

**SUPPLEMENT DATED MAY 17, 2024
TO OFFICIAL STATEMENT DATED MAY 7, 2024**

relating to

**\$14,400,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2024**

This Supplement, dated May 17, 2024 (the “Supplement”), to the Official Statement, dated May 7, 2024 (the “Official Statement”), relating to the \$14,400,000 aggregate principal amount of the City of Lake Oswego, Oregon, Full Faith and Credit Obligations, Series 2024 (the “Obligations”), is intended to be read in conjunction with the Official Statement. This Supplement constitutes an integral part of the Official Statement and recipients are requested to attach this Supplement to the Official Statement. The following change is made on the inside cover.

The priced to yield listed on the inside cover for the June 1, 2049 maturity, CUSIP No. 510390M95, is revised and restated to be 3.850%*.

Capitalized terms used in this Supplement but not otherwise defined herein are defined in the Official Statement.

CITY OF LAKE OSWEGO, OREGON

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OFFICIAL STATEMENT DATED MAY 7, 2024

NEW ISSUE – COMPETITIVE
BOOK-ENTRY-ONLY

RATINGS: Moody's "Aaa"
S&P "AAA"
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, as special counsel to the City ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Financing Payment designated as and constituting interest paid by the City under the Financing Agreement and received by registered owners of the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Oregon personal income taxes. In the further opinion of Special Counsel, such interest is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Counsel observes that the interest portion of each Financing Payment included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Obligations, or the amount, accrual or receipt of the portion of each Financing Payment constituting interest. See "TAX MATTERS" herein.



\$14,400,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2024

DATED: Date of Delivery

DUE: June 1, as shown inside cover

The Full Faith and Credit Obligations, Series 2024 (the "Obligations"), will be issued by the City of Lake Oswego, Oregon (the "City"), in book-entry-only form in denominations of \$5,000 or integral multiples thereof. The Obligations evidence and represent undivided proportionate interests of the Owners thereof in payments (the "Financing Payments") to be made by the City pursuant to a financing agreement (the "Financing Agreement") dated the Date of Delivery, between the City and Computershare Trust Company, N.A., as paying agent, registrar and escrow agent (the "Paying Agent" or "Escrow Agent"). The Obligations are executed and delivered pursuant to an escrow agreement (the "Escrow Agreement") dated the Date of Delivery, between the City and the Escrow Agent. The Obligations are registered obligations issued in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. See APPENDIX E—"BOOK-ENTRY-ONLY SYSTEM" herein. So long as the Obligations remain in the book-entry-only system, principal and interest payments will be remitted by the Paying Agent to DTC, who in turn will be required to distribute such payments to DTC Participants for ultimate distribution to Beneficial Owners. Interest represented by the Obligation is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2024.

The proceeds of the sale of the Obligations will be used to (i) finance a portion of the costs of the design, development, acquisition (including acquisition of land), construction, equipping and improvement of a Wastewater Treatment Facility of the City and related facilities (the "Project"), and (ii) pay costs of issuance of the Obligations.

Pursuant to the terms of the Financing Agreement, the Financing Payments shall be payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including, the proceeds of the Financing Agreement and revenues from an ad valorem tax authorized to be levied under the City's permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The City pledges its full faith and credit and taxing powers to the repayment of the Financing Payments as contemplated by Oregon Revised Statutes 287A.315, or any successor statute. The registered owners of the Obligations will not have a lien or security interest on the Project financed with the proceeds of the Obligations. The Financing Payments do not constitute a debt or indebtedness of Clackamas, Washington, or Multnomah Counties, the State of Oregon, or any political subdivision thereof other than the City.

The Obligations are subject to prepayment as described herein. See "DESCRIPTION OF THE OBLIGATIONS—Prepayment of the Obligations."

Maturity Schedule Appears on Inside Cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

Hilltop Securities Inc. purchased the Obligations via competitive sale on May 7, 2024. The Obligations are offered for sale to the original purchaser subject to the final approving legal opinion of Special Counsel. It is expected that the Obligations will be available for delivery to the Registrar for Fast Automated Securities Transfer on behalf of DTC, on or about May 21, 2024 (the "Date of Delivery").



PFM Financial Advisors LLC
650 NE Holladay St., Suite 1600
Portland, OR 97232

MATURITY SCHEDULE

\$14,400,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2024

Due June 1*	Principal Amount*	Interest Rate	Yield	CUSIP No. (510390)†
2025	\$ 285,000	5.000%	3.350%	J99
2026	315,000	5.000	3.210	K22
2027	335,000	5.000	3.020	K30
2028	350,000	5.000	2.900	K48
2029	365,000	5.000	2.850	K55
2030	385,000	5.000	2.830	K63
2031	405,000	5.000	2.760	K71
2032	425,000	5.000	2.770	K89
2033	445,000	5.000	2.780	K97
2034	470,000	5.000	2.790	L21
2035	490,000	5.000	2.870*	L39
2036	515,000	5.000	2.950*	L47
2037	545,000	5.000	3.070*	L54
2038	570,000	5.000	3.140*	L62
2039	600,000	5.000	3.220*	L70
2040	630,000	5.000	3.330*	L88
2041	660,000	5.000	3.420*	L96
2042	690,000	5.000	3.470*	M20
2043	725,000	5.000	3.540*	M38
2044	765,000	5.000	3.600*	M46

\$1,640,000 5.00% Term Obligations Due June 1, 2046
Priced to Yield 3.710%* CUSIP† 510390M61

\$2,790,000 5.00% Term Obligations Due June 1, 2049
Priced to Yield 3.340%* CUSIP† 510390M95

* Priced to the call date of 06/01/2034

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The City takes no responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or any other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer or solicitation of an offer to buy, nor shall there be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

The information set forth herein has been obtained from the City, DTC, and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein since the date hereof.

This Official Statement contains “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**OFFICIAL STATEMENT
OF
\$14,400,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2024**

**380 "A" Avenue
P.O. Box 369
Lake Oswego, Oregon 97034
Website: www.ci.oswego.or.us⁽¹⁾**

CITY COUNCIL

Joe Buck, Mayor
Ali Afghan
Trudy Corrigan
Massene Mboup
Aaron Rapf
Rachel Verdick
John Wendland

ADMINISTRATIVE STAFF

Martha Bennett, City Manager
Shawn Cross, Finance Director

SPECIAL COUNSEL

Orrick, Herrington & Sutcliffe LLP, Portland, Oregon

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Portland, Oregon

PAYING AGENT AND REGISTRAR

Computershare Trust Company, N.A., St. Paul, Minnesota

⁽¹⁾ The City's website is not part of this official statement, and investors should not rely on information which is presented in the City's website in determining whether to purchase Obligations. This inactive textual reference to the City's website is not a hyperlink and does not incorporate the City's website, by reference.

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OFFICIAL STATEMENT FOR THE
\$14,400,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2024

The City of Lake Oswego (the “City”), a political subdivision duly organized and existing under and by virtue of the laws of the State of Oregon (the “State”) furnishes this Official Statement in connection with the offering of \$14,400,000 Full Faith and Credit Obligations, Series 2024 (the “Obligations”), dated the Date of Delivery. This Official Statement, which includes the cover page, inside cover and appendices, provides information concerning the City and the Obligations.

Capitalized terms used and not defined herein shall have the meanings assigned to such terms in APPENDIX A—“FORM OF FINANCING AGREEMENT AND FORM OF ESCROW AGREEMENT,” which is attached hereto and incorporated by reference herein.

DESCRIPTION OF THE OBLIGATIONS

The Obligations will be issued in the aggregate principal amount of \$14,400,000 and will be dated and bear interest from the date of delivery. The Obligations evidence and represent undivided proportionate interests of the Owners thereof in payments (the “Financing Payments”) to be made by the City pursuant to a financing agreement (the “Financing Agreement”) dated the Date of Delivery, between the City and Computershare Trust Company, N.A., as paying agent, registrar and escrow agent (the “Registrar,” “Paying Agent” or “Escrow Agent”). The Obligations are executed and delivered pursuant to an escrow agreement (the “Escrow Agreement”) dated the Date of Delivery, between the City and the Escrow Agent.

Principal Amount, Date, Interest Rate and Maturities

The interest portion of the Financing Payments evidenced and represented by the Obligations will be payable on December 1, 2024 and semiannually thereafter on December 1 and June 1 of each year. The principal portion will be payable on June 1 of each year as shown in the maturity schedule on the inside cover of this Official Statement, or until the date of prior prepayment as set forth herein. The Obligations will be issued only as fully registered obligations in book-entry form, without coupons, in principal denominations of \$5,000 or any integral multiple thereof. Interest with respect to the Obligations will be remitted by the Registrar to the Depository Trust Company (“DTC”), who in turn will be required to distribute such payments to its participants (the “DTC Participants”) for ultimate distribution to Beneficial Owners (as defined herein).

Authorization and Purpose of Issuance

The City is authorized pursuant to Oregon Revised Statutes (“ORS”) Section 271.390 (together with related provisions of ORS Chapter 287A and the laws of the State of Oregon, the “Act”) to enter into financing agreements, lease purchase agreements or other contracts of purchase to finance real or personal property that the Mayor and City Council of the City

(collectively, the “City Council”) determines is needed and to authorize obligations of participation in payment obligations of the City under such financing agreements, lease-purchase agreements or other contracts of purchase. Pursuant to ORS Section 287A.315, the City is authorized to secure the Obligations with a pledge of the City’s full faith and credit. Under and in accordance with State law and pursuant to Resolution No. 24-10 (the “Resolution”), adopted on March 5, 2024 by the City Council, the City is authorized to enter into the Financing Agreement and the Escrow Agreement (together, the “Agreements”) for the Obligations, forms of which are included in APPENDIX A, to provide the terms of execution, delivery and sale of the Obligations, and to authorize certain officials and employees of the City to take action on the City’s behalf.

The proceeds of the sale of the Obligations will be used to (i) finance a portion of the costs of the design, development, acquisition (including acquisition of land), construction, equipping and improvement of a Wastewater Treatment Facility of the City and related facilities (the “Project”), and (ii) pay the costs of issuing the Obligations. See “PLAN OF FINANCE.”

Prepayment of the Obligations

Optional Prepayment. The Obligations maturing on or after June 1, 2035 are subject to prepayment prior to maturity at the option of the City, in whole or in part on June 1, 2034 and on any date thereafter at a price of 100 percent of the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment.

Mandatory Prepayment. The Obligations stated to mature on June 1, 2046 are term obligations subject to mandatory sinking fund prepayment, in part, at a prepayment price equal to 100 percent of the principal amount to be prepaid, plus accrued interest, if any, to the dated fixed for prepayment, on June 1 in the years and in the amounts as set forth below:

Term Obligations Maturing on June 1, 2046

Year (June 1)	Sinking Fund Prepayment
2045	\$800,000
2046*	840,000

* Final maturity.

The Obligations stated to mature on June 1, 2049 are term obligations subject to mandatory sinking fund prepayment, in part, at a prepayment price equal to 100 percent of the principal amount to be prepaid, plus accrued interest, if any, to the dated fixed for prepayment, on June 1 in the years and in the amounts as set forth below:

Term Obligations Maturing on June 1, 2049

Year (June 1)	Sinking Fund Prepayment
2047	\$885,000
2048	930,000
2049*	975,000

* Final maturity.

Upon any partial optional prepayment of such term obligation, the amount of future mandatory sinking fund prepayment with respect thereto will be reduced, as directed by the City, to take into account such partial optional prepayments.

Selection for Prepayment. For as long as the Obligations are in book-entry-only form, if fewer than all of the Obligations of a maturity are called for prepayment, the selection of Obligations within such maturity to be prepaid shall be made by DTC in accordance with its operational procedures as then in effect. If the Obligations are no longer held in book-entry-only form, the Registrar shall select the Obligations within such maturity for prepayment randomly.

Notice of Prepayment. The City shall give notice of prepayment to the Registrar and Paying Agent not less than 45 days before the date fixed for prepayment or such shorter time as may be reasonably acceptable to the Registrar and Paying Agent. The Registrar shall give notice of prepayment not less than 20 days and not more than 60 days prior to the date fixed for prepayment, to the registered Owners of the Obligations by first class mail, postage paid, at the addresses set forth on the Bond Register or, so long as the Obligations are in book-entry-only form, in such manner provided for in the Blanket Letter of Representations and in the operational procedures of DTC as in effect at such time. Each notice of prepayment shall be dated and shall state, without limitation: (i) the date fixed for prepayment; (ii) the prepayment price; (iii) if less than all outstanding Obligations are to be prepaid, the identification of the Obligations to be prepaid; (iv) that on the date fixed for prepayment the prepayment price will become due and payable upon each such Obligation or portion thereof called for prepayment; (v) that interest thereon shall cease to accrue from and after the date fixed for prepayment; (vi) the place where such Obligations are to be surrendered for payment of the prepayment price, which place of payment shall be the principal corporate trust office of the Paying Agent; and (vii) the assigned CUSIP numbers of all Obligations to be prepaid. So long as the Obligations are in book-entry-only form, the form of notice shall include such additional information as may be required by the Blanket Issuer Letter of Representations and the operational procedures of the DTC, as in effect from time to time.

Conditional Prepayment. Any notice of optional prepayment may state that (i) (a) the optional prepayment is conditional upon receipt by the Paying Agent on the date fixed for prepayment of moneys sufficient to pay the prepayment price of the Obligations that are to be prepaid and/or (b) the optional prepayment is conditional upon the satisfaction of any other condition, and/or that such notice of prepayment may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time prior to the date fixed for prepayment if any such condition so specified is not satisfied or if any such other event occurs, and that (ii) such notice shall be of no effect if such moneys are not so deposited or if such notice is so rescinded. The Registrar shall give notice to the affected Owners of the Obligations as promptly as practicable upon of the City's failure to make such funds available or of the rescission of such notice.

Defeasance

All or any portion of the Outstanding Obligations may be paid and discharged in any one or more of the following ways: (i) by paying or causing to be paid the Financing Payments attributable to such Obligations as and when the same become due and payable; (ii) by irrevocably

depositing with the Escrow Agent or an independent escrow agent, in trust, before the payment dates, money which, together with the amounts then on deposit in the Payment Account, is fully sufficient to pay all Financing Payments attributable to such Obligations; or (iii) by irrevocably depositing with the Escrow Agent or an independent escrow agent, in trust, Defeasance Obligations in such amount which will, together with the interest to accrue thereon, be sufficient to pay all Financing Payments evidenced by such Obligations, as and when the same become due and payable, as evidenced by a verification report, and providing the Escrow Agent with an opinion of Special Counsel that such deposits will not cause the interest portion of Financing Payments to be includable in gross income under federal income tax laws.

Payment of Principal and Interest; Registration

So long as the Obligations are subject to the book-entry only system, payment of principal of and interest with respect to the Obligations when due shall be paid through the facilities of DTC in accordance with the rules, regulations and practices established and followed in connection with the DTC book-entry-only system. See APPENDIX E—“BOOK-ENTRY ONLY SYSTEM.”

In the event the book-entry-only system is discontinued, the Obligations will be issued in the form of fully registered Obligations without coupons in Authorized Denominations. “Authorized Denominations” means denominations of \$5,000 and any integral multiple thereof within a single maturity date. Interest with respect to each Obligation shall be paid on each interest payment date (or the next Business Day if the payment date is not a Business Day) by check or draft drawn upon and mailed by the Paying Agent to the registered owner of such Obligation at the address thereof, all as shown on the registration books maintained by the Registrar as of the 15th day of the month next preceding the interest payment date.

Exchange and Transfer of the Obligations

While the Obligations are in book-entry only form, Beneficial Owners may transfer the Obligations only through DTC. If the Obligations cease to be in book-entry-only form, the Obligations may be transferred upon the books of the Paying Agent as provided in the Agreements.

SECURITY FOR THE OBLIGATIONS

The Obligations represent undivided ownership interests in the installment payments of principal and interest due from the City under the Financing Agreement. Under the Financing Agreement, the Financing Payments shall be secured by and payable from the City’s general non-restricted revenues and other funds that are lawfully available for that purpose, including revenues from an ad valorem tax authorized to be levied under the City’s permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The City pledges its full faith and credit and taxing powers to the repayment of the Obligations as contemplated by ORS 287A.315, and any successor statute. Revenues from the City’s permanent tax rate property tax levy are legally available to pay the Financing Payments. In Fiscal Year 2022-23, revenues from that levy (including current and prior year collections) were approximately \$39.6 million, after discounts and delinquencies. For Fiscal

Year 2023-24, the budgeted revenues from the permanent rate levy are approximately \$42.8 million. The City’s fiscal year commences July 1 and ends the following June 30 (“Fiscal Year”).

The City expects to pay make payments on the Obligations using revenues of its sewer collection and treatment system. However, such revenues are not pledged as security for the Obligations.

The Financing Payments do not constitute a debt or obligation of Washington County, Clackamas County, Multnomah County, the State or any political subdivision thereof other than the City.

SOURCES AND USES OF FUNDS

The proceeds from the Obligations are estimated to be applied as shown in the table below.

**TABLE 1
SOURCES AND USES OF FUNDS**

Sources of Funds:	
Par Amount	\$14,400,000.00
Original Issue Premium	1,776,605.40
Total Sources of Funds	\$16,176,605.40
Uses of Funds:	
Deposit to Project Fund	\$16,000,000.00
Cost of Issuance	131,641.69
Underwriter’s Discount	44,963.71
Total Uses of Funds	\$16,176,605.40

Source: City of Lake Oswego.

DEBT SERVICE REQUIREMENTS

The following table presents the debt service requirements for the City’s outstanding obligations secured by a pledge of the City’s full faith and credit and taxing powers as contemplated by ORS 287A.315 and debt service for the Obligations. See “CITY DEBT INFORMATION—Outstanding Obligations.”

TABLE 2
FULL FAITH AND CREDIT OBLIGATIONS – DEBT SERVICE REQUIREMENTS⁽¹⁾

Fiscal Year Ending June 30	Outstanding Indebtedness	The Obligations		Total Debt Service Requirements
		Principal	Interest	
2024	\$ 15,404,613			\$ 15,404,613
2025	15,223,638	\$ 285,000	\$ 740,000	16,248,638
2026	15,208,788	315,000	705,750	16,229,538
2027	15,236,163	335,000	690,000	16,261,163
2028	15,254,788	350,000	673,250	16,278,038
2029	14,945,138	365,000	655,750	15,965,888
2030	14,967,663	385,000	637,500	15,990,163
2031	14,985,688	405,000	618,250	16,008,938
2032	15,017,838	425,000	598,000	16,040,838
2033	15,054,251	445,000	576,750	16,076,001
2034	15,085,713	470,000	554,500	16,110,213
2035	15,109,938	490,000	531,000	16,130,938
2036	9,537,763	515,000	506,500	10,559,263
2037	9,572,063	545,000	480,750	10,597,813
2038	9,602,753	570,000	453,500	10,626,253
2039	4,765,060	600,000	425,000	5,790,060
2040	4,005,219	630,000	395,000	5,030,219
2041	4,038,831	660,000	363,500	5,062,331
2042	4,080,681	690,000	330,500	5,101,181
2043	4,120,438	725,000	296,000	5,141,438
2044	1,363,750	765,000	259,750	2,388,500
2045	1,407,000	800,000	221,500	2,428,500
2046	-	840,000	181,500	1,021,500
2047	-	885,000	139,500	1,024,500
2048	-	930,000	95,250	1,025,250
2049	-	975,000	48,750	1,023,750
Total	\$233,987,776	\$14,400,000	\$11,177,750	\$259,565,527

⁽¹⁾ Includes principal and interest paid in Fiscal Year 2023-24 prior to delivery of the Obligations. Columns may not foot due to rounding.

Source: City of Lake Oswego.

PLAN OF FINANCE

The City expects to use a portion of the proceeds of the Obligations to finance a portion of the costs of the design, development, acquisition (including acquisition of land), construction, equipping and improvement of a Wastewater Treatment Facility of the City and related facilities). See “ECONOMIC AND DEMOGRAPHIC INFORMATION—Utilities—Sanitary Sewer” herein. The Obligations are the first of multiple anticipated borrowings in connection with financing the improvement of the Wastewater Treatment Facility, which is estimated to cost approximately \$189 million.

THE CITY

General Description

The City of Lake Oswego, located eight miles southwest of Portland on the Willamette River, covers an area of approximately ten square miles, including the 405-acre Oswego Lake. The City, with an estimated 2023 population of 41,396, is located in three counties. The largest portion is in Clackamas County, with small areas in Multnomah and Washington counties.

Government

The City of Lake Oswego was incorporated in 1910 and operates as a home rule city with a council-manager form of government. The Mayor and six councilors are elected at large on a non-partisan basis for overlapping four-year terms. The City provides a broad range of urban services to its residents, including police and fire, land use planning and zoning, streets, water, sewer and stormwater collection and treatment, recreation and library services.

City Council

Current members of the Council are shown in the following table.

**TABLE 3
CITY COUNCIL**

Council Member	Occupation	Term Expires
Joe Buck, Mayor	Restaurateur and Businessman	12/31/24
Ali Afghan	Registered Professional Engineer	12/31/26
Trudy Corrigan	Employee Benefits Consultant and Community Volunteer	12/31/26
Massene Mboup	Educational Scholar and Community Volunteer	12/31/24
Aaron Rapf	Marketing Consultant	12/31/24
Rachel Verdick	Building Designer, Business Owner and Community Volunteer	12/31/24
John Wendland	Business Owner	12/31/26

Source: City of Lake Oswego.

Key City Administration and Management

Martha Bennett, City Manager. Martha joined the City in August 2019. She has over 25 years of local government experience. Prior to the City, her employment history includes the positions of Chief Operating Officer at Metro (a regional government and metropolitan planning organization for the greater Portland Area); City Administrator at the City of Ashland, Oregon; Executive Director at the Columbia River Gorge Commission; and Assistant City Manager at the City of Milwaukie, Oregon.

She received a Master of Public Policy degree from the Graduate School of Public Policy at the University of California at Berkeley, and a Bachelor of Arts degree at Willamette University where she majored in history and political science.

Shawn Cross, Finance Director. Shawn joined the City in February 2010. He comes from an auditing and private accounting background, and previously worked as the Assistant Finance Director for the City. He is a Certified Public Accountant and received his Bachelor of Business

Administration degree in Accounting from the University of Portland and a Master’s in Business Administration with an emphasis in finance from Marylhurst University in 2007.

City Staff and Bargaining Units

As of January 31, 2024, the City had 312 full-time employees, 23 part-time employees and 2 temporary/seasonal employees. The majority of City employees who are eligible under State law to be represented by a labor organization are employed under provisions of negotiated contracts with the three labor organizations. The City enters into written bargaining agreements with each of the bargaining organizations. The agreements contain provisions on such matters as salaries, vacation, sick leave, medical and dental insurance, working conditions, and grievance procedures.

**TABLE 4
BARGAINING UNITS**

BARGAINING UNIT	Number of Employees	Termination Date of Current Contract
Lake Oswego Police Officers Association	53	6/30/2025
International Association of Firefighters	42	6/05/2024 ⁽¹⁾
American Federation of State, County and Municipal Employees	167	6/30/2024

⁽¹⁾ The City and International Association of Firefighters are scheduled for arbitration of the contract.
Source: City of Lake Oswego.

CITY FINANCIAL INFORMATION

Fiscal Year

The fiscal year for the City commences on July 1 and ends on June 30 of the following year.

Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (“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 principles.

Basis of Accounting

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary funds financial statements. An economic resource focus concentrates on an entity or fund’s net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows. The City’s accounting practices conform to GAAP.

The City has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (“GFOA”) for the Comprehensive Annual Financial Report every year since its Fiscal Year 1991-92 audit report.

Independent Audit Requirement

In accordance with the Oregon Municipal Audit Law (ORS 297.405 to 297.555) and ORS 297.990 an audit is conducted at the end of each fiscal year by independent certified public accountants. This requirement has been complied with and the financial statements have received an “unqualified opinion” from the auditors. Such an opinion indicates there was no limitation on the scope of the auditor’s examination and the financial statements were prepared in accordance with GAAP.

The City’s audits for the Fiscal Year 2021-22 and Fiscal Year 2022-23 were performed by Merina+Co, Tualatin, Oregon. The City’s Comprehensive Annual Financial Report for Fiscal Year 2022-23 is included in APPENDIX B.

MERINA+CO, THE CITY’S INDEPENDENT AUDITOR, HAS NOT BEEN ENGAGED TO PERFORM, AND HAS NOT PERFORMED, SINCE THE DATE OF ITS REPORT INCLUDED HEREIN, ANY PROCEDURES ON THE FINANCIAL STATEMENTS ADDRESSED IN THAT REPORT. MERINA+CO ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.

Budgeting Process

For Fiscal Year 2018-19 and prior fiscal years, the City prepared an annual budget. Subsequently, the City transitioned to a biennial budget beginning with the 2019-21 biennium. City budgets are prepared in accordance with provisions of the Oregon Local Budget Law (ORS 294.305 to ORS 294.565, inclusive), which provides standard procedures for the preparation, presentation, administration and appraisal of budgets. The law mandates public involvement in budget preparation and public exposure of its proposed programs. The law also requires that the budget be balanced.

Prior to adoption, the proposed budget must be approved by a budget committee consisting of the Mayor and six City Councilors and an equal number of laypersons. In one or more advertised public meetings, the budget committee reviews the budget and the “budget message,” which explains the budget and significant changes in the local government’s financial position. All budget committee meetings are open to the public.

Following budget approval by the budget committee, another public hearing is held by the City Council. A budget summary and notice of hearing are published prior to the hearing. Publication is governed by strict requirements as to time and mode.

The City Council has adopted an ending fund balance and contingency policy for all major funds. In accordance with this policy, the General Fund required ending fund balance is 16 percent of General Fund annual operating expenses. The General Fund contingency is an additional 14 percent of General Fund annual operating expenses. The City has received the GFOA

Distinguished Budget Presentation Award for every budget period that the City submitted an application from Fiscal Year 1999-00 through Fiscal Year 2021-22 (the City did not apply in Fiscal Years 2009-10 and 2014-15).

General Fund Budgets

Table 5 shows the adopted General Fund Budgets for the most recent and current biennium years. The City adopted the budget for the 2023-2025 biennium on June 6, 2023.

**TABLE 5
GENERAL FUND BUDGETS**

	2021-23 Adopted Budget	2023-25 Adopted Budget
RESOURCES		
Beginning Fund Balances	\$ 27,904,454	\$ 34,519,973
Property Taxes	79,355,000	85,600,000
Franchise Fees	5,526,000	7,765,000
Intergovernmental	11,276,000	12,116,000
Fines & Forfeitures	1,816,000	1,850,000
Licenses & Fees	4,217,000	4,365,000
Sales & Services	10,441,000	13,562,000
Miscellaneous Revenues	690,000	987,000
Charges for Services	18,974,000	22,152,000
Transfers	240,000	2,016,000
TOTAL RESOURCES	\$160,439,454	\$184,932,973
REQUIREMENTS		
Personnel Services	\$ 87,625,000	\$ 98,643,000
Materials & Services	36,641,000	40,901,000
Debt Service	58,000	0
Transfers to Other Funds	9,840,000	4,220,000
Capital Outlay	2,177,000	10,254,000
Contingency	14,600,623	20,138,674
Unappropriated Ending Fund Balance	9,497,831	10,776,299
TOTAL REQUIREMENTS	\$160,439,454	\$184,932,973

Source: City of Lake Oswego Adopted Budget 2021-2023, City of Lake Oswego Adopted Budget 2023-2025.

The following table reflects the General Fund Balance Sheets for the last five years.

**TABLE 6
GENERAL FUND BALANCE SHEETS**

As of June 30	2019	2020	2021	2022	2023
Assets and other debits					
Cash & investments	\$ 34,098,738	\$ 37,894,996	\$ 34,370,528	\$ 31,911,389	\$ 37,750,555
Receivables					
Property taxes	1,026,774	1,039,385	919,492	1,355,829	1,785,299
Accounts	752,791	976,746	1,040,653	1,058,796	1,437,232
Due from other funds	-	-	3,000,000	3,000,000	3,000,000
Leases Receivable ⁽¹⁾	-	-	-	472,073	450,972
Inventories and prepaids	203,905	245,000	3,025	282,578	539,402
Total assets & other debits	\$ 36,082,208	\$ 40,156,127	\$ 39,333,698	\$ 38,080,665	\$ 44,963,460
Liabilities					
Accounts payable	\$ 1,315,587	\$ 985,726	\$ 1,669,885	\$ 1,180,103	\$ 985,224
Salaries and benefits payable	667,088	439,759	459,099	456,189	492,401
Refundable deposits	135,693	177,823	149,181	143,286	93,727
Total liabilities	\$ 2,118,368	\$ 1,603,308	\$ 2,278,165	\$ 1,779,578	\$ 1,571,352
Deferred inflows of resources					
Unavailable revenue-property taxes	\$ 803,958	\$ 758,074	\$ 704,010	\$ 1,193,958	\$ 1,179,514
Unavailable revenue-leases	-	-	-	472,073	450,972
Total deferred inflows of resources	\$ 803,958	\$ 758,074	\$ 704,010	\$ 1,666,031	\$ 1,630,486
Fund balances					
Non-spendable	\$ 203,905	\$ 245,000	\$ 3,025	\$ 282,578	\$ 539,402
Committed	174,825	210,964	257,256	295,576	295,576
Assigned	2,083,274	5,244,387	3,688,927	2,467,956	2,398,834
Unassigned	30,697,878	32,094,394	32,402,315	31,588,946	38,527,810
Total fund balances	\$ 33,159,882	\$ 37,794,745	\$ 36,351,523	\$ 34,635,056	\$ 41,761,622
Total liabilities, deferred inflows of resources & fund balances	\$ 36,082,208	\$ 40,156,127	\$ 39,333,698	\$ 38,080,665	\$ 44,963,460

⁽¹⁾ During years 2019-21, there were no leases receivable due to the City's cell tower lease and due to the implementation of GASB 87.
Source: City of Lake Oswego, City Audited Financial Statements.

The following table reflects the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the last five years.

TABLE 1
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ending June 30	2019	2020	2021	2022	2023
Property taxes	\$36,191,951	\$36,693,827	\$38,239,374	\$39,482,167	\$41,583,066
Franchise fees	2,811,460	2,760,446	2,933,008	3,213,252	3,504,105
Intergovernmental	5,817,981	6,559,235	6,946,940	10,717,287	11,312,906
Licenses & fees	2,306,131	1,745,371	1,925,121	2,625,162	2,605,576
Fines and forfeitures	1,242,446	1,002,039	842,338	866,938	955,669
Sales and services	4,667,327	5,269,004	5,660,641	5,798,760	5,204,419
Charges for service	8,242,000	8,489,000	8,820,000	9,371,000	9,796,000
Miscellaneous	2,258,321	1,558,304	1,749,097	436,330	1,675,518
Total revenues	\$63,537,617	\$64,077,226	\$67,116,519	\$72,510,896	\$76,637,259
Expenditures					
General government	\$13,619,828	\$13,821,865	\$15,855,419	\$15,109,760	\$16,273,566
Public safety	26,249,655	27,127,047	28,429,585	29,819,424	30,671,465
Culture and recreation	13,481,519	14,581,646	14,154,370	16,142,453	16,104,769
Debt service	44,065	44,065	26,894	-	-
Capital outlay	3,643,005	1,044,765	4,838,772	3,937,985	739,407
Total expenditures	\$57,038,072	\$56,619,388	\$ 63,305,040	\$65,009,622	\$63,789,207
Revenues over (under) expenditures	\$ 6,499,545	\$ 7,457,838	\$ 3,811,479	\$ 7,501,274	\$12,848,052
Other financing sources (uses)					
Operating transfers in	\$ 1,656,658	\$ 5,331,988	\$ 3,427,399	\$ 1,002,580	\$ 1,311,044
Transfers out ⁽¹⁾	(4,908,467)	(8,200,350)	(8,690,000)	(10,252,531)	(7,032,530)
Proceeds from sale of capital assets	1,336,223 ⁽²⁾	45,387	7,900	32,210	-
Total other financing sources (uses)	\$(1,915,586)	\$(2,822,975)	\$(5,254,701)	\$(9,217,741)	\$(5,721,486)
Net change in fund balances	\$ 4,583,959	\$ 4,634,863	\$(1,443,222)	\$(1,716,467)	\$ 7,126,566
Fund balance -- beginning of year	\$28,575,923	\$33,159,882	\$37,794,745	\$36,351,523	\$34,635,056
Fund balance -- end of year	\$33,159,882	\$37,794,745	\$36,351,523	\$34,635,056	\$41,761,622

⁽¹⁾ Transfers out includes transfers to the Street Fund, Surface Water Fund, Water Fund and the Capital Reserve Fund for various projects.

⁽²⁾ The amount for fiscal year 2018-19 includes proceeds from the sale of the West End Building.

Source: City of Lake Oswego, City Audited Financial Statements.

Investment Policy

Oregon Revised Statutes and the City's investment policy authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate indebtedness, and the State of Oregon Local Government Investment Pool. As of June 30, 2023, the City had approximately \$71,488,757 in the State of Oregon Local Government Investment Pool, \$5,775,883 invested in U.S. Agencies, and \$77,749,487 in Treasury Obligations.

Pension Plan

General. The City participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all City employees are required to participate in PERS.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1" and "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, T1/ T2 Pension Program employee (participant) contributions fund individual retirement accounts under the separate defined contribution program known as the Individual Account Program (the "IAP"). Participant contributions may be paid by the employee or the employer, depending on the individual contract negotiated between the two. See "Employer Contribution Rates" herein.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid defined contribution/defined benefit pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Actuarial Valuation. Oregon statutes require an actuarial valuation of the System at least once every two years; however, valuations are currently performed annually as of December 31. The Oregon Public Employees Retirement System Board (the "PERB") uses the actuarial valuation as of December 31 of odd numbered years to establish the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") described herein. Valuations as of December 31 of even-numbered years (such as 2018 and 2020) are used for advisory purposes only. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer in the SLGRP (defined herein), including the City (the "City Valuation"). Valuations are released nine to eleven months after the valuation date. PERS' current actuary is Milliman, Inc. ("Milliman").

Current payroll rates are based on the System's actuarial valuation report as of December 31, 2021 (the "2021 System Valuation"), and those rates will extend through June 30, 2025. The actuarial valuation report for the System as of December 31, 2022 (the "2022 System Valuation") and the actuarial valuation report for the City as of December 31, 2022, which was

released in December 2023 (the “2022 City Valuation”) provide advisory Contribution Rates for the 2025-27 biennium.

**TABLE 8
ACTUARIAL VALUATION DATES**

Valuation Date	Release Date	Rates Effective
December 31, 2020	December 2021	Advisory only for July 1, 2023 – June 30, 2025
December 31, 2021	September 2022	July 1, 2023 – June 30, 2025
December 31, 2022	December 2023	Advisory only for July 1, 2025 – June 30, 2027

Actuarial Assumptions. The table below summarizes the adopted methods and assumptions used as the basis for the 2021 System Valuation, and the valuation for the City as of December 31, 2021 (the “2021 City Valuation”) upon which employer contribution rates for the 2019-2021 Biennium are based. The table also shows certain adopted methods and assumptions, including certain changes to the assumptions reflected in the 2022 System Valuation and the 2022 City Valuation.

**TABLE 9
ACTUARIAL ASSUMPTIONS AND METHODS**

Assumption/ Method	Previous (2021 Valuation)	Current - Advisory (2022 Valuation)
Actuarial Cost Method	Unchanged	Unchanged
T1/T2 Programs UAL Amortization Method	Level Percentage of Payroll over 20 years (fixed).	Unchanged
OPSRP UAL Amortization Method	Level Percentage of Payroll over 16 years (fixed)	Unchanged
Asset Valuation Method	Market Value ⁽¹⁾	Unchanged
Investment Rate of Return	6.90%	Unchanged
Payroll Growth Rate	3.40%	Unchanged
Inflation Level	2.40%	Unchanged
Contribution Rate Stabilization Method	The UAL rate for a rate pool or employer is confined to a collar range based on the prior biennium's collared UAL rate component. For the SLGRP and School District Pool, the UAL rate will not change by more than 3% of payroll. For an independent employer, the collar width for the Tier1/Tier 2 UAL Rate is the greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL Rate at the prior rate-setting valuation. Also, for independent Employers the UAL Rate will not be allowed to be less than 0.00% of payroll if the employer's funded status (excluding side accounts) is less than 100%. The UAL Rate for any rate pool will not be allowed to decrease if the pool's funded status (excluding side accounts) is 87% or lower. The rate may decrease by the collar width if funded status is 90% or greater, and the allowable decrease amount is phased in from 87% to 90% funded.	Unchanged

⁽¹⁾ Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

System Funded Status & UAL. The table below includes the UAL and funded status for the System and the pool in which the City participates from the five most recent actuarial valuations.

TABLE 10
UNFUNDED ACTUARIAL LIABILITY AND FUNDED STATUS OF THE SYSTEM ⁽¹⁾
(\$ in millions)

Valuation Date	System		SLGRP	
	UAL	Funded Status	UAL	Funded Status
12/31/18 ⁽²⁾	26,981.7	68.8	13,765.6	68.1
12/31/19	24,603.5	72.5	12,738.0	71.1
12/31/20 ⁽³⁾	28,043.4	70.6	14,497.4	68.7
12/31/21 ⁽⁴⁾	20,038.2	79.6	10,839.3	77.0
12/31/22	28,032.9	72.8	14,126.9	70.6

⁽¹⁾ Does not take into account offsets for deposits made by individual employers from pension bond proceeds or cash on hand inside accounts.

⁽²⁾ Adjusted to take into account actuarial assumption and method changes including the potential effect of Senate Bill 1049.

⁽³⁾ Increase in UAL and decline in funded status largely attributable to reduction in investment return assumption to 6.90% adopted by PERB.

⁽⁴⁾ Decrease in UAL and increase in funded status largely attributable to significant investment gains in 2021.

Source: System Valuations and PERS.

The funded status of PERS and of the City as reported by Milliman will change over time depending on a variety of factors, including the market performance of the securities in which the Oregon Public Employees Retirement Fund (“OPERF”) is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, and other actions taken by the PERB.

Employer Assets, Liabilities, and Unfunded Actuarial Liabilities. An employer’s UAL is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

City UAL. For the T1/T2 Pension Programs, the City is part of the “State and Local Government Rate Pool. The City’s portion of the SLGRP’s assets and liabilities is based on the City’s proportionate share of the SLGRP’s pooled payroll (the “City Allocated T1/T2 UAL”). Changes in the City’s relative growth in payroll will cause the City Allocated T1/T2 UAL to shift. The City Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions.

OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City’s allocated share of OPSRP’s assets and liabilities is based on the City’s proportionate share of OPSRP’s pooled payroll (the “City Allocated OPSRP UAL”). Changes in the City’s relative growth in payroll will cause the City Allocated OPSRP UAL to shift.

The City has not issued pension obligation bonds and has not established a side account with PERS.

The City’s net unfunded pension UAL is the total of the City Allocated T1/T2 UAL and the City Allocated OPSRP UAL. The City’s net unfunded pension UAL as reported in the 2021 City Valuation and the 2022 City Valuation is shown in the following table.

**TABLE 11
CITY NET UNFUNDED PENSION UAL**

	<u>2021 Valuation</u>	<u>2022 Valuation</u>
Allocated pooled SLGRP T1/T2 UAL	\$44,910,303	\$56,283,531
Transition liability / (surplus)	(1,639,417)	(1,406,229)
Allocated pooled OPSRP UAL	<u>3,787,621</u>	<u>8,078,713</u>
Net unfunded pension actuarial accrued liability	\$47,058,507	\$62,956,015

Note: The pre-SLGRP pooled liability/(surplus) is the liability or surplus that existed when the State/Community College pool and the LGRP were discontinued as the SLGRP was formed. These are pooled liabilities/surpluses. The transition liability/(surplus) is the liability or surplus that was created when the individual employer joined the SLGRP and is solely the individual employer’s liability/(surplus).
Source: 2022 City Valuation.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute 6 percent of their annual salary to the IAP. Employers are allowed to pay the employee contribution in addition to the required employer’s contribution. See “City Contributions” below.

Contribution Rate Collar. The PERB uses a rate collar to limit increases in employer contribution rates from biennium to biennium (the “Rate Collar”). The Rate Collar limits increases (or decreases) in employer contribution rates before rate reductions from side accounts are deducted and does not cover charges associated with RHIA and Retiree Health Insurance Premium Account (“RHIPA”). Under normal conditions, the Rate Collar is the greater of three percent of payroll (the “3 percent parameter”) or 20 percent of the current base rate (the “20 percent parameter”). If the funded status of an employer or the pool in which the employer participates is below 70 percent (or above 130 percent), the Rate Collar increases by 0.3 percent of payroll if under the 3 percent parameter, or two percent of payroll if under the 20 percent parameter, for every percentage point under the 70 percent (or above 130 percent) funded level (the “Collar Ramp”) until it reaches six percent of payroll, or 40 percent of the current rate base at the 60 percent (or above 140 percent) funded level (the “Double Rate Collar”).

Beginning with the 2023-25 biennium, the PERB has modified the application of the Rate Collar. Going forward, for employers participating in either the School District pool or the SLGRP, the collar will be applied as a fixed percentage of payroll, with a limit of three percent of pay for the Tier 1/Tier 2 UAL rate and one percent of pay for OPSRP rate. Further,

reductions in the UAL rate would be eliminated unless funded level thresholds of at least 88 percent is reached, at which point a portion of the reduction would be allowed, gradually increasing until the funded status reaches 90 percent, at which point the full reduction would be permitted. A wider rate collar was adopted for independent employers who do not participate in either the School District pool or the SLGRP

City Contribution Rates. The City’s current employer contribution rates for the 2023-2025 biennium and advisory rates for the 2025-2027 biennium from the 2021 City Valuation are provided in the following table.

**TABLE 12
CITY PENSION CONTRIBUTION RATES**

	2023-2025 Biennium			2025-2027 Biennium Advisory		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal cost rate	18.63%	9.89%	14.68%	18.92%	10.55%	15.14%
T1/T2 UAL Rate ⁽¹⁾	12.61	12.61	12.61	12.62	12.62	12.62
OPSRP UAL Rate	1.69	1.69	1.69	2.62	2.62	2.62
Transition liability/(surplus) rate ⁽²⁾	(0.99)	(0.99)	(0.99)	(0.68)	(0.68)	(0.68)
Member redirect offset ⁽³⁾	(2.40)	(0.65)	(0.65)	(2.40)	(0.65)	(0.65)
Retiree Healthcare rate (RHIA) ⁽³⁾	0.00	0.00	0.00	0.00	0.00	0.00
Total net contribution rate	29.54%	22.55%	27.34%	31.08%	24.46%	29.05%

⁽¹⁾ Includes Multnomah Fire District #10 rate

⁽²⁾ The transition liability/(surplus) rate and side account rate relief shown may be reduced such that the net pension contribution rate does not go below 0.00%

⁽³⁾ Redirected member contributions under Senate Bill 1049 (2.50% of payroll for Tier 1/Tier 2 and 0.75% of payroll for OPSRP) will offset employer contribution rates. Redirect does not apply to members with monthly pay below a certain threshold.

Source: 2021 City Valuation and 2022 City Valuation, PERS.

Employer contribution rates consist of a normal cost rate, offset by any UAL Side Account and a rate to amortize the UAL of the System, and the City is responsible for its allocable portion of these costs.

City Contributions. The City’s historical annual contributions to PERS are provided in the following table.

**TABLE 13
CITY PENSION CONTRIBUTIONS**

<u>Fiscal Year Ending June 30</u>	<u>City Contribution ⁽¹⁾</u>
2019	\$5,395,055
2020	7,102,176
2021	7,358,875
2022	7,748,968
2023	7,961,764

⁽¹⁾ The City contribution includes all pension costs paid the City including the 6 percent employee contribution.

Source: City of Lake Oswego, City Audited Financial Statements, 2019-2023.

GASB 67 and GASB 68. GASB Statements No. 67 and No. 68 modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 (“GASB 67”), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 (“GASB 68”), Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements for governments that provide their employees with pensions. The System is subject to GASB 67; each participating employer, including the City is subject to GASB 68. GASB 68 was incorporated in the City’s financial statements beginning in Fiscal Year 2014-15. PERS contracted with Milliman to provide information for local governments to use in their financial statements.

Other Postemployment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program’s assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. Participating governments are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.50% of annual covered payroll for Tier 1 and Tier 2 employees and 0.43% for OPSRP employees. The PERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. As of December 31, 2018, this program had a UAL (surplus) of approximately \$(375) million. The City’s allocated share of the RHIA program’s assets and liabilities is based on the City’s proportionate share of the program’s pooled payroll. According to the 2022 City Valuation, the City’s allocated share of the RHIA program’s surplus was \$(832,704).

GASB 75. GASB 75, which the City implemented to replace GASB 45 for Fiscal Year 2017-18, requires the City to determine the extent of its liabilities for other postemployment benefits (“OPEB”) and record such liabilities in its financial statements on an actuarial basis.

Implicit Subsidy. Under ORS 243.303, the City is required to offer the same healthcare benefits for current City employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. This is considered an “implicit subsidy” and requires that the

corresponding liability be determined and reported. The City's total OPEB liability was estimated at June 30, 2022 by Milliman. Management has determined that the total OPEB liability is not material to the City's financial statements taken as a whole.

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. Significant real and personal property exposures are covered for loss from all perils up to a \$10,000,000 limit through a municipal insurance pool, subject to a \$75,000 aggregate deductible. For its general insurance coverage, the City pays an annual premium to City/County Insurance Services (CIS), a public entity risk pool currently operating a common risk management and insurance program.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The agreement with CIS provides that CIS will be self-sustaining through member premiums and will reinsure through AM Best Superior rate reinsurer limits of \$10,000,000 with an aggregate of \$30,000,000 excess of a \$500,000 retention. The City carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims have not exceeded commercial coverage in any of the three prior fiscal years.

Under Oregon law, local public bodies, such as the City, are subject to the following limits on liability. The State is subject to different limits.

Personal Injury and Death Claim. The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$830,300, for causes of action arising on or after July 1, 2023, and before July 1, 2024. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence may not exceed \$1,660,400, for causes of action arising on or after July 1, 2023, and before July 1, 2024.

For causes of action arising on or after July 1, 2023, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Oregon law. The adjustment may not exceed 3 percent for any year.

Property Damage or Destruction Claim. The liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2023 and before July 1, 2024, are as follows: (a) \$136,200, adjusted as described below, to any single claimant; and (b) \$680,900, adjusted as described below, to all claimants.

These liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Oregon law. The adjustment may not exceed 3 percent for any year.

Cybersecurity. The City, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. The City and its departments routinely face cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s information technology systems to misappropriate assets or information or to cause operational disruption and damage. To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, the City has invested in multiple forms of cybersecurity and operational safeguards. See “CITY FINANCIAL INFORMATION—Risk Management.”

The results of any future attack on the computer and information technology systems could have a material adverse impact on the operations of the City and damage the digital networks and systems. The City cannot predict the outcome of any such attack, nor its effect on the operations and finances of the City.

Natural Disasters and Economic Forces. Natural and economic forces can affect the assessed value of taxable property in the City and the City's collection of revenues. The City is located in the Pacific Northwest, a region subject to periodic significant earthquakes. Such an earthquake and/or tsunami could cause extensive damage to structures and infrastructure along the Pacific coast and could disrupt transportation, communications, water and sewer systems, power and gas delivery and fuel supplies along the Pacific coast and within the City. The City cannot predict how such seismic activity could impact its revenue sources, including property taxes. Other natural or man-made disasters, such as winter storms, flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City or adversely affect the City's revenues. Economic and market forces, such as a downturn in the economy generally, can also affect assessed values. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). The Obligations are full faith and credit obligations (see “Security for the Obligations” and “Revenue Sources—Property Taxes” herein).

Public Health Emergencies or Crisis. The financial and operating condition of the City may be materially affected by a national or localized outbreak of an infectious disease, such as the outbreak of COVID-19, a respiratory illness caused by a novel strain of coronavirus, or other highly contagious or epidemic disease (an “Outbreak”). There can be no assurances that an Outbreak will not materially affect the City, state, and national economies, and accordingly, materially adversely affect the financial condition of the City for a period of time.

CITY DEBT INFORMATION

Debt Limitation

General Obligation Bonds. ORS Chapter 287A limits the amount of certain general obligation bonds that an Oregon city may have outstanding at any time to three percent of the real market value of the taxable property within the city. The statutory limitation does not apply to

general obligation bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas power, or lighting purposes, or the acquisition, establishment, or reconstruction of any off-street motor vehicle parking facility nor to bonds issued pursuant to application to pay assessments for improvements in installments under statutory or charter authority that are completely self-supporting. *The Obligations are not general obligation bonds and are not subject to the debt limitation.*

**TABLE 14
DEBT LIMITATIONS**

2023-24 RMV	\$16,981,646,841
Debt limitation (3% of RMV)	\$ 509,449,405
Less applicable bonded debt	\$ (31,835,000) ⁽¹⁾
Remaining legal debt capacity	\$ 477,614,405
Percent of limit issued	6.24 %

⁽¹⁾ Outstanding as of date of delivery.

Source: City of Lake Oswego, City Audited Financial Statements, June 30, 2023.

Limited Tax Revenue Bonds/Full Faith and Credit Obligations. School districts, education service districts, community colleges and local governments may pledge their full faith and credit for “limited tax bonded indebtedness” or “full faith and credit obligations.” The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a city may issue. Full faith and credit obligations can take the form of bonds, certificates of participation, notes, or capital leases. Collection of property taxes to pay principal and interest on such limited tax debt is subject to the limitations of Article XI, Sections 11 and 11b. *The Obligations are full faith and credit obligations.*

Pension Bonds. ORS 238.694 authorizes school districts, education service districts, community colleges and local governments to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and the City is not authorized to levy additional taxes to make pension bond payments. *The City does not have outstanding pension bonds.*

Revenue Bonds. The City may issue revenue bonds for any public purpose, which are secured by revenues pursuant to ORS 287A.150. The City does not have outstanding revenue bonds.

Debt Management

The City has never defaulted on a debt obligation.

Outstanding Obligations

The following table presents information regarding the City’s outstanding obligations.

**TABLE 15
OUTSTANDING OBLIGATIONS**

	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding⁽¹⁾</u>
GENERAL OBLIGATION BONDS				
General Obligation Bonds, Series 2015A	02/26/15	06/01/39	\$10,245,000	\$ 3,090,000
General Obligation Bonds, Series 2019	11/06/19	06/01/39	23,860,000	22,605,000
General Obligation Bonds, Series 2023	06/01/23	06/01/42	6,140,000	6,140,000
Total General Obligation Bonds				\$31,835,000
DEBT SECURED BY THE GENERAL FUND				
Full Faith and Credit Refunding Obligations, Series 2017 ⁽²⁾	12/28/17	12/01/34	44,160,000	\$33,160,000
Full Faith and Credit Refunding Bonds, Series 2018 ⁽³⁾	05/02/18	12/01/42	51,640,000	41,065,000
Full Faith and Credit Obligations, Series 2019 ⁽⁴⁾	11/06/19	06/01/39	11,785,000	10,240,000
Full Faith and Credit Obligations, Series 2020 ⁽⁵⁾	05/12/20	06/01/45	33,425,000	30,380,000
Full Faith and Credit Refunding Obligations, Series 2023 ⁽⁶⁾	06/01/23	06/01/38	50,520,000	50,520,000
Full Faith and Credit Obligations, Series 2024 ⁽²⁾	05/21/24	06/01/49	14,400,000	14,400,000
Total Debt Secured by the General Fund				\$179,765,000

⁽¹⁾ Amount outstanding as of Date of Delivery.

⁽²⁾ Repayment comes from net revenues of the wastewater system.

⁽³⁾ Repayment comes from net revenues of the tax increment revenues of Lake Oswego Redevelopment Agency (“LORA”) with less than 8% from net revenues of the water and wastewater systems.

⁽⁴⁾ Repayment comes from State shared revenue from motor fuel tax and vehicle registration fees.

⁽⁵⁾ Repayment comes from net revenues of the wastewater system and tax increment revenues of LORA.

⁽⁶⁾ Repayment comes from net revenues of the water system.

Source: City of Lake Oswego.

Future Debt Plan

The City periodically reviews its outstanding debt for refunding opportunities and may issue refunding bonds if market conditions warrant. The City may also issue additional debt related to a Wastewater Treatment Facility within the next 12 months, including but not limited to funds from the Water Infrastructure and Finance Innovation Act and other obligations of the City.

Other than as described above, the City does not have any plans to issue new debt within the next 18 months.

Debt Ratios

The following table presents information regarding certain of the City's direct debt and debt of overlapping taxing districts.

**TABLE 16
DEBT RATIOS**

	Values	Per Capita	Percent of RMV
2023 Estimated Population	41,396		
2023-24 Real Market Value (RMV)	\$16,981,646,841	\$410,224	
Total Net Property-Tax Backed Debt of City ⁽¹⁾	\$31,835,000	\$769	0.18%
Net Property-Tax Backed Overlapping Debt of Issuers	\$5,379,555,758	\$129,954	3.17
Total Direct Net Debt and Overlapping Debt	\$5,411,390,758	\$130,723	3.35%

⁽¹⁾ Total Direct Net Debt includes all voter approved general obligation bonds, limited tax revenue bonds, and other full faith and credit obligations of the City less self-supporting obligations (such as certain full faith and credit obligations referenced in Table 15 and payable from enterprise funds). Debt with a final maturity of less than one year is not included. Excludes the Obligations.

Source: Municipal Debt Advisory Commission, Oregon State Treasury, as of February 29, 2024; City of Lake Oswego.

**TABLE 17
OVERLAPPING DEBT (AS OF FEBRUARY 29, 2024)**

Overlapping District	Real Market Valuation	Percent Overlapping	Gross Property-Tax Backed Debt ⁽¹⁾	Net Property-Tax Backed Debt ⁽²⁾
Governmental Unit				
Clackamas Community College	\$ 81,289,302,524	0.19%	\$ 139,150,045	\$ 125,455,045
Clackamas County	110,615,437,060	14.61	112,100,000	112,100,000
Clackamas County Education Service District	106,356,798,803	15.25	27,296,106	27,296,106
Clackamas County School District #3J (West Linn/Wilsonville) ⁽³⁾	16,504,378,392	0.00	481,535,822	481,535,822
Clackamas County School District #7J (Lake Oswego)	18,567,975,521	87.36	379,915,000	379,915,000
Clackamas Soil & Water Conservation District	110,615,437,060	14.61	5,416,000	5,416,000
Metro	423,464,419,407	4.00	832,463,920	821,748,920
Multnomah County	208,773,181,763	0.37	582,381,218	582,381,218
Multnomah County School District 1J (Portland)	156,963,971,311	0.47	1,970,153,000	1,970,153,000
Multnomah Education Service District	211,729,320,095	0.35	75,677,417	59,432,417
Port of Portland	464,610,414,940	3.65	39,375,000	0
Portland Community College	337,861,075,622	4.97	704,055,000	658,575,000
Rivergrove Water District 14J	1,114,570,789	38.19	3,210,764	3,210,764
Washington County	145,221,596,117	0.02	152,336,465	152,336,465
Total Overlapping Debt			\$5,505,065,758	\$5,379,555,758

Note: Totals may not add due to rounding.

⁽¹⁾ Gross Property-Tax Backed Debt includes all general obligation bonds and full faith and credit borrowings.

⁽²⁾ Net Property-Tax Backed Debt is Gross Property-Tax Backed Debt less self-supporting general obligation bonds and less self-supporting full faith and credit borrowings.

⁽³⁾ The percent overlapping being 0% is due to rounding.

Source: Municipal Debt Advisory Commission, Oregon State Treasury, as of February 29, 2024.

Short-Term Borrowing

ORS 287A.180(3)(b) requires that obligations issued in anticipation of taxes or other revenues (except grant moneys) shall not be issued in an amount greater than 80 percent of the amount budgeted to be received in the Fiscal Year in which the obligations are issued. No short-term borrowing is expected in Fiscal Year 2023-24.

REVENUE SOURCES

The following section summarizes certain of the major revenue sources of the City.

Property Taxes

Most local governments, school districts, education service districts, and community college districts (“local governments”) have permanent authority to levy property taxes for operations (“Permanent Rates”) up to a maximum rate (the “Operating Tax Rate Limit”). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit.

For Fiscal Year 2023-24, the City’s Operating Tax Rate Limit is \$4.9703 per \$1,000 of assessed property value inside the boundaries of Lake Oswego School District No. 7J (“LOSD”) and \$4.5884 per \$1,000 of assessed property value outside the boundaries of the LOSD. For Fiscal Year 2023-24, the City is levying \$4.9703 per \$1,000 of assessed property value inside the boundaries of the LOSD, which is below the maximum permanent rate, and \$4.5884 per \$1,000 of assessed property value outside the boundaries of the LOSD, which is equal to the maximum permanent rate.

Local governments with operating tax rates may not increase the Operating Tax Rate Limits; rather they may request only that voters approve limited term levies for operations or capital expenditures (“Local Option Levies”) or levies to repay general obligation bonded indebtedness (“General Obligation Bond Levies”). Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years. The City does not currently have authorization to impose a Local Option Levy, and does not have plans to seek voter approval to do so. The City imposes General Obligation Bond Levies in connection with its outstanding general obligation bonds listed above in Table 15.

Local governments impose property taxes by certifying their levies to the county assessor of the county in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year, which is July 1 through June 30. The local government ordinarily must notify the county assessor of its levies by July 15.

Valuation of Property Real Market Value. “Real Market Value” is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an “arms-length” transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture, and equipment) for non-

residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories, or intangible property such as stocks, bonds, or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation. Forestland is subject to special assessment that provides a reduction in property tax that would be paid if based on the real market value.

Property used for charitable, religious, fraternal, and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland, and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value, and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation - Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called "Measure 5") separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes") and one to fund government operations other than the public school system ("General Government Taxes"). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits"). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of

Permanent Rates. In Fiscal Year 2022-23, there was \$0 of compression of the City's Permanent Rate due to the tax rate limitation.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds. Property taxes imposed to pay the principal of and interest of the Obligations are subject to the limitations of Article XI, Sections 11 and 11b.

In 2007 the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools.

Property Tax Collections. Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an unsegregated pool and each taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the 15TH of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer's account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral (2001), which does not have an age limitation.

Under ORS Chapter 457, Oregon cities can create urban renewal agencies the urban renewal areas of which receive a portion of the property taxes that the City and other overlapping districts would otherwise receive. The City has created an urban renewal agency that has two outstanding urban renewal areas.

The following tables represent historical tax information for the City.

**TABLE 18
ASSESSED VALUE (“AV”) AND ESTIMATED REAL MARKET VALUE (“RMV”)**

Fiscal Year Ending June 30	AV Total ⁽¹⁾	Total Direct Tax Rate⁽²⁾	Estimated RMV ⁽³⁾	AV as a % of RMV
2014	\$6,215,455,476	5.9867	\$ 7,593,205,815	81.9%
2015	6,509,172,709	5.8495	8,479,490,953	76.8
2016	6,814,606,154	5.7682	9,296,069,769	73.3
2017	7,128,316,926	5.7700	10,493,912,727	67.9
2018	7,430,784,374	5.7544	11,292,060,536	65.8
2019	7,697,997,063	5.7603	12,160,602,915	63.3
2020	8,074,544,043	5.8315	12,822,965,471	63.0
2021	8,446,939,428	5.8574	13,368,564,423	63.2
2022	8,794,682,764	5.8579	14,508,504,919	60.6
2023	9,109,613,461	5.9157	16,981,646,841	53.6

⁽¹⁾ Due to Measure 50, the growth in assessed values is limited to 3% plus any new construction and annexations. Assessed values do not include urban renewal increment values.

⁽²⁾ Reflects total direct tax rate for the portion of the City within the boundaries of LOSD, which includes approximately 94% of the City’s Assessed Value.

⁽³⁾ Real market values include urban renewal values located within Clackamas County.

Sources: Clackamas, Multnomah and Washington County Assessor’s Offices.

**TABLE 19
PROPERTY TAX LEVIES AND COLLECTIONS**

Fiscal Year Ending June 30	Taxes levied for the fiscal year⁽¹⁾	Amount Collected w/in fiscal year of levy	Percent of Levy	Collections in subsequent years	Total Collections	Total Collections Percent of Levy
2014	\$36,904,316	\$34,985,936	95%	\$798,704	\$35,784,640	97%
2015	37,798,336	35,900,595	95	745,732	36,646,327	97
2016	39,030,062	37,116,892	95	666,457	37,783,349	97
2017	40,837,465	38,920,314	95	587,899	39,508,213	97
2018	42,480,850	40,453,879	95	638,361	41,092,240	97
2019	44,070,251	42,151,537	96	519,651	42,651,188	97
2020	46,730,917	44,662,189	96	590,230	45,252,419	97
2021	49,096,525	46,993,054	96	487,259	47,480,313	97
2022	51,123,496	48,635,948	95	572,959	49,208,907	96
2023	53,986,487	51,687,847	96	-	51,687,847	96

⁽¹⁾ Includes taxes levied under the City’s permanent tax rate, taxes levied in connection with voter-approved general obligation bonds, and revenues received by LORA based on applicable overlapping tax rates in urban renewal areas within the City.

Source: City of Lake Oswego, City Audited Financial Statements, 2023.

**TABLE 20
TOP 10 PROPERTY TAXPAYERS**

Name	2023 Assessed Value	Percent of Total Value
Shorenstein Properties LLC	\$239,741,691	2.73%
Meadows Road LLC	78,733,967	0.90
HS Mercantile Venture LLC	65,515,438	0.74
130 A Ave Owner LLC	64,575,326	0.73
Society Sisters Holy Names	57,496,001	0.65
Prime Foothills LLC	53,966,712	0.61
Property Reserve Inc.	46,115,222	0.52
Phoenix Commercial Investments	40,880,034	0.46
Micro Systems Engineering Inc.	38,279,269	0.44
Spring V at Lake Oswego LLC	36,597,208	0.42
Total	\$721,889,867	8.21%

Source: City of Lake Oswego, City Audited Financial Statements, 2023.

**TABLE 21
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
RATE PER \$1,000 OF ASSESSED VALUE⁽¹⁾**

Fiscal Year	CITY RATES⁽¹⁾			Total Direct	OVERLAPPING GOVERNMENTS RATES						Total Direct and Overlapping
	Ending June 30	Permanent Rate	GO Debt Service		Urban Renewal⁽²⁾	Clackamas County	Education Service District	Portland Comm. College	Lake Oswego Sch. Dist.	Metro	
2014	4.7740	0.5477	0.6650	5.9867	3.03	0.35	0.71	6.58	0.45	0.14	17.25
2015	4.7683	0.4086	0.6726	5.8495	3.03	0.35	0.70	6.54	0.44	0.14	17.05
2016	4.7548	0.3634	0.6500	5.7682	3.02	0.35	0.56	6.55	0.38	0.14	16.77
2017	4.7333	0.3221	0.7146	5.7700	3.00	0.35	0.65	6.55	0.39	0.14	16.85
2018	4.7286	0.2656	0.7602	5.7544	3.11	0.35	0.58	7.64	0.40	0.14	17.97
2019	4.7235	0.2563	0.7805	5.7603	3.10	0.35	0.66	7.61	0.46	0.14	18.08
2020	4.6827	0.2322	0.9166	5.8315	3.07	0.35	0.65	7.78	0.64	0.14	18.46
2021	4.6637	0.2292	0.9645	5.8574	3.06	0.34	0.65	7.76	0.57	0.10	18.33
2022	4.6566	0.2175	0.9838	5.8579	3.05	0.34	0.63	7.72	0.55	0.22	18.38
2023	4.6240	0.1801	1.1116	5.9157	3.15	0.34	0.63	8.51	0.54	0.14	19.24

⁽¹⁾ The information reflects the portion of the City with Clackamas County/LOSD.

⁽²⁾ Effective tax rate based on revenues received from urban renewal areas.

⁽³⁾ Includes Port of Portland, Tri-Met, Lake Grove Swim Park, and Clackamas County Vector Control taxing districts. Lake Grove Swim Park is owned and operated by LOSD.

Source: City of Lake Oswego, City Audited Financial Statements, 2023.

Local Government Fees

Oregon cities and counties generally have broad authority to impose taxes on activities within their boundaries. Certain Oregon cities and counties currently impose business license taxes, food and beverage taxes, motor vehicle fuel taxes, transient room taxes and other taxes. Generally these taxes must be either approved by the voters or may be subject to referral by the voters.

The Legislative Assembly generally has the authority to limit or prohibit local governments from imposing taxes, and has limited a number of local government taxes, including transient room taxes and real estate transfer taxes. Each local government has its own mix of taxes, as well as fees and other revenue sources. The primary source of revenue in the City's General Fund is property taxes. The City also imposes lodging taxes, franchise fees, and sales and services fees for things such as fire contracts and parks and recreation activities.

In addition to taxes and fees used to support governmental activities of the City, the City imposes user fees to support the business-type activities of its water, wastewater, and surface water utilities.

State of Oregon Funding

Oregon cities and counties receive a share of the revenues the State receives from taxing motor vehicle fuels. The Oregon Constitution requires that these revenues be used only to pay for costs of public roads. Oregon cities and counties also receive a share of the revenues the State of Oregon receives from tobacco taxes and liquor taxes.

The State of Oregon also appropriates money to Oregon counties to operate the justice system, and it provides a wide variety of funding for other purposes. The State of Oregon is generally not obligated to continue to provide these revenues to local governments.

Federal Funding

Oregon local governments receive federal funding for a variety of purposes. Such funding is generally restricted to specific purposes.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City of Lake Oswego is located in the southern portion of the Portland metropolitan area, in northwestern Oregon. It is located in Clackamas, Multnomah and Washington counties, with the majority of the City located in Clackamas County. These counties are a part of seven counties that comprise the Portland-Vancouver Metropolitan Statistical Area (the "MSA"). The City's economy is linked with that of the metropolitan area, which is based on manufacturing, national and international trade, and the service industries.

The City is located on the west side of Clackamas County. It is adjacent to the southern boundary of the City of Portland and abuts the western shore of the Willamette River. The downtown area is adjacent to the river, about eight miles south of downtown Portland. Access to downtown Portland is by Oregon Highway 43 and Interstate 5.

The City is primarily a residential community with a low ratio of heavy industry and retail-based commercial activity, and a growing office corridor along Kruse Way. The City is the largest city in Clackamas County.

Information Sources

Historical data has been collected from generally accepted standard sources, usually from public bodies. In Oregon, data is frequently available for counties, and to a somewhat lesser

degree, for cities. Because the City is located within Clackamas County and the MSA, this statement bases information on those areas as well as the City itself.

Population and Employment

During the period from 2014 to 2023, the population in the City increased from 36,990 to 41,396 (estimated).

**TABLE 22
POPULATION ESTIMATES AND ECONOMIC STATISTICS**

Fiscal Year Ending June 30	Lake Oswego Population	Clackamas County Personal income (in 000's)	Clackamas County Per Capita Personal Income	Clackamas County Unemployment Rate⁽¹⁾
2014	36,990	\$18,724,587	\$46,028	6.1%
2015	37,105	19,901,153	47,464	5.1
2016	37,300	20,965,832	49,565	4.3
2017	37,425	23,220,274	51,379	3.7
2018	37,490	24,385,155	56,268	3.8
2019	38,215	26,039,459	62,194	3.4
2020	39,480	28,039,367	66,419	6.4
2021	40,801	30,212,946	71,504	3.9
2022	41,148	30,946,445	73,129	4.0
2023	41,396	NA	NA	3.3

⁽¹⁾ Seasonally adjusted.

Note: Under State law, the State Board of Higher Education must estimate annually the population of Oregon cities and counties so that shared revenues may be properly apportioned. The Center for Population Research and Census at Portland State University performs this statutory duty. The population estimates are calculated as of July 1 of each year.

Sources: Portland State University Center for Population Research, U.S. Department of Commerce Bureau of Economic Analysis, and State of Oregon Employment Department.

The major employers in the City and the greater Portland metro area are as follows:

**TABLE 23
MAJOR EMPLOYERS IN THE CITY (2023)**

Employer	Product or Service	2023 Employment
Lake Oswego School District	Education (K-12)	826
Micro Systems Engineering, Inc.	Microelectronics Manufacturing – medical	436
Mary's Woods at Marylhurst	Retirement and Senior Living	430
City of Lake Oswego	Government	359
Greenbriar Companies, Inc.	Supplier of Equipment & Services to Railroad	216
Navex Global, Inc.	Risk and Compliance Management Software Services	200
Power Engineers, Inc.	Global Consulting Engineering Firm	173
ARI Network Service, Inc.	Management Tools and Digital Marketing Services	168
The Springs at Lake Oswego	Assisted Living Facility	155
Vigilant Asset Protection, LLC	Security Guard Services	150

Source: City of Lake Oswego, City Audited Financial Statements, 2023.

TABLE 24
MAJOR EMPLOYERS IN THE PORTLAND METRO AREA (2023)

Employer	Product or Service	2023 Estimated Employment
Providence Health & Services	Health Sciences	23,100
Intel	Computers and Electronics	22,328
Oregon Health & Science University	Health Sciences	19,603
Nike	Athletic and Outdoor	15,522
Legacy Health	Health Sciences	13,087
Kaiser Permanente	Health Sciences	12,514
Fred Meyer Stores	Retail - Headquarters	9,000
Portland State University	Higher Education	5,417
PeaceHealth	Health Sciences	4,482
Lam Research	Computers and Electronics	4,000
U.S. Bank	Financial Services	3,144
Portland Community College	Higher Education	3,049
Daimler Trucks North America	Manufacturing - Transportation	3,000
Precision Castparts	Metals and Machinery	2,500
Portland General Electric	Energy	2,423
Alaska Airlines (and Horizon Airlines)	Transportation	2,400
Wells Fargo	Financial Services	2,044
Columbia Sportswear	Athletic and Outdoor	2,000
Jacobs	Professional Services	1,938
Adventist Health Portland	Health Sciences	1,876

Source: Portland Business Journal, The Oregonian, local municipalities and GPI Research.

Transportation

Major passenger and cargo airlines operate out of the Portland International Airport, approximately sixteen miles from the City. A general aviation airport located in Hillsboro provides private and chartered air service approximately 25 miles from the City. The City is home to the Willamette Shore Trolley that runs seven miles from the City’s downtown to the Portland South Waterfront area. The Willamette Pacific Railroad line also runs through the City.

Transportation is facilitated by a highway system that includes Interstate 5, the primary north-south highway artery of the West Coast, and by-pass routes I-205 and I-405 within and around the Portland metropolitan area. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon (“Tri-Met”), the regional public transit agency, provides bus service throughout the region and light rail service (“MAX”) between downtown Portland and Gresham to the east and out to the west to the cities of Beaverton and Hillsboro.

Utilities

Natural Gas; Electric; Communications. NW Natural supplies natural gas to the area; electricity is provided by Portland General Electric Company. Verizon and Qwest Communications provide telephone service. Republic Services provides garbage collection services.

Water. The City owns and operates its own water system, drawing its water from the Clackamas River at an intake in Gladstone, and treating it at a treatment plant located in West Linn. The City contracts to supply emergency water to six other cities and water districts, if surplus water is available.

In August, 2008, the City entered into an Intergovernmental Agreement with the City of Tigard (the “IGA”) to share costs to expand and upgrade the City’s water supply system and to share water from the new system. Construction on all elements of the new system is complete. Pursuant to the IGA, the City and the City of Tigard now jointly own certain of the water supply facilities consisting of the water intake, treatment plant, main transmission line and certain storage facilities.

Under the IGA, the cities are supplied municipal drinking water from the lower portion of the Clackamas River in the northern Willamette Valley, relying in part on certain water rights held by the City that were the subject of November of 2007 Proposed Final Orders by the Oregon Water Resources Division (“OWRD”) issued Proposed Final Orders granting extensions of time to the City and other area water providers to develop their unused water rights on the Clackamas River and to put them to beneficial use. The extensions were conditioned to protect fish as required by Oregon law relating to the persistence of native fish species.

WaterWatch, a water conservation organization, protested the Proposed Final Orders, alleging among other things that the conditions were not adequate to meet the fish persistence requirement. A State Administrative Law Judge (“ALJ”) ruled in favor of the City and the other water providers, upholding the extensions as conditioned by OWRD. In January of 2011, OWRD issued Amended Proposed Final Orders adopting the findings of the ALJ, with certain clarifications and modifications. OWRD issued Final Orders in April 2011, again approving the extensions with conditions. WaterWatch appealed the Final Orders to the Oregon Court of Appeals, centering its arguments on the fish persistence issues. In December of 2014, the Court of Appeals issued its decision. The water providers prevailed on four of the five assignments of error. On the remaining assignment of error, the Court of Appeals held that one portion of the Final Order regarding the fish persistence conditions was not supported by substantial evidence or substantial reason. The Court of Appeals remanded the case to OWRD to address this deficiency.

On October 24, 2018, following hearings on remand, OWRD issued a Final Order again ruling in favor of the City and the other water providers by finding that the issues remanded by the Court of Appeals had been addressed and that the municipal extensions should be approved. On December 11, 2018, WaterWatch once again appealed OWRD’s decision to the Oregon Court of Appeals. On March 1, 2023 the Court of Appeals affirmed the Final Orders, and WaterWatch indicated it would appeal that decision to the Oregon Supreme Court. On May 12, 2023 WaterWatch filed its petition for review with the Oregon Supreme Court; the Oregon Supreme

Court denied review. The ruling issued by the OWRD in April of 2011 stands. This matter is closed, and no costs or judgments were or will be paid out.

Sanitary Sewer. The City owns, operates and maintains its own sewage collection and treatment system within the urban service boundary, except for a trunk interceptor facility owned and operated by Clean Water Services (a regional wholesale wastewater utility). The City contracts to provide wastewater service to some areas of Tualatin.

Sewage treatment is currently provided by the Tryon Creek Wastewater Treatment Plant, owned and operated by the City of Portland. Environmental guidelines would require that the current plant be updated or replaced by the City of Portland. However, the City currently intends to reverse the current roles with the City of Portland, which would include the City building a new sewage treatment plant and providing sewage treatment to the City of Portland, in lieu of the City of Portland updating Tyron Creek Wastewater Treatment Plant. On December 20, 2022, the City Council authorized the acquisition process for three parcels that hold 18 businesses in the Foothills District to make room for a new wastewater treatment plant. The City intends to seek proposals in the near future to design and build a new sewage treatment plant.

The Project represents a component of the efforts by the City described in the preceding paragraph.

Education

LOSD serves the City's education needs. City residents also have access to a variety of private educational institutions in the Portland-Vancouver PMSA, including Our Lady of the Lake, a K-8 school located within the City.

As the state celebrates its second-highest graduation rate ever, data released on January 25, 2024, by the Oregon Department of Education, the information indicated that 95.8% the City's seniors earned a diploma during the 2021-22 academic year.

Clackamas Community College, located on the east side of the Willamette River, and Portland Community College, with a campus close to the northern boundary of the City, offers associate degrees in a variety of disciplines. Other institutions of higher education located near the City include Pacific University in Forest Grove, and Portland State University, Reed College, Lewis and Clark College, the University of Portland, the University of Oregon, and the Oregon Health and Science University in Portland, as well as other public and private colleges located throughout the metropolitan area.

Health Care

Legacy Meridian Park Hospital is located southwest of the City. Kaiser Permanente operates a medical office complex located southwest of the City. Other major health care facilities located nearby include St. Vincent Medical Center near Beaverton and Providence Portland Medical Center and Oregon Health and Science University in Portland.

Housing

Urban Development + Partners (“UD+P”) is in the process of constructing a project referred to as “North Anchor” near downtown. The site is approximately 46,000 square feet and includes three parcels for redevelopment. Two of the parcels include 67 apartments which are designed to accommodate urban lifestyles. An 83-room boutique hotel with ground floor public accessibility, along with a lounge and ground floor dining will also be included. In addition, there will be a ground floor retail along B Avenue. The developers anticipate there will be eight workforce housing units with rents geared toward tenants making 80% of the area median income.

Community members, Habitat staff, and locally elected officials gathered on December 15, 2023 to celebrate the site kickoff of Habitat’s future 23-home community in the Lake Grove neighborhood of the City.

The construction of this community is a significant development in affordable housing for the City. The project is a 1.9-acre collaboration between Habitat for Humanity Portland Region, the City and the Department of Housing and Urban Development.

Clackamas County was granted preliminary funding for Hacienda Community Development Corporation (CDC) to proceed with a proposed affordable housing community in Lake Grove. Hacienda CDC, Oregon's largest Latino-led community development organization, is dedicated to addressing the critical need for affordable housing, particularly for populations which are underserved. This significant development will be Hacienda CDC's third community in Clackamas County and furthers their commitment to provide affordable housing and holistic programming to communities throughout the region.

Tourism and Recreation

The City’s Parks and Recreation Department manages City park property at 35 different sites. The City also owns and maintains a water sports center, a community amphitheater on the Willamette River, an adult community center, the Lake Oswego Swim Park, and an indoor tennis center; as well as a 39.2-acre municipal golf course. The City offers recreation programs, including aquatics, adult and youth fitness activities and classes, softball, basketball, golf and tennis programs.

The City upgraded its tennis center which reopened in December 2022. The center’s lobby offers multiple areas to view matches or lessons as well as a meeting room for teams. Additional seating was also added in both the upstairs and downstairs areas.

The 405-acre privately managed Oswego Lake and the Willamette River offer fishing, boating and water-skiing opportunities. There is also a private golf course, the Oswego Lake Country Club. Ocean beaches lie about 90 minutes to the west of the City, and Mount Hood is approximately 90 minutes east of the City.

The City is home to the Lakewood Center for the Arts which provides gallery space, classes, drama productions and is the home of the annual Festival of the Arts.

THE INITIATIVE PROCESS

Article IV, Section 1 of the State Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election ballot for consideration by the voters. State law therefore permits any registered State voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The City also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the City's charter and ordinances. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each State measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

Referendum. "Referendum" generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure's effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

Initiative Process. To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. The next general election for which statewide initiative petitions may be filed will be in November 2024. For the November 2024 general election, the requirement is 8 percent (160,551 signatures) for a constitutional amendment measure and 6 percent (120,413 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years.

A statewide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure’s financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

**TABLE 25
STATEWIDE INITIATIVE PETITIONS THAT QUALIFIED
AND PASSED (2012-2022)**

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2012	7	2
2014	4	2
2016	4	3
2018	4	1
2020	2	2
2022	2	2

Source: Elections Division, Oregon Secretary of State.

Measure 114 (M114), Changes to Firearm Ownership and Purchase Requirements Initiative (2022), was approved by the voters at the November 2022 general election. The measure requires all firearm purchasers obtain a permit, successfully complete a background check and a pass firearm training class. The initiative also requires the state police maintain a new permit and firearm database; and criminally prohibits certain magazines.

According to the Oregon Secretary of State, the estimated financial impact of the initiative is anticipated to result in an expenditure increase of up to \$15.4 million for state government during the 2023-25 biennium. Approximately \$2.3 million is anticipated as one-time expense. The measure is anticipated to generate up to \$21.9 million in additional revenues for state government entities.

For local government, the financial impact of the initiative is anticipated to result in expenditures statewide of up to \$51.2 million in the first year of implementation and up to \$47.5 million in subsequent years to process initial permit-to-purchase applications. The anticipated revenue to local government is projected at up to \$19.5 million statewide annually based on an estimated 300,000 applications per year.

Measure 114 has been challenged in both state and federal courts, delaying its implementation. The City cannot predict the outcome of those court challenges.

Because many proposed initiative measures are submitted which do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

City Charter. The City Charter provides that the initiative and referendum power and the powers of recall of elected officers which are reserved to the qualified voters of each municipality of the State, shall be exercised City residents pursuant to the term of the Oregon Constitution, the general laws of the State and the terms of the City Charter, or as the City Council may establish by ordinance.

LITIGATION

There is no pending litigation questioning the validity of the Obligations or the authority of the City to make payments on the Obligations. There is no litigation pending that would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Obligations.

LEGALITY

The validity of the Obligations and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, as special counsel for the City ("Special Counsel"). A complete copy of the proposed form of Special Counsel Opinion is contained in APPENDIX C of this Official Statement. Special Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

TAX MATTERS

In the opinion of Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Financing Payment designated as and constituting interest paid by the City under the Financing Agreement and received by the registered owners of the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of Oregon personal income taxes. Special Counsel is of the further opinion that such interest is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Counsel observes that the interest portion of each Financing Payment included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Obligations, or the amount, accrual or receipt of the portion of each Financing Payment constituting interest. A complete copy of the proposed form of opinion of Special Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Obligations is less than the amount to be paid at maturity of such Obligations (excluding amounts stated to be interest and payable at least annually over the term of such Obligations), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof,

is treated as interest which is excluded from gross income for federal income tax purposes and exempt from State of Oregon personal income taxes. For this purpose, the issue price of a particular maturity of the Obligations is the first price at which a substantial amount of such maturity of the Obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Obligations accrues daily over the term to maturity of such Obligations on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Obligations to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Obligations. Beneficial Owners of the Obligations should consult their own tax advisors with respect to the tax consequences of ownership of Obligations with original issue discount, including the treatment of Beneficial Owners who do not purchase such Obligations in the original offering to the public at the first price at which a substantial amount of such Obligations is sold to the public.

The Obligations purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Obligations”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of debt obligations, like the Premium Obligations, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Obligation, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Obligations should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Obligations. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that the interest evidenced by the Obligations will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Obligations being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Obligations. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel’s attention after the date of issuance of the Obligations may adversely affect the value of, or the tax status of interest evidenced by, the Obligations. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that the interest portion of each Financing Payment paid by the City under the Financing Agreement and received by the registered owners of the Obligations is excluded from gross income for federal income tax purposes and is exempt from State of Oregon personal income taxes, the ownership or disposition of the Obligations, or the accrual or receipt of amounts treated as interest, may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of

income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause the interest evidenced by the Obligations to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the interest evidenced by the Obligations for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Obligations ends with the issuance of the Obligations, and, unless separately engaged, Special Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Obligations in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Obligations for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Obligations, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Obligations generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Obligations may be subject to backup withholding with respect to "reportable payments," which include interest paid with respect to the Obligations and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Obligations. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt

organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

RATINGS

Moody's Investors Service and S&P Global Ratings have assigned ratings of "Aaa" and "AAA", respectively, to the Obligations. An explanation of the significance of the ratings can be obtained from the rating agencies. There are no assurances that the ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of the ratings may adversely affect the market price of the Obligations.

FINANCIAL ADVISOR

The City has retained PFM Financial Advisors LLC, Portland, Oregon, as Financial Advisor in connection with the authorization and issuance of the Obligations. PFM Financial Advisors LLC has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the Obligations. PFM Financial Advisors LLC makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. PFM Financial Advisors LLC is an independent municipal advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities.

UNDERWRITING

Hilltop Securities Inc. acting as underwriter successfully bid for the Obligations in a competitive sale on May 7, 2024. The bid provides that the underwriter will purchase all of the Obligations, if any Obligations are purchased, at a price of 112.025290% of the par value of the Obligations. The Obligations will be re-offered at an average price of 112.337538% of the par value of the Obligations. After the initial public offering, the public offering prices may vary from time to time.

OFFICIAL STATEMENT

At the time of the original delivery of and payment for the Obligations, the City will deliver a certificate of the Authorized Representative, addressed to the Obligation purchaser to the effect that the Authorized Representative has examined the Official Statement and the financial and other data concerning the City contained herein and that, to the best of his/her knowledge and belief, (i) the Official Statement, both as of its date and as of the date of delivery of the Obligations, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of the delivery of the Obligations there has been no material adverse change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in the Official Statement or an amendment thereto.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the “Rule”), the City, as the “obligated person” within the meaning of the Rule, has agreed to execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as APPENDIX D for the benefit of the holders of the Obligations. The City previously has executed and delivered Continuing Disclosure Certificates with respect to debt issues for which the City is the “obligated person” as defined in the Rule.

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MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete and reference is made to said laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Obligations. Any statements made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, since the date hereof.

CITY OF LAKE OSWEGO, OREGON

By: /s/ Shawn Cross
Shawn Cross, Finance Director

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APPENDIX A
FORM OF FINANCING AGREEMENT AND ESCROW AGREEMENT

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FINANCING AGREEMENT

between

COMPUTERSHARE TRUST COMPANY, N.A.
as Escrow Agent

and the

CITY OF LAKE OSWEGO, OREGON
as City

Relating to

City of Lake Oswego, Oregon
\$14,400,000
Full Faith and Credit Obligations,
Series 2024

Dated as of May 21, 2024

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EXHIBITS

- Exhibit A — Financing Payment Schedule
- Exhibit B — Prepayment Provisions

FINANCING AGREEMENT

This Financing Agreement is dated as of May 21, 2024, and is entered into by and between **COMPUTERSHARE TRUST COMPANY, N.A.**, a national banking association, as Escrow Agent (the “Escrow Agent”), and the **CITY OF LAKE OSWEGO**, Oregon (the “City”). The parties hereby agree as follows:

ARTICLE I RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Recitals.

(a) The City recites:

The City is authorized to finance real and personal property by a financing agreement pursuant to ORS 271.390, and pursuant to Resolution No. 24-10 adopted by the City Council on March 5, 2024, and to execute and deliver this Financing Agreement to pay all of the costs of the Project (as defined in Section 1.2) pursuant to that statute.

(b) The City and the Escrow Agent recite:

(i) The Escrow Agent desires to provide to the City the Financing Amount to finance the Project, but only from the proceeds of the City’s Full Faith and Credit Obligations, Series 2024 (the “Obligations”); and

(ii) The City desires to borrow the Financing Amount from the Escrow Agent to finance the Project, subject to the terms and conditions of and for the purposes set forth herein.

Section 1.2 Definitions. All capitalized terms not defined in this Financing Agreement shall have the meanings defined for those terms in the Escrow Agreement. Unless the context clearly requires use of a different definition, the following capitalized terms shall have the meanings defined for those terms in this section:

“**Escrow Agreement**” means the Escrow Agreement between the City and the Escrow Agent, of even date herewith, as it may be amended or supplemented relating to the Obligations.

“**Financing Agreement**” means this Financing Agreement, including the exhibits attached to this Financing Agreement and any amendments to this Financing Agreement and its exhibits.

“**Financing Amount**” means the sum of the principal components of the Financing Payments, as shown in the attached Exhibit A.

“**Financing Payments**” means the installment payments of principal and interest that the City is required to make under this Financing Agreement to repay the Financing Amount. “Financing Payments” include the scheduled payments shown in the attached Exhibit A and any permitted prepayments of those scheduled payments shown in Exhibit B.

“**Principal Office**” means the Corporate Trust office of the Escrow Agent located in St. Paul, Minnesota.

“**Project**” means the cost to:

- (a) finance a portion of the costs of the design, development, acquisition (including acquisition of land), construction, equipping and improvement of a Wastewater Treatment Facility of the City and related facilities; and
- (b) related financing and issuance costs.

“**Tax Certificate**” means the Tax Certificate of the City, dated the Closing Date, including any exhibits to the Tax Certificate.

Section 1.3 Rules of Construction. References to section numbers in documents which do not specify the document in which the section is located shall be construed as references to section numbers in this Financing Agreement.

ARTICLE II REPRESENTATIONS AND COVENANTS OF CITY AND ESCROW AGENT

Section 2.1 Representations and Covenants of City. The City represents and covenants for the benefit of the Escrow Agent and its assignees as follows:

- (a) The City is the City of Lake Oswego, Oregon, a municipality of the State of Oregon.
- (b) The City is authorized under Oregon Revised Statutes (ORS) 271.390 to enter into this Financing Agreement and to perform all of its obligations under this Financing Agreement.
- (c) All required action has been taken to ensure the enforceability of this Financing Agreement (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally).
- (d) All Financing Payments and deposits required by Section 3.2(b) below and the Additional Charges required by Sections 3.2(c)(ii), 3.2(c)(iii) and 3.2(c)(iv) below shall be paid to the Escrow Agent at its Principal Office.

Section 2.2 Representations and Covenants of Escrow Agent. The Escrow Agent represents and covenants for the benefit of the City as follows:

- (a) The Escrow Agent is a national banking association organized and existing under the laws of the United States of America and duly qualified to transact business of the type contemplated by this Financing Agreement and the Escrow Agreement in the State of Oregon, and has all necessary power to own its properties and assets and to carry on its business as now conducted.

(b) The consummation of the transactions contemplated by this Financing Agreement will not violate the provisions of, or constitute a breach or default under, the articles of association of the Escrow Agent or any material agreement to which the Escrow Agent is a party.

(c) The execution, delivery and performance by the Escrow Agent of this Financing Agreement and all related agreements, instruments and documents to which the Escrow Agent is a party have been duly authorized and constitute legal, valid and binding obligations of the Escrow Agent, enforceable against the Escrow Agent in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

Section 2.3 Tax Covenants. The City shall comply with the instructions and requirements of the Tax Certificate or Tax Certificate relating to the Obligations. This covenant shall survive payment in full or defeasance of the Obligations.

ARTICLE III THE FINANCING AND THE PAYMENTS

Section 3.1 The Financing. The Escrow Agent agrees to provide to the City an amount equal to the Financing Amount, but solely from the proceeds of the sale of the Obligations as provided in this Financing Agreement and the Escrow Agreement. The City agrees to borrow the Financing Amount from the Escrow Agent, and to repay that principal amount in installments, with interest, by making the Financing Payments and paying the Additional Charges as provided in this Financing Agreement. This financing for the City will be deemed to have been made when the transfers to the City which are specified in Section 3.5 of the Escrow Agreement have occurred. This Financing Agreement shall commence on the Closing Date and shall end on the date all Financing Payments and Additional Charges that the City is required to pay under this Financing Agreement have been paid or defeased in accordance with Section 11.1 of the Escrow Agreement. The Escrow Agent is not selling, arranging for sale or establishing the terms of the Obligations.

Section 3.2 The Payments and Additional Charges.

(a) The City agrees to pay the Escrow Agent, its successors or assigns, without deduction or offset of any kind, as payment for the financing made under this Financing Agreement, the Financing Payments and the Additional Charges.

(b) The City shall pay the Financing Amount to the Escrow Agent in installments, with interest, on or before 1:00 p.m., prevailing Lake Oswego, Oregon time, on the Business Day preceding the scheduled Payment Dates shown in Exhibit A, as those amounts may be reduced by any prepayment of the Financing Payments.

(i) To secure the performance of its obligation to pay Financing Payments, the City shall deposit an amount equal to each scheduled Financing Payment with the Escrow Agent on the Business Day preceding the scheduled Payment Date into the Payment Account. Each deposit made under this Section 3.2(b) shall be applied toward Financing Payments due from the City as provided in the Escrow Agreement.

(ii) In making deposits under this Section 3.2(b), the City shall be credited on each deposit date for any amounts then on hand in the Payment Account and available to pay the Financing Payment for which such deposit is being made and the City shall only be required to pay the difference, if any, between the amount of the deposit then due and the amounts then on hand in the Payment Account.

(c) In addition to the Financing Payments, the City covenants to pay the following Additional Charges, as and when the same become due and payable:

(i) all applicable rebates due in connection with this Financing Agreement and the Obligations that are required to be paid under Section 148(f) of the Code consistent with the City's representations and covenants contained in any of the certificates or other documents executed by the City as provided under Section 2.3 hereof; and

(ii) to the extent permitted by law, all fees, costs and expenses that the Escrow Agent may incur because of any default by the City under this Financing Agreement, including reasonable attorneys' fees and expenses and costs of suit or action at law to enforce the terms and conditions of this Financing Agreement; and

(iii) the fees, costs and expenses of the Escrow Agent as provided in the Escrow Agreement and the reasonable fees, costs and expenses of any successor Escrow Agent; and

(iv) Additional Charges shall be paid by the City when due, unless such payment may be delayed without penalty or interest, or within 30 days after notice in writing from the Escrow Agent to the City stating the amount of Additional Charges then due and payable and the purpose thereof. Additional Charges described in Sections 3.2(c)(i) shall be paid to the United States Treasury. Additional Charges described in Sections 3.2(c)(ii) and 3.2(c)(iii) above shall be paid to the Escrow Agent.

Section 3.3 Prepayment. The Financing Payments are subject to prepayment as provided in Exhibit B.

(a) Except as provided in Exhibit B, the Financing Payments are not otherwise subject to prepayment. The City may prepay the deposits required by Section 3.2(c)(i) above at any time.

(b) The City shall give notice of optional prepayment of Financing Payments to the Escrow Agent not later than forty-five (45) days before the prepayment date. The notice shall state the date of the prepayment, the maturities and the amounts of the principal components to be prepaid. The Escrow Agent will select the Obligations to be prepaid thereby pursuant to Section 2.10 of the Escrow Agreement. If the prepayment date is other than a Payment Date, the accrued portion of the interest component of Financing Payments due on the prepayment date shall be equal to the interest owed on the prepayment date with respect to the Obligations selected by the Escrow Agent for prepayment pursuant to Section 2.10 of the Escrow Agreement.

(c) If the principal component of a Financing Payment is prepaid, the schedule of Financing Payments in the attached Exhibit A shall be revised to reflect the prepayment, and the City shall provide the Escrow Agent such revised Exhibit A with an authorization and direction to replace Exhibit A then attached hereto. The Escrow Agent is hereby authorized to replace Exhibit A attached hereto with any revised Exhibit A received by the Escrow Agent as described above.

Section 3.4 Conditional Notice of Optional Prepayment. Any notice of optional prepayment may state that (i) (a) the optional prepayment is conditional upon receipt by the Paying Agent on the date fixed for prepayment of moneys sufficient to pay the prepayment price of the Obligations that are to be prepaid and/or (b) the optional prepayment is conditional upon the satisfaction of any other condition, and/or that such notice of prepayment may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time prior to the date fixed for prepayment if any such condition so specified is not satisfied or if any such other event occurs, and that (ii) such notice shall be of no effect if such moneys are not so deposited or if such notice is so rescinded. The Registrar shall give notice to the affected Owners of the Obligations as promptly as practicable upon of the City's failure to make such funds available or of the rescission of such notice in the same manner as the notice of optional prepayment was originally given.

Section 3.5 Nature of City's Obligations. The payment of the principal and interest components on this Financing Agreement shall be secured by and payable from the City's general non-restricted revenues and other funds that are lawfully available for that purpose, including, the proceeds of the Financing Agreement and revenues from an ad valorem tax authorized to be levied under the City's permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The obligation to pay the principal and interest components of this Financing Agreement is a full faith and credit obligation of the City.

(a) The City hereby covenants to use all taxing power available to the City under the law which is necessary to generate funds sufficient to permit the City to make Financing Payments, subject only to the limitations provided in Sections 11 and 11b, Article XI of the Oregon Constitution and any limitations that are imposed by law.

(b) The City hereby agrees that its obligation to pay all Financing Payments and Additional Charges is absolute and unconditional, and shall not be subject to annual appropriation or any of the following:

(i) any setoff, counterclaim, recoupment, defense or other right which the City may have against the Escrow Agent, any contractor or anyone else for any reason whatsoever;

(ii) any insolvency, bankruptcy, reorganization or similar proceedings by the City;

(iii) abatement through damage, destruction or non-availability of the Project; or

(iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

Section 3.6 Estoppel. The City hereby certifies, recites and declares that all things, conditions and acts required by the Constitution and Statutes of the State of Oregon and by this Financing Agreement and the Escrow Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Financing Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Financing Agreement is a valid and binding obligation of the City which is enforceable against the City in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

ARTICLE IV ASSIGNMENT

Section 4.1 By the Escrow Agent. The Escrow Agent may assign its rights under this Financing Agreement only as specifically permitted by Article V of the Escrow Agreement.

Section 4.2 By the City. The rights and obligations of City under this Financing Agreement may be assigned or transferred to any entity which succeeds or replaces the City, or any entity into which the City may be merged, but only if the assignee or transferee assumes all of the City's obligations under this Financing Agreement. The rights and obligations of the City under this Financing Agreement shall not otherwise be assigned or transferred.

ARTICLE V TITLE; FUTURE ENCUMBRANCES AND PARITY OBLIGATIONS

Section 5.1 Title. The Escrow Agent agrees that the City shall be entitled to exclusive possession and enjoyment of the Project while this Financing Agreement is in effect, without interference from the Escrow Agent or the Owners. The Escrow Agent shall have no mortgage, security interest or other right to the Project.

Section 5.2 Future Encumbrances and Parity Obligations. The Obligations are not secured by any interest in the Project, and the City reserves the right to sell, lease or grant other interests in the Project. The City reserves the right to commit its full faith and credit and available general funds for other purposes without limitation.

Section 5.3 Maintenance; Modification; Taxes; Insurance and Other Matters. The Escrow Agent shall have no obligation to maintain or modify the Project, or to pay any taxes, fees or charges associated with the Project, or to take any action related to the Project except actions specifically required by this Financing Agreement or the Escrow Agreement.

ARTICLE VI EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default Defined.

(a) The following shall be events of default under this Financing Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Financing Agreement, any one or more of the following events:

(i) Failure by the City to pay any Financing Payment required to be paid hereunder in the amount and at the time specified herein.

(ii) Except as provided in Section 6.1(a)(v) below, failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of sixty (60) days after written notice to the City by the Escrow Agent, specifying such failure and requesting that it be remedied, unless the Escrow Agent shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period but can be corrected, the Escrow Agent will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected within 180 days from the original notice to the City by the Escrow Agent;

(iii) The occurrence and continuance of any event of default under the Escrow Agreement; or

(iv) The commencement by the City of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or an assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with creditors, or the taking of any action by the City in furtherance of any of the foregoing.

(v) If by reason of force majeure, the City is unable in whole or in part to carry out its agreement herein contained, other than the obligations on the part of the City contained in Article 3 hereof, the City shall not be deemed in default during the continuance of such inability. The term “force majeure” as used herein shall mean, without limitation, any of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of the public enemy; orders or restraints of any kind of the government of the United States of America or of the City wherein the City is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any similar or different cause or event not reasonably within the control of the City.

Section 6.2 Remedies on Default.

(a) Whenever any event of default referred to in Section 6.1 above shall have happened and be continuing, the Escrow Agent shall have the right, at its sole option without any further demand or notice, to exercise any remedy described in Section 9.2 of the Escrow Agreement.

(b) The Escrow Agent shall exercise its rights hereunder only in accordance with the Escrow Agreement. No remedy referred to in this Section 6.2 is exclusive, but each shall be cumulative and in addition to any other remedy referred to herein or otherwise available to the Escrow Agent at law or in equity. In the event that the Escrow Agent exercises or begins to exercise any one or more of such remedies, such action shall not preclude the simultaneous or later exercise by the Escrow Agent of any other remedies. No express or implied waiver by the Escrow Agent of an event of default shall constitute a waiver of any other or subsequent event of default.

ARTICLE VII MISCELLANEOUS

Section 7.1 Notices.

(a) Except as otherwise provided in Section 7.1(b) below, all notices, obligations or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid and facsimile, to:

To the Escrow Agent at: Computershare Trust Company, N.A.
1505 Energy Park Drive
St. Paul, Minnesota 55108
Attention: Corporate Trust Services

To the City at: City of Lake Oswego, Oregon
380 A Avenue
P.O. Box 369
Lake Oswego, OR 97034
Attn: Finance Director
Facsimile: (503) 675-3746

With Copy to Special Counsel at: Orrick, Herrington & Sutcliffe LLP
1140 SW Washington St, Suite 500
Portland, OR 972059
Facsimile: (503) 943-4801
Attn: Gregory Blonde, Esq.

(b) **Facsimile Instructions.** The Escrow Agent agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Section 7.1 provided, so long as, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Escrow Agent shall forthwith receive the originally executed instructions and/or directions; (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (c) the Escrow Agent shall have received an incumbency certificate containing the specimen signature of such designated person. The Escrow Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon the receipt of facsimile transmissions of written instructions and/or directions.

Section 7.2 Binding Effect. This Financing Agreement shall inure to the benefit of and shall be binding upon the Escrow Agent and the City and their respective successors and assigns.

Section 7.3 Severability. In the event any provisions of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

Section 7.4 Amendments. This Financing Agreement may be amended only as provided in the Escrow Agreement.

Section 7.5 Execution in Counterparts. This Financing Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.6 Applicable Law. This Financing Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Financing Agreement or the transactions contemplated hereby shall be brought in the circuit court of Clackamas County, Oregon.

Section 7.7 Headings. The headings, titles and table of contents in this Financing Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Financing Agreement. All references herein to Sections, and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Financing Agreement.

[Signatures follow on next page]

IN WITNESS WHEREOF, the Escrow Agent has executed this Financing Agreement in its corporate name by its duly authorized officer and the City has caused this Financing Agreement to be executed in its name by its duly authorized officer, all as of the date first above written.

**COMPUTERSHARE TRUST COMPANY,
N.A., as Escrow Agent**

By: _____
Authorized Officer

**CITY OF LAKE OSWEGO, OREGON,
as City**

By: _____
Shawn Cross
Finance Director

EXHIBIT A
FINANCING PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
12/1/2024			\$380,000	\$380,000	
6/1/2025	\$285,000	5.000%	360,000	645,000	
6/30/2025					\$1,025,000
12/1/2025			352,875	352,875	
6/1/2026	315,000		352,875	667,875	
6/30/2026					1,020,750
12/1/2026			345,000	345,000	
6/1/2027	335,000	5.000	345,000	680,000	
6/30/2027					1,025,000
12/1/2027			336,625	336,625	
6/1/2028	350,000	5.000	336,625	686,625	
6/30/2028					1,023,250
12/1/2028			327,875	327,875	
6/1/2029	365,000	5.000	327,875	692,875	
6/30/2029					1,020,750
12/1/2029			318,750	318,750	
6/1/2030	385,000	5.000	318,750	703,750	
6/30/2030					1,022,500
12/1/2030			309,125	309,125	
6/1/2031	405,000	5.000	309,125	714,125	
6/30/2031					1,023,250
12/1/2031			299,000	299,000	
6/1/2032	425,000	5.000	299,000	724,000	
6/30/2032					1,023,000
12/1/2032			288,375	288,375	
6/1/2033	445,000	5.000	288,375	733,375	
6/30/2033					1,021,750
12/1/2033			277,250	277,250	
6/1/2034	470,000	5.000	277,250	747,250	
6/30/2034					1,024,500
12/1/2034			265,500	265,500	
6/1/2035	490,000	5.000	265,500	755,500	
6/30/2035					1,021,000
12/1/2035			253,250	253,250	
6/1/2036	515,000	5.000	253,250	768,250	
6/30/2036					1,021,500
12/1/2036			240,375	240,375	
6/1/2037	545,000	5.000	240,375	785,375	
6/30/2037					1,025,750

12/1/2037			226,750	226,750	
6/1/2038	570,000	5.000	226,750	796,750	
6/30/2038					1,023,500
12/1/2038			212,500	212,500	
6/1/2039	600,000	5.000	212,500	812,500	
6/30/2039					1,025,000
12/1/2039			197,500	197,500	
6/1/2040	630,000	5.000	197,500	827,500	
6/30/2040					1,025,000
12/1/2040			181,750	181,750	
6/1/2041	660,000	5.000	181,750	841,750	
6/30/2041					1,023,500
12/1/2041			165,250	165,250	
6/1/2042	690,000	5.000	165,250	855,250	
6/30/2042					1,020,500
12/1/2042			148,000	148,000	
6/1/2043	725,000	5.000	148,000	873,000	
6/30/2043					1,021,000
12/1/2043			129,875	129,875	
6/1/2044	765,000	5.000	129,875	894,875	
6/30/2044					1,024,750
12/1/2044			110,750	110,750	
6/1/2045	800,000	5.000	110,750	910,750	
6/30/2045					1,021,500
12/1/2045			90,750	90,750	
6/1/2046	840,000	5.000	90,750	930,750	
6/30/2046					1,021,500
12/1/2046			69,750	69,750	
6/1/2047	885,000	5.000	69,750	954,750	
6/30/2047					1,024,500
12/1/2047			47,625	47,625	
6/1/2048	930,000	5.000	47,625	977,625	
6/30/2048					1,025,250
12/1/2048			24,375	24,375	
6/1/2049	975,000	5.000	24,375	999,375	
6/30/2049					1,023,750
	\$14,400,000		\$11,177,750	\$25,577,750	\$25,577,750

EXHIBIT B

PREPAYMENT PROVISIONS

Optional Prepayment. The Obligations maturing on or after June 1, 2035 are subject to prepayment prior to maturity at the option of the City, in whole or in part on June 1, 2034 and on any date thereafter at a price of 100 percent of the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment.

Mandatory Prepayment. The Obligations stated to mature on June 1, 2046 are term obligations subject to mandatory sinking fund prepayment, in part, at a prepayment price equal to 100 percent of the principal amount to be prepaid, plus accrued interest, if any, to the date fixed for prepayment, on June 1 in the years and in the amounts as set forth below:

Term Obligations Maturing on June 1, 2046

<u>Year (June 1)</u>	<u>Sinking Fund Prepayment</u>
2045	\$800,000
2046*	840,000

* Final maturity.

The Obligations stated to mature on June 1, 2049 are term obligations subject to mandatory sinking fund prepayment, in part, at a prepayment price equal to 100 percent of the principal amount to be prepaid, plus accrued interest, if any, to the date fixed for prepayment, on June 1 in the years and in the amounts as set forth below:

Term Obligations Maturing on June 1, 2049

<u>Year (June 1)</u>	<u>Sinking Fund Prepayment</u>
2047	\$885,000
2048	930,000
2049*	975,000

* Final maturity.

Upon any partial optional prepayment of such term obligation, the amount of future mandatory sinking fund prepayment with respect thereto will be reduced, as directed by the City, to take into account such partial optional prepayments.

Selection for Prepayment. For as long as the Obligations are in book-entry-only form, if fewer than all of the Obligations of a maturity are called for prepayment, the selection of Obligations within such maturity to be prepaid shall be made by DTC in accordance with its operational procedures as then in effect. If the Obligations are no longer held in book-entry-only form, the Registrar shall select the Obligations within such maturity for prepayment randomly.

Notice of Prepayment. The City shall give notice of prepayment to the Registrar and Paying Agent not less than 45 days before the date fixed for prepayment or such shorter time as may be reasonably acceptable to the Registrar and Paying Agent. The Registrar shall give notice of

prepayment not less than 20 days and not more than 60 days prior to the date fixed for prepayment, to the registered Owners of the Obligations by first class mail, postage paid, at the addresses set forth on the Bond Register or, so long as the Obligations are in book-entry-only form, in such manner provided for in the blanket letter of representations the City has filed with the Depository (the "Blanket Letter of Representations") and in the operational procedures of DTC as in effect at such time. Each notice of prepayment shall be dated and shall state, without limitation: (i) the date fixed for prepayment; (ii) the prepayment price; (iii) if less than all outstanding Obligations are to be prepaid, the identification of the Obligations to be prepaid; (iv) that on the date fixed for prepayment the prepayment price will become due and payable upon each such Obligation or portion thereof called for prepayment; (v) that interest thereon shall cease to accrue from and after the date fixed for prepayment; (vi) the place where such Obligations are to be surrendered for payment of the prepayment price, which place of payment shall be the designated corporate trust office of the Paying Agent; and (vii) the assigned CUSIP numbers of all Obligations to be prepaid. So long as the Obligations are in book-entry-only form, the form of notice shall include such additional information as may be required by the Blanket Issuer Letter of Representations and the operational procedures of the DTC, as in effect from time to time.

Conditional Prepayment. Any notice of optional prepayment may state that (i) (a) the optional prepayment is conditional upon receipt by the Paying Agent on the date fixed for prepayment of moneys sufficient to pay the prepayment price of the Obligations that are to be prepaid and/or (b) the optional prepayment is conditional upon the satisfaction of any other condition, and/or that such notice of prepayment may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time prior to the date fixed for prepayment if any such condition so specified is not satisfied or if any such other event occurs, and that (ii) such notice shall be of no effect if such moneys are not so deposited or if such notice is so rescinded. The Registrar shall give notice to the affected Owners of the Obligations as promptly as practicable upon of the City's failure to make such funds available or of the rescission of such notice in the same manner as the notice of optional prepayment was originally given.

ESCROW AGREEMENT

between

COMPUTERSHARE TRUST COMPANY, N.A.

as Escrow Agent

and the

CITY OF LAKE OSWEGO, OREGON

as City

Relating to

**City of Lake Oswego, Oregon
\$14,400,000
Full Faith and Credit Obligations,
Series 2024**

Dated as of May 21, 2024

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT is dated as of May 21, 2024, and is entered into by and between **COMPUTERSHARE TRUST COMPANY, N.A.**, a national banking association, as Escrow Agent (the “Escrow Agent”), and the **CITY OF LAKE OSWEGO, OREGON** (the “City”). The parties hereby agree as follows:

ARTICLE I DEFINITIONS; RECITALS; AND TRANSFER OF RIGHTS

Section 1.1 Definitions. Unless the context clearly requires otherwise, capitalized terms not defined in this Section 1.1 shall have the meanings defined for such terms in the Financing Agreement. Capitalized terms used in this Escrow Agreement which are defined in this Section 1.1 shall have the following meanings, unless the context clearly requires otherwise:

“**Additional Charges**” means the amounts specified as such pursuant to Section 3.2 of the Financing Agreement.

“**Business Day**” means any day other than a Saturday, Sunday or a day on which the Escrow Agent is authorized by law to remain closed.

“**City**” means the City of Lake Oswego, Oregon, or its successors.

“**City’s Authorized Representative**” means the City Manager, Finance Director or the person designated in writing by the City Manager or Finance Director to act under this Escrow Agreement or the Financing Agreement.

“**Closing Date**” means the day on which the Obligations are delivered to the Purchaser in exchange for payment.

“**Code**” means the Internal Revenue Code of 1986, as amended, including regulations, rulings and judicial decisions promulgated thereunder.

“**Costs of Issuance Account**” means the Costs of Issuance Account created pursuant to Section 3.3 herein to pay costs of issuance of the Obligations.

“**Defeasance Obligations**” means direct non-callable obligations of the United States, or obligations, the principal of and interest on which, are fully and unconditionally guaranteed by the United States.

“**DTC**” means The Depository Trust Company, New York, New York.

“**EMMA**” means the MSRB’s Electronic Municipal Market Access system.

“**Escrow Agent**” means the entity serving as escrow agent under this Escrow Agreement, which as of the date of this Escrow Agreement, is Computershare Trust Company, N.A.

“**Escrow Agreement**” means this Escrow Agreement, as it may be amended and supplemented.

“**Event of Default**” has the meaning defined for that term in Section 9.1 of this Escrow Agreement.

“**Financing Agreement**” means the Financing Agreement for the Project, of even date herewith, and signed by the Escrow Agent and the City, as it may be amended and supplemented.

“**Financing Amount**” means the sum of the principal components of the Financing Payments for the Obligations, as set forth in Exhibit A of the Financing Agreement.

“**Financing Payments**” mean the installment payments of principal and interest which the City is required to make under the Financing Agreement to repay the Financing Amount. “Financing Payments” includes both the scheduled payments shown in Exhibit A to the Financing Agreement and any permitted prepayments of those scheduled payments shown in Exhibit B to the Financing Agreement.

“**Fiscal Year**” means each year beginning on July 1, and ending on the following June 30.

“**MSRB**” means the Municipal Securities Rule Making Board.

“**Obligation Register**” means the records kept for the registration of Obligations by the Escrow Agent pursuant to Section 2.9 below.

“**Obligations**” or “**Series 2024 Obligations**” means the \$14,400,000 Full Faith and Credit Obligations, Series 2024, dated May 21, 2024 authorized by Section 2.1 below evidencing undivided proportionate interests in the Financing Payments set forth in Exhibit A to the Financing Agreement.

“**ORS**” means the Oregon Revised Statutes, as amended from time to time.

“**Outstanding**” means, when used as of any particular time with respect to Obligations, all Obligations theretofore executed by the Escrow Agent and registered and delivered by the Escrow Agent under this Escrow Agreement except:

(a) Obligations previously canceled by the Escrow Agent or surrendered to the Escrow Agent for cancellation;

(b) Obligations for the payment or prepayment of the Financing Payments evidenced thereby of which funds or Defeasance Obligations in the necessary amount have previously been deposited with the Escrow Agent (whether upon or prior to the payment or prepayment date of such Obligations); and

(c) Obligations in lieu of or in exchange for which other Obligations have previously been executed and delivered by the Escrow Agent pursuant to Section 2.7 below.

“**Owner**” means the person in whose name an Outstanding Obligation is registered.

“Payment Account” means the Payment Account established pursuant to Section 3.1 hereof to pay principal and interest on the Obligations.

“Payment Date” means each June 1 and December 1, commencing December 1, 2024, as provided in Exhibit A to the Financing Agreement, or the date on which any Financing Payment will be prepaid in accordance with this Escrow Agreement and the Financing Agreement.

“Principal Office” means the Corporate Trust office of the Escrow Agent located in St. Paul, Minnesota.

“Project” means the cost of financing:

(a) a portion of the costs of the design, development, acquisition (including acquisition of land), construction, equipping and improvement of a Wastewater Treatment Facility of the City and related facilities; and

(b) related financing and issuance costs.

“Project Account” means the Project Account created pursuant to Section 3.2 hereof to pay costs of the Project.

“Purchaser” means Hilltop Securities Inc. as purchaser of the Obligations.

“Qualified Investments” means the investments in which the City may invest surplus funds under the laws of the State of Oregon.

“Record Date” means the fifteenth (15th) day of a month immediately preceding a month in which a Payment Date occurs, whether or not such date is a Business Day.

“Registered Owner” means the Registered Owner as described in Section 2.12 below.

“Registrar” means the Escrow Agent, serving as Escrow Agent and Paying Agent hereunder.

“Rule” means Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12).

“SEC” means the Securities and Exchange Commission.

“Special Counsel” means Orrick, Herrington & Sutcliffe LLP, or other nationally recognized special counsel appointed by the City.

Section 1.2 Recitals.

(a) City’s Recitals.

(i) The City is authorized by ORS 271.390 to enter into financing agreements to finance or refinance any real or personal property that its City Council determines is needed.

(ii) The City Council has determined in Resolution No. 24-10 adopted on March 5, 2024 (the “Resolution”), that the Project is needed, and the Escrow Agent and the City have entered into the Financing Agreement in which the Escrow Agent has agreed to provide to the City an amount equal to the Financing Amount, but solely from the sale of the Obligations as provided in the Financing Agreement and this Escrow Agreement, and the City has agreed to borrow the Financing Amount from the Escrow Agent to finance the Project.

(iii) The City enters into this Escrow Agreement to provide for the execution and delivery of the Obligations that will be paid from Financing Payments the City makes under the Financing Agreement.

(b) The Escrow Agent recites that it has placed its rights under the Financing Agreement, including the right to receive Financing Payments, in trust for the benefit of the Owners of the Obligations, that it accepts its obligations under this Escrow Agreement and the Financing Agreement and has agreed to execute and deliver the Obligations evidencing undivided proportionate interests in the Financing Payments.

(c) Rights Under Financing Agreement Held for Benefit of Owners. The City and the Escrow Agent hereby agree that the following rights shall be held in trust exclusively for the undivided proportionate benefit of the Owners as provided in this Escrow Agreement:

(i) all rights of the Escrow Agent under the Financing Agreement (except for the Escrow Agent’s right to payment from Additional Charges); and,

(ii) all rights of the Escrow Agent and the City to amounts in the Payment Account.

ARTICLE II THE SERIES 2024 OBLIGATIONS

Section 2.1 Authorization, Delivery and Terms of Obligations.

(a) The Obligations shall be dated, shall evidence principal components of the Financing Payments coming due on the dates and shall evidence interest components of the Financing Payments that shall be computed at the rates, as shown in Exhibit A to the Financing Agreement. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(b) The Escrow Agent is hereby authorized to register, execute, authenticate and deliver the Obligations in substantially the form shown in Exhibit A hereto, to DTC on behalf of the Purchaser or hold the Obligations in the Fast Automated Securities Transfer (FAST) for credit to the account of the Purchaser. The Obligations shall be numbered serially and shall be signed by manual or facsimile signature of an authorized officer of the Escrow Agent. The Escrow Agent agrees to apply the Financing Payments as provided in this Escrow Agreement.

Section 2.2 Payment of Obligations.

(a) Each Obligation represents an undivided ownership interest in and a right to receive:

(i) a proportionate share of the principal component of the Financing Payments due on the payment date of that Obligation, plus

(ii) a proportionate share of the interest components of the Financing Payments that are allocable to that principal component.

(b) The City shall pay the Financing Payments to the Escrow Agent in immediately available funds as provided in the Financing Agreement.

(c) Interest represented by the Obligations shall be payable by the Escrow Agent to the Owners by check or draft mailed to the Owners at their addresses as they appear on the Obligation Register on the Record Date; provided, that interest represented by Obligations of any Owner representing principal of \$1,000,000 or more shall be payable, upon the written request of such Owner in form and substance satisfactory to the Escrow Agent, by wire transfer of immediately available funds to an account within the United States designated by such Owner on or before the Record Date. Principal represented by the Obligations shall be payable upon due presentment and surrender of such obligations at the Principal Office of the Registrar. Notwithstanding the foregoing provisions, for so long as the Obligations are registered in the name of DTC (the "Depository") or its nominee, principal and interest represented by the Obligations shall be payable in accordance with the blanket letter of representations the City has filed with the Depository and the operational procedures of DTC.

Section 2.3 Book-Entry Only System.

(a) The Obligations shall be initially executed and delivered as a book-entry only security issue with no Obligation certificates being made available to the Owners in accordance with the blanket letter of representations the City has filed with the Depository. While the Obligations are in book-entry form, the Obligations shall be subject to the rules and procedures of the Depository.

(b) If the Depository determines not to continue to act as securities depository for the Obligations, or the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry only system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry only system, the Obligations shall no longer be a book-entry only issue but shall be registered in the registration books maintained by the Escrow Agent in the name of the Owner as appearing on the Obligation Register and thereafter in the name or names of the Owners of the Obligations transferring or exchanging Obligations in accordance with the provisions of this Section 2.3. The Escrow Agent shall authenticate and deliver printed Obligations to such Owners at the City's expense. In connection with any proposed transfer outside the book-entry only system, the City or DTC shall provide or cause to be provided to the Escrow Agent all information necessary to allow the Escrow

Agent to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Escrow Agent may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(c) While the Obligations are in book-entry form, the City and the Escrow Agent shall have no responsibility or obligation to any participant or correspondent of the depository or to any owner of a beneficial interest in the obligations (a “Beneficial Owner”) for:

(i) the accuracy of the records of the Depository, its nominee or any participant, correspondent or Beneficial Owner with respect to any ownership interest in the Obligations;

(ii) the delivery to any participant, correspondent, Beneficial Owner or any other person, other than an Owner as shown in the registration books maintained by the Escrow Agent, of any notice with respect to the Obligations, including any notice of prepayment;

(iii) the selection by the Depository of the beneficial interest in Obligations to be prepaid if the City prepaays the Obligations in part; or

(iv) the payment to any participant, correspondent, or any other person other than the Owner of the Obligations as shown in the registration books maintained by the Escrow Agent, of any amount with respect to principal, premium, if any, or interest with respect to the Obligations.

(d) Notwithstanding the book-entry only system, the City may treat and consider the person in whose name each Obligation is registered in the registration books maintained by the Escrow Agent as the absolute owner of such Obligation for the purpose of payment of principal, premium, if any, and interest with respect to such Obligation, or for the purpose of giving notices of prepayment and other matters with respect to such Obligation, or for the purpose of registering transfers with respect to such Obligation, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal, premium, if any, and interest with respect to the Obligations only to or upon the order of the Owners, as shown in the registration books maintained by the Escrow Agent and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligation with respect to payment thereof to the extent of the sum or sums so paid.

Section 2.4 Form of Obligations. The Obligations shall be executed and delivered in fully registered form in denominations of \$5,000 or any integral multiple thereof within a single payment date. The Obligations and the form of assignment shall be substantially in the form set forth in Exhibit A hereto and shall be numbered beginning with No. R-1.

Section 2.5 Execution. The Obligations shall be executed by and in the name of the Escrow Agent by the manual or facsimile signature of an authorized officer of the Escrow Agent and shall be authenticated by manual signature of an authorized officer of the Escrow Agent. Only Obligations that are substantially in the form set forth in Exhibit A hereto and that have been

manually authenticated by the Escrow Agent shall be valid for any purpose or entitled to the benefits of this Escrow Agreement.

Section 2.6 Registration of Transfer and Exchange. The provisions of this Section 2.6 apply only if the Obligations cease to be a book-entry only issue. The registration of any Obligation may, in accordance with its terms, be transferred upon the Obligation Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Escrow Agent and duly executed by the Owner or his or her authorized attorney. The transferor shall also provide or cause to be provided to the Escrow Agent all information necessary to allow the Escrow Agent to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Escrow Agent may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information. Obligations may be exchanged at the office of the Escrow Agent for Obligations evidencing a like aggregate principal amount or other authorized denominations of the same payment date. The Escrow Agent may require the Obligation Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Whenever any Obligation or Obligations shall be surrendered for registration of transfer or exchange, the Escrow Agent shall execute and deliver a new Obligation or Obligations of the same payment date, for like aggregate principal amount; provided that the Escrow Agent shall not be required to register transfers or make exchanges of:

- (a) Obligations for a period of fifteen (15) days next preceding any selection of the Obligations to be prepaid;
- (b) any Obligations chosen for prepayment; or
- (c) Obligations for a period of fifteen (15) days prior to any Payment Date.

Section 2.7 Mutilated, Lost, Destroyed or Stolen Obligations.

(a) If any Obligation becomes mutilated, the Escrow Agent, at the expense of the Owner of such Obligation, shall execute and deliver a new Obligation of like tenor and payment date but bearing a different number in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Escrow Agent of the Obligation so mutilated. Every mutilated Obligation so surrendered to the Escrow Agent shall be canceled by it.

(b) If any Obligation is lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Escrow Agent and, if such evidence is satisfactory to the Escrow Agent and, if an indemnity satisfactory to the Escrow Agent shall be given, the Escrow Agent, at the expense of the Owner of the Obligation in question, shall execute and deliver a new Obligation of like tenor and payment date and numbered as the Escrow Agent shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen.

(c) The Escrow Agent may require payment of an appropriate fee for each new Obligation delivered under this Section 2.7 and of the expenses that may be incurred by the Escrow Agent in carrying out the duties under this Section 2.7.

Section 2.8 Execution of Documents. The Escrow Agent may accept any evidence of execution of documents by Owners which the Escrow Agent reasonably deems sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation.

Section 2.9 Obligation Register. The Escrow Agent will maintain the Obligation Register and shall record the registration and transfer of all Obligations in the Obligation Register. The Obligation Register shall be open to inspection by the City during regular business hours upon reasonable notice.

Section 2.10 Prepayment.

(a) Terms of Prepayment. The Obligations shall be subject to optional and mandatory prepayment as provided in Exhibit B of the Financing Agreement.

(b) Selection of Obligations for Optional Prepayment. For as long as the Obligations are in book-entry-only form, if fewer than all of the Obligations of a maturity are called for prepayment, the selection of Obligations within such maturity to be prepaid shall be made by DTC in accordance with its operational procedures as then in effect. If the Obligations are no longer held in book-entry-only form, the Registrar shall select the Obligations within such maturity for prepayment randomly.

(c) Notice of Prepayment (No Depository).

(i) The provisions of this Section 2.10(c) shall apply only if the Obligations cease to be a book-entry-only issue. If the principal component of Financing Payments is to be prepaid, the City shall give notice of such prepayment to the Escrow Agent not less than forty-five (45) days before the prepayment date pursuant to Section 3.3(b) of the Financing Agreement and, not later than the date of prepayment, shall deposit with the Escrow Agent the amount required to effect the prepayment. The Escrow Agent shall give to the Obligation Owners notice of prepayment (“Notice of Prepayment”) of the Obligations at the expense of the City. Each Notice of Prepayment shall state (a) the prepayment date, (b) the place or places of prepayment (including the name and address of any prepayment agent), (c) if only a portion of the Obligations are being prepaid, the distinctive number of the Obligations to be prepaid, (d) the Obligations or designated portions thereof (in the case of prepayment of the Obligations in part but not in whole), (e) the prepayment price, (f) the CUSIP numbers (if any) assigned to the Obligations to be prepaid and (g) the dated date of the Obligations, the interest rate and stated payment date with respect to each Obligation to be prepaid in whole or in part. Each such Notice of Prepayment shall also state that on said date there shall become due and payable on each of said Obligations the principal amount with respect thereto (or a portion thereof in the case of an Obligation to be redeemed in part only),

together with interest accrued with respect thereto to the prepayment date, and that from and after such prepayment the interest thereon shall cease to accrue, and shall require that such Obligations be then surrendered.

(ii) The Escrow Agent shall take the following actions with respect to such Notice of Prepayment.

(1) At least twenty (20) days before the prepayment date, such Notice of Prepayment shall be given either by (a) first class mail, postage prepaid, (b) confirmed facsimile transmission or (c) overnight delivery service, to the following securities depository:

The Depository Trust Company
711 Stewart Avenue
Garden City, New York 11530
Facsimile transmission:
(516) 227-4039
(516) 227-4190

(2) At least twenty (20) days before the prepayment date, such Notice of Prepayment shall be given either by (a) first class mail, postage prepaid, (b) overnight delivery service, or (c) in electronic format as prescribed by the MSRB, to the MSRB, or any electronic municipal access system established by the MSRB for purposes of the Rule.

(iii) Notice of Prepayment shall be given by mailing, first class, postage prepaid, not more than sixty (60) days nor less than twenty (20) days prior to said prepayment date, copies thereof to the City and the Owners of the Obligations whose Obligations or a portion thereof are to be prepaid.

(iv) Any defect in notices given under Sections (i), (ii), or (iii) above shall not affect the validity of the proceedings for the prepayment of the Obligations or portions thereof.

(d) Notice of Prepayment (Depository). The City shall give notice of prepayment to the Registrar and Paying Agent not less than 45 days before the date fixed for prepayment or such shorter time as may be reasonably acceptable to the Registrar and Paying Agent. The Registrar shall give notice of prepayment, not less than 20 days and not more than 60 days prior to the date fixed for prepayment, to the registered Owners of the Obligations by first class mail, postage paid, at the addresses set forth on the Obligation Register or, so long as the Obligations are in book-entry-only form, in such manner provided for in the blanket letter of representations the City has filed with the Depository and in the operational procedures of DTC as in effect at such time. Each notice of prepayment shall be dated and shall state, without limitation: (1) the date fixed

(e) for prepayment; (2) the prepayment price; (3) if less than all outstanding Obligations are to be prepaid, the identification of the Obligations to be prepaid; (4) that on the date fixed for prepayment the prepayment price will become due and payable upon

each such Obligation or portion thereof called for prepayment; (5) that interest thereon shall cease to accrue from and after the date fixed for prepayment; (6) the place where such Obligations are to be surrendered for payment of the prepayment price, which place of payment shall be the principal corporate trust office of the Paying Agent; and (7) the assigned CUSIP numbers of all Obligations to be prepaid. So long as the Obligations are in book-entry-only form, the form of notice shall include such additional information as may be required by the blanket letter of representations the City has filed with the Depository and the operational procedures of the DTC, as in effect from time to time.

(f) Notice of Prepayment Required by Continuing Disclosure Certificate. In addition to the other notices of prepayment required by this Escrow Agreement, the Escrow Agent shall give to the MSRB or such other central repository established by the MSRB, including EMMA, any notices of prepayment.

(g) Partial Prepayment of Obligations. Upon surrender of any Obligation that is not in book entry form and is prepaid in part only, the Escrow Agent shall execute and deliver to the Owner thereof, at the expense of that Owner, a new Obligation or Obligations of authorized denominations equal in aggregate principal amount to the portion of the surrendered Obligation which is not prepaid and with the same stated interest rate and the same payment date. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the City and the Escrow Agent shall be released and discharged from all liability to the extent of such payment.

(h) Effect of Prepayment. If notice of prepayment has been given as provided in this Section 2.10, and the moneys for the prepayment (including the interest to the applicable date of prepayment) have been set aside in the Payment Account, the Obligations shall become due and payable on the date of prepayment upon presentation and surrender thereof at the office or offices specified in said notice, and interest with respect to the Obligations shall cease to accrue after the date fixed for prepayment. All moneys held by or on behalf of the Escrow Agent for the prepayment of Obligations shall be held in trust for the account of the Owners of the Obligations so to be prepaid. All Obligations paid at their payment date or prepaid prior to their payment date pursuant to the provisions of this Section 2.10, if any, shall be canceled upon surrender thereof.

(i) Conditional Notice of Prepayment. Any notice of optional prepayment may state that (i) (a) the optional prepayment is conditional upon receipt by the Paying Agent on the date fixed for prepayment of moneys sufficient to pay the prepayment price of the Obligations that are to be prepaid and/or (b) the optional prepayment is conditional upon the satisfaction of any other condition, and/or that such notice of prepayment may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time prior to the date fixed for prepayment if any such condition so specified is not satisfied or if any such other event occurs, and that (ii) such notice shall be of no effect if such moneys are not so deposited or if such notice is so rescinded. The Registrar shall give notice to the affected Owners of the Obligations as promptly as practicable upon of the City's failure to make such funds available or of the rescission of such notice in the same manner as the original notice of optional prepayment was given.

Section 2.11 Reserved.

Section 2.12 Provisions for Printed Obligations. If the City discontinues use of the book-entry only system or termination thereof occurs without designation of a new qualified securities depository, then the provisions of this Section 2.12 shall apply to the Obligations. Upon receipt of a printed Obligation, the Beneficial Owner shall become the Registered Owner. The principal with respect to such Obligations shall be payable upon presentation at the office of the Escrow Agent.

ARTICLE III ACCOUNTS

Section 3.1 Payment Account. The Escrow Agent shall establish and maintain a special fund designated as the “Full Faith and Credit Obligations, Series 2024 Payment Account,” which is defined in this Escrow Agreement as the “Payment Account.” The Escrow Agent shall keep the Payment Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Payment Account as provided in this Escrow Agreement:

(a) To secure the payment of Financing Payments, on the Business Day preceding each Payment Date, the City shall transfer the deposits described in Section 3.2(b)(i) of the Financing Agreement to the Escrow Agent. The Escrow Agent shall credit these deposits in the Payment Account.

(b) On each Payment Date the Escrow Agent shall withdraw from the Payment Account and transfer to Owners an amount equal to the principal and interest components of the Financing Payment due and payable on such Payment Date, but solely from moneys on deposit in the Payment Account.

(c) If on any Payment Date, the amount of the Financing Payment then due and payable exceeds the amounts deposited with the Escrow Agent and available therefor, the Escrow Agent shall pay to the Owners the moneys on hand, and the Escrow Agent shall apply such money first to the payment of the interest component, which shall be distributed by the Escrow Agent pro rata among the Owners if necessary, and second, to the payment of the principal component, which shall be distributed by the Escrow Agent pro rata among the Owners if necessary.

(d) Any amounts in the Payment Account in excess of the amount necessary to pay the principal and interest components of the Financing Payments and any earnings thereon shall be remitted to the City or, retained in the Payment Account and applied as a credit to the next deposit, as directed in writing by the City. The Escrow Agent shall provide the City, not less than thirty (30) days before each date a deposit is required under Section 3.2(b) of the Financing Agreement, an invoice which sets forth the amount of the next deposit.

(e) Any surplus remaining in the Payment Account after payment of all Financing Payments and all Obligations Outstanding and payment of any applicable fees and expenses of the Escrow Agent, or provision for such prepayment or payment of all Financing Payments having been made to the satisfaction of the Escrow Agent in accordance with Section 11.1 below hereof, shall be remitted to the City.

Section 3.2 Project Account. The City shall establish and maintain an account designated as the “Full Faith and Credit Obligations, Series 2024 Project Account,” which is defined in this Escrow Agreement as the “Project Account.” The Escrow Agent shall have no obligations with respect to the Project Account. The City shall keep the Project Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Project Account as provided in this Escrow Agreement:

(a) To pay costs of the Project, the City is authorized to make payments from the Project Account.

(b) Any amounts remaining in the Project Account after completion of the Project may be deposited in the Payment Account or such amounts remaining may be used by the City for uses related to the Project.

Section 3.3 Costs of Issuance Account. The City shall establish an account designated as the “Full Faith and Credit Obligations, Series 2024 Costs of Issuance Account” for payment of costs of execution and delivery of the Obligations, which is defined in this Escrow Agreement as the “Costs of Issuance Account.” The Escrow Agent shall have no obligations with respect to the Costs of Issuance Account. The City shall keep the Costs of Issuance Account separate and apart from all other funds and moneys held by it and shall administer and maintain the Costs of Issuance Account as provided in this Escrow Agreement:

(a) The City is authorized to make payments from the Costs of Issuance Account only for paying the costs of legal, accounting, organization, marketing or other special services and other fees and expenses, incurred or to be incurred by or on behalf of the City in connection with the issuance of the Obligations. The City acknowledges that the moneys in the Costs of Issuance Account available for payment of the foregoing costs may not be sufficient to pay such costs in full, and agrees therein to pay that portion of such costs in excess of the amount in the Costs of Issuance Account from any moneys legally available for such purpose.

(b) Any amounts remaining in the Costs of Issuance Account after payment of the costs of issuance for the Project may be deposited in the Payment Account or such amounts remaining may be used by the City for uses related to the Project.

Section 3.4 Additional Charges. If the Escrow Agent receives Additional Charges pursuant to the Financing Agreement, such Additional Charges shall be applied by the Escrow Agent solely to the payment of any costs in respect of which such Additional Charges were received and shall not be commingled in any way with any other funds received by the Escrow Agent pursuant to the Financing Agreement or this Escrow Agreement, except as provided above.

Section 3.5 Deposits at Closing. A portion of the proceeds of the Obligations in the amount of \$16,131,641.69 (\$14,400,000.00 par amount, plus original issue premium of \$1,776,605.40 and less underwriter’s discount of \$44,963.71) shall be transferred directly to the City for deposit into the following accounts:

Project Account	\$16,000,000.00
Costs of Issuance Account	<u>131,641.69</u>
	\$16,131,641.69

ARTICLE IV MONEYS IN FUNDS; INVESTMENT

Section 4.1 Moneys and Investments Held Under Escrow Agreement. The City shall hold all moneys under this Escrow Agreement and shall invest and reinvest such moneys in Qualified Investments. Notwithstanding the foregoing, the Escrow Agent shall hold all moneys transferred by the City to the Escrow Agent for deposit to the Payment Account as provided in Section 3.1 of this Escrow Agreement and shall, at the written direction of the City, invest and reinvest such moneys in Qualified Investments only until such time as the moneys are required for the payment of the Financing Payments. Such moneys and any other income or interest earned thereon shall be applied only as provided in this Escrow Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City, the Escrow Agent or any Owner.

Section 4.2 Deposit and Investment of Moneys in Accounts. The City may commingle any of the funds held by it pursuant to this Escrow Agreement in a separate fund or funds for investment purposes; provided, however, that all funds or accounts held by the City hereunder shall be accounted for separately notwithstanding such commingling by the City.

ARTICLE V THE ESCROW AGENT

Section 5.1 Compensation of the Escrow Agent. The City shall from time to time pay to the Escrow Agent reasonable compensation for its services and will pay or reimburse the Escrow Agent upon its request for all reasonable expenses, disbursements and advances made by the Escrow Agent in accordance with the provisions of this Escrow Agreement (including the reasonable fees, expenses and disbursements of its counsel), except any such expense, disbursement or advance as may be finally determined to have been directly caused by the Escrow Agent's gross negligence or willful misconduct. Fees for the Escrow Agent's services shall be those specified in the contract between the City and the Escrow Agent.

Section 5.2 Removal of Escrow Agent.

(a) The Escrow Agent may be removed and a successor Escrow Agent appointed:

(i) by the City at any time if, in the good faith opinion of the City, expressed in writing and delivered to the Escrow Agent and the successor Escrow Agent, it would not be materially adverse to the interests of the Owners of the Obligations that the Escrow Agent be removed and a successor Escrow Agent appointed;

(ii) for any breach of obligations of the Escrow Agent set forth herein;
or

(iii) at any time by written demand thereof filed with the Escrow Agent and the successor Escrow Agent by the Owners of a majority in aggregate principal amount evidenced by all Obligations Outstanding. Such removal shall become effective upon acceptance of appointment by the successor Escrow Agent.

(b) Any successor Escrow Agent appointed pursuant to the provisions of this section shall:

(i) be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority;

(ii) have substantial prior experience as a paying agent and registrar for the benefit of the owners of municipal debt securities; and

(iii) be a bank or trust company having (either singly or together with its parent holding company) a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars (\$75,000,000) and subject to supervision or examination by federal or state authority.

Section 5.3 Resignation of Escrow Agent.

(a) The Escrow Agent or any successor may at any time resign by giving written notice to the City and by giving notice by first-class mail to the Owners as of the date such notice is mailed of its intention to resign and of the proposed date of resignation, which shall be a date not less than thirty (30) days after the mailing of such notice, unless an earlier resignation date and the appointment of a successor Escrow Agent shall have been or are approved by the Owners of a majority in aggregate principal amount evidenced by all of the Obligations Outstanding.

(b) Upon receiving such notice of resignation, the City shall promptly appoint a successor Escrow Agent by an instrument in writing; provided, however, that if the City fails to appoint a successor Escrow Agent within thirty (30) days following receipt of such written notice of resignation, the Owners of a majority in aggregate principal amount evidenced by all Obligations Outstanding may appoint a successor Escrow Agent and if the Owners fail to appoint a successor Escrow Agent, within thirty (30) days following the expiration of such initial 30-day period, the resigning Escrow Agent may petition the appropriate court having jurisdiction to appoint a successor Escrow Agent.

(c) Notwithstanding any other provision of this Escrow Agreement, no removal, resignation or termination of the Escrow Agent shall take effect until a successor shall be appointed and have accepted its appointment.

Section 5.4 Merger or Consolidation. A merger or consolidation of the Escrow Agent with another entity shall not be treated as the appointment of a successor, and the entity into which the Escrow Agent is merged or consolidated or any bank or trust company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall become the successor Escrow Agent without any notice or filing, but only if: the merged or consolidated entity notifies the City that it has assumed the obligations of the Escrow Agent under this Escrow Agreement and the Financing Agreement, and the merged, consolidated, purchaser or transferee entity meets the requirements of Section 5.2(b) above.

Section 5.5 Acceptance of Appointment by Successor Escrow Agent.

(a) Any successor Escrow Agent appointed as provided in Section 5.3 or Section 5.4 above shall execute, acknowledge and deliver to the City and to its predecessor Escrow Agent an instrument accepting its appointment, and the appointment shall take effect on execution of that acceptance. Upon request of any successor Escrow Agent, the City and the prior Escrow Agent shall execute any documents the successor Escrow Agent may reasonably require to confirm its rights and powers under this Escrow Agreement and the Financing Agreement.

(b) Upon acceptance of appointment by a successor Escrow Agent as provided in this Section 5.5, the successor Escrow Agent shall mail, first-class, postage prepaid, notice of its appointment to the Owners.

Section 5.6 Duties and Responsibilities of the Escrow Agent Prior to and During Default.

(a) The Escrow Agent undertakes, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, to perform such duties and only such duties as are specifically set forth in this Escrow Agreement. In case any Event of Default has occurred (which has not been cured or waived) the Escrow Agent shall exercise such of the rights and powers vested in it by this Escrow Agreement and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) No provision of this Escrow Agreement shall be construed to relieve the Escrow Agent from liability for its own negligent action, its negligent failure to act or its own willful misconduct, except that:

(i) Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement, and the Escrow Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Escrow Agreement, and no covenants or obligations shall be implied into this Escrow Agreement adverse to the Escrow Agent;

(ii) The Escrow Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Escrow Agent, unless it shall be proved that the Escrow Agent was negligent in ascertaining the pertinent facts;

(iii) The Escrow Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount evidenced by the Obligations at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Escrow Agent, or

exercising any trust or power conferred upon the Escrow Agent, under this Escrow Agreement; and

(iv) No provision contained in this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur liability in the performance of any of its duties or the exercise of any of its rights or powers. Under no circumstances shall the Escrow Agent be liable in its individual capacity for the obligations evidenced by the Obligations.

Section 5.7 Protection and Rights of the Escrow Agent.

(a) The Escrow Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Escrow Agreement, and the Escrow Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Escrow Agent shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Escrow Agent or satisfactory evidence of the ownership of such Obligation shall be furnished to the Escrow Agent. The Escrow Agent may consult with counsel, who may be counsel to the City, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Escrow Agreement, the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the Escrow Agent's representative or the City's Representative and such certificate shall be full warranty to the Escrow Agent for any action taken or suffered under the provisions of this Escrow Agreement upon the faith thereof, but in its discretion the Escrow Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Escrow Agent may become the Owner of Obligations with the same rights it would have if it were not the Escrow Agent; may acquire and dispose of other certificates or evidences of indebtedness of the City with the same rights it would have if it were not the Escrow Agent; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of the majority in aggregate principal amount evidenced by the Obligations then Outstanding.

(d) The recitals, statements and representations by the City contained in this Escrow Agreement or in the Obligations shall be taken and construed as made by and on the part of the City, as the case may be, and not by the Escrow Agent, and the Escrow Agent does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Escrow Agent may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Escrow Agent shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

Section 5.8 Indemnification. To the extent permitted by law, the City covenants and agrees to indemnify and save the Escrow Agent harmless against any loss, expense or liability which it may incur arising out of or in the exercise or performance of its duties and powers hereunder, including the costs and expenses of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of this Escrow Agreement, excluding any losses or expenses which are due to the Escrow Agent's breach of fiduciary duties, negligence or willful misconduct. The obligations of the City under this Section 5.8 shall survive the resignation or removal of the Escrow Agent under this Escrow Agreement and the payment of the Obligations and discharge under this Escrow Agreement. The damages claimed against the City shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, ORS 30.260, *et seq.*, unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws.

ARTICLE VI CONCERNING THE OBLIGATION OWNERS

Section 6.1 Evidence of Action Taken by Owners. Whenever in this Escrow Agreement it is provided that the Owners of a specified percentage in aggregate principal amount evidenced by the Outstanding Obligations may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Owners of such specified percentage have joined therein may be evidenced:

(a) by any instrument or any number of instruments of similar tenor executed by Owners in person or by agent or proxy appointed in writing, or

(b) by the record of the Owners voting in favor thereof at any meeting of Owners, or

(c) by a combination of such instrument or instruments and any such record of such a meeting of Owners.

Section 6.2 Action Taken by Owners Irrevocable. Any consent to the taking of any action by any Owner of an Outstanding Obligation shall be irrevocable and shall be conclusive and binding upon such Owner and upon all future Owners of such Obligation and of any Obligation executed and delivered in exchange or substitution therefor, irrespective of whether or not any notation and regard thereto is made upon such Obligation. Any action taken by the Owners of the

percentage in aggregate principal amount evidenced by the Outstanding Obligations specified in this Escrow Agreement in connection with such action shall be conclusive and binding upon the City, the Escrow Agent and the Owners of all the Obligations.

Section 6.3 Certain Obligations Disregarded. In determining whether the Owners of the requisite aggregate principal amount evidenced by the Obligations have concurred in any direction or consent under this Escrow Agreement, Obligations which are owned by the Escrow Agent or the City or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Escrow Agent or the City shall be disregarded and treated as though they were not Outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Escrow Agent shall be protected in relying on any such direction or consent only Obligations which the Escrow Agent knows are so owned shall be so disregarded. Obligations so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section, if the pledgee shall establish to the satisfaction of the Escrow Agent the pledgee's right to vote such Obligations and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Escrow Agent or the City. In case of a dispute as to such right, any decision by the Escrow Agent taken upon the advice of counsel shall be full protection to the Escrow Agent.

ARTICLE VII MODIFICATION OF ESCROW AGREEMENT AND FINANCING AGREEMENT

Section 7.1 Limitations. This Escrow Agreement may be modified or amended only in accordance with this Article VII.

Section 7.2 Supplemental Escrow Agreement Without Consent of Owners. The City and the Escrow Agent may at any time enter into supplemental Escrow Agreements without the consent of or notice to the Owners, for the following purposes:

- (a) To cure any formal defect, omission, inconsistency or ambiguity in this Escrow Agreement; provided that such action shall not, in the reasonable judgment of the City, materially and adversely affect the interests of the Owners;
- (b) To grant to or confer or impose upon the Escrow Agent for the benefit of the Owners any additional rights, remedies, or powers or to amend this Escrow Agreement in any other way for the benefit of the Owners; provided that no such amendment may have, in the reasonable judgment of the City, a material and adverse effect on any Owner which has not consented to the Supplemental Escrow Agreement; or
- (c) To modify, alter, amend or supplement this Escrow Agreement in any other respect which is not materially adverse to the Owners and which does not involve a change described in Sections 7.3(a)(i), 7.3(a)(ii), 7.3(a)(iii), or 7.3(a)(iv) below and which, in the judgment of the Escrow Agent, is not to the prejudice of the Escrow Agent.

Before the Escrow Agent and the City shall enter into any supplemental Escrow Agreement pursuant to this Section, the City shall deliver to the Escrow Agent an opinion of Special Counsel stating that the supplemental Escrow Agreement is authorized or permitted by this Escrow Agreement, complies with its terms, will, upon the execution and delivery thereof, be valid and

binding upon the City in accordance with its terms, and will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the Obligations.

Section 7.3 Supplemental Escrow Agreement with Consent of the Owners.

(a) Any amendment to this Escrow Agreement which is not described in Section 7.2 above requires the consent of the City, the Escrow Agent and the Owners of not less than sixty percent (60%) in aggregate principal amount evidenced by the Obligations then Outstanding. However, the consent of all affected Owners of all the Obligations then Outstanding is required for:

(i) a change in the terms of the payment or prepayment of any portion of the Financing Payments, or

(ii) the creation of a claim or lien upon, or a pledge of the security ranking prior to or (except as expressly permitted by this Escrow Agreement) on a parity with the claim, lien or pledge created by this Escrow Agreement, or

(iii) the creation of a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or

(iv) a reduction in the aggregate principal amount evidenced by the Obligations the consent of the Owners of which is required for any supplemental Escrow Agreement or which is required, under Section 7.6 below, for any modification, alteration, amendment or supplement to the Financing Agreement.

(b) If at any time the City shall request the Escrow Agent to enter into any supplemental Escrow Agreement for any of the purposes of this Section 7.3 which require Owners' consent, the Escrow Agent shall cause notice of the proposed supplemental Escrow Agreement to be given by first class mail, postage prepaid, to all affected Owners at their addresses as they appear in the Obligation Register. Such notice shall briefly set forth the nature of the proposed supplemental Escrow Agreement and shall state that a copy thereof is on file at the office of the Escrow Agent for inspection by all Owners. Within two years after the date of the first mailing, the Escrow Agent and the City may enter into such supplemental Escrow Agreement in substantially the form described in such notice, but only if there shall have first been delivered to the Escrow Agent (i) the required consents, in writing, of Owners of Obligations then Outstanding, and (ii) an opinion of Special Counsel stating that such supplemental Escrow Agreement is authorized or permitted by this Escrow Agreement, complies with its terms, will, upon the execution and delivery thereof, be valid and binding upon the Escrow Agent and the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

(c) If the Owners of not less than the percentage of Obligations then Outstanding required by this Section 7.3 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner shall have any right to object to the execution and delivery of such supplemental Escrow Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to

question the propriety of the execution and delivery thereof, or to enjoin or restrain the Escrow Agent or the City from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Section 7.4 Effect of Supplemental Escrow Agreement. Upon the execution and delivery of any supplemental Escrow Agreement pursuant to the provisions of this Section 7.4, this Escrow Agreement shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Escrow Agreement of the Escrow Agent, the City and all Owners of Obligations then Outstanding shall thereafter be determined, exercised and enforced under this Escrow Agreement subject in all respects to such modifications and amendments.

Section 7.5 Amendments to Financing Agreement Not Requiring Consent of Owners.

(a) The City, with the consent of the Escrow Agent but without the consent of or notice to the Owners, may amend, change or modify the Financing Agreement as may be required:

(i) By the provisions of the Financing Agreement and this Escrow Agreement, or

(ii) To cure any ambiguity, formal defect or omission in the Financing Agreement; provided that such action shall not, in the reasonable judgment of the City, materially and adversely affect the interests of the Owners, or

(iii) To make any other change to the Financing Agreement which, in the reasonable judgment of the City, does not materially and adversely affect the Owners.

(b) Before the City shall enter into, and the Escrow Agent shall consent to, any amendment, change or modification pursuant to this Section 7.5 or Section 7.6 below, there shall have been delivered to the Escrow Agent and the City an opinion of Special Counsel stating that such amendment, change or modification is authorized or permitted by this Escrow Agreement and the Financing Agreement, complies with their terms, will, upon the execution and delivery thereof, be valid and binding upon Escrow Agent and the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations.

Section 7.6 Amendments to Financing Agreement Requiring Consent of the Owners.

(a) Any amendment to the Financing Agreement which is not described in Section 7.5 above requires the consent of the City, the Escrow Agent and the Owners of not less than sixty percent (60%) in aggregate principal amount evidenced by the Obligations Outstanding given as provided in this Section 7.6. However, the consent of the Owners of all affected Obligations then Outstanding is required for any amendment, change or modification of the Financing Agreement that would permit the termination or

cancellation of the Financing Agreement or a reduction in or postponement of the payments under the said agreement or any change in the provisions relating to the payments thereunder.

(b) If at any time the City shall request the consent of the Escrow Agent to an amendment to the Financing Agreement which is not described in Section 7.5 above, the Escrow Agent shall cause notice to be given of such proposed amendment, change of modification in the same manner as provided by Section 7.3 above with respect to supplemental Escrow Agreements. Such notice shall briefly set forth the nature of such proposed amendment, change or modification, and shall state that copies of the instrument embodying the same are on file at the principal office of the Escrow Agent for inspection by all Owners at any time during reasonable business hours and upon reasonable prior notice. The City may enter into, and the Escrow Agent may consent to, any such proposed amendment, change or modification subject to the same conditions and with the same effect as provided in Section 7.3 above hereof with respect to supplemental Escrow Agreements, provided the City has obtained the opinion of Special Counsel which is described in Section 7.5 above.

ARTICLE VIII COVENANTS; NOTICES

Section 8.1 Compliance With and Enforcement of Financing Agreement.

(a) The City covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Financing Agreement and to enforce such agreement against the Escrow Agent in accordance with its terms.

(b) The Escrow Agent covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Financing Agreement and to enforce such Agreement against the City in accordance with its terms, subject to the rights of the City therein as provided in this Escrow Agreement and the Financing Agreement.

Section 8.2 Notice in Event of Late Financing Payment. If the Escrow Agent does not receive any Financing Payment deposit within one Business Day after the date on which it is due in accordance with the Financing Agreement, the Escrow Agent shall give prompt written notice of such fact to the City.

Section 8.3 Notice of Default. If an Event of Default occurs, the Escrow Agent shall give written notice of such default to the Owners of the Obligations then Outstanding. Such notice shall specify that an Event of Default has occurred, and shall contain a brief description of the Event of Default. Any failure to give this notice shall not affect any rights of Owners. This notice shall be mailed by first class mail, postage prepaid, to each Owner within thirty (30) days of the actual knowledge of default by a responsible officer in the corporate trust department of the Escrow Agent. However, except for an Event of Default described in Section 9.1(a) below, the Escrow Agent may withhold such notice if and so long as the Escrow Agent in good faith determines that the withholding of such notice is in the interests of the Owners of Obligations.

Section 8.4 Tax Covenants. The City shall comply with the instructions and requirements of the Tax Certificate or Tax Certificates relating to the Obligations. This covenant shall survive payment in full or defeasance of the Obligations.

Section 8.5 Prosecution and Defense of Suits. The City shall promptly take such action as may be necessary to cure any defect in the title to the Project or any part thereof, or the perfection of security interests in the Project, whether now existing or hereafter developing, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Section 8.6 Further Assurances. The Escrow Agent and the City will make, execute and deliver any and all such further resolutions, instruments and assurances as the City may deem reasonably necessary or proper to carry out the intention or to facilitate the performance of this Escrow Agreement, and for the better assuring and confirming to the Owners of the Obligations the rights and benefits provided herein.

ARTICLE IX EVENTS OF DEFAULT

Section 9.1 Events of Default. The occurrence of one or more of the following shall constitute Events of Default:

(a) The City shall fail to pay any Financing Payment when due; or

(b) The City shall fail to observe and perform any other covenant, condition or agreement on its part to be observed or performed for a period of sixty (60) days after written notice to the City by the Escrow Agent, specifying such failure and requesting that it be remedied, unless the Escrow Agent shall agree in writing to an extension of such time prior to its expiration; provided however, that if the failure stated in the notice cannot be corrected within the applicable period but can be corrected, the Escrow Agent will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(c) An “event of default” described in Section 6.1(a) of the Financing Agreement occurs and is continuing.

Section 9.2 Remedies on Default. Upon the occurrence and continuance of any Event of Default, the Escrow Agent may proceed, and upon written request of the Owners of not less than a majority in aggregate principal amount evidenced by the Obligations then Outstanding and upon being indemnified to its satisfaction, shall proceed to take whatever action at law or in equity may appear necessary or desirable to enforce the Financing Agreement or to protect any of the rights vested in the Escrow Agent or the Owners of Obligations by this Escrow Agreement or by the Obligations, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Escrow Agreement or in aid of the exercise of any power granted in this Escrow Agreement or for the enforcement of any other legal or equitable right vested in the Escrow Agent by this Escrow Agreement or by law. However, the Financing Amount and the Financing Payments shall not be subject to acceleration.

The Escrow Agent may exercise such one or more of the rights and powers conferred by this Article IX as the Escrow Agent in its discretion being advised by its counsel shall deem most expedient and in the interests of the Owners.

Section 9.3 No Remedy Exclusive. No remedy herein conferred upon or reserved is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Escrow Agreement to the Escrow Agent, or given under the Financing Agreement and assigned hereunder to the Escrow Agent, or now or hereafter existing at law or in equity. No delay or omission of the Escrow Agent to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Escrow Agent to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required in this Section 9.3 or by law.

Section 9.4 Agreement to Pay Attorneys' Fees and Expenses. If any party to this Escrow Agreement should default under any of the provisions hereof and any non-defaulting party or parties should employ attorneys or incur other expenses for the collection of moneys on the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay, to the extent permitted by law, to such non-defaulting party or parties the reasonable fees of such attorneys and such other expenses incurred by such non-defaulting party or parties.

Section 9.5 No Additional Waiver Implied by One Waiver. If any agreement contained in this Escrow Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6 Application of Moneys Upon Default. If at any time after an Event of Default has occurred the moneys in the Payment Account shall not be sufficient to pay the Financing Payments as the same become due and payable, such moneys together with any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for herein or otherwise, shall be applied by the Escrow Agent as follows:

(a) First: To the payments of costs, expenses and fees, and reasonable compensation of the Escrow Agent, its agents and attorneys, and all expenses and liabilities incurred and advances made by the Escrow Agent;

(b) Second: To the payment to the persons entitled thereto of the interest components of Financing Payments as they become due in the order of the payment date of such Financing Payments, and, if the amount available shall not be sufficient to pay in full any particular interest component of a Financing Payment, then to the payment ratably, according to the amounts due on such interest portion, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Obligations;

(c) Third: To the payment of the persons entitled thereto of the principal components of Financing Payments as they become due in the order of the payment date

of such Financing Payments, and, if the amount available shall not be sufficient to pay in full any particular principal component of a Financing Payment, then to the payment ratably, according to the amounts due on such principal portion, to the persons entitled thereto, without discrimination or preference; and

(d) Fourth: To the City, but only if the Obligations are no longer Outstanding and all Additional Charges have been paid.

Section 9.7 Action by Owners. If the Escrow Agent fails to take any action to eliminate an occurrence of an Event of Default, the Owners of more than fifty percent (50%) in aggregate principal amount evidenced by the Obligations then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Financing Agreement or this Escrow Agreement, but only if the Escrow Agent shall have been given written notice of such default (unless such default shall consist of a failure to make a Financing Payment when due) and the continuance thereof and if such percentage of Owners have first made written request of the Escrow Agent to institute such action or proceedings in its own name as Escrow Agent hereunder and shall have afforded the Escrow Agent sixty (60) days either to proceed to exercise the powers granted therein or granted under law or to institute such action, suit or proceeding in its name and unless also, the Escrow Agent shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Escrow Agent shall have refused or neglected to comply with such request within a reasonable time.

ARTICLE X LIMITATION OF LIABILITY

Section 10.1 Limited Liability of City; No Personal Liability of Escrow Agent. Except for the payment of Financing Payments and Additional Charges when due in accordance with the Financing Agreement, and the performance of the other covenants and agreements of the City contained in the Financing Agreement and this Escrow Agreement, the City shall have no obligation or liability to any of the other parties or to the Owners of the Obligations with respect to this Escrow Agreement or the terms, execution, delivery or transfer of the Obligations, or the distribution of Financing Payments to the Owners by the Escrow Agent. Under no circumstances shall the Escrow Agent be liable in its individual capacity for the obligations evidenced by the Obligations.

Section 10.2 No Liability of City for Escrow Agent Performance. The City shall not have any obligation or liability to any of the other parties or to the Owners of the Obligations with respect to the performance by the Escrow Agent of any duty imposed upon it under this Escrow Agreement.

Section 10.3 No Liability of Escrow Agent for Financing Payments by City. The Escrow Agent shall not have any obligation or liability to the Owners of the Obligations with respect to the payment of the Financing Payments by the City when due, or with respect to the performance by the City of any other covenant made by it in the Financing Agreement.

Section 10.4 Opinion of Counsel; Experts.

(a) Before being required to take any action, the Escrow Agent may require an opinion of independent counsel acceptable to the Escrow Agent, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Escrow Agent shall be absolutely protected in relying thereon.

(b) If an Event of Default occurs or a dispute arises under this Escrow Agreement or the Financing Agreement, the Escrow Agent may employ as its agents attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Escrow Agent), as it may deem necessary to carry out any of its obligations hereunder. The City shall reimburse the Escrow Agent for its reasonable expenses in so doing. The Escrow Agent shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Escrow Agent.

(c) The Escrow Agent may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorizations and protection in respect to any action taken or not taken by the Escrow Agent hereunder in good faith and in reliance thereon.

Section 10.5 Limitation of Rights to Parties and Owners. Nothing in this Escrow Agreement or in the Obligations expressed or implied is intended or shall be construed to give any person other than the City, the Escrow Agent and the Owners of the Obligations, any legal or equitable right, remedy or claims under or in respect of this Escrow Agreement; all covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Escrow Agent and the Owners.

ARTICLE XI MISCELLANEOUS

Section 11.1 Defeasance.

(a) All or any portion of the Outstanding Obligations may be paid and discharged in any one or more of the following ways:

(i) By paying or causing to be paid the Financing Payments attributable to such Obligations as and when the same become due and payable;

(ii) By irrevocably depositing with the Escrow Agent or an independent escrow agent, in trust, before the payment dates, money which, together with the amounts then on deposit in the Payment Account, is fully sufficient to pay all Financing Payments attributable to such Obligations; or

(iii) By irrevocably depositing with the Escrow Agent or an independent escrow agent, in trust, Defeasance Obligations in such amount which will, together with the interest to accrue thereon, be sufficient to pay all Financing Payments evidenced by such Obligations, as and when the same become due and payable, as

evidenced by a verification report, and providing the Escrow Agent with an opinion of Special Counsel that such deposits will not cause the interest component of Financing Payments to be includable in gross income under federal income tax laws.

(b) All obligations of the Escrow Agent and the City under this Escrow Agreement with respect to such Obligations which are paid or deemed paid hereunder shall cease and terminate, except for the obligation of the City to pay the Additional Charges specified in Section 3.2 of the Financing Agreement and to pay Financing Payments from the amount so deposited, and of the Escrow Agent to apply amounts on deposit to the payment of the Financing Payments.

(c) The Escrow Agent shall, so long as any Obligations remain Outstanding, keep complete and accurate records of all moneys received and disbursed under this Escrow Agreement, which shall be available for inspection by the City and any Owner, or the agent of any of them, at any time during reasonable business hours upon reasonable prior notice. Upon written notice, the Escrow Agent shall promptly make such records available to the City, any Owner, or their respective auditors and other representatives, and shall cooperate with them in auditing and reproducing the records.

Section 11.2 Notices.

(a) Except as otherwise provided in Section 11.2(b) below, all written notices to be given under this Escrow Agreement to any party to this Escrow Agreement shall be given by first-class mail, postage prepaid and facsimile to the following addresses (unless the addressee has previously notified the other party in writing of a change in address):

To the Escrow Agent at: Computershare Trust Company, N.A.
1505 Energy Park Drive
St. Paul, MN 55108
Attention: Corporate Trust Services

To the City at: City of Lake Oswego, Oregon
380 A Avenue
P.O. Box 369
Lake Oswego, OR 97034
Attn: Finance Director
Facsimile: (503) 534-5240

To Special Counsel at: Orrick, Herrington & Sutcliffe LLP
1140 SW Washington Street, Suite 500
Portland, OR 97205
Attn: Greg Blonde, Esq.
Facsimile: (503) 943-4801

(b) Facsimile Instructions. The Escrow Agent agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this

Section 11.2 provided, so long as, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Escrow Agent shall forthwith receive the originally executed instructions and/or directions; (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (c) the Escrow Agent shall have received a current incumbency certificate containing the specimen signature of such designated person. The Escrow Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon the receipt of facsimile transmissions of written instructions and/or directions.

Section 11.3 Governing Law. This Escrow Agreement shall be construed and governed in accordance with the laws of the State of Oregon. Any action regarding this Escrow Agreement or the transactions contemplated hereby shall be brought in the circuit court of Clackamas County, Oregon.

Section 11.4 Partial Invalidity. Any provision of this Escrow Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate any remainder of this Escrow Agreement.

Section 11.5 Binding Effect; Successors. This Escrow Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Escrow Agreement any party hereto is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all covenants and agreements contained in this Escrow Agreement by or on behalf of any party hereto shall bind and inure to the benefit of the successors and assigns thereof whether so expressed or not.

Section 11.6 Execution in Counterparts. This Escrow Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 11.7 Destruction of Canceled Obligations. Whenever in this Escrow Agreement provision is made for the surrender to or cancellation by the Escrow Agent of any Obligations, the Escrow Agent shall cancel such Obligations and destroy them pursuant to its retention policies then in effect.

Section 11.8 Headings. The headings, titles and table of contents in this Escrow Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Escrow Agreement. All references herein to “Sections,” and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Escrow Agreement.

[Signatures follow on next page]

The Escrow Agent has executed this Escrow Agreement in its corporate name by its duly authorized officer and the City has caused this Escrow Agreement to be executed in its name by its duly authorized officer, all as of the date first above written.

**COMPUTERSHARE TRUST
COMPANY, N.A., as Escrow Agent**

By: _____
Authorized Officer

CITY OF LAKE OSWEGO, OREGON

By: _____
Shawn Cross
Finance Director

EXHIBIT A

(FORM OF SERIES 2024 OBLIGATION)

No. R-1

\$[_____]

**FULL FAITH AND CREDIT OBLIGATION,
SERIES 2024**

**Evidencing an Undivided Proportionate Interest of the Owner
Hereof in Certain Financing Payments to be Made
Under a Financing Agreement between the**

**City of Lake Oswego, Oregon
and
Computershare Trust Company, N.A.
as Escrow Agent**

<u>Dated Date</u>	<u>Principal Component Interest Rate Per Annum</u>	<u>Principal Component Payment Date</u>	<u>CUSIP Number</u>
May 21, 2024	5.000%	June 1, 20[___]	510390 [___]

REGISTERED OWNER: -- CEDE & CO. --

PRINCIPAL AMOUNT: -- [_____] --

This Obligation is executed and delivered by Computershare Trust Company, N.A., pursuant to an Escrow Agreement, dated as of May 21, 2024, between Computershare Trust Company, N.A., as escrow agent (the “Escrow Agent”), and the City of Lake Oswego, Oregon (the “City”). The Escrow Agent and the City have entered into that certain Financing Agreement, dated as of May 21, 2024 (the “Financing Agreement”), pursuant to which the City is legally required to make financing payments (the “Financing Payments”). The City has assigned to Escrow Agent all of its right, title and interest in the Financing Payments for the benefit of the Owners of the Obligations under the Escrow Agreement.

This Obligation is entitled proportionately to receipt of the principal component of Financing Payments in the amount set forth as Principal Amount above due on the Principal Component Payment Date set forth above and is entitled proportionately to receipt of an amount of the interest component of Financing Payments on each Payment Date attributable to the interest accruing on said principal component at the Principal Component Interest Rate set forth above.

ADDITIONAL PROVISIONS OF THIS OBLIGATION APPEAR ON THE REVERSE SIDE HEREOF AND ON SUBSEQUENT PAGES; THESE PROVISIONS HAVE THE SAME EFFECT AS IF THEY WERE PRINTED HEREIN.

Computershare Trust Company, N.A., in St. Paul, Minnesota, as the Escrow Agent and Registrar (the “Registrar”), shall pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above on the above Principal Component Payment Date together with interest thereon from the dated date indicated above at the Principal Component Interest Rate per annum indicated above, but solely from amounts received from the City pursuant to the Financing Agreement and the Escrow Agreement. Interest is payable semiannually on June 1 and December 1 of each year until payment, commencing on December 1, 2024 (the “Payment Date”) to the Owners of record as of the 15th day of a month immediately preceding a month in which a Payment Date occurs (the “Record Date”). Principal components of, and interest components of the Financing Payments on this Obligation shall be received by Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), or its registered assigns in same-day funds on each Payment Date. Such payments shall be made payable to the order of “Cede & Co.” All terms used in this Obligation and not otherwise defined herein shall have the respective meanings assigned thereto in the Financing Agreement and the Escrow Agreement. The Obligations are payable from the Payment Account as provided in the Escrow Agreement.

This Obligation is one of a series of Full Faith and Credit Obligations, Series 2024 (the “Obligations”), being executed and delivered evidencing the aggregate principal amount \$14,400,000. The City is authorized to enter into the Financing Agreement and the Escrow Agreement by Resolution No. 24-10 adopted by the City Council of the City on March 5, 2024 (the “Resolution”).

This Obligation is subject to prepayment in the manner specified in the Financing Agreement and the Escrow Agreement.

The Financing Payments under the Financing Agreement shall be payable from the City’s general non-restricted revenues and other funds that are lawfully available for that purpose, including, the proceeds of the Financing Agreement and revenues from an ad valorem tax authorized to be levied under the City’s permanent rate limit under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the City in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use. The City pledges its full faith and credit and taxing powers to the repayment of the Financing Payments as contemplated by Oregon Revised Statutes 271.390. The registered owners of the Obligations will not have a lien or security interest on the Project financed with the proceeds of the Financing Agreement. **THE REGISTERED OWNERS OF THE OBLIGATIONS DO NOT HAVE A LIEN OR SECURITY INTEREST ON THE PROJECT FINANCED WITH THE PROCEEDS OF THE OBLIGATIONS.**

The Obligations are initially executed and delivered as a Book-Entry System issue with no Obligation certificates provided to the Owners. Records of Obligation ownership will be maintained by the Escrow Agent and DTC and its participants.

Should the book-entry-only security system be discontinued, the Obligations shall be issued in the form of fully registered Obligations without coupons in the denominations of \$5,000

or any integral multiple thereof. Such Obligations may be exchanged for Obligations of the same aggregate principal amount, but different authorized denominations, as provided in the Resolution.

Any transfer of this Obligation must be registered, as provided in the Resolution, upon the Obligation Register kept for that purpose at the Principal Office of the Registrar. Upon registration, a new registered Obligation or Obligations, of the same series and maturity and in the same aggregate principal amount shall be issued to the transferee as provided in the Resolution. The City and the Registrar may treat the person in whose name this Obligation is registered as its absolute owner for all purposes, as provided in the Resolution.

The Obligation owner may exchange or transfer this Obligation only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and duly executed by the registered owner or his duly authorized attorney, at the principal corporate trust office of the Registrar in the manner and subject to the conditions set forth in the Resolution.

Unless this Obligation is presented by an authorized representative of DTC to the City or its agent for registration, transfer, exchange or payment, and any Obligation issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

THE ESCROW AGENT HAS NO OBLIGATION OR LIABILITY TO THE OWNERS OF OBLIGATIONS FOR THE PAYMENT OF THE INTEREST OR PRINCIPAL PORTIONS PERTAINING TO THE OBLIGATION; THE ESCROW AGENT'S ONLY OBLIGATIONS ARE TO ADMINISTER, FOR THE BENEFIT OF THE CITY AND THE OWNERS OF OBLIGATIONS, THE PAYMENT ACCOUNT ESTABLISHED IN THE ESCROW AGREEMENT AND ONLY SUCH DUTIES AS SET FORTH IN THE ESCROW AGREEMENT.

This Obligation shall remain in the Registrar's custody subject to the provisions of the Fast Automated Securities Transfer (FAST) agreement currently in effect between Computershare Trust Company, N.A., as Registrar and The Depository Trust Company, New York, New York.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the execution and delivery of this Obligation have existed, have happened, and have been performed in due time, form and manner.

IN WITNESS WHEREOF, the Escrow Agent has caused this Obligation to be executed by the manual or facsimile signature of an authorized officer as of the date set forth above.

**COMPUTERSHARE TRUST
COMPANY, N.A.**, not personally but
solely in its capacity as Escrow Agent

By: _____
Authorized Officer

THIS OBLIGATION SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE REGISTRAR IN THE SPACE INDICATED BELOW.

Date of Authentication: May 21, 2024.

CERTIFICATE OF AUTHENTICATION

This is one of the \$14,400,000 Full Faith and Credit Obligations, Series 2024, which represents an interest in the Financing Payments due under the Financing Agreement described herein, and is properly registered and authenticated pursuant to the Escrow Agreement.

COMPUTERSHARE TRUST COMPANY, N.A.,
as Registrar

By: _____
Authorized Officer

This Obligation shall remain in the Registrar's custody subject to the provisions of the Fast Automated Securities Transfer (FAST) agreement currently in effect between Computershare Trust Company, N.A., as Registrar and The Depository Trust Company, New York, New York.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Please insert social security or other identifying number of assignee)
this Obligation and does hereby irrevocably constitute and appoint
_____ as attorney to transfer this Obligation on the books kept for
registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Obligation in every particular, without alteration or enlargement or any change whatever.

NOTICE: The signatures to this Assignment must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program (“STAMP”), the Stock Exchange Medallion Program (“SEMP”) or the New York Stock Exchange, Inc. Medallion Securities Program (“MSP”).

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Obligation, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM -- tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship and not as tenants in common
- OREGON CUSTODIANS use the following
 - _____
CUST UL OREG _____ MIN as custodian for
(as custodian for) (name of minor)
 - OR UNIF TRANS MIN ACT
(under the Oregon Uniform Transfer to Minors Act)

Additional abbreviations may also be used though not in the list above.

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APPENDIX B
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR
ENDED JUNE 30, 2023

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CITY OF LAKE OSWEGO



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

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CITY OF LAKE OSWEGO, OREGON
ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the fiscal year ended June 30, 2023

prepared by

the Finance Department of
the City of Lake Oswego

and

available online at
www.ci.oswego.or.us/finance



This report was printed on recycled paper

CITY OF LAKE OSWEGO, OREGON
 Annual Comprehensive Financial Report
 for the fiscal year ended June 30, 2023

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CITY OF LAKE OSWEGO, OREGON
Annual Comprehensive Financial Report
for the fiscal year ended June 30, 2023

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CITY OF LAKE OSWEGO, OREGON
ANNUAL COMPREHENSIVE FINANCIAL REPORT

SECTION I

INTRODUCTORY SECTION



December 29, 2023

To the Mayor, City Council, and Citizens of the City of Lake Oswego:

State law requires that local governments publish within six months of the close of each fiscal year a complete set of audited financial statements. This Annual Comprehensive Financial Report (ACFR) for the City of Lake Oswego is hereby submitted to fulfill this requirement for the fiscal year ended June 30, 2022.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls 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+Co, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City’s financial statements for the fiscal year ended June 30, 2023. 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

The City of Lake Oswego (the City), incorporated in 1910, is located in northwest Oregon, along the Willamette River surrounding Oswego Lake. The City currently occupies about 11 square miles and serves a population of 41,148. It is the largest city in Clackamas County and about eight miles south of downtown Portland. Access to downtown Portland is from Highway 43, which parallels the Willamette River. Interstate 5 is the quickest route for commuters on the west end of the City to get to downtown Portland.

The City Charter establishes the City under a council-manager form of government, which vests policy authority in a volunteer city council (the Council), and administrative authority for day-to-day operations in a professional city manager. The Council consists of a mayor and six councilors elected on a non-partisan basis for a term of four years. They appoint the city manager, who in turn appoints the heads of the various departments.

To the Mayor, City Council and Citizens of the City of Lake Oswego

The City provides a full range of municipal services to the community. These services include police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, wastewater, and surface water management services, planning and zoning regulation, building inspection and regulation, parks and recreational activities, and community library service. The City has one component unit governmental entity, the Lake Oswego Redevelopment Agency (the Agency), the urban renewal agency of the City of Lake Oswego. The financial statements of this agency are included in this report as a blended component unit.

The Council is required to adopt a final budget by no later than June 30th of the fiscal year. This budget serves as the foundation for the City's financial planning and control. The budget is allocated by fund, function, and department (e.g., engineering – engineering management). Transfers of budget amounts between appropriation levels are approved by Council.

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 one of the highest of any city in the state of Oregon.

Lake Oswego is primarily a residential community with a low ratio of heavy industry and retail-based commercial activity, although there is a significant office corridor along Kruse Way on the west side, and a major ongoing redevelopment effort at the east end of the City. The largest non-manufacturing employers are the Lake Oswego School District and the City of Lake Oswego. The largest manufacturing employers include makers of medical microelectronics.

Additional commercial development along Kruse Way, near Interstate 5, includes more than a dozen class A office buildings, the Centerpointe Corporate Office Park, and four hotels.

Long-term financial planning

Included in the review of the City's strategic financial plan, reserve amounts of each fund fall within the policy guidelines which are set by the Council and reviewed by the Citizens Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenditures and generally range between 5 and 30 percent depending on the fund.

Along with the adoption of the 2021-23 biennial budget, certain utility rate fee increases were approved. Effective July 1, 2022, a 2 percent rate increase for water, a 7 percent rate increase for storm water management fees, and a 3.9 percent rate increase for sewer fees were approved.

To the Mayor, City Council and Citizens of the City of Lake Oswego

The City had \$31,835,000 outstanding in three general obligation bond issues, \$169,615,000 outstanding in five full faith and credit obligations for water, wastewater, surface water, streets and urban renewal, for a total of \$201,450,000 in bond issues outstanding as of June 30, 2023.

City's Credit Ratings

In 2006, Moody's Investors Service and Standard & Poor's Rating Service raised their ratings on the City to triple A, commenting on the City's favorable socioeconomic indicators and well managed financial operations. In October 2007, Moody's Investor Service raised its rating on the City's Water Fund debt from Aa3 to Aa2, citing very good coverage, low debt burden, and excellent financial management. And in February 2009, Moody's and Standard & Poor's Rating Service raised their ratings on the City to triple A for the full faith and credit obligations issued to fund the Lake Oswego Interceptor Sewer project. These ratings were reaffirmed April 2020.

Major initiatives

The City sets goals and budget development principles on an annual basis. The goals serve as guidance for the City's work plan during the year and help inform staff on the desired outcomes for the preparation of the City's annual spending plan. The City Council goals for the 2022-23 fiscal year included major policy decisions as well as important financial planning efforts: ensure a safe, secure, and prepared community; support business investment and job creation in Lake Oswego; foster a welcoming and inclusive community where all people have the opportunity to thrive and have equitable access to City Services; combat climate change and strengthen the community's resilience to climate impacts; strengthen public trust in the City through continuous improvement, outstanding customer service, infrastructure investments, and fiscal stewardship; invest in Lake Oswego's high-quality parks, natural areas, and recreational amenities; improve transportation connections, mobility and safety for all travelers and all types of trips in Lake Oswego; and conserve the community's character, sense of place, and quality of life by planning for change and growth.

To the Mayor, City Council and Citizens of the City of Lake Oswego

Awards

Comprehensive Annual Financial Reporting Award. For the fourteenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Lake Oswego for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2022. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also is given to the Mayor, the Council, and the Audit Committee for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Martha Bennett
City Manager



Shawn Cross
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lake Oswego
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

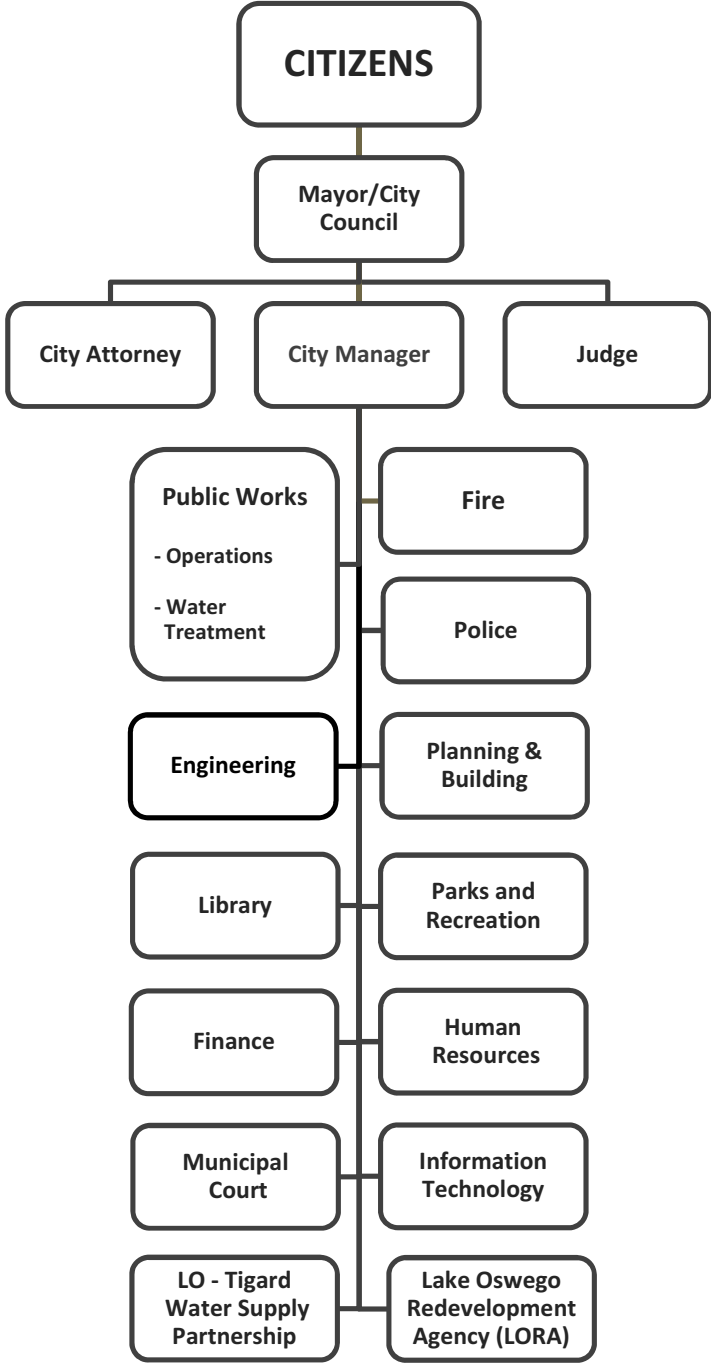
June 30, 2022

Christopher P. Morill

Executive Director/CEO

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**City of Lake Oswego, Oregon
Organization Chart**



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CITY OF LAKE OSWEGO, OREGON

List of Elected and Appointed Officials

Elected Officials	Term Expires
Joe Buck, Mayor	December 31, 2024
Ali Afghan, Councilor	December 31, 2026
Trudy Corrigan, Councilor	December 31, 2026
Massene Mboup, Councilor	December 31, 2024
Aaron Rapf, Councilor	December 31, 2024
Rachel Verdick, Councilor	December 31, 2024
John Wendland, Councilor	December 31, 2026

Appointed Officials	Position
Martha Bennett	City Manager
Ellen Osoinach	City Attorney
Bruce Shepley	Municipal Court Judge

Directors:

Melissa Kelly	Library Director
Megan Phelan	Assistant City Manager
George Burke	Police Chief
Shawn Cross	Finance Director
Ivan Anderholm	Parks and Recreation Director
Erica Rooney	Public Works Director
Weston Pay	Information Technologies Director
Don Johnson	Fire Chief
Jessica Numanoglu	Planning and Building Services Director

380 A Avenue
Post Office Box 369
Lake Oswego, Oregon 97034
www.ci.oswego.or.us

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CITY OF LAKE OSWEGO, OREGON
ANNUAL COMPREHENSIVE FINANCIAL REPORT

SECTION II

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, City Council, and Audit Committee
City of Lake Oswego, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lake Oswego, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Lake Oswego, Oregon's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lake Oswego, Oregon, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lake Oswego, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 2. H. to the financial statements, the City of Lake Oswego adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

City of Lake Oswego, 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lake Oswego's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Lake Oswego's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lake Oswego's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 resources and requirements – budget and actual, schedule of changes in the City's total OPEB liability and related ratios implicit rate subsidy plan, schedule of City's contributions, and schedule of proportionate share of net (asset)/liability, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 changes in the City's total OPEB liability and related ratios implicit rate subsidy plan, schedule of City's contributions, and schedule of proportionate share of net (asset)/liability, 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 resources and requirements – 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lake Oswego, Oregon’s basic financial statements. The accompanying other supplementary information, as listed in the table of contents including the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 other supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

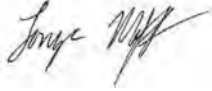
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023 on our consideration of City of Lake Oswego, Oregon’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lake Oswego, Oregon’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lake Oswego, Oregon’s internal control over financial reporting and compliance.

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 29, 2023, on our consideration of City of Lake Oswego, 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.



For Merina+Co
Tualatin, Oregon
December 29, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the City of Lake Oswego. The analysis focuses on significant financial issues, debt administration, capital assets, major financial activities and resulting changes in financial position, budget changes and variances from the budget, specific issues related to funds, and the economic factors affecting the City.

Management's Discussion and Analysis focuses on current year activities and resulting changes. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this discussion and analysis.

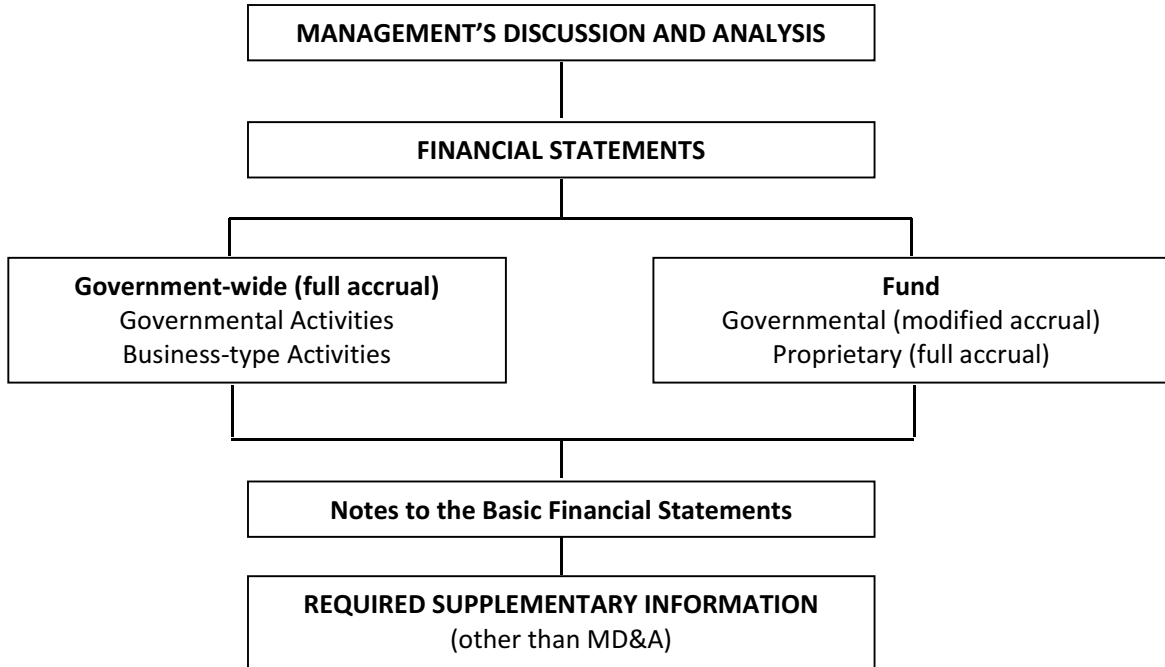
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$461.7 million (*net position*). Of this amount, \$51.2 million (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position *increased* \$44.4 million over the course of this year's operations. Net position of our governmental activities *increased* by \$23.3 million or 10.8 percent and net position of our business-type activities *increased* by \$21.2 million or 10.5 percent.
- During the fiscal year, the City incurred net expenses from governmental activities totaling \$35.9 million. These net expenses were \$25.8 million less than the \$61.7 million generated in tax and other revenues for governmental programs.
- In the City's business-type activities, operating revenues increased by \$11.2 million to \$49.0 million (*including \$0.4 million for the internal service funds*), while operating expenses increased by \$1.3 million from the prior year.
- The net direct cost of all the City's programs was \$18.6 million with no new programs added this year.
- The General Fund reports a fund balance as of the end of this fiscal year of \$41.8 million, which is an increase of \$7.1 million from the previous fiscal year-end balance. This increase is due to an increase in revenues from prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements*, *required supplementary information*, and the *combining statements and schedules* of the nonmajor funds. The basic financial statements also include *notes* that explain the information in the financial statements and provide more details. The statements are followed by the section, *required supplementary information*, which provides schedules with OPEB and PERS data and budgetary comparison information for the City's General Fund and major special revenue fund. Chart 1 below, illustrates how the various sections of this annual report are arranged relative to one another.

**Chart 1
Required Elements of the
Annual Comprehensive Financial Report**



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* of the government’s assets, deferred outflows, liabilities and deferred inflows. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s *net position* and how it has changed. Net position—the difference between assets, deferred outflows, liabilities and deferred inflows—is one way to measure the City’s *financial health*.

- Over time, increases or decreases in the City’s net position are one indicator of whether its *financial health* is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors, such as changes in the City’s property tax base and the condition of the City’s roads.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities—Most of the City’s basic services are included here, such as police, fire, community development, parks, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities—The City charges fees to customers to help it cover the costs of certain services it provides. The City’s water, sewer, stormwater management systems, golf and tennis are included here. The internal services for management from public works support services and engineering are also included with business-type activities.

Statement of Net Position as of June 30, 2023

Net position may serve over time as a useful indicator of a government’s financial health. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$461.7 million at the close of the most recent fiscal year.

By far the largest portion of the City’s net position (73.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position as of Fiscal Year-end
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	FY22-23	FY21-22	FY22-23	FY21-22	FY22-23	FY21-22
Current and other assets	\$ 130.3	\$ 113.2	\$ 56.4	\$ 46.4	\$ 186.7	\$ 159.6
Capital assets	256.7	249.5	303.0	299.9	559.7	549.4
Total assets	<u>387.0</u>	<u>362.7</u>	<u>359.4</u>	<u>346.3</u>	<u>746.4</u>	<u>709.0</u>
Deferred outflows	17.1	20.4	3.6	4.2	20.7	24.6
Current liabilities	11.8	11.5	11.5	11.1	23.3	22.6
Long-term liabilities	141.5	130.4	122.9	130.7	264.4	261.1
Total liabilities	<u>153.3</u>	<u>141.9</u>	<u>134.4</u>	<u>141.8</u>	<u>287.7</u>	<u>283.7</u>
Deferred inflows	13.0	26.3	5.1	6.3	18.1	32.6
Net position						
Net investment of capital assets	162.5	164.4	178.9	168.2	341.4	332.6
Restricted	68.9	57.5	0.2	0.2	69.1	57.7
Unrestricted	6.6	(7.0)	44.6	34.0	51.2	27.0
Total net position	<u>\$ 238.0</u>	<u>\$ 214.9</u>	<u>\$ 223.7</u>	<u>\$ 202.4</u>	<u>\$ 461.7</u>	<u>\$ 417.3</u>

An additional portion of the City’s net position (\$69.1 million or 14.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$51.2 million, may be used to meet the City’s ongoing obligations to citizens and creditors.

As of June 30, 2023, the City had positive balances in all of the three categories of net position, for the City as a whole, and for the separate governmental activities. This is a change from the prior fiscal year as capital projects have been completed reducing restricted net position for governmental activities.

Total net position increased by \$44.2 million during the current fiscal year. This increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses.

Statement of Activities for the fiscal year ended June 30, 2023

As with the statement of net position, the City reports activities on a consolidated basis. A summary of the statement of activities is provided in Table 2 below.

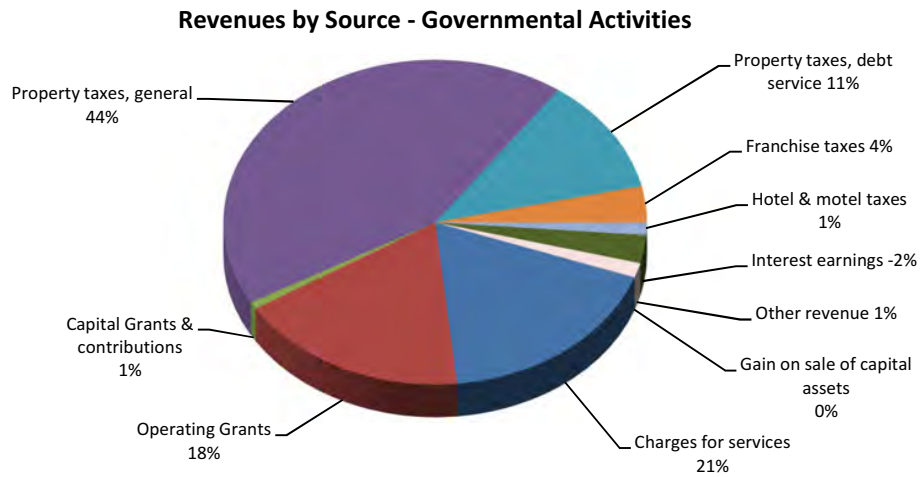
Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	FY22-23	FY21-22	FY22-23	FY21-22	FY22-23	FY21-22
Revenues						
Charges for services	\$ 17.2	\$ 18.6	\$ 46.0	\$ 37.6	\$ 63.2	\$ 56.2
Operating grants	17.1	14.7	-	-	17.1	14.7
Capital grants	0.7	4.2	3.0	0.2	3.7	4.4
General revenues						
Property taxes	52.8	49.7	-	-	52.8	49.7
Franchise and hotel/motel taxes	4.7	4.2	-	-	4.7	4.2
Other	4.2	(0.8)	1.2	(0.4)	5.4	(1.2)
Total revenues	<u>96.7</u>	<u>90.6</u>	<u>50.2</u>	<u>37.4</u>	<u>146.9</u>	<u>128.0</u>
Expenses						
Governmental activities						
General government	8.9	7.3	-	-	8.9	7.3
Public safety	33.9	31.5	-	-	33.9	31.5
Culture and recreation	17.1	17.2	-	-	17.1	17.2
Highways and streets	8.5	6.9	-	-	8.5	6.9
Interest on long-term debt	2.5	3.2	-	-	2.5	3.2
Business-type activities						
Water	-	-	15.4	14.5	15.4	14.5
Sewer	-	-	12.2	12.4	12.2	12.4
Stormwater	-	-	3.0	2.9	3.0	2.9
Tennis facility	-	-	0.6	0.3	0.6	0.3
Public works support services	-	-	0.1	-	0.1	-
Engineering	-	-	0.4	0.3	0.4	0.3
Total expenses	<u>70.9</u>	<u>66.1</u>	<u>31.7</u>	<u>30.4</u>	<u>102.6</u>	<u>96.5</u>
Excess before transfers	25.8	24.5	18.5	7.0	44.3	31.5
Transfers	(2.6)	-	2.6	-	-	-
Change in net position	<u>23.2</u>	<u>24.5</u>	<u>21.1</u>	<u>7.0</u>	<u>44.3</u>	<u>31.5</u>
Net Position - beginning	<u>214.8</u>	<u>190.3</u>	<u>202.4</u>	<u>195.4</u>	<u>417.2</u>	<u>385.7</u>
Net Position - ending	<u>\$ 238.0</u>	<u>\$ 214.8</u>	<u>\$ 223.5</u>	<u>\$ 202.4</u>	<u>\$ 461.5</u>	<u>\$ 417.2</u>

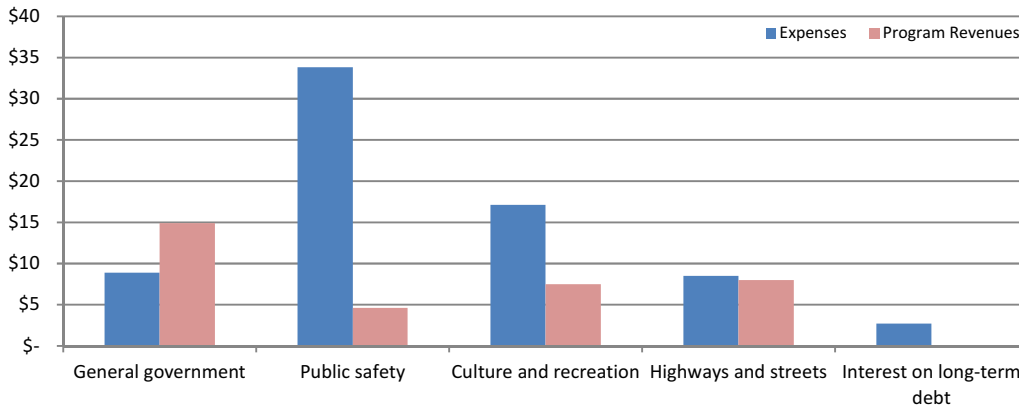
Governmental Activities

Governmental activities increased the City's net position by \$23.2 million. Key elements of this increase are illustrated in Table 2 on the previous page. These include \$6.4 million in proceeds from a bond issue to fund parks projects. An increase in investment earnings of \$4.3 million also contributed to the increase in net position. Blended into the governmental activities is the City's component unit, Lake Oswego Redevelopment Agency (the Agency), the urban renewal agency of the City. This Agency's tax collections account for \$9.5 million, or 18.1 percent, of the property taxes collected by the City. The Agency's property tax collections are restricted to repayment of urban renewal debt which finances various projects within the urban renewal district.

The revenues charted in the following pie chart include all program and general revenues for governmental activities such as property taxes, franchise fees, charges for services, operating grants, capital contributions, and interest earnings. Property taxes continue to be the major source of revenue for the City's governmental activities.



Expenses and Program Revenues (in millions) – Governmental Activities



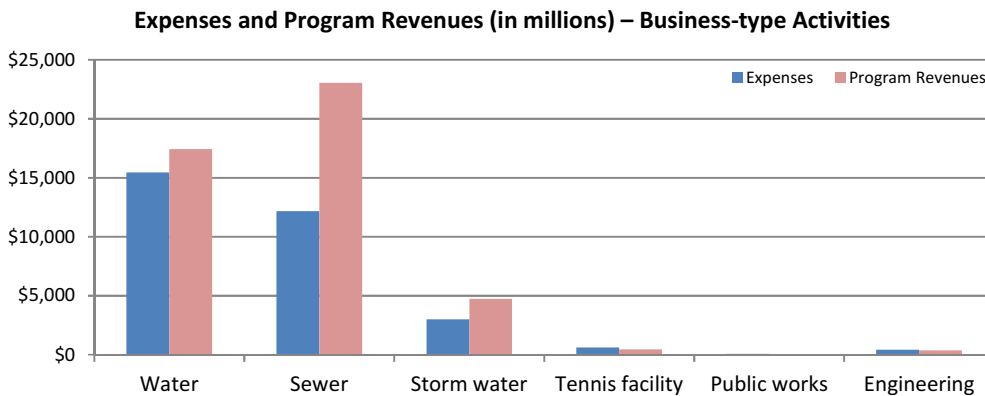
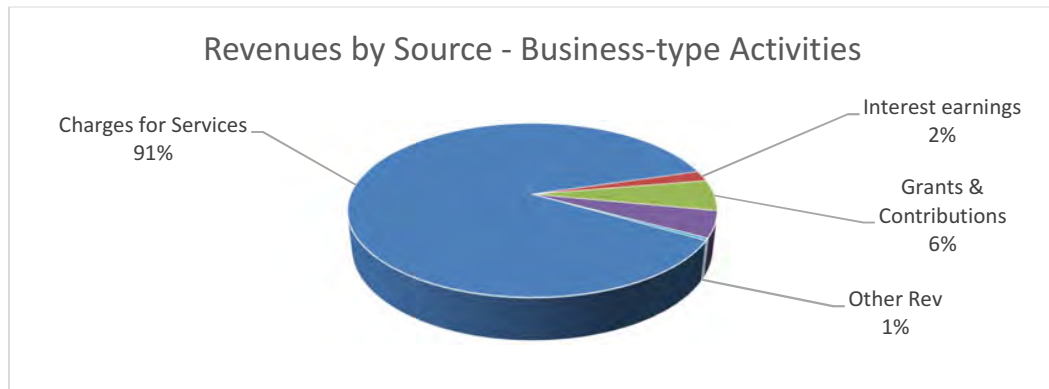
Business-type Activities – Enterprise Funds

The Water Fund revenues represent approximately 37.8 percent of all enterprise revenues for the City. Most of these revenues went towards operations of the City’s water treatment plant located in West Linn. The Lake Oswego-Tigard Water Partnership was formed in 2009 to manage the expansion and upgrade of the City’s water supply system

The Sewer Fund revenues represent approximately 50.1 percent of all utility revenues for the City. Most of Lake Oswego is serviced by a sewer system that feeds into a main pipeline located under the surface of Oswego Lake transporting sewage to the Tryon Creek sewer treatment facility.

The Stormwater Fund revenues represent approximately 10.3 percent of all utility revenues for the City. These revenues go for the operations of the City’s stormwater management system.

Activities of the tennis facility, approximately 0.9 percent of the total enterprise revenues, are also included with business-type activities in the government-wide financial statements.



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2023, the City's governmental funds reported a combined ending fund balance of \$123.0 million, an increase of \$17.5 million when compared to the prior year. Most of this increase was in restricted fund balance for capital projects. Unassigned fund balance combined with assigned and committed fund balance as of June 30, 2023, was \$54.2 million and is available for spending at the City's discretion.

General Fund

The general fund is the chief operating fund of the City. At June 30, 2023, total fund balance was \$41.8 million, reflecting an increase of \$7.1 million from the prior year. Within the general fund ending balance, \$38.5 million is considered unassigned. The City's general fund continues to be funded mainly with property taxes. General fund revenues increased from \$72.5 million from the prior year to \$76.6 million. Property tax revenues increased by \$2.1 million primarily from a 3% increase in assessed value. Expenditures in the general fund decreased by \$1.2 million from \$65.0 million in the prior year to \$63.8 million. This decrease was primarily due to a reduction of capital outlay after the completion of the City Hall project.

Street Fund

This special revenue fund accounts for the operations and maintenance of the City's street and sidewalk systems. Revenue increased to \$7.5 million from \$6.9 million due to a 7% increase in the street maintenance fee charged to City property owners. Overall street expenditures increased from \$10.6 million to \$11.4 million in the prior year due to the timing of planned capital projects.

Redevelopment Agency East End Capital Fund

This capital project fund accounts for the capital projects for the East End district in the Redevelopment Agency. Spending was \$255,220 lower than the previous year because of the completion of the City Hall project.

Redevelopment Agency Lake Grove Capital Fund

This capital project fund accounts for the capital projects for the Lake Grove district in the Redevelopment Agency. Revenue increased from a \$500,000 transfer from the Lake Grove Debt Service Fund to cover redevelopment agency administrative expenses. Expenditures decreased from \$4.0 million to \$847,579 due to decreased capital outlay.

Parks Bond Fund

This capital project fund accounts for the parks capital projects that are being funded with general obligation bond proceeds. At June 30, 2023, total fund balance was \$10.7 million, a decrease of \$2.3 million from the prior year. The decrease was the result of a \$5.0 million transfer to the Parks Recreation

Center Fund and \$3.8 in capital outlay. These reductions were partially offset by \$6.4 million in proceeds from bond issue.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the second year of the budget for the 2021-23 biennium, the General Fund’s budgeted appropriations was revised through four supplemental budgets. City Council. During the 2022-23 fiscal year, the City Council approved four supplemental budget resolutions.

Final budget compared to actual results.

The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue source</u>	<u>Estimated revenues</u>	<u>Actual revenues</u>	<u>Difference</u>
Intergovernmental Revenues	20,121,000	21,997,057	1,876,057
Miscellaneous revenues	690,000	1,622,998	932,998

Intergovernmental Revenues were higher primarily from higher than expected state revenue sharing. Miscellaneous revenue was more than expected primarily from the opioid settlement and reimbursements for Fire Department assistance on fires under the Emergency Conflagration Act.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of the end of fiscal year 2022-23, the City had a net depreciated cost of \$559.7 million invested in a broad range of capital assets that include police and fire equipment, buildings, park facilities, streets, bridges, and water and sewer lines (Table 3). This amount had a net increase of \$10.3 million or 1.9 percent over the previous fiscal year (Table 4).

Table 3
Capital Assets as of Fiscal Year-end
(net of depreciation, in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>FY22-23</u>	<u>FY21-22</u>	<u>FY22-23</u>	<u>FY21-22</u>	<u>FY22-23</u>	<u>FY21-22</u>
Land	\$ 58.2	\$ 60.3	\$ 8.3	\$ 8.2	\$ 66.5	\$ 68.5
Buildings and improvements	68.1	70.4	267.1	270.7	335.2	341.1
Machinery and equipment	3.8	2.9	6.0	6.6	9.8	9.5
Infrastructure	105.5	102.1	1.8	1.9	107.3	104.0
Intangibles	3.9	3.9	4.0	4.0	7.9	7.9
Construction in progress	17.2	9.8	15.8	8.4	33.0	18.2
Net capital assets	<u>\$ 256.7</u>	<u>\$ 249.4</u>	<u>\$ 303.0</u>	<u>\$ 299.8</u>	<u>\$ 559.7</u>	<u>\$ 549.2</u>

The following table reconciles the change in capital assets for the fiscal year. Expenditures for construction projects in progress at fiscal year-end are included in additions. Reductions are for capital asset dispositions and transfers of construction projects in progress that were completed during the fiscal year. Additions include capital contributions from outside developers with the revenue from these contributions reflected in capital grants and contributions on the statement of activities.

Table 4
Change in Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	<u>FY22-23</u>	<u>FY21-22</u>	<u>FY22-23</u>	<u>FY21-22</u>	<u>FY22-23</u>	<u>FY21-22</u>
Beginning balance	\$ 249.4	\$ 229.7	\$ 299.9	\$ 301.5	\$ 549.3	\$ 531.2
Additions	28.9	73.4	10.9	7.3	39.8	80.7
Reductions	(13.9)	(48.4)	(0.4)	(1.4)	(14.3)	(49.8)
Depreciation, net	(7.7)	(5.3)	(7.4)	(7.5)	(15.1)	(12.8)
Ending balance	<u>\$ 256.7</u>	<u>\$ 249.4</u>	<u>\$ 303.0</u>	<u>\$ 299.9</u>	<u>\$ 559.7</u>	<u>\$ 549.3</u>

Assets utilized in governmental activities increased to \$256.7 million and in the business type activities increased to \$303.0 million. Additions exceed annual depreciation and reductions in the business type activities. Additions include the Pavement Preservation; a new fire apparatus and new vehicles for various departments; with improvements and smaller projects throughout the community. More detailed information about the City’s capital assets is presented in Note 2.D. in the notes to the basic financial statements.

Debt Outstanding

As of the end of the fiscal year, the City had \$201.5 million in debt outstanding—a decrease of 5.2 percent from last year—as shown in Table 5. More detailed information about the City’s long-term debt is presented in Note 2.F. in the notes to the basic financial statements.

Bond Ratings

In April 2020, Moody’s reaffirmed the City’s debt rating of Aaa.

Limitations on Debt

The State limits the amount of general obligation debt that cities can issue to 3 percent of the real market value of all taxable property within city limits. The City’s outstanding general obligation debt of \$31.8 million is significantly below this 3 percent limit of \$509 million.

Table 5
Outstanding Debt at Fiscal Year-end
(in millions)

	June 30,	
	2023	2022
Governmental:		
General obligation bonds	\$ 31.8	\$ 26.6
Full faith & credit obligations	64.5	66.3
Leases	-	-
Sub-total	96.3	92.9
Business-type:		
Full faith & credit obligations	105.1	119.6
Sub-total	105.1	119.6
Total	\$ 201.4	\$ 212.5

ECONOMIC FACTORS

The State of Oregon does not have a sales tax, making property taxes the major resource for most governmental agencies in Oregon. Property taxes are important to the City as they represent 54.6 percent of the resources which can be used for governmental activities. The next largest resource, at 17.8 percent, comes from fees and charges for services, and includes such items as permits, licenses, recreation charges and system development charges. Property taxes for general operations increased slightly over the last year.

The business-type activities are funded with utility fees and charges. Effective July 1, 2022, the City increased water rates by 2 percent, sewer rates by 3.9 percent, and stormwater rates by 7 percent. These rate increases equate to an additional \$4.55 per month per household.

Uncertainties about future economic changes and financial impacts are common in all cities. To deal with the swings in the economy and to plan for future capital expansion, the City routinely sets aside portions of its fund balances for contingencies and emergency situations.

The Oregon state economy and labor market continue to recover from the steep decline seen during the pandemic. Oregon’s unemployment rate has dropped from the high of 13.7 percent in April of 2020 to 3.5 percent in June 2023. Given that context, there is less of a consensus amongst economists on the short and long-term forecasts.

REQUESTS FOR INFORMATION

This City’s financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability of the resources it receives and expends. If you have questions about this report, or need additional financial information, contact the Finance Department, City of Lake Oswego P.O. Box 369 Lake Oswego, Oregon 97034 or e-mail scross@ci.oswego.or.us.

BASIC FINANCIAL STATEMENTS

Statement of Net Position

Statement of Activities

Fund Financial Statements

Notes to the Basic Financial Statements

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CITY OF LAKE OSWEGO, OREGON
Statement of Net Position
as of June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 53,243,523	\$ 50,075,984	\$ 103,319,507
Receivables (net of allowance)	7,186,155	5,121,043	12,307,198
Internal balances	(612,784)	612,784	-
Inventories and prepaids	374,059	467,283	841,342
Restricted cash and investments	61,894,463	-	61,894,463
Total current assets	<u>122,085,416</u>	<u>56,277,094</u>	<u>178,362,510</u>
Noncurrent assets:			
Net OPEB asset	667,927	164,777	832,704
Capital assets:			
Land, intangibles and construction in progress	79,150,587	28,033,465	107,184,052
Other capital assets (net of accumulated depreciation)	177,089,326	274,988,940	452,078,266
Software	396,209	-	396,209
Right-of-use asset - building (net of amortization)	48,991	-	48,991
Total capital assets (net of accumulated depreciation)	<u>256,685,113</u>	<u>303,022,405</u>	<u>559,707,518</u>
Restricted beneficial interest in trust	7,603,736	-	7,603,736
Total noncurrent assets	<u>264,956,776</u>	<u>303,187,182</u>	<u>568,143,958</u>
Total assets	<u>387,042,192</u>	<u>359,464,276</u>	<u>746,506,468</u>
Deferred outflows of resources:			
Deferred amounts related to other postemployment benefits	731,667	180,501	912,168
Deferred amounts related to pensions	16,401,335	3,433,543	19,834,878
Total deferred outflow of resources	<u>17,133,002</u>	<u>3,614,044</u>	<u>20,747,046</u>
Liabilities			
Current liabilities:			
Accounts payable	4,560,368	2,936,998	7,497,366
Salaries and benefits payable	494,675	11,906	506,581
Deposits	104,027	234,427	338,454
Interest payable	264,604	404,217	668,821
Bonds payable	3,320,885	7,441,404	10,762,289
SBITA and leases payable	249,127	-	249,127
Compensated absences payable	2,700,000	428,836	3,128,836
Total current liabilities	<u>11,693,686</u>	<u>11,457,788</u>	<u>23,151,474</u>
Noncurrent liabilities:			
Bonds payable	99,518,795	114,123,835	213,642,630
SBITA and leases payable	40,090	-	40,090
Compensated absences payable	804,740	109,100	913,840
Total OPEB liability	2,398,324	591,664	2,989,988
Net pension liability	38,652,470	8,091,715	46,744,185
Total noncurrent liabilities	<u>141,414,419</u>	<u>122,916,314</u>	<u>264,330,733</u>
Total liabilities	<u>153,108,105</u>	<u>134,374,102</u>	<u>287,482,207</u>
Deferred inflows of resources:			
Deferred charge on refunding	-	2,462,689	2,462,689
Deferred amount related lease receivable	450,972	-	450,972
Deferred amounts related to other postemployment benefits	439,437	108,409	547,846
Deferred amounts related to pensions	12,081,290	2,529,164	14,610,454
Total deferred inflow of resources	<u>12,971,699</u>	<u>5,100,262</u>	<u>18,071,961</u>
Net Position			
Net investment in capital assets	162,568,566	178,847,984	341,416,550
Restricted for:			
Trolley and Tourism	657,730	-	657,730
Library and Adult Community Center programs	7,603,736	-	7,603,736
Capital projects	36,350,906	-	36,350,906
Debt service	16,760,524	-	16,760,524
Building program	6,539,872	-	6,539,872
Highway and streets	315,828	-	315,828
OPEB asset	667,927	164,777	832,704
Unrestricted	6,630,301	44,591,195	51,221,496
Total net position	<u>\$ 238,095,390</u>	<u>\$ 223,603,956</u>	<u>\$ 461,699,346</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE OSWEGO, OREGON
Statement of Activities
for the fiscal year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,938,503	\$ 8,253,136	\$ 6,637,066	\$ -
Public safety	33,819,205	4,054,815	525,152	-
Culture and recreation	17,128,358	1,600,674	5,997,603	-
Highways and streets	8,514,125	3,308,190	3,981,338	673,123
Interest on long-term debt	2,521,895	-	-	-
Total governmental activities	70,922,086	17,216,815	17,141,159	673,123
Business-type activities:				
Water	15,446,787	17,416,254	-	433,302
Sewer	12,162,938	23,047,611	-	211,708
Stormwater	3,044,650	4,729,290	-	127,528
Tennis facility	610,379	431,935	-	2,238,622
Public works support services	54,773	31,098	-	-
Engineering	422,332	375,769	-	-
Total business-type activities	31,742,291	46,031,957	-	3,011,160
Total government	\$ 102,664,377	\$ 63,248,772	\$ 17,141,159	\$ 3,684,283

General revenues:

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Hotel and motel taxes

Interest and investment earnings

Other revenues

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The notes to the basic financial statements are an integral part of this statement.

Continued on next page

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ 5,951,699	\$ -	\$ 5,951,699
(29,239,238)	-	(29,239,238)
(9,530,081)	-	(9,530,081)
(551,474)	-	(551,474)
(2,521,895)	-	(2,521,895)
<u>(35,890,989)</u>	<u>-</u>	<u>(35,890,989)</u>
-	2,402,769	2,402,769
-	11,096,381	11,096,381
-	1,812,168	1,812,168
-	2,060,178	2,060,178
-	(23,675)	(23,675)
-	(46,563)	(46,563)
<u>-</u>	<u>17,301,258</u>	<u>17,301,258</u>
<u>(35,890,989)</u>	<u>17,301,258</u>	<u>(18,589,731)</u>
41,696,862	-	41,696,862
11,167,600	-	11,167,600
3,504,105	-	3,504,105
1,181,144	-	1,181,144
2,711,866	1,012,235	3,724,101
1,375,777	285,074	1,660,851
82,474	-	82,474
(2,570,000)	2,570,000	-
<u>59,149,828</u>	<u>3,867,309</u>	<u>63,017,137</u>
23,258,839	21,168,567	44,427,406
<u>214,836,551</u>	<u>202,435,389</u>	<u>417,271,940</u>
<u>\$ 238,095,390</u>	<u>\$ 223,603,956</u>	<u>\$ 461,699,346</u>

Continued from previous page

CITY OF LAKE OSWEGO, OREGON
Balance Sheet
Governmental Funds
as of June 30, 2023

	Redevelopment						Total Governmental Funds
	General Fund	Street Fund	Agency East End Capital Fund	Agency Lake Grove Capital Fund	Parks Bond Fund	Other Governmental Funds	
Assets							
Cash and investments	\$ 37,750,555	\$ 12,507,196	\$ -	\$ -	\$ -	\$ 2,985,772	\$ 53,243,523
Property taxes receivable	1,785,299	-	-	-	-	694,532	2,479,831
Accounts receivable	1,437,232	848,500	-	-	-	1,813,138	4,098,870
Due from other funds	3,000,000	-	-	-	-	-	3,000,000
Assessment liens receivable	-	-	-	-	-	167,806	167,806
Leases receivable	450,972	-	-	-	-	-	450,972
Inventories and prepaids	539,402	-	-	-	-	-	539,402
Restricted cash and investments	-	-	3,361,995	2,185,888	12,034,894	44,311,686	61,894,463
Restricted beneficial interest in trust	-	-	-	-	-	7,603,736	7,603,736
Total assets	<u>\$ 44,963,460</u>	<u>\$ 13,355,696</u>	<u>\$ 3,361,995</u>	<u>\$ 2,185,888</u>	<u>\$ 12,034,894</u>	<u>\$ 57,576,670</u>	<u>\$ 133,478,603</u>
Liabilities							
Accounts payable	\$ 985,224	\$ 340,744	\$ 188,876	\$ -	\$ 1,374,662	\$ 1,670,862	\$ 4,560,368
Salaries and benefits payable	492,401	669	-	-	-	1,605	494,675
Refundable deposits	93,727	10,300	-	-	-	-	104,027
Due to other funds	-	-	3,000,000	-	-	-	3,000,000
Total liabilities	<u>1,571,352</u>	<u>351,713</u>	<u>3,188,876</u>	<u>-</u>	<u>1,374,662</u>	<u>1,672,467</u>	<u>8,159,070</u>
Deferred inflows of resources							
Unavailable revenue-property taxes	1,179,514	-	-	-	-	527,040	1,706,554
Unavailable revenue-leases	450,972	-	-	-	-	-	450,972
Unavailable revenue-assessment liens	-	-	-	-	-	167,806	167,806
Total deferred inflows of resources	<u>1,630,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>694,846</u>	<u>2,325,332</u>
Fund balances							
Non-spendable	539,402	-	-	-	-	-	539,402
Restricted for:							
Senior center programs and capital	-	-	-	-	-	2,491,330	2,491,330
Library programs and capital	-	-	-	-	-	5,112,406	5,112,406
Building inspection	-	-	-	-	-	6,539,872	6,539,872
Trolley	-	-	-	-	-	563,104	563,104
Tourism	-	-	-	-	-	94,626	94,626
Capital projects	-	-	173,119	2,185,888	10,660,232	23,331,667	36,350,906
Highway and streets	-	-	-	-	-	315,828	315,828
Debt service	-	-	-	-	-	16,760,524	16,760,524
Committed to:							
City tree fund	295,576	-	-	-	-	-	295,576
Assigned to:							
Library improvements	500,000	-	-	-	-	-	500,000
Parks & Golf	1,800,000	-	-	-	-	-	1,800,000
Art and education	98,834	-	-	-	-	-	98,834
Highway and streets	-	13,003,983	-	-	-	-	13,003,983
Unassigned	38,527,810	-	-	-	-	-	38,527,810
Total fund balances	<u>41,761,622</u>	<u>13,003,983</u>	<u>173,119</u>	<u>2,185,888</u>	<u>10,660,232</u>	<u>55,209,357</u>	<u>122,994,201</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 44,963,460</u>	<u>\$ 13,355,696</u>	<u>\$ 3,361,995</u>	<u>\$ 2,185,888</u>	<u>\$ 12,034,894</u>	<u>\$ 57,576,670</u>	<u>\$ 133,478,603</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE OSWEGO, OREGON

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position**

as of June 30, 2023

Amounts reported for governmental activities in the statement of net position (page 29) are different because:

Total fund balances - governmental funds (page 32) \$ 122,994,201

Capital assets used in governmental activities are not financial resources and therefore are not reported, net of accumulated depreciation of \$117,667,746 256,519,770

Certain items are not available to pay for current period expenditures, but are reported in the Statement of Net Position

Net OPEB Asset	\$	667,927	
Deferred outflows of resources related to pensions		16,401,335	
Deferred outflows of resources related to other postemployment benefits		731,667	
Property taxes, earned but unavailable		1,706,554	
Assessment liens, earned but unavailable		<u>156,482</u>	19,663,965

Some items, such as liabilities and inflows of resources related to pensions, are reported in the Statement of Net Position, however, if they are not due and payable in the current period, they are not recorded in the governmental funds

Net Pension Liability	\$	(38,652,470)	
Deferred inflows of resources related to pensions		(12,081,290)	
Deferred inflows of resources related to other postemployment benefits		(439,437)	
Accrued compensated absences		(3,504,740)	
Accrued interest payable		(264,604)	
Total OPEB Liability		(2,398,324)	
Bond premium, net of amortization		<u>(6,534,680)</u>	(63,875,545)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (96,594,217)

Adjustment to reflect the consolidation of internal service fund activities related to governmental funds. (612,784)

Net position of governmental activities (page 29) \$ 238,095,390

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE OSWEGO, OREGON

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

for the fiscal year ended June 30, 2023

	General Fund	Street Fund	Redevelopment Agency East End Capital Fund	Redevelopment Agency Lake Grove Capital Fund	Parks Bond Fund	Other Government Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 41,583,066	\$ -	\$ -	\$ -	\$ -	\$ 11,167,600	\$ 52,750,666
Franchise taxes	3,504,105	-	-	-	-	-	3,504,105
Intergovernmental	11,312,906	3,951,107	-	-	-	1,877,144	17,141,157
Licenses and fees	2,605,576	3,308,190	-	-	-	6,836,484	12,750,250
Fines and forfeitures	955,669	-	-	-	-	-	955,669
Sales and services	5,204,419	-	-	-	-	15,300	5,219,719
Charges for services	9,796,000	-	-	-	-	-	9,796,000
Special assessment - principal	-	-	-	-	-	10,285	10,285
Miscellaneous	1,675,518	280,724	115,783	28,729	286,578	1,567,025	3,954,357
Total revenues	76,637,259	7,540,021	115,783	28,729	286,578	21,473,838	106,082,208
Expenditures:							
Current:							
General government	16,273,566	-	220,143	419,000	-	-	16,912,709
Public safety	30,671,465	-	-	-	-	2,567,396	33,238,861
Culture and recreation	16,104,769	-	-	-	113,879	78,801	16,297,449
Highways and streets	-	3,803,767	-	-	-	-	3,803,767
Debt service:							
Principal	-	460,000	-	-	-	2,285,000	2,745,000
Interest	-	338,200	-	-	-	2,937,921	3,276,121
Capital outlay	739,407	6,747,271	-	428,579	3,795,088	6,884,796	18,595,141
Total expenditures	63,789,207	11,349,238	220,143	847,579	3,908,967	14,753,914	94,869,048
Excess (deficiency) of revenues over (under) expenditures	12,848,052	(3,809,217)	(104,360)	(818,850)	(3,622,389)	6,719,924	11,213,160
Other financing sources (uses):							
Proceeds from bonds issued	-	-	-	-	6,351,839	-	6,351,839
Transfers in	1,311,044	3,452,530	200,000	500,000	-	8,557,437	14,021,011
Transfers out	(7,032,530)	-	-	-	(5,000,000)	(4,558,481)	(16,591,011)
Proceeds from sale of capital assets	-	-	-	2,494,790	-	-	2,494,790
Total other financing sources (uses)	(5,721,486)	3,452,530	200,000	2,994,790	1,351,839	3,998,956	6,276,629
Net change in fund balances	7,126,566	(356,687)	95,640	2,175,940	(2,270,550)	10,718,880	17,489,789
Fund balances - beginning	34,635,056	13,360,670	77,479	9,948	12,930,782	44,490,477	105,504,412
Fund balances - ending	\$ 41,761,622	\$ 13,003,983	\$ 173,119	\$ 2,185,888	\$ 10,660,232	\$ 55,209,357	\$ 122,994,201

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE OSWEGO, OREGON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the fiscal year ended June 30, 2023

Amounts reported for governmental activities in the statement of activities (pages 30 & 31) are different because:

Net change in fund balances--total governmental funds (page 34) \$ 17,489,789

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 acquisition:

Expenditures for capital assets	\$ 18,595,141	
Less current year depreciation	<u>(10,134,576)</u>	8,460,565

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position. (2,263,670)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 673,123

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property taxes	113,796	
Leases		
Assessments and interest	<u>(9,279)</u>	104,517

Issuance of debt proceeds are reported as financing sources and payments to escrow agent for refunded bonds are reported as financing uses in governmental funds and thus contribute to the change in fund balances. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. (2,863,799)

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.

Interest expense		11,186
Net pension asset/liability and related deferred outflows and inflows		1,614,003
Net other postemployment benefits obligation		
asset/liability and related deferred outflows and inflows		156,314
Compensated absences		<u>(121,475)</u>

Adjustment to reflect the consolidation of internal service fund activities related to governmental funds. (1,714)

Change in net position of governmental activities (page 31) \$ 23,258,839

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE OSWEGO, OREGON
Statement of Net Position
Proprietary Funds
as of June 30, 2023

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Stormwater Fund
Assets			
Current assets:			
Cash and investments	\$ 17,445,133	\$ 24,947,965	\$ 4,628,661
Receivables (net of allowance)	2,393,358	2,129,832	597,853
Inventories & prepaids	437,824	-	-
Total current assets	<u>20,276,315</u>	<u>27,077,797</u>	<u>5,226,514</u>
Noncurrent assets:			
Net OPEB asset	49,200	18,102	8,355
Capital assets:			
Land	6,498,209	72,367	843,850
Intangibles	3,763,995	266,674	6,000
Buildings and improvements	180,486,555	148,774,470	37,346,882
Machinery and equipment	5,980,820	8,822,784	1,677,363
Infrastructure	1,282,346	523,533	-
Construction in progress	4,852,887	9,168,580	1,720,356
Intangibles	1,123,112	-	-
Less accumulated depreciation	<u>(53,130,386)</u>	<u>(52,360,498)</u>	<u>(20,197,423)</u>
Total capital assets (net of accumulated depreciation)	150,857,538	115,267,910	21,397,028
Total noncurrent assets	<u>150,906,738</u>	<u>115,286,012</u>	<u>21,405,383</u>
Total assets	<u>171,183,053</u>	<u>142,363,809</u>	<u>26,631,897</u>
Deferred outflows of resources			
Deferred amounts related to other postemployment benefits	53,895	19,830	9,152
Deferred amounts related to pensions	1,035,754	292,136	155,553
Total deferred outflow of resources	<u>1,089,649</u>	<u>311,966</u>	<u>164,705</u>
Liabilities			
Current liabilities:			
Accounts payable	305,170	2,514,755	64,815
Salaries and benefits payable	3,612	1,070	535
Matured and accrued bond interest payable	216,917	186,362	938
Deposit	-	2,500	-
Bonds payable	3,214,000	3,984,571	242,833
Compensated absences payable	155,000	31,459	18,027
Total current liabilities	<u>3,894,699</u>	<u>6,720,717</u>	<u>327,148</u>
Noncurrent liabilities:			
Bonds payable	57,290,418	56,833,417	-
Compensated absences payable	20,853	-	-
Total OPEB liability	176,665	65,000	30,000
Net pension liability	2,440,926	688,466	366,586
Total noncurrent liabilities	<u>59,928,862</u>	<u>57,586,883</u>	<u>396,586</u>
Total liabilities	<u>63,823,561</u>	<u>64,307,600</u>	<u>723,734</u>
Deferred inflows of resources			
Deferred charge on refunding	1,655,985	806,704	-
Deferred amounts related to other postemployment benefits	32,370	11,910	5,497
Deferred amounts related to pensions	762,941	215,188	114,581
Total deferred inflow of resources	<u>2,451,296</u>	<u>1,033,802</u>	<u>120,078</u>
Net Position			
Net investment in capital assets	88,618,202	53,575,658	21,154,195
Restricted for OPEB asset	49,200	18,102	8,355
Unrestricted	17,330,443	23,740,613	4,790,240
Total net position	<u>\$ 105,997,845</u>	<u>\$ 77,334,373</u>	<u>\$ 25,952,790</u>

Add

Internal service funds are used by management to charge cost of maintenance administration, motor pool, and engineering services to individual funds. Assets, deferred outflows, liabilities and deferred inflows of the internal service funds are included in business-type activities in the Statement of Net Position. Total net position, business-type activities

The notes to the basic financial statements are an integral part of this statement.

Continued on next page

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Business-type Activities Internal Service Funds</u>
\$ 83,012	\$ 47,104,771	\$ 2,971,213
-	5,121,043	-
-	437,824	29,459
<u>83,012</u>	<u>52,663,638</u>	<u>3,000,672</u>
7,195	82,852	81,925
-	7,414,426	817,916
-	4,036,669	-
3,168,939	369,776,846	12,939,061
10,300	16,491,267	978,282
-	1,805,879	480,994
-	15,741,823	22,631
-	1,123,112	-
<u>(631,784)</u>	<u>(126,320,091)</u>	<u>(2,286,410)</u>
2,547,455	290,069,931	12,952,474
2,554,650	290,152,783	13,034,399
<u>2,637,662</u>	<u>342,816,421</u>	<u>16,035,071</u>
7,881	90,758	89,743
62,601	1,546,044	1,887,499
<u>70,482</u>	<u>1,636,802</u>	<u>1,977,242</u>
1,332	2,886,072	50,926
268	5,485	6,421
-	404,217	-
-	2,500	231,927
-	7,441,404	-
4,350	208,836	220,000
<u>5,950</u>	<u>10,948,514</u>	<u>509,274</u>
-	114,123,835	-
-	20,853	88,247
25,833	297,498	294,166
147,529	3,643,507	4,448,208
<u>173,362</u>	<u>118,085,693</u>	<u>4,830,621</u>
<u>179,312</u>	<u>129,034,207</u>	<u>5,339,895</u>
-	2,462,689	-
4,733	54,510	53,899
46,112	1,138,822	1,390,342
<u>50,845</u>	<u>3,656,021</u>	<u>1,444,241</u>
2,547,455	165,895,510	12,952,474
7,195	82,852	81,925
<u>(76,663)</u>	<u>45,784,633</u>	<u>(1,806,222)</u>
<u>\$ 2,477,987</u>	<u>211,762,995</u>	<u>\$ 11,228,177</u>
	11,840,961	
	<u>\$ 223,603,956</u>	

Continued from previous page

CITY OF LAKE OSWEGO, OREGON
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
for the fiscal year ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Stormwater Fund
Operating revenues:			
Intergovernmental	\$ 1,918,274	\$ 5,923,000	\$ -
Licenses and fees	-	144,175	-
Charges for sales and services	15,497,980	16,980,436	4,729,290
Miscellaneous	112,954	112,818	56,422
Total operating revenues	<u>17,529,208</u>	<u>23,160,429</u>	<u>4,785,712</u>
Operating expenses:			
Salaries and benefits	2,510,140	666,751	450,975
Operating supplies and services	6,658,946	7,493,208	1,765,116
Depreciation	3,678,314	2,813,034	842,110
Total operating expenses	<u>12,847,400</u>	<u>10,972,993</u>	<u>3,058,201</u>
Operating income (loss)	<u>4,681,808</u>	<u>12,187,436</u>	<u>1,727,511</u>
Nonoperating revenues (expenses):			
Interest on investments	409,584	461,174	76,799
Interest expense	(2,602,505)	(1,197,950)	-
Total nonoperating revenues (expenses)	<u>(2,192,921)</u>	<u>(736,776)</u>	<u>76,799</u>
Net income before contributions and transfers	2,488,887	11,450,660	1,804,310
Capital contributions	433,302	211,708	127,528
Transfers in	2,000,000	-	570,000
Change in net position	4,922,189	11,662,368	2,501,838
Total net position - beginning:	<u>101,075,656</u>	<u>65,672,005</u>	<u>23,450,952</u>
Total net position - ending	<u>\$ 105,997,845</u>	<u>\$ 77,334,373</u>	<u>\$ 25,952,790</u>

Add

Adjustment to reflect the consolidation of internal service
fund activities related to enterprise funds
Change in net position, business-type activities

Continued on next page

The notes to the basic financial statements are an integral part of this statement.

Other Enterprise Funds	Total	Business-type Activities Internal Service Funds
\$ -	\$ 7,841,274	\$ -
4,800	148,975	403,851
427,135	37,634,841	6,219,796
2,880	285,074	15,064
<u>434,815</u>	<u>45,910,164</u>	<u>6,638,711</u>
220,885	3,848,751	4,610,900
356,680	16,273,950	1,721,790
32,814	7,366,272	353,299
<u>610,379</u>	<u>27,488,973</u>	<u>6,685,989</u>
<u>(175,564)</u>	<u>18,421,191</u>	<u>(47,278)</u>
2,878	950,435	61,800
-	(3,800,455)	-
<u>2,878</u>	<u>(2,850,020)</u>	<u>61,800</u>
(172,686)	15,571,171	14,522
2,238,622	3,011,160	-
-	2,570,000	-
2,065,936	21,152,331	14,522
412,051	190,610,664	11,213,655
<u>\$ 2,477,987</u>	<u>211,762,995</u>	<u>\$ 11,228,177</u>
	<u>16,236</u>	
	<u>\$ 21,168,567</u>	

Continued from previous page

CITY OF LAKE OSWEGO, OREGON
Statement of Cash Flows
Proprietary Funds
for the fiscal year ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Stormwater Fund
Cash flows from operating activities:			
Receipts from customers	\$ 17,119,066	\$ 23,041,615	\$ 4,713,382
Payments to suppliers	(6,971,783)	(7,128,162)	(1,899,928)
Payments to employees	(2,605,753)	(740,830)	(455,240)
Other receipts	112,954	112,818	56,422
Net cash flows from operating activities	<u>7,654,484</u>	<u>15,285,441</u>	<u>2,414,636</u>
Cash flows from noncapital financing activities:			
Transfers to/from other funds	2,000,000	-	570,000
Net cash flows from noncapital financing activities	<u>2,000,000</u>	<u>-</u>	<u>570,000</u>
Cash flows from capital and related financing activities:			
Purchases, acquisitions, and construction of capital assets	(145,499)	(5,333,359)	(635,624)
Principal paid on capital debt	(4,595,133)	(4,297,363)	(282,047)
Interest paid on capital debt	(2,625,174)	(1,338,637)	(875)
Net cash flows from capital and related financing activities	<u>(7,365,806)</u>	<u>(10,969,359)</u>	<u>(918,546)</u>
Cash flows from investing activities:			
Investment income	409,584	461,174	76,799
Net increase (decrease) in cash and investments	2,698,262	4,777,256	2,142,889
Cash and investments, June 30, 2022	<u>14,746,871</u>	<u>20,170,709</u>	<u>2,485,772</u>
Cash and investments, June 30, 2023	<u>\$ 17,445,133</u>	<u>\$ 24,947,965</u>	<u>\$ 4,628,661</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 4,681,808	\$ 12,187,436	\$ 1,727,511
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	3,678,314	2,813,034	842,110
Changes in assets and liabilities:			
Receivables	(297,188)	(5,996)	(15,908)
Inventories	(96,928)	-	-
Net OPEB asset	6,504	2,053	2,562
Deferred outflows	193,971	78,683	22,511
Accounts payable	(215,909)	365,046	(134,812)
Salaries and benefits payable	262	59	(34)
Total OPEB liability	8,944	4,317	(2,870)
Compensated absences payable	1,532	(1,101)	(371)
Refundable deposits	-	-	-
Net pension liability	526,091	109,743	90,819
Deferred Inflows	(832,917)	(267,833)	(116,882)
Net cash provided by operating activities	<u>\$ 7,654,484</u>	<u>\$ 15,285,441</u>	<u>\$ 2,414,636</u>
Noncash capital and related financing activities:			
Capital assets contributed from developers and other funds	\$ 420,157	\$ 150,103	\$ 127,528

The notes to the basic financial statements are an integral part of this statement.
Continued on next page

		Business-type Activities	
Other Enterprise Funds	Total	Internal Service Funds	
\$ 431,935	\$ 45,305,998	\$ 6,675,932	
(356,037)	(16,355,910)	(1,753,011)	
(225,140)	(4,026,963)	(4,710,187)	
2,880	285,074	15,064	
<u>(146,362)</u>	<u>25,208,199</u>	<u>227,798</u>	
-	2,570,000	-	
-	<u>2,570,000</u>	-	
-	(6,114,482)	(80,719)	
-	(9,174,543)	-	
-	(3,964,686)	-	
-	<u>(19,253,711)</u>	<u>(80,719)</u>	
2,878	950,435	61,801	
(143,484)	9,474,923	208,880	
226,496	37,629,848	2,762,333	
<u>\$ 83,012</u>	<u>\$ 47,104,771</u>	<u>\$ 2,971,213</u>	
\$ (175,564)	\$ 18,421,191	\$ (47,278)	
32,814	7,366,272	353,299	
-	(319,092)	150	
-	(96,928)	13,606	
1,483	12,602	15,488	
11,929	307,094	317,391	
643	14,968	(44,827)	
15	302	353	
(295)	10,096	862	
4,350	4,410	10,963	
-	-	52,135	
31,008	757,661	1,022,477	
<u>(52,745)</u>	<u>(1,270,377)</u>	<u>(1,466,821)</u>	
<u>\$ (146,362)</u>	<u>\$ 25,208,199</u>	<u>\$ 227,798</u>	
\$ -	\$ 697,788	\$ -	

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CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies

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

A. Reporting entity

The City is a municipal corporation governed by the City Council which is composed of the elected mayor and six council members, who collectively comprise the legislative branch of the City government. The City operates under a Home Rule Charter originally granted by the State of Oregon in 1909. A City Manager, appointed by the City Council, administers City operations.

The City provides a full range of municipal services to the community, which includes police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, sewer, and stormwater management services, planning and zoning regulation, building inspection and regulation, parks and recreational activities, and community library service.

The accompanying financial statements present the City (primary government) and its component unit (the City's urban renewal agency), an entity for which the City is considered to be financially responsible.

Blended component unit. In accordance with GASB Statement No. 61, the activities of the Lake Oswego Redevelopment Agency (the Agency) are included in the City's financial statements as a blended component unit. The Agency is a legally separate entity, which is governed by a board comprised of the City Council, as stipulated in the bylaws. The Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. Additionally, the City's management has operational responsibility for the Agency as it manages the activities of the Agency in essentially the same manner in which it manages the City's own operations. The purpose of the Agency is to undertake urban renewal projects and activities pursuant to the City's east end and lake grove village center redevelopment plans. The financial results of the Agency are reported herein as two debt service funds and two capital projects funds. The Agency also prepares a separate component unit financial report which may be obtained from the Agency's administrative offices at 380 "A" Avenue, Lake Oswego, Oregon 97034.

B. Government-wide and fund financial statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

B. Government-wide and fund financial statements, continued

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* presents information on all of the City's assets, net outflows of resources, liabilities, and net inflows of resources, with the difference between them reported as *net position*.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the combining and individual fund statements and schedules.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund activity that results from the City's allocation of charges as reimbursement for services provided by one fund, to another based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

C. Measurement focus, basis of accounting and financial statement presentation

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary funds financial statements. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

C. Measurement focus, basis of accounting and financial statement presentation, continued

related cash inflows and outflows. Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise fees, intergovernmental grants, and investment income.

A deferred inflow of resources arises on the balance sheet of the governmental funds when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow of resources created on the balance sheet of the governmental funds for unavailable revenue, is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. Nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

C. Measurement focus, basis of accounting and financial statement presentation, continued

The City reports the following governmental funds:

Major Governmental Funds:

- *General Fund*
This is the City's primary operating fund. It accounts for the financial operations of the City, which are not accounted for in any other fund. Principal sources of revenue are property taxes, charges for services from other funds, intergovernmental revenues, licenses and fees, and other miscellaneous revenues. Primary expenditures are for general administration.
- *Street Fund*
This fund accounts for the activities of building, rebuilding and maintaining City streets, right-of-way improvements, and street lights. Revenue is derived primarily from motor vehicle fees from the State of Oregon restricted by state statute, and a street maintenance fee.
- *Redevelopment Agency East End Capital Project Fund*
This fund accounts for the capital projects for the East End district. Financing is derived primarily from a transfer in of debt proceeds
- *Redevelopment Agency Lake Grove Capital Project Fund*
This fund accounts for the capital projects for the Lake Grove district. Financing is derived primarily from a transfer in of debt proceeds
- *Parks Bond Capital Project Fund*
This fund accounts for the capital projects for the Parks bond. Financing is derived primarily from a transfer in of debt proceeds

Nonmajor Governmental Funds:

- *Special Revenue Funds*
These funds account for revenues derived from specific taxes or other restricted or committed revenue sources including property taxes, licenses and fees, intergovernmental revenues, sales and services, and charges for services that are restricted to finance particular functions or activities.
- *Debt Service Funds*
These funds are used to account for payment of principal and interest on general obligation and tax increment bonded debt. Resources are from property taxes and interest.
- *Capital Project Funds*
These funds account for the construction of major capital facilities and projects (other than those financed by proprietary funds). Resources are primarily from general obligation bonds, urban renewal bonds, assessment collections and investment interest on fund balances.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

C. Measurement focus, basis of accounting and financial statement presentation, continued

The City reports three of its five enterprise funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of activities that are similar to private businesses.

Enterprise funds are entirely or predominantly self-supported through user charges to customers, and are categorized as follows:

Major Enterprise Funds:

D. *Water Fund*

Accounts for the activities of the City's water distribution system. Revenue is derived primarily from water service charges. The Water Fund consists of the following two budgetary funds: Water Fund and the Capital Reserve Water Fund.

E. *Sewer Fund*

Accounts for the activities of the City's sewer collection and treatment system. Revenue is derived primarily from sewer service charges.

F. *Stormwater Fund*

Accounts for the activities of the City's stormwater management system which was developed to address water quality and flooding problems. Revenue is derived primarily from stormwater management charges.

Nonmajor Enterprise Funds:

G. *Tennis Facility Fund*

Accounts for the operation of the City's indoor tennis facility. Revenue is derived primarily from user fees.

The City reports two internal service funds. They are used to account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support the activities. The aggregate of all internal service funds are reflected mostly in the proprietary fund financial statements. The City's internal service funds include:

H. *Public Works Support Services Fund*

Accounts for the maintenance of equipment, property, and for the activities of the automobile fleet of the City. Revenues are derived from reimbursements from other funds for associated costs as well as a reimbursement from the Lake Oswego School District for fuel usage.

I. *Engineering Fund*

Manages the planning, design and construction of the City's infrastructure, including stormwater, water, sewer collection, and transportation. In addition, the Engineering Division provides technical support for privately financed public improvements (constructed with development projects), and provides GIS mapping services.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

C. Measurement focus, basis of accounting and financial statement presentation, continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Included within the principal operating revenues of the City's water, sewer, and stormwater funds are also fees that recover the cost of connecting new customers to the City's utility system. Operating expenses for the proprietary funds include the cost of sales and services, administrative overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or fund balance

1. Cash and Investments

Cash and investments include cash on hand, short-term investments, and cash deposits that are held in an investment pool that has the general characteristic of a demand deposit account. The City maintains cash and investment balances in a common pooled account. Investment income is allocated monthly based on each fund's average cash balance.

Investments are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires governmental entities to report certain investments at fair value in the statement of net position/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. The City uses quoted market prices to determine fair value of investments. Realized gains and losses as well as the change in fair value of investments are recorded as components of investment income.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio includes investments in the State of Oregon Local Government Investment Pool, U.S. Government Treasury and Agency securities and corporate indebtedness.

2. Receivables and payables

Property taxes are levied on and become a lien against the property on July 1 in the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. 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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or fund balance, continued

2. *Receivables and payables*, continued

In the fund financial statements, property taxes receivables that are collected within 60 days after the end of fiscal year are considered measurable and available, and therefore, are recognized as revenue. The property taxes receivable portion beyond 60 days is recorded as unavailable revenue. Assessments are recognized as receivables at the time property owners are assessed on property improvements. These receivables are entirely offset by unavailable revenue, as assessment revenue is recognized upon collection.

In the government-wide financial statements, property taxes and assessment receivables are recognized as revenue when earned and are shown net of an allowance for uncollectibles.

In the proprietary funds, receivables include services provided but not billed. The enterprise funds' receivables include billings for residential and commercial customers utilizing the City's water, sewer, and stormwater services and are reported net of an allowance for uncollectibles, which is determined based upon an estimated percentage of the receivable balance.

3. *Inventories and prepaid items*

In the government-wide and the proprietary funds financial statements, inventories of materials and supplies are stated at cost, using the first-in first-out method and are charged against operations as used. Also, advance payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid. The inventories in the governmental funds are not significant at the end of the fiscal year.

4. *Restricted assets*

Assets whose use is restricted by legal requirements external to the City, are segregated on the government-wide statement of net position and the proprietary fund statement of net position. These legal restrictions include bond covenants that establish debt reserves and use limitations, as well as building fees and systems development charges that are legally restricted by applicable state statutes.

When either restricted or unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or fund balance, continued

5. Beneficial Interest in Trust

The Oregon Community Foundation (the Foundation) is an Oregon non-profit corporation. Foundation endowments are owned, managed, and invested by the Foundation in accordance with the charitable goals of the underlying endowment. The Foundation maintains variance power and legal ownership of their endowments and reports the funds as assets in their financial statements. Also, in accordance with FASB ASC Topic Not-for-Profit Entities, the Foundation establishes a liability for the fair market value of the endowment, which is generally equivalent to the present value of future payments expected to be made back to the charitable organization.

Upon a majority vote of the Lake Oswego City Council, working with the Adult Community Center (ACC) and Library advisory boards, the City may receive these funds back from the Foundation and use them in a manner that is consistent with the original endowment purpose.

Based upon the City’s indirect access to these funds, their respective fair values are included as a non-current asset.

The Beneficial Interest in Trust consists of:	<u>Value as of June 30, 2021</u>	<u>Value as of June 30, 2022</u>	<u>Value as of June 30, 2023</u>
Adult Community Center Endowment Fund	\$ 2,573,484	\$ 2,434,808	\$ 2,491,331
Public Library Endowment Fund	4,320,505	4,091,979	4,340,825
Public Library - Bischoff Endowment Fund	<u>827,433</u>	<u>756,465</u>	<u>771,582</u>
	<u>\$ 7,721,422</u>	<u>\$ 7,283,252</u>	<u>\$ 7,603,738</u>

6. Capital assets

Capital assets, which include land, buildings, improvements, equipment, infrastructure (e.g., streets, bridges, sidewalks, and similar items) and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or fund balance, continued

6. Capital assets, continued

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Exhaustible assets of the City, as well as the Lake Oswego Redevelopment Agency, are depreciated using the method over the estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Infrastructure	30
Vehicles	5-15
Machinery and equipment	5-10
Water systems	50
Sewer systems	40
Lake Interceptor	75
Intangibles	1-50

Capital assets include contribution of capital assets from outside developers. Revenue from these capital contributions is reflected in capital grants and contributions on the statement of activities and on the proprietary fund statements.

7. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability reported for unpaid accumulated sick leave since the City, by policy, does not pay out sick leave banks when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. As compensated absences are due and payable on demand, they are considered due within one year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of termination or retirement.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or fund balance, continued

8. Long-term obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. When significant, bond premiums, discounts, and amounts deferred on refundings are amortized over the applicable bond term.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and deferred amounts on refunding, as period costs in the year of issue. The face amount of debt issued and any related premium is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund balance

Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed on the use of the resources reported in governmental funds. Those classifications are as follows:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints that are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the City imposes upon itself, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.

Assigned – resources neither restricted nor committed for which the City has a stated intended use as established by the City Council or the City Manager for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include deficits in the other governmental funds.

GASB Statement No. 54 requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. These requirements, to include designating the City Manager to make assignments of fund balance, were approved by the City Council on June 21, 2011, utilizing the highest relevant means appropriate for such action with Resolution No. 11-30.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

D. Assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position or fund balance, continued

9. Fund balance continued

The City Council has approved the following order of spending regarding fund balance categories: restricted resources are spent first when both restricted and unrestricted (committed, assigned, or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable), and lastly unassigned fund balance.

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum ending fund balance policy for various operating funds at levels sufficient to protect the City's credit as well as its financial position from emergencies. These funds include the General Fund, the Bonded Debt Service Fund, and the Tennis Facility Fund.

In the government-wide statement of net position, fund equity is referred to as *net position* and is segregated into the following three components: 1) net investment in capital assets, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

10. Use of estimates

The preparation of the 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, the 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 amounts could differ from those estimates.

11. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. The reporting entity and summary of significant accounting policies, continued

D. Assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position or fund balance, continued

11. *Deferred outflows/inflows of resources* continued

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows from debt refunding represents the unamortized carrying value from the refunding. With the implementations of GASB Statement No. 68, the City now presents deferred outflows and inflows from pensions on the statement of financial position. The deferred outflows from pension is for the difference between expected and actual experience, for changes in assumptions, for the difference between the City's contributions and its proportionate share of system contributions, and for contributions subsequent to the measurement date, as determined during the implementation of GASB Statement No. 68. The deferred inflows from pension are for the net difference between projected and actual earnings on pension plan investments, for changes in proportionate share and differences between City contributions and proportionate share of contributions, as determined during the implementation of GASB Statement No. 68. With the implementations of GASB Statement No. 75, the City now presents deferred outflows and inflows from other postemployment benefits on the statement of financial position. The deferred outflows from other postemployment benefits is for differences between expected and actual experience, changes in assumptions, and contributions after the measurement date, as determined during the implementation of GASB Statement No. 75. The deferred inflows from other postemployment benefits are for differences between expected and actual experience changes in proportionate share, for change in assumptions, for the net difference between projected and actual earnings on plan investments, and differences between City contributions and proportionate share of contributions, as determined during the implementation of GASB Statement No. 75. The City also presents unavailable revenue as a deferred inflow of resources on governmental funds balance sheet. The government has three items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category, property taxes, lease receivables and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

12. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS.

13. *Other Postemployment Benefit Plans*

The City's net other postemployment benefits plan (OPEB) asset/liability, deferred inflows and outflows related to OPEB, and OPEB benefit/expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS). Additionally, the City's total OPEB obligation, deferred inflows and outflows related to OPEB, and OPEB benefit/expense for the implicit subsidy have been actuarially determined. These amounts are recognized in the government-wide financial statements.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts

A. Cash and investments

Deposits and investments. The City maintains separate accountability by fund for cash and investments accounts. Deposits with financial institutions include bank demand deposits and time certificates of deposit. The combined book balance at June 30, 2023 was \$10,187,900 and the total bank balance was \$10,657,031. The City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance are held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

Oregon Revised Statutes and the City's investment policy authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate indebtedness, and the State of Oregon Local Government Investment Pool (LGIP). The City's LGIP investments are reported at fair value, which is 99.63 percent of pool shares, at June 30, 2023.

The City participates in the State of Oregon Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 that is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer administers the LGIP with the oversight of the Oregon Investment Council and with the advice of the Oregon Short Term Fund Board. These funds must be invested and 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, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the LGIP annually.

The City has the following recurring fair value measurements as of June 30, 2023:

- U.S. Treasury securities of \$77.75 million are valued using quoted market prices (Level 1 inputs)
- U.S. Agencies of \$5.78 million are valued using quoted market prices (Level 1 inputs)

At June 30, 2023, the City's cash and investments are comprised of the following:

Cash on hand	\$	11,943
Demand deposits with financial institutions		10,187,900
State of Oregon Local Government Investment Pool		71,488,757
U.S. Treasury Obligations		77,749,487
U.S. Agencies		5,775,883
		<u>\$ 165,213,970</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

A. Cash and investments, continued

Cash and investments are reflected on the basic financial statements as follows:

	Governmental Activities	Business-type Activities
Cash and investments		
Unrestricted	\$ 53,243,523	\$ 50,075,984
Restricted	61,894,463	-
Total cash and investments	<u>\$ 115,137,986</u>	<u>\$ 50,075,984</u>

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its deposits that are in the possession of an outside party. At June 30, 2023 the City has \$250,000 in deposits not exposed to custodial credit risk, as they are covered by FDIC insurance and the balance is covered by the Public Funds Collateralization Program (ORS 295.015) administered by the Oregon State Treasury.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturities in its investment portfolio to three years or less.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top two ratings issued by NRSROs at the time of purchase. The State of Oregon Local Government Investment Pool (LGIP) is not rated by NRSROs.

At June 30, 2023 the City's investments were rated as follows:

Investment type	Highest Rating From Moody's Investors Service or Standard & Poor's Corporation			
	Total	Aaa/AAA	Aa/AA	Not rated
U.S. treasury obligations	\$ 77,749,487	\$ 77,749,487	\$ -	\$ -
U.S. agencies	5,775,883	5,775,883	-	-
State of Oregon local government investment pool	<u>71,488,757</u>	<u>-</u>	<u>-</u>	<u>71,488,757</u>
Total	<u>\$ 155,014,127</u>	<u>\$ 83,525,370</u>	<u>\$ -</u>	<u>\$ 71,488,757</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

A. Cash and investments, continued

Concentration of credit risk. This is the risk that, when investments are concentrated in one issue, this concentration presents a heightened risk of potential loss. The City’s investment policy, as it relates to investing outside of the LGIP, does not allow for an investment in any single corporate entity and its affiliates or subsidiaries that is in excess of five percent of the City’s total investments (ORS 294.035). All other investments not explicitly guaranteed by the United States Government were limited to two- and one-half percent per issuer.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investments at June 30, 2023 subject to custodial credit risk.

B. Receivables

Receivables as of the fiscal year ended June 30, 2023 for the City’s governmental and business-type activities, net of the allowance for uncollectible amounts, are as follows:

Governmental activities:	General	Street	(nonmajor)	Total
Receivables:				
Property taxes	\$ 1,785,299	\$ -	\$ 694,532	\$ 2,479,831
Accounts	1,888,204	848,500	1,813,138	4,549,842
Assessments	-	-	167,806	167,806
Gross receivables	<u>3,673,503</u>	<u>848,500</u>	<u>2,675,476</u>	<u>7,197,479</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 3,673,503</u>	<u>\$ 848,500</u>	<u>\$ 2,675,476</u>	<u>\$ 7,197,479</u>

Business-type activities:	Water	Sewer	Stormwater	Total
Receivables:				
Accounts	\$ 51,887	\$ -	\$ -	\$ 51,887
Utility accounts	<u>2,359,371</u>	<u>2,129,832</u>	<u>597,853</u>	<u>5,087,056</u>
Gross receivables	<u>2,411,258</u>	<u>2,129,832</u>	<u>597,853</u>	<u>5,138,943</u>
Less: allowance for uncollectibles	<u>(17,900)</u>	<u>-</u>	<u>-</u>	<u>(17,900)</u>
Net receivables	<u>\$ 2,393,358</u>	<u>\$ 2,129,832</u>	<u>\$ 597,853</u>	<u>\$ 5,121,043</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

1. Detailed notes on all accounts, continued

C. Unavailable Revenue

Governmental funds report unavailable revenue in the fund financial statements in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The unavailable revenue reported in the governmental funds was as follows:

Property Taxes:	
General Fund	\$ 1,179,514
Nonmajor Funds	<u>527,040</u>
	<u>1,706,554</u>
Leases:	
General Fund	<u>450,972</u>
	<u>450,972</u>
Liens and assessments:	
Nonmajor Funds	<u>167,806</u>
	<u>167,806</u>
Total unavailable revenue for governmental funds	<u>\$ 2,325,332</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

D. Capital assets

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

Primary government

Governmental activities:	balances	Additions	Reductions	adjustments	balances
<i>Capital assets, not being depreciated:</i>					
Land and land improvements	\$ 60,294,742	\$ 223,501	\$ (2,307,002)	\$ -	\$ 58,211,241
Intangibles	3,768,531	-	-	-	3,768,531
Construction in progress	<u>9,773,446</u>	<u>17,927,328</u>	<u>(10,535,062)</u>	<u>5,103</u>	<u>17,170,815</u>
Total capital assets, not being depreciated	<u>73,836,719</u>	<u>18,150,829</u>	<u>(12,842,064)</u>	<u>5,103</u>	<u>79,150,587</u>
<i>Capital assets, being depreciated/amortized:</i>					
Buildings	63,364,220	136,449	(196,222)	-	63,304,447
Improvements other than buildings	39,164,326	2,003	(684,080)	-	38,482,249
Machinery and equipment	11,210,153	1,301,226	(270,074)	-	12,241,305
Infrastructure	171,206,901	8,380,962	-	-	179,587,863
Intangibles	411,679	-	-	-	411,679
Software	-	852,054	-	-	852,054
Right-to-use asset - building	<u>322,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,674</u>
Total capital assets, being depreciated	<u>285,679,953</u>	<u>10,672,694</u>	<u>(1,150,376)</u>	<u>-</u>	<u>295,202,271</u>
<i>Less accumulated depreciation/amortization for:</i>					
Buildings	(10,422,534)	(1,266,334)	188,324	-	(11,500,544)
Improvements other than buildings	(21,665,855)	(1,204,782)	668,691	-	(22,201,946)
Machinery and equipment	(8,299,552)	(741,249)	185,567	-	(8,855,234)
Infrastructure	(69,155,768)	(4,942,660)	-	-	(74,098,428)
Intangibles	(280,281)	(1,788)	-	-	(282,069)
Software	-	(455,842)	-	-	(455,842)
Right-to-use leased assets	<u>(209,147)</u>	<u>(64,535)</u>	<u>-</u>	<u>-</u>	<u>(273,682)</u>
Total accumulated depreciation	<u>(110,033,137)</u>	<u>(8,677,190)</u>	<u>1,042,582</u>	<u>-</u>	<u>(117,667,745)</u>
Total capital assets being depreciated, net	<u>175,646,816</u>	<u>1,995,504</u>	<u>(107,794)</u>	<u>-</u>	<u>177,534,526</u>
Governmental activities capital assets, net	<u>\$249,483,535</u>	<u>\$20,146,333</u>	<u>\$(12,949,858)</u>	<u>\$ 5,103</u>	<u>\$256,685,113</u>

Depreciation/amortization expense was charged to functions/programs as follows:

General government	\$ 3,000,572
Public safety	497,283
Culture and recreation	1,371,069
Highways and streets	<u>3,808,266</u>
Depreciation expense (governmental)	<u>\$ 8,677,190</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

D. Capital assets, continued

	<u>Beginning balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Reclasses & adjustments</u>	<u>Ending balances</u>
Business-type activities:					
<i>Capital assets, not being depreciated:</i>					
Land and land improvements	\$ 8,232,342	\$ -	\$ -	\$ -	\$ 8,232,342
Intangibles	4,036,669	-	-	-	4,036,669
Construction in progress	8,389,035	7,390,175	(14,756)	-	15,764,454
Total capital assets, not being depreciated	<u>20,658,046</u>	<u>7,390,175</u>	<u>(14,756)</u>	<u>-</u>	<u>28,033,465</u>
<i>Capital assets, being depreciated:</i>					
Buildings	102,777,406	2,438,622	-	-	105,216,028
Improvements other than buildings	276,632,655	867,224	-	-	277,499,879
Machinery and equipment	17,648,230	183,230	(361,910)	-	17,469,550
Infrastructure	2,286,873	-	-	-	2,286,873
Intangibles	1,123,112	-	-	-	1,123,112
Total capital assets, being depreciated	<u>400,468,276</u>	<u>3,489,076</u>	<u>(361,910)</u>	<u>-</u>	<u>403,595,442</u>
<i>Less accumulated depreciation for:</i>					
Buildings	(18,935,067)	(1,940,511)	-	(2,148)	(20,877,726)
Improvements other than buildings	(89,771,604)	(4,946,675)	-	-	(94,718,279)
Machinery and equipment	(11,049,343)	(756,654)	361,909	-	(11,444,088)
Infrastructure	(367,567)	(75,731)	-	-	(443,298)
Intangibles	(1,123,111)	-	-	-	(1,123,111)
Total accumulated depreciation	<u>(121,246,692)</u>	<u>(7,719,571)</u>	<u>361,909</u>	<u>(2,148)</u>	<u>(128,606,502)</u>
Total capital assets being depreciated, net	<u>279,221,584</u>	<u>(4,230,495)</u>	<u>(1)</u>	<u>(2,148)</u>	<u>274,988,940</u>
Business-type activities capital assets, net	<u>\$ 299,879,630</u>	<u>\$ 3,159,680</u>	<u>\$ (14,757)</u>	<u>\$ (2,148)</u>	<u>\$ 303,022,405</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 3,678,314
Wastewater	2,813,034
Surface water	842,110
Public works support services	319,487
Engineering	33,812
Tennis facility	32,814
Depreciation expense (business-type)	<u>\$ 7,719,571</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

D. Capital assets, continued

Construction commitments

The City has active construction projects as of June 30, 2023, including the Boones Ferry Road Project; annual pavement preservation; pump station upgrades; and the Parks Recreation Center. As of the fiscal year-end, the City's commitments are as follows (based on remaining contract):

<u>Project</u>	<u>Expended through 6/30/23</u>	<u>Remaining commitment</u>
Street rehabilitation	\$ 5,978,358	\$ 6,207,464
Sewer projects	2,625,256	2,111,910
Water and surface water projects	1,193,441	315,103
Lake Oswego Redevelopment projects	240,629	2,027,441
Parks projects	6,343,338	36,991,757
	<u>\$ 16,381,022</u>	<u>\$ 47,653,675</u>

E. Interfund transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources.

Interfund transfers for the fiscal year ended June 30, 2023 are as follows:

	<u>Transfer from other funds</u>	<u>Transfer to other funds</u>	<u>Net</u>
Governmental funds:			
General	\$ 1,311,044	\$ (7,032,530)	\$ (5,721,486)
Street	3,452,530	-	3,452,530
Parks Bond Fund	-	(5,000,000)	(5,000,000)
East End Capital Fund	200,000	-	200,000
Lake Grove Capital	500,000	-	500,000
Nonmajor governmental	8,557,437	(4,558,481)	3,998,956
Total governmental funds	<u>\$ 14,021,011</u>	<u>\$ (16,591,011)</u>	<u>\$ (2,570,000)</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

	<u>Transfer from other funds</u>	<u>Transfer to other funds</u>	<u>Net</u>
Business-type funds:			
Water Fund	\$ 2,000,000	\$ -	\$ 2,000,000
Stormwater Fund	570,000	-	570,000
Total business-type funds	<u>\$ 2,570,000</u>	<u>\$ -</u>	<u>\$ 2,570,000</u>

F. Long-term obligations

The City issues a variety of obligations for the purpose of carrying out its capital financing activities. The various types are discussed below. Outstanding amounts are as of June 30, 2023.

General obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities. The original amount of the outstanding general obligation bonds issued in prior years totals \$40,245,000.

Annual debt service requirements to maturity for general obligation bonds, which have stated interest rates that range from 2 - 5%, are as follows:

Fiscal year ending June 30,	<u>Governmental activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 965,000	\$ 1,030,584	\$ 1,995,584
2025	1,065,000	985,434	2,050,434
2026	1,170,000	935,384	2,105,384
2027	1,280,000	881,009	2,161,009
2028	1,400,000	820,309	2,220,309
2029-33	7,655,000	3,446,008	11,101,008
2034-38	9,845,000	2,398,684	12,243,684
2039-42	8,455,000	785,100	9,240,100
	<u>\$ 31,835,000</u>	<u>\$ 11,282,512</u>	<u>\$ 43,117,512</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

F. Long-term obligations, continued

Full Faith and Credit obligations.

In December 2017, \$44.16 million of full faith and credit obligations were sold to refund the 2009A Full Faith and Credit obligation.

In April 2018, \$51.64 million of full faith and credit obligations were sold to refund the 2005 stormwater revenue bonds (\$1.23 million) and the 2007 water revenue bonds (\$3.595 million). The remaining \$46.815 million is to be used to finance Lake Oswego Redevelopment Agency's projects.

In November 2019 the City issued \$11.785 million in Full Faith and Credit obligations for capital construction and improvements related to streets.

In May 2020, \$33.425 million of full faith and credit obligations were sold to refund the 2010 sewer bonds (\$20.27 million). The remaining \$13.155 million is to be used to finance Lake Oswego Redevelopment Agency's projects.

During the 2021-22 fiscal-year, the City paid off the remaining \$6.71 million in outstanding Series 2011A Full Faith and Credit Obligations.

In the 2022-23 fiscal-year the City sold \$6.1 million in general obligation bonds for Parks projects including the Recreation and Aquatics Center. The City also sold \$50.5 million in full faith and credit obligations to refund the outstanding 2013 water bonds.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

F. Long-term obligations, continued

Annual debt service requirements to maturity for the Full Faith and Credit obligations, which have stated interest rates that range from 2 - 5%, are in the following two tables:

Fiscal year ending June 30,	FF&C governmental activities		
	Principal	Interest	Total
2024	\$ 1,990,000	\$ 2,355,138	\$ 4,345,138
2025	2,110,000	2,253,887	4,363,887
2026	2,245,000	2,146,388	4,391,388
2027	2,385,000	2,032,262	4,417,262
2028	2,530,000	1,910,888	4,440,888
2029-33	14,450,000	8,159,875	22,609,875
2034-38	17,680,000	5,670,303	23,350,303
2039-43	18,505,000	2,505,228	21,010,228
2044-45	2,575,000	195,750	2,770,750
	<u>\$ 64,470,000</u>	<u>\$ 27,229,719</u>	<u>\$ 91,699,719</u>

Fiscal year ending June 30,	FF&C business-type activities		
	Principal	Interest	Total
2024	\$ 6,280,000	\$ 4,922,704	\$ 11,202,704
2025	6,475,000	4,615,500	11,090,500
2026	6,720,000	4,327,025	11,047,025
2027	7,060,000	3,987,150	11,047,150
2028	7,410,000	3,630,525	11,040,525
2029-33	41,670,000	12,661,575	54,331,575
2034-38	29,530,000	3,752,925	33,282,925
	<u>\$ 105,145,000</u>	<u>\$ 37,897,404</u>	<u>\$ 143,042,404</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

F. Long-term obligations, continued

Changes in long-term obligations. Long-term obligation information is presented separately with respect to governmental and business-type activities. The following table shows the fiscal year changes in long-term obligations outstanding, along with the current portion for each issue. Also, for the governmental activities, compensated absences are liquidated by each governmental fund that has payroll expenditures, which includes the General Fund. Contingent claims are liquidated by the General Fund.

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds					
Series 2015 Lake Grove / Refunded	\$ 3,240,000	\$ -	\$ (150,000)	\$ 3,090,000	155,000
Series 2019 Parks	23,325,000	-	(720,000)	22,605,000	810,000
Series 2023 Parks	-	6,140,000	-	6,140,000	-
Full Faith & Credit					
Series 2018 LORA	42,545,000	-	(1,335,000)	41,210,000	1,405,000
Series 2019 Streets	10,700,000	-	(460,000)	10,240,000	480,000
Series 2020 LORA	13,100,000	-	(80,000)	13,020,000	105,000
Total bonds	<u>92,910,000</u>	<u>6,140,000</u>	<u>(2,745,000)</u>	<u>96,305,000</u>	<u>2,955,000</u>
Unamortized bond premium	6,677,577	211,839	(354,736)	6,534,680	354,736
Total bonds and premium payable	<u>99,587,577</u>	<u>6,351,839</u>	<u>(3,099,736)</u>	<u>102,839,680</u>	<u>3,309,736</u>
Leases	123,009		(69,002)	54,007	54,007
SBITAs	-	235,210	-	235,210	195,120
Compensated absences	<u>3,383,256</u>	<u>3,470,650</u>	<u>(3,349,166)</u>	<u>3,504,740</u>	<u>2,700,000</u>
Total governmental activities	<u>\$ 103,093,842</u>	<u>\$ 10,057,699</u>	<u>\$ (6,517,904)</u>	<u>\$ 106,633,637</u>	<u>\$ 6,258,863</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

F. Long-term obligations, continued

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Full Faith & Credit					
Series 2013 Water FF& C	\$ 61,200,000	\$ -	\$ (61,200,000)	\$ -	\$ -
Series 2017 Sewer FF&C	37,790,000	-	(2,290,000)	35,500,000	2,340,000
Series 2018 Water	1,805,000	-	(265,000)	1,540,000	280,000
Series 2018 Stormwater	435,000	-	(210,000)	225,000	225,000
Series 2020 Wastewater	18,395,000	-	(1,035,000)	17,360,000	1,090,000
Series 2023 Water FF&C	<u>-</u>	<u>50,520,000</u>	<u>-</u>	<u>50,520,000</u>	<u>2,345,000</u>
Total revenue bonds / FF&C	119,625,000	50,520,000	(65,000,000)	105,145,000	6,280,000
Unamortized bond premium	<u>11,114,782</u>	<u>8,249,078</u>	<u>(2,943,621)</u>	<u>16,420,239</u>	<u>1,161,404</u>
Bonds/FFC and premiums	130,739,782	58,769,078	(67,943,621)	121,565,239	7,441,404
Compensated absences	<u>642,016</u>	<u>407,181</u>	<u>(511,261)</u>	<u>537,936</u>	<u>428,836</u>
Total business-type activities	<u>\$131,381,798</u>	<u>\$ 59,176,259</u>	<u>\$ (68,454,882)</u>	<u>\$122,103,175</u>	<u>\$ 7,870,240</u>

G. Leases

The City is involved in various leasing arrangements for land, buildings, and land use rights which are leased to commercial customers. With the implementation of GASB Statement No. 87 Leases, effective the fiscal year ended June 30, 2022, all existing and newly acquired leases during the current fiscal year were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. With this implementation, a respective receivable or payable is recognized.

Lessor lease receivables. The City has entered into 2 lease agreements as the lessor for land-use rights for telecommunications. The receivable related to these leases was initially recognized on July 1st, 2021 with the adoption of GASB Statement No. 87. These agreements relate to the installation, operation and maintenance of telecommunication sites, mounting structures and equipment associated with the transmission and reception of radio communication signals. These are qualified leases under GASB Statement No. 87 with the latest expiring on September 15th, 2036. Interest rates for lessor leases are 8.25% and 9.5%. Annual payments for the current year are \$27,445 and \$34,490.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

G. Leases, continued

Fiscal year ending June 30,	Lessor governmental activities		
	Principal	Interest	Total
2024	\$ 25,004	\$ 38,877	\$ 63,881
2025	29,331	36,467	65,798
2026	34,121	33,650	67,771
2027	39,422	30,383	69,805
2028	45,282	26,617	71,899
2029-33	177,551	76,602	254,153
2034-36	100,261	17,163	117,424
	<u>\$ 450,972</u>	<u>\$ 259,759</u>	<u>\$ 710,731</u>

Lessee lease payables. The City has entered into 2 lease agreements as the lessee for buildings. The liability related to these leases was initially recognized on July 1st, 2021 with the adoption of GASB Statement No. 87. These lease agreements are related to buildings used for various functions such as office space, parks program space and storage facilities. These are qualified leases under GASB Statement No. 87 with latest expiring on April 30, 2025. Interest rates are 3.25% and 5.5%. Annual payments for the current year are \$29,000 and \$44,489.

Fiscal year ending June 30,	Lessee governmental activities		
	Principal	Interest	Total
2024	54,007	1,390	55,397
	<u>\$ 54,007</u>	<u>\$ 1,390</u>	<u>\$ 55,397</u>

H. Subscription based information technology arrangements (SBITAs)

Subscription-based information technology arrangements (SBITAs) are recognized in accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement defines a SBITA as a contract that conveys control of the right to use another party’s (the SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

The City is also involved in various subscription-based information technology arrangements (SBITAs) for information technology software and underlying subscription assets which are subscribed mainly from commercial and retail software vendors. With the implementation of GASB Statement No. 96, effective the fiscal year ended June 30, 2023, all existing and newly acquired subscriptions during the current fiscal year

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

2. Detailed notes on all accounts, continued

H. Subscription based information technology arrangements (SBITAs), continued

were analyzed and classified as either qualified or non-qualified SBITAs. With this implementation, a subscription payable is recognized. Two of SBITAs were considered qualified and recorded as an asset and a corresponding liability. Interest rates are 3.25% and 7.82%. Annual payment for the current year are \$36,593 and \$160,669. The financial statements also include \$165,343 in prepaid qualified SBITAs with no offsetting liability recorded.

Fiscal year ending June 30,	SBITA governmental activities		
	Principal	Interest	Total
2024	\$ 195,120	\$ 7,079	\$ 202,199
2025	40,090	2,753	42,843
	<u>\$ 235,210</u>	<u>\$ 9,832</u>	<u>\$ 245,042</u>

3. Other information

A. 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. For its general insurance coverage, the City pays an annual premium to City/County Insurance Services (CIS), a public entity risk pool that provides the City risk management and insurance services.

Liabilities are reported when it is probable that a loss has occurred. Liabilities are reported timely and liability is assessed, reserved or paid after an adjuster’s analysis, after an event that could give rise to a claim has occurred. The agreement with the CIS trust provides that CIS will be self-sustaining through member contributions and will reinsure through an AM Best Superior rated reinsurer for claims in excess of a \$500,000 retention. The City carries commercial insurance for all other risks of loss, including workers’ compensation and employee health and accident insurance. Settled claims have not exceeded commercial coverage in any of the three prior fiscal years.

B. Contingent liabilities

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. These claims are generally covered by insurance and are of the types which are normal in view of the City’s operations. City management believes the total amount of liability, if any, which may arise from such claims and lawsuits beyond that which is covered by insurance would not have a material effect on the City’s financial condition or its activities as now conducted.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

C. Commitments

In 1983 the City entered into an agreement with the City of Portland to process the City's sewage for fifty years. The applicable treatment plant is owned and operated by the City of Portland and the City is obligated to make payments to the City of Portland for usage of the plant, based upon normal user fees estimated at \$2.3 million annually. At the end of the fifty years, the term changes to "in perpetuity" until either party provides a five-year advance written notice to the other. If the City terminates this agreement, the City is required to pay its share of any remaining un-depreciated portion of the facility, as determined in the use agreement at the time of termination.

D. Joint Operation

The Lake Oswego-Tigard Water Partnership is a joint operation established August 6, 2008 between the City of Lake Oswego and the City of Tigard to design, construct, operate, and maintain joint water supply facilities. The Lake Oswego-Tigard Water Partnership was established to retrofit and expand the City of Lake Oswego's water supply facilities and allow Tigard to acquire an ownership interest.

Lake Oswego is the managing agency for the operation, maintenance, repair and replacement of the existing supply facilities and to manage the planning, design, and construction of the initial expansion of the Project. Each City is obligated to fund the project in the proportions stated in the intergovernmental agreement. The City of Lake Oswego has financed its portion through previously issued water revenue bonds.

E. Employee retirement pension plan

1. Pension plan

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer plan that provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges and school districts. The City has joined this pool. The system provides retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

2. Description of benefit terms

Plan Benefits – Employees of the City are provided with pensions through OPERS. All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. OPERS produces an independently audited CAFR that can be obtained at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2023-ACFR.pdf>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

Benefits provided under Chapter 238-Tier One/Tier Two. Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits – The OPERS 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. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$197,730 in 2021 and will be indexed with inflation in later years.

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

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

- Member was employed by a OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in a OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-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 OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability,

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

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 (COLA) changes. The COLA is capped at 2.0 percent.

Benefits provided under Chapter 238A – OPSRP OPSRP pension program provides benefits to members hired on or after August 29, 2003. This portion of the 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 retirement age 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. Employees of the City are considered to be in the General Service category.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$197,730 in 2021 and will be indexed with inflation in later years.

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

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

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

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 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Benefits provided under 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.

3. Actuarial Valuations

The employer contribution rates effective July 1, 2023, through June 30, 2025, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions -

• Valuation Date	12/31/2020
• Measurement Date	6/30/2022
• Experience Study	2020, published July 24, 2021
• Actuarial cost method	Entry Age Normal
• Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP Pension UAL (16 year); Amortization periods are closed.
• Actuarial assumptions:	
▪ Inflation rate	2.40 percent
▪ Long-term expected rate of return	6.90 percent
▪ Discount rate	6.90 percent
▪ Projected salary increases	3.40 percent
▪ Cost of living adjustment	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
▪ Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data scale, with collar adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

E. Employee retirement pension plan, continued

3. Actuarial Valuations, continued

Discount Rate

The discount rate used to measure the total pension liability was 6.9 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.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 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.

Assumed Asset Allocation

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Debt Securities	15.0	25.0	20.0
Public Equity	25.0	35.0	30.0
Real Estate	7.5	17.5	12.5
Private Equity	15.0	27.5	20.0
Risk Parity	0.0	3.5	2.5
Real Assets	2.5	10.0	7.5
Diversifying Strategies	2.5	10.0	7.5
Opportunity Portfolio	0.0	5.0	0.0
Total			<u>100.0</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

E. Employee retirement pension plan, continued

3. Actuarial Valuations, continued

Asset Class	Target Allocation	20-Year Annualized Geometric Mean
Global Equity	30.62%	5.85%
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limited Partnership	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Fund of Funds - Multistrategy	1.25	5.11
Hedge Fund Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	(2.50)	1.76
Assumed Inflation - Mean		2.50%

4. Contributions

OPERS 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 Plan.

Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2021.

The City's contributions for the year ended June 30, 2023 were \$7,961,764 (excluding 6% employee pickup of \$1,517,835).

The rates in effect for the fiscal year ended June 30, 2023 were 28.34% for Tier One/Tier Two, 21.20% for OPSRP Pension Program General Service Members, 25.56% for OPSRP Pension Program Police and Fire Members, and 6% for OPSRP Individual Account Program.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

E. Employee retirement pension plan, continued

4. Contributions, continued

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 or 7.0 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; contribution were \$1,517,835 for the year ended June 30, 2023.

5. Proportionate Share Allocation Methodology

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost rate and Unfunded Actuarial Liability (UAL) Rate.

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement, The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.5%, effective January 1, 2016 which is used for rates beginning July 1, 2017. On July 23, 2021, the PERS Board voted to set the assumed rate of return to 6.9 percent, down from 7.2 percent. The PERS Board reviews the assumed rate in odd-numbered years as part of the board's adoption of actuarial methods and assumptions. The rate was then adopted in an administrative rule at the PERS Board's October 1, 2021, meeting. The new assumed rate will be reflected in the December 31, 2021 actuarial valuation for funding, and decreases in the assumed rate typically increase the system's unfunded actuarial liability as well as employer contribution rates. The new assumed rate was applied by the actuaries to the Net Pension Liability and Net OPEB Liability as of June 30, 2021.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

E. Employee retirement pension plan, continued

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

At June 30, 2023, the City reported a liability of \$46,744,185 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The City's proportionate share 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 members of the cost sharing pool, actuarially determined. At June 30, 2022 and 2021, the City's proportion was 0.30528 percent and 0.30756, respectively.

For the year ended June 30, 2023, the City recognized pension expense of \$1,866,860. At June 30, 2023, 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
Difference between expected and actual experience	\$ 2,269,053	\$ 291,505
Change of assumptions	7,334,415	67,007
Net difference between projected and actual earnings on pension plan investments	-	8,356,956
Changes in proportionate share	1,641,874	2,107,793
Difference between employer contributions and employer's proportionate share of system contributions	627,772	3,787,193
City contributions subsequent to the measurement date	7,961,764	
Total	<u>\$ 19,834,878</u>	<u>\$ 14,610,454</u>

Deferred outflows of resources related to pensions of \$7,748,698 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ended	Total
June 30:	
2024	\$ (228,517)
2025	(1,643,127)
2026	(3,893,512)
2027	3,376,931
2028	(349,115)
	<u>\$ (2,737,340)</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

E. Employee retirement pension plan, continued

7. Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the pension liability calculated using the discount rate of 6.9 percent, as well as what the City's share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (5.9%)</u>	<u>Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
Entity's proportionate share of net pension (asset)/liability	\$ 82,896,769	\$ 46,744,185	\$ 16,486,142

F. Deferred compensation plan

The City offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all regular, salaried City employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional.

Payment from the Plan is not available to employees until termination, retirement, death or unforeseeable emergency.

The City works with two separate investment providers who also provide third-party administration for all deferred compensation program funds. Participating employees have several investment options with varying degrees of market risk. The City has no liability for losses under the Plan but does have the duty to administer the plan in a prudent manner.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City created a Trust (the City of Lake Oswego Deferred Compensation Trust) and transferred all Plan assets to that Trust on December 31, 1998. All property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the employee Trust, held for the exclusive benefit of participants and their beneficiaries, and are not subject to the claims of the City's general creditors.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment 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:

	<u>Subsidy Plan</u>	<u>Plan</u>	<u>on Financials</u>
Net OPEB Asset	\$ -	\$ 832,704	\$ 832,704
Deferred Outflows of Resources			
Difference between expected and actual experience	377,586		377,586
Change in Proportionate Share		73,531	73,531
Change in Assumptions	110,132	6,520	116,652
Contributions After the Measurement Date	339,419	4,980	344,399
Difference in Earnings		-	-
Net OPEB Liability	(2,989,988)	-	(2,989,988)
Deferred Inflows of Resources			
Difference between expected and actual experience	(13,577)	(22,566)	(36,143)
Change in Proportionate Share		(13,112)	(13,112)
Change in Assumptions	(407,330)	(27,757)	(435,087)
Net difference between projected and actual earnings on investments		(63,504)	(63,504)
OPEB Expense	413,831	(93,107)	320,724

1. Implicit Rate Subsidy

Plan Description. As required by Oregon Revised Statutes 243.303, the City provides a single-employer plan to provide retirees with access to group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Funding Policy. The City collects insurance premiums from all retirees who have elected to stay on the City-sponsored health plan each month and deposits them into a restricted insurance premium account. The City then pays health insurance premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment benefits other than pensions, continued

1. Implicit Rate Subsidy, continued

by retirees, and an additional amount calculated to prefund future benefits as determined by the actuary.

Retirees electing to remain on the City-sponsored health plans must pay the entire premium for that coverage in order to maintain coverage. However, while the City does not directly contribute to the cost of the premiums for these retirees, the premium itself does not represent the full cost of covering these retirees. Since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums than the active population. This additional cost is called the “implicit rate subsidy”, and is required to be valued and recognized under GASB Statement 75.

The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2023:

	Health / Vision		Dental	
	<u>AETNA/VS</u>	<u>Kaiser</u>	<u>MODA</u>	<u>Kaiser</u>
Employee	\$ 808	\$ 738	\$ 58	\$ 96
Emp + child(s)	1,613	1,477	117	192
Employee + 1	1,453	1,329	94	173
Full Family	2,261	2,215	164	288

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

The City’s net OPEB liability of \$2,989,988 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2022.

For the fiscal year ended June 30, 2023, the City recognized OPEB expense from this plan of \$240,509. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment benefits other than pensions, continued

1. Implicit Rate Subsidy, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 377,586	\$ (13,577)
Changes of assumptions	110,132	(407,328)
Contributions after the measurement date	339,421	
	<u>\$ 827,139</u>	<u>\$ (420,905)</u>

Employees covered by benefit terms: at July 1, 2022, the following employees were covered by the benefit terms:

Active employees	324
Eligible Retirees	29
Spouses of Ineligible Retirees	<u>3</u>
	<u>356</u>

Deferred outflows of resources related to OPEB of \$339,421 resulting from the City's contributions made after the measurement date of the net OPEB liability but before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	\$ (2,611)
2025	(2,611)
2026	17,245
2027	20,880
2028	13,471
Thereafter	<u>20,439</u>
	<u>\$ 66,813</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment benefits other than pensions, continued

1. Implicit Rate Subsidy, continued

Actuarial Assumptions and Other Inputs

The net OPEB liability in the July 1, 2022 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost methods	Entry age normal
Inflation	2.40%
Salary increases	3.40%
Mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, set distinct for members and dependents, with one-year setback for male general service employees and female safety employees.
Discount rate	3.54%
Healthcare cost trend rate	Medical and vision: 4.25% per year increasing to 6.00% Dental: 1.75% for 2022, 4.00% per year thereafter

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment benefits other than pensions, continued

1. Implicit Rate Subsidy, continued

Changes in the Net OPEB Liability

	<u>Net OPEB Liability</u>
Balance as of June 30, 2022	\$ 2,922,078
Changes for the year:	
Service cost	178,638
Interest on Total OPEB Liability	64,482
Effect of economic/demographic gains or losses	(15,253)
Effect of assumptions changes or inputs	72,170
Benefit payment	<u>(232,127)</u>
Balance as of June 30, 2023	<u>\$ 2,989,988</u>

Changes in assumptions include the result of the change in the discount rate from 2.16 to 3.54%.

Sensitivity of the Net OPEB Liability

The following presents the City's net OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 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 (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Net OPEB Liability	\$ 3,200,880	\$ 2,989,988	\$ 2,794,785

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current healthcare trend rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 2,730,218	\$ 2,989,988	\$ 3,294,773

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment benefits other than pensions, continued

2. 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

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2023-ACFR.pdf>

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.

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, 2019 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. The City's contribution rates for the period were 6% for Tier One/Tier Two members, and 0% for OPSRP members. The City's total contributions were \$4,980 for the year ended June 30, 2023.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment benefits other than pensions, continued

2. PERS Retirement Health Insurance Account, continued

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

At June 30, 2022, the City reported an asset of \$832,704 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the net OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. 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, 2022, the City's proportionate share was 0.234%. At June 30, 2023, the City's proportionate share was 0.283%.

For the year ended June 30, 2023, the City recognized OPEB revenue from this plan of \$93,107. At June 30, 2023, 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
Difference between expected and actual experience	\$ -	\$ 22,566
Changes of assumptions	6,520	27,757
Difference in earnings	-	63,504
Changes in proportionate share	73,531	13,112
Contributions after the measurement date	4,980	-
	<u>\$ 85,031</u>	<u>\$ 126,939</u>

Deferred outflows of resources related to OPEB of \$4,980 resulting from the City's contributions made after the measurement date of the net OPEB liability but before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ (13,003)
2025	(14,149)
2026	(40,074)
2027	20,338
	<u>\$ (46,888)</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2023

3. Other information, continued

G. Postemployment benefits other than pensions, continued

2. PERS Retirement Health Insurance Account, continued

Actuarial Methods and Assumptions

The net OPEB liability in the December 31, 2020 actuarial valuation was determined using actuarial methods and assumptions consistent with those disclosed for the OPERS Pension Plan. See Note 3.E. for additional information on Actuarial Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

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 6.90%, 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 (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Net OPEB Liability (Asset)	\$ (750,503)	\$ (832,706)	\$ (903,173)

OPEB Plan Fiduciary Net Position

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

H. Property Tax Limitation

The citizens of the State of Oregon approved the first property tax limitation in 1990 – Measure 5. This limitation divides property taxes into an education category and a non-education category. The tax rate in the education category was limited to \$5 per thousand of real market value for fiscal year 1995-96 and thereafter. The non-education category was limited to \$10 per thousand of real market value. Although all non-education taxes to the City currently do not exceed the \$10 per \$1,000 of property real market value limitation, this limitation may affect the availability of future tax revenues for the City. A second property tax limitation was approved in November 1996 and later modified in May 1997 – Measures 47 and 50, respectively. This limitation set a maximum permanent tax rate for the City exclusive of bonded debt at \$5.0353 per \$1,000 assessed value. Assessed values can only grow by a maximum of 3 percent, exclusive of new construction and annexations.

REQUIRED SUPPLEMENTARY INFORMATION

*Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Implicit Rate Subsidy Plan
Schedule of City's Contributions- Pension Plan and OPEB
Schedule of Proportionate Share of Net Pension (Asset)/Liability
and Net OPEB (Asset)/Liability
Schedules of Resources and Requirements -
Budget to Actual*

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City of Lake Oswego, Oregon

Schedule of Changes in the City's Total OPEB Liability and Related Ratios Implicit Rate Subsidy Plan

last ten fiscal years

	2018	2019	2020	2021	2022	2023
Total OPEB liability¹						
Service cost	\$ 167,706	\$ 156,977	\$ 144,168	\$ 161,698	\$ 173,426	\$ 178,638
Interest	84,871	101,203	108,574	102,109	65,858	64,482
Changes of economic/demographic gains or losses	-	449,100	-	328,779	-	(15,253)
Changes of assumptions or other inputs	(158,848)	(486,298)	74,737	(288,994)	10,236	72,170
Benefit payments	<u>(237,047)</u>	<u>(231,361)</u>	<u>(227,860)</u>	<u>(238,319)</u>	<u>(266,548)</u>	<u>(232,127)</u>
Net change in OPEB liability	(143,318)	(10,379)	99,619	65,273	(17,028)	67,910
Total OPEB liability-beginning	<u>2,927,911</u>	<u>2,784,593</u>	<u>2,774,214</u>	<u>2,873,833</u>	<u>2,939,106</u>	<u>2,922,078</u>
Total OPEB liability-ending	<u>\$ 2,784,593</u>	<u>\$ 2,774,214</u>	<u>\$ 2,873,833</u>	<u>\$ 2,939,106</u>	<u>\$ 2,922,078</u>	<u>\$ 2,989,988</u>
Covered-employee payroll	25,790,304	26,580,104	28,343,764	28,901,322	30,433,674	31,523,701
Total OPEB liability as a percentage of its covered payroll	10.80%	10.44%	10.14%	10.17%	9.60%	9.48%

¹ 10-year trend information required by GASB 75 will be presented prospectively

NOTES TO SCHEDULE

Assets:

There are no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52. 101 to pay related benefits for the OPEB plan.

Changes in assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate.

	2018	2019	2020	2021	2022	2023
Discount rate used	3.58%	3.87%	3.50%	2.21%	2.16%	3.54%

City of Lake Oswego, Oregon
Schedule of City's Contributions
last ten fiscal years

Pension Plan Contributions

Year Ended June 30	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	City's covered payroll	Contributions as a percentage of covered employee payroll
2014	\$ 3,427,596	\$ (3,427,596)	-	\$ 24,199,986	14.16%
2015	3,677,671	(3,677,671)	-	24,999,221	14.71%
2016	4,150,621	(4,150,621)	-	25,167,848	16.49%
2017	4,204,426	(4,204,426)	-	25,790,304	16.30%
2018	5,275,647	(5,275,647)	-	26,580,104	19.85%
2019	5,395,055	(5,395,055)	-	28,343,764	19.03%
2020	7,102,176	(7,102,176)	-	28,901,322	24.57%
2021	7,358,875	(7,358,875)	-	30,433,674	24.18%
2022	7,748,968	(7,748,968)	-	31,523,701	24.58%
2023	7,961,764	(7,961,764)	-	32,801,528	24.27%

Oregon Public Employees Retirement System, Retirement Health Insurance Account

Year Ended June 30	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	City's covered payroll	Contributions as a percentage of covered employee payroll
2014	\$ 112,609	\$ (112,609)	-	\$ 24,199,986	0.47%
2015	103,819	(103,819)	-	24,999,221	0.42%
2016	127,956	(127,956)	-	25,167,848	0.51%
2017	128,873	(128,873)	-	25,790,304	0.50%
2018	124,887	(124,887)	-	26,580,104	0.47%
2019	128,553	(128,553)	-	28,343,764	0.45%
2020	18,328	(18,328)	-	28,901,322	0.06%
2021	7,562	(7,562)	-	30,433,674	0.02%
2022	5,776	(5,776)	-	31,523,701	0.02%
2023	4,980	(4,980)	-	32,801,528	0.02%

City of Lake Oswego, Oregon
Schedule of Proportionate Share of Net (Asset) / Liability
last ten fiscal years

Pension Plan

Measurement Date	City's proportion of the net pension (asset)/liability	City's proportionate share of the net pension (asset)/liability	City's covered payroll²	City's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the net pension liability
June 30	(asset)/liability	(asset)/liability			
2013	0.4072195%	\$ 20,781,008	\$ 23,622,555	87.97%	-
2014	0.4072195%	(9,230,505)	24,582,526	-37.55%	103.6%
2015	0.4013041%	23,040,721	24,199,986	95.21%	91.9%
2016	0.3542727%	53,184,559	24,999,221	212.74%	80.5%
2017	0.3239391%	43,667,107	25,167,848	173.50%	83.1%
2018	0.3086372%	46,754,472	25,790,304	181.29%	82.1%
2019	0.3237599%	56,002,713	26,580,104	210.69%	80.2%
2020	0.2961838%	64,637,484	28,343,764	228.05%	75.8%
2021	0.3075694%	36,805,230	28,901,322	127.35%	87.6%
2022	0.3052780%	46,744,185	30,433,674	153.59%	84.5%

Oregon Public Employees Retirement System, Retirement Health Insurance Account

Measurement Date	City's proportion of the net OPEB (asset)/liability	City's proportionate share of the net OPEB (asset)/liability	City's covered payroll²	City's proportionate share of the net OPEB (asset)/liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
June 30	(asset)/liability	(asset)/liability			
2017	0.2570459%	\$ (107,274)	\$ 25,167,848	-0.43%	108.9%
2018	0.2579245%	(287,912)	25,790,304	-1.12%	124.0%
2019	0.2593777%	(501,211)	26,580,104	-1.89%	144.4%
2020	0.2566449%	(522,940)	28,343,764	-1.84%	150.1%
2022	0.2826140%	(970,498)	28,901,322	-3.36%	183.9%
2022	0.2343438%	(832,706)	30,433,674	-2.74%	194.6%

² Measurement date is one year in arrears

CITY OF LAKE OSWEGO, OREGON

Schedules of Resources and Requirements - Budget to Actual

June 30, 2023

General Fund

This fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, sales and services, franchise fees, county library levy, and charges for administrative services provided to other funds. Expenditures are for police protection, fire services, municipal court, parks and recreation, library, planning services, and administrative-type functions such as finance, human resources, information technology, city attorney and city manager's office.

Street Fund

This fund accounts for the activities of building, rebuilding and maintaining City streets, right-of-way improvements, and street lights. Revenue is derived primarily from motor vehicle fees from the State of Oregon restricted by state statute, and a street maintenance fee.

CITY OF LAKE OSWEGO, OREGON

General Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 27,904,454	\$ 28,485,454	\$ 32,952,745	\$ 32,912,975	\$ 32,952,745	\$ 4,467,291
Property taxes	79,355,000	80,186,000	39,482,167	41,583,066	81,065,233	879,233
Franchise fees	5,526,000	5,526,000	3,213,252	3,504,105	6,717,357	1,191,357
Intergovernmental	11,276,000	20,121,000	10,684,151	11,312,906	21,997,057	1,876,057
Licenses and fees	4,217,000	4,217,000	2,625,162	2,605,576	5,230,738	1,013,738
Fines and forfeitures	1,816,000	1,816,000	866,938	955,669	1,822,607	6,607
Sales and services	10,441,000	10,441,000	5,798,760	5,204,419	11,003,179	562,179
Charges for services	18,974,000	19,167,000	9,371,000	9,796,000	19,167,000	-
Miscellaneous	690,000	690,000	470,051	1,622,998	2,093,049	1,403,049
Transfers	240,000	240,000	28,580	120,044	148,624	(91,376)
Proceeds sale of capital assets	-	-	32,210	-	32,210	32,210
Total resources	\$ 160,439,454	\$ 170,889,454	\$ 105,525,016	\$ 109,617,758	\$ 182,229,799	\$ 11,340,345
Requirements:						
General administration	\$ 22,616,082	\$ 22,809,082	\$ 10,091,552	\$ 10,944,135	\$ 21,035,687	\$ 1,773,395
Redevelopment	1,280,691	1,280,691	618,629	635,915	1,254,544	26,147
Fire services	27,895,816	29,607,816	14,938,428	14,178,347	29,116,775	491,041
Library	11,970,469	11,970,469	5,035,389	5,115,909	10,151,298	1,819,171
Municipal court	2,928,369	2,928,369	1,094,016	1,256,477	2,350,493	577,876
Parks and recreation	21,254,521	21,254,521	10,002,709	9,591,221	19,593,930	1,660,591
Adult community center	3,110,487	3,110,487	1,263,680	1,424,988	2,688,668	421,819
Planning and building services	7,848,804	7,848,804	3,281,986	3,544,486	6,826,472	1,022,332
Police	33,236,384	33,236,384	16,033,122	16,703,620	32,736,742	499,642
Nondepartmental						
Transfers to other funds	9,840,000	17,286,000	10,252,530	7,032,530	17,285,060	940
Materials & service	-	1,400,000	-	-	-	1,400,000
Contingency	8,960,000	8,659,000	-	-	-	8,659,000
Unappropriated ending fund balance	9,497,831	9,497,831	32,912,975	39,190,130	39,190,130	(29,692,299)
Total requirements	\$ 160,439,454	\$ 170,889,454	\$ 105,525,016	\$ 109,617,758	\$ 182,229,799	\$ (11,340,345)
Reconciliation to net change in net position - GAAP basis:				70,427,628		
Resources-beginning fund balance				\$ (32,912,975)		
Net change in fund balance public art fund				(69,122)		
Net change in fund balance capital reserve fund				918,533		
Requirements-unappropriated ending fund balance				39,190,130		
Net change in net position - GAAP basis				<u>\$ 7,126,566</u>		

CITY OF LAKE OSWEGO, OREGON

Street Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 6,647,088	\$ 6,647,088	\$ 7,667,709	\$ 13,360,670	\$ 7,667,709	\$ 1,020,621
Intergovernmental	6,830,000	6,830,000	3,903,302	3,951,107	7,854,409	1,024,409
Licenses and fees	6,205,000	6,205,000	3,109,684	3,308,190	6,417,874	212,874
Miscellaneous	68,000	68,000	(135,216)	280,724	145,508	77,508
Transfers	8,000,000	12,875,000	9,422,530	3,452,530	12,875,060	60
Proceeds sale of capital assets	-	-	12,888	-	12,888	12,888
Total resources	\$ 27,750,088	\$ 32,625,088	\$ 23,980,897	\$ 24,353,221	\$ 34,973,448	\$ 2,348,360
Requirements:						
Street department	\$ 20,413,000	\$ 25,326,000	\$ 9,825,277	\$ 10,551,038	\$ 20,376,315	\$ 4,949,685
Debt service	1,594,000	1,594,000	794,950	798,200	1,593,150	850
Contingency	5,743,088	5,705,088	-	-	-	5,705,088
Unappropriated ending fund balance	-	-	13,360,670	13,003,983	13,003,983	(13,003,983)
Total requirements	\$ 27,750,088	\$ 32,625,088	\$ 23,980,897	\$ 24,353,221	\$ 34,973,448	\$ (2,348,360)
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (13,360,670)		
Requirements-unappropriated ending fund balance				13,003,983		
Net change in fund balance - GAAP basis				<u>\$ (356,687)</u>		

CITY OF LAKE OSWEGO, OREGON

Notes to Required Supplementary Information

June 30, 2023

1. Stewardship, compliance, and accountability

Municipal budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

The City Manager is responsible for submitting a proposed budget to the Budget Committee, which is comprised of the City Council and an equal number of citizens of the City. In Lake Oswego, the budget is presented in the spring to the Budget Committee for the subsequent budget period. The City is required to prepare a balanced budget for all funds, subject to the budget requirements of state law, in accordance with Oregon Revised Statutes. Each fund is budgeted on the modified accrual basis of accounting.

The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past two years' actual receipts and expenditures as well as current-year estimates is also included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total of *ad valorem* taxes to be levied, no additional tax levy may be made for that budget period.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. In all funds except the ones noted below the levels of budgetary control established by resolution are set at the department level, debt service, capital outlay, transfers and operating contingency. For the City/LORA Debt Service Fund and the East End Debt Service Fund, the levels of budgetary control established by resolution are set at the department level, debt service, capital outlay, transfers and operating contingency. Appropriations lapse as of the end of the fiscal year for goods or services not yet received.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. During the 2022-23 fiscal year, the City Council approved four supplemental budget resolutions. The first to adjust the budget to allow the Lake Oswego Redevelopment Agency (LORA) to transfer funds from the East End Debt Service Fund to the East End Capital Projects Fund to purchase a property for the North Anchor Project. The second supplemental budget was to transfer appropriation in the Public Art Fund from the previous year to pay for art work on the City Hall project. The third supplemental budget was for the refunding of debt in the Water Fund. The final supplemental budget was a transfer appropriation in the General Fund to the Fire Department to recognize additional ARPA money for wildland fire expenditures.

CITY OF LAKE OSWEGO, OREGON

Notes to Required Supplementary Information

June 30, 2022

2. Net Pension Liability

Changes of assumptions

Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2021 actuarial valuation, which was published on September, 2022, and can be found at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2022/12312021%20Actuarial%20Valuation.pdf>

OTHER SUPPLEMENTARY INFORMATION

*Combining and Individual Fund
Statements and Schedules*

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Combining and Individual Fund Financial
Statements and Schedules
For Other Governmental Funds

Special Revenue Funds

These nonmajor funds are used to account for specific revenues that are legally restricted or committed to expenditure for particular purposes.

Tourism Fund – tracks and accounts for the revenue generated by the 2% increase in the City’s portion of the local lodging tax (also known as the hotel/motel tax). Per state law, for any increases in the local transient lodging tax after July 1, 2003, at least 70% of net revenue from the increase must be used for funding tourism promotion or tourism related facilities.

Trolley Fund – accounts for the activities of the City’s trolley operations. Revenues are derived primarily from intergovernmental revenues restricted by Intergovernmental Agreement.

Systems Development Charges Fund – accounts for the collection and expenditure of City systems development charges for water, sanitary sewer, transportation, parks, and stormwater. Revenues are derived primarily from the various systems development charges which are restricted by state statute.

Bicycle Path Fund – accounts for procurement of pathways for public use. Revenues are derived from a portion of State provided motor vehicle fees and restricted for use by state statute.

Building Fund – accounts for the building permit center. Revenues are derived from building permit fees, which are restricted by statute.

Library Endowment Fund – accounts for restricted donations and gifts to the Library. Revenues are derived from donations and gifts.

ACC Endowment Fund – accounts for restricted donations and gifts to the ACC. Revenues are derived from donations and gifts.

The following funds are presented individually for budgetary purposes. For reporting purposes these funds are combined with the General Fund in accordance with GASB statement No. 54. See combining schedule on page 101.

Public Art Fund – accounts for the purchase and maintenance of the City's art collection. Revenue consists of transfers from the parks and recreation fund equal to a percent and one-half of the cost of qualified projects. Revenues are committed by City Code.

Capital Reserve Fund – accounts for funds set-aside for future capital purchases. Revenue consists of transfers from other funds.

Combining and Individual Fund Financial
Statements and Schedules
For Other Governmental Funds

Debt Service Funds

These funds are used to account for payment of general obligation and urban renewal bonds.

Bonded Debt Service Fund – accounts for the payment of principal and interest on certain general obligation bonded debt. The primary source of revenue is property taxes.

City/LORA Debt Service Fund – accounts for the payment of principal and interest on Full Faith & Credit obligations from the City for the urban renewal district. The primary source of revenue is the Redevelopment Agency's property tax increment revenues.

Redevelopment Agency East End and Lake Grove Debt Service Funds – accounts for the payment of principal and interest on urban renewal bonds. The primary source of revenue is property tax increment revenues.

Capital Project Funds

These funds account for the construction of specific capital projects.

Parks Recreation Center Fund – accounts for capital expenses related to construction of the Recreation and Aquatics Center. Resources are derived from debt financing, which is repayable by property tax increment revenues and through a joint partnership with the City of Lake Oswego School District.

Redevelopment Agency East End and Lake Grove Capital Projects Funds – accounts for the City's redevelopment activities in the City's east end urban renewal district. Resources are derived primarily from debt financing, which is repayable by property tax increment revenues and interest on investments.

Assessment Project Fund – accounts for expenditures related to local improvement districts. The primary revenues source is from assessment collections.

Parks Bond Capital Projects Fund – accounts for capital expenses related to Parks Department capital projects. Resources are derived from debt financing, which is repayable by property taxes.

City of Lake Oswego, Oregon

General Fund

Schedule of Combining Actual Resources and Requirements for the General Fund

for the fiscal year ended June 30, 2023

	<u>General Fund</u>	<u>Public Art Fund</u>	<u>Capital Reserve Fund</u>	<u>Combined General Fund</u>
	<u>Actual Amounts</u>	<u>Actual Amounts</u>	<u>Actual Amounts</u>	<u>Total</u>
Resources:				
Beginning fund balance	\$ 32,912,975	\$ 167,956	\$ 1,554,125	\$ 34,635,056
Property taxes	41,583,066	-	-	41,583,066
Franchise fees	3,504,105	-	-	3,504,105
Intergovernmental	11,312,906	-	-	11,312,906
Licenses and fees	2,605,576	-	-	2,605,576
Fines and forfeitures	955,669	-	-	955,669
Sales and services	5,204,419	-	-	5,204,419
Charges for services	9,796,000	-	-	9,796,000
Miscellaneous	1,622,998	1,957	50,563	1,675,518
Transfers	120,044	201,000	990,000	1,311,044
Total resources	<u>\$ 109,617,758</u>	<u>\$ 370,913</u>	<u>\$ 2,594,688</u>	<u>\$ 112,583,359</u>
Requirements:				
General administration	\$ 10,944,135	\$ -	\$ -	\$ 10,944,135
Redevelopment	635,915	-	-	635,915
Fire services	14,178,347	-	-	14,178,347
Library	5,115,909	-	-	5,115,909
Municipal court	1,256,477	-	-	1,256,477
Parks and recreation	9,591,221	-	-	9,591,221
Adult community center	1,424,988	-	-	1,424,988
Planning services	3,544,486	-	-	3,544,486
Police	16,703,620	-	-	16,703,620
Nondepartmental	7,032,530	-	122,030	7,154,560
Public art	-	272,079	-	272,079
Unappropriated ending fund balance	39,190,130	98,834	2,472,658	41,761,622
Total requirements	<u>\$ 109,617,758</u>	<u>\$ 370,913</u>	<u>\$ 2,594,688</u>	<u>\$ 112,583,359</u>

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City of Lake Oswego, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
as of June 30, 2023

	Special Revenue Funds			
	Tourism Fund	Trolley Fund	Systems Development Charges Fund	Bicycle Path Fund
Assets				
Cash and investments	\$ 65,185	\$ 563,207	\$ -	\$ 312,786
Property taxes receivable	-	-	-	-
Accounts receivable	29,441	-	-	3,042
Assessment liens receivable	-	-	45,445	-
Restricted cash and investments	-	-	20,924,799	-
Restricted beneficial interest in trust	-	-	-	-
Total assets	<u>\$ 94,626</u>	<u>\$ 563,207</u>	<u>\$ 20,970,244</u>	<u>\$ 315,828</u>
Liabilities				
Accounts payable	\$ -	\$ 103	\$ 24,953	\$ -
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>103</u>	<u>24,953</u>	<u>-</u>
Deferred Inflows of resources				
Unavailable revenue	-	-	45,445	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>45,445</u>	<u>-</u>
Fund balances				
Restricted for:				
Senior center programs and capital	-	-	-	-
Library programs and capital	-	-	-	-
Building inspection	-	-	-	-
Trolley	-	563,104	-	-
Tourism	94,626	-	-	-
Capital projects	-	-	20,899,846	-
Highway and streets	-	-	-	315,828
Debt service	-	-	-	-
Total fund balances	<u>94,626</u>	<u>563,104</u>	<u>20,899,846</u>	<u>315,828</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 94,626</u>	<u>\$ 563,207</u>	<u>\$ 20,970,244</u>	<u>\$ 315,828</u>

Continued on next page

City of Lake Oswego, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
as of June 30, 2023

	Special Revenue Funds			Debt Service Funds	
	Building Fund	Library Endowment Fund	ACC Endowment Fund	Bonded Debt Service Fund	City/LORA Debt Service Fund
Assets					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes receivable	-	-	-	262,729	-
Accounts receivable	-	-	-	-	-
Assessment liens receivable	-	-	-	-	-
Restricted cash and investments	6,793,855	-	-	916,994	-
Restricted beneficial interest in trust	-	5,112,406	2,491,330	-	-
Total assets	<u>\$ 6,793,855</u>	<u>\$ 5,112,406</u>	<u>\$ 2,491,330</u>	<u>\$ 1,179,723</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ 252,378	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	1,605	-	-	-	-
Total liabilities	<u>253,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of resources					
Unavailable revenue	-	-	-	231,957	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,957</u>	<u>-</u>
Fund balances					
Restricted for:					
Senior center programs and capital	-	-	2,491,330	-	-
Library programs and capital	-	5,112,406	-	-	-
Building inspection	6,539,872	-	-	-	-
Trolley	-	-	-	-	-
Tourism	-	-	-	-	-
Capital projects	-	-	-	-	-
Highway and streets	-	-	-	-	-
Debt service	-	-	-	947,766	-
Total fund balances	<u>6,539,872</u>	<u>5,112,406</u>	<u>2,491,330</u>	<u>947,766</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,793,855</u>	<u>\$ 5,112,406</u>	<u>\$ 2,491,330</u>	<u>\$ 1,179,723</u>	<u>\$ -</u>

Continued on next page

Debt Service Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
Redevelopment Agency East End Debt Service Fund	Redevelopment Agency Lake Grove Debt Service Fund	Assessment Project Fund	Parks Recreation Center Fund	
\$ -	\$ -	\$ 918,071	\$ 1,126,523	\$ 2,985,772
389,940	41,863	-	-	694,532
-	-	-	1,780,655	1,813,138
-	-	122,361	-	167,806
9,396,684	6,279,354	-	-	44,311,686
-	-	-	-	7,603,736
<u>\$ 9,786,624</u>	<u>\$ 6,321,217</u>	<u>\$ 1,040,432</u>	<u>\$ 2,907,178</u>	<u>\$ 57,576,670</u>
\$ -	\$ -	\$ -	\$ 1,393,428	\$ 1,670,862
-	-	-	-	1,605
-	-	-	1,393,428	1,672,467
293,703	1,380	122,361	-	694,846
<u>293,703</u>	<u>1,380</u>	<u>122,361</u>	<u>-</u>	<u>694,846</u>
-	-	-	-	2,491,330
-	-	-	-	5,112,406
-	-	-	-	6,539,872
-	-	-	-	563,104
-	-	-	-	94,626
-	-	918,071	1,513,750	23,331,667
-	-	-	-	315,828
<u>9,492,921</u>	<u>6,319,837</u>	<u>-</u>	<u>-</u>	<u>16,760,524</u>
<u>9,492,921</u>	<u>6,319,837</u>	<u>918,071</u>	<u>1,513,750</u>	<u>55,209,357</u>
<u>\$ 9,786,624</u>	<u>\$ 6,321,217</u>	<u>\$ 1,040,432</u>	<u>\$ 2,907,178</u>	<u>\$ 57,576,670</u>

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City of Lake Oswego, Oregon

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds**

for the fiscal year ended June 30, 2023

	Special Revenue Funds			
	Tourism Fund	Trolley Fund	Systems Development Charges Fund	Bicycle Path Fund
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	60,000	-	30,230
Licenses and fees	274,696	-	3,337,669	-
Sales and services	1,200	14,100	-	-
Special assessment - principal	-	-	2,657	-
Miscellaneous	1,353	10,330	410,556	6,367
Total revenues	<u>277,249</u>	<u>84,430</u>	<u>3,750,882</u>	<u>36,597</u>
Expenditures:				
Current:				
Public Safety	-	-	-	-
Culture and recreation	35,873	42,928	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	83,886	-
Total expenditures	<u>35,873</u>	<u>42,928</u>	<u>83,886</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>241,376</u>	<u>41,502</u>	<u>3,666,996</u>	<u>36,597</u>
Other financing sources (uses):				
Transfers in	-	30,000	-	-
Transfers out	(211,000)	-	-	-
Total other financing sources (uses)	<u>(211,000)</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	30,376	71,502	3,666,996	36,597
Fund balances - beginning	<u>64,250</u>	<u>491,602</u>	<u>17,232,850</u>	<u>279,231</u>
Fund balances - ending	<u>\$ 94,626</u>	<u>\$ 563,104</u>	<u>\$ 20,899,846</u>	<u>\$ 315,828</u>

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Special Revenue Funds			Debt Service Funds			
Building Fund	Library Endowment Fund	ACC Endowment Fund	Bonded Debt Service Fund	City/LORA Debt Service Fund	Redevelopment Agency East End Debt Service Fund	Redevelopment Agency Lake Grove Debt Service Fund
\$ -	\$ -	\$ -	\$ 1,646,087	\$ -	\$ 6,480,627	\$ 3,040,886
-	-	-	-	-	4,258	2,001
3,194,436	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
139,039	294,007	146,521	31,391	-	262,001	208,487
<u>3,333,475</u>	<u>294,007</u>	<u>146,521</u>	<u>1,677,478</u>	<u>-</u>	<u>6,746,886</u>	<u>3,251,374</u>
2,567,396	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	870,000	1,415,000	-	-
-	-	-	825,484	2,112,437	-	-
31,904	-	-	-	-	-	-
<u>2,599,300</u>	<u>-</u>	<u>-</u>	<u>1,695,484</u>	<u>3,527,437</u>	<u>-</u>	<u>-</u>
734,175	294,007	146,521	(18,006)	(3,527,437)	6,746,886	3,251,374
-	-	-	-	3,527,437	-	-
-	(30,044)	(90,000)	-	-	(2,196,562)	(2,030,875)
-	(30,044)	(90,000)	-	3,527,437	(2,196,562)	(2,030,875)
734,175	263,963	56,521	(18,006)	-	4,550,324	1,220,499
5,805,697	4,848,443	2,434,809	965,772	-	4,942,597	5,099,338
<u>\$ 6,539,872</u>	<u>\$ 5,112,406</u>	<u>\$ 2,491,330</u>	<u>\$ 947,766</u>	<u>\$ -</u>	<u>\$ 9,492,921</u>	<u>\$ 6,319,837</u>

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City of Lake Oswego, Oregon
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the fiscal year ended June 30, 2023

	Capital Projects Fund		Total Nonmajor Governmental Funds
	Assessment Project Fund	Parks Recreation Center Fund	
Revenues:			
Property taxes	\$ -	\$ -	\$ 11,167,600
Intergovernmental	-	1,780,655	1,877,144
Licenses and fees	29,683	-	6,836,484
Sales and services	-	-	15,300
Special assessment - principal	7,628	-	10,285
Miscellaneous	19,391	37,582	1,567,025
Total revenues	<u>56,702</u>	<u>1,818,237</u>	<u>21,473,838</u>
Expenditures:			
Current:			
Public Safety	-	-	2,567,396
Culture and recreation	-	-	78,801
Debt service:			
Principal	-	-	2,285,000
Interest	-	-	2,937,921
Capital outlay	-	6,769,006	6,884,796
Total expenditures	<u>-</u>	<u>6,769,006</u>	<u>14,753,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,702</u>	<u>(4,950,769)</u>	<u>6,719,924</u>
Other financing sources (uses):			
Transfers in	-	5,000,000	8,557,437
Transfers out	-	-	(4,558,481)
Total other financing sources (uses)	<u>-</u>	<u>5,000,000</u>	<u>3,998,956</u>
Net change in fund balances	56,702	49,231	10,718,880
Fund balances - beginning	<u>861,369</u>	<u>1,464,519</u>	<u>44,490,477</u>
Fund balances - ending	<u>\$ 918,071</u>	<u>\$ 1,513,750</u>	<u>\$ 55,209,357</u>

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CITY OF LAKE OSWEGO, OREGON

Tourism Fund

**Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023**

	Budget for the		Actual Amounts			Variance with Final Budget
	2021-23 Biennium		1st year	2nd year	Total	
	Original	Final	FY 2021-22	FY 2022-23		
Resources:						
Beginning fund balance	\$ 166	\$ 60,166	\$ 60,174	\$ 64,250	\$ 60,174	\$ 8
Licenses and fees	507,000	507,000	236,859	274,696	511,555	4,555
Sales and services	2,000	2,000	1,200	1,200	2,400	400
Miscellaneous	-	-	(123)	1,353	1,230	1,230
Total resources	<u>\$ 509,166</u>	<u>\$ 569,166</u>	<u>\$ 298,110</u>	<u>\$ 341,499</u>	<u>\$ 575,359</u>	<u>\$ 6,193</u>
Requirements:						
Tourism department	\$ 124,000	\$ 149,000	\$ 59,860	\$ 35,873	\$ 95,733	\$ 53,267
Transfers	385,000	385,000	174,000	211,000	385,000	-
Contingency	166	35,166	-	-	-	35,166
Unappropriated ending fund balance	-	-	64,250	94,626	94,626	(94,626)
Total requirements	<u>\$ 509,166</u>	<u>\$ 569,166</u>	<u>\$ 298,110</u>	<u>\$ 341,499</u>	<u>\$ 575,359</u>	<u>\$ (6,193)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (64,250)
Requirements-unappropriated ending fund balance	94,626
Net change in fund balance - GAAP basis	<u>\$ 30,376</u>

CITY OF LAKE OSWEGO, OREGON

Trolley Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 471,120	\$ 471,120	\$ 492,447	\$ 491,602	\$ 492,447	\$ 21,327
Intergovernmental	120,000	120,000	60,000	60,000	120,000	-
Sales and services	26,000	26,000	13,800	14,100	27,900	1,900
Miscellaneous	2,000	2,000	(5,722)	10,330	4,608	2,608
Transfers	60,000	60,000	30,000	30,000	60,000	-
Total resources	\$ 679,120	\$ 679,120	\$ 590,525	\$ 606,032	\$ 704,955	\$ 25,835
Requirements:						
Trolley	\$ 246,000	\$ 246,000	\$ 98,923	\$ 42,928	\$ 141,851	\$ 104,149
Contingency	433,120	433,120	-	-	-	433,120
Unappropriated ending fund balance	-	-	491,602	563,104	563,104	(563,104)
Total requirements	\$ 679,120	\$ 679,120	\$ 590,525	\$ 606,032	\$ 704,955	\$ (25,835)
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (491,602)		
Requirements-unappropriated ending fund balance				563,104		
Net change in fund balance - GAAP basis				\$ 71,502		

CITY OF LAKE OSWEGO, OREGON

Systems Development Charges Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 14,625,966	\$ 14,625,966	\$ 14,309,960	\$ 17,232,850	\$ 14,309,960	\$ (316,006)
Licenses and fees	2,906,000	2,906,000	3,588,658	3,337,669	6,926,327	4,020,327
Special assessment	4,000	4,000	2,881	2,657	5,538	1,538
Miscellaneous	282,000	282,000	(251,581)	410,556	158,975	(123,025)
Total resources	<u>\$ 17,817,966</u>	<u>\$ 17,817,966</u>	<u>\$ 17,649,918</u>	<u>\$ 20,983,732</u>	<u>\$ 21,400,800</u>	<u>\$ 3,582,834</u>
Requirements:						
System development charges department	\$ 1,098,000	\$ 1,848,000	\$ 417,068	\$ 83,886	\$ 500,954	\$ 1,347,046
Contingency	16,719,966	15,969,966	-	-	-	15,969,966
Unappropriated ending fund balance	-	-	17,232,850	20,899,846	20,899,846	(20,899,846)
Total requirements	<u>\$ 17,817,966</u>	<u>\$ 17,817,966</u>	<u>\$ 17,649,918</u>	<u>\$ 20,983,732</u>	<u>\$ 21,400,800</u>	<u>\$ (3,582,834)</u>
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (17,232,850)		
Requirements-unappropriated ending fund balance				<u>20,899,846</u>		
Net change in fund balance - GAAP basis				<u>\$ 3,666,996</u>		

CITY OF LAKE OSWEGO, OREGON

Bicycle Path Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 240,615	\$ 240,615	\$ 248,367	\$ 279,231	\$ 248,367	\$ 7,752
Intergovernmental	49,000	49,000	34,866	30,230	65,096	16,096
Miscellaneous	5,000	5,000	(4,002)	6,367	2,365	(2,635)
Total resources	<u>\$ 294,615</u>	<u>\$ 294,615</u>	<u>\$ 279,231</u>	<u>\$ 315,828</u>	<u>\$ 315,828</u>	<u>\$ 21,213</u>

Requirements:						
Reserve for future expenditure	\$ 294,615	\$ 294,615	\$ -	\$ -	\$ -	\$ 294,615
Unappropriated ending fund balance	-	-	279,231	315,828	315,828	(315,828)
Total requirements	<u>\$ 294,615</u>	<u>\$ 294,615</u>	<u>\$ 279,231</u>	<u>\$ 315,828</u>	<u>\$ 315,828</u>	<u>\$ (21,213)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (279,231)
Requirements-unappropriated ending fund balance	315,828
Net change in fund balance - GAAP basis	<u>\$ 36,597</u>

CITY OF LAKE OSWEGO, OREGON

Building Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 4,865,930	\$ 4,865,930	\$ 5,089,831	\$ 5,805,697	\$ 5,089,831	\$ 223,901
Licenses and fees	5,451,000	5,451,000	3,365,769	3,194,436	6,560,205	1,109,205
Miscellaneous	136,000	136,000	(91,630)	139,039	47,409	(88,591)
Proceeds sale of capital asset	10,000	10,000	-	-	-	(10,000)
Total resources	\$ 10,462,930	\$ 10,462,930	\$ 8,363,970	\$ 9,139,172	\$ 11,697,445	\$ 1,234,515
Requirements:						
Building department	\$ 5,640,000	\$ 5,640,000	\$ 2,558,273	\$ 2,599,300	\$ 5,157,573	\$ 482,427
Contingency	545,000	545,000	-	-	-	545,000
Unappropriated ending fund balance	4,277,930	4,277,930	5,805,697	6,539,872	6,539,872	(2,261,942)
Total requirements	\$ 10,462,930	\$ 10,462,930	\$ 8,363,970	\$ 9,139,172	\$ 11,697,445	\$ (1,234,515)
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (5,805,697)		
Requirements-unappropriated ending fund balance				6,539,872		
Net change in fund balance - GAAP basis				\$ 734,175		

CITY OF LAKE OSWEGO, OREGON

Library Endowment

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 4,342,637	\$ 4,342,637	\$ 5,147,937	\$ 4,848,443	\$ 5,147,937	\$ 805,300
Miscellaneous	200,000	200,000	(271,135)	294,007	22,872	(177,128)
Total resources	<u>\$ 4,542,637</u>	<u>\$ 4,542,637</u>	<u>\$ 4,876,802</u>	<u>\$ 5,142,450</u>	<u>\$ 5,170,809</u>	<u>\$ 628,172</u>
Requirements:						
Transfers	\$ 60,000	\$ 60,000	\$ 28,359	\$ 30,044	\$ 58,403	\$ 1,597
Reserve for future expenditure	3,782,637	3,782,637	-	-	-	3,782,637
Unappropriated ending fund balance	700,000	700,000	4,848,443	5,112,406	5,112,406	(4,412,406)
Total requirements	<u>\$ 4,542,637</u>	<u>\$ 4,542,637</u>	<u>\$ 4,876,802</u>	<u>\$ 5,142,450</u>	<u>\$ 5,170,809</u>	<u>\$ (628,172)</u>
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (4,848,443)		
Requirements-unappropriated ending fund balance				5,112,406		
Net change in fund balance - GAAP basis				<u>\$ 263,963</u>		

CITY OF LAKE OSWEGO, OREGON

ACC Endowment

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 2,067,585	\$ 2,067,585	\$ 2,573,704	\$ 2,434,809	\$ 2,573,704	\$ 506,119
Miscellaneous	120,000	120,000	(138,675)	146,521	7,846	(112,154)
Total resources	<u>\$ 2,187,585</u>	<u>\$ 2,187,585</u>	<u>\$ 2,435,029</u>	<u>\$ 2,581,330</u>	<u>\$ 2,581,550</u>	<u>\$ 393,965</u>
Requirements:						
Transfers	\$ 180,000	\$ 180,000	\$ 220	\$ 90,000	\$ 90,220	\$ 89,780
Reserve for future expenditure	2,007,585	2,007,585	-	-	-	2,007,585
Unappropriated ending fund balance	-	-	2,434,809	2,491,330	2,491,330	(2,491,330)
Total requirements	<u>\$ 2,187,585</u>	<u>\$ 2,187,585</u>	<u>\$ 2,435,029</u>	<u>\$ 2,581,330</u>	<u>\$ 2,581,550</u>	<u>\$ (393,965)</u>
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (2,434,809)		
Requirements-unappropriated ending fund balance				2,491,330		
Net change in fund balance - GAAP basis				<u>\$ 56,521</u>		

CITY OF LAKE OSWEGO, OREGON

Bonded Debt Service Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 1,012,231	\$ 1,012,231	\$ 1,069,029	\$ 965,772	\$ 1,069,029	\$ 56,798
Property taxes	3,423,000	3,423,000	1,857,438	1,646,087	3,503,525	80,525
Miscellaneous	12,000	12,000	(11,711)	31,391	19,680	7,680
Total resources	<u>\$ 4,447,231</u>	<u>\$ 4,447,231</u>	<u>\$ 2,914,756</u>	<u>\$ 2,643,250</u>	<u>\$ 4,592,234</u>	<u>\$ 145,003</u>

Requirements:						
Debt service	\$ 3,647,000	\$ 3,647,000	\$ 1,948,984	\$ 1,695,484	\$ 3,644,468	\$ 2,532
Unappropriated ending fund balance	<u>800,231</u>	<u>800,231</u>	<u>965,772</u>	<u>947,766</u>	<u>947,766</u>	<u>(147,535)</u>
Total requirements	<u>\$ 4,447,231</u>	<u>\$ 4,447,231</u>	<u>\$ 2,914,756</u>	<u>\$ 2,643,250</u>	<u>\$ 4,592,234</u>	<u>\$ (145,003)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (965,772)
Requirements-unappropriated ending fund balance	<u>947,766</u>
Net change in fund balance - GAAP basis	<u>\$ (18,006)</u>

CITY OF LAKE OSWEGO, OREGON

City/LORA Debt Service Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Intergovernmental	\$ 8,687,000	\$ 14,252,000	\$ 10,361,518	\$ 3,527,437	\$ 13,888,955	\$ (363,045)
Total resources	<u>\$ 8,687,000</u>	<u>\$ 14,252,000</u>	<u>\$ 10,361,518</u>	<u>\$ 3,527,437</u>	<u>\$ 13,888,955</u>	<u>\$ (363,045)</u>
Requirements:						
Debt service	\$ 8,687,000	\$ 14,252,000	\$ 10,361,518	\$ 3,527,437	\$ 13,888,955	\$ 363,045
Total requirements	<u>\$ 8,687,000</u>	<u>\$ 14,252,000</u>	<u>\$ 10,361,518</u>	<u>\$ 3,527,437</u>	<u>\$ 13,888,955</u>	<u>\$ 363,045</u>

Note: There is no difference between budgetary resources and requirements and GAAP revenues and expenditures.

CITY OF LAKE OSWEGO, OREGON

**Redevelopment Agency East End Debt Service Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023**

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 7,284,832	\$ 7,284,832	\$ 7,959,593	\$ 4,942,597	\$ 7,959,593	\$ 674,761
Property taxes	11,907,000	11,907,000	5,876,795	6,480,627	12,357,422	450,422
Intergovernmental	-	-	1,538	4,258	5,796	5,796
Miscellaneous	130,000	130,000	(46,061)	262,001	215,940	85,940
Total resources	<u>\$ 19,321,832</u>	<u>\$ 19,321,832</u>	<u>\$ 13,791,865</u>	<u>\$ 11,689,483</u>	<u>\$ 20,538,751</u>	<u>\$ 1,216,919</u>
Requirements:						
Debt service	\$ 5,643,000	\$ 11,208,000	\$ 8,849,268	\$ 1,996,562	\$ 10,845,830	\$ 362,170
Transfers	-	200,000	-	200,000	200,000	-
Reserve for future expenditure	13,678,832	7,913,832	-	-	-	7,913,832
Unappropriated ending fund balance	-	-	4,942,597	9,492,921	9,492,921	(9,492,921)
Total requirements	<u>\$ 19,321,832</u>	<u>\$ 19,321,832</u>	<u>\$ 13,791,865</u>	<u>\$ 11,689,483</u>	<u>\$ 20,538,751</u>	<u>\$ (1,216,919)</u>
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (4,942,597)		
Requirements-unappropriated ending fund balance				<u>9,492,921</u>		
Net change in fund balance - GAAP basis				<u>\$ 4,550,324</u>		

CITY OF LAKE OSWEGO, OREGON

**Redevelopment Agency Lake Grove Debt Service Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023**

	Budget for the		Actual Amounts			Variance with Final Budget
	2021-23 Biennium		1st year	2nd year	Total	
	Original	Final	FY 2021-22	FY 2022-23		
Resources:						
Beginning fund balance	\$ 2,975,103	\$ 2,975,103	\$ 4,976,748	\$ 5,099,338	\$ 4,976,748	\$ 2,001,645
Property taxes	5,305,000	5,305,000	2,076,267	3,040,886	5,117,153	(187,847)
Intergovernmental	-	-	511	2,001	2,512	2,512
Miscellaneous	80,000	80,000	(41,938)	208,487	166,549	86,549
Total resources	<u>\$ 8,360,103</u>	<u>\$ 8,360,103</u>	<u>\$ 7,011,588</u>	<u>\$ 8,350,712</u>	<u>\$ 10,262,962</u>	<u>\$ 1,902,859</u>
Requirements:						
Debt Service	\$ 3,044,000	\$ 3,044,000	\$ 1,512,250	\$ 1,530,875	\$ 3,043,125	\$ 875
Transfers	2,500,000	2,500,000	400,000	500,000	900,000	1,600,000
Reserve for future expenditure	2,816,103	2,816,103	-	-	-	2,816,103
Unappropriated ending fund balance	-	-	5,099,338	6,319,837	6,319,837	(6,319,837)
Total requirements	<u>\$ 8,360,103</u>	<u>\$ 8,360,103</u>	<u>\$ 7,011,588</u>	<u>\$ 8,350,712</u>	<u>\$ 10,262,962</u>	<u>\$ (1,902,859)</u>
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (5,099,338)		
Requirements-unappropriated ending fund balance				6,319,837		
Net change in fund balance - GAAP basis				<u>\$ 1,220,499</u>		

CITY OF LAKE OSWEGO, OREGON
Parks Bond Capital Projects Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 21,324,766	\$ 21,324,766	\$ 21,330,600	\$ 12,930,782	\$ 21,330,600	\$ 5,834
Miscellaneous	100,000	100,000	(231,458)	286,578	55,120	(44,880)
Other Financing Sources	-	-	-	6,351,839	6,351,839	6,351,839
Total resources	<u>\$ 21,424,766</u>	<u>\$ 21,424,766</u>	<u>\$ 21,099,142</u>	<u>\$ 19,569,199</u>	<u>\$ 27,737,559</u>	<u>\$ 6,312,793</u>
Requirements:						
Parks bond department	\$ 10,800,000	\$ 10,800,000	\$ 6,168,360	\$ 3,908,967	\$ 10,077,327	\$ 722,673
Transfers	7,000,000	7,000,000	2,000,000	5,000,000	7,000,000	-
Contingency	3,624,766	3,624,766	-	-	-	3,624,766
Unappropriated ending fund balance	-	-	12,930,782	10,660,232	10,660,232	(10,660,232)
Total requirements	<u>\$ 21,424,766</u>	<u>\$ 21,424,766</u>	<u>\$ 21,099,142</u>	<u>\$ 19,569,199</u>	<u>\$ 27,737,559</u>	<u>\$ (6,312,793)</u>
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (12,930,782)		
Requirements-unappropriated ending fund balance				10,660,232		
Net change in fund balance - GAAP basis				<u>\$ (2,270,550)</u>		

CITY OF LAKE OSWEGO, OREGON
Parks Recreation Center Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 1,500,000	\$ 1,500,000	\$ 1,402,469	\$ 1,464,519	\$ 1,402,469	\$ (97,531)
Intergovernmental	7,500,000	7,500,000	-	1,780,655	1,780,655	(5,719,345)
Miscellaneous	-	-	-	37,582	37,582	37,582
Transfers	7,000,000	7,000,000	2,000,000	5,000,000	7,000,000	-
Bond proceeds	-	-	-	-	-	-
Total resources	\$ 16,000,000	\$ 16,000,000	\$ 3,402,469	\$ 8,282,756	\$ 10,220,706	\$ (5,779,294)
Requirements:						
Capital outlay	\$ 15,000,000	\$ 15,000,000	\$ 1,937,950	\$ 6,769,006	\$ 8,706,956	\$ 6,293,044
Contingency	1,000,000	1,000,000	-	-	-	1,000,000
Unappropriated ending fund balance	-	-	1,464,519	1,513,750	1,513,750	(1,513,750)
Total requirements	\$ 16,000,000	\$ 16,000,000	\$ 3,402,469	\$ 8,282,756	\$ 10,220,706	\$ 5,779,294
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (1,464,519)		
Requirements-unappropriated ending fund balance				1,513,750		
Net change in fund balance - GAAP basis				\$ 49,231		

CITY OF LAKE OSWEGO, OREGON

**Redevelopment Agency East End Capital Projects Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023**

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 1,081,607	\$ 1,081,607	\$ 529,128	\$ 77,479	\$ 529,128	\$ (552,479)
Sales and services	-	-	50,019	-	50,019	50,019
Miscellaneous	20,000	20,000	(26,305)	115,783	89,478	69,478
Transfers	-	200,000	-	200,000	200,000	-
Proceeds sale of capital assets	5,010,000	5,010,000	-	-	-	(5,010,000)
Total resources	\$ 6,111,607	\$ 6,311,607	\$ 552,842	\$ 393,262	\$ 868,625	\$ (5,442,982)
Requirements:						
Personal services						
East end activities	\$ 2,882,000	\$ 3,082,000	\$ 475,363	\$ 220,143	\$ 695,506	\$ 2,386,494
Contingency	3,229,607	3,229,607	-	-	-	3,229,607
Unappropriated ending fund balance	-	-	77,479	173,119	173,119	(173,119)
Total requirements	\$ 6,111,607	\$ 6,311,607	\$ 552,842	\$ 393,262	\$ 868,625	\$ 5,442,982
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (77,479)		
Requirements-unappropriated ending fund balance				173,119		
Net change in fund balance - GAAP basis				\$ 95,640		

CITY OF LAKE OSWEGO, OREGON
Redevelopment Agency Lake Grove Capital Projects Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 923,526	\$ 3,565,526	\$ 3,565,617	\$ 9,948	\$ 3,565,617	\$ 91
Miscellaneous	30,000	30,000	18,150	28,729	46,879	16,879
Transfers	2,500,000	2,500,000	400,000	500,000	900,000	(1,600,000)
Proceeds sale of capital asset:	-	-	-	2,494,790	2,494,790	2,494,790
Total resources	\$ 3,453,526	\$ 6,095,526	\$ 3,983,767	\$ 3,033,467	\$ 7,007,286	\$ 911,760
Requirements:						
Lake grove village activities	\$ 2,869,000	\$ 5,511,000	\$ 3,973,819	\$ 847,579	\$ 4,821,398	\$ 689,602
Contingency	584,526	584,526	-	-	-	584,526
Unappropriated ending fund balance	-	-	9,948	2,185,888	2,185,888	(2,185,888)
Total requirements	\$ 3,453,526	\$ 6,095,526	\$ 3,983,767	\$ 3,033,467	\$ 7,007,286	\$ (911,760)
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (9,948)		
Requirements-unappropriated ending fund balance				2,185,888		
Net change in fund balance - GAAP basis				\$ 2,175,940		

CITY OF LAKE OSWEGO, OREGON

Assessment Project Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 856,590	\$ 856,590	\$ 806,567	\$ 861,369	\$ 806,567	\$ (50,023)
Licenses and fees	80,000	80,000	59,726	29,683	89,409	9,409
Special assessment	14,000	14,000	7,631	7,628	15,259	1,259
Miscellaneous	8,000	8,000	(12,555)	19,391	6,836	(1,164)
Total resources	<u>\$ 958,590</u>	<u>\$ 958,590</u>	<u>\$ 861,369</u>	<u>\$ 918,071</u>	<u>\$ 918,071</u>	<u>\$ (40,519)</u>
Requirements:						
Reserve for future expenditure	\$ 958,590	\$ 958,590	\$ -	\$ -	\$ -	\$ 958,590
Unappropriated ending fund balance	-	-	861,369	918,071	918,071	(918,071)
Total requirements	<u>\$ 958,590</u>	<u>\$ 958,590</u>	<u>\$ 861,369</u>	<u>\$ 918,071</u>	<u>\$ 918,071</u>	<u>\$ 40,519</u>
Reconciliation to net change in fund balance - GAAP basis:						
Resources-beginning fund balance				\$ (861,369)		
Requirements-unappropriated ending fund balance				<u>918,071</u>		
Net change in fund balance - GAAP basis				<u>\$ 56,702</u>		

CITY OF LAKE OSWEGO, OREGON

Public Art Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 134,031	\$ 326,031	\$ 326,803	\$ 167,956	\$ 326,803	\$ 772
Intergovernmental	-	-	33,136	-	33,136	33,136
Miscellaneous	2,000	2,000	(2,380)	1,957	(423)	(2,423)
Transfers	365,000	365,000	164,000	201,000	365,000	-
Total resources	<u>\$ 501,031</u>	<u>\$ 693,031</u>	<u>\$ 521,559</u>	<u>\$ 370,913</u>	<u>\$ 724,516</u>	<u>\$ 31,485</u>
Requirements:						
Public art	\$ 469,000	\$ 671,000	\$ 353,603	\$ 272,079	\$ 625,682	\$ 45,318
Reserve for future expenditures	32,031	22,031	-	-	-	22,031
Unappropriated ending fund balance	-	-	167,956	98,834	98,834	(98,834)
Total requirements	<u>\$ 501,031</u>	<u>\$ 693,031</u>	<u>\$ 521,559</u>	<u>\$ 370,913</u>	<u>\$ 724,516</u>	<u>\$ (31,485)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (167,956)
Requirements-unappropriated ending fund balance	98,834
Net change in fund balance - GAAP basis	<u>\$ (69,122)</u>

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB pronouncement No. 54 due to its resources being derived primarily from General Fund transfers.

CITY OF LAKE OSWEGO, OREGON

Capital Reserve Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 2,052,124	\$ 3,071,124	\$ 3,071,975	\$ 1,554,125	\$ 3,071,975	\$ 851
Miscellaneous	10,000	10,000	(31,341)	50,563	19,222	9,222
Transfers	1,800,000	1,800,000	810,000	990,000	1,800,000	-
Total resources	<u>\$ 3,862,124</u>	<u>\$ 4,881,124</u>	<u>\$ 3,850,634</u>	<u>\$ 2,594,688</u>	<u>\$ 4,891,197</u>	<u>\$ 10,073</u>
Requirements:						
Capital Reserve Activity	\$ 1,500,000	\$ 2,519,000	\$ 2,296,509	\$ 122,030	\$ 2,418,539	\$ 100,461
Reserve for future expenditures	2,362,124	2,362,124	-	-	-	2,362,124
Unappropriated ending fund balance	-	-	1,554,125	2,472,658	2,472,658	(2,472,658)
Total requirements	<u>\$ 3,862,124</u>	<u>\$ 4,881,124</u>	<u>\$ 3,850,634</u>	<u>\$ 2,594,688</u>	<u>\$ 4,891,197</u>	<u>\$ (10,073)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (1,554,125)
Requirements-unappropriated ending fund balance	<u>2,472,658</u>
Net change in fund balance - GAAP basis	<u>\$ 918,533</u>

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB pronouncement No. 54 due to its resources being derived primarily from General Fund transfers.

Combining and Individual Fund Financial
Statements and Schedules
For Major and Nonmajor Proprietary Funds

Proprietary Funds

Enterprise Funds

These funds account for operation of the City's enterprise activities.

Major enterprise funds:

Water Fund - accounts for the activities of the City's water distribution system. Revenue is derived primarily from water service charges.

Sewer Fund - accounts for the activities of the City's sewer collection and treatment system. Revenue is derived primarily from sewer service charges.

Stormwater Fund - accounts for the activities of the City's stormwater management system which was developed to address water quality and flooding problems. Revenue is derived primarily from stormwater management charges.

Nonmajor enterprise funds:

Capital Reserve Water Fund – accounts for funds set-aside for future capital purchases. Revenue consists of transfers from the Water Fund.

Tennis Facility Fund – accounts for the operation of the City's indoor tennis facility. Revenue is primarily from user fees.

Internal Service Funds

These funds are used to account for services provided by the City of Lake Oswego to various departments within the City.

Public Works Support Services Fund – accounts for the maintenance of equipment, property, and for the activities of the automobile fleet of the City. Revenues are derived from reimbursements from other funds for associated costs as well as a reimbursement from the Lake Oswego School District for fuel usage.

Engineering Fund – manages the planning, design and construction of the City's infrastructure, including stormwater, water, sewer collection, and transportation. In addition, the Engineering Division provides technical support for privately financed public improvements (constructed with development projects), and provides GIS mapping services.

City of Lake Oswego, Oregon
Statement of Net Position
Nonmajor Enterprise Funds
as of June 30, 2023

	Business-type Activities - Enterprise Funds
	Tennis Facility Fund
Assets	
Current assets:	
Cash and investments	\$ 83,012
Total current assets	<u>83,012</u>
Noncurrent assets:	
Net OPEB asset	7,195
Capital assets:	
Buildings and improvements	3,168,939
Machinery and equipment	<u>10,300</u>
	<u>3,179,239</u>
Less accumulated depreciation	<u>(631,784)</u>
Total capital assets (net of accumulated depreciation)	<u>2,547,455</u>
Total assets	<u>2,637,662</u>
Deferred outflows of resources	
Deferred amounts related to other postemployment benefits	7,881
Deferred amounts related to pensions	<u>62,601</u>
Total deferred outflows of resources	<u>70,482</u>
Liabilities	
Current liabilities:	
Accounts payable	1,332
Salaries and benefits payable	268
Compensated absences payable	<u>4,350</u>
Total current liabilities	<u>5,950</u>
Noncurrent liabilities:	
Total OPEB liability	25,833
Net pension liability	<u>147,529</u>
Total noncurrent liabilities	<u>173,362</u>
Total liabilities	<u>179,312</u>
Deferred inflows of resources	
Deferred amounts related to other postemployment benefits	4,733
Deferred amounts related to pensions	<u>46,112</u>
Total deferred inflows of resources	<u>50,845</u>
Net Position	
Net investment in capital assets	2,547,455
Restricted for OPEB asset	7,195
Unrestricted	<u>(76,663)</u>
Total net position	<u>\$ 2,477,987</u>

City of Lake Oswego, Oregon
Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
for the fiscal year ended June 30, 2023

	Business-type Activities - Enterprise Funds
	Tennis Facility Fund
Operating revenues:	
Intergovernmental	
Licenses and fees	\$ 4,800
Charges for sales and services	427,135
Miscellaneous	2,880
Total operating revenues	<u>434,815</u>
Operating expenses:	
Salaries and benefits	220,885
Operating supplies and services	356,680
Depreciation	32,814
Total operating expenses	<u>610,379</u>
Operating income (loss)	<u>(175,564)</u>
Nonoperating revenues:	
Grants	-
Interest on investments	2,878
Total nonoperating revenues	<u>2,878</u>
Net income (loss) before transfers	(172,686)
Capital contributions	<u>2,238,622</u>
Change in net position	<u>2,065,936</u>
Total net position - beginning:	412,051
Total net position - ending	<u>\$ 2,477,987</u>

CITY OF LAKE OSWEGO, OREGON
Statement of Cash Flows
Nonmajor Enterprise Funds
for the fiscal year ended June 30, 2023

	Business- type Activities -
	Tennis Facility Fund
Cash flows from operating activities:	
Receipts from customers	\$ 431,935
Payments to suppliers	(356,037)
Payments to employees	(225,140)
Other receipts	2,880
Net cash from operating activities	<u>(146,362)</u>
Cash flows from investing activities:	
Investment income	<u>2,878</u>
Net increase (decrease) in cash and investments	(143,484)
Cash and investments, June 30, 2022	<u>226,496</u>
Cash and investments, June 30, 2023	<u>\$ 83,012</u>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ (175,564)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation expense	32,814
Changes in assets and liabilities:	
Net OPEB asset	1,483
Deferred outflows	11,929
Accounts payable	643
Salaries and benefits payable	15
Total OPEB liability	(295)
Compensated absences payable	4,350
Net pension liability	31,008
Deferred inflows	<u>(52,745)</u>
Net cash from operating activities	<u>\$ (146,362)</u>

CITY OF LAKE OSWEGO, OREGON

Water Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the		Actual Amounts			Variance with Final Budget
	2021-23 Biennium		1st year FY 2021-22	2nd year FY 2022-23	Total	
	Original	Final				
Resources:						
Beginning fund balance	\$ 12,579,485	\$ 12,579,485	\$ 15,468,159	\$ 14,688,068	\$ 15,468,159	\$ 2,888,674
Intergovernmental	4,203,000	4,203,000	2,070,983	1,918,274	3,989,257	(213,743)
Sales and services	28,100,000	28,100,000	14,286,261	15,497,980	29,784,241	1,684,241
Miscellaneous	260,000	260,000	(38,585)	469,983	431,398	171,398
Transfers	-	2,000,000	-	2,000,000	2,000,000	-
Other financing sources	-	60,000,000	-	58,769,077	58,769,077	(1,230,923)
Total resources	\$ 45,142,485	\$ 107,142,485	\$ 31,786,818	\$ 93,343,382	\$ 110,442,132	\$ 3,299,647
Requirements:						
Water department	\$ 25,194,000	\$ 28,407,000	\$ 9,273,950	\$ 11,066,445	\$ 20,340,395	\$ 8,066,605
Debt service	11,645,000	70,470,000	5,824,800	64,333,400	70,158,200	311,800
Transfers	3,000,000	3,000,000	2,000,000	1,000,000	3,000,000	-
Contingency	5,303,485	5,265,485	-	-	-	5,265,485
Unappropriated ending fund balance	-	-	14,688,068	16,943,537	16,943,537	(16,943,537)
Total requirements	\$ 45,142,485	\$ 107,142,485	\$ 31,786,818	\$ 93,343,382	\$ 110,442,132	\$ (3,299,647)

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (14,688,068)
Requirements-unappropriated ending fund balance	16,943,537
Other financing sources	(58,769,077)
Total OPEB liability	(15,448)
Deferred outflow other postemployment benefits	8,601
Deferred inflow other postemployment benefits	15,127
Accrual for compensated absences payable	(1,532)
Debt principal payment	61,465,000
Bond interest payable	22,669
Deferrred Charge on Refunding	(1,655,985)
Amortization of bond premium	1,899,211
Net pension liability (asset)	(526,091)
Deferred outflow pension	(202,572)
Deferred inflow pension	817,790
Capital outlay	1,801,484
Depreciation expense-GAAP expense	(3,678,314)
Capital contributions	453,554
Capital asset transfer	(20,252)
Net change in net position - GAAP basis	\$ 3,869,634

CITY OF LAKE OSWEGO, OREGON

Sewer Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 17,216,773	\$ 17,216,773	\$ 21,013,046	\$ 20,141,331	\$ 21,013,046	\$ 3,796,273
Intergovernmental	-	-	-	5,923,000	5,923,000	5,923,000
Licenses and fees	-	-	75,144	144,175	219,319	219,319
Sales and services	33,122,000	33,122,000	16,358,945	16,980,436	33,339,381	217,381
Miscellaneous	160,000	160,000	(270,806)	573,992	303,186	143,186
Total resources	<u>\$ 50,498,773</u>	<u>\$ 50,498,773</u>	<u>\$ 37,176,329</u>	<u>\$ 43,762,934</u>	<u>\$ 60,797,932</u>	<u>\$ 10,299,159</u>
Requirements:						
Wastewater department	\$ 23,767,000	\$ 24,998,000	\$ 11,421,973	\$ 13,567,455	\$ 24,989,428	\$ 8,572
Debt service	11,251,000	11,251,000	5,613,025	5,636,000	11,249,025	1,975
Contingency	15,480,773	14,249,773	-	-	-	14,249,773
Unappropriated ending fund balance	-	-	20,141,331	24,559,479	24,559,479	(24,559,479)
Total requirements	<u>\$ 50,498,773</u>	<u>\$ 50,498,773</u>	<u>\$ 37,176,329</u>	<u>\$ 43,762,934</u>	<u>\$ 60,797,932</u>	<u>\$ (10,299,159)</u>

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (20,141,331)
Requirements-unappropriated ending fund balance	24,559,479
Net OPEB liability	(6,370)
Deferred outflow other postemployment benefits	3,442
Deferred inflow other postemployment benefits	5,275
Accrual for compensated absences payable	1,101
Bond principal payment	3,325,000
Bond interest payable	8,130
Amortization of deferred charge on refunding	132,557
Amortization of bond premium	972,363
Net pension liability (asset)	(109,743)
Deferred outflow pension	(82,125)
Deferred inflow pension	262,558
Capital outlay	5,333,358
Depreciation expense-GAAP expense	(2,813,034)
Capital contributions	211,708
Net change in net position - GAAP basis	<u>\$ 11,662,368</u>

CITY OF LAKE OSWEGO, OREGON

Stormwater Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the		Actual Amounts			Variance with Final Budget
	2021-23 Biennium		1st year	2nd year	Total	
	Original	Final	FY 2021-22	FY 2022-23		
Resources:						
Beginning fund balance	\$ 1,889,684	\$ 1,889,684	\$ 2,108,781	\$ 2,867,521	\$ 2,108,781	\$ 219,097
Sales and services	9,106,000	9,106,000	4,420,066	4,729,290	9,149,356	43,356
Miscellaneous	12,000	12,000	(34,236)	76,799	42,563	30,563
Transfers	-	570,000	-	570,000	570,000	-
Total resources	<u>\$ 11,007,684</u>	<u>\$ 11,577,684</u>	<u>\$ 6,494,611</u>	<u>\$ 8,243,610</u>	<u>\$ 11,870,700</u>	<u>\$ 293,016</u>
Requirements:						
Stormwater department	\$ 6,968,000	\$ 7,576,000	\$ 3,400,340	\$ 2,855,948	\$ 6,256,288	\$ 1,319,712
Debt service	454,000	454,000	226,750	226,500	453,250	750
Contingency	3,585,684	3,547,684	-	-	-	3,547,684
Unappropriated ending fund balance	-	-	2,867,521	5,161,162	5,161,162	(5,161,162)
Total requirements	<u>\$ 11,007,684</u>	<u>\$ 11,577,684</u>	<u>\$ 6,494,611</u>	<u>\$ 8,243,610</u>	<u>\$ 11,870,700</u>	<u>\$ (293,016)</u>

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (2,867,521)
Requirements-unappropriated ending fund balance	5,161,162
Net OPEB liability	308
Deferred outflow other postemployment benefits	275
Deferred inflow other postemployment benefits	3,812
Accrual for compensated absences payable	371
Bond principal payment	210,000
Bond interest payable	875
Amortization of bond premium	72,047
Net pension liability (asset)	(90,819)
Deferred outflow pension	(22,786)
Deferred inflow pension	113,070
Capital outlay	635,626
Depreciation expense-GAAP expense	(842,110)
Capital contributions	127,528
Net change in net position - GAAP basis	<u>\$ 2,501,838</u>

City of Lake Oswego, Oregon

Water Fund

Schedule of Combining Actual Resources and Requirements for the Water Fund for the fiscal year ended June 30, 2023

	<u>Water Fund</u>	<u>Capital Reserve Water Fund</u>	<u>Combined Water Fund</u>
	<u>Actual Amounts</u>	<u>Actual Amounts</u>	<u>Total</u>
Resources:			
Beginning fund balance	\$ 14,688,068	\$ 1,971,441	\$ 16,659,509
Intergovernmental	1,918,274	-	1,918,274
Sales and services	15,497,980	-	15,497,980
Miscellaneous	469,983	52,555	522,538
Transfers	2,000,000	1,000,000	3,000,000
Other financing sources	58,769,077	-	58,769,077
Total resources	<u>\$ 93,343,382</u>	<u>\$ 3,023,996</u>	<u>\$ 96,367,378</u>
Requirements:			
Water department	\$ 11,066,445	\$ -	\$ 11,066,445
Debt service	64,333,400	-	64,333,400
Transfers	1,000,000	-	1,000,000
Unappropriated ending fund balance	16,943,537	3,023,996	19,967,533
Total requirements	<u>\$ 93,343,382</u>	<u>\$ 3,023,996</u>	<u>\$ 96,367,378</u>

CITY OF LAKE OSWEGO, OREGON
Capital Reserve Water Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ -	\$ -	\$ -	\$ 1,971,441	\$ -	\$ -
Miscellaneous	-	-	(28,559)	52,555	23,996	23,996
Transfers	3,000,000	3,000,000	2,000,000	1,000,000	3,000,000	-
Total resources	\$ 3,000,000	\$ 3,000,000	\$ 1,971,441	\$ 3,023,996	\$ 3,023,996	\$ 23,996
Requirements:						
Reserve for future expenditures	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000
Unappropriated ending fund balance	-	-	1,971,441	3,023,996	3,023,996	(3,023,996)
Total requirements	\$ 3,000,000	\$ 3,000,000	\$ 1,971,441	\$ 3,023,996	\$ 3,023,996	\$ (23,996)

Reconciliation to net change in fund balance - GAAP basis:

Resources-beginning fund balance	\$ (1,971,441)
Requirements-unappropriated ending fund balance	3,023,996
Net change in fund balance - GAAP basis	\$ 1,052,555

Note: This fund's activities have been combined with the Water Fund activities in accordance with GASB pronouncement No. 54 due to its resources being derived primarily from Water Fund transfers.

CITY OF LAKE OSWEGO, OREGON

Tennis Facility Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 386,708	\$ 386,708	\$ 373,401	\$ 225,554	\$ 373,401	\$ (13,307)
Licenses and fees	4,000	4,000	20	4,800	4,820	820
Sales and services	938,000	938,000	105,978	427,135	533,113	(404,887)
Miscellaneous	16,000	16,000	(3,751)	5,758	2,007	(13,993)
Total resources	<u>\$ 1,344,708</u>	<u>\$ 1,344,708</u>	<u>\$ 475,648</u>	<u>\$ 663,247</u>	<u>\$ 913,341</u>	<u>\$ (431,367)</u>
Requirements:						
Tennis facility department	\$ 1,043,000	\$ 1,043,000	\$ 250,094	\$ 581,835	\$ 831,929	\$ 211,071
Contingency	301,708	301,708	-	-	-	301,708
Unappropriated ending fund balance	-	-	225,554	81,412	81,412	(81,412)
Total requirements	<u>\$ 1,344,708</u>	<u>\$ 1,344,708</u>	<u>\$ 475,648</u>	<u>\$ 663,247</u>	<u>\$ 913,341</u>	<u>\$ 431,367</u>

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (225,554)
Requirements-unappropriated ending fund balance	81,412
Net OPEB liability	(1,188)
Deferred outflow other postemployment benefits	825
Deferred inflow other postemployment benefits	2,666
Accrual for compensated absences payable	(4,350)
Net pension liability (asset)	(31,008)
Deferred outflow pension	(12,754)
Deferred inflow pension	50,079
Depreciation expense-GAAP expense	(32,814)
Capital contributions	<u>2,238,622</u>
Net change in net position - GAAP basis	<u>\$ 2,065,936</u>

City of Lake Oswego, Oregon
Combining Statement of Net Position
Internal Service Funds
as of June 30, 2023

	Public Works Support Services Fund	Engineering Fund	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 1,132,970	\$ 1,838,243	\$ 2,971,213
Receivables	-	-	-
Inventories & prepaids	29,459	-	29,459
Total current assets	<u>1,162,429</u>	<u>1,838,243</u>	<u>3,000,672</u>
Noncurrent assets:			
Net pension asset	-	-	-
Net OPEB asset	22,280	59,645	81,925
Capital assets:			
Land	817,916	-	817,916
Buildings and improvements	12,939,061	-	12,939,061
Machinery and equipment	605,976	372,306	978,282
Infrastructure	480,994	-	480,994
Construction in progress	22,631	-	22,631
	<u>14,866,578</u>	<u>372,306</u>	<u>15,238,884</u>
Less accumulated depreciation	<u>(2,098,388)</u>	<u>(188,022)</u>	<u>(2,286,410)</u>
Total capital assets (net of accumulated depreciation)	<u>12,768,190</u>	<u>184,284</u>	<u>12,952,474</u>
Total assets	<u>13,952,899</u>	<u>2,082,172</u>	<u>16,035,071</u>
Deferred outflows of resources			
Deferred amounts related to other postemployment benefits	24,406	65,337	89,743
Deferred amounts related to pensions	457,173	1,430,326	1,887,499
Total deferred outflows of resources	<u>481,579</u>	<u>1,495,663</u>	<u>1,977,242</u>
Liabilities			
Current liabilities:			
Accounts payable	43,713	7,213	50,926
Salaries and benefits payable	1,605	4,816	6,421
Compensated absences payable	50,000	170,000	220,000
Refundable deposits	-	231,927	231,927
Total current liabilities	<u>95,318</u>	<u>413,956</u>	<u>509,274</u>
Noncurrent liabilities:			
Compensated absences payable	5,905	82,342	88,247
Total OPEB liability	80,000	214,166	294,166
Net pension liability	1,077,405	3,370,803	4,448,208
Total noncurrent liabilities	<u>1,163,310</u>	<u>3,667,311</u>	<u>4,830,621</u>
Total liabilities	<u>1,258,628</u>	<u>4,081,267</u>	<u>5,339,895</u>
Deferred inflows of resources			
Deferred amounts related to other postemployment benefits	14,658	39,241	53,899
Deferred amounts related to pensions	336,756	1,053,586	1,390,342
Total deferred inflow of resources	<u>351,414</u>	<u>1,092,827</u>	<u>1,444,241</u>
Net Position			
Net investment in capital assets	12,768,190	184,284	12,952,474
Restricted	22,280	59,645	81,925
Unrestricted	33,966	(1,840,188)	(1,806,222)
Total net position	<u>\$ 12,824,436</u>	<u>\$ (1,596,259)</u>	<u>\$ 11,228,177</u>

City of Lake Oswego, Oregon

Combining Statement of Revenues, Expenses, and Changes in Net Position Internal Service Funds

for the fiscal year ended June 30, 2023

	Public Works Support Services Fund	Engineering Fund	Total Internal Service Funds
Operating revenues:			
Licenses and fees	\$ 31,098	\$ 372,753	\$ 403,851
Charges for sales and services	1,940,000	4,279,796	6,219,796
Miscellaneous	12,048	3,016	15,064
Total operating revenues	<u>1,983,146</u>	<u>4,655,565</u>	<u>6,638,711</u>
Operating expenses:			
Salaries and benefits	1,050,416	3,560,484	4,610,900
Operating supplies and services	756,495	965,295	1,721,790
Depreciation	319,487	33,812	353,299
Total operating expenses	<u>2,126,398</u>	<u>4,559,591</u>	<u>6,685,989</u>
Operating income (loss)	<u>(143,252)</u>	<u>95,974</u>	<u>(47,278)</u>
Nonoperating revenues (expenses):			
Interest on investments	23,675	38,125	61,800
Total nonoperating revenues (expenses)	<u>23,675</u>	<u>38,125</u>	<u>61,800</u>
Change in net position	(119,577)	134,099	14,522
Total net position - beginning	<u>12,944,013</u>	<u>(1,730,358)</u>	<u>11,213,655</u>
Total net position - ending	<u>\$ 12,824,436</u>	<u>\$ (1,596,259)</u>	<u>\$ 11,228,177</u>

CITY OF LAKE OSWEGO, OREGON
Combining Statement of Cash Flows
Internal Service Funds
for the fiscal year ended June 30, 2023

	Public Works Support Services Fund	Engineering Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,971,098	\$ 4,704,834	\$ 6,675,932
Payments to suppliers	(774,070)	(978,941)	(1,753,011)
Payments to employees	(1,093,527)	(3,616,660)	(4,710,187)
Other receipts	12,048	3,016	15,064
Net cash flows from operating activities	<u>115,549</u>	<u>112,249</u>	<u>227,798</u>
Cash flows from capital and related financing activities:			
Purchases, acquisitions, dispositions and construction of capital assets	<u>(51,738)</u>	<u>(28,981)</u>	<u>(80,719)</u>
Net cash provided (used) by noncapital financing activities	<u>(51,738)</u>	<u>(28,981)</u>	<u>(80,719)</u>
Cash flows from investing activities:			
Investment income	<u>23,675</u>	<u>38,126</u>	<u>61,801</u>
Net increase (decrease) in cash and investments	87,486	121,394	208,880
Cash and investments, June 30, 2022	<u>1,045,484</u>	<u>1,716,849</u>	<u>2,762,333</u>
Cash and investments, June 30, 2023	<u>\$ 1,132,970</u>	<u>\$ 1,838,243</u>	<u>\$ 2,971,213</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (143,252)	\$ 95,974	\$ (47,278)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	319,487	33,812	353,299
Changes in assets and liabilities:			
Receivables	-	150	150
Inventories	13,606	-	13,606
Net OPEB asset	4,313	11,175	15,488
Deferred outflows	77,573	239,818	317,391
Accounts payable	(31,181)	(13,646)	(44,827)
Salaries and benefits payable	88	265	353
Net OPEB liability	(69)	931	862
Compensated absences payable	(13,815)	24,778	10,963
Refundable deposits	-	52,135	52,135
Net pension liability	246,219	776,258	1,022,477
Deferred inflows	<u>(357,420)</u>	<u>(1,109,401)</u>	<u>(1,466,821)</u>
Net cash provided by operating activities	<u>\$ 115,549</u>	<u>\$ 112,249</u>	<u>\$ 227,798</u>

CITY OF LAKE OSWEGO, OREGON
Public Works Support Services Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 527,180	\$ 527,180	\$ 751,709	\$ 1,012,138	\$ 751,709	\$ 224,529
Charges for services	3,720,000	3,872,000	1,932,000	1,940,000	3,872,000	-
Miscellaneous	52,000	52,000	16,995	66,821	83,816	31,816
Total resources	<u>\$ 4,299,180</u>	<u>\$ 4,451,180</u>	<u>\$ 2,700,704</u>	<u>\$ 3,018,959</u>	<u>\$ 4,707,525</u>	<u>\$ 256,345</u>
Requirements:						
Operations services department	\$ 4,220,000	\$ 4,372,000	\$ 1,688,566	\$ 1,901,847	\$ 3,590,413	\$ 781,587
Contingency	79,180	79,180	-	-	-	79,180
Unappropriated ending fund balance	-	-	1,012,138	1,117,112	1,117,112	(1,117,112)
Total requirements	<u>\$ 4,299,180</u>	<u>\$ 4,451,180</u>	<u>\$ 2,700,704</u>	<u>\$ 3,018,959</u>	<u>\$ 4,707,525</u>	<u>\$ (256,345)</u>

**Reconciliation to net change in
net position - GAAP basis:**

Resources-beginning fund balance	\$ (1,012,138)
Requirements-unappropriated ending fund balance	1,117,112
Total OPEB liability	(4,244)
Deferred outflow other postemployment benefits	2,783
Deferred inflow other postemployment benefits	8,017
Accrual for compensated absences payable	13,315
Net pension liability (asset)	(246,219)
Deferred outflow pension	(80,356)
Deferred inflow pension	349,403
Capital outlay	52,237
Depreciation expense-GAAP expense	(319,487)
Net change in net position - GAAP basis	<u>\$ (119,577)</u>

CITY OF LAKE OSWEGO, OREGON

Engineering Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2023

	Budget for the 2021-23 Biennium		Actual Amounts			Variance with Final Budget
	Original	Final	1st year FY 2021-22	2nd year FY 2022-23	Total	
Resources:						
Beginning fund balance	\$ 1,024,520	\$ 1,024,520	\$ 1,396,019	\$ 1,511,797	\$ 1,396,019	\$ 371,499
Licenses and fees	410,000	410,000	268,737	372,753	641,490	231,490
Charges for services	9,420,000	9,420,000	4,282,538	4,279,796	8,562,334	(857,666)
Miscellaneous	24,000	24,000	(10,753)	41,141	30,388	6,388
Total resources	<u>\$ 10,878,520</u>	<u>\$ 10,878,520</u>	<u>\$ 5,936,541</u>	<u>\$ 6,205,487</u>	<u>\$ 10,630,231</u>	<u>\$ (248,289)</u>
Requirements:						
Engineering department	\$ 10,344,000	\$ 10,344,000	\$ 4,424,744	\$ 4,611,199	\$ 9,035,943	\$ 1,308,057
Contingency	534,520	534,520	-	-	-	534,520
Unappropriated ending fund balance	-	-	1,511,797	1,594,288	1,594,288	(1,594,288)
Total requirements	<u>\$ 10,878,520</u>	<u>\$ 10,878,520</u>	<u>\$ 5,936,541</u>	<u>\$ 6,205,487</u>	<u>\$ 10,630,231</u>	<u>\$ 248,289</u>
Reconciliation to net change in net position - GAAP basis:						
Resources-beginning fund balance				\$ (1,511,797)		
Requirements-unappropriated ending fund balance				1,594,288		
Net OPEB liability				(12,107)		
Deferred outflow other postemployment benefits				7,750		
Deferred inflow other postemployment benefits				21,145		
Accrual for compensated absences payable				(24,779)		
Net pension liability (asset)				(776,258)		
Deferred outflow pension				(247,568)		
Deferred inflow pension				1,088,256		
Capital outlay				28,981		
Depreciation expense-GAAP expense				(33,812)		
Net change in net position - GAAP basis				<u>\$ 134,099</u>		

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OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions and Outstanding Balances

Schedule of Future Requirements of Debt Obligations

Schedule of Accountability of Independently Elected Officials

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CITY OF LAKE OSWEGO, OREGON

Schedule of Property Tax Transactions and Outstanding Balances

for the fiscal year ended June 30, 2023

<u>Tax levy fiscal year</u>	<u>Balance June 30, 2022</u>	<u>Levy assessed</u>	<u>Add (deduct) adjustments and discounts</u>	<u>Deduct cash collections</u>	<u>Balance June 30, 2023</u>
2022-23	\$ -	\$ 53,986,047	\$ (875,052)	\$ (51,687,847)	\$ 1,423,148
2021-22	1,104,096	-	165,366	(572,959)	696,503
2020-21	362,843	-	17,992	(179,326)	201,509
2019-20	190,532	-	40,237	(129,398)	101,371
2018-19 & prior	136,986	-	10,053	(89,739)	57,300
	<u>\$ 1,794,457</u>	<u>\$ 53,986,047</u>	<u>\$ (641,404)</u>	<u>\$ (52,659,269)</u>	<u>\$ 2,479,831</u>

CITY OF LAKE OSWEGO, OREGON
Schedule of Future Requirements for Debt Obligations
as of June 30, 2023

Fiscal year	Lake Grove/ Parks Refunding 2/26/15	Parks Series 2019 11/6/19	Parks Series 2023 6/1/23	Sewer Refunding 12/21/17	LORA, Water, and Stormwater Series 2018 Refunding 5/2/18	Streets Series 2019 11/6/19	Wastewater 2010 Refunding & LORA 5/12/20	Water Series 2023 6/1/23
2024	155,000	810,000	-	2,340,000	1,910,000	480,000	1,195,000	2,345,000
2025	160,000	905,000	-	2,460,000	1,765,000	505,000	1,275,000	2,460,000
2026	165,000	1,005,000	-	2,505,000	1,860,000	530,000	1,365,000	2,580,000
2027	165,000	1,115,000	-	2,635,000	1,955,000	560,000	1,455,000	2,710,000
2028	170,000	1,230,000	-	2,760,000	2,055,000	585,000	1,555,000	2,850,000
2029	175,000	1,355,000	-	2,900,000	1,785,000	615,000	1,660,000	2,990,000
2030	180,000	1,225,000	-	3,015,000	1,840,000	630,000	1,765,000	3,140,000
2031	190,000	1,300,000	-	3,140,000	1,895,000	640,000	1,880,000	3,290,000
2032	195,000	1,375,000	-	3,260,000	1,955,000	655,000	2,010,000	3,455,000
2033	200,000	1,460,000	-	3,390,000	2,015,000	670,000	2,130,000	3,630,000
2034	205,000	1,550,000	-	3,495,000	2,075,000	685,000	2,265,000	3,815,000
2035	210,000	1,645,000	-	3,600,000	2,140,000	700,000	2,410,000	4,000,000
2036	220,000	1,745,000	-	-	2,205,000	720,000	605,000	4,205,000
2037	225,000	1,850,000	-	-	2,275,000	735,000	670,000	4,415,000
2038	235,000	1,960,000	-	-	2,345,000	755,000	735,000	4,635,000
2039	240,000	2,075,000	-	-	2,415,000	775,000	805,000	-
2040	-	-	2,140,000	-	2,495,000	-	880,000	-
2041	-	-	2,300,000	-	2,575,000	-	960,000	-
2042	-	-	1,700,000	-	2,665,000	-	1,045,000	-
2043	-	-	-	-	2,750,000	-	1,140,000	-
2044	-	-	-	-	-	-	1,235,000	-
2045	-	-	-	-	-	-	1,340,000	-
	<u>\$ 3,090,000</u>	<u>\$ 22,605,000</u>	<u>\$ 6,140,000</u>	<u>\$ 35,500,000</u>	<u>\$ 42,975,000</u>	<u>\$ 10,240,000</u>	<u>\$ 30,380,000</u>	<u>\$ 50,520,000</u>

Fiscal year	Lake Grove/ Parks Refunding 2/26/15	Parks Series 2019 11/6/19	Parks Series 2023 6/1/23	Sewer Refunding 12/21/17	LORA, Water, and Stormwater Series 2018 Refunding 5/2/18	Streets Series 2019 11/6/19	Wastewater 2010 Refunding & LORA 5/12/20	Water Series 2023 6/1/23
2024	94,584	690,400	245,600	1,309,850	1,464,563	315,200	1,519,000	2,526,000
2025	89,934	649,900	245,600	1,226,750	1,372,688	291,200	1,459,250	2,408,750
2026	85,134	604,650	245,600	1,139,525	1,282,063	265,950	1,395,500	2,285,750
2027	81,009	554,400	245,600	1,011,025	1,186,688	239,450	1,327,250	2,156,750
2028	76,059	498,650	245,600	876,150	1,086,438	211,450	1,254,500	2,021,250
2029	70,959	437,150	245,600	749,150	1,008,288	182,200	1,176,750	1,878,750
2030	65,709	410,050	245,600	630,850	953,913	169,900	1,093,750	1,729,250
2031	60,309	385,550	245,600	507,750	897,888	157,300	1,005,500	1,572,250
2032	54,609	357,925	245,600	379,750	840,138	143,700	911,500	1,407,750
2033	48,759	326,988	245,600	263,700	780,588	128,963	811,000	1,235,000
2034	42,759	290,488	245,600	160,425	719,238	113,050	704,500	1,053,500
2035	36,353	250,963	245,600	54,000	656,013	95,925	591,250	862,750
2036	29,790	208,193	245,600	-	590,838	78,425	470,750	662,750
2037	22,750	161,950	245,600	-	523,638	60,425	440,500	452,500
2038	15,438	112,000	245,600	-	452,872	41,131	407,000	231,750
2039	7,800	58,100	245,600	-	378,497	21,313	370,250	-
2040	-	-	245,600	-	300,219	-	330,000	-
2041	-	-	160,000	-	217,831	-	286,000	-
2042	-	-	68,000	-	132,681	-	238,000	-
2043	-	-	-	-	44,679	-	185,750	-
2044	-	-	-	-	-	-	128,750	-
2045	-	-	-	-	-	-	67,000	-
	<u>\$ 881,955</u>	<u>\$ 5,997,357</u>	<u>\$ 4,403,200</u>	<u>\$ 8,308,925</u>	<u>\$ 14,889,761</u>	<u>\$ 2,515,582</u>	<u>\$ 16,173,750</u>	<u>\$ 22,484,750</u>

Total
9,235,000
9,530,000
10,010,000
10,595,000
11,205,000
11,480,000
11,795,000
12,335,000
12,905,000
13,495,000
14,090,000
14,705,000
9,700,000
10,170,000
10,665,000
6,310,000
5,515,000
5,835,000
5,410,000
3,890,000
1,235,000
1,340,000
<u>\$ 201,450,000</u>

Total
8,165,197
7,744,072
7,304,172
6,802,172
6,270,097
5,748,847
5,299,022
4,832,147
4,340,972
3,840,598
3,329,560
2,792,854
2,286,346
1,907,363
1,505,791
1,081,560
875,819
663,831
438,681
230,429
128,750
67,000
<u>\$ 75,655,280</u>

CITY OF LAKE OSWEGO, OREGON

Schedule of Accountability of Independently Elected Officials

for the fiscal year ended June 30, 2022

Oregon Revised Statutes (ORS) section 297 requires a schedule of accountability for each independently elected official collecting or receiving money in the municipal corporation. In compliance with ORS 297, there are no independently elected officials that collect or receive money on behalf of the City of Lake Oswego.

**CITY OF LAKE OSWEGO, OREGON
ANNUAL COMPREHENSIVE FINANCIAL REPORT**

SECTION III

STATISTICAL SECTION

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STATISTICAL SECTION

This section provides further details as a context for a better understanding of the financial statements.

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Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	153
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	159
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	164
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	170
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	172

Sources: The information in these schedules is derived from the comprehensive annual financial reports for the relevant year, unless otherwise noted.

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CITY OF LAKE OSWEGO, OREGON

Net Position by Component
for the last ten fiscal years
(accrual basis of accounting)
(in thousands)

	<u>2014¹</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities										
Invested in capital assets	\$ 98,123	\$ 98,290	\$ 99,579	\$ 104,033	\$ 117,663	\$ 133,055	\$ 128,260	\$ 146,418	\$ 164,357	\$ 162,569
Restricted	20,568	24,497	24,835	29,343	78,265	75,380	90,106	69,180	57,452	68,897
Unrestricted	11,160	23,146	13,012	11,929	(38,985)	(37,587)	(37,334)	(25,309)	(6,972)	6,630
Total net position governmental activities	<u>129,851</u>	<u>145,933</u>	<u>137,426</u>	<u>145,305</u>	<u>156,943</u>	<u>170,848</u>	<u>181,032</u>	<u>190,289</u>	<u>214,837</u>	<u>238,096</u>
Business-type activities										
Invested in capital assets	85,087	74,091	88,946	108,735	147,788	152,183	159,055	162,960	168,201	178,847
Restricted	-	-	-	-	-	61	100	104	193	165
Unrestricted	16,788	43,074	40,238	31,298	29,609	32,777	29,939	32,323	34,042	44,591
Total net position business-type activities	<u>101,875</u>	<u>117,165</u>	<u>129,184</u>	<u>140,033</u>	<u>177,397</u>	<u>185,021</u>	<u>189,094</u>	<u>195,387</u>	<u>202,436</u>	<u>223,603</u>
Primary government										
Net investment in capital assets	172,381	188,525	188,525	212,768	265,451	285,238	287,315	309,379	332,558	341,417
Restricted	24,497	24,835	24,835	29,343	78,265	75,441	90,206	69,285	57,644	69,062
Unrestricted	66,220	53,250	53,250	43,227	(9,375)	(4,810)	(7,395)	7,014	27,070	51,220
Total net position primary government	<u>\$ 263,098</u>	<u>\$ 266,610</u>	<u>\$ 266,610</u>	<u>\$ 285,338</u>	<u>\$ 334,341</u>	<u>\$ 355,869</u>	<u>\$ 370,126</u>	<u>\$ 385,678</u>	<u>\$ 417,272</u>	<u>\$ 461,699</u>

¹ Implementation of GASB Statement No. 68 in fiscal year 2015 caused a restatement of fiscal year 2014.

CITY OF LAKE OSWEGO, OREGON

**Changes in Net Position
for the last ten fiscal years
(accrual basis of accounting)
(in thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Expenses										
Governmental activities:										
General government	\$ 11,337	\$ 5,193	\$ 18,034	\$ 10,292	\$ 10,976	\$ 8,611	\$ 9,781	\$ 9,135	\$ 7,274	\$ 8,939
Public safety	19,613	16,764	32,202	26,260	27,234	30,372	33,232	33,717	31,503	33,819
Culture and recreation	12,205	12,173	15,776	15,737	14,145	15,602	16,345	17,349	17,158	17,128
Highways and streets	5,233	4,679	6,058	5,741	6,512	6,320	7,449	7,266	6,979	8,514
Interest on long-term debt	1,025	915	750	728	1,578	1,465	2,533	3,458	3,225	2,522
Total governmental activities expenses	<u>49,413</u>	<u>39,724</u>	<u>72,820</u>	<u>58,758</u>	<u>60,445</u>	<u>62,370</u>	<u>69,340</u>	<u>70,925</u>	<u>66,139</u>	<u>70,922</u>
Business-type activities:										
Water	8,743	5,055	8,781	10,817	14,324	14,256	15,264	15,519	14,571	15,448
Sewer	12,566	10,338	11,341	11,436	14,096	10,789	13,443	12,362	12,424	12,163
Stormwater	2,418	2,241	2,904	2,582	2,807	2,887	2,908	3,070	2,866	3,045
Golf course	841	822	1,126	946	834	974	-	-	-	-
Tennis facility	352	361	480	406	408	481	524	364	252	610
Public works support services	207	28	74	49	21	39	32	13	8	55
Engineering	207	532	219	393	329	518	291	278	264	422
Total business-type activities expenses	<u>25,334</u>	<u>19,377</u>	<u>24,925</u>	<u>26,629</u>	<u>32,819</u>	<u>29,944</u>	<u>32,462</u>	<u>31,606</u>	<u>30,385</u>	<u>31,743</u>
Total primary government expenses	<u>\$ 74,747</u>	<u>\$ 59,101</u>	<u>\$ 97,745</u>	<u>\$ 85,387</u>	<u>\$ 93,264</u>	<u>\$ 92,314</u>	<u>\$ 101,802</u>	<u>\$ 102,531</u>	<u>\$ 96,524</u>	<u>\$ 102,665</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 5,791	\$ 5,439	\$ 8,055	\$ 7,698	\$ 7,868	\$ 7,031	\$ 7,310	\$ 4,989	\$ 8,788	\$ 8,253
Public safety	2,923	3,266	3,083	3,286	3,744	3,836	3,942	3,674	4,102	4,055
Culture and recreation	1,034	1,120	1,234	1,284	1,388	1,437	1,759	2,805	2,637	1,601
Community development	-	-	-	-	-	-	-	-	-	-
Highways and streets	2,404	2,490	2,526	2,601	2,710	2,840	2,935	3,021	3,110	3,308
Operating grants and contributions	6,939	6,675	6,903	8,317	7,794	9,029	9,231	10,653	14,717	17,141
Capital grants and contributions	460	481	922	830	202	598	1,788	758	4,213	673
Total governmental activities program revenues	<u>19,552</u>	<u>19,471</u>	<u>22,723</u>	<u>24,016</u>	<u>23,706</u>	<u>24,771</u>	<u>26,965</u>	<u>25,900</u>	<u>37,567</u>	<u>35,031</u>
Business-type activities:										
Charges for services:										
Water	11,807	13,200	14,104	15,698	15,913	14,717	16,554	16,552	16,357	17,416
Sewer	12,916	13,211	13,589	14,096	14,679	15,203	15,634	15,634	16,434	23,048
Stormwater	2,555	2,851	3,098	3,327	3,554	3,827	3,070	4,119	4,420	4,729
Golf course	664	663	558	584	617	-	-	-	-	-
Tennis facility	363	381	406	474	456	366	364	259	106	432
Public works support services	28	13	13	16	18	16	12	12	23	31
Engineering	447	261	397	329	447	246	259	229	283	376
Operating grants and contributions	-	-	-	-	-	-	8	8	-	-
Capital grants and contributions	734	3,558	1,674	674	419	1,451	618	618	226	3,011
Total business-type activities program revenues	<u>29,513</u>	<u>34,138</u>	<u>33,839</u>	<u>35,198</u>	<u>36,103</u>	<u>35,826</u>	<u>36,519</u>	<u>37,431</u>	<u>37,849</u>	<u>49,043</u>
Total primary government program revenues	<u>\$ 49,065</u>	<u>\$ 53,609</u>	<u>\$ 56,562</u>	<u>\$ 59,214</u>	<u>\$ 59,809</u>	<u>\$ 60,597</u>	<u>\$ 63,484</u>	<u>\$ 63,331</u>	<u>\$ 75,416</u>	<u>\$ 84,074</u>

Continued on next page

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net (Expense) Revenue										
Governmental activities	\$ (29,861)	\$ (20,254)	\$ (50,097)	\$ (34,742)	\$ (36,739)	\$ (37,599)	\$ (42,375)	\$ (45,025)	\$ (28,572)	\$ (35,891)
Business-type activities	4,179	14,761	8,914	8,569	3,284	5,882	4,057	5,825	7,464	17,300
Total expenses	<u>\$ (25,682)</u>	<u>\$ (5,493)</u>	<u>\$ (41,183)</u>	<u>\$ (26,173)</u>	<u>\$ (33,455)</u>	<u>\$ (31,717)</u>	<u>\$ (38,318)</u>	<u>\$ (39,200)</u>	<u>\$ (21,108)</u>	<u>\$ (18,591)</u>
General Revenues and Other Changes in Net position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 27,614	\$ 28,956	\$ 30,204	\$ 31,594	\$ 32,963	\$ 33,948	\$ 35,478	\$ 36,648	\$ 39,973	\$ 41,697
Property taxes, levied for debt service	6,721	7,028	6,667	6,465	6,804	8,793	7,011	8,794	9,687	11,168
Franchise taxes	2,844	2,519	2,593	2,580	2,744	2,637	2,812	2,761	3,213	3,504
Hotel and motel taxes	949	1,011	1,146	1,273	1,249	1,304	1,307	954	1,015	1,181
Interest and investment earnings	750	966	137	264	1,054	1,331	3,604	2,792	(1,616)	2,712
Other revenues	465	319	656	967	761	1,281	1,401	871	813	1,376
Gain (loss) on sale of capital assets	3	1,492	3	767	(11)	341	120	(553)	35	82
Transfers	(746)	(242)	(5,070)	(2,320)	(2,944)	(259)	(228)	290	-	(2,570)
Total governmental activities	<u>38,600</u>	<u>42,049</u>	<u>36,335</u>	<u>41,590</u>	<u>42,620</u>	<u>49,376</u>	<u>51,505</u>	<u>52,557</u>	<u>53,120</u>	<u>59,150</u>
Business-type activities:										
Interest and investment earnings	243	159	45	287	221	324	1,138	812	(567)	1,012
Other revenues	16	19	38	199	475	241	98	188	150	285
Gain (Loss) on sale of capital assets	(124)	61	-	-	-	33,951	-	-	-	-
Transfers	746	242	5,070	2,320	2,944	259	228	(290)	-	2,570
Total business-type activities	<u>881</u>	<u>481</u>	<u>5,153</u>	<u>2,806</u>	<u>3,640</u>	<u>34,775</u>	<u>1,464</u>	<u>710</u>	<u>(417)</u>	<u>3,867</u>
Total	<u>\$ 39,481</u>	<u>\$ 42,530</u>	<u>\$ 41,488</u>	<u>\$ 44,396</u>	<u>\$ 46,260</u>	<u>\$ 84,151</u>	<u>\$ 52,969</u>	<u>\$ 53,267</u>	<u>\$ 52,703</u>	<u>\$ 63,017</u>
Change in Net Position										
Governmental activities	\$ 8,739	\$ 21,795	\$ (13,762)	\$ 6,848	\$ 5,881	\$ 11,777	\$ 9,130	\$ 7,532	\$ 24,548	\$ 23,259
Business-type activities	5,060	15,242	14,067	11,375	6,924	40,657	5,521	6,535	7,047	21,167
Total	<u>\$ 13,799</u>	<u>\$ 37,037</u>	<u>\$ 305</u>	<u>\$ 18,223</u>	<u>\$ 12,805</u>	<u>\$ 52,434</u>	<u>\$ 14,651</u>	<u>\$ 14,067</u>	<u>\$ 31,595</u>	<u>\$ 44,426</u>

CITY OF LAKE OSWEGO, OREGON

Governmental Activities Tax Revenues by Source

for the last ten fiscal years

(modified accrual basis of accounting)

Fiscal year	Property tax	Franchise tax	Motor fuel tax¹	Hotel/motel tax	Alcoholic beverage tax¹	Total
2014	36,099,029	2,518,975	2,108,319	1,011,101	516,865	42,254,289
2015	36,822,433	2,592,535	2,140,399	1,145,638	534,012	43,235,017
2016	37,915,362	2,580,077	2,202,295	1,272,730	534,961	44,505,425
2017	39,695,710	2,743,582	2,236,576	1,249,188	572,924	46,497,980
2018	41,103,674	2,637,407	2,416,413	1,304,207	597,362	48,059,063
2019	43,828,058	2,811,460	2,775,468	1,307,262	631,822	51,354,070
2020	45,365,343	2,760,446	2,651,084	954,350	631,798	52,363,021
2021	47,701,986	2,933,008	2,922,443	595,528	825,731	54,978,696
2022	49,292,667	3,213,252	3,228,013	1,015,256	754,945	57,504,133
2023	52,750,666	3,504,105	3,223,024	1,181,144	805,368	61,464,307

¹ Motor fuel and alcoholic beverage taxes are not directly assessed by the City of Lake Oswego, but rather by the State of Oregon, and then a portion is allocated to the City based upon population.

CITY OF LAKE OSWEGO, OREGON
Fund Balances of Governmental Funds
for the last ten fiscal years
(modified accrual basis of accounting)
(in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Non-spendable ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204	\$ 245	\$ 3	\$ 283	\$ 539
Restricted ¹	-	-	-	-	-	-	-	-	-	-
Committed ¹	124	26	69	41	81	175	211	257	296	296
Assigned ¹	2,771	986	947	1,942	1,008	2,083	5,244	3,689	2,468	2,399
Unassigned ¹	<u>21,696</u>	<u>21,422</u>	<u>25,449</u>	<u>25,227</u>	<u>27,487</u>	<u>30,698</u>	<u>32,094</u>	<u>32,402</u>	<u>31,589</u>	<u>38,528</u>
Total general fund	<u>\$ 24,591</u>	<u>\$ 22,434</u>	<u>\$ 26,465</u>	<u>\$ 27,210</u>	<u>\$ 28,576</u>	<u>\$ 33,160</u>	<u>\$ 37,794</u>	<u>\$ 36,351</u>	<u>\$ 34,636</u>	<u>\$ 41,762</u>
All other governmental funds										
Non-spendable ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -
Restricted ¹	21,820	25,296	25,931	30,620	79,693	76,049	90,535	69,562	57,509	68,229
Assigned ¹	<u>2,408</u>	<u>6,599</u>	<u>7,942</u>	<u>9,517</u>	<u>8,567</u>	<u>2,110</u>	<u>10,914</u>	<u>7,668</u>	<u>13,361</u>	<u>13,004</u>
Total all other governmental funds	<u>\$ 24,228</u>	<u>\$ 31,895</u>	<u>\$ 33,873</u>	<u>\$ 40,137</u>	<u>\$ 88,260</u>	<u>\$ 78,172</u>	<u>\$ 101,449</u>	<u>\$ 77,230</u>	<u>\$ 70,870</u>	<u>\$ 81,233</u>

CITY OF LAKE OSWEGO, OREGON

Changes in Fund Balances of Governmental Funds

for the last ten fiscal years
 (modified accrual basis of accounting)
 (in thousands)

	Fiscal year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Property taxes	\$ 36,099	\$ 36,822	\$ 37,915	\$ 39,696	\$ 41,104	\$ 43,828	\$ 45,365	\$ 47,702	\$ 49,293	\$ 52,751
Franchise fees	2,519	2,593	2,580	2,744	2,637	2,811	2,760	2,933	3,213	3,504
Intergovernmental	6,939	6,675	6,903	8,317	7,794	9,029	10,071	10,653	14,718	17,141
Licenses and fees	8,257	8,310	11,048	10,715	10,958	10,274	10,592	8,513	12,986	12,750
Fines and forfeitures	990	942	960	1,048	1,091	1,242	1,002	842	867	956
Sales and services	3,974	4,239	4,173	4,337	4,837	4,704	5,282	5,677	5,864	5,220
Charges for services	2,710	7,339	7,160	7,677	8,061	8,242	8,489	8,820	9,371	9,796
Special assessment - principal	9	11	9	6	8	13	6	10	11	10
Miscellaneous	1,276	786	1,231	1,815	2,614	5,010	3,664	4,180	(814)	3,954
Total revenues	<u>62,773</u>	<u>67,717</u>	<u>71,979</u>	<u>76,353</u>	<u>79,104</u>	<u>85,153</u>	<u>87,233</u>	<u>89,329</u>	<u>95,508</u>	<u>106,082</u>
Expenditures:										
Current:										
General government	12,949	14,540	17,789	16,207	16,903	15,218	14,686	16,535	15,791	16,913
Public safety	18,986	21,815	23,209	23,545	25,089	28,438	29,495	30,356	32,378	33,239
Culture and recreation	9,730	12,080	12,026	13,824	12,955	13,756	14,958	14,245	16,354	16,297
Highways and streets	2,796	2,827	2,642	3,147	3,276	3,679	3,937	3,857	3,666	3,804
Debt service:										
Principal	3,435	9,585	19,315	2,381	8,143	3,175	3,142	3,171	9,545	2,745
Interest	1,056	980	851	793	767	2,395	2,788	3,864	3,560	3,276
Capital outlay	3,946	6,088	10,995	6,551	11,485	25,103	44,923	42,982	22,335	18,595
Intergovernmental expense	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>52,898</u>	<u>67,915</u>	<u>86,828</u>	<u>66,447</u>	<u>78,618</u>	<u>91,764</u>	<u>113,930</u>	<u>115,010</u>	<u>103,630</u>	<u>94,869</u>
Deficiency of revenues over (under) expenditures	<u>9,876</u>	<u>(197)</u>	<u>(14,849)</u>	<u>9,906</u>	<u>486</u>	<u>(6,611)</u>	<u>(26,696)</u>	<u>(25,681)</u>	<u>(8,122)</u>	<u>11,213</u>
Other financing sources (uses):										
Transfers in	14,754	5,893	12,703	7,848	62,243	8,454	28,950	15,768	23,217	14,021
Transfers out	(14,996)	(10,963)	(15,023)	(10,791)	(62,502)	(8,683)	(28,950)	(15,768)	(23,217)	(16,591)
Proceeds from sale of capital assets	1,492	3	19,482	47	463	1,336	59	18	45	2,495
Proceeds from debt issued	-	-	-	-	48,799	-	54,547	-	-	-
Proceeds line-of-credit issued	-	-	3,500	-	-	-	-	-	-	-
Proceeds from leases	-	-	196	-	-	-	-	-	-	-
Proceeds from refunding bonds issued	-	10,774	-	-	-	-	-	-	-	6,352
Total other financing sources (uses)	<u>1,250</u>	<u>5,707</u>	<u>(743)</u>	<u>1,250</u>	<u>49,003</u>	<u>1,107</u>	<u>54,607</u>	<u>18</u>	<u>45</u>	<u>6,277</u>
Net change in fund balances	<u>\$ 11,126</u>	<u>\$ 5,510</u>	<u>\$ (15,592)</u>	<u>\$ 11,156</u>	<u>\$ 49,489</u>	<u>\$ (5,504)</u>	<u>\$ 27,910</u>	<u>\$ (25,663)</u>	<u>\$ (8,077)</u>	<u>\$ 17,490</u>
Debt service as a percentage of noncapital expenditures	9.2%	17.1%	26.6%	5.3%	13.3%	8.4%	8.6%	9.8%	16.1%	7.9%

CITY OF LAKE OSWEGO, OREGON

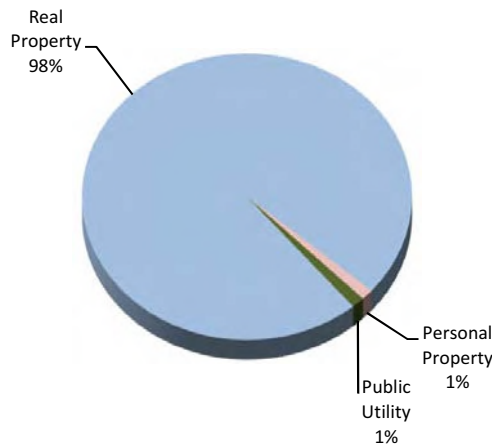
**Assessed Value and Estimated Real Market Value of Taxable Property
for the last ten fiscal years**

Fiscal year	Assessed value				Total direct tax rate	Estimated real market value (RMV)	Assessed value as a percentage of RMV
	Real property	Personal property	Public utility	Total			
2014	6,008,913,189	83,855,347	122,686,940	6,215,455,476	5.9867	7,593,205,815	81.9
2015	6,287,667,883	86,783,026	134,721,800	6,509,172,709	5.8495	8,479,490,953	76.8
2016	6,581,148,675	90,447,679	143,009,800	6,814,606,154	5.7682	9,296,069,769	73.3
2017	6,904,479,121	91,647,005	132,190,800	7,128,316,926	5.7700	10,493,912,727	67.9
2018	7,195,159,525	96,916,706	138,708,143	7,430,784,374	5.7544	11,292,060,536	65.8
2019	7,500,704,135	93,723,328	103,569,600	7,697,997,063	5.7603	12,160,602,915	63.3
2020	7,873,778,356	96,961,187	103,804,500	8,074,544,043	5.8315	12,822,965,471	63.0
2021	8,236,863,633	97,633,395	112,442,400	8,446,939,428	5.8574	13,368,564,423	63.2
2022	8,578,212,851	105,277,413	111,192,500	8,794,682,764	5.8579	14,508,504,919	60.6
2023	8,975,409,252	16,519,809	117,684,400	9,109,613,461	5.9157	16,981,646,841	53.6

Sources: Clackamas, Multnomah, and Washington County Assessors' Offices

Note: Property in Oregon is assessed annually within the 3 percent limits of Measure 50. Counties assess new property at approximately 78 percent of estimated real market value for all types of real and personal property. Tax rates are per \$1,000 of assessed value.

**Real Market Value by Type
for the fiscal year ended 2022**



CITY OF LAKE OSWEGO, OREGON

Property Tax Rates - Direct and Overlapping Governments

for the last ten fiscal years

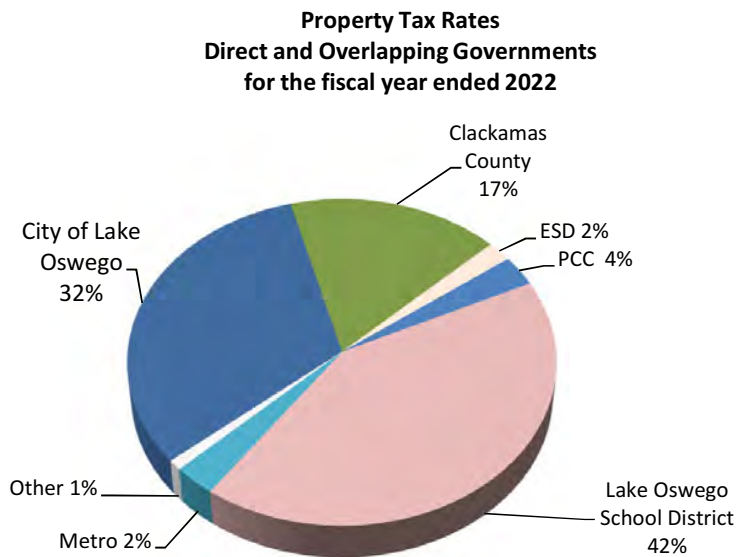
(rate per \$1,000 of assessed value)

Fiscal year	City direct rates				Overlapping rates						Total direct and overlapping
	Basic rate ¹	General obligation debt service	Urban renewal ¹	Total direct	Clackamas county	Education service district	Portland community college	Lake Oswego school district	Metro	Other ²	
2014	4.7740	0.5477	0.6650	5.9867	3.03	0.35	0.71	6.58	0.45	0.14	17.25
2015	4.7683	0.4086	0.6726	5.8495	3.03	0.35	0.70	6.54	0.44	0.14	17.05
2016	4.7548	0.3634	0.6500	5.7682	3.02	0.35	0.56	6.55	0.38	0.14	16.77
2017	4.7333	0.3221	0.7146	5.7700	3.00	0.35	0.65	6.55	0.39	0.14	16.85
2018	4.7286	0.2656	0.7602	5.7544	3.11	0.35	0.58	7.64	0.40	0.14	17.97
2019	4.7235	0.2563	0.7805	5.7603	3.10	0.35	0.66	7.61	0.46	0.14	18.08
2020	4.6827	0.2322	0.9166	5.8315	3.07	0.35	0.65	7.78	0.64	0.14	18.46
2021	4.6637	0.2292	0.9645	5.8574	3.06	0.34	0.65	7.76	0.57	0.10	18.33
2022	4.6566	0.2175	0.9838	5.8579	3.05	0.34	0.63	7.72	0.55	0.22	18.38
2023	4.6240	0.1801	1.1116	5.9157	3.15	0.34	0.63	8.51	0.54	0.14	19.24

Source: Clackamas County Assessor's Office

¹The City's basic rates are applied against Assessed Value.

²Includes Port of Portland, Tri-Met, Lake Grove Park and Vector Control taxing districts.



CITY OF LAKE OSWEGO, OREGON

Principal Property Taxpayers

current year and nine years ago

Name	2023			2014		
	Assessed value	Rank	Percent of total value	Assessed value	Rank	Percent of total value
Shorenstein Properties LLC	\$ 239,741,691	1	2.73%	\$ 245,779,474	1	3.95%
Meadows Road LLC	78,722,967	2	0.90			
HS Mercantile Village Venture LLC	65,515,438	3	0.74			
130 A Ave Owner LLC	64,575,326	4	0.73			
Society Sisters Holy Names	57,496,001	5	0.65			
Prime Foothills LLC	53,966,712	6	0.61			
Property Reserve Inc.	46,115,222	7	0.52	34,947,545	4	0.56
Phoenix Commercial Investments	40,880,034	8	0.46	27,649,051	7	
Micro Systems Engineering Inc.	38,279,268	9	0.44	32,068,783	5	0.52
Spring V At Lake Oswego LLC	36,597,208	10	0.42			
Oswego Lender				41,132,397	2	0.66
Comcast Corporation				36,249,200	3	0.58
Gramor Development				27,931,408	6	0.45
Portland General Electric Co.				22,028,000	7	0.35
Friedkin Realty Group				22,378,119	8	0.34
Ventas Inc.				21,409,350	9	0.34
5 CP LLC				20,001,672	10	0.32
Total	\$ 721,889,867		8.21%	\$ 531,574,999		8.55%

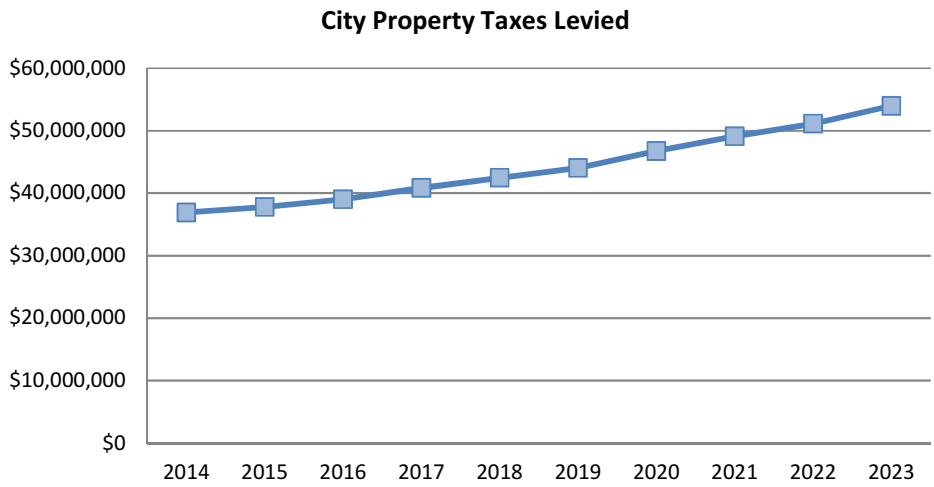
Source: Clackamas County Assessor's Office

CITY OF LAKE OSWEGO, OREGON

Property Tax Levies and Collections
for the last ten fiscal years

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2014	\$ 36,904,316	34,985,936	95%	\$ 798,704	\$ 35,784,640	97%
2015	37,798,336	35,900,595	95	745,732	36,646,327	97
2016	39,030,062	37,116,892	95	666,457	37,783,349	97
2017	40,837,465	38,920,314	95	587,899	39,508,213	97
2018	42,480,850	40,453,879	95	638,361	41,092,240	97
2019	44,070,251	42,151,537	96	519,651	42,671,188	97
2020	46,730,917	44,662,189	96	590,230	45,252,419	97
2021	49,096,525	46,993,054	96	487,259	47,480,313	97
2022	51,123,496	48,635,948	95	572,959	49,208,907	96
2023	53,986,047	51,687,847	96	-	51,687,847	96

Sources: Annual financial statements and internal accounting reports of the City of Lake Oswego



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CITY OF LAKE OSWEGO, OREGON

Ratios of Outstanding Debt by Type
for the last ten fiscal years

Fiscal year	Governmental activities				
	General obligation bonds ¹	Line of Credit ²	Full Faith & Credit obligations ¹	Redevelopment agency urban renewal bonds	Leases ³
2014	11,215,190	20,106,913	10,810,656	-	-
2015	13,689,541	19,256,913	10,307,088	-	-
2016	11,590,021	6,000,000	9,793,520	-	182,323
2017	9,695,505	6,000,000	9,274,952	-	146,219
2018	8,055,985	-	57,540,532	-	108,482
2019	6,361,465	-	55,949,257	-	68,390
2020	30,304,147	-	83,052,150	-	26,489
2021	29,239,981	-	80,583,012	-	-
2022	28,080,815	-	66,345,000	-	69,002
2023	33,473,488	-	69,366,192	-	54,007

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

¹ General Obligation and Full Faith & Credit bonds include premiums.

² Line of Credit includes the West End Building (WEB) loan that was paid off in FY16 with the sale of the building; the non-revolving Line of Credit for the Lake Oswego Redevelopment Agency (LORA) that began in FY12; and the water fund non-revolving Line of Credit.

³ In fiscal years 2016 through 2020, leases were for city vehicles. Beginning in 2022, with the implementation of GASB 87, leases are for two buildings used by the City.

Continued on next page

Business-type activities

Revenue bonds	Full Faith & Credit obligations¹	Line of Credit²	Total	Percentage of personal income	Per capita
8,465,000	169,194,293	-	219,792,052	189.98	5,924
7,615,000	165,981,337	-	216,849,879	177.12	5,814
6,730,000	162,693,391	-	196,989,255	149.39	5,263
5,795,000	157,205,445	-	188,117,121	133.16	5,018
-	157,477,444	-	223,182,443	149.44	5,840
-	150,574,364	-	212,953,476	135.51	5,444
-	143,991,008	-	257,373,794	149.87	6,519
-	137,500,395	-	247,323,388	141.94	6,062
-	130,739,782	-	225,234,599	N/A	5,474
-	121,565,239	-	224,458,926	N/A	N/A

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CITY OF LAKE OSWEGO, OREGON

Ratios of General Bonded Debt Outstanding
for the last ten fiscal years

Fiscal year	General obligation bonds	Less: Amounts available in debt service fund	Total	Percentage of estimated actual taxable value of property¹	Per capita²
2014	11,215,190	1,269,203	9,945,987	0.16%	268
2015	13,689,541	806,841	12,882,700	0.20	345
2016	11,590,021	773,800	10,816,221	0.16	289
2017	9,695,505	837,464	8,858,041	0.12	236
2018	8,055,985	882,310	7,173,675	0.10	188
2019	6,361,465	991,828	5,369,637	0.07	137
2020	30,304,147	1,056,231	29,247,916	0.36	741
2021	29,239,981	1,069,029	28,170,952	0.33	690
2022	28,080,815	965,772	27,115,043	0.31	659
2023	33,473,488	947,766	32,525,722	0.36	790

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

¹ Property value data can be found on the assessed value and estimated real market value of taxable property on page 158.

² Population data can be found in the demographic statistic on page 169.

CITY OF LAKE OSWEGO, OREGON

**Direct and Overlapping Governmental Activities Debt
for the fiscal year ended June 30, 2023**

<u>Governmental unit</u>	<u>Debt outstanding</u>	<u>Estimated percentage applicable</u>	<u>Amount applicable to City of Lake Oswego</u>
Debt repaid with property taxes:			
Lake Oswego SD #7J	\$ 382,387,657	87.36%	\$ 334,047,357
Metro	822,713,920	4.00	32,946,402
Portland Community College	669,475,000	4.97	33,294,331
Multnomah County SD #1J	2,008,774,288	0.47	9,435,213
Other districts:			
Clackamas County	105,100,000	14.61	15,358,473
Clackamas Community College	127,080,045	0.19	242,850
Clackamas County ESD	19,855,267	15.25	3,028,167
Clackamas Soil & Water Conservation	5,416,000	14.61	791,451
Multnomah County	583,000,736	0.37	2,151,273
Washington County	164,628,758	0.02	26,176
Rivergrove Water District 14J	3,319,891	38.19	1,267,923
Multnomah ESD	60,233,416	0.35	209,733
Other Debt:			
Metro	10,715,000	4.00	429,093
Port of Portland	39,375,000	3.65	1,437,148
Portland Community College	45,480,000	4.97	2,261,811
Other districts:			
Clackamas Community College	16,000,000	0.19	30,576
Multnomah ESD	18,925,000	0.35	65,897
Subtotal, overlapping debt	<u>5,082,479,978</u>		<u>437,023,874</u>
Direct debt outstanding:			
City of Lake Oswego, Oregon	<u>102,893,687</u>	100.00%	<u>102,893,687</u>
Total direct and overlapping debt outstanding	<u>\$ 5,185,373,665</u>		<u>\$ 539,917,561</u>

Source: Oregon State Treasury Department, Debt Management Division

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses 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 LAKE OSWEGO, OREGON
Legal Debt Margin Information
for the last ten fiscal years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 227,796,174	\$ 254,384,729	\$ 278,882,093	\$ 314,817,382
Debt applicable to limit	11,215,190	13,689,541	11,590,021	9,695,505
Less premium received on Refunding Bonds Series 2010, GO Bond Series 2015A and GO Bond Series 2023	<u>(80,190)</u>	<u>(574,545)</u>	<u>(540,021)</u>	<u>(505,505)</u>
Total net debt applicable to limit	<u>11,135,000</u>	<u>13,114,996</u>	<u>11,050,000</u>	<u>9,190,000</u>
Legal debt margin	<u>\$ 216,661,174</u>	<u>\$ 241,269,733</u>	<u>\$ 267,832,093</u>	<u>\$ 305,627,382</u>
Total net debt applicable to the limit as a percentage of debt limit	4.89%	5.16%	3.96%	2.92%

Continued on next page

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	338,761,816	\$ 364,818,087	\$ 384,688,964	\$ 401,056,933	\$ 435,255,148	\$ 509,449,405
	8,055,985	6,361,465	30,304,147	29,239,981	28,080,815	33,473,488
	<u>(470,985)</u>	<u>(436,465)</u>	<u>(1,694,147)</u>	<u>(1,604,981)</u>	<u>(1,515,815)</u>	<u>(1,638,488)</u>
	<u>7,585,000</u>	<u>5,925,000</u>	<u>28,610,000</u>	<u>27,635,000</u>	<u>26,565,000</u>	<u>31,835,000</u>
\$	<u>331,176,816</u>	<u>\$ 358,893,087</u>	<u>\$ 356,078,964</u>	<u>\$ 373,421,933</u>	<u>\$ 408,690,148</u>	<u>\$ 477,614,405</u>
	2.24%	1.62%	7.44%	6.89%	6.10%	6.25%

Legal debt margin calculation for fiscal year ended 2019-20

Total property real market value ¹	\$ 16,981,646,841
	3%
Debt limit (3% of total property real market value)	509,449,405
Amount of debt applicable to debt limit:	
Total bonded debt	201,450,000
Less debt excluded from debt limit:	
Street Full Faith & Credit bonds 2019	(10,240,000)
Full Faith & Credit Refunding bonds, Series 2020	(30,380,000)
Water Full Faith & Credit bonds '23	(50,520,000)
Sewer Full Faith & Credit Refunding bonds, Series 2017	(35,500,000)
Full Faith & Credit Refunding bonds, Series 2018	(42,975,000)
Net amount of debt applicable to limit	31,835,000
Legal debt margin - amount available for future indebtedness	\$ 477,614,405

Note: Pursuant to Oregon Revised Statutes 287A.050, outstanding general obligation debt is limited to 3 percent of real market value

¹Source: Clackamas, Multnomah, and Washington County Department of Assessment and Taxation

CITY OF LAKE OSWEGO, OREGON
Demographic and Economic Statistics
for the last ten fiscal years

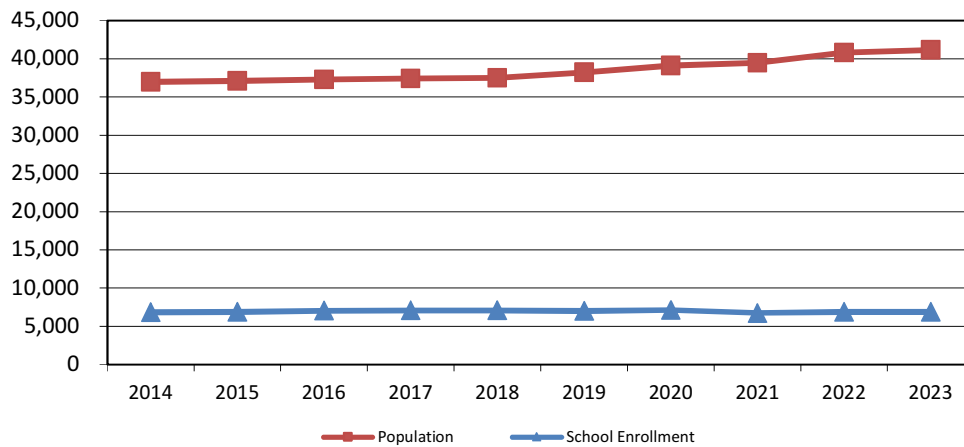
<u>Fiscal year</u>	<u>Population</u>	<u>Personal income (in thousands)¹</u>	<u>Per capita personal income¹</u>	<u>School enrollment</u>	<u>Unemployment rate</u>
2014	36,990	107,537	45,794	6,846	6.2
2015	37,105	115,691	48,422	6,868	5.4
2016	37,300	122,434	50,489	7,023	4.8
2017	37,430	131,861	53,751	7,071	4.0
2018	37,492	141,269	56,991	7,086	3.7
2019	38,215	149,347	59,921	6,996	3.8
2020	39,115	157,150	62,603	7,142	10.3
2021	39,480	171,729	68,374	6,739	5.6
2022	40,801	174,245	69,435	6,896	3.7
2023	41,148	*	*	6,899	3.5

* Information unavailable at this time

Sources: Center for Population Research and Census, Portland State University
 Bureau of Economic Analysis

¹The statistical area used is metropolitan Portland-Vancouver-Hillsboro, OR-WA.
 Lake Oswego School District
 State of Oregon Employment Division (Portland PMSA)

Population and School Enrollment Trends



CITY OF LAKE OSWEGO, OREGON

Principal Employers

current year and nine years ago

Employer	2023			2014		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Lake Oswego School District	826	1	2.30%	628	1	1.78%
Micro Systems Engineering, Inc.	436	2	1.21%	246	5	0.70%
Mary's Woods at Marylhurst	430	3	1.20%	282	4	0.80%
City of Lake Oswego	359	4	1.00%	352	2	1.00%
Greenbriar Companies, Inc	216	5	0.60%			
Navex Global, Inc.	200	6	0.56%			
Power Engineers, Inc	173	7	0.48%			
ARI Network Service, Inc	168	8	0.47%			
The Springs at Lake Oswego	155	9	0.43%			
Vigilant Asset Protection, LLC	150	10	0.42%			
Waggener Edstrom, Inc.				312	3	0.89%
Autodesk, Inc.				180	6	0.51%
New Seasons Market, Inc.				173	7	0.49%
United Helathcare				165	8	0.47%
Anderson Construction				150	9	0.43%
Sabrix, Inc.				142	10	0.40%
	<u>3,113</u>		<u>8.67%</u>	<u>2,630</u>		<u>7.47%</u>

Source: City of Lake Oswego's Finance department and Lake Oswego School District budget document

CITY OF LAKE OSWEGO, OREGON

Full-time Equivalent City Government Employees by Function
for the last ten fiscal years

Function/Program	2014¹	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	59.9	60.0	56.7	57.1	57.4	58.4	59.5	59.5	61.5	61.5
Public safety	128.9	128.8	129.8	129.4	129.6	129.6	129.6	129.6	135.1	135.1
Culture and recreation	90.5	89.5	88.5	88.5	87.8	87.8	87.8	87.8	89.8	89.8
Highways and streets	5.1	5.1	5.0	5.0	4.0	4.0	4.0	4.0	4.5	4.5
Water	25.2	24.2	23.7	21.9	20.1	19.9	19.9	19.9	21.2	21.2
Sewer	6.0	6.0	6.0	6.2	7.2	7.2	7.2	7.2	7.8	7.8
Stormwater	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.6	3.6
Public Works Support Services	9.9	9.9	11.0	10.0	10.0	10.0	9.5	9.5	9.6	9.6
Engineering	22.8	22.8	22.8	22.8	24.3	24.5	25.3	25.3	25.8	25.8
Total	352.1	350.1	347.3	344.8	344.3	345.3	346.7	346.7	358.9	358.9

¹Beginning in fiscal year 2014 Public Safety includes the Building Fund for inspections.

Source: City of Lake Oswego's Finance department

CITY OF LAKE OSWEGO, OREGON
Operating Indicators by Function
for the last ten fiscal years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Public safety										
Physical arrests	644	696	714	623	599	577	470	418	443	486
Traffic violations	5,031	4,696	4,361	4,982	5,170	5,265	4,252	3,737	4,527	5,859
Emergency fire and medical responses	3,559	3,784	4,003	4,000	4,151	4,704	4,392	4,613	4,649	5,043
Calls for service (Police) ¹	13,093	13,537	12,033	13,600	13,115	12,075	11,890	11,883	11,911	12,550
Culture and recreation										
Library volunteer hours ²	12,005	12,454	12,615	11,045	10,648	9,823	5,697	6,106	9,016	11,134
Library - average items circulated per capita ²	33	30	27	27	25	22	17	13	18	16
Community development										
Residential building permits issued	355	385	375	387	364	350	396	421	417	307
Business-type activities:										
Water										
Service connections	12,518	12,491	12,534	12,541	12,545	12,528	12,541	12,566	12,563	12,572
Average daily consumption (in thousands of gallons)	4,679	5,073	5,199	5,116	5,106	5,259	4,310	5,114	5,150	4,945
Sewer										
Service connections	12,582	12,693	12,734	12,840	12,874	12,931	12,982	13,046	13,048	13,050
Average daily sewage treatment (in thousands of gallons)	3,889	3,803	4,795	5,679	4,436	4,098	3,619	3,814	4,358	3,963

¹ The calls being tracked are calls for service where officers respond to citizens.

² The library was closed for three and one-half months of the year in 2020, due to the COVID-19 pandemic.

Source: City of Lake Oswego's Finance department Utility Bill Calcs PDF in S:\UTILITY\Billing\BILL CALCS\20XX

CITY OF LAKE OSWEGO, OREGON

Capital Assets Statistics by Function

for the last ten fiscal years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Culture and recreation										
Park and open space acreage	616	620	620	620	620	620	625	625	628	628
Community development										
Value of new building construction (in thousands)	42,750	56,430	113,601	67,153	81,301	29,148	88,644	35,569	148,943	218,996
Highways and streets										
Miles of streets	169	169	169	169	170	172	178	178	178	178

Source: City of Lake Oswego's Finance department

**CITY OF LAKE OSWEGO, OREGON
ANNUAL COMPREHENSIVE FINANCIAL REPORT**

SECTION IV

COMPLIANCE

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**INDEPENDENT AUDITOR'S 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***

The Honorable Mayor, City Council, and Audit Committee
City of Lake Oswego, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Oswego, Oregon as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Lake Oswego, Oregon's basic financial statements, and have issued our report thereon dated December 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Oswego, Oregon's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Oswego, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Oswego, 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 a 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Oswego, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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. The results of our tests and those of the other auditor disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 *Government Auditing Standards* 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 29, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor, City Council, and Audit Committee
City of Lake Oswego, Oregon

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Lake Oswego, Oregon's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the City of Lake Oswego, Oregon's major federal program for the year ended June 30, 2023. The City of Lake Oswego, Oregon's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Lake Oswego, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Lake Oswego, Oregon and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City of Lake Oswego, Oregon's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with requirement referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Lake Oswego, Oregon's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Lake Oswego, Oregon's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Lake Oswego, Oregon's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Lake Oswego, Oregon's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Lake Oswego, Oregon's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Oswego, Oregon's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over

compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
December 29, 2023

CITY OF LAKE OSWEGO, OREGON
Schedule of Expenditures of Federal Awards
for the fiscal year ended June 30, 2023

Federal Grantor/Program Title	ALN	Pass-through Number	Award Amount	Total Federal Expenditures
Department of the Interior				
Historic Preservation Fund Grants-In-Aid	15.904	Direct	\$ 15,000	\$ 3,852
Total Department of the Interior				<u>3,852</u>
U.S. Department of Transportation:				
Passed through Oregon Impact:				
Distracted Driving OT Enforcement - 22	20.616	69A3752030000405EORC	8,000	2,254
Speed Enforcement - 22	20.616	69A375203000040200RO	8,000	1,819
Distracted Driving OT Enforcement - 23	20.616	69A3752030000405EORC	15,500	6,723
Speed Enforcement - 23	20.616	69A375203000040200RO	12,500	7,527
Safety Belt Enforcement - 23	20.616	69A375223000040200RO	8,000	4,580
Total U.S. Department of Transportation				<u>22,903</u>
U.S. Department of Justice				
Equitable Sharing	16.922	Direct	819	819
Equitable Sharing	16.922	Direct	653	653
Patrick Leahy Bulletproof Vest Partnership	16.607	Direct	13,110	8,100
Total U.S. Department Justice				<u>9,572</u>
U.S. Department of the Treasury				
Equitable Sharing	21.016	Direct	71,139	45,355
Total U.S. Department of Treasury				<u>45,355</u>
U.S. Department of Health and Human Service:				
Passed through Clackamas County:				
OAA Title IIIB	93.044	071317-A12	11,600	8,714
OAA Title IIIB - Vaccine	93.044	071317-A12	1,000	1,000
OAA Title IIIC1 & C2	93.045	071317-A12	90,500	80,043
OAA Title IIIE	93.052	071317-A12	11,020	11,020
NSIP Funds	93.053	071317-A12	11,200	11,200
Ride Connection	N/A	071317-A12	13,500	13,500
Total U.S. Department of Health and Human Services				<u>125,477</u>
U.S. Dept of Homeland Security				
Passed through Oregon Department of Emergency Management:				
Homeland Security Grant Program	97.067	EMW-2022-SS-00045	10,646	10,645
Total U.S. Department of Homeland Security				<u>10,645</u>
FEMA				
Passed through Oregon Office of Emergency Management:				
Disaster Grant (Winter Storm)	97.036	005-40550-00	612,656	612,656 *
Total FEMA				<u>612,656</u>
Total Expenditures of Federal Awards				<u>\$ 830,461</u>

* Denotes major program

See the notes to the Schedule of Expenditures of Federal Awards

CITY OF LAKE OSWEGO, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Note 1. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Lake Oswego, Oregon (the City) for the year ended June 30, 2023. The Schedule was prepared from only a select portion of the operations of the City and, therefore, does not present the financial position or results of operation of the City.

Note 2. Significant Accounting Policies

Reporting Entity: The reporting entity is fully described in Note 1 to the City's basic financial statements.

Basis of Presentation: The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

Note 3. Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Subrecipients

No amounts were paid to subrecipients by the City from federal funds for the year ended June 30, 2023.

CITY OF LAKE OSWEGO, OREGON
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are Not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) section Yes No

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grant

Dollar threshold used to distinguish between Type A Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF LAKE OSWEGO, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

Section IV – Schedule of Prior Federal Award Findings and Questioned Costs for the Years
Ended June 30, 2022

None

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

The Honorable Mayor, City Council, and Audit Committee
City of Lake Oswego, Oregon

We have audited the basic financial statements of City of Lake Oswego, Oregon, as of and for the year ended June 30, 2023 and have issued our report thereon dated December 29, 2023. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Lake Oswego, 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 (ORS) as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

Report On Internal Control Over Financial Reporting

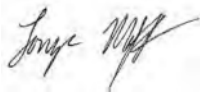
In planning and performing our audit of the financial statements, we considered City of Lake Oswego, Oregon’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lake Oswego, Oregon’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lake Oswego, 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 a 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 29, 2023



City of Lake Oswego

380 A Avenue
PO Box 369
Lake Oswego, OR 97034

503-635-0260
www.lakeoswego.city/finance



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APPENDIX C
FORM OF LEGAL OPINION

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May 21, 2024

City of Lake Oswego, Oregon
Lake Oswego, Oregon

\$14,400,000
City of Lake Oswego, Oregon
Full Faith and Credit Obligations, Series 2024
(Final Opinion)

To whom it may concern:

We have acted as special counsel to the City of Lake Oswego, Oregon (the “City”), in connection with execution and delivery of a Financing Agreement between Computershare Trust Company, N.A., as escrow agent (the “Escrow Agent”), and the City, dated as of May 21, 2024 (the “Financing Agreement”), that establishes the terms for the \$14,400,000 aggregate principal amount of the City’s Full Faith and Credit Obligations, Series 2024 (the “Obligations”), which are executed and delivered by the Escrow Agent, pursuant to an Escrow Agreement, dated as of May 21, 2024 (the “Escrow Agreement”) between the Escrow Agent and the City. The Obligations represent undivided proportionate interests in the Financing Payments made by the City under the Financing Agreement. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Financing Agreement and Escrow Agreement.

In such connection, we have reviewed the Financing Agreement, the Escrow Agreement, Resolution No. 2024-10 adopted by the City Council on March 5, 2024 (the “Resolution”) and the Tax Certificate, dated the date hereof (the “Tax Certificate”), certificates of the City, the Escrow Agent and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Obligations on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters

come to our attention after original delivery of the Obligations on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the first and second paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Financing Agreement, the Escrow Agreement, the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of each Financing Payment designated as and constituting interest paid by the City under the Financing Agreement with respect to the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations, and under the Financing Agreement, the Escrow Agreement, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the City in the State of Oregon. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Financing Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Obligations and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Financing Agreement and the Escrow Agreement have been duly executed and delivered by, and constitute valid and binding agreements of, the City.

City of Lake Oswego, Oregon
May 21, 2024
Page 3

2. The Obligations are payable from Financing Payments made by the City under the Financing Agreement from the City's general non-restricted revenues and other funds which may be lawfully available therefor.

3. The portion of each Financing Payment designated as and constituting interest paid by the City under the Financing Agreement and received by the registered owners of the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Oregon personal income taxes. Such interest is not a specific preference item for purposes of the federal alternative minimum tax. We observe that such interest included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of the Obligations, or the amount, accrual or receipt of the portion of each Financing Payment constituting interest.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

\$14,400,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT OBLIGATIONS
SERIES 2024

This Continuing Disclosure Certificate (this “Certificate”) is executed and delivered by the City of Lake Oswego, Oregon (the “City”) in connection with the execution and delivery of the City of Lake Oswego, Oregon Full Faith and Credit Obligations, Series 2024 (the “Obligations”). The Obligations are being executed and delivered pursuant to Resolution No. 24-10 adopted by the City Council of the City on March 5, 2024 (the “Resolution”) and pursuant to a Financing Agreement dated as of May 21, 2024 (the “Financing Agreement”) and an Escrow Agreement dated as of May 21, 2024 (the “Escrow Agreement”). The City covenants and agrees as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the holders of the Obligations and to assist Hilltop Securities Inc. (the “Purchaser”) in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the “Rule”).

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for the purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Obligations, including persons holding Obligations through nominees or depositories.

“Commission” means the Securities and Exchange Commission.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section (4)(a)(10) and Section (4)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“EMMA” means the Electronic Municipal Market Access system established through the MSRB for purposes of the Rule, currently located at <http://emma.msrb.org>.

“Listed Events” shall mean any of the events listed in Section 4(a) or (b) of this Certificate.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

“Official Statement” means the final official statement for the Obligations which is dated May 7, 2024.

“Rule” means the Commission’s Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Annual Financial Information. The City, as the “obligated person” for purposes of the Rule, hereby agrees to provide or cause to be provided at least annually to the MSRB, or such other central repository including any electronic municipal market access system established through the MSRB for purposes of the Rule, the financial information regarding the City of the type set forth in Table 14 and Tables 16 through 19 of the final Official Statement and the City’s annual audited financial statements prepared in accordance with generally accepted accounting principles (collectively, the “Annual Financial Information”).

The Annual Financial Information described above will be available no later than nine (9) months after the end of the preceding fiscal year, beginning with the City’s fiscal year ending June 30, 2024. The City may adjust this fiscal year by providing written notice of the change of fiscal year to the MSRB. Such information will include the City’s audited financial statements of the type set forth in the Official Statement prepared in accordance with generally accepted accounting principles as established by the Government Accounting Standards Board as in effect from time to time; provided, however, that if audited financial statements are not available within nine (9) months after the end of the preceding fiscal year, unaudited financial statements will be provided with audited financial statements to follow when available.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been made available to the public on the MSRB’s website. The City shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations in a timely manner not later than ten business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes; or

- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (1) Unless described in paragraph 4(a)(5), other material notices of determinations by the Internal Revenue Service with respect to the tax status of the Obligations or other material events affecting the tax status of the Obligations;
- (2) Modifications to rights of Beneficial Owners;
- (3) Optional, unscheduled or contingent Bond calls;
- (4) Release, substitution, or sale of property securing repayment of the Obligations;
- (5) Non-payment related defaults;
- (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (7) Appointment of a successor or additional trustee or the change of name of a trustee.

(8) Incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders.

(c) Upon the occurrence of a Listed Event described in Section 4(a), or upon the occurrence of a Listed Event described in Section 4(b) which the City determines would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Obligations pursuant to the Financing Agreement.

(d) The City intends to comply with the Listed Events described in Section 4(a)(10) and Section 4(b)(8), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

Section 5. Failure to File Annual Financial Information. The City agrees to provide or cause to be provided to the MSRB in a timely manner, notice of a failure by the City to provide the Annual Financial Information described in Section 3 above on or prior to the time set forth in Section 3.

Section 6. Dissemination Agent. The City may, from time to time, engage or appoint an agent to assist the City in disseminating information hereunder (the “Dissemination Agent”). The City may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 7. Format for Filings with MSRB; EMMA. All documents required to be provided to the MSRB hereunder, including pursuant to Sections 3, 4 and 5 of this Certificate, shall be accompanied by such identifying information and shall be provided in an electronic format as prescribed by the MSRB through EMMA, or as otherwise prescribed by the MSRB.

Section 8. Termination of Obligations/Modification. Pursuant to paragraph (b)(5)(iii) of the Rule, the City’s obligation to provide Annual Financial Information and notices of material events, as set forth above, shall terminate if and when the City no longer remains an obligated person with respect to the Obligations, which shall occur upon either redemption in full of the Obligations, or legal defeasance of the Obligations.

In addition, and notwithstanding the provisions of Section 10 below, the City may rescind its obligations under this Certificate, in whole or in part, if (a) the City obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Obligations; and (b) notifies and provides to the MSRB a copy of such opinion.

Section 9. Enforceability and Remedies. The City agrees that this Certificate is intended to be for the benefit of registered and beneficial holders of the Obligations and shall be enforceable by or on behalf of any such holder; provided that, the right of any holders of the Obligations to

challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of holders of the Obligations representing at least twenty-five percent (25%) of the aggregate outstanding principal amount of Obligations. Any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Obligations under the Resolution. This Certificate confers no rights on any person or entity other than the City, holders of the Obligations, and any Dissemination Agent.

Section 10. Amendment. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, without consent of holders of the Obligations under the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

(b) This Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment (i) does not materially impair the interest of holders of the Obligations, as determined either by parties unaffiliated with the City (such as nationally recognized bond counsel), or (ii) by approving vote of by holders of the Obligations representing sixty percent (60%) of the aggregate outstanding principal amount of the Obligations at the time of the amendment and consistent with the terms of the Resolution.

The Annual Financial Information submitted pursuant to Section 3 above will explain, in narrative form, the reasons for any such amendment and the impact of the change in the type of operating data or financial information being provided.

Section 11. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information or notice required to be filed pursuant to this Certificate, in addition to that which is required by this Certificate. If the City chooses to include any information or notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future filing of documents required to be provided to the MSRB hereunder or in any notice of occurrence of a Listed Event or any other event required to be reported.

Section 12. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 13. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Purchaser and Beneficial Owners from time to time of the Obligations, and shall create no rights in any other person or entity.

[SIGNATURE PAGE FOLLOWS]

Dated the 21st day of May 2024.

CITY OF LAKE OSWEGO, OREGON

By: _____

Shawn Cross
Finance Director

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Obligations. The Obligations will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each series of the Obligations, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the Obligations. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Certificate Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

To the extent permitted by law, the City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES OR BENEFICIAL OWNERS WITH RESPECT TO DTC'S RECORD KEEPING, PAYMENTS BY DTC OR PARTICIPANTS, NOTICES TO BE DELIVERED BY DTC, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE OBLIGATIONS.

So long as Cede & Co. is the registered owner of the Obligations, as nominee for DTC, references herein to the holders or registered owners of the Obligations (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Obligations. When reference is made to any action, which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given the City or the Paying Agent shall send them to DTC only.

For every transfer and exchange of the Obligations, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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