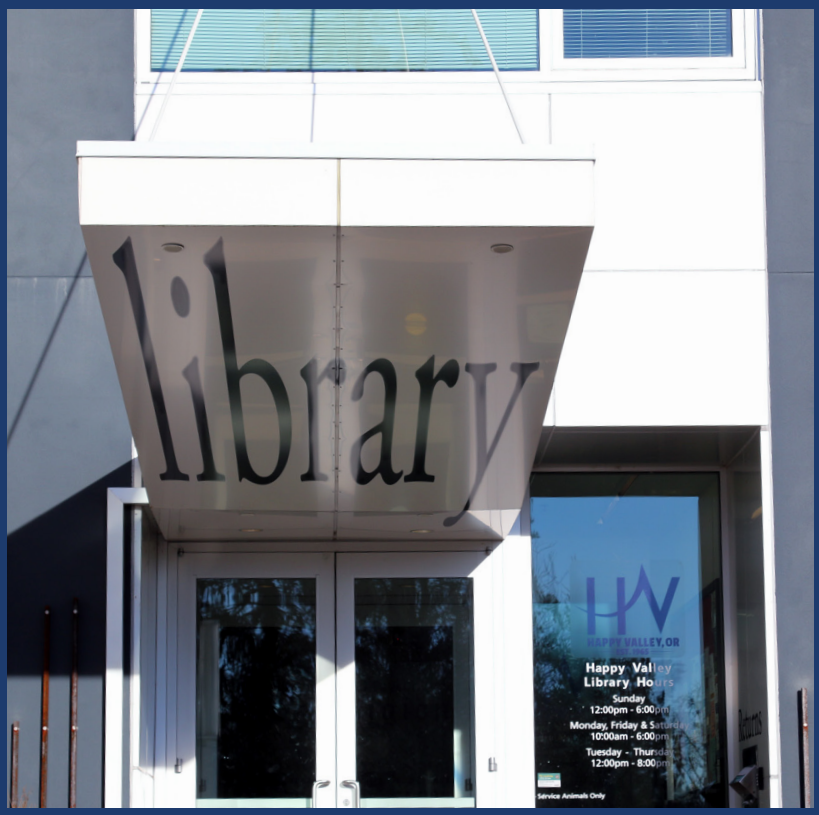

HAPPY VALLEY, OR
EST. 1965

Comprehensive Annual Financial Report

For the Year Ended June 30, 2016

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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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CLACKAMAS COUNTY, OREGON

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INTRODUCTORY SECTION

Mayor
Honorable Lori DeRemer

City Manager
Jason A. Tuck

December 15, 2016

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, 2016. 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 10.5 square miles and serves a population of 18,535. 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.

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.

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Telephone: (503) 783-3800 Fax: (503) 658-5174
happyvalleyor.gov

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 $3,530,000 outstanding in full faith and credit obligation bonds as of June 30, 2016. 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 $10,724,814. 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 $2,831,366 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 was first year of library operations being managed by Happy Valley. Many departments, including Finance and IT, Human Resources, City Management, and Public Works worked together with the Library staff to ensure a successful transition and first year.

We continue to evaluate our long-term goals for providing services to our residents. While the district model we operate under made sense when it was instituted, we question its current effectiveness. While we understand the importance of relationships with our governmental partners, we also need to determine what is in the best interest of our citizens. Transportation infrastructure projects are an essential component of livability and it is imperative for us to determine when and where they happen so they coincide with our plan for development. Sanitary sewer infrastructure is a requirement for growth so it is important to control when and where those projects occur. Adequate open spaces, parks, and trails enhance livability and help

define our community. It is also important for us to decide which companies will have franchise agreements to provide services to our citizens. We study these essential service areas to determine the best approach for us to transition from the current district model to one where the City provides these services for our residents.

In May of 2016, Damascus citizens voted to dis-incorporate their city. During the fiscal year, over 1,000 acres from the Damascus area annexed into Happy Valley and we expect this trend to continue. The City will work over the next several years to modify the East Happy Valley comprehensive plan to incorporate this new area.

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.

Awards and Acknowledgements

Comprehensive Annual Financial Reporting Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This was the first year that the City has achieved this prestigious award. To be awarded a *Certificate of Achievement*, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it the GFOA to determine its eligibility for another certificate.

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

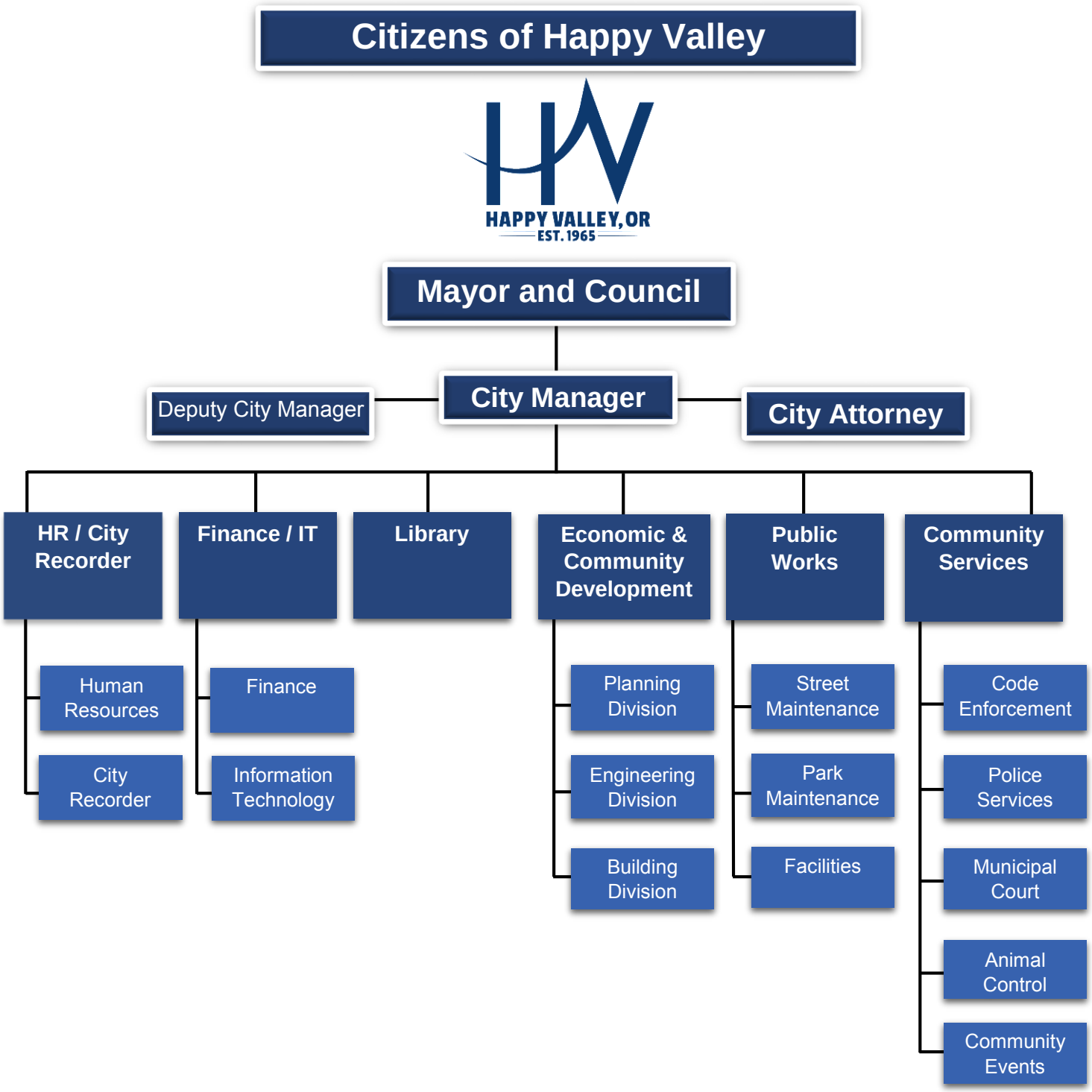
City of Happy Valley
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

City of Happy Valley Organization Chart



CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

CITY OFFICIALS AS OF JUNE 30, 2016

NAME	TERM EXPIRES
Lori DeRemer – Mayor	December 31, 2018
Michael Morrow – Council President	December 31, 2016
Markley Drake	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

FINANCIAL SECTION

MERINA
& COMPANY, LLP
Certified Public Accountants and Consultants

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

PARTNERS
KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA

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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Happy Valley'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 of Happy Valley, Oregon, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 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 of Happy Valley, Oregon'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, 2016, on our consideration of the City of Happy Valley, Oregon'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

Merina & Company, LLP
West Linn, Oregon
December 15, 2016

The management of the City of Happy Valley presents this analysis of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements and notes, which follow this section.

Financial Highlights

At June 30, 2016 the City's total net position was $69,429,121 which was an increase of $6,598,694 over the previous year. The prior year increase of $1,544,713 was primarily attributable 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*. Over $6 million of the current year increase is due to the addition of the Library Fund and associated assets. The addition of the Library assets combined with sustained development activity offset what would have been a decrease in net position based on the current year net pension liability calculated under GASB Statement No. 68 guidelines. The details regarding the current year net pension liability is explained in the notes to the financial statements.

The General Fund ended the fiscal year with a total fund balance of $12,061,322. Of that balance, $697,838 was either non-spendable or restricted for prepaid expenses and PEG fees. The remaining $10,047,030 was unrestricted with $5,860,117 committed and $4,186,913 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 funds are available for general operations.

The year-end balance for the full faith and credit obligations was $3,530,000. The decrease of $220,000 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. The accumulation of reserve funds will potentially pay to call all outstanding bonds in January 2017.

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

The basic financial statements are followed by the *required supplementary information* and *other supplementary information* which 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 content of each of the statements.

Government-wide Statements
The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 changed from the previous fiscal year. 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 total net position can be indicators as to 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, library, streets, and parks. Property taxes, licenses, permits, 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. Thus, governmental fund statements provide a detailed short-term view to determine whether there are greater 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 other supplementary information to demonstrate compliance with the budget.

Financial Analysis of the City
For the year ended June 30, 2016 the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $69,429,121. Cash and Investments represent 26% of total assets. Long lived capital assets including land, buildings, streets, equipment, and vehicles comprise 72% of total assets. The remaining assets include prepaid items, accounts and property tax receivables.

Repayment of full faith and credit obligations issued for construction of the city hall facility equals 46% of the City's liabilities and the Net Pension Liability equals 23%. Remaining liabilities are payments to vendors, governments, and accrued personnel costs.

Table 1 – Net Position as of June 30th

	Total 2016	Total 2015
Assets		
Current and Other Assets	$ 21,169,164	$ 14,940,274
Capital Assets	55,734,088	53,878,533
Total Assets	76,903,252	68,818,807
Deferred Outflows of Resources	583,208	334,561
Liabilities		
Current and Other Liabilities	4,334,061	1,617,332
Non-Current Liabilities	3,322,270	3,554,497
Total Liabilities	7,656,331	5,171,829
Deferred Inflows of Resources	401,008	1,151,112
Net Position		
Net Investment in Capital Assets	52,179,591	50,101,809
Restricted	7,554,021	3,520,302
Unrestricted	9,695,509	9,208,316
Total Net Position	$ 69,429,121	$ 62,830,427

The largest part of net position is the 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.

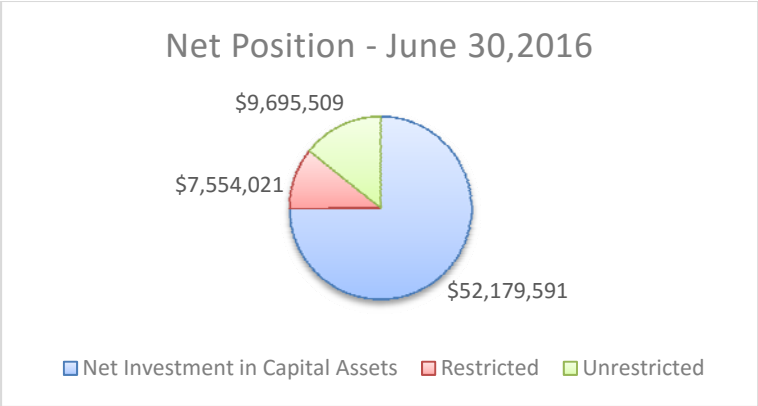


Table 2 - Changes in Net Position

	Total 2016	Total 2015
Revenues:		
Program Revenues- Charges for Service	$ 4,257,868	$ 3,557,205
General Revenues		
Property Taxes	4,531,874	4,063,743
Gas Tax	1,010,589	930,226
Intergovernmental	845,854	847,935
Library District	2,382,949	-
Other Revenue	5,406,174	1,784,873
Total Revenues	18,435,308	11,183,982
Expenses:		
General Government	6,589,158	5,427,853
Cultural and Recreation	2,450,253	285,790
Public Safety	3,317,382	2,999,484
Streets	2,253,225	767,425
Interest on long term debt	151,700	158,717
Total Expenses	14,761,718	9,639,269
Change in Net Position	3,673,590	1,544,713
Special Item	2,925,104	-
Net Position - Beginning	62,830,427	61,285,714
Net Position - Ending	$ 69,429,121	$ 62,830,427

The City's total revenues increased $7,251,326 to $18,435,308 over the previous year revenue. Most of this increase was the result of the transfer of Library operations to the City from the County. This change is reflected in the addition of the Library District revenue line as well as an increase in Other Revenues. Development contributed an additional $1 million increase in revenue over the previous year due to sustained growth and continued development activity.

Expenditures increased over the previous year again due to the addition of library services as well as increased staff and contracted services associated with development activity. Net position increased by $6,598,694 compared to the prior year's increase of $1,544,713. This was also due to the addition of library operations, assets, and fund balance. The Special Item above is the transfer of the Library fund balance from the County to the City.

Development is cyclical in nature as are the associated revenues. To offset this ebb and flow of resources, the City created a reserve fund with the 2012-13 budget. Additional amounts were transferred to the fund in subsequent budgets. As of June 30, 2016, the General Operations Reserve fund had a fund balance of $2,000,000.

Streets account for 71% of all city owned capital assets and 69% of depreciation expense. Excluding most new development, many streets within the City do not meet acceptable standards. And although many streets were built within the last 7-10 years, some 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 streets.

City police services are funded through a local option levy and are currently contracted through Clackamas County. A five-year levy was renewed by the voters at a rate of $1.38 per thousand in May 2015. This rate will provide adequate revenue to support our current service level.

Financial Analysis of the City's Funds

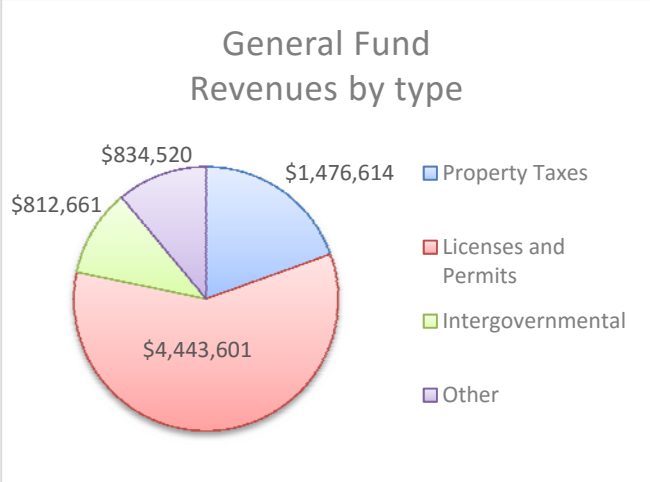
Revenues from governmental fund types totaled $14,669,026 in 2016. Governmental fund balances totaled $18,746,996 at June 30, 2016. The following is a summary of changes in governmental fund balances:

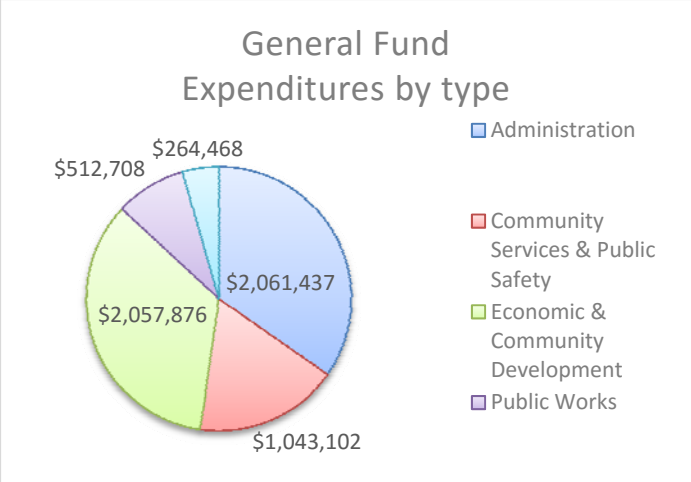
City of Happy Valley - Changes in Governmental Fund Balances

	June 30, 2016	June 30, 2015	Change
General Fund	$ 10,744,868	$ 8,765,060	$ 1,979,808
Library	3,405,035	-	3,405,035
Street Fund	1,968,175	1,849,254	118,921
System Development Fund	835,458	700,815	134,643
Pedestrian Impr Proj Fund	814,968	751,284	63,684
Public Safety Fund	978,492	791,858	186,634

The General Fund increase was primarily due to an increase in development related revenue. The combination of building, planning and engineering fees surpassed $3 million compared to $2 million in the prior year. In addition to extensive development revenue, other General Fund revenues including property taxes increased 10%. After the first year of operations under City management, the Library Fund has a fund balance of $3,405,035. Of that balance, $2,925,104 was the beginning balance payment from Clackamas County and is reflected in the statements as a special item. The Street Fund balance increased slightly as the City completed one paving project on Ridgecrest Road. Annual revenue collected in the Street Fund is enough to complete one major resurfacing project and complete a portion of the maintenance based on the pavement quality index. The Public Safety Fund increase was the result of higher property tax collections based on increases in assessed values due to annexations and development activity.

General Fund Budgetary Highlights





The General Fund – Budgetary Basis ending fund balance increased $3,106,307 from the previous year. The previous year had over $5 million in transfers out to other funds whereas the current year had transfers out totaling $1,350,000. General Fund revenues outpaced budget estimates in most categories and expenditures were less than appropriated amounts. Development fees increased consistent with the growth trend we have experienced over the last several years.

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

Revenue Source	Budget	Actual	Difference
Property Taxes	$ 1,447,000	$ 1,476,614	$ 29,614
Franchise Fees	845,000	958,333	113,333
Building Permits and Fees	1,300,000	2,292,980	992,980
Engineering Fees	357,500	534,756	177,256
State Shared Revenues	415,000	437,432	22,432
Traffic Fines	420,000	513,962	93,962
User Related Fees	237,000	304,075	67,075
Miscellaneous Revenue	175,100	254,608	79,508

Capital Assets

At June 30, 2016, the City had $55,734,088 invested in capital assets net of depreciation expense. This is an increase of $1,855,555 from the previous year. Library assets brought in at book value net of accumulated depreciation as of June 30, 2015, accounted for most of the capital asset additions. The annual street additions totaled $145,833 and total depreciation expense totaled $1.9 million. Details of the changes in capital assets are disclosed in the notes to the financial statements.

Long Term Debt

At June 30, 2016, the City had outstanding debt of $3,530,000. 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 2016-17 fiscal year the City will reserve enough for the early repayment of bonds. To that end, the Debt Service Fund had an ending fund balance of $2,618,487 at June 30, 2016. The early payoff of the debt is scheduled for January 2017. Detailed information regarding 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 assumed operations of the Happy Valley Library from the County. 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 review street condition and maintenance levels. An additional funding source will be required to maintain streets at a level consistent with the pavement quality index. City streets are an expensive asset, account for a large percentage of overall city assets, and require maintenance to keep them at an acceptable level.

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 strong real estate market is projected to continue for the immediate future and should result in further commercial and residential construction. All phases of the development cycle were active this year creating large revenue totals for planning, engineering, and building fees and permits. Annexations into the city from the Damascus and Carver area added nearly a thousand acres with future development potential. These types of annexations allow Happy Valley to continue development for the next 25 to 30 years with periods of boom and bust. Our reserve funds help to mitigate the effects of the development cycle on our funding for ongoing operations.

Development volatility can make it difficult to effectively project and our budget reflects a cautious but optimistic outlook. The next fiscal year budget contains 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 ongoing review of revenues and expenditures help ensure our long term organizational sustainability.

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 transparency and 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, OREGON
Statement of Net Position
June 30, 2016

ASSETS	
Cash and Investments	$ 20,341,589
Prepaid items	22,384
Accounts Receivable	556,026
Property Taxes Receivable	249,165
Capital Assets:	
Land, non-depreciable, and construction in progress	3,805,029
Building, improvements, equipment, and other capital assets (net of accumulated depreciation)	51,929,059
TOTAL ASSETS	76,903,252
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount related to pension	583,208
LIABILITIES	
Accounts Payable	733,391
Accrued Payroll Liabilities	210,830
Developer Deposits	344,062
Intergovernmental Payable	895,288
Net Pension Liability	1,747,419
Compensated Absences	170,844
Noncurrent liabilities:	
Bond Related - Due within one year	232,227
Bond Related - noncurrent	3,322,270
TOTAL LIABILITIES	7,656,331
DEFERRED INFLOWS OF RESOURCES	
Deferred amount related to pension	401,008
NET POSITION	
Net Investment in Capital Assets	52,179,591
Restricted	7,554,021
Unrestricted	9,695,509
TOTAL NET POSITION	$ 69,429,121

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

CITY OF HAPPY VALLEY, OREGON
Statement of Activities
for the year ended June 30, 2016

FUNCTION/PROGRAM	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES			
General Government	$ 6,589,158	$ 3,485,268	$ (3,103,890)
Cultural and Recreation	2,450,253	42,554	$ (2,407,699)
Public Safety	3,317,382	579,912	(2,737,470)
Highways and Streets	2,253,225	150,134	(2,103,091)
Interest on long term debt	151,700	-	(151,700)
TOTAL GOVERNMENTAL ACTIVITIES	$ 14,761,718	$ 4,257,868	(10,503,850)

GENERAL REVENUES	
Property Taxes	4,531,874
Gas Tax	1,010,589
Franchise Fees	958,333
Privilege Tax	131,968
Library District	2,382,949
Intergovernmental	845,854
Other Revenue	4,315,873
TOTAL GENERAL REVENUES	14,177,440
CHANGE IN NET POSITION	3,673,590
SPECIAL ITEM (see note 13)	2,925,104
NET POSITION - beginning	62,830,427
NET POSITION - ending	$ 69,429,121

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

CITY OF HAPPY VALLEY, OREGON
Balance Sheet
Governmental Funds
for the year ended June 30, 2016

	General Fund Generally Accepted Accounting Principles	Library 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	$ 11,538,640	$ 3,462,468	$ 1,858,194	$ 1,700,714	$ 814,968	$ 966,605	$ 20,341,589
Prepaid items	20,054	2,330	-	-	-	-	22,384
Accounts Receivable	420,975	-	125,089	-	-	9,962	556,026
Property Taxes Receivable	81,653	-	-	-	-	167,512	249,165
TOTAL ASSETS	$ 12,061,322	$ 3,464,798	$ 1,983,283	$ 1,700,714	$ 814,968	$ 1,144,079	$ 21,169,164
LIABILITIES							
Accounts Payable	$ 696,301	$ 19,500	$ 10,401	$ 2,008	$ -	$ 5,181	$ 733,391
Accrued Payroll Liabilities	165,860	40,263	4,707	-	-	-	210,830
Developer Deposits	344,062	-	-	-	-	-	344,062
Intergovernmental Payable	32,040	-	-	863,248	-	-	895,288
TOTAL LIABILITIES	1,238,263	59,763	15,108	865,256	-	5,181	2,183,571
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	78,191	-	-	-	-	160,406	238,597
FUND BALANCES							
Fund Balance By Category							
Nonspendable	20,054	-	-	-	-	-	20,054
Restricted	677,784	3,405,035	822,230	835,458	814,968	978,492	7,533,967
Committed	5,860,117	-	1,145,945	-	-	-	7,006,062
Unassigned	4,186,913	-	-	-	-	-	4,186,913
TOTAL FUND BALANCES	10,744,868	3,405,035	1,968,175	835,458	814,968	978,492	18,746,996
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 12,061,322	$ 3,464,798	$ 1,983,283	$ 1,700,714	$ 814,968	$ 1,144,079	$ 21,169,164

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

CITY OF HAPPY VALLEY, OREGON
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position
for the year ended June 30, 2016

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

Total Fund Balances - governmental funds	$	18,746,996
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		55,734,088
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(1,747,419)
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.		182,200
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(170,844)
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.		(3,554,497)
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		238,597
Total Net Position	$	69,429,121

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

CITY OF HAPPY VALLEY, OREGON
Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds
for the year ended June 30, 2016

	General Fund Generally Accepted Accounting Principles	Library 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	$ 1,476,614	$ -	$ -	$ -	$ -	$ 3,029,935	$ 4,506,549
Gas Tax Revenue	-	-	1,010,589	-	-	-	1,010,589
Licenses and Permits	4,443,601	-	-	-	131,968	-	4,575,569
System Development Charges	-	-	-	150,134	-	-	150,134
Intergovernmental Revenues	812,661	-	33,193	-	-	-	845,854
Library District Revenue	-	2,382,949	-	-	-	-	2,382,949
Other Revenue	996,115	71,553	19,539	10,167	4,443	95,565	1,197,382
TOTAL REVENUES	7,728,991	2,454,502	1,063,321	160,301	136,411	3,125,500	14,669,026
EXPENDITURES							
Current							
General Government	5,403,850	-	-	-	-	-	5,403,850
Cultural and Recreation	264,468	1,643,381	-	-	-	-	1,907,849
Public Safety	483,864	-	-	-	-	2,676,831	3,160,695
Highways and Streets	-	-	427,049	-	-	-	427,049
Debt Service							
Principal	220,000	-	-	-	-	-	220,000
Interest	151,700	-	-	-	-	-	151,700
Capital Outlay	48,156	-	321,073	25,658	39,375	-	434,262
TOTAL EXPENDITURES	6,572,038	1,643,381	748,122	25,658	39,375	2,676,831	11,705,405
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,156,953	811,121	315,199	134,643	97,036	448,669	2,963,621
OTHER FINANCING SOURCES (USES)							
Transfers In	2,172,855	645,000	100,000	-	-	12,000	2,929,855
Transfers Out	(1,350,000)	(976,190)	(296,278)	-	(33,352)	(274,035)	(2,929,855)
TOTAL OTHER FINANCING SOURCES (USES)	822,855	(331,190)	(196,278)	-	(33,352)	(262,035)	-
SPECIAL ITEM (see note 13)	-	2,925,104	-	-	-	-	2,925,104
NET CHANGE IN FUND BALANCE	1,979,808	479,931	118,921	134,643	63,684	186,634	5,888,725
FUND BALANCES - beginning	8,765,060	-	1,849,254	700,815	751,284	791,858	12,858,271
FUND BALANCES - ending	$ 10,744,868	$ 3,405,035	$ 1,968,175	$ 835,458	$ 814,968	$ 978,492	$ 18,746,996

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

CITY OF HAPPY VALLEY, OREGON
Reconciliation of Statement of Revenues, Expenditures and Changes In
Fund Balances - Governmental Funds - To Statement of Activities
for the year ended June 30, 2016

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		$ 5,888,725
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.		
Capital Asset Additions (net of disposals)	$ 3,772,342	
Depreciation Expense (net of disposals)	(1,916,787)	
Net Adjustment		1,855,555
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.		(1,345,224)
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.		
Compensated Absences		(47,914)
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.		
Long term debt	220,000	
Amortization of LTD Premium	2,227	
Net Adjustment		222,227
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue - Property Taxes		25,325
Change in Net Position		$ 6,598,694

The accompanying notes are an integral part of the 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.

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 $69,429,121 at June 30, 2016 includes $52,179,591 invested in capital assets, $7,554,021 of restricted net position, and $9,695,509 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.

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.

LIBRARY FUND - GAAP
This fund accounts for the Library district revenues and the Library expenditures. The principal revenue source is the allocated District property taxes.

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 2015.

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 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.

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.

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.

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. This liability is liquidated in the General Fund, Library Fund, Street Fund, and Parks Fund.

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, 2016 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.

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

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	$ 3,300
Demand Deposits	1,007,125
Investments	19,331,164
Total Cash and Investments	$ 20,341,589

DEPOSITS - Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements is $933,601. 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.

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 Statues 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, 2016.

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, 2016. 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 Maturities (in months)		
Investement Type	Fair Value	Less than 3	3-18	18-59
State Treasurer's Local Government Investment Pool	$ 19,331,164	$ 19,331,164	$ -	$ -
Total	$ 19,331,164	$ 19,331,164	$ -	$ -

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, 2016, 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.

3. CAPITAL ASSETS

Changes in capital assets for the fiscal year ended June 30, 2016 are as follows:

	Governmental Activities Capital Assets			
	June 30, 2015	Additions	Disposals	June 30, 2016
Capital Assets, not being depreciated				
Land and Improvements	$ 3,435,117	$ 369,912	$ -	$ 3,805,029
Totals, captial assets not being depreciated	3,435,117	369,912	-	3,805,029
Capital Assets, being depreciated				
Buildings	10,143,422	3,225,212	-	13,368,634
Vehicles	712,083	-	-	712,083
Other Equipment	972,392	15,340	-	987,732
Park Improvements	3,090,513	16,045	-	3,106,558
Park Equipment	60,930	-	-	60,930
Streets	52,631,479	145,833	-	52,777,312
Totals, captial assets being depreciated	67,610,819	3,402,430	-	71,013,249
Less: Accumulated Depreciation for:				
Buildings	(1,377,260)	(281,879)	-	(1,659,139)
Vehicles	(363,458)	(61,602)	-	(425,060)
Other Equipment	(252,611)	(102,306)	-	(354,917)
Park Improvements	(1,246,976)	(152,107)	-	(1,399,083)
Park Equipment	(29,733)	(4,183)	-	(33,916)
Streets	(13,897,365)	(1,314,710)	-	(15,212,075)
Total Accumulated Depreciation	(17,167,403)	(1,916,787)	-	(19,084,190)
Total capital assets, being depreciated, net	50,443,416	1,485,643	-	51,929,059
Total Governmental Activities	$ 53,878,533	$ 1,855,555	$ -	$ 55,734,088

3. CAPITAL ASSETS (CONTINUED)

Governmental Activities Depreciation Allocation to Functions

General Government	$	262,671
Cultural and Recreation		220,078
Public Safety		49,694
Streets		1,384,344
Total	$	1,916,787

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
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
	$ 3,530,000	$ 965,544	$ 4,495,544

4. LONG-TERM DEBT (CONTINUED)

Change in long-term liabilities

Long-term liability activity for the fiscal year ending June 30, 2016, was as follows:

	06/30/2015	Additions	Reductions	06/30/2016	Due within one Year
Bonds Payable					
Full Faith & Credit Obligation, Series 2007, Interest 4%-4.25%	$ 3,750,000	$ -	$ 220,000	$ 3,530,000	$ 230,000
Plus deferred amounts:					
Bond Premium	26,724	-	2,227	24,497	2,227
Total bonds payable	3,776,724	-	222,227	3,554,497	232,227
Compensated Absences	122,930	170,844	122,930	170,844	170,844
Total Long-term liabilities	$ 3,899,654	$ 170,844	$ 345,157	$ 3,725,341	$ 403,071

5. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	General Fund - GAAP	Library Fund - GAAP	Street Fund - GAAP	Public Safety Fund - GAAP	Pedestrian Improvement Projects	Total Interfund Transfers
Transfers In	$ 2,172,855	645,000	$ 100,000	$ 12,000	$ -	$ 2,929,855
Transfers Out	(1,350,000)	(976,190)	(296,278)	(274,035)	(33,352)	(2,929,855)
	$ 822,855	(331,190)	$ (196,278)	$ (262,035)	$ (33,352)	$ -

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.

6. COMPENSATED ABSENCES PAYABLE

At June 30, 2016, the City's liability for compensated absences is estimated at $170,844. 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.

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.

7. RETIREMENT PLANS (CONTINUED)

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 2016 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.

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 2016 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.

7. RETIREMENT PLANS (CONTINUED)

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 and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were $324,191, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 13.87 percent for Tier One/Tier Two, 10.63 percent for OPSRP Pension Program General, and 6 percent for OPSRP Individual Account Program.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2016, the City reported a liability of $1,747,419 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability 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, 2015, the City's proportion was 0.0304 percent, which increased from its proportion of 0.0263 measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of $1,345,224. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

7. RETIREMENT PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 94,230	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	366,299
Changes in proportion and differences between City contributions and proportionate share of contributions	89,899	34,709
Total (prior post MD contributions)	$ 184,129	$ 401,008
Contributions subsequent to the MD	399,079	-
Total	$ 583,208	$ 401,008

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 259,235
2018	(139,844)
2019	(139,844)
2020	190,814
2021	11,838
Thereafter	-

Actuarial assumptions
The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015 through June 30, 2017, 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.

7. RETIREMENT PLANS (CONTINUED)

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	Health retirees and beneficiaries: RP-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 percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.

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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

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.

7. RETIREMENT PLANS (CONTINUED)

	Assumed Asset Allocation		
Asset Class/Strategy	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
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	100.00%	
Assumed Inflation - Mean		2.75%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68

7. RETIREMENT PLANS (CONTINUED)

(paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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)	$ 4,217,331	$ 1,747,419	$ (334,068)

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

7. RETIREMENT PLANS (CONTINUED)

Changes in Plan Provisions During the Measurement Period

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. OPERS will make restoration payments to those benefit recipients.

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

This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

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.

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 $677,784 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.

12. FUND BALANCE DETAIL

	General Fund GAAP	Library Fund GAAP	Street Fund GAAP	SDC Fund	Pedestrian Improv Project	Public Safety GAAP	Total
Fund Balances:							
Nonspendable	$ 20,054	$ -	$ -	$ -	$ -	$ -	$ 20,054
Restricted							
PEG	677,784	-	-	-	-	-	677,784
Library	-	3,405,035	-	-	-	-	3,405,035
Street Maint	-	-	822,230	-	-	-	822,230
SDC Projects	-	-	-	835,458	-	-	835,458
Ped Improvements	-	-	-	-	814,968	-	814,968
Public Safety	-	-	-	-	-	978,492	978,492
	677,784	3,405,035	822,230	835,458	814,968	978,492	7,533,967
Committed							
Construction Fees	-	-	1,145,945	-	-	-	1,145,945
General Ops	2,000,000	-	-	-	-	-	2,000,000
Replacement	1,241,630	-	-	-	-	-	1,241,630
Debt Service	2,618,487	-	-	-	-	-	2,618,487
	5,860,117	-	1,145,945	-	-	-	7,006,062
Unassigned	4,186,913	-	-	-	-	-	4,186,913
Total Fund Balances	$ 10,744,868	$ 3,405,035	$ 1,968,175	$ 835,458	$ 814,968	$ 978,492	$ 18,746,996

13. SPECIAL ITEM

As part of the agreement with Clackamas County to take over operations of the Happy Valley Library, the County transferred $2,925,104 to the City which serves as the beginning fund balance. This amount is shown as a Special Item on the budgetary, GAAP, and government-wide statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

GENERAL FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 1,447,000	$ 1,447,000	$ 1,476,614	$ 29,614
Licenses & Permits	3,157,500	3,157,500	4,443,601	1,286,101
Intergovernmental	1,351,500	1,351,500	812,661	(538,839)
Other Revenue	804,100	804,100	996,115	192,015
TOTAL REVENUES	6,760,100	6,760,100	7,728,991	968,891
EXPENDITURES				
Current:				
General Government	6,574,400	6,574,400	5,403,850	1,170,550
Cultural and Recreation	928,100	928,100	264,468	663,632
Public Safety	552,200	552,200	483,864	68,336
Debt Service				
Principal	220,000	220,000	220,000	-
Interest	151,700	151,700	151,700	-
Capital Outlay	1,227,724	1,227,724	48,156	1,179,568
Contingency	1,677,255	1,677,255	-	1,677,255
TOTAL EXPENDITURES	11,331,379	11,331,379	6,572,038	4,759,341
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,571,279)	(4,571,279)	1,156,953	5,728,232
OTHER FINANCING SOURCES (USES)				
Transfers In	2,172,855	2,172,855	2,172,855	-
Transfers Out	(1,350,000)	(1,350,000)	(1,350,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	822,855	822,855	822,855	-
NET CHANGE IN FUND BALANCE	(3,748,424)	(3,748,424)	1,979,808	5,728,232
FUND BALANCE - beginning	8,366,910	8,366,910	8,765,060	398,150
FUND BALANCE - ending	$ 4,618,486	$ 4,618,486	$ 10,744,868	$ 6,126,382

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

LIBRARY FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental	$ 2,305,478	$ 2,305,478	$ 2,382,949	$ 77,471
Other Revenue	59,000	59,000	71,553	12,553
TOTAL REVENUES	2,364,478	2,364,478	2,454,502	90,024
EXPENDITURES				
Current:				
Cultural and Recreation	2,098,500	2,098,500	1,643,381	455,119
Capital Outlay	615,000	615,000	-	615,000
Contingency	1,736,464	1,736,464	-	1,736,464
TOTAL EXPENDITURES	4,449,964	4,449,964	1,643,381	2,806,583
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,085,486)	(2,085,486)	811,121	2,896,607
OTHER FINANCING SOURCES, (USES)				
Transfers In	645,000	645,000	645,000	-
Transfers Out	(976,190)	(976,190)	(976,190)	-
TOTAL OTHER FINANCING SOURCES (USES)	(331,190)	(331,190)	(331,190)	-
SPECIAL ITEM (see note 13)	2,416,676	2,416,676	2,925,104	508,428
NET CHANGE IN FUND BALANCE	-	-	3,405,035	3,405,035
FUND BALANCE - beginning	-	-	-	-
FUND BALANCE - ending	$ -	$ -	$ 3,405,035	$ 3,405,035

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

STREET FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Gas Tax Revenue	$ 900,000	$ 900,000	$ 1,010,589	$ 110,589
Intergovernmental	40,000	40,000	33,193	(6,807)
Other Revenue	2,000	2,000	19,539	17,539
TOTAL REVENUES	942,000	942,000	1,063,321	121,321
EXPENDITURES				
Current:				
Highways and Streets	525,400	525,400	427,049	98,351
Capital Outlay	818,461	818,461	321,073	497,388
TOTAL EXPENDITURES	1,343,861	1,343,861	748,122	595,739
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(401,861)	(401,861)	315,199	717,060
OTHER FINANCING SOURCES, (USES)				
Transfers In	100,000	100,000	100,000	-
Transfers Out	(296,278)	(296,278)	(296,278)	-
TOTAL OTHER FINANCING SOURCES (USES)	(196,278)	(196,278)	(196,278)	-
NET CHANGE IN FUND BALANCE	(598,139)	(598,139)	118,921	717,060
FUND BALANCE - beginning	1,628,039	1,628,039	1,849,254	221,215
FUND BALANCE - ending	$ 1,029,900	$ 1,029,900	$ 1,968,175	$ 938,275

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

SYSTEM DEVELOPMENT FUND

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	$ 4,000	$ 4,000	$ 10,167	$ 6,167
SDC-Storm Drainage	61,800	61,800	150,134	88,334
TOTAL REVENUES	65,800	65,800	160,301	94,501
EXPENDITURES				
Capital Outlay				
SDC Projects-Storm Drainage	675,139	675,139	25,658	649,481
SDC Projects-Parks	61,200	61,200	-	61,200
Total Capital Outlay	736,339	736,339	25,658	710,681
TOTAL EXPENDITURES	736,339	736,339	25,658	710,681
NET CHANGE IN FUND BALANCE	(670,539)	(670,539)	134,643	805,182
FUND BALANCE - beginning	670,539	670,539	700,815	30,276
FUND BALANCE - ending	$ -	$ -	$ 835,458	$ 835,458

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

PEDESTRIAN IMPROVEMENT PROJECTS FUND

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	$ 2,000	$ 2,000	$ 4,443	$ 2,443
Privilege Tax	113,000	113,000	131,968	18,968
TOTAL REVENUES	115,000	115,000	136,411	21,411
EXPENDITURES				
Current:				
Materials and Services	10,000	10,000	-	10,000
Capital Outlay	823,281	823,281	39,375	783,906
TOTAL EXPENDITURES	833,281	833,281	39,375	793,906
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(718,281)	(718,281)	97,036	815,317
OTHER FINANCING SOURCES (USES)				
Transfers Out To:				
General Fund	(33,352)	(33,352)	(33,352)	-
NET CHANGE IN FUND BALANCE	(751,633)	(751,633)	63,684	815,317
FUND BALANCE - beginning	751,633	751,633	751,284	(349)
FUND BALANCE - ending	$ -	$ -	$ 814,968	$ 814,968

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

PUBLIC SAFETY FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 2,931,160	$ 2,931,160	$ 3,029,935	$ 98,775
Other Revenue	40,000	40,000	95,565	55,565
TOTAL REVENUES	2,971,160	2,971,160	3,125,500	154,340
EXPENDITURES				
Current:				
Public Safety	2,852,223	2,852,223	2,676,831	175,392
Contingency	675,566	675,566	-	675,566
TOTAL EXPENDITURES	3,527,789	3,527,789	2,676,831	850,958
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(556,629)	(556,629)	448,669	1,005,298
OTHER FINANCING (USES)				
Transfers In	12,000	12,000	12,000	-
Transfers Out	(274,035)	(274,035)	(274,035)	-
TOTAL OTHER FINANCING SOURCES (USES)	(262,035)	(262,035)	(262,035)	-
NET CHANGE IN FUND BALANCE	(818,664)	(818,664)	186,634	1,005,298
FUND BALANCE - beginning	818,664	818,664	791,858	(26,806)
FUND BALANCE - ending	$ -	$ -	$ 978,492	$ 978,492

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
2016	0.03 %	$ 1,747,419	$ 2,488,209	77.2 %	91.9 %
2015	0.03 %	(596,556)	2,380,983	(25.1) %	103.6 %
2014	0.03 %	1,343,052	2,121,164	63.3 %	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
2016	$ 399,079	$ 399,079	$ -	$ 3,819,380	10.5 %
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 determinted 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.

Changes in Benefit Terms

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. OPERS will make restoration payments to those benefit recipients.

OPERS 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 was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015.

These reports can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/mercer_reports.aspx.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAPPY VALLEY, OREGON
Combining Balance Sheet
General Fund - Generally Accepted Accounting Principles
June 30, 2016

	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	$ 5,035,044	$ 2,000,000	$ 1,885,109	$ 2,618,487	$ 11,538,640
Prepaid Items	20,054	-	-	-	20,054
Accounts Receivable	379,152	-	41,823	-	420,975
Property Taxes Receivable	81,653	-	-	-	81,653
TOTAL ASSETS	$ 5,515,903	$ 2,000,000	$ 1,926,932	$ 2,618,487	$ 12,061,322
LIABILITIES					
Accounts Payable	$ 688,783	$ -	$ 7,518	$ -	$ 696,301
Payroll and Taxes Payable	165,860	-	-	-	165,860
Development Deposits	344,062	-	-	-	344,062
Due to Other Governments	32,040	-	-	-	32,040
TOTAL LIABILITIES	1,230,745	-	7,518	-	1,238,263
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	78,191	-	-	-	78,191
FUND BALANCES					
Fund Balance By Category					
Nonspendable	20,054	-	-	-	20,054
Restricted	-	-	677,784	-	677,784
Committed	-	2,000,000	1,241,630	2,618,487	5,860,117
Unassigned	4,186,913	-	-	-	4,186,913
TOTAL FUND BALANCES	4,206,967	2,000,000	1,919,414	2,618,487	10,744,868
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	$ 5,515,903	$ 2,000,000	$ 1,926,932	$ 2,618,487	$ 12,061,322

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

CITY OF HAPPY VALLEY, OREGON
Combining Balance Sheet
Library Fund - Generally Accepted Accounting Principles
June 30, 2016

	Library Fund Budgetary Basis	Reserve For Replacement Budgetary Basis*	Library Fund Generally Accepted Accounting Principles
ASSETS			
Cash and Investments	$ 2,843,416	$ 619,052	$ 3,462,468
Prepaid items	2,330	-	2,330
TOTAL ASSETS	$ 2,845,746	$ 619,052	$ 3,464,798
LIABILITIES			
Accounts Payable	$ 19,500	$ -	$ 19,500
Accrued Payroll	40,263	-	40,263
TOTAL LIABILITIES	59,763	-	59,763
FUND BALANCES			
Fund Balance By Category			
Restricted	2,785,983	619,052	3,405,035
TOTAL FUND BALANCES	2,785,983	619,052	3,405,035
TOTAL LIABILITIES AND FUND BALANCES	$ 2,845,746	$ 619,052	$ 3,464,798

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

CITY OF HAPPY VALLEY, OREGON
Combining Balance Sheet
Street Fund - Generally Accepted Accounting Principles
June 30, 2016

	Street Fund Budgetary Basis	Reserve For Replacement Budgetary Basis*	Street Fund Generally Accepted Accounting Principles
ASSETS			
Cash and Investments	$ 1,627,294	$ 230,900	$ 1,858,194
Accounts Receivable	125,089	-	125,089
TOTAL ASSETS	$ 1,752,383	$ 230,900	$ 1,983,283
LIABILITIES			
Accounts Payable	$ 10,401	$ -	$ 10,401
Accrued Payroll	4,707	-	4,707
TOTAL LIABILITIES	15,108	-	15,108
FUND BALANCES			
Fund Balance By Category			
Restricted	591,330	230,900	822,230
Committed	1,145,945	-	1,145,945
TOTAL FUND BALANCES	1,737,275	230,900	1,968,175
TOTAL LIABILITIES AND FUND BALANCES	$ 1,752,383	$ 230,900	$ 1,983,283

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

CITY OF HAPPY VALLEY, OREGON
Combing Balance Sheet
Public Safety Fund - Generally Accepted Accounting Principles
June 30, 2016

	Public Safety Fund Budgetary Basis	Reserve For Replacement Budgetary Basis*	Public Safety Fund Generally Accepted Accounting Principles
ASSETS			
Cash and Investments	$ 904,605	$ 62,000	$ 966,605
Accounts Receivable	9,962	-	9,962
Property Taxes Receivable	167,512	-	167,512
TOTAL ASSETS	$ 1,082,079	$ 62,000	$ 1,144,079
LIABILITIES			
Accounts Payable	$ 5,181	$ -	$ 5,181
TOTAL LIABILITIES	5,181	-	5,181
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	160,406	-	160,406
FUND BALANCES			
Fund Balance By Category			
Restricted	916,492	62,000	978,492
TOTAL FUND BALANCES	916,492	62,000	978,492
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,082,079	$ 62,000	$ 1,144,079

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

CITY OF HAPPY VALLEY, OREGON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund - Generally Accepted Accounting Principles
for the year ended June 30, 2016

	General Fund Budgetary Basis	Gen Ops Reserve Fund Budgetary Basis	Reserve for Replacement Budgetary Basis *	Debt Service Budgetary Basis	General Fund Generally Accepted Accounting Principles
REVENUES					
Property Taxes	$ 1,476,614	$ -	$ -	$ -	$ 1,476,614
Licenses & Permits	4,443,601	-	-	-	4,443,601
Intergovernmental	812,661	-	-	-	812,661
Other Revenue	834,520	-	161,595	-	996,115
TOTAL REVENUES	7,567,396	-	161,595	-	7,728,991
EXPENDITURES					
Current:					
General Government	5,191,259	-	212,591	-	5,403,850
Cultural and Recreation	264,468	-	-	-	264,468
Public Safety	483,864	-	-	-	483,864
Debt Service					
Principal	-	-	-	220,000	220,000
Interest	-	-	-	151,700	151,700
Capital Outlay	-	-	48,156	-	48,156
TOTAL EXPENDITURES	5,939,591	-	260,747	371,700	6,572,038
EXCESS REVENUES OVER (UNDER) EXPENDITURES	1,627,805	-	(99,152)	(371,700)	1,156,953
OTHER FINANCING SOURCES, (USES)					
Transfers In	822,855	-	350,000	1,000,000	2,172,855
Transfers Out	(1,350,000)	-	-	-	(1,350,000)
TOTAL OTHER FINANCINC SOURCES (USES)	(527,145)	-	350,000	1,000,000	822,855
NET CHANGE IN FUND BALANCE	1,100,660	-	250,848	628,300	1,979,808
FUND BALANCES - beginning	3,106,307	2,000,000	1,668,566	1,990,187	8,765,060
FUND BALANCES - ending	$ 4,206,967	$ 2,000,000	$ 1,919,414	$ 2,618,487	$ 10,744,868

* 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
- LIBRARY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

CITY OF HAPPY VALLEY, OREGON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Library Fund - Generally Accepted Accounting Principles
for the year ended June 30, 2016

	Library Fund Budgetary Basis	Reserve for Replacement Budgetary Basis*	Library Fund Generally Accepted Accounting Principles
REVENUES			
District Revenue	$ 2,382,949	$ -	$ 2,382,949
Other Revenue	71,553	-	71,553
TOTAL REVENUES	2,454,502	-	2,454,502
EXPENDITURES			
Current:			
Cultural and Recreation	1,617,433	25,948	1,643,381
Capital Outlay	-	-	-
TOTAL EXPENDITURES	1,617,433	25,948	1,643,381
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	837,069	(25,948)	811,121
OTHER FINANCING SOURCES, (USES)			
Transfers In	-	645,000	645,000
Transfers Out	(976,190)	-	(976,190)
TOTAL OTHER FINANCING SOURCES (USES)	(976,190)	645,000	(331,190)
SPECIAL ITEM (see note 13)	2,925,104	-	2,925,104
NET CHANGE IN FUND BALANCE	2,785,983	619,052	3,405,035
FUND BALANCES - beginning	-	-	-
FUND BALANCES - ending	$ 2,785,983	$ 619,052	$ 3,405,035

* 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
- STREET FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

CITY OF HAPPY VALLEY, OREGON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Street Fund - Generally Accepted Accounting Principles
for the year ended June 30, 2016

	Street Fund Budgetary Basis	Reserve for Replacement Budgetary Basis*	Street Fund Generally Accepted Accounting Principles
REVENUES			
Gas Tax Revenue	$ 1,010,589	$ -	$ 1,010,589
Other Revenue	52,732	-	52,732
TOTAL REVENUES	1,063,321	-	1,063,321
EXPENDITURES			
Current:			
Street	427,049	-	427,049
Capital Outlay	318,697	2,376	321,073
TOTAL EXPENDITURES	745,746	2,376	748,122
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	317,575	(2,376)	315,199
OTHER FINANCING SOURCES, (USES)			
Transfers In	-	100,000	100,000
Transfers Out	(296,278)	-	(296,278)
TOTAL OTHER FINANCING SOURCES (USES)	(296,278)	100,000	(196,278)
NET CHANGE IN FUND BALANCE	21,297	97,624	118,921
FUND BALANCES - beginning	1,715,978	133,276	1,849,254
FUND BALANCES - ending	$ 1,737,275	$ 230,900	$ 1,968,175

* 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
- LIBRARY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

CITY OF HAPPY VALLEY, OREGON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Public Safety Fund - Generally Accepted Accounting Principles for the year ended June 30, 2016

	Public Safety Fund Budgetary Basis	Reserve for Replacement Budgetary Basis*	Public Safety Fund Generally Accepted Accounting Principles
REVENUES			
Property Taxes	$ 3,029,935	$ -	$ 3,029,935
Other Revenue	95,565	-	95,565
TOTAL REVENUES	3,125,500	-	3,125,500
EXPENDITURES			
Current:			
Public Safety	2,676,831	-	2,676,831
TOTAL EXPENDITURES	2,676,831	-	2,676,831
EXCESS OF REVENUES OVER (UNDED) EXPENDITURES	448,669	-	448,669
OTHER FINANCING SOURCES, (USES)			
Transfers In	-	12,000	12,000
Transfers Out	(274,035)	-	(274,035)
TOTAL OTHER FINANCING SOURCES (USES)	(274,035)	12,000	(262,035)
NET CHANGE IN FUND BALANCE	174,634	12,000	186,634
FUND BALANCES - beginning	741,858	50,000	791,858
FUND BALANCES - ending	$ 916,492	$ 62,000	$ 978,492

* 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
- LIBRARY FUND - GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

GENERAL FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 1,447,000	$ 1,447,000	$ 1,476,614	$ 29,614
Licenses, Fees, and Permits:				
Franchise Fees	845,000	845,000	958,333	113,333
Building Permits and Fees	1,300,000	1,300,000	2,292,980	992,980
Planning Fees	418,000	418,000	353,457	(64,543)
Engineering Fees	357,500	357,500	534,756	177,256
User Related Fees	237,000	237,000	304,075	67,075
Total Licenses, Fees, and Permits	3,157,500	3,157,500	4,443,601	1,286,101
Intergovernmental:				
State Shared Revenues	415,000	415,000	437,432	22,432
Intergovernmental	936,500	936,500	375,229	(561,271)
Total Intergovernmental	1,351,500	1,351,500	812,661	(538,839)
Other Revenue:				
Traffic Fines	420,000	420,000	513,962	93,962
Municipal Court	70,000	70,000	65,950	(4,050)
Miscellaneous Revenue	175,100	175,100	254,608	79,508
Total Other Revenue	665,100	665,100	834,520	169,420
TOTAL REVENUES	6,621,100	6,621,100	7,567,396	946,296
EXPENDITURES				
Administration	$ 2,235,200	$ 2,235,200	$ 2,061,437	$ 173,763
Community Services & Public Safety	1,104,400	1,104,400	1,043,102	61,298
Economic & Community Development	2,118,400	2,118,400	2,057,876	60,524
Public Works	600,600	600,600	512,708	87,892
Parks	928,100	928,100	264,468	663,632
Contingency	1,677,255	1,677,255	-	1,677,255
TOTAL EXPENDITURES	8,663,955	8,663,955	5,939,591	2,724,364
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,042,855)	(2,042,855)	1,627,805	3,670,660
OTHER FINANCING SOURCES (USES)				
Transfers In	822,855	822,855	822,855	-
Transfers Out To:				
Reserve for Replacement Fund	(350,000)	(350,000)	(350,000)	-
Debt Service Fund	(1,000,000)	(1,000,000)	(1,000,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(527,145)	(527,145)	(527,145)	-
NET CHANGE IN FUND BALANCE	(2,570,000)	(2,570,000)	1,100,660	3,670,660
FUND BALANCE - beginning	2,570,000	2,570,000	3,106,307	536,307
FUND BALANCE - ending	$ -	$ -	$ 4,206,967	$ 4,206,967

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

LIBRARY FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
User Related Fees	$ 47,500	$ 47,500	$ 42,554	$ (4,946)
District Revenue	2,305,478	2,305,478	2,382,949	77,471
Miscellaneous Revenue	11,500	11,500	28,999	17,499
TOTAL REVENUES	2,364,478	2,364,478	2,454,502	90,024
EXPENDITURES				
Personal Services	1,475,000	1,475,000	1,188,783	286,217
Materials and Services	593,500	593,500	428,650	164,850
Contingency	1,736,464	1,736,464	-	1,736,464
TOTAL EXPENDITURES	3,804,964	3,804,964	1,617,433	2,187,531
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,440,486)	(1,440,486)	837,069	2,277,555
OTHER FINANCING SOURCES, (USES)				
Transfers Out To:				
General Fund	(331,190)	(331,190)	(331,190)	-
Reserve for Replacement	(645,000)	(645,000)	(645,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(976,190)	(976,190)	(976,190)	-
SPECIAL ITEM (see note 13)	2,416,676	2,416,676	2,925,104	508,428
NET CHANGE IN FUND BALANCE	-	-	2,785,983	2,785,983
FUND BALANCE - beginning	-	-	-	-
FUND BALANCE - ending	$ -	$ -	$ 2,785,983	$ 2,785,983

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

STREET FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental Revenue	$ 40,000	$ 40,000	$ 33,193	$ (6,807)
Gas Tax Revenue	900,000	900,000	1,010,589	110,589
Miscellaneous Revenue	2,000	2,000	19,539	17,539
TOTAL REVENUES	942,000	942,000	1,063,321	121,321
EXPENDITURES				
Personal Services	251,200	251,200	230,126	21,074
Materials and Services	274,200	274,200	196,923	77,277
Capital Outlay	585,185	585,185	318,697	266,488
TOTAL EXPENDITURES	1,110,585	1,110,585	745,746	364,839
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(168,585)	(168,585)	317,575	486,160
OTHER FINANCING SOURCES, (USES)				
Transfers Out To:				
General Fund	(196,278)	(196,278)	(196,278)	-
Reserve for Replacement	(100,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(296,278)	(296,278)	(296,278)	-
NET CHANGE IN FUND BALANCE	(464,863)	(464,863)	21,297	486,160
FUND BALANCE - beginning	1,494,763	1,494,763	1,715,978	221,215
FUND BALANCE - ending	$ 1,029,900	$ 1,029,900	$ 1,737,275	$ 707,375

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

PUBLIC SAFETY FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Misc Revenue	$ 40,000	$ 40,000	$ 95,565	$ 55,565
Property Taxes	2,931,160	2,931,160	3,029,935	98,775
TOTAL REVENUES	2,971,160	2,971,160	3,125,500	154,340
EXPENDITURES				
Materials and Services	2,790,223	2,790,223	2,676,831	113,392
Contingency	675,566	675,566	-	675,566
TOTAL EXPENDITURES	3,465,789	3,465,789	2,676,831	788,958
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(494,629)	(494,629)	448,669	943,298
OTHER FINANCING (USES)				
Transfers Out To:				
General Fund	(262,035)	(262,035)	(262,035)	-
Reserve for Replacement	(12,000)	(12,000)	(12,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(274,035)	(274,035)	(274,035)	-
NET CHANGE IN FUND BALANCE	(768,664)	(768,664)	174,634	943,298
FUND BALANCE - beginning	768,664	768,664	741,858	(26,806)
FUND BALANCE - ending	$ -	$ -	$ 916,492	$ 916,492

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

GENERAL OPERATIONS RESERVE FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES				
Transfers In From:				
General Fund	$ -	$ -	$ -	$ -
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - beginning	2,000,000	2,000,000	2,000,000	-
FUND BALANCE - ending	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ -

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

RESERVE FOR REPLACEMENT FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
PEG Fees	$ 139,000	$ 139,000	$ 161,595	$ 22,595
TOTAL REVENUES	139,000	139,000	161,595	22,595
EXPENDITURES				
Materials and Services	1,160,000	1,160,000	238,539	921,461
Capital Outlay	2,076,000	2,076,000	50,532	2,025,468
TOTAL EXPENDITURES	3,236,000	3,236,000	289,071	2,946,929
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,097,000)	(3,097,000)	(127,476)	2,969,524
Transfers In From:				
General Fund	350,000	350,000	350,000	-
Street Fund	100,000	100,000	100,000	-
Library	645,000	645,000	645,000	-
Public Safety Fund	12,000	12,000	12,000	-
TOTAL OTHER FINANCING SOURCES (USES)	1,107,000	1,107,000	1,107,000	-
NET CHANGE IN FUND BALANCE	(1,990,000)	(1,990,000)	979,524	2,946,929
FUND BALANCE - beginning	1,990,000	1,990,000	1,851,842	(138,158)
FUND BALANCE - ending	$ -	$ -	$ 2,831,366	$ 2,831,366

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2016

RESERVE FOR DEBT SERVICE FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES				
Debt Service				
Principal Payments	$ 220,000	$ 220,000	$ 220,000	$ -
Interest Payments	151,700	151,700	151,700	-
Total Debt Services	371,700	371,700	371,700	-
TOTAL EXPENDITURES	371,700	371,700	371,700	-
OTHER FINANCING SOURCES				
Transfers In				
From General Fund	1,000,000	1,000,000	1,000,000	-
NET CHANGE IN FUND BALANCE	628,300	628,300	628,300	-
FUND BALANCE - beginning	1,990,186	1,990,186	1,990,187	1
FUND BALANCE - ending	$ 2,618,486	$ 2,618,486	$ 2,618,487	$ 1

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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.

Table of Contents **Page**

Financial Trends 61 - 65

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 66 - 68

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 69 -73

This schedule presents information to help the reader assess the afordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Operating Information 74 - 78

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.

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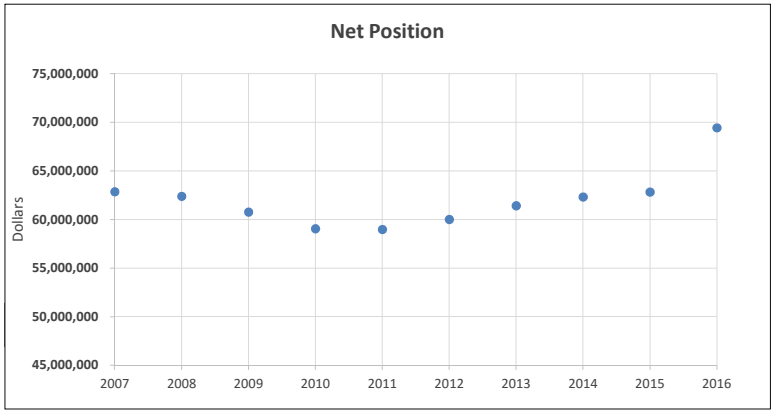
CITY OF HAPPY VALLEY, OREGON
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Governmental activities										
Net investment in capital assets	$ 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	$ 52,179,591
Restricted	-	-	-	-	-	3,968,439	3,169,038	3,357,477	3,520,302	7,554,021
Unrestricted	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	9,695,509
Total governmental activities net position	$ 62,860,988	$ 62,386,654	$ 60,768,435	$ 59,054,105	$ 58,980,063	$ 60,009,909	$ 61,418,930	$ 62,318,899	$ 62,830,427	$ 69,429,121



CITY OF HAPPY VALLEY, OREGON
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Expenses										
Governmental Activities:										
General government	$ 2,856,894	$ 5,707,405	$ 7,136,560	$ 7,273,476	$ 6,294,948	$ 5,643,667	$ 7,446,207	$ 8,447,692	$ 8,427,337	$ 6,589,158
Cultural and Recreation	48,768	2,054,712	126,200	97,482	104,307	228,276	255,454	281,561	285,790	2,450,253
Public Safety	-	-	-	-	-	-	-	-	-	3,317,382
Highways and Streets	182,429	28,668	311,208	615,911	337,855	921,974	1,097,307	770,717	767,425	2,253,225
Interest of long term debt	-	181,666	205,360	199,728	192,185	184,322	176,141	167,642	158,717	151,700
Total Expenses	3,088,091	7,972,451	7,779,328	8,186,597	6,929,295	6,978,239	8,975,109	9,667,612	9,639,269	14,761,718
Program Revenues										
Governmental Activities:										
Charges for services										
General government	$ 2,951,092	$ 2,165,381	$ 1,830,442	$ 1,440,118	$ 1,509,441	$ 2,266,446	$ 2,684,628	$ 3,498,523	$ 2,485,750	$ 3,485,268
Cultural and Recreation	30,913	22,651	71,006	36,668	16,063	28,499	-	-	-	42,554
Public Safety	-	-	-	-	-	-	-	-	-	579,912
Highways and Streets	63,295	119,936	156,529	132,302	129,571	190,065	324,176	206,470	67,584	150,134
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total Program Revenues	3,045,300	2,307,968	2,057,977	1,609,088	1,655,075	2,485,010	3,008,804	3,704,993	2,553,334	4,257,868
Net (Expense)/Revenue										
Governmental Activities	$ (42,791)	$ (5,664,483)	$ (5,721,351)	$ (6,577,509)	$ (5,274,220)	$ (4,493,229)	$ (5,966,305)	$ (5,962,619)	$ (7,085,935)	$ (10,503,850)
General Revenues										
Governmental Activities:										
Property Taxes	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	4,531,874
Other Taxes	389,193	428,381	422,485	475,910	602,531	774,660	803,621	875,088	1,934,097	2,100,890
Intergovernmental-unrestricted	498,671	559,998	567,585	542,842	587,554	653,180	790,718	851,229	847,935	845,854
Other Revenue	1,048,247	1,036,599	749,804	655,234	739,887	716,885	855,677	1,411,651	1,784,873	6,698,822
Gain (loss) on sale of capital assets	-	531,948	-	-	-	-	-	-	-	-
Total general revenues, transfers, and special items	$ 4,133,588	$ 5,190,149	$ 4,754,699	$ 4,863,179	$ 5,200,178	$ 5,523,075	$ 5,887,949	$ 6,862,588	$ 8,630,648	$ 14,177,440
Change in Net Position	$ 4,090,797	$ (474,334)	$ (966,652)	$ (1,714,330)	$ (74,042)	$ 1,029,846	$ (78,356)	$ 899,969	$ 1,544,713	$ 3,673,590

CITY OF HAPPY VALLEY, OREGON
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,744	$ 20,963	$ 46,655	$ 20,054
Restricted	-	-	-	-	-	604,874	501,707	574,984	526,381	677,784
Committed	-	-	-	-	-	-	2,645,793	3,413,463	5,132,372	5,860,117
Assigned	-	-	-	-	497,608	537,122	-	-	-	-
Unassigned	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	4,186,913
Total general fund	$ 1,379,393	$ 815,253	$ 786,385	$ 1,708,335	$ 2,464,266	$ 4,461,449	$ 7,477,979	$ 9,058,400	$ 8,765,060	$ 10,744,868
All other governmental funds										
Restricted	$ -	$ -	$ -	$ -	$ 4,361,626	$ 3,363,565	$ 2,644,587	$ 2,761,530	$ 2,947,266	$ 6,856,183
Committed	-	-	-	-	-	836,210	328,419	313,914	1,145,945	1,145,945
Assigned	-	-	-	-	210,683	-	-	-	-	-
Unassigned	10,416,995	10,749,472	6,401,003	5,033,388	-	-	-	-	-	-
Total all other governmental funds	$ 10,416,995	$ 10,749,472	$ 6,401,003	$ 5,033,388	$ 4,572,309	$ 4,199,775	$ 2,973,006	$ 3,075,444	$ 4,093,211	$ 8,002,128

CITY OF HAPPY VALLEY, OREGON
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
REVENUES										
Property taxes	$ 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	$ 4,506,549
Gas Tax	389,193	428,381	422,485	475,910	602,531	774,660	803,621	875,088	930,226	1,010,589
Licenses and permits	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	4,575,569
System Development Charges	80,183	44,250	123,046	48,581	29,579	82,626	214,139	93,194	67,584	150,134
Intergovernmental	498,671	559,998	567,585	542,842	587,554	653,180	790,718	851,229	847,935	845,854
Other Revenue	1,048,247	1,036,599	749,804	655,234	739,887	716,885	855,677	1,035,281	1,059,457	3,580,331
Total Revenues	7,157,906	6,928,271	6,759,268	6,457,024	6,864,924	7,974,615	8,893,235	10,199,535	10,446,861	14,669,026
EXPENDITURES										
Current:										
General Government	*	*	*	*	*	*	*	*	*	5,403,850
Cultural and Recreation	*	*	*	*	*	*	*	*	*	1,907,849
Public Safety	*	*	*	*	*	*	*	*	*	3,160,695
Highways and Streets	*	*	*	*	*	*	*	*	*	427,049
Personal Services	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	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	220,000
Interest and fiscal charges	-	183,894	207,588	201,956	194,413	186,550	178,369	169,869	160,944	151,700
Capital Outlay	1,542,239	10,130,390	4,879,434	386,439	321,706	551,212	1,152,157	654,784	904,928	434,262
Total Expenditures	5,916,379	15,090,029	11,136,605	6,900,689	6,570,072	6,887,088	8,170,988	8,516,676	9,722,434	11,705,405
Excess (Deficiency) of Revenues over Expenditures	1,241,527	(8,161,758)	(4,377,337)	(443,665)	294,852	1,087,527	722,247	1,682,859	724,427	2,963,621
OTHER FINANCING SOURCES (USES)										
Transfers in	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	2,929,855
Transfers out	(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)	(2,929,855)
Bond Proceeds	-	5,044,546	-	-	-	-	-	-	-	-
Proceeds from Land Sale	-	2,885,549	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	7,930,095	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	-	-	-	2,925,104
Net change in fund balances	$ 1,241,527	$ (231,663)	$ (4,377,337)	$ (443,665)	$ 294,852	$ 1,087,527	$ 722,247	$ 1,682,859	$ 724,427	$ 5,888,725
Debt service as a percentage of noncapital expenditures	0.00%	2.72%	4.68%	5.58%	6.85%	7.06%	4.98%	4.80%	4.60%	4.69%

* = Reported using Personal Services and Materials & Services categories

CITY OF HAPPY VALLEY, OREGON

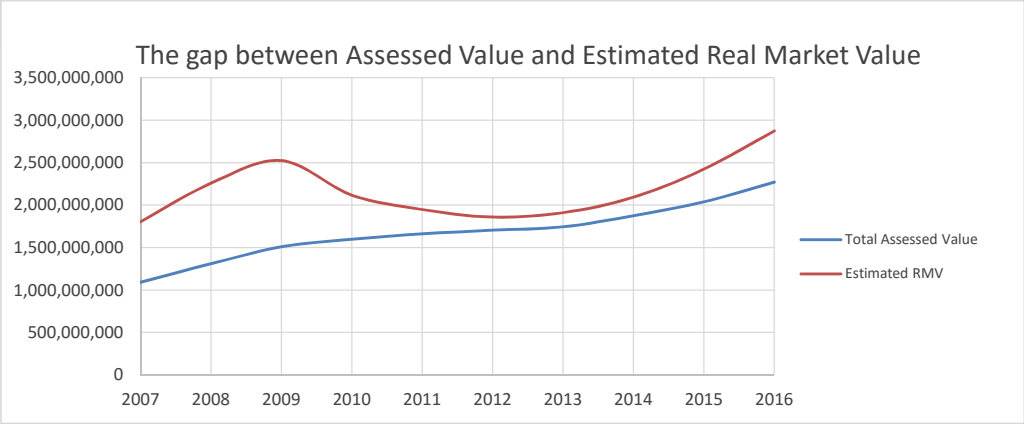
Assessed Value and Estimated Value of Taxable Property

Last Ten Fiscal Years

	Assessed Value						RMV	
Fiscal Year Ended June 30	**Real property**	**Personal property**	**Manuf'd structure**	**Public utility**	**Total assessed value**	**Total direct tax rate**	**Estimated real market value (RMV)**	**Assessed value as percentage of RMV**
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
2016	2,207,472,001	8,319,410	2,198,711	51,660,000	2,269,650,122	2.05	2,874,727,083	66.91

Source: Clackamas County Assessor's Office

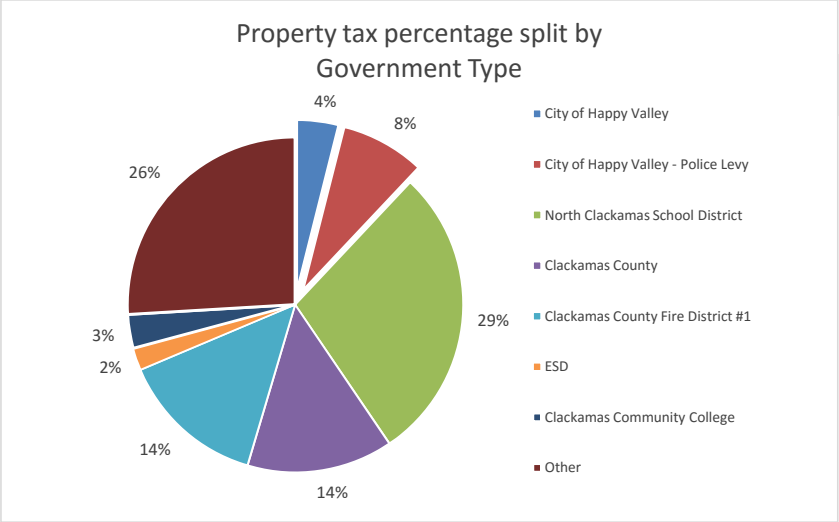
Note: Property is generally assessed as of July 1st of each fiscal year



CITY OF HAPPY VALLEY, OREGON
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

	City direct rates			Overlapping Rates						
Fiscal Year	General Operating	Police Levy	Total Direct Rate	School District	Clackamas County	Clackamas County Fire Dist #1	Education Service District	Clackamas Community College	Other	Total Direct and Overlapping
2007	0.671	1.38	2.05	4.64	2.40	2.31	0.3624	0.5481	2.6408	14.95
2008	0.671	1.38	2.05	4.62	2.40	2.30	0.3620	0.5476	2.9772	15.27
2009	0.671	1.38	2.05	4.60	2.40	2.31	0.3611	0.5463	4.2478	16.52
2010	0.671	1.38	2.05	4.57	2.40	2.30	0.3620	0.5450	4.1581	16.39
2011	0.671	1.38	2.05	4.57	2.40	2.30	0.3619	0.5449	4.7140	16.94
2012	0.671	1.38	2.05	4.59	2.40	2.30	0.3624	0.5459	4.6982	16.95
2013	0.671	1.38	2.05	4.58	2.40	2.30	0.3623	0.5455	5.1748	17.42
2014	0.671	1.38	2.05	4.82	2.40	2.38	0.3676	0.5560	4.4411	17.02
2015	0.671	1.38	2.05	4.87	2.40	2.40	0.3687	0.5582	4.2772	16.93
2016	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, OREGON
Principal Property Taxpayers
Current Year and Nine Years Ago

		2015-16			2006-07		
Rank	**Taxpayer**	**Taxable Assessed Valuation**	**Rank**	**Percentage of Total Assessed Valuation**	**Taxable Assessed Valuation**	**Rank**	**Percentage of Total Assessed Valuation**
1	ROIC Oregon LLC	$34,800,186	1	1.53%	6,120,059	1	0.56%
2	Sunrise Terrace Apartments LLC	26,137,596	2	1.15%			
3	TADC LLC	21,830,038	3	0.96%			
4	Portland General Electric Co	16,654,000	4	0.73%	5,792,000	2	0.53%
5	Comcast Corporation	14,272,700	5	0.63%	2,467,992	7	0.23%
6	Happy Valley Retirement Residence	12,996,658	6	0.57%			
7	Northwest Natural Gas Co	9,986,000	7	0.44%	5,706,100	3	0.52%
8	Eagle Landing Holdings LLC	7,773,319	8	0.34%	4,756,910	4	0.44%
9	Providence Health & Services- OR	5,287,109	9	0.23%			
10	Hikade Kimberley F & Richard J	3,708,285	10	0.16%			
	ETTRO Capital Management Corp				4,030,488	5	0.37%
	Geo LLC				2,676,328	6	0.25%
	TPOR-A LLC				2,300,844	8	0.21%
	DR Horton Inc - Portland				1,863,584	9	0.17%
	Austria Camilo Trustee				1,592,157	10	0.15%
		$ 153,445,891		6.76%	$ 37,306,462		3.42%

Source: Clackamas County Assessor's Office

CITY OF HAPPY VALLEY, 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
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%
2016	4,649,509	4,422,885	95.13%	101,790	4,524,675	97.32%

Source: Annual financial statements of the City of Happy Valley

CITY OF HAPPY VALLEY, 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			
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
2016	3,554,497	3,554,497	18,535	192

(1) Presented net of original issuance discounts and premiums

CITY OF HAPPY VALLEY, OREGON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

Government Unit:	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Primary Government
Direct:			
City of Happy Valley	$ 3,554,497	100.00%	$ 3,554,497
Overlapping:			
Clackamas Community College	$ 62,061,012	6.81%	$ 4,226,355
Clackamas County	101,775,136	5.06%	5,149,822
Clackamas County ESD	22,960,637	5.24%	1,203,137
Clackamas County RFPD	16,700,000	12.30%	2,054,100
North Clackamas School District	306,389,340	17.28%	52,944,078
Metro	199,855,000	1.24%	2,478,202
Mt Hood Community College	23,735,000	0.14%	33,229
Centennial School District	24,641,858	1.46%	359,771
Subtotal, overlapping debt			68,448,694
City of Happy Valley direct debt			3,554,497
Total direct and overlapping debt			$ 72,003,191

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, 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
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
2016	3,554,497	2,618,487	936,010	0.03%	50

Note: Details regarding the city's oustanding 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 66 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, OREGON
Legal Debt Margin Information
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Debt maximum limitation	$ 54,065,893	$ 67,717,826	$ 75,752,442	$ 63,501,508	$ 58,430,321
Debt applicable to maximum limit	-	-	-	-	-
Legal debt margin available	54,065,893	67,717,826	75,752,442	63,501,508	58,430,321
Debt applicable to the maximum limit as a percentage of debt limitation	0%	0%	0%	0%	0%

	2012	2013	2014	2015	2016
Debt maximum limitation	$ 55,720,280	$ 57,296,129	$ 62,768,814	$ 72,709,397	$ 86,241,812
Debt applicable to maximum limit	-	-	-	-	-
Legal debt margin available	55,720,280	57,296,129	62,768,814	72,709,397	86,241,812
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	$ 2,874,727,083
	3%
Debt maximum limitation	86,241,812
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	3,530,000
Less debt excluded from debt limit:	
Full faith and credit obligations	(3,530,000)
Net amount of debt applicable to limit	-
Legal debt margin - amount available for future indebtedness	$ 86,241,812
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, OREGON

Legal Debt Margin Information

Last Ten Fiscal Years

Fiscal Year	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2007	$ -	$ -	$ -	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-

(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, OREGON
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population(1)	Median Age(2)	Household Income	Per Capita Income (2)	HV Schools plus CCHS Enrollment (3)	Unemployment Rate(4)
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
2016	18,535	36.8	94,900	38,593	6,495	4.3

* Information unavailable at this time.

Sources: (1) Portland Population Research Center.
(2) U.S. Census Bureau.
(3) North Clackamas School District.
(4) State Department of Labor unemployment rate for the County (not seasonally adjusted).

CITY OF HAPPY VALLEY

Principal Employers

Current year and nine years ago

	2016			2007		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
New Seasons Market	189	1	7.08%	*		
Camp Withycombe	100	2	3.75%	*		
City of Happy Valley	83	3	3.11%	*		
McDonald's	45	4	3.11%	*		
Applebee's Neighborhood Grill	44	5	1.69%	*		
Providence Medical Group Happy Val	60	6	1.65%	*		
Abundent Life Church	50	7	2.25%	*		
Glenmoore	38	8	1.87%	*		
La Costita	31	9	1.42%	*		
Premier Sport and Fitness	30	10	1.16%	*		
	571		24.51%	0		0.00%

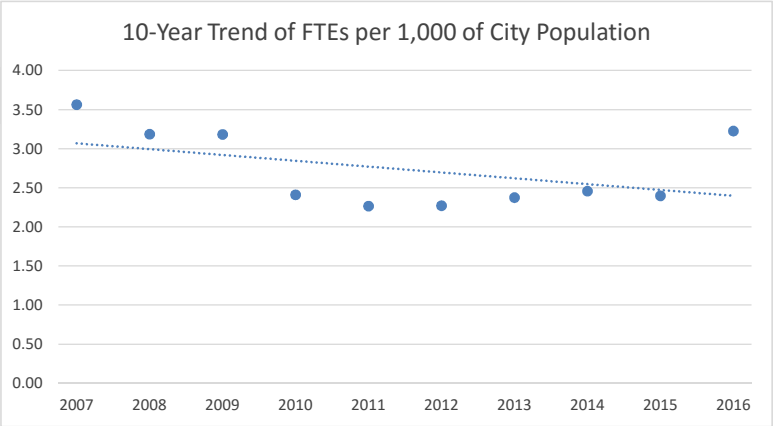
* Historical number of employees information unavailable for this fiscal year nine years ago.

Source: City business licenses

CITY OF HAPPY VALLEY, OREGON
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Function										
Administration	5.5	5.5	7	6	9	7.5	6	7	7	9
Community Services and Public Safety	6.5	8	8.5	9	8.5	10	10.5	10.5	10	11
Economic and Community Development	18	16	12	10	8	8.5	11.5	14	16	18
Public Works / Parks / Streets	7	7	9	9	7	8	9	9	9	9
Library	0	0	0	0	0	0	0	0	0	12.8
Total FTE's	37	36.5	36.5	34	32.5	34	37	40.5	42	59.8
Public Safety - Police Officers (contracted)	7.4	9.15	11.15	11.15	11.15	11.15	11.5	11.5	11.5	12
City Population	10,380	11,455	11,465	14,100	14,337	14,965	15,575	16,480	17,510	18,535
FTE's per 1,000 of population	3.56	3.19	3.18	2.41	2.27	2.27	2.38	2.46	2.40	3.23

Sources: Various city departments



CITY OF HAPPY VALLEY, OREGON
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Economic and Community Development										
Residential Building permits issued	220	163	60	91	110	158	276	350	274	418
Commercial Building permits issued	*	*	*	*	0	16	2	2	5	14
Public Works:										
Street Sweeping:										
Number of miles swept	*	*	*	*	*	2,500	3,000	2,200	2,500	1,800
Volume of material removed (cubic yards)	*	*	*	*	*	285	379	757	900	900
Winter Storms:										
Sand applied (cubic yards)	*	*	*	*	*	*	26	78	8	100
Sand picked up after storms	*	*	*	*	*	*	16	50	4	60
Magnesium chloride/De-icing (gallons)	*	*	*	*	*	4,125	2,100	7,500	900	2,750
Landscape Maintenance:										
Fertilizers (lbs)	*	*	*	*	*	*	150	1,110	2,239	0
Herbicides (gallons)	*	*	*	*	*	*	56	190	135	480
Park Reservations:										
Reservations coordinated	*	*	*	*	*	153	172	214	210	225
Number of people served	*	*	*	*	*	*	6,078	8,218	9,207	9,722
Trees planted	*	*	*	*	*	*	*	3,150	925	92
Services performed on fleet vehicles	*	*	*	*	*	*	80	146	170	190
Crack seal applied on roadways (tons)	*	*	*	*	*	4.25	2.25	6.60	4.50	13.75
Signs cleaned and adjusted	*	*	*	*	*	*	*	869	920	1,148
Community Services										
Passports issued	*	*	*	803	1,935	1,339	1,690	1,882	2,316	2,592
Public Safety:										
Code Enforcement / Animal Control Cases	420	920	1,356	1,543	1,855	2,023	2,768	2,453	2,108	3,168
Parking citations	179	106	171	131	293	547	637	389	306	461
Number dispatched calls for service	2,530	2,715	2,918	2,871	3,110	3,159	3,251	3,471	3,517	4,361
Number of traffic violations	1,746	1,908	2,288	1,878	2,199	2,158	1,849	2,145	2,588	3,079
Number of "other" self initiated activites	635	1,087	2,709	2,151	2,497	2,158	1,801	1,396	1,521	1,982
Numer of traffic stops	1,957	2,643	3,936	3,374	3,643	3,301	3,582	3,887	4,111	4,545
Library										
Circulation	543,563	597,390	584,645	574,645	642,790	654,150	707,958	762,069	800,944	793,476
Number of Reference Inquiries	12,975	13,392	14,162	16,420	19,580	19,580	17,930	17,452	17,868	27,219
Number of Youth Programs	90	104	61	63	62	87	214	225	299	401
Youth Program Attendance	3,252	3,305	2,673	2,425	2,887	4,145	7,581	9,807	14,127	16,163
Number of Adult Programs	0	0	0	0	0	3	48	91	180	197
Adult Program Attendance	0	0	0	0	0	331	587	877	2,103	2,892

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

CITY OF HAPPY VALLEY

Capital Asset Statistics by Funcation

Current year and nine years ago

Function / Program	2016	2007
General Government:		
City-owned building facilities	4	3
Public Safety:		
Number of police stations	1	0
Public Works:		
Miles of streets	136	104.7
Number of Vehicles	38	31
Recreation and Parks		
Acres of parks and open spaces	103	103

Sources: Various city departments

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATION

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION

We have audited the basic financial statements of the City of Happy Valley, Oregon, as of and for the year ended June 30, 2016 and have issued our report thereon dated December 15, 2016. 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 of Happy Valley, Oregon'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 162-10-330 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 of Happy Valley, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as

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specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 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 of Happy Valley, Oregon'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 of Happy Valley, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Happy Valley, Oregon'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, 2016