>6,014,056</u>	<u>4,463,133</u>
Excess of Revenues Over, (Under) Expenditures	<u>(4,634,224)</u>	<u>(4,684,224)</u>	<u>352,522</u>	<u>5,036,746</u>
OTHER FINANCING SOURCES, (USES)				
Transfers In	4,964,038	4,964,038	4,964,038	-
Transfers Out	(5,609,900)	(5,609,900)	(5,609,900)	-
Total Other Financing Sources, (Uses)	<u>(645,862)</u>	<u>(645,862)</u>	<u>(645,862)</u>	<u>-</u>
Net Change in Fund Balance	(5,280,086)	(5,330,086)	(293,340)	5,036,746
Beginning Fund Balance - Budgetary Basis	<u>9,266,216</u>	<u>9,316,216</u>	<u>9,058,400</u>	<u>(257,816)</u>
Ending Fund Balance - Budgetary Basis	<u>\$ 3,986,130</u>	<u>\$ 3,986,130</u>	<u>\$ 8,765,060</u>	<u>\$ 4,778,930</u>

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, 2015

<u>STREET FUND - GAAP BASIS</u>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Gas Tax Revenue	\$ 865,200	\$ 865,200	\$ 930,226	\$ 65,026
Other Revenue	42,000	42,000	165,201	123,201
Total Revenues	<u>907,200</u>	<u>907,200</u>	<u>1,095,427</u>	<u>188,227</u>
EXPENDITURES				
Current:				
Highways and Streets	641,200	641,200	555,049	86,151
Capital Outlay	1,151,411	1,151,411	550,359	601,052
Total Expenditures	<u>1,792,611</u>	<u>1,792,611</u>	<u>1,105,408</u>	<u>687,203</u>
Excess of Revenues Over, (Under) Expenditures	<u>(885,411)</u>	<u>(885,411)</u>	<u>(9,981)</u>	<u>875,430</u>
OTHER FINANCING SOURCES, (USES)				
Transfers In	1,129,900	1,129,900	1,129,900	-
Transfers Out To:				
General Fund	(192,503)	(192,503)	(192,503)	-
Total Other Financing Sources, (Uses)	<u>937,397</u>	<u>937,397</u>	<u>937,397</u>	<u>-</u>
Net Change in Fund Balance	51,986	51,986	927,416	875,430
Beginning Fund Balance - Budgetary Basis	<u>977,914</u>	<u>977,914</u>	<u>921,838</u>	<u>(56,076)</u>
Ending Fund Balance - Budgetary Basis	<u>\$ 1,029,900</u>	<u>\$ 1,029,900</u>	<u>\$ 1,849,254</u>	<u>\$ 819,354</u>

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, 2015

SYSTEM DEVELOPMENT FUND

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 4,000	\$ 4,000	\$ 5,762	\$ 1,762
SDC-Storm Drainage	50,000	50,000	67,584	17,584
Total Revenues	<u>54,000</u>	<u>54,000</u>	<u>73,346</u>	<u>19,346</u>
EXPENDITURES				
Capital Outlay				
SDC Projects-Storm Drainage	640,000	640,000	2,916	637,084
SDC Projects-Parks	124,400	124,400	63,194	61,206
Total Capital Outlay	<u>764,400</u>	<u>764,400</u> (1)	<u>66,110</u>	<u>698,290</u>
Total Expenditures	<u>764,400</u>	<u>764,400</u>	<u>66,110</u>	<u>698,290</u>
Net Change in Fund Balance	(710,400)	(710,400)	7,236	717,636
Beginning Fund Balance	<u>710,400</u>	<u>710,400</u>	<u>693,579</u>	<u>(16,821)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,815</u>	<u>\$ 700,815</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, 2015

PEDESTRIAN IMPROVEMENT PROJECTS FUND

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 2,000	\$ 2,000	\$ 3,192	\$ 1,192
Privilege Tax	108,000	108,000	126,166	18,166
Total Revenues	<u>110,000</u>	<u>110,000</u>	<u>129,358</u>	<u>19,358</u>
EXPENDITURES				
Current:				
Highways and Streets	10,000	10,000	2,857	7,143
Capital Outlay	723,150	723,150	-	723,150
Total Expenditures	<u>733,150</u>	<u>733,150</u>	<u>2,857</u>	<u>730,293</u>
Excess of Revenues Over, (Under) Expenditures	<u>(623,150)</u>	<u>(623,150)</u>	<u>126,501</u>	<u>749,651</u>
OTHER FINANCING SOURCES, (USES)				
Transfers Out To:				
General Fund	<u>(59,850)</u>	<u>(59,850) (1)</u>	<u>(59,850)</u>	<u>-</u>
Net Change in Fund Balance	(683,000)	(683,000)	66,651	749,651
Beginning Fund Balance	<u>683,000</u>	<u>683,000</u>	<u>684,633</u>	<u>1,633</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 751,284</u>	<u>\$ 751,284</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, 2015

	<u>PARK FUND</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 6,000,000	\$ 6,000,000	\$ -	\$ (6,000,000)
Miscellaneous Revenue	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total Revenues	<u>6,025,000</u>	<u>6,025,000</u>	<u>-</u>	<u>(6,025,000)</u>
EXPENDITURES				
Current:				
Cultural and Recreation	500,000	500,000 (1)	-	500,000
Capital Outlay	<u>5,525,000</u>	<u>5,525,000 (1)</u>	<u>-</u>	<u>5,525,000</u>
Total Expenditures	<u>6,025,000</u>	<u>6,025,000</u>	<u>-</u>	<u>6,025,000</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2015

<u>PUBLIC SAFETY FUND - GAAP BASIS</u>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 2,574,000	\$ 2,574,000	\$ 2,712,556	\$ 138,556
Other Revenue	40,000	40,000	69,596	29,596
Total Revenues	<u>2,614,000</u>	<u>2,614,000</u>	<u>2,782,152</u>	<u>168,152</u>
EXPENDITURES				
Current:				
Public Safety	2,715,050	2,715,050	2,534,003	181,047
Contingency	427,265	427,265	-	427,265
Total Expenditures	<u>3,142,315</u>	<u>3,142,315</u>	<u>2,534,003</u>	<u>608,312</u>
Excess of Revenues Over, (Under) Expenditures	<u>(528,315)</u>	<u>(528,315)</u>	<u>248,149</u>	<u>776,464</u>
OTHER FINANCING (USES)				
Transfers In	50,000	50,000	50,000	-
Transfers Out	<u>(281,685)</u>	<u>(281,685)</u>	<u>(281,685)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>(231,685)</u>	<u>(231,685)</u>	<u>(231,685)</u>	<u>-</u>
Net Change in Fund Balance	(760,000)	(760,000)	16,464	776,464
Beginning Fund Balance - Budgetary Basis	<u>760,000</u>	<u>760,000</u>	<u>775,394</u>	<u>15,394</u>
Ending Fund Balance - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,858</u>	<u>\$ 791,858</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2015**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) COHV covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.03 %	\$ (596,556)	\$ 2,488,209	(24.0) %	103.6 %
2014	0.03	1,343,052	2,380,983	56.4	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2015	\$ 310,009	\$ 310,009	\$ -	\$ 2,488,209	12.5 %
2014	309,867	309,867	-	2,380,983	13.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

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OTHER SUPPLEMENTARY INFORMATION

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

**COMBINING BALANCE SHEET
GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
For the year ended June 30, 2015**

	General Fund Budgetary Basis	General Ops Reserve Fund Budgetary Basis	Reserve For Replacement Budgetary Basis*	Debt Service Budgetary Basis	General Fund Generally Accepted Accounting Principles
ASSETS					
Cash and Investments	\$ 3,535,309	\$ 2,000,000	\$ 1,694,313	\$ 1,990,187	\$ 9,219,809
Prepaid Items	46,655	-	-	-	46,655
Accounts Receivable	263,171	-	38,315	-	301,486
Property Taxes Receivable	77,494	-	-	-	77,494
Total Assets	\$ 3,922,629	\$ 2,000,000	\$ 1,732,628	\$ 1,990,187	\$ 9,645,444
LIABILITIES					
Accounts Payable	\$ 377,676	\$ -	\$ 64,062	\$ -	\$ 441,738
Payroll and Taxes Payable	104,777	-	-	-	104,777
Development Deposits	237,100	-	-	-	237,100
Due to Other Governments	26,922	-	-	-	26,922
Total Liabilities	746,475	-	64,062	-	810,537
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	69,847	-	-	-	69,847
FUND BALANCES					
Fund Balance By Category					
Nonspendable	46,655	-	-	-	46,655
Restricted	-	-	526,381	-	526,381
Committed	-	2,000,000	1,142,185	1,990,187	5,132,372
Unassigned	3,059,652	-	-	-	3,059,652
Total Fund Balances	3,106,307	2,000,000	1,668,566	1,990,187	8,765,060
Total Liabilities, Deferred Outflows, and Fund Balances	\$ 3,922,629	\$ 2,000,000	\$ 1,732,628	\$ 1,990,187	\$ 9,645,444

* Portion of this fund is allocated to the COMBINING BALANCE SHEET -
PUBLIC SAFETY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
STREET FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

**COMBINING BALANCE SHEET
STREET FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
For the year ended June 30, 2015**

	Street Fund Budgetary Basis	Reserve For Replacement Budgetary Basis*	Street Fund Generally Accepted Accounting Principles
ASSETS			
Cash and Investments	\$ 1,639,162	\$ 133,276	\$ 1,772,438
Accounts Receivable	99,168	-	99,168
Total Assets	\$ 1,738,330	\$ 133,276	\$ 1,871,606
LIABILITIES			
Accounts Payable	\$ 15,131	\$ -	\$ 15,131
Accrued Payroll	7,221	-	7,221
Total Liabilities	22,352	-	22,352
FUND BALANCES			
Fund Balance By Category			
Restricted	570,033	133,276	703,309
Committed	1,145,945	-	1,145,945
Total Fund Balances	1,715,978	133,276	1,849,254
Total Liabilities and Fund Balances	\$ 1,738,330	\$ 133,276	\$ 1,871,606

* Portion of this fund is allocated to the COMBINING BALANCE SHEET -
GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
PUBLIC SAFETY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

**COMBINING BALANCE SHEET
PUBLIC SAFETY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
For the year ended June 30, 2015**

	Public Safety Fund Budgetary Basis	Reserve For Replacement Budgetary Basis*	Public Safety Fund Generally Accepted Accounting Principles
ASSETS			
Cash and Investments	\$ 720,514	\$ 50,000	\$ 770,514
Accounts Receivable	11,223	-	11,223
Property Taxes Receivable	158,980	-	158,980
Total Assets	\$ 890,717	\$ 50,000	\$ 940,717
LIABILITIES			
Accounts Payable	\$ 5,434	\$ -	\$ 5,434
Total Liabilities	5,434	-	5,434
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	143,425	-	143,425
FUND BALANCES			
Fund Balance By Category			
Restricted	741,858	-	741,858
Unassigned	-	50,000	50,000
Total Fund Balances	741,858	50,000	791,858
Total Liabilities, Deferred Inflows of of Resouces, and Fund Balances	\$ 890,717	\$ 50,000	\$ 940,717

* Portion of this fund is allocated to the COMBINING BALANCE SHEET -
GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
STREET FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
For the year ended June 30, 2015**

	General Fund Budgetary Basis	Gen Ops Reserve Fund Budgetary Basis	Pension Reserve Fund Budgetary Basis	Reserve for Replacement Budgetary Basis *	Debt Service Budgetary Basis	General Fund Generally Accepted Accounting Principles
REVENUES						
Property Taxes	\$ 1,339,482	\$ -	\$ -	\$ -	\$ -	\$ 1,339,482
Licenses & Permits	3,363,455	-	-	-	-	3,363,455
Intergovernmental	847,935	-	-	-	-	847,935
Other Revenue	667,058	-	-	148,648	-	815,706
Total Revenues	6,217,930	-	-	148,648	-	6,366,578
EXPENDITURES						
Current:						
General Government	4,186,904	-	-	382,332	-	4,569,236
Cultural and Recreation	314,936	-	-	-	-	314,936
Public Safety	465,481	-	-	-	-	465,481
Debt Service						
Principal	-	-	-	-	215,000	215,000
Interest	-	-	-	-	160,944	160,944
Capital Outlay	-	-	-	288,459	-	288,459
Total Expenditures	4,967,321	-	-	670,791	375,944	6,014,056
Excess of Revenues Over, (Under) Expenditures	1,250,609	-	-	(522,143)	(375,944)	352,522
OTHER FINANCING SOURCES, (USES)						
Transfers In	624,038	800,000	-	1,550,000	1,990,000	4,964,038
Transfers Out	(5,369,900)	-	(240,000)	-	-	(5,609,900)
Total Other Financing Sources, (Uses)	(4,745,862)	800,000	(240,000)	1,550,000	1,990,000	(645,862)
Net Change in Fund Balance	(3,495,253)	800,000	(240,000)	1,027,857	1,614,056	(293,340)
Beginning Fund Balance	6,601,560	1,200,000	240,000	640,709	376,131	9,058,400
Ending Fund Balance	\$ 3,106,307	\$ 2,000,000	\$ -	\$ 1,668,566	\$ 1,990,187	\$ 8,765,060

* Portion of this fund is allocated to the COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
- STREET FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
- PUBLIC SAFETY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - STREET FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

For the year ended June 30, 2015

	Street Fund Budgetary Basis	Reserve for Replacement Budgetary Basis*	Street Fund Generally Accepted Accounting Principles
REVENUES			
Gas Tax Revenue	\$ 930,226	\$ -	\$ 930,226
Other Revenue	165,201	-	165,201
Total Revenues	1,095,427	-	1,095,427
EXPENDITURES			
Current:			
Street	555,049	-	555,049
Capital Outlay	269,721	280,638	550,359
Total Expenditures	824,770	280,638	1,105,408
Excess of Revenues Over, (Under) Expenditures	270,657	(280,638)	(9,981)
OTHER FINANCING SOURCES, (USES)			
Transfers In	1,029,900	100,000	1,129,900
Transfers Out	(192,503)	-	(192,503)
Total Other Financing Sources, (Uses)	837,397	100,000	937,397
Net Change in Fund Balance	1,108,054	(180,638)	927,416
Beginning Fund Balance	607,924	313,914	921,838
Ending Fund Balance	<u>\$ 1,715,978</u>	<u>\$ 133,276</u>	<u>\$ 1,849,254</u>

* Portion of this fund is allocated to the COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
- GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
- PUBLIC SAFETY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - PUBLIC SAFETY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

For the year ended June 30, 2015

	Public Safety Fund Budgetary Basis	Reserve for Replacement Budgetary Basis*	Public Safety Fund Generally Accepted Accounting Principles
REVENUES			
Property Taxes	\$ 2,712,556	\$ -	\$ 2,712,556
Other Revenue	69,596	-	69,596
Total Revenues	<u>2,782,152</u>	<u>-</u>	<u>2,782,152</u>
EXPENDITURES			
Current:			
Public Safety	2,534,003	-	2,534,003
Total Expenditures	<u>2,534,003</u>	<u>-</u>	<u>2,534,003</u>
Excess of Revenues Over, (Under) Expenditures	248,149	-	248,149
OTHER FINANCING SOURCES, (USES)			
Transfers In	-	50,000	50,000
Transfers Out	(281,685)	-	(281,685)
Total Other Financing Sources, (Uses)	<u>(281,685)</u>	<u>50,000</u>	<u>(231,685)</u>
Net Change in Fund Balance	(33,536)	50,000	16,464
Beginning Fund Balance	<u>775,394</u>	<u>-</u>	<u>775,394</u>
Ending Fund Balance	<u>\$ 741,858</u>	<u>\$ 50,000</u>	<u>\$ 791,858</u>

* Portion of this fund is allocated to the COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
- GENERAL FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
- STREET FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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, 2015

<u>GENERAL FUND - BUDGETARY BASIS</u>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 1,232,640	\$ 1,232,640	\$ 1,339,482	\$ 106,842
Licenses, Fees, and Permits:				
Franchise Fees	801,650	801,650	877,705	76,055
Building Permits and Fees	1,504,800	1,504,800	1,383,179	(121,621)
Planning Fees	175,000	175,000	495,400	320,400
Engineering Fees	200,000	200,000	384,515	184,515
User Related Fees	200,000	200,000	222,656	22,656
Total Licenses, Fees, and Permits	<u>2,881,450</u>	<u>2,881,450</u>	<u>3,363,455</u>	<u>482,005</u>
Intergovernmental:				
State Shared Revenues	337,575	337,575	414,007	76,432
Intergovernmental	541,300	541,300	433,928	(107,372)
Total Intergovernmental	<u>878,875</u>	<u>878,875</u>	<u>847,935</u>	<u>(30,940)</u>
Other Revenue:				
Traffic Fines	400,000	400,000	463,849	63,849
Municipal Court	80,000	80,000	44,658	(35,342)
Miscellaneous Revenue	200,000	200,000	158,551	(41,449)
Total Other Revenue	<u>680,000</u>	<u>680,000</u>	<u>667,058</u>	<u>(12,942)</u>
Total Revenues	<u>5,672,965</u>	<u>5,672,965</u>	<u>6,217,930</u>	<u>544,965</u>

Continued on next page

**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, 2015**

<u>GENERAL FUND - BUDGETARY BASIS</u>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Personal Services				
Salaries	\$ 2,628,200	\$ 2,628,200	\$ 2,402,388	\$ 225,812
Employee Benefits	1,558,400	1,558,400	1,269,888	288,512
Total Personal Services	<u>4,186,600</u>	<u>4,186,600 (1)</u>	<u>3,672,276</u>	<u>514,324</u>
Materials and Services				
Supplies	81,000	81,000	88,310	(7,310)
Professional Development	156,300	156,300	164,423	(8,123)
Public Accountability	36,000	36,000	26,324	9,676
Utilities	110,000	110,000	113,415	(3,415)
Vehicle Operation and Maintenance	60,000	60,000	46,997	13,003
Repairs and Maintenance	137,000	137,000	126,170	10,830
Facility & Office Service Contracts	110,000	110,000	83,487	26,513
Public Outreach	150,000	150,000	130,286	19,714
General Operating	146,500	146,500	131,201	15,299
Legal	102,000	102,000	87,790	14,210
Public Safety Related	55,000	55,000	32,869	22,131
Park and Rec Grant	161,300	161,300	-	161,300
Contract Services	490,500	490,500	263,773	226,727
Total Materials and Services	<u>1,795,600</u>	<u>1,795,600 (1)</u>	<u>1,295,045</u>	<u>500,555</u>
Contingency	<u>1,784,903</u>	<u>1,834,903 (1)</u>	<u>-</u>	<u>1,834,903</u>
Total Expenditures	<u>7,767,103</u>	<u>7,817,103</u>	<u>4,967,321</u>	<u>2,849,782</u>
Excess of Revenues Over, (Under) Expenditures	(2,094,138)	(2,144,138)	1,250,609	3,394,747
OTHER FINANCING SOURCES, (USES)				
Transfers In	624,038	624,038	624,038	-
Transfers Out To:				
Street Fund	(1,029,900)	(1,029,900) (1)	(1,029,900)	-
Reserve for General Operations Fund	(800,000)	(800,000) (1)	(800,000)	-
Reserve for Replacement Fund	(1,550,000)	(1,550,000) (1)	(1,550,000)	-
Debt Service Fund	(1,990,000)	(1,990,000) (1)	(1,990,000)	-
Total Other Financing Sources, (Uses)	<u>(4,745,862)</u>	<u>(4,745,862)</u>	<u>(4,745,862)</u>	<u>-</u>
Net Change in Fund Balance	(6,840,000)	(6,890,000)	(3,495,253)	3,394,747
Beginning Fund Balance - Budgetary Basis	<u>6,840,000</u>	<u>6,890,000</u>	<u>6,601,560</u>	<u>(288,440)</u>
Ending Fund Balance - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,106,307</u>	<u>\$ 3,106,307</u>

(1) Appropriation Level

Continued from previous page

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, 2015

<u>STREET FUND - BUDGETARY BASIS</u>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 40,000	\$ 40,000	\$ 29,977	\$ (10,023)
Gas Tax Revenue	865,200	865,200	930,226	65,026
Miscellaneous Revenue	<u>2,000</u>	<u>2,000</u>	<u>135,224</u>	<u>133,224</u>
Total Revenues	<u>907,200</u>	<u>907,200</u>	<u>1,095,427</u>	<u>188,227</u>
EXPENDITURES				
Personal Services				
Salaries	189,900	189,900	182,748	7,152
Employee Benefits	<u>150,000</u>	<u>150,000</u>	<u>126,275</u>	<u>23,725</u>
Total Personal Services	<u>339,900</u>	<u>339,900</u> (1)	<u>309,023</u>	<u>30,877</u>
Materials and Services				
Supplies	8,000	8,000	8,015	(15)
Professional Development	5,300	5,300	5,140	160
Utilities	11,000	11,000	8,265	2,735
Vehicle Expenses	40,000	40,000	20,905	19,095
Repairs and Maintenance	110,000	110,000	135,992	(25,992)
General Operating	17,000	17,000	22,594	(5,594)
Contract Services	<u>110,000</u>	<u>110,000</u>	<u>45,115</u>	<u>64,885</u>
Total Materials and Services	<u>301,300</u>	<u>301,300</u> (1)	<u>246,026</u>	<u>55,274</u>
Capital Outlay				
Street Reconstruction	<u>737,497</u>	<u>737,497</u>	<u>269,721</u>	<u>467,776</u>
Total Capital Outlay	<u>737,497</u>	<u>737,497</u> (1)	<u>269,721</u>	<u>467,776</u>
Total Expenditures	<u>1,378,697</u>	<u>1,378,697</u>	<u>824,770</u>	<u>553,927</u>
Excess of Revenues Over, (Under) Expenditures	<u>(471,497)</u>	<u>(471,497)</u>	<u>270,657</u>	<u>742,154</u>
OTHER FINANCING SOURCES, (USES)				
Transfers In	1,029,900	1,029,900	1,029,900	-
Transfers Out To:				
General Fund	(92,503)	(92,503) (1)	(92,503)	-
Reserve for Replacement	<u>(100,000)</u>	<u>(100,000)</u> (1)	<u>(100,000)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>837,397</u>	<u>837,397</u>	<u>837,397</u>	<u>-</u>
Net Change in Fund Balance	365,900	365,900	1,108,054	742,154
Beginning Fund Balance - Budgetary Basis	<u>664,000</u>	<u>664,000</u>	<u>607,924</u>	<u>(56,076)</u>
Ending Fund Balance - Budgetary Basis	<u>\$ 1,029,900</u>	<u>\$ 1,029,900</u>	<u>\$ 1,715,978</u>	<u>\$ 686,078</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, 2015

<u>PUBLIC SAFETY FUND - BUDGETARY BASIS</u>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Misc Revenue	\$ 40,000	\$ 40,000	\$ 69,596	\$ 29,596
Property Taxes	<u>2,574,000</u>	<u>2,574,000</u>	<u>2,712,556</u>	<u>138,556</u>
Total Revenues	<u>2,614,000</u>	<u>2,614,000</u>	<u>2,782,152</u>	<u>168,152</u>
EXPENDITURES				
Materials and Services				
Office Supplies	7,000	7,000	10,176	(3,176)
Professional Development	10,000	10,000	8,904	1,096
Utilities	16,000	16,000	16,652	(652)
Vehicle Operation and Maintenance	4,000	4,000	1,717	2,283
Repairs and Maintenance	21,000	21,000	8,819	12,181
Public Outreach	25,000	25,000	12,804	12,196
Legal	5,000	5,000	-	5,000
Contract Services	30,000	30,000	11,960	18,040
Contract Police Services	<u>2,547,050</u>	<u>2,547,050</u>	<u>2,462,971</u>	<u>84,079</u>
Total Materials and Services	<u>2,665,050</u>	<u>2,665,050</u> (1)	<u>2,534,003</u>	<u>131,047</u>
Contingency	<u>427,265</u>	<u>427,265</u> (1)	<u>-</u>	<u>427,265</u>
Total Expenditures	<u>3,092,315</u>	<u>3,092,315</u>	<u>2,534,003</u>	<u>558,312</u>
Excess of Revenues Over, (Under) Expenditures	<u>(478,315)</u>	<u>(478,315)</u>	<u>248,149</u>	<u>726,464</u>
OTHER FINANCING (USES)				
Transfers Out To:				
General Fund	(231,685)	(231,685)	(231,685)	-
Reserve for Replacement	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>(281,685)</u>	<u>(281,685)</u> (1)	<u>(281,685)</u>	<u>-</u>
Net Change in Fund Balance	(760,000)	(760,000)	(33,536)	726,464
Beginning Fund Balance - Budgetary Basis	<u>760,000</u>	<u>760,000</u>	<u>775,394</u>	<u>15,394</u>
Ending Fund Balance - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 741,858</u>	<u>\$ 741,858</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, 2015

PENSION RESERVE FUND - BUDGETARY BASIS

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Contingency	\$ -	\$ -	\$ -	\$ -
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING (USES)				
Transfers Out To:				
General Fund	<u>(240,000)</u>	<u>(240,000)</u>	<u>(240,000)</u>	<u>-</u>
Net Change in Fund Balance	(240,000)	(240,000)	(240,000)	-
Beginning Fund Balance - Budgetary Basis	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>-</u>
Ending Fund Balance - Budgetary Basis	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2015

GENERAL OPERATIONS RESERVE FUND - BUDGETARY BASIS

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES				
Transfers In From:				
General Fund	\$ 800,000	\$ 800,000	\$ 800,000	\$ -
Net Change in Fund Balance	800,000	800,000	800,000	-
Beginning Fund Balance - Budgetary Basis	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Ending Fund Balance - Budgetary Basis	<u><u>\$ 2,000,000</u></u>	<u><u>\$ 2,000,000</u></u>	<u><u>\$ 2,000,000</u></u>	<u><u>\$ -</u></u>

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, 2015

RESERVE FOR REPLACEMENT - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
PEG Fees	\$ 120,000	\$ 120,000	\$ 148,648	\$ 28,648
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>148,648</u>	<u>28,648</u>
EXPENDITURES				
Materials and Services				
Equipment under \$5,000	129,000	129,000	82,269	46,731
Repairs and Maintenance	950,000	950,000	299,709	650,291
Education Benefits	<u>15,000</u>	<u>15,000</u>	<u>354</u>	<u>14,646</u>
Total Materials and Services	<u>1,094,000</u>	<u>1,094,000 (1)</u>	<u>382,332</u>	<u>711,668</u>
Capital Outlay				
Vehicles	320,000	320,000	8,478	311,522
Equipment over \$5,000	<u>1,330,000</u>	<u>1,330,000</u>	<u>560,619</u>	<u>769,381</u>
Total Capital Outlay	<u>1,650,000</u>	<u>1,650,000 (1)</u>	<u>569,097</u>	<u>1,080,903</u>
Total Expenditures	<u>2,744,000</u>	<u>2,744,000</u>	<u>951,429</u>	<u>1,792,571</u>
Excess of Revenues Over, (Under) Expenditures	<u>(2,624,000)</u>	<u>(2,624,000)</u>	<u>(802,781)</u>	<u>1,821,219</u>
OTHER FINANCING SOURCES				
Transfers In From:				
General Fund	1,550,000	1,550,000	1,550,000	-
Street Fund	100,000	100,000	100,000	-
Public Safety Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>-</u>
Net Change in Fund Balance	(924,000)	(924,000)	897,219	1,792,571
Beginning Fund Balance - Budgetary Basis	<u>924,000</u>	<u>924,000</u>	<u>954,623</u>	<u>30,623</u>
Ending Fund Balance - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,851,842</u>	<u>\$ 1,851,842</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, 2015

DEBT SERVICE - BUDGETARY BASIS

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Debt Service				
Principal Payments	\$ 215,000	\$ 215,000	\$ 215,000	\$ -
Interest Payments	<u>165,000</u>	<u>165,000</u>	<u>160,944</u>	<u>4,056</u>
Total Debt Services	<u>380,000</u>	<u>380,000</u> (1)	<u>375,944</u>	<u>4,056</u>
Total Expenditures	<u>380,000</u>	<u>380,000</u>	<u>375,944</u>	<u>4,056</u>
OTHER FINANCING SOURCES				
Transfers In				
From General Fund	<u>1,990,000</u>	<u>1,990,000</u>	<u>1,990,000</u>	<u>-</u>
Net Change in Fund Balance	1,610,000	1,610,000	1,614,056	4,056
Beginning Fund Balance - Budgetary Basis	<u>376,130</u>	<u>376,130</u>	<u>376,131</u>	<u>1</u>
Ending Fund Balance - Budgetary Basis	<u><u>\$ 1,986,130</u></u>	<u><u>\$ 1,986,130</u></u>	<u><u>\$ 1,990,187</u></u>	<u><u>\$ 4,057</u></u>

(1) Appropriation Level

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

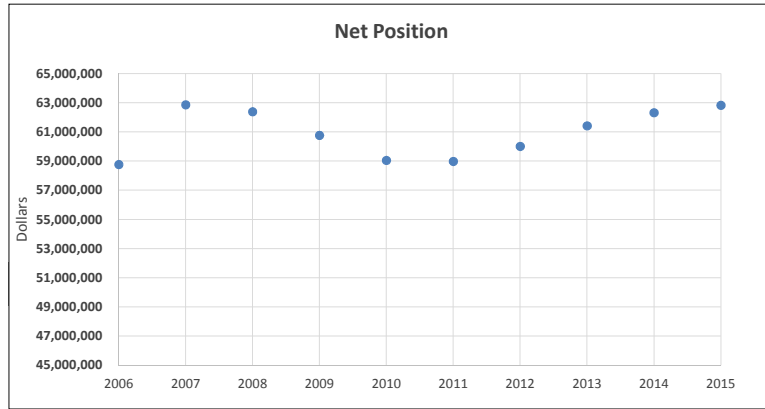
Contents	Page
Financial Trends	60-63
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	64-67
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	68-72
<i>This schedule presents information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Operating Information	73-77
<i>This schedule contains servicedata to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

**NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 48,222,368	\$ 51,064,396	\$ 50,638,277	\$ 53,377,979	\$ 52,107,967	\$ 51,755,194	\$ 51,692,187	\$ 50,887,724	\$ 50,075,936	\$ 50,101,809
Restricted	-	-	-	-	-	-	3,968,439	3,169,038	3,357,477	3,520,302
Unrestricted	10,547,823	11,796,592	11,748,377	7,390,456	6,946,138	7,224,869	4,349,283	7,362,168	8,885,486	9,208,316
Total governmental activities net position	<u>\$ 58,770,191</u>	<u>\$ 62,860,988</u>	<u>\$ 62,386,654</u>	<u>\$ 60,768,435</u>	<u>\$ 59,054,105</u>	<u>\$ 58,980,063</u>	<u>\$ 60,009,909</u>	<u>\$ 61,418,930</u>	<u>\$ 62,318,899</u>	<u>\$ 62,830,427</u>



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

**CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	\$ 1,523,824	\$ 1,936,126	\$ 4,909,642	\$ 6,429,265	\$ 6,813,644	\$ 5,845,840	\$ 5,288,728	\$ 7,446,207	\$ 8,447,692	\$ 8,427,337
Building*	1,164,901	920,768	797,763	707,295	459,832	449,108	354,939	-	-	-
Parks	20,723	48,768	2,054,712	126,200	97,482	104,307	228,276	255,454	281,561	285,790
Storm Drainage	-	-	24,302	58,962	1,900	22,219	233,290	146,494	99,158	2,916
Streets	171,315	182,429	4,366	252,246	614,011	315,636	688,684	950,813	671,559	764,509
Interest of long term debt	-	-	181,666	205,360	199,728	192,185	184,322	176,141	167,642	158,717
Total Expenses	<u>2,880,763</u>	<u>3,088,091</u>	<u>7,972,451</u>	<u>7,779,328</u>	<u>8,186,597</u>	<u>6,929,295</u>	<u>6,978,239</u>	<u>8,975,109</u>	<u>9,667,612</u>	<u>9,639,269</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 2,183,616	\$ 1,808,138	\$ 1,324,799	\$ 1,314,049	\$ 1,080,402	\$ 1,090,411	\$ 1,179,696	\$ 2,684,628	\$ 3,498,523	\$ 2,485,750
Building*	2,004,082	1,142,954	840,582	516,393	359,716	419,030	1,086,750	N1	N1	N1
Parks	1,944,209	30,913	22,651	71,006	36,668	16,063	28,499	-	-	-
Storm Drainage	133,837	63,295	44,250	67,766	32,052	29,579	82,626	214,139	93,194	67,584
Streets	-	-	75,686	88,763	100,250	99,992	107,439	110,037	113,276	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total Program Revenues	<u>6,265,744</u>	<u>3,045,300</u>	<u>2,307,968</u>	<u>2,057,977</u>	<u>1,609,088</u>	<u>1,655,075</u>	<u>2,485,010</u>	<u>3,008,804</u>	<u>3,704,993</u>	<u>2,553,334</u>
Net (Expense)/Revenue										
Governmental Activities	<u>\$ 3,384,981</u>	<u>\$ (42,791)</u>	<u>\$ (5,664,483)</u>	<u>\$ (5,721,351)</u>	<u>\$ (6,577,509)</u>	<u>\$ (5,274,220)</u>	<u>\$ (4,493,229)</u>	<u>\$ (5,966,305)</u>	<u>\$ (5,962,619)</u>	<u>\$ (7,085,935)</u>
General Revenues										
Governmental Activities:										
Property Taxes	1,723,220	2,197,477	\$ 2,633,223	\$ 3,014,825	\$ 3,189,193	\$ 3,270,206	3,378,350	3,437,933	3,724,620	4,063,743
Other Taxes	367,268	389,193	428,381	422,485	475,910	602,531	774,660	803,621	875,088	1,934,097
Intergovernmental-unrestrictec	311,452	498,671	559,998	567,585	542,842	587,554	653,180	790,718	851,229	847,935
Other Revenue	748,364	1,048,247	1,036,599	749,804	655,234	739,887	716,885	855,677	1,411,651	1,784,873
Gain (loss) on sale of capital assets	-	-	531,948	-	-	-	-	-	-	-
Total general revenues, transfers, and special item	<u>\$ 3,150,304</u>	<u>\$ 4,133,588</u>	<u>\$ 5,190,149</u>	<u>\$ 4,754,699</u>	<u>\$ 4,863,179</u>	<u>\$ 5,200,178</u>	<u>\$ 5,523,075</u>	<u>\$ 5,887,949</u>	<u>\$ 6,862,588</u>	<u>\$ 8,630,648</u>
Change in Net Position	<u>\$ 6,535,285</u>	<u>\$ 4,090,797</u>	<u>\$ (474,334)</u>	<u>\$ (966,652)</u>	<u>\$ (1,714,330)</u>	<u>\$ (74,042)</u>	<u>\$ 1,029,846</u>	<u>\$ (78,356)</u>	<u>\$ 899,969</u>	<u>\$ 1,544,713</u>

*Note - In 2013, the Building Department was rolled into General Governmer

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,744	\$ 20,963	\$ 46,655
Restricted	-	-	-	-	-	-	604,874	501,707	574,984	526,381
Committed	-	-	-	-	-	-	-	2,645,793	3,413,463	5,132,372
Assigned	-	-	-	-	-	497,608	537,122	-	-	-
Unassigned	2,312,092	1,379,393	815,253	786,385	1,708,335	1,966,658	3,319,453	4,307,735	5,048,990	3,059,652
Total general fund	<u>\$ 2,312,092</u>	<u>\$ 1,379,393</u>	<u>\$ 815,253</u>	<u>\$ 786,385</u>	<u>\$ 1,708,335</u>	<u>\$ 2,464,266</u>	<u>\$ 4,461,449</u>	<u>\$ 7,477,979</u>	<u>\$ 9,058,400</u>	<u>\$ 8,765,060</u>
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,361,626	\$ 3,363,565	\$ 2,644,587	\$ 2,761,530	\$ 2,947,266
Committed	-	-	-	-	-	-	836,210	328,419	313,914	1,145,945
Assigned	-	-	-	-	-	210,683	-	-	-	-
Unassigned	8,242,769	10,416,995	10,749,472	6,401,003	5,033,388	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,242,769</u>	<u>\$ 10,416,995</u>	<u>\$ 10,749,472</u>	<u>\$ 6,401,003</u>	<u>\$ 5,033,388</u>	<u>\$ 4,572,309</u>	<u>\$ 4,199,775</u>	<u>\$ 2,973,006</u>	<u>\$ 3,075,444</u>	<u>\$ 4,093,211</u>

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

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Property taxes	\$ 1,716,791	\$ 2,176,495	\$ 2,595,325	\$ 2,961,417	\$ 3,173,950	\$ 3,279,877	\$ 3,344,880	\$ 3,434,415	\$ 3,732,944	\$ 4,052,038
Gas Tax	367,268	389,193	428,381	422,485	475,910	602,531	774,660	803,621	875,088	930,226
Licenses and permits	4,207,578	2,965,117	2,263,718	1,934,931	1,560,507	1,625,496	2,402,384	2,794,665	3,611,799	3,489,621
System Development Charges	2,058,166	80,183	44,250	123,046	48,581	29,579	82,626	214,139	93,194	67,584
Intergovernmental	311,452	498,671	559,998	567,585	542,842	587,554	653,180	790,718	851,229	847,935
Other Revenue	748,364	1,048,247	1,036,599	749,804	655,234	739,887	716,885	855,677	1,035,281	1,059,457
Total Revenues	<u>9,409,619</u>	<u>7,157,906</u>	<u>6,928,271</u>	<u>6,759,268</u>	<u>6,457,024</u>	<u>6,864,924</u>	<u>7,974,615</u>	<u>8,893,235</u>	<u>10,199,535</u>	<u>10,446,861</u>
EXPENDITURES										
Current:										
Personal Services	2,084,880	2,361,712	2,573,378	2,824,943	2,952,546	2,900,904	2,875,971	3,200,252	3,622,454	3,981,299
Materials & Services	1,886,269	2,012,428	2,202,367	3,134,640	3,184,748	2,973,049	3,083,355	3,445,210	3,864,569	4,460,263
Debt Service:										
Principal	-	-	-	90,000	175,000	180,000	190,000	195,000	205,000	215,000
Interest and fiscal charges	-	-	183,894	207,588	201,956	194,413	186,550	178,369	169,869	160,944
Capital Outlay	2,781,838	1,542,239	10,130,390	4,879,434	386,439	321,706	551,212	1,152,157	654,784	904,928
Total Expenditures	<u>6,752,987</u>	<u>5,916,379</u>	<u>15,090,029</u>	<u>11,136,605</u>	<u>6,900,689</u>	<u>6,570,072</u>	<u>6,887,088</u>	<u>8,170,988</u>	<u>8,516,676</u>	<u>9,722,434</u>
Excess (Deficiency) of Revenues over Expenditures	2,656,632	1,241,527	(8,161,758)	(4,377,337)	(443,665)	294,852	1,087,527	722,247	1,682,859	724,427
OTHER FINANCING SOURCES (USES)										
Transfers in	4,268,503	4,388,198	1,796,143	1,142,440	2,061,390	342,900	884,083	2,652,413	1,925,079	6,143,938
Transfers out	(4,268,503)	(4,388,198)	(1,796,143)	(1,142,440)	(2,061,390)	(342,900)	(884,083)	(2,652,413)	(1,925,079)	(6,143,938)
Bond Proceeds	-	-	5,044,546	-	-	-	-	-	-	-
Proceeds from Land Sale	-	-	2,885,549	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>7,930,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,656,632</u>	<u>\$ 1,241,527</u>	<u>\$ (231,663)</u>	<u>\$ (4,377,337)</u>	<u>\$ (443,665)</u>	<u>\$ 294,852</u>	<u>\$ 1,087,527</u>	<u>\$ 722,247</u>	<u>\$ 1,682,859</u>	<u>\$ 724,427</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	3.71%	4.76%	5.79%	5.99%	5.94%	5.32%	4.77%	4.26%

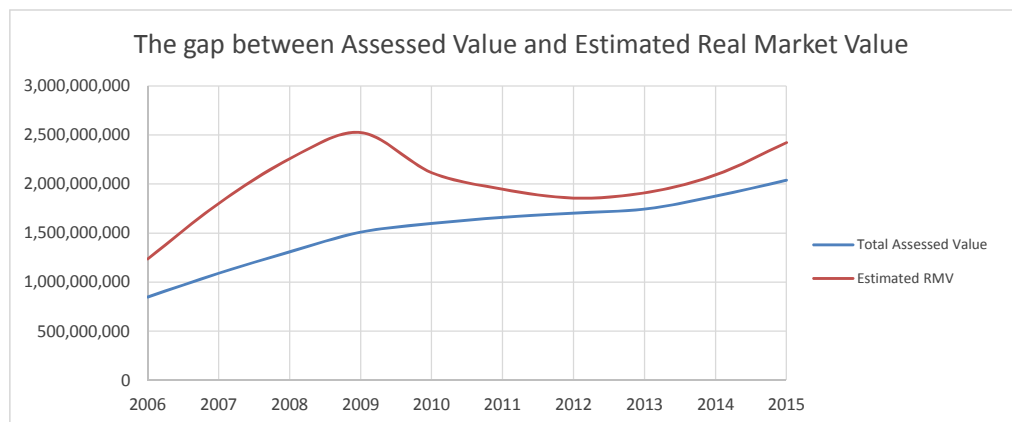
**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Assessed Value					Total direct tax rate	RMV	Assessed value as percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)	
2006	828,827,404	4,387,149	1,102,142	14,052,959	848,369,654	2.05	1,235,549,836	68.66
2007	1,067,150,898	5,132,513	1,089,594	17,162,800	1,090,535,805	2.05	1,802,196,431	60.51
2008	1,279,795,614	5,357,440	1,092,109	22,157,590	1,308,402,753	2.05	2,257,260,873	58.00
2009	1,473,382,597	9,569,639	1,150,881	24,327,080	1,508,430,197	2.05	2,525,081,387	59.70
2010	1,548,398,234	8,249,070	1,072,634	39,468,140	1,597,188,078	2.05	2,116,716,946	75.46
2011	1,610,806,718	8,698,169	1,046,052	40,575,700	1,661,126,639	2.05	1,947,677,381	85.30
2012	1,651,831,555	7,806,424	1,052,525	42,239,100	1,702,929,604	2.05	1,857,342,675	91.70
2013	1,694,660,433	6,990,997	1,174,223	40,380,600	1,743,206,253	2.05	1,909,870,958	91.30
2014	1,825,265,969	7,350,321	1,181,489	41,387,160	1,875,184,939	2.05	2,092,293,811	89.60
2015	1,983,949,205	7,168,002	1,652,341	45,110,200	2,037,879,748	2.05	2,423,646,555	84.10

Source: Clackamas County Assessor's Office

Note: Property is generally assessed as of July 1st of each fiscal year

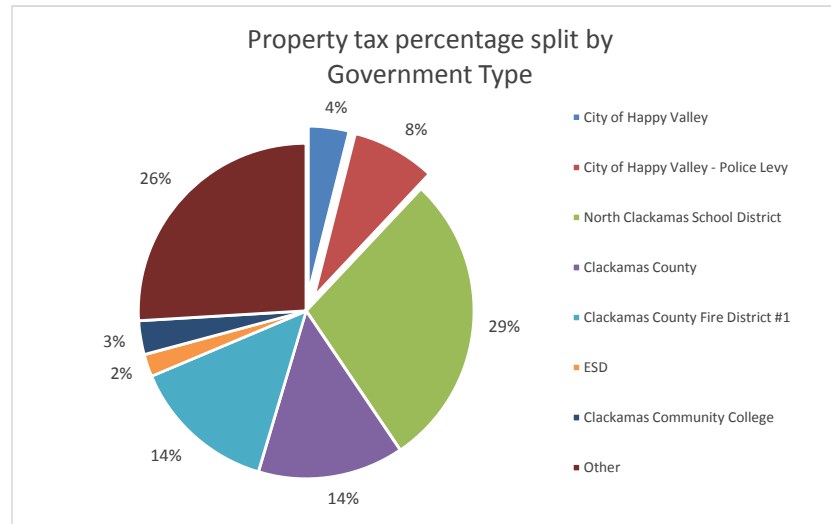


**CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON**

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

Fiscal Year	City direct rates			Overlapping Rates						Total Direct and Overlapping
	General Operating	Police Levy	Total Direct Rate	School District	Clackamas County	Clackamas County Fire Dist #1	Education Service District	Clackamas Community College	Other	
2006	0.671	1.38	2.05	4.47	2.40	2.24	0.3590	0.5411	2.8831	14.95
2007	0.671	1.38	2.05	4.64	2.40	2.31	0.3624	0.5481	2.9576	15.27
2008	0.671	1.38	2.05	4.62	2.40	2.30	0.3620	0.5476	4.2262	16.52
2009	0.671	1.38	2.05	4.60	2.40	2.31	0.3611	0.5463	4.1153	16.39
2010	0.671	1.38	2.05	4.57	2.40	2.30	0.3620	0.5450	4.7103	16.94
2011	0.671	1.38	2.05	4.57	2.40	2.30	0.3619	0.5449	4.7269	16.95
2012	0.671	1.38	2.05	4.59	2.40	2.30	0.3624	0.5459	5.1649	17.42
2013	0.671	1.38	2.05	4.58	2.40	2.30	0.3623	0.5455	4.7792	17.02
2014	0.671	1.38	2.05	4.82	2.40	2.38	0.3676	0.5560	4.3478	16.93
2015	0.671	1.38	2.05	4.87	2.40	2.40	0.3687	0.5582	4.4282	17.08

Source: Clackamas County Assessor's Office



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

**PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Rank	Taxpayer	2014-15			2005-06		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
1	ROIC Oregon LLC	\$33,969,209	1	1.67%			
2	Sunrise Terrace Apartments LLC	25,376,307	2	1.25%	5,925,518	1	0.70%
3	TADC LLC	21,198,805	3	1.04%			
4	Comcast Corporation	13,856,900	4	0.68%	1,897,025	7	0.22%
5	Portland General Electric Co	11,800,000	5	0.58%	4,483,000	3	0.53%
6	Northwest Natural Gas Co	9,386,800	6	0.46%	5,058,300	2	0.60%
7	Sabal Financial Group LP	7,546,911	7	0.37%			
8	DR Horton Inc- Portland	7,067,946	8	0.35%			
9	Providence Health & Services- OR	5,133,116	9	0.25%			
10	Happy Valley Retirement Residence	5,093,472	10	0.25%			
	NNP-Taralon LLC				3,717,162	4	0.44%
	Geo LLC				2,598,377	5	0.31%
	TPOR-A LLC				2,233,829	6	0.26%
	Austria Camilo Trustee				1,545,783	8	0.18%
	Faris Norma R				1,529,284	9	0.18%
	Frontier Communications				1,470,100	10	0.17%
		<u>\$ 140,429,466</u>		<u>6.89%</u>	<u>\$ 30,458,378</u>		<u>3.59%</u>

Source: Clackamas County Assessor's Office

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2006	1,770,442	1,682,647	95.04%	33,802	1,716,449	96.95%
2007	2,253,189	2,134,326	94.72%	40,005	2,174,331	96.50%
2008	2,699,731	2,538,635	94.03%	54,227	2,592,862	96.04%
2009	3,092,721	2,880,037	93.12%	74,628	2,954,665	95.54%
2010	3,271,293	3,064,203	93.67%	108,798	3,173,001	97.00%
2011	3,379,779	3,163,897	93.61%	115,825	3,279,722	97.04%
2012	3,456,635	3,248,651	93.98%	97,334	3,345,985	96.80%
2013	3,532,604	3,331,232	94.30%	102,808	3,434,040	97.21%
2014	3,819,691	3,621,704	94.82%	108,282	3,729,986	97.65%
2015	4,167,327	3,958,522	94.99%	98,655	4,057,177	97.36%

Source: Annual financial statements of the City of Happy Valley

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Full Faith and Credit Obligation Bonds (1)	Total Outstanding Debt	Population	Debt per Capita
	Governmental Activities			
2006	\$ -	\$ -	9,210	-
2007	-	-	10,380	-
2008	5,042,318	5,042,318	11,455	440
2009	4,950,090	4,950,090	11,465	432
2010	4,772,862	4,772,862	14,100	339
2011	4,590,634	4,590,634	14,337	320
2012	4,398,406	4,398,406	14,965	294
2013	4,201,178	4,201,178	15,575	270
2014	3,993,951	3,993,951	16,480	242
2015	3,776,724	3,776,724	17,510	216

(1) Presented net of original issuance discounts and premiums

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2015

<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Primary Government</u>
Direct:			
City of Happy Valley	\$ 3,776,724	100.00%	\$ 3,776,724
Overlapping:			
Clackamas Community College	\$ 66,116,012	6.39%	\$ 4,224,813
Clackamas County	98,780,000	4.72%	4,662,416
North Clackamas School District	327,458,315	16.26%	53,244,722
Metro	193,205,000	1.16%	2,241,178
Mt Hood Community College	24,445,000	0.10%	24,445
Centennial School District	26,836,858	1.04%	279,103
Port of Portland	2,609,405	1.07%	27,921
Subtotal, overlapping debt			136,966,153
City of Happy Valley direct debt			3,776,724
Total direct and overlapping debt			\$ 140,742,877

Sources: Oregon State Treasury Department, Debt Management Division

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Happy Valley. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

**RATIOS OF DEBT OUTSTANDING
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Full Faith and Credit Obligation Bonds (2)	Less: Amounts Available in Debt Service Fund (3)	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita
2006	0	0	0	0.00%	0
2007	0	0	0	0.00%	0
2008	5,042,318	0	5,042,318	0.22%	440
2009	4,950,090	0	4,950,090	0.20%	432
2010	4,772,862	0	4,772,862	0.23%	339
2011	4,590,634	0	4,590,634	0.24%	320
2012	4,398,406	0	4,398,406	0.24%	294
2013	4,201,178	0	4,201,178	0.22%	270
2014	3,993,951	376,131	3,617,820	0.17%	220
2015	3,776,724	1,990,187	1,786,537	0.07%	102

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements

- (1) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property on page 64 for property value data.
- (2) Presented net of original issuance discounts and premiums
- (3) This is the amount available to make debt service principal payments

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

**RATIOS OF DEBT OUTSTANDING
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Full Faith and Credit Obligation Bonds (2)	Less: Amounts Available in Debt Service Fund (3)	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita
2006	0	0	0	0.00%	0
2007	0	0	0	0.00%	0
2008	5,042,318	0	5,042,318	0.22%	440
2009	4,950,090	0	4,950,090	0.20%	432
2010	4,772,862	0	4,772,862	0.23%	339
2011	4,590,634	0	4,590,634	0.24%	320
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2013	4,201,178	0	4,201,178	0.22%	270
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Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements

- (1) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property on page 64 for property value data.
- (2) Presented net of original issuance discounts and premiums
- (3) This is the amount available to make debt service principal payments

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt maximum limitation	\$ 37,066,495	\$ 54,065,893	\$ 67,717,826	\$ 75,752,442	\$ 63,501,508
Debt applicable to maximum limit	-	-	-	-	-
Legal debt margin available	<u>37,066,495</u>	<u>54,065,893</u>	<u>67,717,826</u>	<u>75,752,442</u>	<u>63,501,508</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0%	0%	0%	0%	0%
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt maximum limitation	\$ 58,430,321	\$ 55,720,280	\$ 57,296,129	\$ 62,768,814	\$ 72,709,397
Debt applicable to maximum limit	-	-	-	-	-
Legal debt margin available	<u>58,430,321</u>	<u>55,720,280</u>	<u>57,296,129</u>	<u>62,768,814</u>	<u>72,709,397</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0%	0%	0%	0%	0%

Legal debt margin calculation for the fiscal year ended June 30, 2015:

Total property real market value	\$ 2,423,646,555
	3%
Debt maximum limitation	<u>72,709,397</u>
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	3,750,000
Less debt excluded from debt limit:	
Full faith and credit obligations	<u>(3,750,000)</u>
Net amount of debt applicable to limit	-
Legal debt margin - amount available for future indebtedness	<u>\$ 72,709,397</u>
Percentage of City's indebtedness to total allowed	0%

(1) Pursuant to Oregon Revised Statutes 287.004, outstanding general obligation debt is limited to three percent of real market value.
Source: Clackamas County Department of Assessment and Taxation

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Fiscal Year	Special	Debt Service		Coverage
	Assessment Collections	Principal	Interest	
2006	\$ -	\$ -	\$ -	-
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-

(1) No special assessment debt has been issued in the prior ten years.
Source: Annual financial statements of the City of Happy Valley

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population(1)	Median Age(1)	Household Income	Per Capita Income (1)	Public School Enrollment (2)	Unemployment Rate(3)
2006	9,210	37.1	*	*	4,510	4.2%
2007	10,380	37.1	*	*	4,704	4.4
2008	11,455	37.1	*	*	4,950	7.8
2009	11,465	33.9	100,555	39,141	4,945	10.0
2010	14,100	33.4	103,633	35,823	5,592	9.3
2011	14,337	34.4	100,647	35,823	6,014	8.2
2012	14,965	36.0	96,655	35,823	6,434	7.5
2013	15,575	37.1	92,773	36,978	6,516	6.0
2014	16,480	36.8	100,438	37,813	6,585	5.5
2015	17,510	37.0	100,508	40,613	6,859	5.2

* Information unavailable at this time.

- Sources: (1) U.S. Census Bureau.
(2) North Clackamas School District; included all schools in City limits plus Clackamas High School.
(3) State Department of Labor unemployment rate for the County (not seasonally adjusted).

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

**PRINCIPAL EMPLOYERS
Current year and nine years ago**

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
New Seasons Market	190	1	7.70%	*		
Camp Withycombe	100	2	4.06%	*		
Haggen	95	3	3.85%	*		
City of Happy Valley	52	4	2.11%	*		
Greentree DBA McDonald's	50	5	2.03%	*		
Applebee's Neighborhood Grill	50	6	2.03%	*		
Providence Medical Group Happy Val	50	7	2.03%	*		
Abundent Life Church	50	8	2.03%	*		
Glenmoore	38	9	1.54%	*		
Portland Painting and Construction	35	10	1.42%	*		
	637		25.83%	0		0.00%

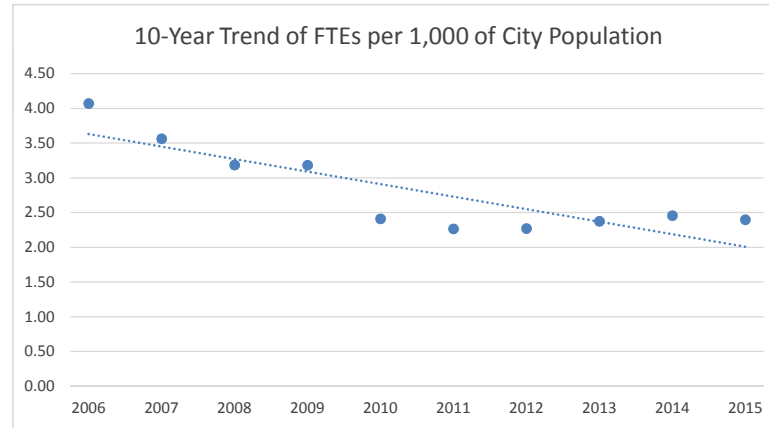
* Historical number of employees information unavailable for this fiscal year nine years ago.
Source: City business licenses

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

**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years**

Function	Full-time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration	6.5	5.5	5.5	7	6	9	7.5	6	7	7
Community Services and Public Safety	5	6.5	8	8.5	9	8.5	10	10.5	10.5	10
Economic and Community Development	19	18	16	12	10	8	8.5	11.5	14	16
Public Works / Parks / Streets	7	7	7	9	9	7	8	9	9	9
Total FTE's	37.5	37	36.5	36.5	34	32.5	34	37	40.5	42
Public Safety - Police Officers (contracted)	6.4	7.4	9.15	11.15	11.15	11.15	11.15	11.5	11.5	11.5
City Population	9,210	10,380	11,455	11,465	14,100	14,337	14,965	15,575	16,480	17,510
FTE's per 1,000 of population	4.07	3.56	3.19	3.18	2.41	2.27	2.27	2.38	2.46	2.40

Sources: Various city departments



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

**OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Economic and Community Development										
Residential Building permits issued	595	220	163	60	91	110	158	276	350	274
Commercial Building permits issued	*	*	*	*	*	0	16	2	2	5
Public Works:										
Street Sweeping:										
Number of miles swept	*	*	*	*	*	*	2,500	3,000	2,200	2,500
Volume of material removed (cubic yards)	*	*	*	*	*	*	285	379	757	900
Winter Storms:										
Sand applied (cubic yards)	*	*	*	*	*	*	*	26	78	8
Sand picked up after storms	*	*	*	*	*	*	*	16	50	4
Magnesium chloride/De-icing (gallons)	*	*	*	*	*	*	4,125	2,100	7,500	900
Landscape Maintenance:										
Fertilizers (lbs)	*	*	*	*	*	*	*	150	1,110	2,239
Herbicides (gallons)	*	*	*	*	*	*	*	56	190	135
Park Reservations:										
Reservations coordinated	*	*	*	*	*	*	153	172	214	210
Number of people served	*	*	*	*	*	*	*	6,078	8,218	9,207
Trees planted	*	*	*	*	*	*	*	*	3,150	925
Services performed on fleet vehicles	*	*	*	*	*	*	*	80	146	170
Crack seal applied on roadways (tons)	*	*	*	*	*	*	4.25	2.25	6.60	4.50
Signs cleaned and adjusted	*	*	*	*	*	*	*	*	869	920
Community Services										
Passports issued	*	*	*	*	803	1,935	1,339	1,690	1,882	2,316
Public Safety:										
Code Enforcement / Animal Control Cases	*	420	920	1,356	1,543	1,855	2,023	2,768	2,453	2,108
Parking citations	174	179	106	171	131	293	547	637	389	306
Number dispatched calls for service	*	2,530	2,715	2,918	2,871	3,110	3,159	3,251	3,471	3,517
Number of traffic violations	*	1,746	1,908	2,288	1,878	2,199	2,158	1,849	2,145	2,588
Number of "other" self initiated activities	*	635	1,087	2,709	2,151	2,497	2,158	1,801	1,396	1,521
Number of traffic stops	*	1,957	2,643	3,936	3,374	3,643	3,301	3,582	3,887	4,111

Source: Various City departments
* Information unavailable at this time.

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

CAPITAL ASSET STATISTICS BY FUNCTION
Current year and nine years ago

Function / Program	2015	2006
General Government:		
City-owned building facilities	3	2
Public Safety:		
Number of police stations	1	0
Public Works:		
Miles of streets	133.3	104.7
Number of Vehicles	30	17
Recreation and Parks		
Acres of parks and open spaces	103	103

Sources: Various city departments

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the City of Happy Valley, Oregon (City), as of and for the year ended June 30, 2015 and have issued our report thereon dated December 15, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon

Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

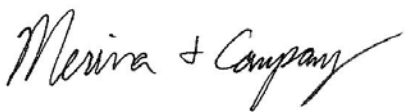
OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Merina & Company, LLP
West Linn, Oregon
December 15, 2015