



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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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INTRODUCTORY SECTION



December 19, 2019

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, 2019. 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 unmodified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2019. 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 11.6 square miles and serves a population of 21,700. 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 library, community services, code enforcement, finance, municipal court, street operations, planning, engineering, building permitting, fleet management, parks and recreation services, 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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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 Fred Meyer, New Seasons Market and Camp Withycombe military base.

Median household incomes within the City are higher than for the state as a whole. According to the year 2010 census, the City's median family income was \$111,066, the county's was \$81,252, while the state's was \$60,427.

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 completely paid off the balance of the Full Faith and Credit Obligation bonds during the 2016-17 fiscal year. Beginning in the 2012-13 fiscal year and continuing through the 2016-17 fiscal year the City transferred enough to the Debt Service Fund for the early repayment of bonds.

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund at year end was \$13,032,196. This amount includes reserve and Pedestrian Improvement Projects Fund amounts as they are rolled into the General Fund in accordance with Generally Accepted Accounting Principles. The General Operation, General Reserve for Replacement, Library Reserve for Replacement, Street Reserve for Replacement, and Pedestrian Improvement Projects Fund 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 \$2,498,974 General Operations reserve balance could subsidize the General Fund annual deficit for 3 years in the event of a severe recession and associated loss of development revenue. The Reserve for Replacement Funds (General, Library, Street) ending fund balances of \$1,678,085, \$3,613,988, \$2,521,463 respectively and 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.

City's Credit Ratings

On September 17, 2019, Moody's Investors Service rated the City 'Aa2' which is stronger than the median rating of Aa3 for US Cities. The notable credit factors include robust financial position, a healthy tax base with a strong wealth and income profile, an extremely small debt burden and a mid-ranged pension liability.

Major Initiatives

ADMINISTRATION



Parks – Litigation/Legislation

In August, a Clackamas County Jury awarded the return of \$18,078,238 to the City of Happy Valley. Including pre-judgement interest awarded by the Judge, the total equals \$21,301,117. The City has reached out to Clackamas County in hopes of resolving the withdrawal lawsuit and reaching a global settlement. Concurrently, staff are working with our lobbyists on potential legislation to resolve the uncertainty of the City's withdrawal.



Urban Renewal

In July, the City Council adopted the City's first Urban Renewal Plan to invest in critical infrastructure for eastern Happy Valley.



Diversity & Inclusion Working Group

The City Council passed a diversity and inclusion proclamation supporting the work of the United Community Alliance. Staff has planned a City Council Work Session in December to discuss the potential of a new Task Force to guide these efforts.



Small Cell Wireless Standards

City staff have had several meetings with the wireless industry. The League of Oregon Cities is expected to finalize a model ordinance/code language later this year after working with the wireless providers.



Redevelop Job Descriptions

Human Resources is continually updating job descriptions to assist with the Equal Pay Analysis.



Salary Study

City staff completed the comprehensive study and adjusted salary ranges to be consistent with the market.



Equal Pay Analysis

This will be a major undertaking in 2020.



Library Space Needs Evaluation

Library staff will continue to work with the Library Board and patrons in 2020 to fine tune the future space needs.

ECONOMIC + COMMUNITY DEVELOPMENT



Clackamas to Columbia / Sunrise Phase II

City staff organized a presentation to the City Council on these corridors in April. Since then, staff have attended several meetings with Clackamas County and Metro in hopes that both corridors will be included in the Metro T2020 package. Mayor Ellis and Council President Sherman have provided testimony in support of the corridors to the Metro T2020 Task Force.

**Pleasant Valley/North Carver Comp Plan**

This has been the largest undertaking for the Planning Division this year, preparing for numerous Technical Advisory Committee (TAC) and Community Advisory Committee (CAC) meetings, open houses, and online workshops in an effort to analyze and discuss the potential future for this area. The draft plan is expected to be presented to the Planning Commission and City Council in Spring/Summer 2020.

**Urban Growth Management Area (UGMA) East**

Various drafts of the document have gone back and forth between City and Clackamas County staff. Currently, the “final draft” is being reviewed by County staff.

**ADU's / Next Gen Homes / Tiny Homes / Guest Homes**

Staff is working with state laws and ongoing efforts in the greater Portland Metropolitan region governing these housing products, with the goal of providing a comprehensive set of future Land Development Code (LDC) amendments for consideration by the Planning Commission and City Council.

**“Dark Skies” Ordinance**

Staff has had a Work Session with the Design Review Board (DRB) and gathered a comparative analysis of other jurisdictions dark skies ordinances with the goal of producing a comprehensive set of future LDC amendments for consideration by the Planning Commission and City Council.

**Impervious Service Options**

Staff is working on developing options for future LDC amendments for consideration by the Planning Commission and City Council.

PUBLIC WORKS

**Pedestrian Master Plan**

The pedestrian Master Plan is well underway. This updated tool will allow City Council to make an informed decision on how to prioritize additional transportation funding received through Clackamas County’s newly adopted vehicle registration fee.

**Superblock Project**

As one of the top priorities of projects that were already underway, staff have been hard at work to deliver this project as soon as possible. Since Council direction was given on this project in March, staff have been working with consultants to develop design plans for sidewalk infill. The phase I effort was bid late September and is anticipated to be completed early 2020. Additional phases will be completed as right-of-way dedication and utility line relocation efforts are complete.

**Residential Paving Maintenance Program**

This past August, the City completed its first slurry seal project. This newly employed program allows for a maintenance technic that maximizes roadway surface life and provides a stable maintenance curve throughout the life of a given roadway. Overall, 54 roadways received an application of slurry seal. 4 roadway sections received a total reconstruction and 86 roadways received a crack seal application.

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**Veterans Memorial**

In May, the City was awarded approximately \$75,000 from the Oregon Parks and Recreation Commission to support this project next to City Hall. The concept plans were completed and approved by the ad-hoc Veterans Memorial Committee last year and the City will complete the first phase of the project in Spring 2020.

**Pleasant Valley Villages Neighborhood Park**

Over the last year, staff worked through the process of gaining approval on the pleasant valley villages neighborhood park. Approval was obtained by the Parks Advisory Committee, Planning Commission and ultimately City Council. Over the next year, staff will go through the process of negotiating an equitable exchange of SDC credits and or revenue to bring this project forward.

**Rotary All Abilities Park**

Thanks to the Rotary Club of Clackamas, many local donors, and a team of volunteers, the All Abilities Park was completed and had a grand opening on October 19, 2019.

COMMUNITY SERVICES

**Public Safety Levy Plan**

City staff convened a Public Safety Task Force this year to analyze data, review trends, and discuss levels of service needed in the years ahead. After several months of deliberations, the Task Force recommended keeping the levy rate at \$1.38 per \$1,000 of assessed value. In addition, the Task Force developed a five-year public safety plan detailing areas of growth based on the needs in the community. The Levy passed with 78% approval.

**Public Safety Communication Strategy for 11/2019**

Following the City Council's referral of the public safety levy, the Core Communications Group developed educational materials and a strategy for spreading the word in the community about the upcoming measure. Staff attended countless HOA, PTA, and advisory committee meetings.

**Community Event Vendor Policy**

Staff worked with the Parks Advisory Committee to develop a new vendor selection policy. The City Council adopted the new Vendor Selection Policy in March.

**Sponsor Policy**

Continuing to develop a Sponsor Selection process. Staff worked on fee increase from \$2,500 to \$3,500 this year for both Business Sponsors and Concert Sponsors.

**Traffic & Public Safety Committee process for traffic modification requests**

Draft is in development.

**Alarm Policy**

Staff has completed the comparative analysis with other cities in the metro area regarding; alarm codes, false alarm allowance, fees and an education component. The draft materials are ready to go and be scheduled for a city council work session.

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Passport Services Appointments

Over the years there have been more and more requests for family friendly acceptance time. By offering appointments on Wednesday's it will allow families to plan to take off work/school to submit their passport application at a designated time. Staff has begun to take appointments on Wednesday's and added two Saturdays to the schedule.



New Business Outreach

Staff is currently working with the HVBA on welcome packets to new businesses. A letter from the Mayor is completed and is sent to every new business; welcoming them, inviting them to have a ribbon cutting and offering our services. In addition, staff works in conjunction with HVBA to create invitations each month to the monthly HVBA meetings. New this year, the City and HVBA teamed up to present our first Drive-In movie experience. These types of events also drive new HVBA members. Staff is currently working with the HVBA and Pamplin Media to create our community and business magazine for 2020.

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, 2018. This was the fourth 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 to the GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award. The GFOA presented a *Distinguished Budget Presentation Award* to the City for its annual budget for the year beginning July 1, 2018. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

This award is valid for a period of one year only. We believe that our current budget continues to conform to program requirements, and have submitted it to the GFOA to determine its eligibility for another award.

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Acknowledgements

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	 Travis Warneke Director of Finance
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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

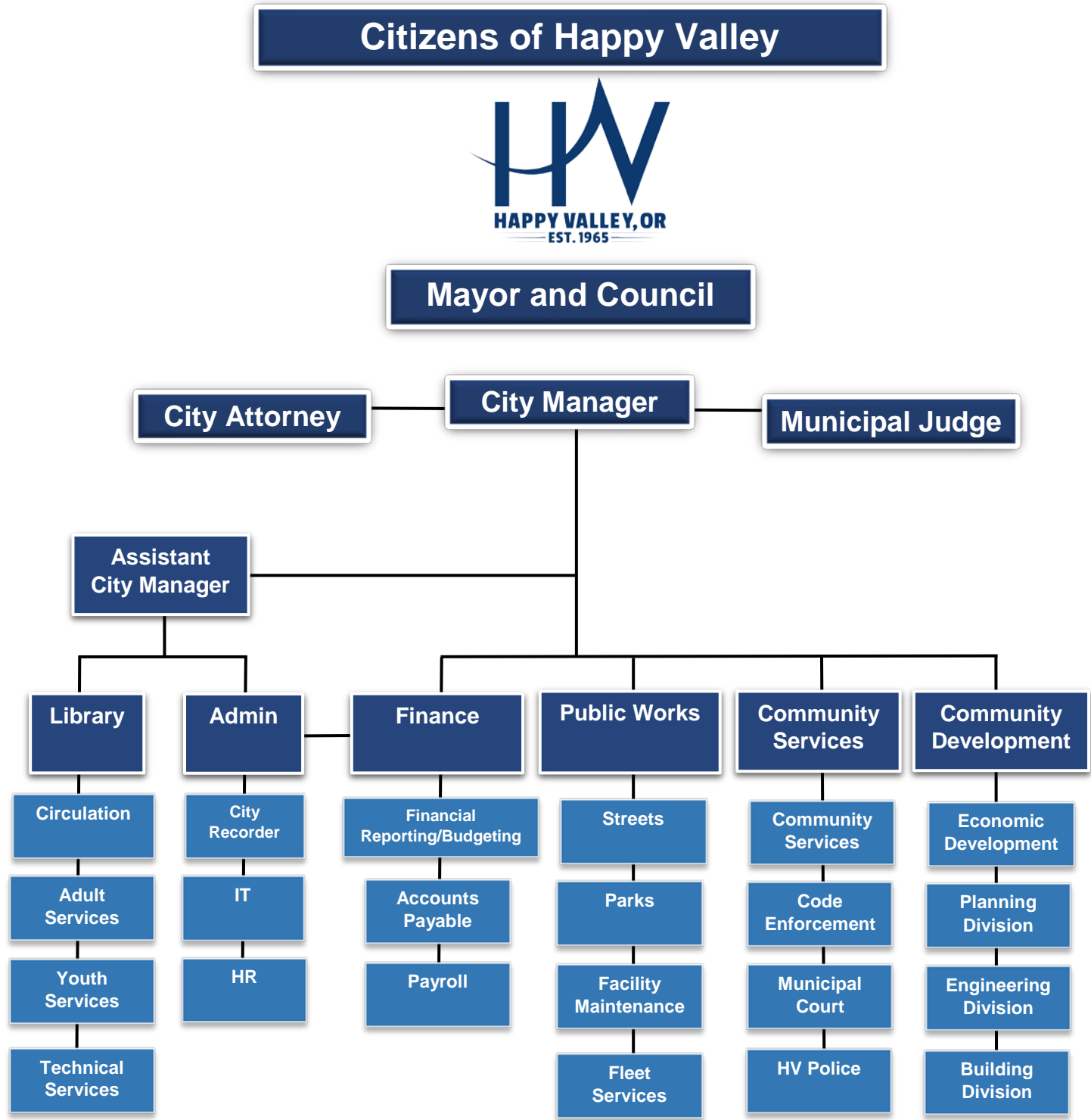
June 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Happy Valley Organization Chart

Population 21,700



CITY OF HAPPY VALLEY
CLACKAMAS COUNTY, OREGON

CITY OFFICIALS AS OF JUNE 30, 2019

<u>NAME</u>	<u>TERM EXPIRES</u>
Tom Ellis – Mayor	December 31, 2022
Brett Sherman – Council President	December 31, 2022
Markley Drake	December 31, 2022
David Golobay	December 31, 2020
David Emami	December 31, 2020

All council members receive mail at the address below.

ADMINISTRATIVE

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Happy Valley, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Happy Valley, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Happy Valley, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Happy Valley Oregon's 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 City of Happy Valley, Oregon, as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, 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 the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions – pension, schedule of proportionate share of OPEB liability, schedule of contributions – Retirement Health Insurance Account, schedule of changes in total OPEB liability and related ratio's, and schedule of contributions – implicit rate subsidy, as listed in the table of contents under 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 schedule of revenues, expenditures and changes in fund balance – budget and actual, 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 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, the 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.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 19, 2019, on our consideration of 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.

A handwritten signature in black ink, appearing to read "Tony Merina". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

For Merina+Co
Tualatin, Oregon
December 19, 2019

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

The management of the City of Happy Valley presents this analysis of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements and notes, which follow this section.

Financial Highlights

At June 30, 2019 the City's total net position was \$92,476,138 which was an increase of \$10,793,417 over the previous year. The prior year saw net position increase \$7,660,045 most of which was attributable to the \$6 million of transportation system development charges (SDC's) which were paid to the City as a result of leaving the County Joint Transportation District and current year SDC's paid for by developers. The current year increase is primarily attributable to the nearly \$6 million of addition of streets to the capital assets which were paid for by developers. Additionally, over \$3 million in SDC's were collected and there were no major projects taking place in those funds therefore adding to the City's net position.

The General Fund ended the fiscal year with a total fund balance of \$13,973,163. Of that balance, \$940,967 was either non-spendable or restricted for prepaid expenses and PEG fees. The remaining \$13,032,196 was unrestricted with \$7,952,893 committed and \$5,079,303 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, dollars set aside for pedestrian improvement projects, and replacement reserves for the purchase of items based on an agreed upon replacement schedule. Unassigned funds are available for general operations.

The General Fund had an increase in fund balance of \$2,208,109 because revenues outpaced the growth in expenses. Notably, development revenues were robust as well as right of way use fees.

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.

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

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, 2019 the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$92,476,138. Cash and Investments represent 39% of total assets. Long lived capital assets including land, buildings, streets, equipment, and vehicles comprise 61% of total assets. The remaining assets include prepaid items, accounts and property tax receivables.

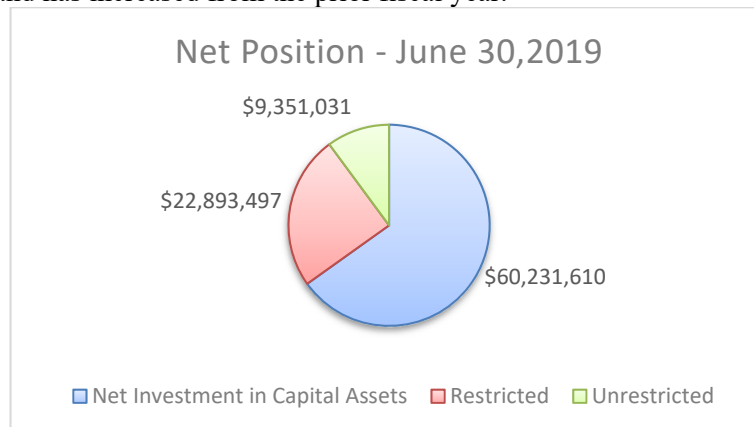
The actuarially determined Net Pension Liability represents 66% of total liabilities. Remaining liabilities are payments to vendors, governments, and accrued personnel costs.

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

Table 1 – Net Position as of June 30th

	Total 2019	Total 2018
Assets		
Current and Other Assets	\$ 39,235,664	\$ 30,476,686
Capital Assets	60,231,610	56,219,206
Total Assets	<u>99,467,274</u>	<u>86,695,892</u>
 Deferred Outflows of Resources	 <u>3,479,259</u>	 <u>2,894,228</u>
Liabilities		
Current and Other Liabilities	10,120,896	7,866,406
Non-Current Liabilities	-	-
Total Liabilities	<u>10,120,896</u>	<u>7,866,406</u>
 Deferred Inflows of Resources	 <u>349,499</u>	 <u>41,462</u>
Net Position		
Net Investment in Capital Assets	60,231,610	56,219,206
Net Position - Restricted	22,893,497	15,862,229
Net Position - Unrestricted	<u>9,351,031</u>	<u>9,601,286</u>
Total Net Position	<u><u>\$ 92,476,138</u></u>	<u><u>\$ 81,682,721</u></u>

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. However, there is no related debt as the City paid off the remaining debt on the City Hall Building. Those bonds were the City's only long-term debt. Total net position of the City is positive and has increased from the prior fiscal year.



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

Table 2 - Changes in Net Position

	Total 2019	Total 2018
Revenues:		
Program Revenues- Charges for Services	\$ 6,380,077	\$ 10,564,666
General Revenues		
Property Taxes	7,411,559	5,409,062
Gas Tax	1,506,599	1,262,946
ROW Fees	1,660,257	1,613,475
Intergovernmental	1,076,387	1,073,088
Library District	2,909,367	2,670,792
Other Revenue	7,517,898	1,227,837
Total Revenues	<u>28,462,144</u>	<u>23,821,866</u>
Expenses:		
General Government	7,423,795	7,512,604
Cultural and Recreation	3,284,384	2,812,621
Public Safety	3,928,333	3,592,448
Highways and Streets	3,032,215	2,244,148
Interest on long term debt	-	-
Total Expenses	<u>17,668,727</u>	<u>16,161,821</u>
Change in Net Position	10,793,417	7,660,045
Net Position - Beginning	<u>81,682,721</u>	<u>74,022,676</u>
Net Position - Ending	<u><u>\$ 92,476,138</u></u>	<u><u>\$ 81,682,721</u></u>

The City's total revenues increased 4,640,278 to \$28,462,144 over the previous year revenue. Most of the increase was a result of nearly \$6 million in street additions from several large subdivisions being constructed in the City. Since the developers paid for these new roads and there were no expenses by the City, the result is a gain which ends up in the Other Revenue category. Additionally, property taxes saw a large increase as this was the first year the City collected the voter approved parks operating levy.

Expenses increased \$1,506,906 to \$17,668,727 over the previous year expenses. Expenses related to the expanded parks fund accounted for a large increase in the Cultural and Recreation category. Aside from that large jump, expenses saw modest increases. Net position increased by \$10,793,417 compared to the prior year's increase of \$7,660,045.

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, 2019, the General Operations Reserve fund had a fund balance of \$2,498,974.

Streets account for 71% of all city owned capital assets and 78% of depreciation expense. In 2018, the City completed a pavement quality index study which assessed the quality of all streets in the City. This study gives the City streets a benchmark to strive towards when maintaining streets on a continual basis. Given the passage of House Bill 2017, the City believes the increased share the state gas tax should be sufficient to maintain our Streets to an acceptable level.

CITY OF HAPPY VALLEY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 November 2019. This rate will provide adequate revenue to support our current service level.

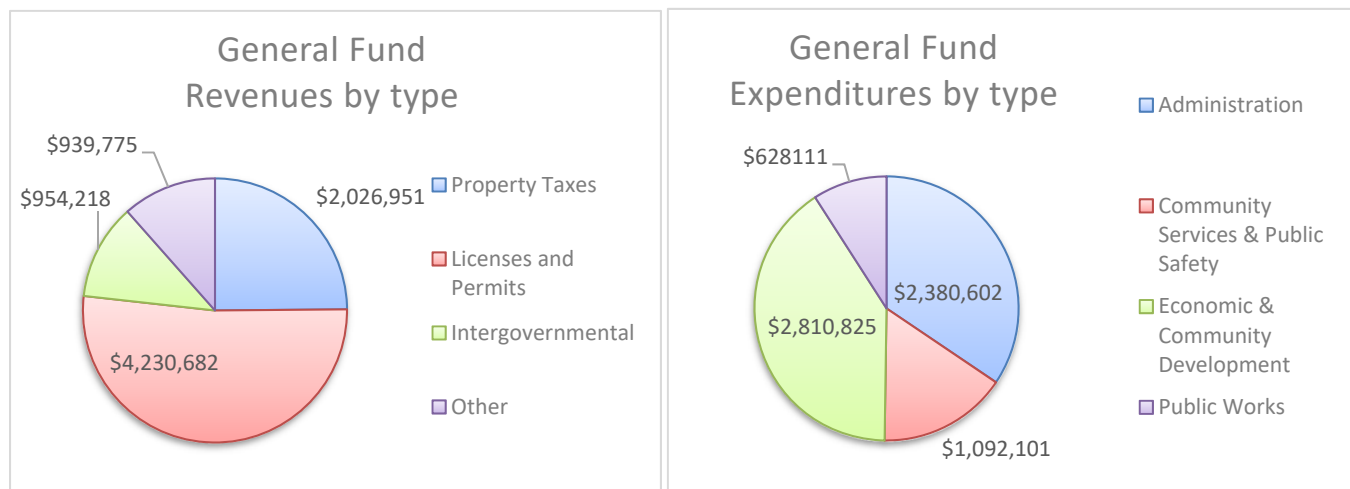
Financial Analysis of the City's Funds

Revenues from governmental fund types totaled \$22,749,994 in 2019. Governmental fund balances totaled \$35,986,691 at June 30, 2019. The following is a summary of changes in governmental fund balances:

	June 30, 2019	June 30, 2018	Change
General Fund	\$ 13,973,163	\$ 11,765,054	\$ 2,208,109
Library Fund	4,954,813	4,334,391	620,422
Parks Fund	735,470	5,590	729,880
Street Fund	3,961,193	3,274,004	687,189
Storm System Development Fund	1,107,709	1,395,153	(287,444)
Parks System Development Fund	1,514,632	-	1,514,632
Transportation System Development Fund	7,886,284	5,845,734	2,040,550
Public Safety Fund	1,853,427	1,526,582	326,845

The General Fund increase was due to a sizable increase in property tax revenue as well as consistent increases in areas such as right of way use fees state shared revenues and intergovernmental revenues. The combination of building, planning and engineering fees was at or above \$2 million for the fourth year in a row. The Library Fund balance increased \$620,422 to \$4,954,913 as a result an increase in Library District Revenue. The Library Fund transferred \$550,000 to the Library Reserve for Replacement Fund to save up for replacement of capital assets. The Parks Fund balance ended the year at \$735,470 as a result of having dedicated funding from the parks operating levy. The Street Fund balance increased \$687,189 as the City's street funding increased as a result of changes at the state level and with the help of the City's local fuel tax. The Storm SDC Fund balance decreased \$287,444 because the Parks SDC balance of \$400,000 in this fund was transferred out to the dedicated Parks SDC Fund. The Parks and Transportation SDC Funds increased \$1,514,632 and \$2,040,550 respectively as there were no major SDC projects during the year and robust development activity. The Public Safety Fund increase was the result of higher property tax collections based on increases in assessed values.

General Fund Budgetary Highlights



CITY OF HAPPY VALLEY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The General Fund – Budgetary Basis ending fund balance decreased \$742,013 from the previous year. There was a transfer out of \$2,300,000 to the Facility Capital Projects Fund to save for the land purchase and construction of a new public works facility. Additionally, there were transfers to the Reserve for General Operations, General Reserve for Replacement Fund and Pedestrian Improvement Projects Fund and \$300,000, \$500,000 and \$100,000, respectively. As seen in the chart below, General Fund revenues outpaced budget estimates in most categories. Development fees stayed 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	\$ 1,985,000	2,026,951	\$ 41,951
ROW Use Fees	1,648,000	1,660,257	12,257
Building Permits and Fees	1,000,000	1,420,471	420,471
Engineering Fees	350,000	374,045	24,045
State Shared Revenues	620,000	667,868	47,868
User Related Fees	290,000	373,049	83,049
Miscellaneous Revenue	185,000	304,828	119,828

General Fund expenditures were less than appropriated amounts for each appropriation category. Each department expended between 81-93% of their appropriation. Contract Services was a notable expenditure in each department. As we plan for growth and add additional services, the City used outside consultants and services in lieu of adding additional employees when doing so was financially prudent. Personal services expenditures were also at a high level for each department as PERS costs, benefits and wages all increased.

Expenditures	Budget	Actual	Difference
Administration	\$ 2,840,100	\$ 2,380,602	\$ 459,498
Community Services & Public Safety	1,175,400	1,092,101	83,299
Economic & Community Developme	3,128,700	2,810,825	317,875
Public Works	773,600	628,111	145,489

Capital Assets

At June 30, 2019, the City had \$60,231,610 invested in capital assets net of accumulated depreciation. This is an increase of \$4,012,405 from the previous year. A notable addition this year was a new generator at City Hall. The annual street additions totaled \$5,833,379 and total depreciation expense was \$2.1 million. Details of the changes in capital assets are disclosed in the notes to the financial statements (Note 3).

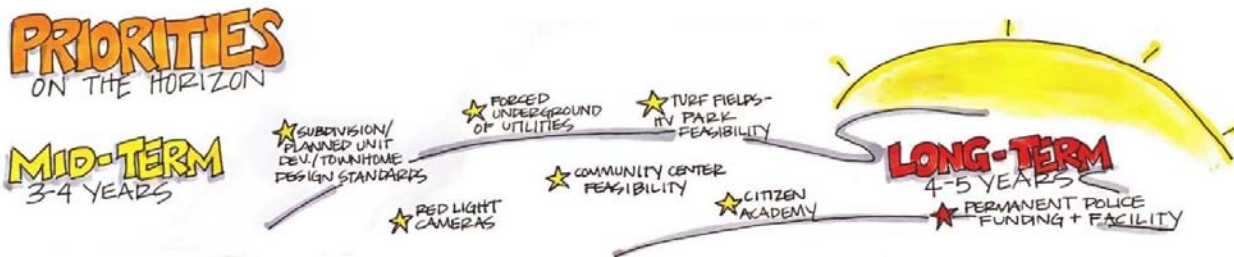


**CITY OF HAPPY VALLEY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Long Term Debt

At June 30, 2019, the City had no long term debt. 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 transferred enough to the Debt Service Fund for the early repayment of bonds. The final debt service payment of \$3.6 million was made in March 2017. Detailed information regarding long term debt is presented in the notes to the financial statements (Note 4).

Economic Factors and Next Year's Budget



In August, a Clackamas County Jury awarded the return of \$18,078,238 to the City of Happy Valley. Including pre-judgement interest awarded by the Judge, the total equals \$21,301,117. The City has reached out to Clackamas County in hopes of resolving the withdrawal lawsuit and reaching a global settlement. Concurrently, staff are working with our lobbyists on potential legislation to resolve the uncertainty of the City's withdrawal.

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. Our reserve funds help to mitigate the effects of the development cycle on our funding for ongoing operations.

Following the annexations from the Pleasant Valley and North Carver areas, the City needs to update our Comprehensive Plan to include this new land. This has been the largest undertaking for the Planning Division this year, preparing for numerous Technical Advisory Committee (TAC) and Community Advisory Committee (CAC) meetings, open houses, and online workshops in an effort to analyze and discuss the potential future for this area. The draft plan is expected to be presented to the Planning Commission and City Council in Spring/Summer 2020.

One ongoing concern regarding expenditures, is the Public Employee Retirement System (PERS) and its associated employer rate increases. Legislative changes to PERS are required otherwise it is likely the city will see continued increases in employer rates for the foreseeable future. Included in these statements are PERS rates for Tier1/Tier 2 at 20.07% and OPSRP rates at 14.02%. As PERS rates are reassessed every two years, these rates have increased for the 2019-21 budget. Due to the statewide unfunded actuarial liability, we can almost guarantee further rate increases for each biennium for the foreseeable

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

future. In the fall of 2019 the City used reserve funds to create a side account and take advantage of the State matching funds made available through recent PERS reform legislature. This side account will mitigate future PERS rate increases and save the City money.

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.

Finally, with all our growing service demands, the City needs to develop a strategic plan for investing in our facilities and infrastructure. The priorities identified in our various planning documents include a new Public Works Facility, Community Policing Center, community park, community center, neighborhood parks, all-weather turf fields, sidewalks, and road improvements. Together, this list totals approximately \$70 million. We are working with the City Council to set priority levels and discuss various funding options for these projects.

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 at: 16000 SE Misty Drive, Happy Valley, OR 97086, phone number 503-783-3800.

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BASIC FINANCIAL STATEMENTS

CITY OF HAPPY VALLEY, OREGON**Statement of Net Position****June 30, 2019**

ASSETS

Cash and Investments	\$ 38,400,126
Prepaid items	77,962
Accounts Receivable	575,060
Property Taxes Receivable	182,516
Net OPEB Asset	44,273
Capital Assets:	
Land, non-depreciable, and construction in progress	3,884,137
Building, improvements, equipment, and other capital assets (net of accumulated depreciation)	<u>56,347,473</u>

TOTAL ASSETS	<u>99,511,547</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred amount related to pension	3,433,637
Deferred amount related to OPEB	<u>45,622</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,479,259</u>
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LIABILITIES

Accounts Payable	1,764,900
Accrued Payroll Liabilities	265,426
Developer Deposits	1,049,467
Intergovernmental Payable	2,547
Compensated Absences	238,418
Noncurrent liabilities (due in more than one year):	
Net Pension Liability	6,711,544
Net OPEB Liability	<u>132,867</u>

TOTAL LIABILITIES	<u>10,165,169</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred amount related to pension	313,930
Deferred amount related to OPEB	<u>35,569</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u>349,499</u>
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NET POSITION

Net Investment in Capital Assets	60,231,610
Net Position - Restricted for:	
PEG	879,969
Library	4,954,813
Parks	735,470
Street Maintenance	3,961,193
SDC Projects	10,508,625
Public Safety	1,853,427
Net Position - Unrestricted	<u>9,351,031</u>

TOTAL NET POSITION	<u>\$ 92,476,138</u>
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CITY OF HAPPY VALLEY, OREGON

Statement of Activities

for the year ended June 30, 2019

FUNCTION/PROGRAM	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	
GOVERNMENTAL ACTIVITIES			
General Government	\$ 7,423,795	\$ 2,570,425	\$ (4,853,370)
Cultural and Recreation	3,284,384	1,162,285	(2,122,099)
Public Safety	3,928,333	634,947	(3,293,386)
Highways and Streets	3,032,215	2,012,420	(1,019,795)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 17,668,727	\$ 6,380,077	(11,288,650)

GENERAL REVENUES

Property Taxes	7,411,559
Gas Tax	1,506,599
ROW Fees	1,660,257
Library District	2,909,367
Intergovernmental	1,076,387
Other Revenue	7,517,898
TOTAL GENERAL REVENUES	22,082,067
CHANGE IN NET POSITION	10,793,417
NET POSITION - beginning	81,682,721
NET POSITION - ending	\$ 92,476,138

CITY OF HAPPY VALLEY, OREGON
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund - GAAP	Library Fund - GAAP	Parks Fund - GAAP	Street Fund - GAAP	Storm SDC Fund - GAAP	Parks SDC Fund - GAAP	Transportation SDC Fund - GAAP	Public Safety Fund - GAAP	Total
ASSETS									
Cash and Investments	\$ 15,200,278	\$ 5,032,073	\$ 783,698	\$ 3,840,847	\$ 1,107,709	\$ 1,514,632	\$ 7,950,495	\$ 2,970,394	\$ 38,400,126
Prepaid items	60,998	2,342	13,997	625	-	-	-	-	77,962
Accounts Receivable	407,244	-	5,206	149,306	-	-	-	13,304	575,060
Property Taxes Receivable	48,919	-	37,574	-	-	-	-	96,023	182,516
TOTAL ASSETS	\$ 15,717,439	\$ 5,034,415	\$ 840,475	\$ 3,990,778	\$ 1,107,709	\$ 1,514,632	\$ 7,950,495	\$ 3,079,721	\$ 39,235,664
LIABILITIES									
Accounts Payable	\$ 463,365	\$ 21,825	\$ 64,886	\$ 16,866	\$ -	\$ -	\$ 64,211	\$ 1,133,747	\$ 1,764,900
Accrued Payroll Liabilities	183,503	57,777	11,427	12,719	-	-	-	-	265,426
Developer Deposits	1,049,467	-	-	-	-	-	-	-	1,049,467
Intergovernmental Payable	2,547	-	-	-	-	-	-	-	2,547
TOTAL LIABILITIES	1,698,882	79,602	76,313	29,585	-	-	64,211	1,133,747	3,082,340
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	45,394	-	28,692	-	-	-	-	92,547	166,633
FUND BALANCES									
Fund Balance By Category									
Nonspendable	60,998	2,342	13,997	625	-	-	-	-	77,962
Restricted	879,969	4,952,471	721,473	3,960,568	1,107,709	1,514,632	7,886,284	1,853,427	22,876,533
Committed	7,952,893	-	-	-	-	-	-	-	7,952,893
Unassigned	5,079,303	-	-	-	-	-	-	-	5,079,303
TOTAL FUND BALANCES	13,973,163	4,954,813	735,470	3,961,193	1,107,709	1,514,632	7,886,284	1,853,427	35,986,691
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 15,717,439	\$ 5,034,415	\$ 840,475	\$ 3,990,778	\$ 1,107,709	\$ 1,514,632	\$ 7,950,495	\$ 3,079,721	\$ 39,235,664

CITY OF HAPPY VALLEY, OREGON
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position
June 30, 2019

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

Total Fund Balances - governmental funds	\$ 35,986,691
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,231,610
Net pension and OPEB obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(6,800,138)
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	3,119,707
OPEB related changes	10,053
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(238,418)
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Unavailable revenue - property taxes	<u>166,633</u>
Total Net Position	<u>\$ 92,476,138</u>

CITY OF HAPPY VALLEY, OREGON
Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds
for the year ended June 30, 2019

	General Fund - GAAP	Library Fund - GAAP	Parks Fund - GAAP	Street Fund - GAAP	Storm SDC Fund - GAAP	Parks SDC Fund - GAAP	Transportation SDC Fund - GAAP	Public Safety Fund - GAAP	Total
REVENUES									
Property Taxes	\$ 2,026,951	\$ -	\$ 1,525,613	\$ -	\$ -	\$ -	\$ -	\$ 3,980,224	\$ 7,532,788
Gas Tax Revenue	-	-	-	1,506,599	-	-	-	-	1,506,599
Licenses and Permits	4,230,682	-	-	-	-	-	-	-	4,230,682
System Development Charges	-	-	-	-	59,482	1,114,632	1,952,938	-	3,127,052
Intergovernmental Revenues	954,218	-	-	122,169	-	-	-	-	1,076,387
Library District Revenue	-	2,909,367	-	-	-	-	-	-	2,909,367
Other Revenue	1,056,956	178,780	156,459	657,886	53,074	-	180,852	83,112	2,367,119
TOTAL REVENUES	8,268,807	3,088,147	1,682,072	2,286,654	112,556	1,114,632	2,133,790	4,063,336	22,749,994
EXPENDITURES									
Current									
General Government	6,397,938	-	-	-	-	-	-	-	6,397,938
Cultural and Recreation	-	2,011,826	819,192	-	-	-	-	-	2,831,018
Public Safety	562,162	-	-	-	-	-	-	3,238,424	3,800,586
Highways and Streets	-	-	-	628,207	-	-	38,176	-	666,383
Capital Outlay	300,598	15,899	-	796,258	-	-	55,064	46,067	1,213,886
TOTAL EXPENDITURES	7,260,698	2,027,725	819,192	1,424,465	-	-	93,240	3,284,491	14,909,811
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,008,109	1,060,422	862,880	862,189	112,556	1,114,632	2,040,550	778,845	7,840,183
OTHER FINANCING SOURCES (USES)									
Transfers In	4,418,000	550,000	-	1,650,000	-	400,000	-	-	7,018,000
Transfers Out	(3,218,000)	(990,000)	(133,000)	(1,825,000)	(400,000)	-	-	(452,000)	(7,018,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,200,000	(440,000)	(133,000)	(175,000)	(400,000)	400,000	-	(452,000)	-
NET CHANGE IN FUND BALANCE	2,208,109	620,422	729,880	687,189	(287,444)	1,514,632	2,040,550	326,845	7,840,183
FUND BALANCES - beginning	11,765,054	4,334,391	5,590	3,274,004	1,395,153	-	5,845,734	1,526,582	28,146,508
FUND BALANCES - ending	\$ 13,973,163	\$ 4,954,813	\$ 735,470	\$ 3,961,193	\$ 1,107,709	\$ 1,514,632	\$ 7,886,284	\$ 1,853,427	\$ 35,986,691

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, 2019**

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		\$	7,840,183
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)	\$	5,973,706	
Depreciation Expense (net of disposals)		<u>(1,961,302)</u>	4,012,404
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		(21,364)	
Pension expense		(928,993)	
Net other postemployment benefit obligations		<u>12,416</u>	(937,941)
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			<u>(121,229)</u>
Change in Net Position		\$	<u>10,793,417</u>

CITY OF HAPPY VALLEY, OREGON
NOTES TO 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 again 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 Statement of Activities display information about the reporting government as a whole.

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

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

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

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to report only the net effect on assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

NET POSITION

GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position reports equity as Net. The net position balance of \$92,476,138 at June 30, 2019 includes \$60,231,610 invested in capital assets, \$22,893,497 of restricted net position, and \$9,351,031 of unrestricted net position - available for other purposes.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND TYPES

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

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

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. DESCRIPTION OF FUNDS

The City reports the following major funds:

GENERAL FUND

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

LIBRARY FUND

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

PARKS FUND

This fund accounts for revenue from North Clackamas Parks and Recreation District for the maintenance of Happy Valley Park and related expenditures.

STREET FUND

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

STORM SYSTEM DEVELOPMENT FUND

This fund accounts for the collection of storm system development charges and their use for related capital projects. Expenditures include credits to developers and capital outlay. Revenues are derived primarily from fees collected from developers.

PARKS SYSTEM DEVELOPMENT FUND

This fund accounts for the collection of parks system development charges and their use for related capital projects. Expenditures include credits to developers and capital outlay. Revenues are derived primarily from fees collected from developers.

TRANSPORTATION SYSTEM DEVELOPMENT FUND

This fund accounts for the collection of transportation system development charges and their use for related capital projects. Expenditures include credits to developers and capital outlay. Revenues are derived primarily from fees collected from developers.

PUBLIC SAFETY FUND

This fund accounts for the operations and maintenance of public safety in the City. Revenues in this fund are property taxes derived primarily from the four-year public safety 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.

PEDESTRIAN IMPROVEMENT PROJECTS FUND

This fund accounts for pedestrian improvement projects such as bike lanes, pedestrian crossings, pedestrian refuge, sidewalks, and pathways. Revenues are derived from transfers from the General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

GENERAL 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, and Public Safety Fund.

LIBRARY RESERVE FOR REPLACEMENT FUND

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

STREET RESERVE FOR REPLACEMENT FUND

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

FACILITIES CAPITAL PROJECTS FUND

This fund accounts for the purchase of land and construction of new facilities. Revenues are derived from transfers from the General Fund.

D. PROPERTY TAXES RECEIVABLE

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditure budgets are appropriated at the following levels for General Fund: Administration, Community Services & Public Safety, Economic & Community Development, Public Works, Non-Departmental, Contingency, and Interfund Transfers. All other funds are appropriated in the following levels: Personal Services, Materials and Services, Capital Outlay, Operating Contingency, and Interfund Transfers.

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.

F. CAPITAL ASSETS

Capital assets are recorded at the original or estimated cost. Donated capital assets, donated works of art and similar items, are reported at acquisition value. The City defines capital assets as assets with an initial cost of more than \$5,000 and a life of greater than one year.

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 reports deferred outflow related to the City's pension plan and other post-employment benefits (OPEB).

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 reports unavailable revenue from property taxes 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 and OPEB. These amounts are deferred and recognized as inflows of resources in the period when the City's recognizes pension or OPEB expense. Deferred inflows are included in the government-wide Statement of Net Position.

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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 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.

I. 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.

J. ESTIMATES

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

K. PREPAID ITEMS

Certain payments to vendors reflect costs that will benefit periods beyond June 30, 2018 and as such are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

L. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's two separate plans the Implicit Rate Subsidy and Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from Implicit Rate Subsidy and OPERS's fiduciary net position have been determined on the same basis as they are reported by Implicit Rate Subsidy and OPERS. For this purpose, Implicit Rate Subsidy and OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. NET POSITION (CONTINUED)

Net Position - 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.

Net Position - Unrestricted – consists of all other assets that are not included in the other two categories.

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	\$ 3,500
Demand Deposits	2,517,583
Investments	<u>35,879,043</u>

Total Cash and Investments	<u><u>\$ 38,400,126</u></u>
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DEPOSITS - Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements is \$2,601,594. Of the current year bank balance, all is covered by federal depository insurance and/or held at financial institutions on the list of qualified depositories found on the State of Oregon Treasurer's website. The accounts are non-interest bearing demand deposit accounts.

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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

The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2019.

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, 2019. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

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

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	18-59
State Treasurer's Local Government Investment Pool	\$ 35,879,043	\$ 35,879,043	\$ -	\$ -

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, 2019 the City had 100% of total investments in the State Treasurer's Local Government Investment Pool. State statutes do not limit the percentage of investments in this instrument.

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in capital assets for the fiscal year ended June 30, 2019 are as follows:

	Governmental Activities Capital Assets			
	July 1, 2018	Additions	Disposals	June 30, 2019
Capital Assets, not being depreciated				
Land and Improvements	\$ 3,805,029	\$ -	\$ -	\$ 3,805,029
Construction in Progress	-	79,108	-	79,108
Totals, capital assets not being depreciated	3,805,029	79,108	-	3,884,137
Capital Assets, being depreciated				
Buildings	13,471,117	9,510	-	13,480,627
Vehicles	890,977	46,067	(102,822)	834,222
Other Equipment	1,087,853	145,620	(37,157)	1,196,316
Park Improvements	3,551,192	-	-	3,551,192
Park Equipment	47,690	-	-	47,690
Streets	56,252,530	5,833,379	-	62,085,909
Totals, capital assets being depreciated	75,301,359	6,034,576	(139,979)	81,195,956
Less: Accumulated Depreciation for:				
Buildings	(2,225,633)	(285,608)	-	(2,511,241)
Vehicles	(448,712)	(96,374)	102,822	(442,264)
Other Equipment	(556,142)	(96,759)	37,157	(615,744)
Park Improvements	(1,651,493)	(172,364)	-	(1,823,857)
Park Equipment	(28,086)	(3,705)	-	(31,791)
Streets	(17,977,116)	(1,446,470)	-	(19,423,586)
Total Accumulated Depreciation	(22,887,183)	(2,101,280)	139,979	(24,848,484)
Total capital assets, being depreciated, net	52,414,177	3,933,296	-	56,347,473
Total Governmental Activities	\$ 56,219,206	\$ 4,012,404	\$ -	\$ 60,231,610

Governmental Activities Depreciation Allocation to Functions

General Government	\$ 281,745
Cultural and Recreation	243,062
Public Safety	52,712
Streets	1,523,761
Total	\$ 2,101,280

4. COMPENSATED ABSENCES PAYABLE

At June 30, 2019, the City's liability for compensated absences is estimated at \$238,418. 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.

5. INTERFUND TRANSFERS

Transfers are budgeted and recorded to show legal commitments between funds. The principal purposes of these transfers were 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. 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. 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.

6. PENSION PLAN (CONTINUED)

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.

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 Defined Benefit 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.

6. PENSION PLAN (CONTINUED)

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.

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.

Employer 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, 2015 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, 2017. Employer contributions for the year ended June 30, 2019 were \$419,427 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 31.17 percent for Tier One/Tier Two General Service Member, 31.17 percent for Tier One/Tier Two Police and Fire, 21.57 percent for OPSRP Pension Program General Service Members, 26.34 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

Employee Contributions

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the City has opted to pick-up the contributions on behalf of employees; contributions were \$261,749 for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$6,711,544 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportion was 0.00647 percent, which was increased from its proportion of 0.00881 measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$419,427. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 228,307	\$ -
Changes in assumptions	1,560,421	-
Net difference between projected and actual earnings on pension plan investments	-	298,030
Changes in proportion and differences between City contributions and proportionate share of contributions	857,149	4,858
	<u>123,226</u>	<u>11,042</u>
Total (prior post MD contributions)	\$ 2,769,103	\$ 313,930
Contributions subsequent to the MD	<u>664,534</u>	<u>-</u>
Total	<u>\$ 3,433,637</u>	<u>\$ 313,930</u>

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

The City reported \$664,534 as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 1,085,510
2021	847,373
2022	202,107
2023	246,775
2024	73,408
Total	<u>\$ 2,455,173</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

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 2015 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.

Asset Class/Strategy	Assumed Asset Allocation		
	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	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	100.00%	

Assumed Inflation - Mean 2.50%

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 (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.

6. PENSION PLAN (CONTINUED)

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 7.20 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 11,216,257	\$ 6,711,544	\$ 2,993,271

Pension Plan Fiduciary Net Position

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

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2018 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2018 measurement period that require disclosure.

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. OTHER POSTEMPLOYMENT BENEFITS

Post Employment Benefits Other than Pensions

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

Financial Statement Presentation

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	\$ -	\$ 44,273	\$ 44,273
Deferred Outflows of Resources			
Change in Assumptions	16,643		16,643
Contributions After MD	9,075	19,611	28,686
Changes in Proportionate Share	-	293	293
Total OPEB Liability	(132,867)	-	(132,867)
Deferred Inflows of Resources			
Difference in Experience		(2,509)	(2,509)
Difference in Earnings		(9,545)	(9,545)
Change in Assumptions	(23,230)	(140)	(23,730)
Change in Proportionate Share	-	(145)	(145)
OPEB Expense/(Income)*	20,147	(4,044)	16,103

*Included in program expenses of Statement of Activities

7. OTHER POSTEMPLOYMENT BENEFITS

Implicit Rate Subsidy

Plan Description

The City's single-employer defined benefit postemployment healthcare plan is administered by CityCounty Insurance Services (CIS). Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The City's postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for CIS. This report may be obtained through their website at: <https://www.cisoregon.org/About/TrustDocs>.

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Plan OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's total OPEB liability of \$88,594 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2019, the City recognized OPEB income from this plan of \$12,416. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 16,643	\$ 23,230
Contributions subsequent to the MD	9,075	-
Total	<u>\$ 25,718</u>	<u>\$ 23,230</u>

Deferred outflows of resources related to OPEB of \$9,075 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows: 10 top section

<u>Year ended June 30:</u>	
2020	\$ (1,166)
2021	(1,166)
2022	(1,166)
2023	(1,166)
2024	(1,166)
Thereafter	<u>(757)</u>
Total	<u>\$ (6,587)</u>

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	3.87 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	40% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	Health retirees and beneficiaries: RP-2014 healthy annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data scale. Healthcare cost trend rate: Medical and vision: 7.00 percent per year decreasing to 4.75 percent. Dental: 4.50 percent per year

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

Changes in assumptions is the result of the change in the discount rate from 3.58 to 3.87.

	<u>Total OPEB Liability</u>
Balance as of June 30, 2018	\$ 112,413
Changes for the year:	
Service cost	16,711
Interest on Total OPEB Liability	4,602
Effect of economic/demographic gains or losses	18,954
Effect of assumptions changes or inputs	(18,631)
Benefit payments	(1,182)
Balance as of June 30, 2019	<u>\$ 132,867</u>

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability

The following presents the City's OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 147,296	\$ 132,867	\$ 119,846

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 114,253	\$ 132,867	\$ 155,512

PERS Retirement Health Insurance Account

Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and

amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at

http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Inactive employees or beneficiaries receiving benefits	1
Active employees	64
	<u>65</u>

Contributions

PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2019 contributions was \$19,611.

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported an asset of \$44,273 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2018, the City's proportionate share was 0.0397%, which is an increase from its proportion of 0.0387% as of June 30, 2017.

For the year ended June 30, 2019, the City recognized OPEB expense from this plan of \$261. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Dferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	7,486
Changes in proportionate share	468	-
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	468	7,486
Contributions subsequent to the MD	19,204	-
Total	<u>\$ 19,672</u>	<u>\$ 7,486</u>

Deferred outflows of resources related to OPEB of \$19,672 resulting from the City's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (3,907)
2021	(3,961)
2022	(3,230)
2023	(947)
2024	-
Total	<u>\$ (12,045)</u>

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB asset in the December 31, 2016 actuarial valuation was determined using the actuarial methods and assumptions are the same as listed above in note 6 – Pension Plan Actuarial Assumptions and an additional assumption for healthcare cost trend rate ranging from 6.3% in 2016 to 4.4% in 2094.

Long-Term Expected Rate of Return

Are the same as listed above in Note 6 – Pension Plan Long-term Expected Rate of Return.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.2% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.2%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

Discount Rate:				
	<u>1% Decrease (6.2%)</u>		<u>Current Discount Rate</u>	<u>1% Increase (8.2%)</u>
			<u>(7.2%)</u>	
Total OPEB Liability	\$ (25,778)	\$	(44,273)	\$ (60,016)

OPEB Plan Fiduciary Net Position

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

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes during the June 30, 2019 measurement period that require disclosure.

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 1% dedicated for the development of capital projects related to providing PEG access. PEG funds in the amount of \$879,969 are currently held as Restricted Fund Balance.

11. RISK MANAGEMENT

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

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

12. FUND BALANCE DETAIL

	General Fund	Library Fund	Parks Fund	Street Fund	Storm, Parks, & Transportation SDC Fund	Public Safety Fund	Total
Fund Balances:							
Non spendable	\$ 60,998	\$ 2,342	\$ 13,997	\$ 625	\$ -	\$ -	\$ 77,962
Restricted							
PEG	879,969	-	-	-	-	-	879,969
Library	-	4,952,471	-	-	-	-	4,952,471
Street Maint	-	-	-	3,960,568	-	-	3,960,568
SDC Projects	-	-	-	-	10,508,625	-	10,508,625
Parks	-	-	721,473	-	-	-	721,473
Public Safety	-	-	-	-	-	1,853,427	1,853,427
	<u>879,969</u>	<u>4,952,471</u>	<u>721,473</u>	<u>3,960,568</u>	<u>10,508,625</u>	<u>1,853,427</u>	<u>22,876,533</u>
Committed							
Construction Fees	-	-	-	-	-	-	-
General Ops	2,498,974	-	-	-	-	-	2,498,974
Replacement	798,116	-	-	-	-	-	798,116
Pedestrian Improvement	855,803	-	-	-	-	-	855,803
Facilities Capital Projects	<u>3,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,800,000</u>
	<u>7,952,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,952,893</u>
Unassigned	<u>5,079,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,079,303</u>
Total Fund Balances	<u>\$ 13,973,163</u>	<u>\$ 4,954,813</u>	<u>\$ 735,470</u>	<u>\$ 3,961,193</u>	<u>\$ 10,508,625</u>	<u>\$ 1,853,427</u>	<u>\$ 35,986,691</u>

12. SUBSEQUENT EVENTS

In November 2019, the City of Happy Valley and Clackamas County came to a settlement agreement on the ongoing litigation between the entities regarding parks services and parks system development charges. The agreement ends several years of uncertainty and potential risks for both parties in ongoing litigation and includes the following.

- Clackamas County and Happy Valley will jointly develop and support legislation in the 2020 legislative session that will withdraw Happy Valley from the district and allow the City to become its own parks and recreation provider.
- Payment of \$14.3 million to City of Happy Valley. The funds for this payment will come from development fees generated in Happy Valley as well as a portion of the Hood View Park sale proceeds.
- Transfer of the following parks to City of Happy Valley, relieving NCPRD of ongoing maintenance and management costs –

CITY OF HAPPY VALLEY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

- Southern Lites
- Village Green
- Ashley Meadows
- District owned properties adjacent to Mt. Talbert
- Hidden Falls
- Scott Creek Trail

Agreement from City not to withdraw properties currently inside NCPRD boundaries if or when they annex to Happy Valley.

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, 2019

GENERAL FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,985,000	\$ 1,985,000	\$ 2,026,951	\$ 41,951
Licenses & Permits	3,763,000	3,763,000	4,230,682	467,682
Intergovernmental	980,000	980,000	954,218	(25,782)
Other Revenue	1,020,000	1,020,000	1,056,956	36,956
TOTAL REVENUES	7,748,000	7,748,000	8,268,807	520,807
EXPENDITURES				
Current:				
General Government	8,083,200	8,083,200	6,397,938	1,685,262
Public Safety	587,700	587,700	562,162	25,538
Capital Outlay	2,071,948	2,071,948	300,598	1,771,350
Contingency	2,702,357	2,702,357	-	2,702,357
TOTAL EXPENDITURES	13,445,205	13,445,205	7,260,698	6,184,507
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,697,205)	(5,697,205)	1,008,109	6,705,314
OTHER FINANCING SOURCES (USES)				
Transfers In	4,418,000	4,418,000	4,418,000	-
Transfers Out	(3,218,000)	(3,218,000)	(3,218,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,200,000	1,200,000	1,200,000	-
NET CHANGE IN FUND BALANCE	(4,497,205)	(4,497,205)	2,208,109	6,705,314
FUND BALANCE - beginning	9,396,179	9,396,179	11,765,054	2,368,875
FUND BALANCE - ending	\$ 4,898,974	\$ 4,898,974	\$ 13,973,163	\$ 9,074,189

* Does not demonstrate compliance at the legal level of budgetary control, see the General Fund - Budgetary Basis schedule for legal level of budgetary control.

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

LIBRARY FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,730,000	\$ 2,730,000	\$ 2,909,367	\$ 179,367
Other Revenue	116,000	116,000	178,780	62,780
TOTAL REVENUES	2,846,000	2,846,000	3,088,147	242,147
EXPENDITURES				
Current:				
Cultural and Recreation	2,176,200	2,176,200	2,011,826	164,374
Capital Outlay	55,052	55,052	15,899	39,153
Contingency	786,302	786,302	-	786,302
TOTAL EXPENDITURES	3,017,554	3,017,554	2,027,725	989,829
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(171,554)	(171,554)	1,060,422	1,231,976
OTHER FINANCING SOURCES, (USES)				
Transfers In	1,850,000	1,850,000	550,000	(1,300,000)
Transfers Out	(990,000)	(990,000)	(990,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	860,000	860,000	(440,000)	(1,300,000)
NET CHANGE IN FUND BALANCE	688,446	688,446	620,422	(68,024)
FUND BALANCE - beginning	1,714,554	1,714,554	4,334,391	2,619,837
FUND BALANCE - ending	\$ 2,403,000	\$ 2,403,000	\$ 4,954,813	\$ 2,551,813

* Does not demonstrate compliance at the legal level of budgetary control, see the Library Fund - Budgetary Basis schedule for legal level of budgetary control.

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

STREET FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Gas Tax	\$ 1,448,150	\$ 1,448,150	\$ 1,506,599	\$ 58,449
Local Fuel Tax	110,000	110,000	126,824	16,824
Intergovernmental	141,000	141,000	122,169	(18,831)
Other Revenue	35,000	35,000	531,062	496,062
TOTAL REVENUES	1,734,150	1,734,150	2,286,654	552,504
EXPENDITURES				
Current:				
Highways and Streets	851,900	851,900	628,207	223,693
Capital Outlay	2,135,514	2,135,514	796,258	1,339,256
TOTAL EXPENDITURES	2,987,414	2,987,414	1,424,465	1,562,949
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,253,264)	(1,253,264)	862,189	2,115,453
OTHER FINANCING SOURCES, (USES)				
Transfers In	100,000	100,000	1,650,000	1,550,000
Transfers Out	(1,825,000)	(1,825,000)	(1,825,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,725,000)	(1,725,000)	(175,000)	1,550,000
NET CHANGE IN FUND BALANCE	(2,978,264)	(2,978,264)	687,189	3,665,453
FUND BALANCE - beginning	2,978,264	2,978,264	3,274,004	295,740
FUND BALANCE - ending	\$ -	\$ -	\$ 3,961,193	\$ 3,961,193

* Does not demonstrate compliance at the legal level of budgetary control, see the Street Fund - Budgetary Basis schedule for legal level of budgetary control.

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

PARKS FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,577,000	\$ 1,577,000	\$ 1,525,613	\$ (51,387)
User Related	30,000	30,000	43,674	13,674
Program Fees	50,000	50,000	6,983	(43,017)
Event Revenue	45,000	45,000	82,967	37,967
Miscellaneous Revenue	-	-	22,835	22,835
TOTAL REVENUES	1,702,000	1,702,000	1,682,072	(19,928)
EXPENDITURES				
Current:				
Operations	461,000	453,000	302,222	150,778
Programming	357,600	308,700	233,863	74,837
Non-departmental	80,000	295,000	283,107	11,893
Contingency	158,100	-	-	-
TOTAL EXPENDITURES	1,056,700	1,056,700	819,192	237,508
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	862,880	862,880
OTHER FINANCING SOURCES, (USES)				
Transfers Out To:				
General Fund	(133,000)	(133,000)	(133,000)	-
Parks Reserve for Replacement	(425,000)	(425,000)	-	425,000
Parks Capital Fund	(90,000)	(90,000)	-	90,000
TOTAL OTHER FINANCING SOURCES (USES)	(648,000)	(648,000)	(133,000)	515,000
NET CHANGE IN FUND BALANCE	(2,700)	(2,700)	729,880	732,580
FUND BALANCE - beginning	2,700	2,700	5,590	2,890
FUND BALANCE - ending	\$ -	\$ -	\$ 735,470	\$ 735,470

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

STORM SYSTEM DEVELOPMENT FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 6,000	\$ 6,000	\$ 53,074	\$ 47,074
SDC-Storm Drainage	90,000	90,000	59,482	(30,518)
TOTAL REVENUES	96,000	96,000	112,556	16,556
EXPENDITURES				
Materials and Services	200,000	200,000	-	200,000
Capital Outlay	791,000	791,000	-	791,000
TOTAL EXPENDITURES	991,000	991,000	-	991,000
OTHER FINANCING SOURCES (USES)				
Transfers Out:	(400,000)	(400,000)	(400,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(400,000)	(400,000)	(400,000)	-
NET CHANGE IN FUND BALANCE	(1,295,000)	(1,295,000)	(287,444)	1,007,556
FUND BALANCE - beginning	1,295,000	1,295,000	1,395,153	100,153
FUND BALANCE - ending	\$ -	\$ -	\$ 1,107,709	\$ 1,107,709

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

TRANSPORTATION SYSTEM DEVELOPMENT FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 72,000	\$ 72,000	\$ 180,852	\$ 108,852
SDC-Transportation	1,300,000	1,300,000	1,952,938	652,938
TOTAL REVENUES	1,372,000	1,372,000	2,133,790	761,790
EXPENDITURES				
Materials and Services	300,000	300,000	38,176	261,824
Capital Outlay	5,980,000	5,980,000	55,064	5,924,936
TOTAL EXPENDITURES	6,280,000	6,280,000	93,240	6,186,760
NET CHANGE IN FUND BALANCE	(4,908,000)	(4,908,000)	2,040,550	6,948,550
FUND BALANCE - beginning	4,908,000	4,908,000	5,845,734	937,734
FUND BALANCE - ending	\$ -	\$ -	\$ 7,886,284	\$ 7,886,284

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

PARKS SYSTEM DEVELOPMENT FUND - GAAP BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
SDC-Parks	1,200,000	1,200,000	1,114,632	(85,368)
TOTAL REVENUES	1,210,000	1,210,000	1,114,632	(95,368)
EXPENDITURES				
Materials and Services	200,000	200,000	-	200,000
Capital Outlay	1,410,000	1,410,000	-	1,410,000
TOTAL EXPENDITURES	1,610,000	1,610,000	-	1,610,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(400,000)	(400,000)	1,114,632	1,514,632
OTHER FINANCING SOURCES (USES)				
Transfers In	400,000	400,000	400,000	-
TOTAL OTHER FINANCING SOURCES (USES)	400,000	400,000	400,000	-
NET CHANGE IN FUND BALANCE	-	-	1,514,632	1,514,632
FUND BALANCE - beginning	-	-	-	-
FUND BALANCE - ending	\$ -	\$ -	\$ 1,514,632	\$ 1,514,632

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

PUBLIC SAFETY FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 30,000	\$ 30,000	\$ 83,112	\$ 53,112
Property Taxes	3,925,000	3,925,000	3,980,224	55,224
TOTAL REVENUES	3,955,000	3,955,000	4,063,336	108,336
EXPENDITURES				
Materials and Services	3,692,000	3,692,000	3,238,424	453,576
Capital Outlay	10,000	47,000	46,067	933
Contingency	1,151,224	1,114,224	-	1,114,224
TOTAL EXPENDITURES	4,853,224	4,853,224	3,284,491	1,568,733
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(898,224)	(898,224)	778,845	1,677,069
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfers Out To:				
General Fund	(452,000)	(452,000)	(452,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(452,000)	(452,000)	(452,000)	-
NET CHANGE IN FUND BALANCE	(1,350,224)	(1,350,224)	326,845	1,677,069
FUND BALANCE - beginning	1,350,224	1,350,224	1,526,582	176,358
FUND BALANCE - ending	\$ -	\$ -	\$ 1,853,427	\$ 1,853,427

* Demonstrates compliance at the legal level of budgetary control.

CITY OF HAPPY VALLEY, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Six Fiscal Years¹

Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.04430447%	\$ 6,711,544	\$ 4,447,936	150.89%	82.10%
2017	0.04088109%	5,510,786	4,224,767	130.44%	83.10%
2016	0.03026638%	4,543,686	3,819,380	118.96%	80.53%
2015	0.03043509%	1,747,419	2,488,209	70.23%	91.90%
2014	0.02631811%	(595,556)	2,380,983	-25.01%	103.60%
2013	0.02631811%	1,343,052	2,121,164	63.32%	91.97%

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

¹This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has

NOTES TO SCHEDULE

Changes in Benefit Terms:

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System.

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018

CITY OF HAPPY VALLEY, OREGON
SCHEDULE OF CONTRIBUTIONS
For the Last Six Fiscal Years¹

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 664,534	\$ 664,534	\$ -	\$ 4,585,913	14.49%
2018	644,910	644,910	-	4,447,936	14.50%
2017	492,024	492,024	-	4,224,767	11.65%
2016	399,079	399,079	-	3,819,380	10.45%
2015	733,439	733,439	-	2,488,209	29.48%
2014	764,158	764,158	-	2,380,983	32.09%

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

¹This schedule is 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.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Market value	Market value	Market value
Remaining amortization periods:	20 years	20 years	N/A
Actuarial assumptions			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	7.50 percent	7.75 percent	8.00 percent

CITY OF HAPPY VALLEY, OREGON
SCHEDULE OF PROPORTIONATE SHARE - RHIA
For the Last Ten Fiscal Years¹

Measurement Date June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.03966143%	\$ (44,273)	\$ 4,447,936	-1.00%	124.00%
2017	0.03873174%	(16,164)	4,224,767	-0.38%	108.90%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement

¹This schedule is 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.

NOTES TO SCHEDULE

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups.

CITY OF HAPPY VALLEY, OREGON
SCHEDULE OF CONTRIBUTIONS - RHIA
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 19,611	\$ 19,611	\$ -	\$ 4,585,913	0.43%
2018	19,204	19,204	-	4,447,936	0.43%
2017	19,283	19,283	-	4,224,767	0.46%

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

¹This schedule is 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.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Amortization period:	10 years	10 years	10 years
Asset valuation method:	Market value	Market value	Market value
Remaining amortization periods:	20 years	20 years	N/A
Actuarial assumptions			
Inflation rate	2.50 percent	2.75 percent	2.75 percent
Projected salary increases	3.50 percent	3.75 percent	3.75 percent
Investment rate of return	7.50 percent	7.75 percent	8.00 percent
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance

CITY OF HAPPY VALLEY, OREGON
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIO'S
For the Ten Fiscal Years¹

	2019	2018
Total OPEB Liability		
Service Interest	\$ 16,711	\$ 17,612
Interest	4,602	3,488
Changes of benefit terms	-	-
Differences between expected and actual experience	18,954	-
Changes of assumptions	(18,631)	(9,280)
Benefit payment	(1,182)	(8,296)
Net change in total OPEB liability	20,454	3,524
Total OPEB liability - beginning	112,413	108,889
Total OPEB liability - ending (a)	132,867	112,413
 Covered-employee payroll	 \$ 4,447,936	 \$ 4,224,767
 Total OPEB liability as a percentage of covered-employee payroll	 2.99%	 2.66%

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

¹This schedule is 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.

CITY OF HAPPY VALLEY, OREGON
SCHEDULE OF CONTRIBUTIONS - IMPLICIT RATE SUBSIDY
For the Last Ten Fiscal Years¹

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 9,075	\$ 9,075	\$ -	\$ 4,585,913	0.20%
2018	1,182	1,182	-	4,447,936	0.03%
2017	8,296	8,296	-	4,224,767	0.20%

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	July 1, 2018
Effective:	July 2017 - June 2019
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Amortization period:	10 years
Asset valuation method:	Market value
Remaining amortization periods:	20 years
Actuarial assumptions	
Inflation rate	2.50 percent
Projected salary increases	3.50 percent
Investment rate of return	7.50 percent

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

¹This schedule is 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.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAPPY VALLEY, OREGON
Combining Balance Sheet
General Fund - Generally Accepted Accounting Principles
June 30, 2019

	General Fund Budgetary Basis	Pedestrian Improvement Projects Fund Budgetary Basis	General Ops Reserve Fund Budgetary Basis	Reserve For Replacement Budgetary Basis	Facilities Capital Projects Fund Budgetary Basis	General Fund Generally Accepted Accounting Principles
ASSETS						
Cash and Investments	\$ 6,303,294	\$ 855,803	\$ 2,498,974	\$ 1,742,207	\$ 3,800,000	\$ 15,200,278
Prepaid Items	60,998	-	-	-	-	60,998
Accounts Receivable	391,690	-	-	15,554	-	407,244
Property Taxes Receivable	48,919	-	-	-	-	48,919
TOTAL ASSETS	\$ 6,804,901	\$ 855,803	\$ 2,498,974	\$ 1,757,761	\$ 3,800,000	\$ 15,717,439
LIABILITIES						
Accounts Payable	\$ 383,689	\$ -	\$ -	\$ 79,676	\$ -	\$ 463,365
Payroll and Taxes Payable	183,503	-	-	-	-	183,503
Development Deposits	1,049,467	-	-	-	-	1,049,467
Due to Other Governments	2,547	-	-	-	-	2,547
TOTAL LIABILITIES	1,619,206	-	-	79,676	-	1,698,882
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	45,394	-	-	-	-	45,394
FUND BALANCES						
Fund Balance By Category						
Nonspendable	60,998	-	-	-	-	60,998
Restricted	-	-	-	879,969	-	879,969
Committed	-	855,803	2,498,974	798,116	3,800,000	7,952,893
Unassigned	5,079,303	-	-	-	-	5,079,303
TOTAL FUND BALANCES	5,140,301	855,803	2,498,974	1,678,085	3,800,000	13,973,163
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 6,804,901	\$ 855,803	\$ 2,498,974	\$ 1,757,761	\$ 3,800,000	\$ 15,717,439

CITY OF HAPPY VALLEY, OREGON
Combining Balance Sheet
Library Fund - Generally Accepted Accounting Principles
June 30, 2019

	Library Fund Budgetary Basis	Library Reserve for Replacement Fund Budgetary Basis	Library Fund Generally Accepted Accounting Principles
ASSETS			
Cash and Investments	\$ 1,418,085	\$ 3,613,988	\$ 5,032,073
Prepaid items	2,342	-	2,342
TOTAL ASSETS	\$ 1,420,427	\$ 3,613,988	\$ 5,034,415
LIABILITIES			
Accounts Payable	\$ 21,825	\$ -	\$ 21,825
Accrued Payroll	57,777	-	57,777
TOTAL LIABILITIES	79,602	-	79,602
FUND BALANCES			
Fund Balance By Category			
Nonspendable	2,342	-	2,342
Committed	1,338,483	3,613,988	4,952,471
TOTAL FUND BALANCES	1,340,825	3,613,988	4,954,813
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,420,427	\$ 3,613,988	\$ 5,034,415

CITY OF HAPPY VALLEY, OREGON
Combining Balance Sheet
Street Fund - Generally Accepted Accounting Principles
June 30, 2019

	Street Fund Budgetary Basis	Street Reserve for Replacement Fund Budgetary Basis	Street Fund Generally Accepted Accounting Principles
ASSETS			
Cash and Investments	\$ 1,319,384	\$ 2,521,463	\$ 3,840,847
Accounts Receivable	149,306	-	149,306
Prepaid items	625	-	625
TOTAL ASSETS	\$ 1,469,315	\$ 2,521,463	\$ 3,990,778
LIABILITIES			
Accounts Payable	\$ 16,866	\$ -	\$ 16,866
Accrued Payroll	12,719	-	12,719
TOTAL LIABILITIES	29,585	-	29,585
FUND BALANCES			
Fund Balance By Category			
Non Spendable	625	-	625
Restricted	1,439,105	2,521,463	3,960,568
TOTAL FUND BALANCES	1,439,730	2,521,463	3,961,193
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,469,315	\$ 2,521,463	\$ 3,990,778

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, 2019**

	General Fund Budgetary Basis	Pedestrian Improvement Projects Fund Budgetary Basis	Gen Ops Reserve Fund Budgetary Basis	Reserve for Replacement Budgetary Basis	Facility Capital Projects Fund Budgetary Basis	General Fund Generally Accepted Accounting Principles
REVENUES						
Property Taxes	\$ 2,026,951	\$ -	\$ -	\$ -	\$ -	\$ 2,026,951
Licenses & Permits	4,230,682	-	-	-	-	4,230,682
Intergovernmental	954,218	-	-	-	-	954,218
Other Revenue	939,775	20,148	-	97,033	-	1,056,956
TOTAL REVENUES	8,151,626	20,148	-	97,033	-	8,268,807
EXPENDITURES						
Current:						
General Government	6,349,477	-	-	48,461	-	6,397,938
Public Safety	562,162	-	-	-	-	562,162
Capital Outlay	-	25,511	-	275,087	-	300,598
TOTAL EXPENDITURES	6,911,639	25,511	-	323,548	-	7,260,698
EXCESS REVENUES OVER (UNDER) EXPENDITURES	1,239,987	(5,363)	-	(226,515)	-	1,008,109
OTHER FINANCING SOURCES, (USES)						
Transfers In	1,218,000	100,000	300,000	500,000	2,300,000	4,418,000
Transfers Out	(3,200,000)	(18,000)	-	-	-	(3,218,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,982,000)	82,000	300,000	500,000	2,300,000	1,200,000
NET CHANGE IN FUND BALANCE	(742,013)	76,637	300,000	273,485	2,300,000	2,208,109
FUND BALANCES - beginning	5,882,314	779,166	2,198,974	1,404,600	1,500,000	11,765,054
FUND BALANCES - ending	\$ 5,140,301	855,803	\$ 2,498,974	\$ 1,678,085	\$ 3,800,000	\$ 13,973,163

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, 2019**

	Library Fund Budgetary Basis	Library Reserve for Replacement Budgetary Basis	Library Fund Generally Accepted Accounting Principles
REVENUES			
District Revenue	\$ 2,909,367	\$ -	\$ 2,909,367
Other Revenue	178,780	-	178,780
TOTAL REVENUES	3,088,147	-	3,088,147
EXPENDITURES			
Current:			
Cultural and Recreation	1,969,928	41,898	2,011,826
Capital Outlay	-	15,899	15,899
TOTAL EXPENDITURES	1,969,928	57,797	2,027,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,118,219	(57,797)	1,060,422
OTHER FINANCING SOURCES, (USES)			
Transfers In	-	550,000	550,000
Transfers Out	(990,000)	-	(990,000)
TOTAL OTHER FINANCING SOURCES (USES)	(990,000)	550,000	(440,000)
NET CHANGE IN FUND BALANCE	128,219	492,203	620,422
FUND BALANCES - beginning	1,212,606	3,121,785	4,334,391
FUND BALANCES - ending	\$ 1,340,825	\$ 3,613,988	\$ 4,954,813

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, 2019**

	Street Fund Budgetary Basis	Street Reserve for Replacement Budgetary Basis	Street Fund Generally Accepted Accounting Principles
REVENUES			
Intergovernmental	\$ 122,169	\$ -	\$ 122,169
Gas Tax	1,506,599	-	1,506,599
Local Fuel Tax	126,824	-	126,824
Other Revenue	82,198	448,864	531,062
TOTAL REVENUES	1,837,790	448,864	2,286,654
EXPENDITURES			
Current:			
Street	625,165	3,042	628,207
Capital Outlay	779,042	17,216	796,258
TOTAL EXPENDITURES	1,404,207	20,258	1,424,465
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	433,583	428,606	862,189
OTHER FINANCING SOURCES, (USES)			
Transfers In	-	1,650,000	1,650,000
Transfers Out	(1,825,000)	-	(1,825,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,825,000)	1,650,000	(175,000)
NET CHANGE IN FUND BALANCE	(1,391,417)	2,078,606	687,189
FUND BALANCES - beginning	2,831,147	442,857	3,274,004
FUND BALANCES - ending	\$ 1,439,730	\$ 2,521,463	\$ 3,961,193

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

GENERAL FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,985,000	\$ 1,985,000	\$ 2,026,951	\$ 41,951
Licenses, Fees, and Permits:				
ROW Use Fees	1,648,000	1,648,000	1,660,257	12,257
Building Permits and Fees	1,000,000	1,000,000	1,420,471	420,471
Planning Fees	275,000	275,000	251,775	(23,225)
Engineering Fees	350,000	350,000	374,045	24,045
SDC Compliance Fee	200,000	200,000	151,085	(48,915)
User Related Fees	290,000	290,000	373,049	83,049
Total Licenses, Fees, and Permits	3,763,000	3,763,000	4,230,682	467,682
Intergovernmental:				
State Shared Revenues	620,000	620,000	667,868	47,868
Intergovernmental	360,000	360,000	286,350	(73,650)
Total Intergovernmental	980,000	980,000	954,218	(25,782)
Other Revenue:				
Traffic Fines	600,000	600,000	545,858	(54,142)
Municipal Court	70,000	70,000	89,089	19,089
Miscellaneous Revenue	185,000	185,000	304,828	119,828
Total Other Revenue	855,000	855,000	939,775	84,775
TOTAL REVENUES	7,583,000	7,583,000	8,151,626	568,626
EXPENDITURES				
Administration	2,840,100	2,840,100	2,380,602	459,498
Community Services & Public Safety	1,175,400	1,175,400	1,092,101	83,299
Economic & Community Development	3,128,700	3,128,700	2,810,825	317,875
Public Works	773,600	773,600	628,111	145,489
Contingency	2,702,357	2,702,357	-	2,702,357
TOTAL EXPENDITURES	10,620,157	10,620,157	6,911,639	3,708,518
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,037,157)	(3,037,157)	1,239,987	4,277,144
OTHER FINANCING SOURCES (USES)				
Transfers In	1,218,000	1,218,000	1,218,000	-
Transfers Out To:				
Reserve for General Operations	(300,000)	(300,000)	(300,000)	-
Pedestrian Improvement Projects Fund	(100,000)	(100,000)	(100,000)	-
Reserve for Replacement Fund	(500,000)	(500,000)	(500,000)	-
Facility Capital Projects Fund	(2,300,000)	(2,300,000)	(2,300,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,982,000)	(1,982,000)	(1,982,000)	-
NET CHANGE IN FUND BALANCE	(5,019,157)	(5,019,157)	(742,013)	4,277,144
FUND BALANCE - beginning	5,019,157	5,019,157	5,882,314	863,157
FUND BALANCE - ending	\$ -	\$ -	\$ 5,140,301	\$ 5,140,301

* Demonstrates compliance at the legal level of budgetary control.

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

LIBRARY FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
User Related Fees	\$ 43,000	\$ 43,000	\$ 47,653	\$ 4,653
District Revenue	2,730,000	2,730,000	2,909,367	179,367
Miscellaneous Revenue	73,000	73,000	131,127	58,127
TOTAL REVENUES	2,846,000	2,846,000	3,088,147	242,147
EXPENDITURES				
Personal Services	1,557,200	1,557,200	1,491,525	65,675
Materials and Services	608,000	608,000	478,403	129,597
Contingency	786,302	786,302	-	786,302
TOTAL EXPENDITURES	2,951,502	2,951,502	1,969,928	981,574
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,502)	(105,502)	1,118,219	1,223,721
OTHER FINANCING SOURCES, (USES)				
Transfers Out To:				
General Fund	(440,000)	(440,000)	(440,000)	-
Reserve for Replacement	(550,000)	(550,000)	(550,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(990,000)	(990,000)	(990,000)	-
NET CHANGE IN FUND BALANCE	(1,095,502)	(1,095,502)	128,219	1,223,721
FUND BALANCE - beginning	1,095,502	1,095,502	1,212,606	117,104
FUND BALANCE - ending	\$ -	\$ -	\$ 1,340,825	\$ 1,340,825

* Demonstrates compliance at the legal level of budgetary control.

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

STREET FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental	\$ 141,000	\$ 141,000	\$ 122,169	\$ (18,831)
Gas Tax	1,448,150	1,448,150	1,506,599	58,449
Local Fuel Tax	110,000	110,000	126,824	16,824
Miscellaneous Revenue	35,000	35,000	82,198	47,198
TOTAL REVENUES	1,734,150	1,734,150	1,837,790	103,640
EXPENDITURES				
Personal Services	394,500	414,500	302,505	111,995
Materials and Services	426,500	426,500	322,660	103,840
Capital Outlay	1,835,514	1,815,514	779,042	1,036,472
TOTAL EXPENDITURES	2,656,514	2,656,514	1,404,207	1,252,307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(922,364)	(922,364)	433,583	1,355,947
OTHER FINANCING SOURCES, (USES)				
Transfers Out To:				
General Fund	(175,000)	(175,000)	(175,000)	-
Reserve for Replacement	(1,650,000)	(1,650,000)	(1,650,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,825,000)	(1,825,000)	(1,825,000)	-
NET CHANGE IN FUND BALANCE	(2,747,364)	(2,747,364)	(1,391,417)	1,355,947
FUND BALANCE - beginning	2,747,364	2,747,364	2,831,147	83,783
FUND BALANCE - ending	\$ -	\$ -	\$ 1,439,730	\$ 1,439,730

* Demonstrates compliance at the legal level of budgetary control.

CITY OF HAPPY VALLEY, OREGON
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

PEDESTRIAN IMPROVEMENT PROJECTS FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 10,000	\$ 10,000	\$ 20,148	\$ 10,148
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>20,148</u>	<u>10,148</u>
EXPENDITURES				
Materials and Services	30,000	30,000	-	30,000
Capital Outlay	<u>852,000</u>	<u>852,000</u>	<u>25,511</u>	<u>826,489</u>
TOTAL EXPENDITURES	<u>882,000</u>	<u>882,000</u>	<u>25,511</u>	<u>856,489</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(872,000)</u>	<u>(872,000)</u>	<u>(5,363)</u>	<u>866,637</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	100,000	100,000	100,000	-
Transfers Out To: General Fund	<u>(18,000)</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,000</u>	<u>82,000</u>	<u>82,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(790,000)</u>	<u>(790,000)</u>	<u>76,637</u>	<u>866,637</u>
FUND BALANCE - beginning	<u>790,000</u>	<u>790,000</u>	<u>779,166</u>	<u>(10,834)</u>
FUND BALANCE - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 855,803</u>	<u>\$ 855,803</u>

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

GENERAL OPERATIONS RESERVE FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES				
Transfers In	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
NET CHANGE IN FUND BALANCE	300,000	300,000	300,000	-
FUND BALANCE - beginning	2,198,974	2,198,974	2,198,974	-
FUND BALANCE - ending	<u>\$ 2,498,974</u>	<u>\$ 2,498,974</u>	<u>\$ 2,498,974</u>	<u>\$ -</u>

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

FACILITY CAPITAL PROJECTS FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES				
Capital Outlay	\$ 3,800,000	\$ 3,800,000	\$ -	\$ 3,800,000
TOTAL EXPENDITURES	3,800,000	3,800,000	-	3,800,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,800,000)	(3,800,000)	-	3,800,000
OTHER FINANCING SOURCES (USES)				
Transfers In	2,300,000	2,300,000	2,300,000	-
TOTAL OTHER FINANCING SOURCES (USES)	- 2,300,000	- 2,300,000	- 2,300,000	- -
NET CHANGE IN FUND BALANCE	(1,500,000)	(1,500,000)	2,300,000	3,800,000
FUND BALANCE - beginning	1,500,000	1,500,000	1,500,000	-
FUND BALANCE - ending	\$ -	\$ -	\$ 3,800,000	\$ 3,800,000

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

GENERAL RESERVE FOR REPLACEMENT FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
PEG Fees	\$ 65,000	\$ 65,000	\$ 61,966	\$ (3,034)
Miscellaneous Revenue	5,000	5,000	35,067	30,067
TOTAL REVENUES	70,000	70,000	97,033	27,033
EXPENDITURES				
Materials and Services	665,000	665,000	48,461	616,539
Capital Outlay	900,000	900,000	275,087	624,913
TOTAL EXPENDITURES	1,565,000	1,565,000	323,548	1,241,452
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,495,000)	(1,495,000)	(226,515)	1,268,485
OTHER FINANCING SOURCES (USES)				
Transfers In	500,000	500,000	500,000	-
TOTAL OTHER FINANCING SOURCES (USES)	500,000	500,000	500,000	-
NET CHANGE IN FUND BALANCE	(995,000)	(995,000)	273,485	1,268,485
FUND BALANCE - beginning	1,500,000	1,500,000	1,404,600	(95,400)
FUND BALANCE - ending	\$ 505,000	\$ 505,000	\$ 1,678,085	\$ 1,173,085

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

STREET RESERVE FOR REPLACEMENT FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 100,000	\$ 100,000	\$ 14,063	\$ (85,937)
Fee in Lieu	-	-	434,801	434,801
TOTAL REVENUES	100,000	100,000	448,864	348,864
EXPENDITURES				
Materials and Services	125,000	125,000	3,042	121,958
Capital Outlay	500,900	500,900	17,216	483,684
TOTAL EXPENDITURES	625,900	625,900	20,258	605,642
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(525,900)	(525,900)	428,606	954,506
OTHER FINANCING SOURCES (USES)				
Transfers In	1,650,000	1,650,000	1,650,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	1,650,000	1,650,000	-
NET CHANGE IN FUND BALANCE	1,124,100	1,124,100	2,078,606	954,506
FUND BALANCE - beginning	425,900	425,900	442,857	16,957
FUND BALANCE - ending	\$ 1,550,000	\$ 1,550,000	\$ 2,521,463	\$ 971,463

CITY OF HAPPY VALLEY, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2019

LIBRARY RESERVE FOR REPLACEMENT FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous Revenue	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
TOTAL REVENUES	4,000	4,000	-	(4,000)
EXPENDITURES				
Materials and Services	150,000	150,000	41,898	108,102
Capital Outlay	600,000	600,000	15,899	584,101
TOTAL EXPENDITURES	750,000	750,000	57,797	692,203
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(746,000)	(746,000)	(57,797)	688,203
OTHER FINANCING SOURCES (USES)				
Transfers In	550,000	550,000	550,000	-
TOTAL OTHER FINANCING SOURCES (USES)	- 550,000	550,000	550,000	-
NET CHANGE IN FUND BALANCE	(196,000)	(196,000)	492,203	692,203
FUND BALANCE - beginning	3,121,785	3,121,785	3,121,785	-
FUND BALANCE - ending	\$ 2,925,785	\$ 2,925,785	\$ 3,613,988	\$ 688,203

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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	73-77
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	78-80
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	81-83
<i>This schedule presents information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Operating Information	84-90
<i>This schedule contains servicedata to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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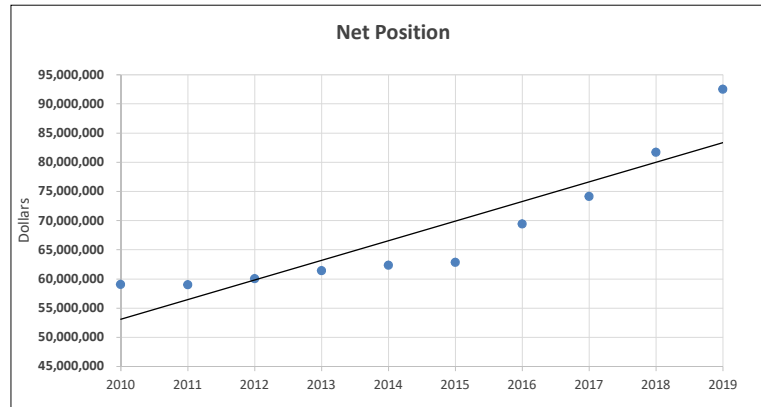
CITY OF HAPPY VALLEY, OREGON

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 52,107,967	\$ 51,755,194	\$ 51,692,187	\$ 50,887,724	\$ 50,075,936	\$ 50,101,809	\$ 52,179,591	\$ 57,448,724	\$ 56,219,206	\$ 60,231,610
Net position - restricted	-	-	3,968,439	3,169,038	3,357,477	3,520,302	7,554,021	8,398,586	15,862,229	22,893,497
Net position - unrestricted	6,946,138	7,224,869	4,349,283	7,362,168	8,885,486	9,208,316	9,693,509	8,266,552	9,601,286	9,351,031
Total governmental activities net position	<u>\$ 59,054,105</u>	<u>\$ 58,980,063</u>	<u>\$ 60,009,909</u>	<u>\$ 61,418,930</u>	<u>\$ 62,318,899</u>	<u>\$ 62,830,427</u>	<u>\$ 69,429,121</u>	<u>\$ 74,113,862</u>	<u>\$ 81,682,721</u>	<u>\$ 92,476,138</u>



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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General government	\$ 7,273,476	\$ 6,294,948	\$ 5,643,667	\$ 7,446,207	\$ 8,447,692	\$ 8,427,337	\$ 6,589,158	\$ 6,568,236	\$ 7,512,604	\$ 7,423,795
Cultural and Recreation	97,482	104,307	228,276	255,454	281,561	285,790	2,450,253	2,381,909	2,812,621	3,284,384
Public Safety	-	-	-	-	-	-	3,317,382	3,513,955	3,592,448	3,928,333
Highways and Streets	615,911	337,855	921,974	1,097,307	770,717	767,425	2,253,225	2,132,690	2,244,148	3,032,215
Interest of long term debt	199,728	192,185	184,322	176,141	167,642	158,717	151,700	106,299	-	-
Total Expenses	<u>8,186,597</u>	<u>6,929,295</u>	<u>6,978,239</u>	<u>8,975,109</u>	<u>9,667,612</u>	<u>9,639,269</u>	<u>14,761,718</u>	<u>14,703,089</u>	<u>16,161,821</u>	<u>17,668,727</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 1,440,118	\$ 1,509,441	\$ 2,266,446	\$ 2,684,628	\$ 3,498,523	\$ 2,485,750	\$ 3,485,268	\$ 3,409,827	\$ 3,287,788	\$ 2,570,425
Cultural and Recreation	36,668	16,063	28,499	-	-	-	42,554	44,019	527,013	1,162,285
Public Safety	-	-	-	-	-	-	579,912	569,509	730,074	634,947
Highways and Streets	132,302	129,571	190,065	324,176	206,470	67,584	150,134	73,112	6,019,791	2,012,420
Total Program Revenues	<u>1,609,088</u>	<u>1,655,075</u>	<u>2,485,010</u>	<u>3,008,804</u>	<u>3,704,993</u>	<u>2,553,334</u>	<u>4,257,868</u>	<u>4,096,467</u>	<u>10,564,666</u>	<u>6,380,077</u>
Net (Expense)/Revenue										
Governmental Activities	<u>\$ (6,577,509)</u>	<u>\$ (5,274,220)</u>	<u>\$ (4,493,229)</u>	<u>\$ (5,966,305)</u>	<u>\$ (5,962,619)</u>	<u>\$ (7,085,935)</u>	<u>\$ (10,503,850)</u>	<u>\$ (10,606,622)</u>	<u>\$ (5,597,155)</u>	<u>\$ (11,288,650)</u>
General Revenues										
Governmental Activities:										
Property Taxes	\$ 3,189,193	\$ 3,270,206	\$ 3,378,350	\$ 3,437,933	\$ 3,724,620	\$ 4,063,743	\$ 4,531,874	\$ 4,922,420	5,409,062	7,411,559
Other Taxes	475,910	602,531	774,660	803,621	875,088	1,934,097	2,100,890	2,662,833	2,876,421	3,166,856
Intergovernmental-unrestricted	542,842	587,554	653,180	790,718	851,229	847,935	845,854	1,052,558	1,073,088	1,076,387
Other Revenue	655,234	739,887	716,885	855,677	1,411,651	1,784,873	6,698,822	6,653,552	3,898,629	10,427,265
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	2,925,104	-	-	-
Total general revenues, transfers, and special item	<u>\$ 4,863,179</u>	<u>\$ 5,200,178</u>	<u>\$ 5,523,075</u>	<u>\$ 5,887,949</u>	<u>\$ 6,862,588</u>	<u>\$ 8,630,648</u>	<u>\$ 17,102,544</u>	<u>\$ 15,291,363</u>	<u>\$ 13,257,200</u>	<u>\$ 22,082,067</u>
Change in Net Position	<u>\$ (1,714,330)</u>	<u>\$ (74,042)</u>	<u>\$ 1,029,846</u>	<u>\$ (78,356)</u>	<u>\$ 899,969</u>	<u>\$ 1,544,713</u>	<u>\$ 6,598,694</u>	<u>\$ 4,684,741</u>	<u>\$ 7,660,045</u>	<u>\$ 10,793,417</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 22,744	\$ 20,963	\$ 46,655	\$ 20,054	\$ 152,186	\$ 42,773	\$ 60,998
Restricted	-	-	604,874	501,707	574,984	526,381	677,784	919,791	917,259	879,969
Committed	-	-	-	2,645,793	3,413,463	5,132,372	5,860,117	3,688,533	4,965,481	7,952,893
Assigned	-	497,608	537,122	-	-	-	-	-	-	-
Unassigned	1,708,335	1,966,658	3,319,453	4,307,735	5,048,990	3,059,652	4,186,913	5,017,696	5,839,541	5,079,303
Total general fund	<u>\$ 1,708,335</u>	<u>\$ 2,464,266</u>	<u>\$ 4,461,449</u>	<u>\$ 7,477,979</u>	<u>\$ 9,058,400</u>	<u>\$ 8,765,060</u>	<u>\$ 10,744,868</u>	<u>\$ 9,778,206</u>	<u>\$ 11,765,054</u>	<u>\$ 13,973,163</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,739	\$ 16,964
Restricted	-	-	4,361,626	3,466,732	2,571,310	2,810,133	2,795,863	7,326,609	16,373,527	21,996,564
Committed	-	-	-	(1,809,583)	(439,251)	313,914	1,145,945	1,415,222	-	-
Assigned	-	-	210,683	-	-	-	-	-	-	-
Unassigned	5,479,053	4,775,065	-	-	-	-	-	-	(22,812)	-
Total all other governmental funds	<u>\$ 5,479,053</u>	<u>\$ 4,775,065</u>	<u>\$ 4,572,309</u>	<u>\$ 1,657,149</u>	<u>\$ 2,132,059</u>	<u>\$ 3,124,047</u>	<u>\$ 3,941,808</u>	<u>\$ 8,741,831</u>	<u>\$ 16,381,454</u>	<u>\$ 22,013,528</u>

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

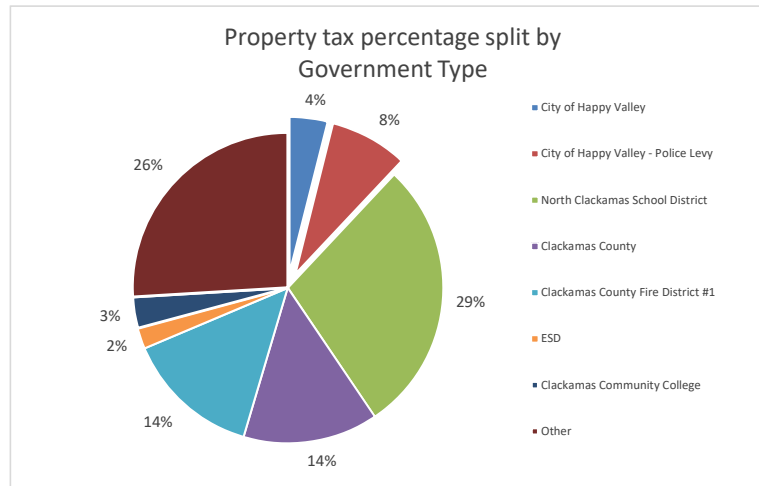
	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Property taxes	\$ 3,173,950	\$ 3,279,877	\$ 3,344,880	\$ 3,434,415	\$ 3,732,944	\$ 4,052,038	\$ 4,506,549	\$ 4,906,710	\$ 5,375,507	\$ 7,532,788
Gas Tax	475,910	602,531	774,660	803,621	875,088	930,226	1,010,589	1,090,431	1,262,946	1,506,599
Licenses and permits	1,560,507	1,625,496	2,402,384	2,794,665	3,611,799	3,489,621	4,575,569	4,982,229	4,901,263	4,230,682
System Development Charges	48,581	29,579	82,626	214,139	93,194	67,584	150,134	73,112	6,500,493	3,127,052
Intergovernmental	542,842	587,554	653,180	790,718	851,229	847,935	845,854	1,052,558	1,073,088	1,076,387
Other Revenue	655,234	739,887	716,885	855,677	1,035,281	1,059,457	3,580,331	4,141,667	4,325,209	5,276,486
Total Revenues	<u>6,457,024</u>	<u>6,864,924</u>	<u>7,974,615</u>	<u>8,893,235</u>	<u>10,199,535</u>	<u>10,446,861</u>	<u>14,669,026</u>	<u>16,246,707</u>	<u>23,438,506</u>	<u>22,749,994</u>
EXPENDITURES										
Current:										
General Government	*	*	*	*	*	*	5,403,850	5,974,827	6,460,760	6,397,938
Cultural and Recreation	*	*	*	*	*	*	1,907,849	1,973,780	2,381,213	2,831,018
Public Safety	*	*	*	*	*	*	3,160,695	3,434,639	3,481,046	3,800,586
Highways and Streets	*	*	*	*	*	*	427,049	539,175	722,703	666,383
Personal Services	2,952,546	2,900,904	2,875,971	3,200,252	3,622,454	3,981,299	-	-	-	-
Materials & Services	3,184,748	2,973,049	3,083,355	3,445,210	3,864,569	4,460,263	-	-	-	-
Debt Service:										
Principal	175,000	180,000	190,000	195,000	205,000	215,000	220,000	3,530,000	-	-
Interest and fiscal charges	201,956	194,413	186,550	178,369	169,869	160,944	151,700	106,299	-	-
Capital Outlay	386,439	321,706	551,212	1,152,157	654,784	904,928	434,262	914,946	766,313	1,213,886
Total Expenditures	<u>6,900,689</u>	<u>6,570,072</u>	<u>6,887,088</u>	<u>8,170,988</u>	<u>8,516,676</u>	<u>9,722,434</u>	<u>11,705,405</u>	<u>16,473,666</u>	<u>13,812,035</u>	<u>14,909,811</u>
Excess (Deficiency) of Revenues over Expenditures	(443,665)	294,852	1,087,527	722,247	1,682,859	724,427	2,963,621	(226,959)	9,626,471	7,840,183
OTHER FINANCING SOURCES (USES)										
Transfers in	2,061,390	342,900	884,083	2,652,413	1,925,079	6,143,938	2,929,855	4,748,964	7,567,460	7,018,000
Transfers out	(2,061,390)	(342,900)	(884,083)	(2,652,413)	(1,925,079)	(6,143,938)	(2,929,855)	(4,748,964)	(7,567,460)	(7,018,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Item	-	-	-	-	-	-	2,925,104	-	-	-
Net change in fund balances	<u>\$ (443,665)</u>	<u>\$ 294,852</u>	<u>\$ 1,087,527</u>	<u>\$ 722,247</u>	<u>\$ 1,682,859</u>	<u>\$ 724,427</u>	<u>\$ 2,963,621</u>	<u>\$ (226,959)</u>	<u>\$ 9,626,471</u>	<u>\$ 7,840,183</u>
Debt service as a percentage of noncapital expenditures	17.73%	5.83%	6.51%	5.64%	4.78%	4.17%	3.66%	28.63%	0.00%	0.00%

* = Reported using Personal Services and Materials & Services categories

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

Fiscal Year	City direct rates				Overlapping Rates						Total Direct and Overlapping
	General Operating	Police Levy	Parks Levy	Total Direct Rate	School District	Clackamas County	Clackamas County Fire Dist #1	Education Service District	Clackamas Community College	Other	
2008	0.671	1.38	0.00	2.05	4.62	2.40	2.30	0.36	0.55	2.98	15.27
2010	0.671	1.38	0.00	2.05	4.57	2.40	2.30	0.36	0.55	4.29	16.52
2011	0.671	1.38	0.00	2.05	4.57	2.40	2.30	0.36	0.54	4.16	16.39
2012	0.671	1.38	0.00	2.05	4.59	2.40	2.30	0.36	0.55	4.69	16.94
2013	0.671	1.38	0.00	2.05	4.58	2.40	2.30	0.36	0.55	4.71	16.95
2014	0.671	1.38	0.00	2.05	4.82	2.40	2.38	0.37	0.56	4.84	17.42
2015	0.671	1.38	0.00	2.05	4.87	2.40	2.40	0.37	0.56	4.37	17.02
2016	0.671	1.38	0.00	2.05	4.87	2.40	2.40	0.37	0.56	4.28	16.93
2017	0.671	1.38	0.00	2.05	4.87	2.40	2.40	0.37	0.56	4.43	17.08
2018	0.671	1.38	0.00	2.05	4.87	2.40	2.40	0.37	0.56	4.43	17.08
2019	0.671	1.38	0.54	2.59	4.87	2.40	2.40	0.37	0.56	4.00	17.20

Source: Clackamas County Assessor's Office



CITY OF HAPPY VALLEY, OREGON
Principal Property Taxpayers
Current Year and Nine Years Ago

Rank	Taxpayer	2018-19			2009-10		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
1	ROIC Oregon LLC	\$40,436,582	1	1.38%	27,388,188	1	1.82%
2	Fred Meyer Stores Inc	33,710,093	2	1.15%			
3	Sunrise Terrace Apartments LLC	28,561,257	3	0.98%			
4	TADC LLC	23,839,993	4	0.81%	18,336,664	2	1.22%
5	HVAC I LLC	22,379,909	5	0.76%			
6	Sunnyside 172nd LLC	17,467,819	6	0.60%			
7	Portland General Electric Co	14,355,000	7	0.49%	11,248,000	3	0.75%
8	NW Natural Gas Co	14,328,000	8	0.49%	10,153,500	4	0.67%
9	Happy Valley Retirement Residence LLC	14,216,316	9	0.49%			
10	Scouters Mountain LLC	11,024,631	10	0.38%			
	Comcast Corporation				9,306,400	5	0.62%
	DR Horton Inc - Portland				9,253,049	6	0.61%
	Eagle Landing Resources LLC				6,510,030	7	0.43%
	Providence Health & Services - OR				5,731,229	8	0.38%
	DR Horton Inc - Portland				5,197,151	9	0.34%
	NNP-Taralon LLC				4,179,046	10	0.28%
		<u>\$ 220,319,600</u>		<u>7.53%</u>	<u>\$ 107,303,257</u>		<u>7.11%</u>

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%
2017	5,057,268	4,821,368	95.34%	96,597	4,917,965	97.25%
2018	5,564,243	5,299,172	95.24%	110,776	5,409,948	97.23%
2019	7,676,763	7,532,788	98.12%	111,564	7,644,352	99.58%

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	Ratio of Debt to Assessed Value	Population	Debt per Capita
	Governmental Activities				
2010	4,772,862	4,772,862	0.32%	14,100	333
2011	4,590,634	4,590,634	0.29%	14,337	307
2012	4,398,406	4,398,406	0.26%	14,965	282
2013	4,201,178	4,201,178	0.25%	15,575	255
2014	3,993,951	3,993,951	0.23%	16,480	228
2015	3,776,724	3,776,724	0.20%	17,510	204
2016	3,554,497	3,554,497	0.17%	18,535	178
2017	-	-	0.00%	19,985	-
2018	-	-	0.00%	20,181	-
2019	-	-	0.00%	20,945	-

(1) Presented net of original issuance discounts and premiums

CITY OF HAPPY VALLEY, OREGON**Direct and Overlapping Governmental Activities Debt****As of June 30, 2019**

<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to Primary Government</u>
Direct:			
City of Happy Valley	\$ -	N/A	\$ -
Overlapping:			
Clackamas Community College	\$ 93,763,913	7.32%	\$ 6,863,518
Clackamas County	129,945,000	5.52%	7,172,964
Clackamas County ESD	20,970,000	5.65%	1,184,805
Clackamas County RFPD	29,447,277	12.08%	3,557,231
North Clackamas School District	694,062,196	18.40%	127,707,444
Metro	819,020,000	1.30%	10,647,260
Mt Hood Community College	20,660,000	0.22%	45,452
Centennial School District	17,677,677	2.23%	394,212
Subtotal, overlapping debt			157,572,887
City of Happy Valley direct debt			-
Total direct and overlapping debt			<u>\$ 157,572,887</u>

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 <u>June 30</u>	Full Faith and Credit Obligation <u>Bonds (2)</u>	Less: Amounts Available in Debt Service Fund (3)	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita
2010	4,772,862	0	4,772,862	0.19%	339
2011	4,590,634	0	4,590,634	0.22%	320
2012	4,398,406	0	4,398,406	0.23%	294
2013	4,201,178	0	4,201,178	0.23%	270
2014	3,993,951	376,131	3,617,820	0.19%	220
2015	3,776,724	1,990,187	1,786,537	0.09%	102
2016	3,554,497	2,618,487	936,010	0.04%	50
2017	0	0	0	0.00%	0
2018	0	0	0	0.00%	0
2019	0	0	0	0.00%	0

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

- (1) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property on page 83 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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt maximum limitation	\$ 63,501,508	\$ 58,430,321	\$ 55,720,280	\$ 57,296,129	\$ 62,768,814
Debt applicable to maximum limit	-	-	-	-	-
Legal debt margin available	<u>63,501,508</u>	<u>58,430,321</u>	<u>55,720,280</u>	<u>57,296,129</u>	<u>62,768,814</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0%	0%	0%	0%	0%
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt maximum limitation	\$ 72,709,397	\$ 86,241,812	\$ 101,766,254	\$ 116,679,424	\$ 129,611,062
Debt applicable to maximum limit	-	-	-	-	-
Legal debt margin available	<u>72,709,397</u>	<u>86,241,812</u>	<u>101,766,254</u>	<u>116,679,424</u>	<u>129,611,062</u>
Debt applicable to the maximum limit as a percentage of debt limitation	0%	0%	0%	0%	0%

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

Total property real market value	\$ 3,889,314,139
	3%
Debt maximum limitation	<u>116,679,424</u>
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	-
Less debt excluded from debt limit:	
Full faith and credit obligations	-
Net amount of debt applicable to limit	<u>-</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 116,679,424</u>
Percentage of City's indebtedness to total allowed	0%

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

CITY OF HAPPY VALLEY, OREGON

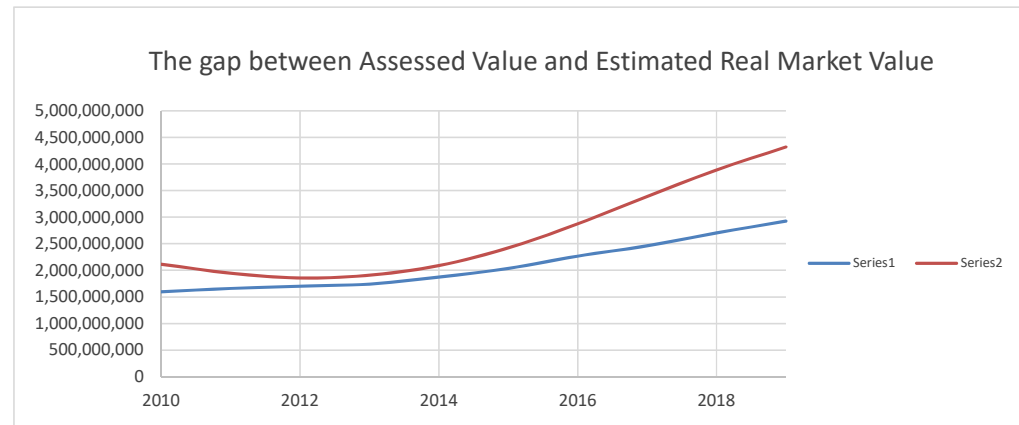
Assessed Value and Estimated Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended June 30	Assessed Value					Total direct tax rate	RMV	Assessed value as percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)	
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
2017	2,398,435,939	8,482,412	2,283,394	53,606,800	2,462,808,545	2.05	3,392,208,454	72.60
2018	2,631,897,068	15,683,359	2,927,826	54,349,830	2,704,858,083	2.05	3,889,314,139	69.55
2019	2,852,512,294	22,198,356	3,261,749	48,955,700	2,926,928,099	2.59	4,320,368,740	67.75

Source: Clackamas County Assessor's Office

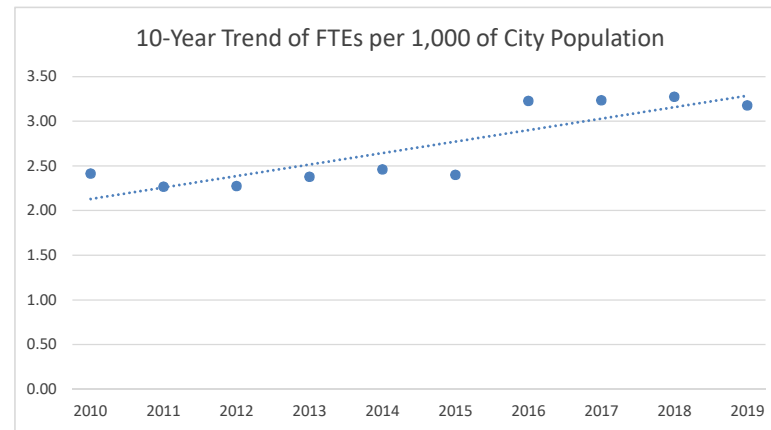
Note: Property is generally assessed as of July 1st of each fiscal year



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

Function	Full-time Equivalent Employees as of June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	6	9	7.5	6	7	7	9	10	10	10.5
Community Services and Public Safety	9	8.5	10	10.5	10.5	10	11	11	12	12
Economic and Community Development	10	8	8.5	11.5	14	16	18	20	18	18
Public Works / Parks / Streets	9	7	8	9	9	9	9	9	9	9
Library	0	0	0	0	0	0	12.8	14.6	17	17
Total FTE's	<u>34</u>	<u>32.5</u>	<u>34</u>	<u>37</u>	<u>40.5</u>	<u>42</u>	<u>59.8</u>	<u>64.6</u>	<u>66</u>	<u>66.5</u>
Public Safety - Police Officers (contracted)	<u>11.15</u>	<u>11.15</u>	<u>11.15</u>	<u>11.5</u>	<u>11.5</u>	<u>11.5</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>14</u>
City Population	14,100	14,337	14,965	15,575	16,480	17,510	18,535	19,985	20,181	20,945
FTE's per 1,000 of population	2.41	2.27	2.27	2.38	2.46	2.40	3.23	3.23	3.27	3.17

Sources: Various city departments



CITY OF HAPPY VALLEY, OREGON**Legal Debt Margin Information****Last Ten Fiscal Years**

Fiscal Year	Special	Debt Service			Coverage
	Assessment				
	Collections	Principal	Interest		
2010	-	-	-	-	
2011	-	-	-	-	
2012	-	-	-	-	
2013	-	-	-	-	
2014	-	-	-	-	
2015	-	-	-	-	
2016	-	-	-	-	
2017	-	-	-	-	
2018	-	-	-	-	
2019	-	-	-	-	

(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)
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
2017	19,985	37.0	101,250	38,358	6,877	3.9
2018	20,181	37.4	106,029	44,220	6,592	3.7
2019	21,700	38.4	111,066	44,761	6,838	3.8

* 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

<u>Employer</u>	2019			2010		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Fred Meyer	262	1	8.42%			
New Seasons Market	145	2	4.66%	*		
Camp Withycombe	100	3	3.21%	*		
City of Happy Valley	88	4	2.83%	*		
Providence Medical Group HV	70	5	2.25%	*		
McDonald's	50	6	1.61%	*		
Abundent Life Church	48	7	1.54%	*		
Hop Jack's	46	8	1.48%	*		
Glenmoore	38	9	1.22%	*		
La Costita	31	10	1.00%	*		
	<u>878</u>		<u>19.79%</u>	<u>0</u>		<u>0.00%</u>

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

Source: City business licenses

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Economic and Community Development										
Building										
Residential Building permits issued	91	110	158	276	350	274	418	190	135	164
Commercial Building permits issued	*	0	16	2	2	5	14	9	8	3
Planning										
Planning Permits	*	*	128	147	174	226	261	260	232	244
Engineering										
Erosion Control Permits	*	*	*	*	*	*	*	13	30	17
Site Development Permits	*	*	*	*	*	*	*	15	31	13
Right of Way Permits	*	*	*	*	*	*	*	122	139	109
Public Works:										
Street Sweeping:										
Number of miles swept	*	*	2,500	3,000	2,200	2,500	1,800	1,592	1,493	2,297
Volume of material removed (cubic yards)	*	*	285	379	757	900	900	762	648	954
Winter Storms:										
Sand applied (cubic yards)	*	*	*	26	78	8	100	206	66	50
Sand picked up after storms	*	*	*	16	50	4	60	180	35	29
Magnesium chloride/De-icing (gallons)	*	*	4,125	2,100	7,500	900	2,750	8,735	5,575	4,930
Landscape Maintenance:										
Fertilizers (lbs)	*	*	*	150	1,110	2,239	0	0	4,746	22,856
Herbicides (ounces)	*	*	*	56	190	135	480	934	2080 / 195	1605 / 211
Park Reservations:										
Reservations coordinated	*	*	153	172	214	210	225	255	231	228
Number of people served	*	*	*	6,078	8,218	9,207	9,722	10,315	9,849	9,079
Trees planted	*	*	*	*	3,150	925	92	1,000	793	1,279
Services performed on fleet vehicles	*	*	*	80	146	170	190	190	250	280
Crack seal applied on roadways (sq. yd.)**	*	*	4.25	2.25	6.60	4.50	13.75	7.50	7.50	168,200
Signs cleaned and adjusted	*	*	*	*	869	920	1,148	50	1,200	200
Community Services										
Passports issued	803	1,935	1,339	1,690	1,882	2,316	2,592	3,377	3,566	3,474
Public Safety:										
Code Enforcement / Animal Control Cases	1,543	1,855	2,023	2,768	2,453	2,108	3,168	3,042	2,148	2,346
Parking violations	131	293	547	637	389	306	461	585	1,048	643
Number dispatched calls for service	2,871	3,110	3,159	3,251	3,471	3,517	4,361	4,466	4,591	4,604
Number of traffic violations	1,878	2,199	2,158	1,849	2,145	2,588	3,079	2,623	4,364	2,821
Number of "other" self initiated activities	2,151	2,497	2,158	1,801	1,396	1,521	1,982	2,901	6,828	5,304
Number of traffic stops	3,374	3,643	3,301	3,582	3,887	4,111	4,545	3,949	4,293	3,699
Library										
Circulation	574,645	642,790	654,150	707,958	762,069	800,944	793,476	787,888	824,836	829,880
Number of Reference Inquiries	16,420	19,580	19,580	17,930	17,452	17,868	27,219	26,889	31,528	33,387
Number of Youth Programs	63	62	87	214	225	299	401	398	618	719
Youth Program Attendance	2,425	2,887	4,145	7,581	9,807	14,127	16,163	19,051	24,887	26,645
Number of Adult Programs	0	0	3	48	91	180	197	241	195	225
Adult Program Attendance	0	0	331	587	877	2,103	2,892	3,730	3,718	4,317

Source: Various City departments

* Information unavailable at this time.

** Crack seal conversion to square yards from tons.

CITY OF HAPPY VALLEY
Capital Asset Statistics by Function
Last ten fiscal years

Function / Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government:										
City-owned building facilities	4	4	4	4	4	4	4	4	4	4
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Public Works:										
Miles of streets	144.87	140.15	139.74	137.14	135.8	135.12	130.42	128.22	127.7	121
Number of Vehicles	32	37	38	37	36	36	36	36	36	35
Recreation and Parks										
Acres of parks and open spaces	103	103	103	103	103	103	103	103	103	103

Sources: Various city departments

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATION**

Honorable Mayor and City Council
City of Happy Valley, Oregon

We have audited the basic financial statements of City of Happy Valley, Oregon, as of and for the year ended June 30, 2019 and have issued our report thereon dated December 19, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether 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 grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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:

- 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.

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. In connection with our testing, nothing came to our attention that caused us to believe 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 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 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 City of Happy Valley, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
December 19, 2019