

OFFICIAL STATEMENT DATED DECEMBER 7, 2017

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 payments made under the Financing Agreement designated as and constituting interest received by holders of the Obligations ("Interest") 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 taxation. In the further opinion of Special Counsel, Interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of Interest. See "TAX MATTERS" herein.



\$44,160,000
CITY OF LAKE OSWEGO
FULL FAITH AND CREDIT REFUNDING OBLIGATIONS
SERIES 2017

DATED: Date of Delivery

DUE: December 1, as shown inside cover

The Full Faith and Credit Refunding Obligations, Series 2017 (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 Wells Fargo Bank, National Association, 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 is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2018.

The proceeds of the sale of the Obligations will be used to (i) advance refund all or a portion of the City's Full Faith and Credit Obligations, Series 2009A 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.

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 December 21, 2017 (the "Date of Delivery").



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

MATURITY SCHEDULE

\$44,160,000
CITY OF LAKE OSWEGO
FULL FAITH AND CREDIT REFUNDING OBLIGATIONS
SERIES 2017

<u>Due December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No. 510390[†]</u>
2019	\$ 2,040,000	5.000%	1.450%	XW2
2020	2,145,000	2.000	1.490	XX0
2021	2,185,000	5.000	1.550	XY8
2022	2,290,000	2.000	1.610	XZ5
2023	2,340,000	5.000	1.670	YA9
2024	2,460,000	2.000	1.720	YB7
2025	2,505,000	5.000	1.770	YC5
2026	2,635,000	5.000	1.830	YD3
2027	2,760,000	5.000	1.930	YE1
2028	2,900,000	4.000	2.050*	YF8
2029	3,015,000	4.000	2.200*	YG6
2030	3,140,000	4.000	2.250*	YH4
2031	3,260,000	4.000	2.350*	YJ0
2032	3,390,000	3.000	2.750*	YK7
2033	3,495,000	3.000	2.800*	YL5
2034	3,600,000	3.000	2.850*	YM3

* Priced to the call date of December 1, 2027.

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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
\$44,160,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT REFUNDING OBLIGATIONS
SERIES 2017**

**380 "A" Avenue
P.O. Box 369
Lake Oswego, Oregon 97034
Website: www.lakeoswego.city⁽¹⁾**

CITY COUNCIL
Kent Studebaker, Mayor
Theresa Kohlhoff
Joe Buck
Jeff Gudman
John LaMotte
Jackie Manz
Skip O'Neill

ADMINISTRATIVE STAFF
Scott Lazenby, City Manager
Shawn Cross, Finance Director

SPECIAL COUNSEL
Orrick, Herrington, & Sutcliffe, LLP, Portland, Oregon

MUNICIPAL ADVISOR
PFM Financial Advisors LLC, Portland, Oregon

PAYING AGENT AND REGISTRAR
Wells Fargo Bank, National Association, Minneapolis, 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
\$44,160,000
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT REFUNDING OBLIGATIONS
SERIES 2017

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 \$44,160,000 Full Faith and Credit Refunding Obligations, Series 2017 (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 \$44,160,000. 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 Wells Fargo Bank, National Association, as paying agent, registrar and escrow agent (the “Registrar” 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 component of the Financing Payments evidenced and represented by the Obligations will be payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 of each year. The principal component will be payable on December 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 and paying agent of the City, currently Wells Fargo Bank, National Association, Minneapolis, Minnesota (the “Paying Agent”) 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. 17-63 (the “Resolution”), adopted on November 21, 2017 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 City previously authorized the sale, issuance and delivery of its City of Lake Oswego Full Faith and Credit Obligations, Series 2009A, issued in the original aggregate principal amount of \$60,000,000 (the “Refunded Obligations”).

The proceeds of the sale of the Obligations will be used to (i) advance refund a portion of the Refunded Obligations and (ii) pay the costs of issuing the Obligations. See “PLAN OF REFUNDING.”

Prepayment of the Obligations

Optional Prepayment. The Obligations maturing on or after December 1, 2028 are subject to prepayment prior to maturity at the option of the City, in whole or in part on December 1, 2027 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.

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 by lot.

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: (1) the date fixed 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 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 component 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 2016-2017, revenues from that levy (including current and prior year collections) were approximately \$32.8 million, after discounts and delinquencies. For Fiscal Year 2017-2018, the projected revenues from the permanent rate levy are approximately \$33.4 million. The City's fiscal year commences July 1 and ends the following June 30 ("Fiscal Year").

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	\$ 44,160,000.00
Original Issue Premium	5,160,314.60
Total Sources of Funds	\$ 49,320,314.60
Uses of Funds:	
Deposit to Escrow	\$ 48,963,922.54
Cost of Issuance	152,827.71
Underwriters' Discount	203,564.35
Total Uses of Funds	\$ 49,320,314.60

Source: City of Lake Oswego.

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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 Table 8).

**TABLE 2
BOND DEBT SERVICE REQUIREMENTS ⁽¹⁾**

Fiscal Year Ending June 30	Outstanding Indebtedness	Less: Refunded Obligations ⁽²⁾	2017 Obligations		Total Debt Service Requirements
			Principal	Interest	
2018	\$9,955,000	\$1,039,884	-	\$741,467	\$9,656,582
2019	6,110,000	2,079,769	-	1,668,300	5,698,531
2020	6,335,000	4,137,769	\$ 2,040,000	1,617,300	5,854,531
2021	6,560,000	4,137,069	2,145,000	1,544,850	6,112,781
2022	6,800,000	4,132,969	2,185,000	1,468,775	6,320,806
2023	7,050,000	4,130,369	2,290,000	1,391,250	6,600,881
2024	7,325,000	4,116,794	2,340,000	1,309,850	6,858,056
2025	7,655,000	4,115,919	2,460,000	1,226,750	7,225,831
2026	8,000,000	4,108,794	2,505,000	1,139,525	7,535,731
2027	8,355,000	4,124,269	2,635,000	1,011,025	7,876,756
2028	8,675,000	4,118,269	2,760,000	876,150	8,192,881
2029	9,015,000	4,117,669	2,900,000	749,150	8,546,481
2030	9,355,000	4,110,272	3,015,000	630,850	8,890,578
2031	9,730,000	4,096,125	3,140,000	507,750	9,281,625
2032	9,370,000	4,090,500	3,260,000	379,750	8,919,250
2033	9,820,000	4,097,844	3,390,000	263,700	9,375,856
2034	10,265,000	4,093,781	3,495,000	160,425	9,826,644
2035	10,715,000	4,090,000	3,600,000	54,000	10,279,000
2036	4,795,000	-	-	-	4,795,000
2037	5,010,000	-	-	-	5,010,000
2038	5,235,000	-	-	-	5,235,000
Total	\$166,130,000	\$68,938,063	\$44,160,000	\$16,740,867	\$158,092,804

⁽¹⁾ Columns may not foot due to rounding.

⁽²⁾ The debt service of the refunded portions of Series 2009A Obligations. See “REFUNDING PLAN.”

Source: City of Lake Oswego.

PLAN OF REFUNDING

The City expects to advance refund all or a portion of the Refunded Obligations at a price of par plus accrued interest to the expected prepayment date of June 1, 2019, to obtain net present value savings. The selection of the Refunded Obligations to be refunded is subject to market conditions.

A portion of the proceeds of the Obligations will be used to provide funds to establish irrevocable escrow deposit account pursuant to an escrow deposit agreement (the “Escrow Deposit Agreement”) between the City and the Escrow Agent to defease and advance refund the Refunded Obligations, as shown in the table below.

<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Amount Refunded</u>	<u>Refunded Maturities</u>	<u>Redemption Date</u>	<u>Redemption Price (as % of Par)</u>
\$60,000,000	\$49,070,000	\$47,050,000	2019 through 2034	June 1, 2019	100%

From a portion of the proceeds of the Obligations, the City expects to purchase direct United States government obligations (the “Government Obligations”). These Government Obligations, together with a cash deposit, if necessary, will be deposited in the custody of the Escrow Agent. The maturing principal of the Government Obligations, interest earned thereon, and necessary cash balance, will provide funds sufficient to prepay the principal amount of the Refunded Obligations on the respective prepayment date identified above. The Government Obligations, interest earned thereon, and necessary cash balance, if any, will, pursuant to the Escrow Deposit Agreement, be irrevocable pledged to and held in escrow for the benefit of the Refunded Obligations.

Verification of Mathematical Calculations

Causey Demgen & Moore P.C., a firm of independent public accounts (the “Verification Agent”), will deliver to the City, on or before the Date of Delivery, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash deposit into the escrow, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Obligations; and (b) the mathematical computations of yield used by Special Counsel to support its opinion that interest on the Obligations will be excluded from gross income for federal income tax purposes.

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 2016 population of 37,425, is located in three counties, the largest portion 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**

Board Member	Occupation	Term Expires
Kent Studebaker, Mayor	Retired, Lawyer and manufacturer's representative	12/31/20
Theresa Kohlhoff	Practicing Lawyer	12/31/20
Joe Buck	Restaurateur and innkeeper	12/31/18
Jeff Gudman	Businessman and investor	12/31/18
John LaMotte	Consultant	12/31/20
Jackie Manz	Business and strategic management consultant	12/31/18
Skip O'Neill	Business owner	12/31/20

Source: City of Lake Oswego.

Key City Administration and Management

Scott Lazenby, City Manager, was appointed to the position in June 2013. Mr. Lazenby is the former City Manager for the City of Sandy, Oregon where he served in that capacity for 21 years. Before becoming City Manager in Sandy, Oregon, Mr. Lazenby worked as the Management and Budget Director for Glendale, Arizona, and as Assistant to the City Manager in Vancouver, Washington.

He has a bachelor's degree in physics from Reed College, a master's in public management and policy from Carnegie-Mellon University and a doctorate in public administration and policy from Portland State University. Mr. Lazenby also serves as an adjunct professor in the Mark O. Hatfield School of Government at Portland State University.

Shawn Cross, Finance Director, joined the City in February 2010. Mr. Cross 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 October 31, 2017, the City had 294 full-time employees, 25 part-time employees and 213 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	49	6/30/2019
International Association of Firefighters	43	6/30/2017 ⁽¹⁾
American Federation of State, County and Municipal Employees	158	6/30/2018

Source: City of Lake Oswego.

⁽¹⁾ The City is currently mediating with the International Association of Firefighters in connection with its Collective Bargaining Agreement with the IAFF.

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 ended 1992 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 years ended 2013 through 2017 were performed by Talbot, Korvola & Warwick LLP, Lake Oswego, Oregon. The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017 is included in APPENDIX B.

TALBOT, KORVOLA & WARWICK, LLP, 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. TALBOT, KORVOLA & WARWICK, LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.

Budgeting Process

The City prepares an annual budget 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 the policy for the General Fund contingency, the General Fund contingency and required ending fund balance is 14 percent and 16 percent, respectively, of General Fund annual operating expenses. The City has also received the GFOA Distinguished Budget Presentation Award for every budget period that the City submitted an application from fiscal year 1999-2000 through fiscal year 2016-2017 (the City did not apply in fiscal years 2009-2010 and 2014-2015).

General Fund Budgets

Table 5 shows the adopted General Fund Budgets for the most recent and current fiscal years. The City adopted the budget for fiscal year 2017-2018 on June 6, 2017.

**TABLE 5
GENERAL FUND BUDGETS**

	2016-17 Revised Budget	2017-18 Adopted Budget
RESOURCES		
Beginning Fund Balances	\$22,392,285	\$21,958,411
Property Taxes	32,120,000	33,429,000
Franchise Fees	2,615,000	2,642,000
Intergovernmental	6,147,000	6,452,000
Fines & Forfeitures	973,000	963,000
Licenses & Fees	1,745,000	1,845,000
Sales & Services	4,074,000	4,308,000
Miscellaneous Revenues	349,000	395,000
Charges for Services	7,677,000	8,061,000
Transfers	120,000	551,543
Other Financing Sources	0	6,000
TOTAL RESOURCES	\$78,212,285	\$80,610,954
REQUIREMENTS		
Personnel Services	\$35,075,000	\$36,034,000
Materials & Services	16,336,000	17,537,000
Debt Service	0	44,000
Transfers to Other Funds	6,990,000	4,248,000
Capital Outlay	3,021,000	3,389,000
Contingency	9,103,837	11,498,954
Unappropriated Ending Fund Balance	7,686,448	7,860,000
TOTAL REQUIREMENTS	\$78,212,285	\$80,610,954

Source: City of Lake Oswego Revised Budget 2016-2017, City of Lake Oswego Adopted Budget 2017-2018.

**TABLE 6
GENERAL FUND BALANCE SHEETS**

As of June 30	2013 ⁽¹⁾	2014	2015	2016	2017
Assets and other debits					
Cash & investments	\$ 19,535,178	\$ 24,517,728	\$ 22,413,888	\$ 26,390,932	\$ 27,786,376
Receivables					
Property taxes	1,627,198	1,566,181	1,497,571	1,605,048	1,838,710
Accounts	637,003	583,711	598,520	717,010	685,819
Inventories and prepaids	-	-	15,000	-	-
Restricted cash and investments	2,298,891	-	-	-	-
Restricted beneficial interest in trust	4,527,210	-	-	-	-
Total assets & other debits	<u>\$ 28,625,480</u>	<u>\$ 26,667,620</u>	<u>\$ 24,524,979</u>	<u>\$ 28,712,990</u>	<u>\$ 30,310,905</u>
Liabilities					
Accounts payable	\$ 614,648	\$ 461,219	\$ 448,009	\$ 434,400	\$ 1,110,576
Salaries and benefits payable	274,932	284,669	285,825	287,030	292,597
Refundable deposits	109,764	91,029	108,537	111,522	80,816
Deferred revenue	1,355,148	-	-	-	-
Total liabilities	<u>2,354,492</u>	<u>836,917</u>	<u>842,371</u>	<u>832,952</u>	<u>1,483,989</u>
Deferred inflows of resources					
Unavailable revenue-property taxes	-	1,239,404	1,248,555	1,414,789	1,616,875
Total deferred inflows of resources	<u>-</u>	<u>1,239,404</u>	<u>1,248,555</u>	<u>1,414,789</u>	<u>1,616,875</u>
Fund balances					
Restricted	6,826,101	-	-	-	-
Committed	105,024	123,614	25,592	69,686	40,644
Assigned	2,713,000	2,771,337	986,425	946,837	1,942,562
Unassigned	16,626,863	21,696,348	21,422,036	25,448,726	25,226,835
Total fund balances	<u>26,270,988</u>	<u>24,591,299</u>	<u>22,434,053</u>	<u>26,465,249</u>	<u>27,210,041</u>
Total liabilities, deferred inflows of resources & fund balances	<u>\$ 28,625,480</u>	<u>\$ 26,667,620</u>	<u>\$ 24,524,979</u>	<u>\$ 28,712,990</u>	<u>\$ 30,310,905</u>

⁽¹⁾ For reporting purposes in the City's financial statements starting in fiscal year 2014, the Capital Reserve Fund and Public Art Fund were combined with the City's General Fund. The Capital Reserve Fund was not yet established in fiscal year 2013.

Source: City of Lake Oswego, City Audited Financial Statements, 2017.

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

**TABLE 7
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

As of June 30	2013	2014	2015	2016	2017
Property taxes	\$27,950,002	\$29,071,773	\$30,194,849	\$31,427,651	\$32,760,319
Franchise fees	2,143,946	2,018,975	2,592,535	2,580,077	2,743,582
Intergovernmental	4,627,652	4,331,529	4,492,560	4,552,914	5,898,916
Licenses & fees	2,953,392	1,703,219	1,780,790	1,924,935	1,823,352
Fines and forfeitures	1,057,553	989,656	942,472	960,187	1,047,501
Sales and services	3,904,520	3,806,113	4,073,699	3,949,353	4,201,260
Charges for service	2,677,572	2,710,183	7,339,000	7,159,670	7,677,000
Miscellaneous	1,351,441	391,980	549,875	1,101,158	814,712
Total revenues	46,666,078	45,023,428	51,965,780	53,655,945	56,966,642
Expenditures					
General government	13,343,573	10,534,051	12,082,207	12,211,834	12,199,599
Public safety	18,663,650	18,986,358	21,814,755	23,209,391	23,544,681
Culture and recreation	9,863,870	9,454,610	11,668,090	11,878,570	13,663,655
Debt service ⁽¹⁾	1,014,763	997,915	988,123	16,831,495	44,065
Capital outlay	1,612,842	583,868	1,180,066	1,042,751	984,129
Total expenditures	44,498,698	40,556,802	47,733,241	65,174,041	50,436,129
Revenues over (under) expenditures	2,167,380	4,466,626	4,232,539	(11,518,096)	6,530,513
Other financing sources (uses)					
Operating transfers in	265,000	2,994,378	1,146,985	211,814	1,275,773
Transfers out ⁽²⁾	(846,000)	(10,635,101)	(7,540,000)	(4,340,000)	(7,091,000)
Proceeds from sale of capital assets ⁽³⁾	2,640	1,488,134	3,230	19,481,597	29,507
Proceeds from Bonds Issued	-	-	-	195,881	-
Total other financing sources (uses)	(578,360)	(6,152,589)	(6,389,785)	15,549,292	(5,785,720)
Net change in fund balances	1,589,020	(1,685,963)	(2,157,246)	4,031,196	744,793
Fund balance -- beginning of year	24,681,968	26,277,262	24,591,299	22,434,053	26,465,248
Fund balance -- end of year	\$26,270,988	\$24,591,299	\$22,434,053	\$26,465,249	\$27,210,041

⁽¹⁾ The decrease in expenditures reflect paying off the debt service for the West End Building in 2016.

⁽²⁾ Transfers out by fiscal year reflect: 2013 - mostly includes funding utility equipment; 2014 - establishing the Capital Reserve Fund for fire equipment and Library reserve, as well as transferring fund balances for Building, ACC Endowment, Library Endowment to individual funds; 2015 - increasing Street transfer to \$1.5 million for pavement projects, as well as transferring \$3 million to the Operations Building Capital Reserve; 2016 - Street transfer of \$2 million for pavement projects and \$1.6 million to Surface Water due to their transfer to the Operations Building project; and 2017 - transfers to the Street Fund for pavement projects \$3 million and for the Street Fund's contribution to the Operations Center \$2.5 million, as well as funds set aside in Capital Reserve Fund for City Hall repairs \$920,000.

⁽³⁾ The 2016 proceeds from sale of capital assets reflects the sale of the West End Building for \$19.4 million.

Source: City of Lake Oswego, City Audited Financial Statements, 2017.

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, 2017, the City had approximately \$45,889,370 in the State of Oregon Local Government Investment Pool, \$7,029,131 in Corporate Bonds, \$13,931,565 invested in U.S. Agencies, and \$21,696,340 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. Based on the biennial actuarial valuation as of December 31 of odd-numbered years the Oregon Public Employees Retirement System Board (the "PERB") establishes 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. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2016) used for advisory purposes only and valuations as of December 31 of odd-number years (such as 2017) used to set payroll contribution rates. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the City (the "City Valuation"). Valuations are released nine to eleven months after the valuation date. PERS' current actuary is Milliman, Inc. ("Milliman").

Valuation Date	Release Date	Rates Effective
December 31, 2013	September 2014	July 1, 2015 – June 30, 2017
December 31, 2014	November 2015	Advisory only
December 31, 2015	September 2016	July 1, 2017 – June 30, 2019
December 31, 2016	September 2017 (Summary) ⁽¹⁾	Advisory only

⁽¹⁾ The complete December 31, 2016 System Valuation and the City’s actuarial valuation report as of December 31, 2016 are expected to be released no later than December 31, 2017.

The 2015 System Evaluation. On September 27, 2016 Milliman released the December 31, 2015 System Valuation (the “2015 System Valuation”). The 2015 System Valuation indicated that the System-wide funded status decreased from approximately 76 percent at December 31, 2014 to 71 percent as of December 31, 2015, without taking into account offsets for deposits made by individual employers. The System-wide unfunded actuarial liability (“UAL”) increase from approximately \$17.9 billion as of December 31, 2014 to \$21.8 billion as of December 31, 2015 is largely attributable to actual investment returns of two percent during 2015, substantially less than the assumed rate of return (the “Assumed Rate”) of 7.5 percent for the period covered by the 2015 System Valuation.

The 2016 Summary Evaluation. Milliman presented the 2016 Summary Valuation Report (the “2016 Summary Valuation Report”) at the September 29, 2017 PERB meeting. The 2016 Summary Valuation Report indicated that the System-wide funded status declined from approximately 71 percent at December 31, 2015, to 69% as of December 31, 2016, without taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts. The System-wide UAL increased from approximately \$21.8 billion as of December 31, 2015 to \$25.3 billion as of December 31, 2016. This increase is largely attributable to the decision by the PERB at their meeting on July 28, 2017 to reduce the Assumed Rate from 7.50% to 7.20%, as well as the effects of the limitation on increases or decreases in employer contribution rates from biennium to biennium (the “Rate Collar”). See “Actuarial Assumptions – 2016 and 2017 System Valuations” herein.

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.

Actuarial Assumptions - 2013 System Valuation. Significant actuarial assumptions and methods used in the System Valuation as of December 31, 2013 (the “2013 System Valuation”), which covers payroll rates paid through June 30, 2017, included (a) the Entry Age Normal method; (b) asset valuation method based on market value; (c) the Assumed Rate on the investment of present and future assets of 7.75 percent; (d) payroll growth rate of 3.75 percent; (e) consumer price inflation of 2.75 percent per year; (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for all T1/T2 UALs derived from the 2013 System Valuation and thereafter, and through 2033 for all T1/T2 UALs derived from the 2007, 2009 and

2011 System Valuations, and 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized for OPSRP; and (g) the Rate Collar.

Actuarial Assumptions - 2014 and 2015 System Valuations. At their July 31, 2015 Board meeting, the PERB adopted revisions to its actuarial assumptions and methods based upon recommendations from Milliman. These changes included: a) lowering the assumed earnings rate from 7.75 percent to 7.50 percent; b) reducing the payroll growth rate from 3.75% to 3.50%; and c) updating the mortality assumptions to increase projections of life expectancy. The revised assumptions were incorporated into the December 31, 2014 (advisory only) actuarial valuation and the 2015 System Valuation (rate-setting for 2017-19 biennium).

Actuarial Assumptions - 2016 and 2017 System Valuations. On July 28, 2017, the PERB approved lowering the Assumed Rate to 7.20 percent.

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 pooled with the State and Oregon local government and community college public employers (the "State and Local Government Rate Pool" or "SLGRP"). 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.

According to the 2016 Summary Valuation Report, the SLGRP had a total UAL of \$12.3 billion and a funded ratio of 69%, without taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts, an increase in UAL of \$1.6 billion and a decline in funded ratio from 72 percent in the 2015 System Valuation.

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. According to the 2016 Summary Valuation Report, the funded ratio for OPSRP as of December 31, 2016 remained at 64 percent, no change from the 2015 System Valuation.

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 City's actuarial valuation report as of December 31, 2014 (the "2014 City Valuation") and as reported in the City's actual valuation report as of December 31, 2015 (the "2015 City Valuation") is shown in the following table. These figures do not take into account recent actions taken by the

PERB to reduce the Assumed Rate, which is expected to cause an increase in the City’s UAL. See “Actuarial Assumptions - 2016 and 2017 System Valuations” herein.

City Net Unfunded Pension UAL

	2014 Valuation	2015 Valuation
Allocated pooled SLGRP T1/T2 UAL	\$ 40,973,742	\$ 49,091,104
Allocated pre-SLGRP pooled liability / (surplus)	-	-
Transition liability / (surplus)	(2,660,533)	(2,582,729)
Allocated pooled OPSRP UAL	2,900,965	3,644,018
Net unfunded pension actuarial accrued liability	\$ 41,214,174	\$ 50,152,393

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.

Source: 2014 City Valuation and 2015 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. In January 2010 the PERB adopted a rate collar to limit increases in employer contribution rates from biennium to biennium (the “Rate Collar”). The Rate Collar limits increases 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”). On September 27, 2013, the PERB revised their policy such that 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”). Previous PERB policy had the “Collar Ramp” coming into effect at a funded status below 80 percent (or above 120 percent), and the Double Rate Collar coming into effect at a funded status below 70 percent (or above 130 percent).

City Contribution Rates. The 2015-17 biennial employer contribution rates for the Pension Programs reflect the impacts of legislative changes, primarily related to the reduction

of annual cost of living adjustments in retirement benefits that were approved by the 2013 Legislature but later reversed by the Supreme Court. The 2015-17 rates were not revised as a result of the Supreme Court's actions. The increases shown in 2017-19 biennial rates below are largely a factor of the reversal of this legislation, as well as changes made by the PERB to actuarial assumptions.

The City's current employer contribution rates for the 2015-2017 biennium and contribution rates for the 2017-2019 biennium from the 2015 City Valuation are provided in the following table.

City Pension Contribution Rates

	<u>2015-2017 Biennium</u>			<u>2017-2019 Biennium</u>		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal cost rate	14.83%	7.33%	11.44%	17.57%	8.02%	12.79%
T1/T2 UAL Rate ⁽¹⁾⁽²⁾	4.50	4.50	4.50	6.03	6.03	6.03
OPSRP UAL Rate	0.61	0.61	0.61	1.27	1.27	1.27
Pre-SLGRP pooled liability rate	0.00	0.00	0.00	0.00	0.00	0.00
Transition liability/(surplus) rate	(1.02)	(1.02)	(1.02)	(1.06)	(1.06)	(1.06)
Retiree Healthcare rate (RHIA) ⁽³⁾	0.53	0.45	0.45	0.50	0.43	0.43
Total net contribution rate	19.45%	11.87%	15.98%	24.31%	14.69%	19.46%

Source: 2013 City Valuation, 2015 City Valuation, PERS.

The PERB met on December 1, 2017, at which Milliman presented to the PERB the advisory employer contribution rates for the 2019-2021 biennium. The meeting materials presented by Milliman indicate that the City's advisory employment contribution rates for the 2019-2021 biennium are as follows: T1/T2 Pension Programs 29.37%, OPSRP General 20.08% and OPSRP P&F 24.81%. The City expects to receive its actuarial valuation report as of December 31, 2016, before the end of calendar year 2017. Assuming the information set out in that report is consistent with the information presented by Milliman to the PERB, the City does not expect to update this Official Statement.

The City's employer contribution rates in future biennia will take into account recent actions taken by the PERB to reduce the Assumed Rate, which is expected to cause an increase in the City's employer contribution rate. See "Actuarial Assumptions - 2016 and 2017 System Valuations" herein.

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

City Pension Contributions

Fiscal Year	City Contribution ⁽¹⁾
2017	\$5,657,381
2016	\$6,065,194
2015	\$5,388,231
2014	\$5,184,591
2013	\$5,208,416
2012	\$5,048,813

⁽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, 2017.

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 2015. 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. According to the 2015 System Valuation, this program had a UAL of approximately \$46.3 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 2015 City Valuation, the City’s allocated share of the RHIA program’s UAL was \$124,463.

GASB 45. GASB 45 requires the City to determine the extent of its liabilities for postemployment benefits and record the liability in its financial statements on an actuarial basis. This includes the requirement under ORS 243.303 of offering the same healthcare benefits for current City employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB 45 refers to this as an “implicit subsidy” and requires that the corresponding liability be determined and reported. The City does not pay for any explicit retiree OPEB and only has a non-PERS OPEB liability based on the implicit subsidy.

The City’s actuary for non-PERS other post-employment benefits (“OPEB”), Milliman, has calculated the City’s annual OPEB cost based on the Annual Required Contribution (“ARC”), an amount actuarially determined in accordance with the guidance of GASB Statement

No. 45. The ARC is equal to the normal cost plus an amount to amortize the unfunded actuarial accrued liability as a level dollar amount over 10 years using an assumed 3.54 percent discount rate. A schedule of the City’s annual OPEB Obligation follows:

Annual OPEB Obligation	2013	2014	2015	2016	2017
Annual Required Contribution (ARC)	\$ 657,089	\$ 733,517	\$ 772,527	\$ 570,832	\$ 490,702
Interest on prior year Net OPEB Obligation	111,411	108,257	117,348	126,705	129,156
Adjustment to ARC	<u>(189,284)</u>	<u>(371,912)</u>	<u>(403,146)</u>	<u>(435,289)</u>	<u>(443,709)</u>
Annual OPEB cost	579,216	469,862	486,729	262,248	176,149
Implicit benefits payments	<u>(271,435)</u>	<u>(210,102)</u>	<u>(219,405)</u>	<u>(192,223)</u>	<u>(237,046)</u>
Increase in Net OPEB Obligation	307,781	259,760	267,324	70,025	(60,897)
Net OPEB Obligation – beginning of year	<u>2,785,269</u>	<u>3,093,050</u>	<u>3,352,810</u>	<u>3,620,134</u>	<u>3,690,159</u>
Net OPEB Obligation – end of year	\$3,093,050	\$3,352,810	3,620,134	3,690,159	3,629,262
Percentage of annual OPEB cost contributed	47%	45%	45%	73%	135%

Source: City of Lake Oswego, City audited financial statements, fiscal years 2013-2017.

Funding Status. As of July 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,789,813, and the actuarial value of assets was zero, resulting in an UAAL of \$2,789,813. The covered payroll was \$25,801,104 for Fiscal Year 2017, and the UAAL as a percentage of covered payroll was 10.81 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

For more details, see “Note 3G. Postemployment Healthcare Plan,” in the audited financial statement for Fiscal Year 2017, attached hereto as Appendix B.

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 \$706,000, for causes of action arising on or after July 1, 2017, and before July 1, 2018. 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 \$1,412,000, for causes of action arising on or after July 1, 2017, and before July 1, 2018.

For causes of action arising on or after July 1, 2017, 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, 2017 and before July 1, 2018, are as follows: (a) \$115,800, adjusted as described below, to any single claimant; and (b) \$579,000, 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.

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.

2016-17 RMV	\$10,493,912,727
Debt limitation (3% of RMV)	\$ 314,817,382
Less applicable bonded debt	\$ 9,190,000
Remaining legal debt capacity	\$ 305,627,382
Percent of limit issued	2.9%

Source: City of Lake Oswego, City Audited Financial Statements, 2017.

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.

Revenue Bonds. The City may issue revenue bonds for any public purpose, which are secured by revenues pursuant to ORS 287A.150.

Debt Management

The City has never defaulted on a debt obligation.

Outstanding Obligations

**TABLE 8
OUTSTANDING OBLIGATIONS**

	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding⁽¹⁾</u>
GENERAL OBLIGATION BONDS				
General Obligation Refunding, Series 2006	10/18/06	6/1/19	\$ 6,540,000	\$1,000,000
General Obligation Refunding, Series 2011	9/20/11	6/1/20	3,540,000	1,250,000
General Obligation, Series 2015A	2/26/15	6/1/39	10,245,000	<u>6,940,000</u>
Total General Obligation Bonds			\$20,325,000	\$9,190,000
DEBT SECURED BY THE GENERAL FUND				
Line of Credit, LORA ⁽²⁾	9/23/11	6/15/18	\$ 6,000,000	6,000,000
Full Faith and Credit Obligations, Series 2009A ⁽³⁾	6/3/09	12/1/34	60,000,000	49,070,000
Less: Refunded Obligations				(47,050,000)
Full Faith and Credit Obligations, Series 2010A	9/29/10	6/1/35	35,000,000	29,090,000
Full Faith and Credit Obligations, Series 2011A	9/20/11	6/1/31	11,500,000	8,805,000
Full Faith and Credit Obligations, Series 2013	9/11/18	6/1/38	75,290,000	73,165,000
Full Faith and Credit Refunding Obligations, Series 2017	12/28/17	12/1/34	44,160,000	44,160,000
Total Debt Secured by the General Fund			\$231,950,000	\$163,240,000
REVENUE BONDS				
Water Revenue and Refunding Bonds, Series 2007	10/18/07	12/1/27	\$9,560,000	\$3,595,000
Surface Water Revenue Bonds, Series 2005	4/6/05	12/1/23	3,000,000	1,230,000
Total Revenue Bonds			\$12,560,000	\$4,825,000

⁽¹⁾ Amount outstanding as of Date of Delivery.

⁽²⁾ See comments below under “—Short-Term Borrowing.”

⁽³⁾ Expected to be refunded with a portion of the proceeds of the Obligations.

Source: City of Lake Oswego.

Debt Ratios

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

**TABLE 9
DEBT RATIOS**

	Values	Per Capita	Percent of RMV
2016 Estimated Population	37,425	--	--
2016-17 Real Market Value (RMV)	\$10,493,912,727	\$280,398	--
Total Net Property-Tax Backed Debt of City ⁽¹⁾	\$ 9,190,000	\$ 246	0.09%
Net Property-Tax Backed Overlapping Debt of Issuers	131,370,026	3,510	1.25
Total Direct Net Debt and Overlapping Debt	\$140,560,026	\$ 3,756	1.34%

⁽¹⁾ Total Direct Net Debt includes all voter approved General Obligation Bonds, Limited Tax bonds and any other obligations, Certificates of Participation or leases backed by the full faith and credit of the City less self-supporting obligations (such as the Full Faith and Credit Obligations referenced in Table 8). Debt whose term is less than one year is not included. Includes the Refunded Obligations; excludes the Obligations.

Source: Municipal Debt Advisory Commission, Oregon State Treasury, as of June 30, 2017; City of Lake Oswego.

Short-Term Borrowing

Line of Credit, LORA. The City currently has a line of credit with Wells Fargo Bank, National Association with a non-revolving limit of \$10,000,000. The City expects the balance on the line of credit to be \$6,000,000 as of the Date of Delivery. The City entered into this line of credit for the benefit of the Lake Oswego Redevelopment Agency (“LORA”). This borrowing is for interim financing of upcoming urban renewal projects. LORA has entered into an Intergovernmental Agreement with the City in which it promises to pay the City the amount due on the line of credit from tax increment revenues. The line matures on June 15, 2018.

**TABLE 10
OVERLAPPING DEBT (AS OF NOVEMBER 27, 2017)**

Overlapping District	Real Market Valuation	Percent Overlapping	Gross Property-Tax Backed Debt ⁽¹⁾	Net Property-Tax Backed Debt ⁽²⁾
Governmental unit				
Clackamas Community College	\$48,076,385,758	0.21%	\$128,273,913	\$102,608,913
Clackamas County	65,630,370,446	15.11	155,870,136	154,470,136
Clackamas County ESD	62,476,630,354	15.93	22,820,637	22,820,637
Clackamas County SD #3J (West Linn/Wilsonville)	10,066,913,409	0.00	229,668,066	229,668,066
Clackamas County SD #7J (Lake Oswego)	11,481,623,450	86.66	250,618,476	250,618,476
Metro	271,838,567,528	3.85	201,465,000	182,240,000
Multnomah County	142,277,325,018	0.39	233,186,610	138,923,241
Multnomah County SD 1J (Portland)	108,958,774,919	0.48	1,075,917,068	1,075,917,068
Multnomah ESD	144,277,058,360	0.36	28,200,000	-
Port of Portland	294,759,596,278	3.55	62,108,214	-
Portland Community College	217,143,369,580	4.78	389,260,000	302,090,000
Rivergrove Water District 14J	669,114,614	36.07	627,528	627,528
Washington County	86,849,367,154	.01	258,076,540	231,771,540
Total Overlapping Debt			\$3,036,092,187	\$2,691,755,605

Note: Totals may not add due to rounding.

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

⁽²⁾ Net Property-Tax Backed Debt is Gross Property-Tax Backed Debt less self-supporting unlimited-tax G.O. and less self-supporting full faith and credit borrowings.

Source: Municipal Debt Advisory Commission, Oregon State Treasury, as of November 27, 2017.

Future Financing Plans

The City anticipates issuing \$36 million of additional full faith and credit obligations in calendar year 2018 to provide permanent financing for its LORA Line of Credit and to fund two LORA projects related to a new police station and the Boones Ferry Road Project. The City may also issue refunding bonds to benefit from debt service savings depending on market conditions.

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.

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”). For the fiscal year ending June 30, 2017, the City’s Operating Tax Rate Limit is \$5.0353 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 the fiscal year ending June 30, 2017, 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 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.

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 2016-2017, there was \$2,226 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.

The following tables represent historical tax information for the City.

**TABLE 11
ASSESSED VALUE AND ESTIMATED REAL MARKET VALUE⁽¹⁾**

Fiscal Year Ending June 30	AV Total ⁽²⁾	Total Direct Tax Rate⁽³⁾	Estimated RMV ⁽⁴⁾	AV as a % of RMV
2009	\$ 5,235,940,044	6.0565	\$ 9,910,531,110	52.8
2010	5,472,635,813	6.0453	9,159,770,829	59.7
2011	5,654,433,342	5.9945	8,094,242,425	69.9
2012	5,849,359,428	6.0056	7,690,906,645	76.1
2013	6,009,796,980	5.9835	7,423,694,430	81.0
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⁾	5.7544	11,292,060,536 ⁽⁵⁾	65.8

⁽¹⁾ The City of Lake Oswego is located within three counties: Clackamas, Multnomah, and Washington.

⁽²⁾ Due to Measure 50, the growth in assessed values is limited to 3% plus any new construction and annexations. Also, the taxable assessed values and total levy figures used in the above table do not include urban renewal increment values.

⁽³⁾ 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.

⁽⁴⁾ Real market values include urban renewal values located within Clackamas County.

⁽⁵⁾ AV and RMV values for 2018 released in October 2017.

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

**TABLE 12
PROPERTY TAX LEVIES AND COLLECTIONS**

Fiscal Year Ending June 30	Taxes levied for the fiscal year	Amount Collected w/in fiscal year of levy	Percent of Levy	Collections in subsequent years	Total Collections	Total Collections Percent of Levy
2008	\$30,078,019	\$28,329,781	94%	\$ 863,199	\$29,193,599	97%
2009	31,529,026	29,507,399	94	1,278,649	30,786,048	98
2010	32,864,149	30,946,450	94	1,033,961	31,980,411	97
2011	33,669,684	31,650,218	94	1,024,825	32,675,043	97
2012	34,934,532	32,917,116	94	964,563	33,881,679	97
2013	35,709,850	33,760,247	95	871,457	34,631,704	97
2014	36,904,316	34,985,936	95	804,508	35,790,444	97
2015	37,798,336	35,900,595	95	604,770	36,505,365	97
2016	39,030,062	37,116,892	95	339,565	37,456,457	96
2017	40,837,465	38,920,314	95	-	38,920,314	95

Source: City of Lake Oswego, City Audited Financial Statements, 2017.

**TABLE 13
TOP 10 PROPERTY TAXPAYERS**

Name	2017 Assessed Value	Percent of Total Value
Shorenstein Properties LLC	\$216,829,350	4.06%
Meadows Road LLC	71,456,748	1.00
Prime Foothills LLC	44,946,482	0.64
Comcast Corporation	32,263,200	0.63
Property Reserve Inc.	38,264,785	0.54
Micro Systems Engineering Inc.	34,067,401	0.50
Gramor Development	30,521,404	0.43
Phoenix Commercial Investments	30,212,865	0.43
Friedkin Realty Group	24,453,175	0.35
5 CP LLC	21,856,367	0.31
Total	\$544,871,777	7.64%

Source: City of Lake Oswego, City Audited Financial Statements, 2017.

TABLE 14
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
RATE PER \$1,000 OF ASSESSED VALUE

CITY RATES ⁽¹⁾				OVERLAPPING GOVERNMENTS RATES							Total Direct and Overlapping
Fiscal Year Ending June 30	Basic Rate	GO Debt Service	Urban Renewal	Total direct	Clackamas County	Education Service District	Portland Comm. College	Lake Oswego Sch. Dist.	Metro	Other ⁽²⁾	
2008	4.8035	0.6964	0.5582	6.0581	2.70	0.35	0.48	6.62	0.41	0.22	16.84
2009	4.8055	0.6908	0.5602	6.0565	2.70	0.35	0.49	6.91	0.38	0.22	17.11
2010	4.7915	0.6247	0.6291	6.0453	3.17	0.35	0.61	6.91	0.41	0.22	17.72
2011	4.7924	0.5883	0.6138	5.9945	3.17	0.35	0.61	6.65	0.39	0.22	17.38
2012	4.7855	0.5898	0.6303	6.0056	3.14	0.35	0.58	6.60	0.30	0.19	17.17
2013	4.7918	0.5796	0.6121	5.9835	3.16	0.35	0.64	6.60	0.38	0.14	17.25
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

⁽¹⁾ Reflects tax rates for the portion of the City within the boundaries of LOSD, which includes approximately 94% of the City's Assessed Value.

⁽²⁾ Includes Port of Portland, Tri-Met, Lake Grove Park, and Vector Control taxing districts.

Source: City of Lake Oswego, City Audited Financial Statements, 2017.

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.

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. That funding is generally restricted to specific purposes.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City of Lake Oswego is located south 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 of Lake Oswego 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, which parallels the river, and I-5 for commuters on the west end.

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.

Population and Employment

The City’s 2016 population was estimated to be 37,425. During the period from 2008 to 2016, the population in the City increased from 36,590 to 37,425.

**TABLE 15
POPULATION ESTIMATES AND ECONOMIC STATISTICS**

Fiscal Year	Lake Oswego Population	Clackamas County Personal income (in 000's)	Clackamas County Per capita Personal Income	Clackamas County Unemployment Rate⁽¹⁾
2008	36,590	\$16,310,770	\$43,952	5.7%
2009	36,755	15,485,121	41,395	10.4
2010	36,845	15,759,185	41,812	10.1
2011	36,725	16,659,841	43,880	8.9
2012	36,770	17,811,472	46,458	8.0
2013	36,990	17,863,812	46,028	7.1
2014	37,105	18,724,587	47,464	6.2
2015	37,300	19,901,153	49,565	5.1
2016	37,425	Not yet available	Not yet available	4.4

⁽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, as of April 2017; U.S. Department of Commerce Bureau of Economic Analysis, as of November 2016; State of Oregon Employment Department, as of October 2017.

The Federal Census figures, as of April 1 of the stated year, are as follows:

**TABLE 16
FEDERAL CENSUS FIGURES**

	1980	1990	2000	2010
City of Lake Oswego	22,630	30,576	35,278	36,619
Clackamas County	243,000	278,850	338,391	375,992
State of Oregon	2,633,156	2,842,321	3,421,399	3,831,074

Source: U.S. Census Bureau.

**TABLE 17
MAJOR EMPLOYERS IN THE CITY (2017)**

Employer	Product or Service	2017 Estimated Employment
Lake Oswego School District	Education	687
City of Lake Oswego	Government	345
Mary's Woods at Marylhurst	Retirement and senior living	344
Micro Systems Engineering, Inc.	Microelectronics manufacturing – medical	335
Navex Global, Inc.	Software and compliance service	267
Marylhurst University	University	244
Autodesk, Inc.	Software development	215
Greenbrier Companies, Inc.	Manufacturer – railcars	164
New Seasons Market, Inc.	Grocery	158
Biotronix, Inc.	Manufacturer – medical devices	141

Source: City of Lake Oswego, City Audited Financial Statements, 2017.

TABLE 18
MAJOR EMPLOYERS IN THE PORTLAND METRO AREA (2017)

Employer	Product or Service	2017 Estimated Employment
Intel	Semiconductor integrated circuits	19,300
Providence Health & Services	Health care and health insurance	17,543
Oregon Health & Science University	Health care and health insurance	16,200
Legacy Health	Health care	12,955
Nike Inc.	Athletic apparel, design and manufacturing	12,000
Fred Meyer	Grocery and retail variety chain	10,637
City of Portland	Government	7,043
Portland Public Schools	Education	6,780
Multnomah County	Government	6,266
Beaverton School District	Education	5,207
Vancouver Public Schools	Education	4,600
PeaceHealth	Health care	4,448
U.S. Bank	Bank	4,242
Wells Fargo	Bank	4,100
U.S. Postal Service	Government	3,838
Portland Community College	Education	3,804
New Seasons Market	Grocery	3,585
Portland State University	Education	3,512
U.S. Department of Veterans Affairs	Government	3,437
TriMet	Government - transportation	2,958

Source: “Largest Metro-Area Employers” – *Portland Business Journal* as of July 2017.

Transportation

Interstate Highway 5, the principal north-south highway on the West Coast, passes west of the City. 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 supplies water to the City of Tigard, and 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.

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 developing certain unused water rights held by the City. In November of 2007, 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.

At this point, the City cannot predict the ultimate outcome of this litigation; however, the City does not expect any outcome to adversely affect the ability of the City to pay debt service on the Obligations.

Sanitary Sewer. The City owns, operates and maintains its own sewage collection system within the urban service boundary, except for a trunk interceptor facility owned and operated by Clean Water Services. Sewage treatment is provided by the Tryon Creek Wastewater Treatment

Plant, owned and operated by the City of Portland. The City contracts to provide wastewater service to some areas of Tualatin.

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 for grades K-8, within the City.

Marylhurst University, a four-year private liberal arts college with graduate and undergraduate students, is located within the City. The college provides lifelong learning for students of all ages.

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 servicing the City's citizens include Pacific University in Forest Grove, and Portland State University, Reed College, Lewis and Clark College, the University of Portland, 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, located southwest of the City, serves the health care needs of the vicinity and southwest of the City and Kaiser Permanente operates a medical office complex. Other major health care facilities available to residents of the City include St. Vincent Medical Center near Beaverton and Tuality Community Hospital in Tualatin.

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 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 about 90 minutes east.

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.

Information Sources

Historical data have 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 of Lake Oswego is located within Clackamas County and the Portland-Vancouver MSA, this statement bases information on those areas as well as the City itself.

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.

THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a 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. For the 2016 general election, the requirements were eight percent (117,578 signatures) for a constitutional amendment measure and six percent (88,184 signatures) for a statutory initiative.

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. Historically, a larger number of initiative measures have qualified to be placed on the ballot than have been approved by the electors. According to the Elections Division of the Oregon 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 19
STATEWIDE INITIATIVE PETITIONS THAT QUALIFIED
AND PASSED (2006-2016)**

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2006	10	3
2008	8	0
2010	4	2
2012	7	2
2014	4	2
2016	4	3

Source: Elections Division, Oregon Secretary of State.

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.

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 the Financing Payments made under the Financing Agreement designated as and constituting interest received by the holders of the Obligations (the “Interest”) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Special Counsel is of the further opinion that Interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that Interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel is also of the opinion that Interest is exempt from State of Oregon personal income taxation. As discussed further below, legislation has been introduced which, if enacted, would repeal the alternative minimum tax for tax years beginning after December 31, 2017. 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 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 obligation premium in the case of obligations, like the Premium Obligations, whose holders shall receive Interest 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. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that Interest will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in Interest 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. 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 Interest is excluded from gross income for federal income tax purposes and is exempt from State of Oregon personal income taxation, the ownership or disposition of the Obligations, or the accrual or receipt of 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 Interest 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. Legislation has been introduced in Congress which, if enacted, would significantly change the income tax rates for individuals and corporations and would repeal the alternative minimum tax for tax years beginning after December 31, 2017. 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 is expected to express 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 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, parties other than the City and its appointed counsel, including the 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 bonds 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.

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.

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, Portland, Oregon, as Municipal Advisor in connection with the authorization and issuance of the Obligations.

UNDERWRITING

Morgan Stanley & Co. LLC, acting as underwriter successfully bid for the Obligations in a competitive sale on December 7, 2017. The bid provides that the underwriter will purchase all of the Obligations, if any Obligations are purchased, at a price of 111.685% of the par value of the Obligations. The Obligations will be re-offered at an average price of 111.225% of the par value of the Obligations. After the initial public offering, the public offering prices may vary from time to time.

Morgan Stanley & Co. LLC., an underwriter of the Obligations, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Obligations.

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.

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

**WELLS FARGO BANK, NATIONAL ASSOCIATION
as Escrow Agent**

and the

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

Relating to

**City of Lake Oswego
Clackamas, Multnomah and Washington Counties, Oregon
\$[_____]
Full Faith and Credit Refunding Obligations
Series 2017**

Dated as of December [__], 2017

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EXHIBITS

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

FINANCING AGREEMENT

This Financing Agreement is dated as of December [], 2017, and is entered into by and between **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association (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. 17-63 adopted by the City Council on November 21, 2017, and to execute and deliver this Financing Agreement to finance 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 Refunding Obligations, Series 2017 (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 Portland, Oregon.

“Project” means the cost of financing:

(a) the advance refunding of all or a portion of the City’s Full Faith and Credit Obligations, Series 2009A, issued in the original aggregate principal amount of \$60,000,000 (the “Refunded Obligations”); and

(b) related financing and issuance costs.

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.

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.

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, 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: Wells Fargo Bank Corporate Trust Services
Attn: Corporate Trust Department
N9311-115
625 Marquette Avenue S., 11th Floor East
Minneapolis, MN 55479
Facsimile: (612) 667-2134

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
1120 N.W. Couch Street, Suite 200
Portland, OR 97209
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, however, 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.

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 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.

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**, as Escrow Agent

By: _____
Authorized Officer

CITY OF LAKE OSWEGO, OREGON,
as City

By: _____
Shawn Cross
Finance Director

EXHIBIT A
FINANCING PAYMENT SCHEDULE

Debt Service
Full Faith & Credit Refunding Obligations
Series 2017

Payment Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
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EXHIBIT B

PREPAYMENT PROVISIONS

Optional Prepayment. The Obligations maturing on or after December 1, 20[] are subject to prepayment prior to maturity at the option of the City, in whole or in part on December 1, 2027 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 December 1, 20[] 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 December 1 in the years and in the amounts as set forth below:

Term Obligations Maturing on December 1, 20[]

Year (December 1)	Sinking Fund Prepayment
----------------------	----------------------------

[±] 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 by lot.

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 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 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.

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.

ESCROW AGREEMENT

between

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Escrow Agent

and the

CITY OF LAKE OSWEGO, OREGON
as City

Relating to

City of Lake Oswego
Clackamas, Multnomah and Washington Counties, Oregon
\$_[_____]
Full Faith and Credit Refunding Obligations
Series 2017

Dated as of December [__], 2017

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT is dated as of December [], 2017, and is entered into by and between **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association (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 Wells Fargo Bank, National Association.

“**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 2017 Obligations**” means the \$[_____] Full Faith and Credit Refunding Obligations, Series 2017, dated December [___], 2017 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 June 1, 2018, 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 Portland, Oregon.

“**Project**” means the cost of financing:

(a) the advance refunding of a portion of the City’s Full Faith and Credit Obligations, Series 2009A, issued in the original aggregate principal amount of \$60,000,000 (the “Refunded Obligations”); 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 [_____] 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. 17-63 adopted on November 21, 2017 (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 2017 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.

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.

(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 prepaes 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. 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 by lot.

(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) registered or certified 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) registered or certified 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 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.

(e) 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 which are required to be provided by the City in the Continuing Disclosure Certificate for the Obligations.

(f) 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.

(g) 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.

(h) 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.

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 2013 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. 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 Reserved.

Section 3.3 Costs of Issuance Account. The City shall establish an account designated as the “Full Faith and Credit Refunding Obligations, Series 2017 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 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 was 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. The proceeds of the Obligations in the amount of \$[] (\$[] par amount plus net original issue premium of \$[] and less underwriter’s discount of \$[]) shall be transferred directly to the City for deposit into the following accounts:

Escrow Account	\$[]
Costs of Issuance Account	[]
	\$[]

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 arise from its negligence or bad faith. 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 an Escrow Agent 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.

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 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 or consolidated 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 his 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, if there is reasonable ground for the Escrow Agent's believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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, 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 or 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 shall be mailed by first class mail, postage prepaid, to each Owner within thirty (30) days of the Escrow Agent's actual knowledge of default. 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 Escrow Agent 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, 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. 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.

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 10.4 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,

To Special Counsel at:

Greg Blonde, Esq.
Orrick, Herrington & Sutcliffe LLP
1120 N.W. Couch Street, Suite 200
Portland, OR 97209
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, however, 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.

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 destroy such Obligations.

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 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.

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent**

By: _____
Authorized Officer

CITY OF LAKE OSWEGO, OREGON

By: _____
Shawn Cross
Finance Director

EXHIBIT A

(Form of Series 2017 Obligation)

No. R-1

\$ _____

**FULL FAITH AND CREDIT REFUNDING OBLIGATION
SERIES 2017**

**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
Wells Fargo Bank, National Association
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>
_____, 2017	_____ %	_____ 1, 20__	_____

REGISTERED OWNER: ----- CEDE & CO. -----

PRINCIPAL AMOUNT: ----- _____ DOLLARS -----

This Obligation is executed and delivered by Wells Fargo Bank, National Association, pursuant to an Escrow Agreement, dated as of December [], 2017, between Wells Fargo Bank, National Association, 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 December [], 2017 (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.

Wells Fargo Bank, National Association, in Portland, Oregon, 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 June 1, 2018 (the “Payment Date”) to the Owners of record as of 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 Refunding Obligations, Series 2017 (the “Obligations”), being executed and delivered evidencing the aggregate principal amount \$[_____]. The City is authorized to enter into the Financing Agreement and the Escrow Agreement by Resolution No. 17-63 adopted by the City Council of the City on November 22, 2017 (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 Wells Fargo Bank, National Association, 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.

WELLS FARGO BANK, NATIONAL ASSOCIATION, 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: _____, 2017.

CERTIFICATE OF AUTHENTICATION

This is one of the \$[_____] Full Faith and Credit Refunding Obligations, Series 2017, 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.

Wells Fargo Bank, National Association, 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 Wells Fargo Bank, National Association, 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, 2017

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CITY OF LAKE OSWEGO, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2017

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
 Comprehensive Annual Financial Report
 for the fiscal year ended June 30, 2017

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for the fiscal year ended June 30, 2017

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CITY OF LAKE OSWEGO, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION I

INTRODUCTORY SECTION

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November 21, 2017

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 Comprehensive Annual Financial Report (CAFR) for the City of Lake Oswego is hereby submitted to fulfill this requirement for the fiscal year ended June 30, 2017.

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.

Talbot, Korvola & Warwick LLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City’s financial statements for the fiscal year ended June 30, 2017. 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 37,425. 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 plastic extruded sheets and hybrid microcircuits.

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 2017-18 budget, certain utility rate fee increases were approved. Effective July 1, 2017, a 2 percent rate increase for water, a 7 percent rate increase for surface water management fees, and a 3 percent rate increase for wastewater fees were approved.

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

The City had \$9,190,000 outstanding in three general obligation bond issues, \$153,285,000 outstanding in three full faith and credit obligations for water and wastewater, \$5,795,000 outstanding in two revenue bond issues, and \$8,805,000 outstanding in one full faith and credit obligations for urban renewal, for a total of \$177,075,000 in bond issues outstanding as of June 30, 2017.

Additionally, a \$6,000,000 bank line of credit is outstanding to acquire properties for a North Anchor project on B Avenue, Block 137 and civic center for urban renewal, for a total of \$6,000,000 in bank lines of credit outstanding as of June 30, 2017.

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 January 2015.

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 2016-17 fiscal year included major policy decisions as well as important financial planning efforts: improve the condition of streets, continue to work with regional partners on a Willamette Shoreline Trail for bike/pedestrian use while preserving future options for rail, construct pathway connection, take steps to minimize the impact on businesses and residents of the Boones Ferry Road project, maximize park land and resources, decide on the future of the municipal golf course, meet with owners of key commercial and industrial properties in the southwest employment area, Lake Grove, and downtown to explore redevelopment opportunities, explore options for economical housing for all sectors of the community, support the creation of a climate change action plan and adopt a strategy for addressing PERS increases.

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

Awards

Comprehensive Annual Financial Reporting Award. For the twenty fifth 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, 2016. 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.

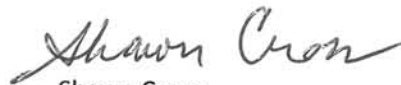
Acknowledgements

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,



Scott Lazenby
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**

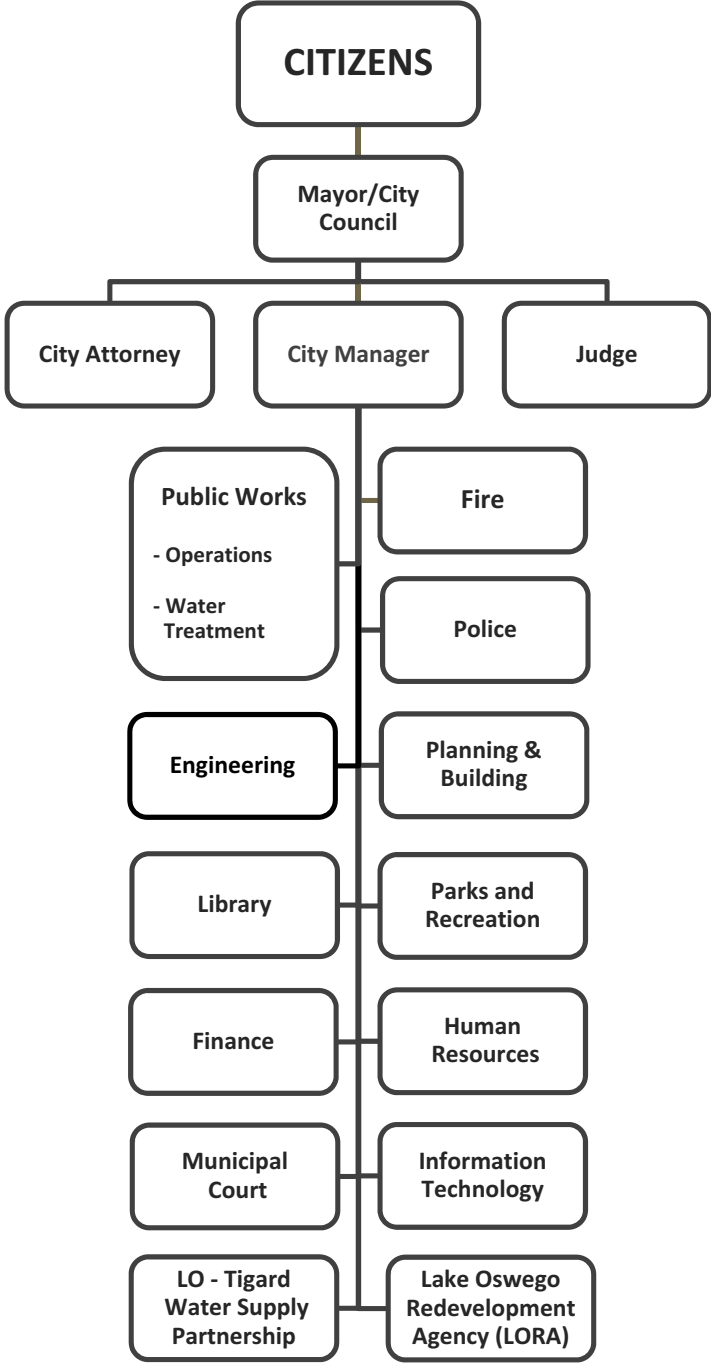
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

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
Kent Studebaker, Mayor	December 31, 2020
Jeff Gudman, Council President	December 31, 2018
Joe Buck, Councilor	December 31, 2018
Theresa Kohlhoff, Councilor	December 31, 2020
John LaMotte, Councilor	December 31, 2020
Jackie Manz, Councilor	December 31, 2018
Skip O'Neill, Councilor	December 31, 2020

Appointed Officials	Position
Scott Lazenby	City Manager
David Powell	City Attorney
Bruce Shepley	Municipal Court Judge

Directors:

Bill Baars	Library Director
Megan Phelan	Assistant City Manager
Don Johnson	Police Chief
Shawn Cross	Finance Director
Ivan Anderholm	Parks and Recreation Director
Anthony Hooper	Public Works Director
Chip Larouche	Information Technologies Director
Joel Komarek	Project Director
Larry Goff	Fire Chief
Scot Siegel	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
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION II

FINANCIAL SECTION

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ACHIEVE MORE

**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road
Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

Audit Committee
City of Lake Oswego, Oregon
Lake Oswego, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying 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 (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

An independently owned member
RSM US Alliance



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Audit Committee
City of Lake Oswego, Oregon

OPINIONS

In our opinion, the 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 the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis, Schedule of Funding Progress, Schedule of Proportionate Share of the Net Pension (Asset)/Liability, Schedule of Pension Plan Contributions, and Notes to Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund and major special revenue fund, listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required budgetary comparison 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Audit Committee
City of Lake Oswego, Oregon

OTHER MATTERS (Continued)

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other Combining and Individual Fund Statements, Schedules, and other Financial Schedules, collectively presented as Other Supplementary Information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Introductory and Statistical Sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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 November 21, 2017, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By: 

Timothy R. Gillette, Partner

Lake Oswego, Oregon
November 21, 2017

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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.

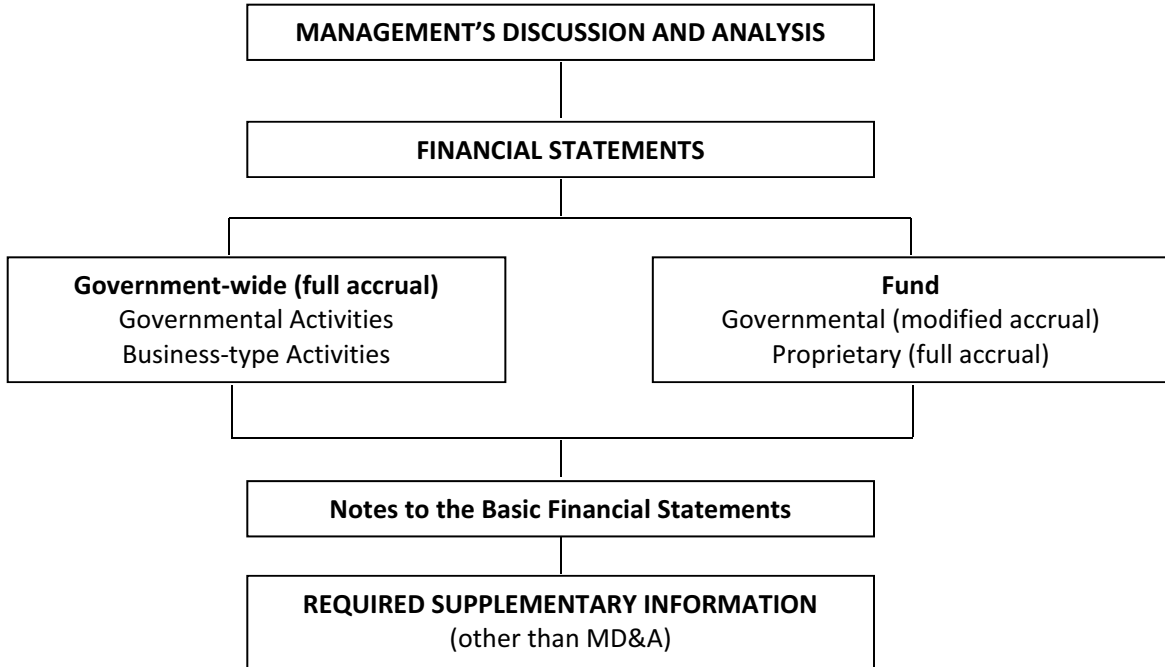
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$285.3 million (*net position*). Of this amount, \$43.2 million (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position *increased* \$18.7 million over the course of this year's operations. Net position of our governmental activities *increased* by \$7.9 million or 5.7 percent and net position of our business-type activities *increased* by \$10.9 million or 8.4 percent.
- During the fiscal year, the City incurred net expenses from governmental activities totaling \$34.7 million. These net expenses were \$7.9 million less than the \$42.6 million generated in tax and other revenues for governmental programs.
- In the City's business-type activities, operating revenues increased by \$2.7 million to \$38.1 million (*including \$5.9 million for the internal service funds*), while operating expenses increased from the prior year.
- The net direct cost of all the City's programs was \$27.5 million with no new programs added this year.
- The General Fund reports a fund balance as of the end of this fiscal year of \$27.2 million, which is an increase of \$745 thousand from the previous fiscal year-end balance. This increase is due to a reduction of expenditures 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
Comprehensive Annual 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, wastewater, surface water 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, 2017

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 \$285.3 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (74.6 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			
	FY16-17	FY15-16	FY16-17	FY15-16	FY16-17	FY15-16
Current and other assets	\$ 72.3	\$ 64.4	\$ 45.8	\$ 52.7	\$ 118.1	\$ 117.1
Capital assets	129.0	127.0	429.4	407.3	558.4	534.3
Total assets	201.3	191.4	475.2	460.0	676.5	651.4
Deferred outflows	23.3	4.4	5.0	1.0	28.3	5.4
Current liabilities	13.2	6.8	15.3	13.8	28.5	20.6
Long-term liabilities	63.5	46.8	324.3	317.0	387.8	363.8
Total liabilities	76.7	53.6	339.6	330.8	416.3	384.4
Deferred inflows	2.7	4.7	0.6	1.1	3.3	5.8
Net position						
Invested in capital assets, net of related debt	104.0	99.6	108.7	88.9	212.7	188.5
Restricted	29.4	24.8	-	-	29.4	24.8
Unrestricted	11.9	13.0	31.3	40.3	43.2	53.3
Total net position	\$ 145.3	\$ 137.4	\$ 140.0	\$ 129.2	\$ 285.3	\$ 266.6

An additional portion of the City's net position (\$29.4 million or 10.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$43.2 million) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2017, the City had positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true as of the end of the prior fiscal year.

Total net position increased by \$18.8 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, 2017

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)

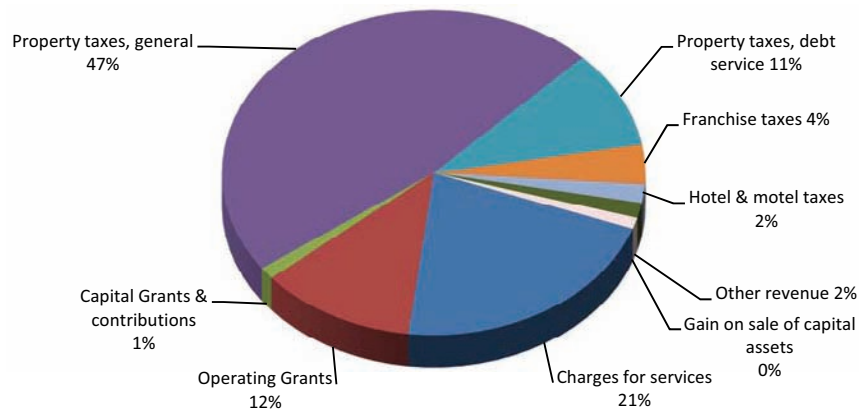
	Governmental		Business-type		Total	
	Activities		Activities			
	FY16-17	FY15-16	FY16-17	FY15-16	FY16-17	FY15-16
Revenues						
Charges for services	\$ 14.9	\$ 14.9	\$ 32.1	\$ 30.5	\$ 47.0	\$ 45.4
Grants and contributions	9.2	7.8	1.6	3.6	10.8	11.4
General revenues						
Property taxes	39.8	38.0	-	-	39.8	38.0
Franchise and hotel/motel taxes	4.0	3.9	-	-	4.0	3.9
Other	1.8	2.0	0.7	0.4	2.5	2.4
Total revenues	<u>69.7</u>	<u>66.6</u>	<u>34.4</u>	<u>34.5</u>	<u>104.1</u>	<u>101.1</u>
Expenses						
Governmental activities						
General government	10.4	18.0	-	-	10.4	18.0
Public safety	26.3	32.2	-	-	26.3	32.2
Culture and recreation	15.7	15.8	-	-	15.7	15.8
Highways and streets	5.7	6.1	-	-	5.7	6.1
Interest on long-term debt	0.7	0.7	-	-	0.7	0.7
Business-type activities						
Water	-	-	10.8	8.8	10.8	8.8
Wastewater	-	-	11.4	11.3	11.4	11.3
Surface water	-	-	2.6	2.9	2.6	2.9
Golf course	-	-	1.0	1.1	1.0	1.1
Tennis facility	-	-	0.4	0.5	0.4	0.5
Engineering	-	-	0.4	0.2	0.4	0.2
Total expenses	<u>58.8</u>	<u>72.8</u>	<u>26.6</u>	<u>24.8</u>	<u>85.4</u>	<u>97.6</u>
Excess before transfers	10.9	(6.2)	7.8	9.7	18.7	3.5
Transfers	<u>(3.0)</u>	<u>(2.3)</u>	<u>3.0</u>	<u>2.3</u>	<u>-</u>	<u>-</u>
Change in net position	<u>7.9</u>	<u>(8.5)</u>	<u>10.8</u>	<u>12.0</u>	<u>18.7</u>	<u>3.5</u>
Net Position - beginning	<u>137.4</u>	<u>145.9</u>	<u>129.2</u>	<u>117.2</u>	<u>266.6</u>	<u>263.1</u>
Net Position - ending	<u>\$ 145.3</u>	<u>\$ 137.4</u>	<u>\$ 140.0</u>	<u>\$ 129.2</u>	<u>\$ 285.3</u>	<u>\$ 266.6</u>

Governmental Activities

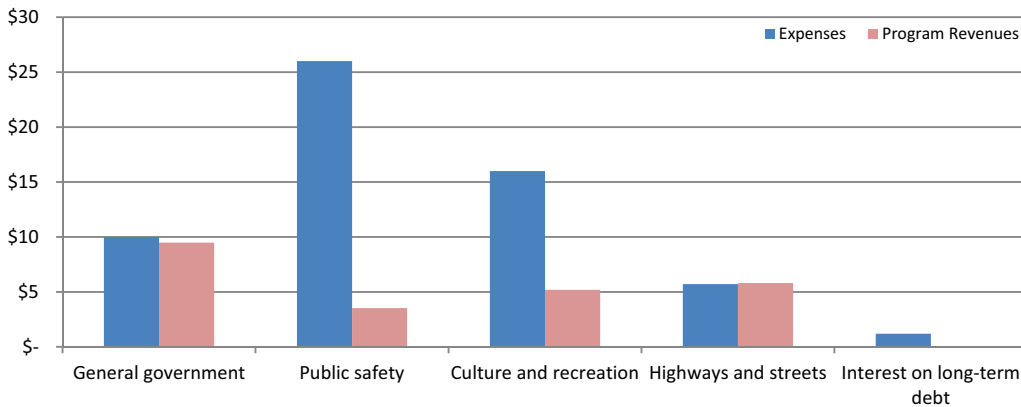
Governmental activities increased the City’s net position by \$7.9 million. Key elements of this increase are illustrated in Table 2 on the previous page. Total revenues were increased in part due to an increase in building activity, as reflected in the General Fund through increases in property taxes received and water revenue in the Water Fund. Total Expenses decreased due to the change in net pension asset (liability) and decreased LORA activity. 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 \$4.7 million, or 12 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.

Revenues by Source - Governmental Activities



Expenses and Program Revenues (in millions) – Governmental Activities



Business-type Activities – Enterprise Funds

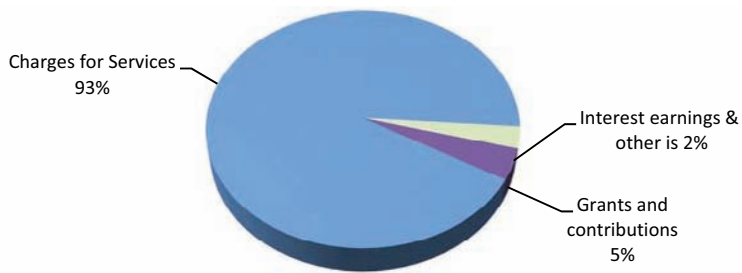
The Water Fund revenues represent approximately 45 percent of all enterprise revenues for the City. Most of these revenues went towards operations of the City’s water treatment plant located in West Linn. The Lake Oswego-Tigard Water Partnership was formed in 2009 to manage the expansion and upgrade of the City’s water supply system. The City of Lake Oswego increased the water utility fees to help pay their portion of the cost of this expansion.

The Wastewater Fund revenues represent approximately 42.2 percent of all utility revenues for the City. Most of Lake Oswego is serviced by a wastewater system that feeds into a main pipeline located under the surface of Oswego Lake transporting sewage to the Tryon Creek wastewater treatment facility.

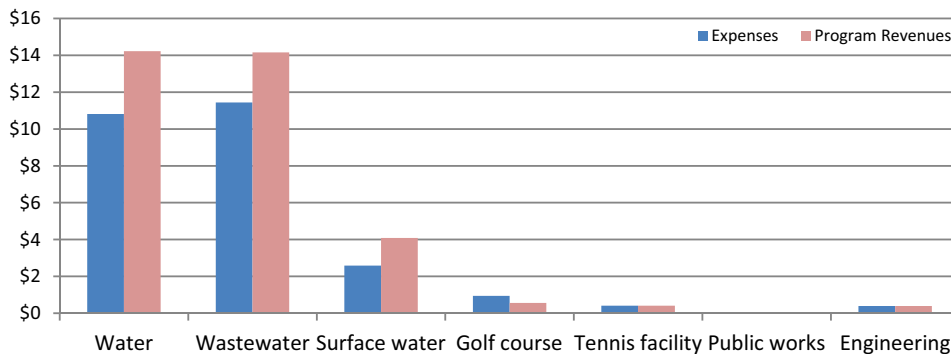
The Surface Water Fund revenues represent approximately 9.7 percent of all utility revenues for the City. These revenues go for the operations of the City’s surface water management system.

Activities of the municipal golf course and tennis facility, approximately 3.1 percent of the total enterprise revenues, are also included with business-type activities in the government-wide financial statements.

Revenues by Source - Business-type Activities



Expenses and Program Revenues (in millions) – Business-type Activities



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, 2017, the City’s governmental funds reported a combined ending fund balance of \$67.3 million, an increase of \$7 million when compared to the prior year. Unassigned fund balance combined with committed fund balance as of June 30, 2017, was \$25.2 million and is available for spending at the City’s discretion.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund’s budgeted appropriations between the original and final budget increased by \$3,000. This increase is due to the library receiving a larger distribution from Oregon Community Foundation endowment balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of the end of fiscal year 2016-17, the City had a net depreciated cost of \$558.4 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 \$24.1 million or 4.5 percent over the previous fiscal year (Table 4).

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

	Governmental Activities		Business-type Activities		Total	
	FY16-17	FY15-16	FY16-17	FY15-16	FY16-17	FY15-16
Land	\$ 49.8	\$ 47.8	\$ 8.8	\$ 7.6	\$ 58.6	\$ 55.4
Buildings and improvements	24.7	24.2	279.8	175.3	304.5	199.5
Machinery and equipment	2.8	3.1	7.6	7.7	10.4	10.8
Infrastructure	47.3	47.2	1.1	0.2	48.4	47.4
Intangibles	0.2	0.2	9.5	5.3	9.7	5.5
Construction in progress	4.2	4.5	122.6	211.2	126.8	215.7
Net capital assets	<u>\$ 129.0</u>	<u>\$ 127.0</u>	<u>\$ 429.4</u>	<u>\$ 407.3</u>	<u>\$ 558.4</u>	<u>\$ 534.3</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		Business-type		Total	
	Activities		Activities			
	<u>FY16-17</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY15-16</u>
Beginning balance	\$ 127.0	\$ 141.5	\$ 407.3	\$ 364.4	\$ 534.3	\$ 505.9
Additions	13.9	12.5	148.2	82.8	162.1	95.3
Reductions	(7.2)	(25.0)	(126.1)	(36.7)	(133.3)	(61.7)
Depreciation, net	(4.7)	(2.0)	-	(3.2)	(4.7)	(5.2)
Ending balance	<u>\$ 129.0</u>	<u>\$ 127.0</u>	<u>\$ 429.4</u>	<u>\$ 407.3</u>	<u>\$ 558.4</u>	<u>\$ 534.3</u>

Assets utilized in governmental activities increased to \$129 million and in the business type activities increased to \$429.4 million. Additions exceeded annual depreciation and reductions in the business type activities. Non depreciable land and land improvements increased by 5.8 percent or \$3.2 million. Additions include LOTWP Pipelines; Bonita Pump Station; Waluga Reservoir #1 Improvement; Laurel Street Pathway; 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 \$183 million in debt outstanding—a decrease of 4 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.

During the fiscal year ended June 30, 2017, the City did not issue any new debt.

Bond Ratings

In January 2015, 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 \$9.2 million is significantly below this 3 percent limit of \$315 million.

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

	June 30,	
	2017	2016
Governmental:		
General obligation bonds	\$ 9.2	\$ 11.1
Full faith & credit obligations	8.8	9.3
Lines of credit	6.0	6.0
Capital leases	0.1	0.2
Sub-total	24.1	26.6
Business-type:		
Revenue bonds	5.8	6.7
Full faith & credit obligations	153.3	158.5
Sub-total	159.1	165.2
Total	\$ 183.2	\$ 191.8

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 57.2 percent of the resources which can be used for governmental activities. The next largest resource, at 21.4 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, 2016, the City increased water rates by 4.5 percent, wastewater rates by 3 percent, and surface water rates by 7 percent. These rate increases equate to an additional \$5.53 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.

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.

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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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 38,854,238	\$ 40,610,130	\$ 79,464,368
Receivables (net of allowance)	3,912,424	5,179,519	9,091,943
Internal balances	178,589	(178,589)	-
Inventories and prepaids	-	150,455	150,455
Restricted cash and investments	24,059,790	-	24,059,790
Total current assets	<u>67,005,041</u>	<u>45,761,515</u>	<u>112,766,556</u>
Noncurrent assets:			
Capital assets:			
Land, intangibles and construction in progress	54,077,254	138,827,283	192,904,537
Other capital assets (net of accumulated depreciation)	74,925,948	290,616,494	365,542,442
Total capital assets (net of accumulated depreciation)	<u>129,003,202</u>	<u>429,443,777</u>	<u>558,446,979</u>
Restricted beneficial interest in trust	5,339,663	-	5,339,663
Total noncurrent assets	<u>134,342,865</u>	<u>429,443,777</u>	<u>563,786,642</u>
Total assets	<u>201,347,906</u>	<u>475,205,292</u>	<u>676,553,198</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	<u>23,330,547</u>	<u>5,087,609</u>	<u>28,418,156</u>
Liabilities			
Current liabilities:			
Accounts payable	2,044,284	7,523,747	9,568,031
Salaries and benefits payable	294,561	8,934	303,495
Deposits	86,116	145,251	231,367
Interest payable	81,775	558,493	640,268
Bonds payable	2,173,088	6,627,956	8,801,044
Capital Leases	37,929	-	37,929
Line of credit payable, due within one year	6,000,000	-	6,000,000
Compensated absences payable	2,530,709	474,190	3,004,899
Total current liabilities	<u>13,248,462</u>	<u>15,338,571</u>	<u>28,587,033</u>
Noncurrent liabilities:			
Bonds payable	16,797,369	156,372,469	173,169,838
Deposits	-	157,708,037	157,708,037
Capital Leases	108,290	-	108,290
Accrued other postemployment benefits obligation	2,891,162	738,100	3,629,262
Net pension liability	43,663,104	9,521,455	53,184,559
Total noncurrent liabilities	<u>63,459,925</u>	<u>324,340,061</u>	<u>387,799,986</u>
Total liabilities	<u>76,708,387</u>	<u>339,678,632</u>	<u>416,387,019</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	<u>2,665,473</u>	<u>581,249</u>	<u>3,246,722</u>
Net Position			
Net investment in capital assets	104,032,745	108,735,315	212,768,060
Restricted for:			
Library and Adult Community Center programs	5,339,663	-	5,339,663
Capital projects	14,018,287	-	14,018,287
Debt service	6,489,577	-	6,489,577
Building program	3,495,771	-	3,495,771
Unrestricted	11,928,550	31,297,705	43,226,255
Total net position	<u>\$ 145,304,593</u>	<u>\$ 140,033,020</u>	<u>\$ 285,337,613</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 10,291,637	\$ 7,697,732	\$ 1,791,126	\$ -
Public safety	26,260,047	3,286,136	239,939	-
Culture and recreation	15,736,945	1,284,219	3,911,386	-
Highways and streets	5,741,489	2,601,187	2,374,195	830,090
Interest on long-term debt	727,541	-	-	-
Total governmental activities	58,757,659	14,869,274	8,316,646	830,090
Business-type activities:				
Water	10,816,412	14,103,981	-	123,019
Wastewater	11,436,302	13,588,660	-	565,430
Surface water	2,582,130	3,098,436	-	985,487
Golf course	946,147	557,567	-	-
Tennis facility	406,361	406,370	-	-
Public works support services	49,060	12,683	-	-
Engineering	392,766	397,371	-	-
Total business-type activities	26,629,177	32,165,068	-	1,673,936
Total government	\$ 85,386,836	\$ 47,034,342	\$ 8,316,646	\$ 2,504,026

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

Loss 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
\$ (802,779)	\$ -	\$ (802,779)
(22,733,972)	-	(22,733,972)
(10,541,340)	-	(10,541,340)
63,983	-	63,983
(727,541)	-	(727,541)
<u>(34,741,649)</u>	<u>-</u>	<u>(34,741,649)</u>
-	3,410,588	3,410,588
-	2,717,788	2,717,788
-	1,501,793	1,501,793
-	(388,580)	(388,580)
-	9	9
-	(36,377)	(36,377)
-	4,605	4,605
<u>-</u>	<u>7,209,827</u>	<u>7,209,827</u>
<u>(34,741,649)</u>	<u>7,209,827</u>	<u>(27,531,822)</u>
32,962,404	-	32,962,404
6,804,113	-	6,804,113
2,743,582	-	2,743,582
1,249,188	-	1,249,188
1,053,578	221,198	1,274,776
761,317	474,591	1,235,908
(10,640)	-	(10,640)
<u>(2,943,750)</u>	<u>2,943,750</u>	<u>-</u>
<u>42,619,792</u>	<u>3,639,539</u>	<u>46,259,331</u>
7,878,143	10,849,366	18,727,509
137,426,450	129,183,653	266,610,103
<u>\$ 145,304,593</u>	<u>\$ 140,033,019</u>	<u>\$ 285,337,612</u>

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CITY OF LAKE OSWEGO, OREGON

**Balance Sheet
Governmental Funds**

as of June 30, 2017

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 27,786,376	\$ 9,336,590	\$ 1,731,272	\$ 38,854,238
Property taxes receivable	1,838,710	-	679,209	2,517,919
Accounts receivable	685,819	519,853	46,088	1,251,760
Assessment liens receivable	-	-	147,145	147,145
Restricted cash and investments	-	-	24,059,790	24,059,790
Restricted beneficial interest in trust	-	-	5,339,663	5,339,663
Total assets	\$ 30,310,905	\$ 9,856,443	\$ 32,003,167	\$ 72,170,515
Liabilities				
Accounts payable	\$ 1,110,576	\$ 333,799	\$ 599,909	\$ 2,044,284
Salaries and benefits payable	292,597	512	1,452	294,561
Refundable deposits	80,816	5,300	-	86,116
Total liabilities	1,483,989	339,611	601,361	2,424,961
Deferred inflows of resources				
Unavailable revenue-property taxes	1,616,875	-	634,150	2,251,025
Unavailable revenue-assessment liens	-	-	147,145	147,145
Total deferred inflows of resources	1,616,875	-	781,295	2,398,170
Fund balances				
Restricted for:				
Senior center programs and capital	-	-	2,033,951	2,033,951
Library programs and capital	-	-	3,305,712	3,305,712
Building inspection	-	-	3,495,771	3,495,771
Trolley	-	-	411,687	411,687
Tourism	-	-	735,678	735,678
Capital projects	-	-	14,018,287	14,018,287
Highway and streets	-	-	129,848	129,848
Debt service	-	-	6,489,577	6,489,577
Committed to:				
City tree fund	40,644	-	-	40,644
Assigned to:				
Library improvements	934,000	-	-	934,000
City hall repairs	920,000	-	-	920,000
Art and education	81,219	-	-	81,219
Highway and streets	-	9,516,832	-	9,516,832
Equipment replacement	7,343	-	-	7,343
Unassigned:	25,226,835	-	-	25,226,835
Total fund balances	27,210,041	9,516,832	30,620,511	67,347,384
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,310,905	\$ 9,856,443	\$ 32,003,167	\$ 72,170,515

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, 2017

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

Total fund balances - governmental funds (page 32)		\$ 67,347,384
Capital assets used in governmental activities are not financial resources and therefore are not reported, net of accumulated depreciation of \$87,455,889		129,003,202
Certain items are not available to pay for current period expenditures, but are reported in the Statement of Net Position		
Deferred outflows of resources related to pensions	\$ 23,330,547	
Property taxes, earned but unavailable	2,251,025	
Assessment liens, earned but unavailable	<u>142,745</u>	25,724,317
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	\$ (43,663,104)	
Deferred inflows of resources related to pensions	(2,665,473)	
Accrued compensated absences	(2,530,709)	
Accrued interest payable	(81,775)	
Accrued other post employment pension obligation	(2,891,162)	
Bond premium, net of amortization	<u>(975,457)</u>	(52,807,680)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		(24,141,219)
Adjustment to reflect the consolidation of internal service fund activities related to governmental funds.		<u>178,589</u>
Net position of governmental activities (page 29)		<u><u>\$ 145,304,593</u></u>

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, 2017

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 32,760,319	\$ -	\$ 6,935,391	\$ 39,695,710
Franchise taxes	2,743,582	-	-	2,743,582
Intergovernmental	5,898,916	2,351,829	65,899	8,316,644
Licenses and fees	1,823,352	2,601,187	6,290,697	10,715,236
Fines and forfeitures	1,047,501	-	-	1,047,501
Sales and services	4,201,260	-	135,831	4,337,091
Charges for services	7,677,000	-	-	7,677,000
Special assessment - principal	-	-	5,563	5,563
Miscellaneous	814,712	156,047	844,137	1,814,896
Total revenues	<u>56,966,642</u>	<u>5,109,063</u>	<u>14,277,518</u>	<u>76,353,223</u>
Expenditures:				
Current:				
General government	12,199,599	-	4,007,766	16,207,365
Public safety	23,544,681	-	-	23,544,681
Culture and recreation	13,663,655	-	160,139	13,823,794
Highways and streets	-	3,146,604	-	3,146,604
Debt service:				
Principal	36,104	-	2,345,000	2,381,104
Interest	7,961	-	784,900	792,861
Capital outlay	984,129	3,490,128	2,076,706	6,550,963
Total expenditures	<u>50,436,129</u>	<u>6,636,732</u>	<u>9,374,511</u>	<u>66,447,372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,530,513</u>	<u>(1,527,669)</u>	<u>4,903,007</u>	<u>9,905,851</u>
Other financing sources (uses):				
Transfers in	1,275,773	5,625,000	946,816	7,847,589
Transfers out	(7,091,000)	(2,525,000)	(1,175,339)	(10,791,339)
Proceeds from sale of capital assets	29,507	2,850	14,488	46,845
Total other financing sources (uses)	<u>(5,785,720)</u>	<u>3,102,850</u>	<u>(214,035)</u>	<u>(2,896,905)</u>
Net change in fund balances	744,793	1,575,181	4,688,972	7,008,946
Fund balances - beginning	<u>26,465,248</u>	<u>7,941,651</u>	<u>25,931,539</u>	<u>60,338,438</u>
Fund balances - ending	<u>\$ 27,210,041</u>	<u>\$ 9,516,832</u>	<u>\$ 30,620,511</u>	<u>\$ 67,347,384</u>

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, 2017

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)	\$	7,008,946
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital acquisition:</p>		
Expenditures for capital assets	\$	6,550,963
Less current year depreciation	<u>(5,120,730)</u>	1,430,233
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position.</p>		
		(219,715)
<p>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.</p>		
		830,090
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Property taxes	70,807	
Assessments and interest	<u>13,073</u>	83,880
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		2,449,192
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Interest expense		(2,768)
Net other post employment pension obligation		48,097
Net pension asset/liability and related deferred outflows and inflows		(3,967,363)
Compensated absences		(5,772)
<p>Adjustment to reflect the consolidation of internal service fund activities related to governmental funds.</p>		
		<u>223,323</u>
Change in net position of governmental activities (page 31)	<u>\$</u>	<u>7,878,143</u>

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, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Wastewater Fund	Surface Water Fund
Assets			
Current assets:			
Cash and investments	\$ 12,683,289	\$ 18,496,239	\$ 1,645,162
Receivables (net of allowance)	3,025,719	1,749,183	393,217
Inventories	115,922	-	-
Total current assets	<u>15,824,930</u>	<u>20,245,422</u>	<u>2,038,379</u>
Noncurrent assets:			
Capital assets:			
Land	7,196,645	72,367	843,850
Intangibles	7,136,556	266,674	-
Buildings and improvements	185,293,677	139,020,897	29,805,447
Machinery and equipment	4,785,049	8,710,320	1,636,841
Infrastructure	543,810	523,533	-
Construction in progress	111,787,169	537,118	182,369
Other capital assets	2,128,803	-	-
	<u>318,871,709</u>	<u>149,130,909</u>	<u>32,468,507</u>
Less accumulated depreciation	<u>(31,137,560)</u>	<u>(36,044,859)</u>	<u>(15,702,228)</u>
Total capital assets (net of accumulated depreciation)	<u>287,734,149</u>	<u>113,086,050</u>	<u>16,766,279</u>
Total assets	<u>303,559,079</u>	<u>133,331,472</u>	<u>18,804,658</u>
Deferred outflows of resources			
Deferred amounts related to pensions	<u>1,681,440</u>	<u>359,983</u>	<u>227,837</u>
Liabilities			
Current liabilities:			
Accounts payable	3,645,620	829,414	99,082
Salaries and benefits payable	2,992	643	348
Matured and accrued bond interest payable	287,401	265,561	5,531
Deposit	-	2,500	-
Bonds payable	3,120,399	3,337,557	170,000
Compensated absences payable	194,789	46,267	23,110
Total current liabilities	<u>7,251,201</u>	<u>4,481,942</u>	<u>298,071</u>
Noncurrent liabilities:			
Bonds payable	76,757,980	78,384,489	1,230,000
Deposits	157,708,037	-	-
Accrued other postemployment benefits obligation	185,100	98,300	35,700
Net pension liability	3,146,813	673,708	426,397
Total noncurrent liabilities	<u>237,797,930</u>	<u>79,156,497</u>	<u>1,692,097</u>
Total liabilities	<u>245,049,131</u>	<u>83,638,439</u>	<u>1,990,168</u>
Deferred inflows of resources			
Deferred amounts related to pensions	<u>192,101</u>	<u>41,127</u>	<u>26,030</u>
Net Position			
Net investment in capital assets	50,147,733	31,364,004	15,366,279
Unrestricted	<u>9,851,554</u>	<u>18,647,885</u>	<u>1,650,018</u>
Total net position	<u>\$ 59,999,287</u>	<u>\$ 50,011,889</u>	<u>\$ 17,016,297</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>
\$ 718,925	\$ 33,543,615	\$ 7,066,515
-	5,168,119	11,400
22,800	138,722	11,733
<u>741,725</u>	<u>38,850,456</u>	<u>7,089,648</u>
227,929	8,340,791	458,819
-	7,403,230	-
2,055,298	356,175,319	941,333
369,555	15,501,765	670,433
-	1,067,343	-
-	112,506,656	10,117,787
-	2,128,803	-
<u>2,652,782</u>	<u>503,123,907</u>	<u>12,188,372</u>
<u>(1,790,356)</u>	<u>(84,675,003)</u>	<u>(1,193,499)</u>
<u>862,426</u>	<u>418,448,904</u>	<u>10,994,873</u>
<u>1,604,151</u>	<u>457,299,360</u>	<u>18,084,521</u>
<u>344,035</u>	<u>2,613,295</u>	<u>2,474,314</u>
25,243	4,599,359	2,924,388
800	4,783	4,151
-	558,493	-
-	2,500	142,751
-	6,627,956	-
<u>13,176</u>	<u>277,342</u>	<u>196,848</u>
<u>39,219</u>	<u>12,070,433</u>	<u>3,268,138</u>
-	156,372,469	-
-	157,708,037	-
107,800	426,900	311,200
643,861	4,890,779	4,630,676
<u>751,661</u>	<u>319,398,185</u>	<u>4,941,876</u>
<u>790,880</u>	<u>331,468,618</u>	<u>8,210,014</u>
<u>39,305</u>	<u>298,563</u>	<u>282,686</u>
862,426	97,740,442	10,994,873
255,575	30,405,032	1,071,262
<u>\$ 1,118,001</u>	<u>128,145,474</u>	<u>\$ 12,066,135</u>
	<u>11,887,546</u>	
	<u>\$ 140,033,020</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, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Wastewater Fund	Surface Water Fund
Operating revenues:			
Intergovernmental	\$ 1,431,073	\$ -	\$ -
Licenses and fees	-	64,908	-
Charges for sales and services	12,672,908	13,523,752	3,098,436
Miscellaneous	391,055	14,535	30,723
Total operating revenues	<u>14,495,036</u>	<u>13,603,195</u>	<u>3,129,159</u>
Operating expenses:			
Salaries and benefits	2,226,500	744,815	439,038
Operating supplies and services	3,724,051	4,925,366	1,379,931
Depreciation	2,543,690	2,738,760	756,650
Total operating expenses	<u>8,494,241</u>	<u>8,408,941</u>	<u>2,575,619</u>
Operating income (loss)	<u>6,000,795</u>	<u>5,194,254</u>	<u>553,540</u>
Nonoperating revenues (expenses):			
Capital grants	-	-	332,019
Interest on investments	57,931	106,058	9,563
Interest expense	21,113	(3,100,291)	(69,808)
Gain or loss on sale of capital assets	(2,444,451)	-	-
Total nonoperating revenues (expenses)	<u>(2,365,407)</u>	<u>(2,994,233)</u>	<u>271,774</u>
Net income before contributions and transfers	3,635,388	2,200,021	825,314
Capital contributions	123,019	565,430	653,468
Transfers in	617,000	-	-
Transfers out	(2,017,000)	(95,000)	-
Change in net position	2,358,407	2,670,451	1,478,782
Total net position - beginning	<u>57,640,880</u>	<u>47,341,438</u>	<u>15,537,515</u>
Total net position - ending	<u>\$ 59,999,287</u>	<u>\$ 50,011,889</u>	<u>\$ 17,016,297</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
\$ -	\$ 1,431,073	\$ -
2,040	66,948	386,160
961,897	30,256,993	5,442,761
38,288	474,601	42,513
<u>1,002,225</u>	<u>32,229,615</u>	<u>5,871,434</u>
611,477	4,021,830	4,015,898
688,646	10,717,994	1,381,550
56,071	6,095,171	65,386
<u>1,356,194</u>	<u>20,834,995</u>	<u>5,462,834</u>
<u>(353,969)</u>	<u>11,394,620</u>	<u>408,600</u>
-	332,019	-
4,492	178,044	43,154
-	(3,148,986)	-
-	(2,444,451)	8,028
<u>4,492</u>	<u>(5,083,374)</u>	<u>51,182</u>
(349,477)	6,311,246	459,782
-	1,341,917	16,000
339,000	956,000	4,207,000
-	(2,112,000)	(107,250)
<u>(10,477)</u>	<u>6,497,163</u>	<u>4,575,532</u>
<u>1,128,478</u>	<u>121,648,311</u>	<u>7,490,603</u>
<u>\$ 1,118,001</u>	<u>128,145,474</u>	<u>\$ 12,066,135</u>
	<u>4,352,204</u>	
	<u>\$ 10,849,367</u>	

Continued from previous page

CITY OF LAKE OSWEGO, OREGON
Statement of Cash Flows
Proprietary Funds
for the fiscal year ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Wastewater Fund	Surface Water Fund
Cash flows from operating activities:			
Receipts from customers	\$ 15,943,547	\$ 13,392,251	\$ 3,029,567
Payments to suppliers	(4,957,653)	(4,740,708)	(1,465,519)
Payments to employees	(2,058,451)	(652,062)	(384,491)
Other receipts	391,055	14,535	30,723
Net cash flows from operating activities	<u>9,318,498</u>	<u>8,014,016</u>	<u>1,210,280</u>
Cash flows from noncapital financing activities:			
Transfers to/from other funds	(1,400,000)	(95,000)	-
Net cash flows from noncapital financing activities	<u>(1,400,000)</u>	<u>(95,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Capital Grants	-	-	332,019
Purchases, acquisitions, and construction of capital assets	(18,353,173)	(1,372,339)	(194,684)
Proceeds from the sale of capital assets	6,412	-	-
Proceeds from intergovernmental deposit	8,755,514	-	-
Principal paid on capital debt	(2,895,013)	(3,252,557)	(165,000)
Interest paid on capital debt	(98,933)	(3,107,076)	(70,495)
Net cash flows from capital and related financing activities	<u>(12,585,193)</u>	<u>(7,731,972)</u>	<u>(98,160)</u>
Cash flows from investing activities:			
Investment income	57,931	106,058	9,563
Net increase (decrease) in cash and investments	(4,608,764)	293,102	1,121,683
Cash and investments, June 30, 2016	17,292,053	18,203,137	523,479
Cash and investments, June 30, 2017	<u>\$ 12,683,289</u>	<u>\$ 18,496,239</u>	<u>\$ 1,645,162</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 6,000,795	\$ 5,194,254	\$ 553,540
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	2,543,690	2,738,760	756,650
Changes in assets and liabilities:			
Receivables	1,839,566	(196,409)	(68,869)
Inventories	(21,596)	-	-
Deferred outflows	(1,340,639)	(294,985)	(185,676)
Accounts payable	(1,212,006)	184,158	(85,588)
Salaries and benefits payable	180	101	23
Accrued other postemployment benefits obligation	(3,800)	(1,100)	(700)
Compensated absences payable	(6,066)	21,118	13,695
Refundable deposits	-	500	-
Net pension liability	1,690,820	396,019	246,274
Deferred Inflows	(172,446)	(28,400)	(19,069)
Net cash provided by operating activities	<u>\$ 9,318,498</u>	<u>\$ 8,014,016</u>	<u>\$ 1,210,280</u>
Noncash capital and related financing activities:			
Capital assets contributed from developers and other funds	\$ 123,019	\$ 565,430	\$ 507,233

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	
\$ 963,937	\$ 33,329,302	\$ 5,805,793	
(715,145)	(11,879,025)	1,183,671	
(561,923)	(3,656,927)	(3,794,283)	
38,288	474,601	42,513	
<u>(274,843)</u>	<u>18,267,951</u>	<u>3,237,694</u>	
339,000	(1,156,000)	4,099,750	
<u>339,000</u>	<u>(1,156,000)</u>	<u>4,099,750</u>	
-	332,019	-	
(36,553)	(19,956,749)	(9,410,664)	
-	6,412	-	
-	8,755,514	-	
-	(6,312,570)	-	
-	(3,276,504)	-	
<u>(36,553)</u>	<u>(20,451,878)</u>	<u>(9,410,664)</u>	
4,492	178,044	43,155	
32,096	(3,161,883)	(2,030,065)	
686,829	36,705,498	9,096,580	
<u>\$ 718,925</u>	<u>\$ 33,543,615</u>	<u>\$ 7,066,515</u>	
\$ (353,969)	\$ 11,394,620	\$ 408,600	
56,071	6,095,171	65,386	
-	1,574,288	4,283	
14,812	(6,784)	10,480	
(280,793)	(2,102,093)	(1,975,409)	
(41,311)	(1,154,747)	2,554,741	
60	364	170	
(1,400)	(7,000)	(5,800)	
(13,647)	15,100	(45,587)	
-	500	(27,411)	
373,677	2,706,790	2,499,221	
(28,343)	(248,258)	(250,980)	
<u>\$ (274,843)</u>	<u>\$ 18,267,951</u>	<u>\$ 3,237,694</u>	
\$ -	\$ 1,195,682	\$ -	

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CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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, wastewater, and surface water 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, 2017

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, 2017

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, 2017

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.

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.

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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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

C. Measurement focus, basis of accounting and financial statement presentation, continued

Enterprise funds are entirely or predominantly self-supported through user charges to customers, and are categorized as follows:

Major Enterprise Funds:

- *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 Lake Oswego-Tigard Water Partnership Fund.
- *Wastewater Fund*
Accounts for the activities of the City's wastewater collection and treatment system. Revenue is derived primarily from sewer service charges.
- *Surface Water Fund*
Accounts for the activities of the City's surface water management system which was developed to address water quality and flooding problems. Revenue is derived primarily from surface water management charges.

Nonmajor Enterprise Funds:

- *Golf Course Fund*
Accounts for the operation of the City's golf course. Revenue is derived primarily from user fees.
- *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:

- *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 surface water, water, wastewater 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, 2017

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, wastewater, and surface water 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

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, 2017

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 equity, 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, wastewater, and surface water 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, 2017

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 equity, 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 in the Endowment Funds as a non-current asset.

The Beneficial Interest in Trust consists of:	Value as of June 30, 2015	Value as of June 30, 2016	Value as of June 30, 2017
Adult Community Center Endowment Fund	\$ 2,040,248	\$ 1,885,195	\$ 2,033,951
Public Library Endowment Fund	2,471,183	2,391,780	2,696,548
Public Library - Bischoff Endowment Fund	611,949	565,334	609,164
	<u>\$ 5,123,380</u>	<u>\$ 4,842,309</u>	<u>\$ 5,339,663</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, 2017

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 equity, continued

6. Capital assets, continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Exhaustible assets of the City, as well as the Lake Oswego Redevelopment Agency, are depreciated using the straight line 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 of the proprietary funds constructed with tax-exempt borrowing include capitalized interest as part of the costs of the assets. For fiscal year ended June 30, 2017 there was \$3,450,280 of interest capitalized in the Water Fund.

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.

8. Other Postemployment Benefits Obligations

The City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements and in the proprietary fund statements, the amount of which is actuarially determined.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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 equity, continued

9. 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.

10. 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, 2017

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 equity, continued

10. 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, the Golf Course 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) amount invested in capital assets, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

11. 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.

12. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(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, 2017

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 equity, continued

12. Deferred outflows/inflows of resources continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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, as determined during the implementation of GASB Statement No. 68. The deferred inflows from pension are 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. The City also presents unavailable revenue as a deferred inflow of resources on governmental funds balance sheet. The government has two items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

13. 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.

14. Tax Abatements

During the year ended June 30, 2017, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement disclosures*. The City did not have any Tax Abatements.

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, 2017 was \$14,965,338 and the total bank balance was \$15,109,127. 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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

A. Cash and investments, continued

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 100.57 percent of pool shares, at June 30, 2017.

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, 2017:

- U.S. Treasury securities of \$21.7 million are valued using quoted market prices (Level 1 inputs)
- U.S. Agencies of \$13.9 million are valued using quoted market prices (Level 1 inputs)
- Corporate bonds of \$7 million are valued using quoted market prices (Level 1 inputs)

At June 30, 2017, the City's cash and investments are comprised of the following:

Cash on hand	\$ 12,414
Demand deposits with financial institutions	14,965,338
State of Oregon Local Government Investment Pool	45,889,370
U.S. Treasury Obligations	21,696,340
U.S. Agencies	13,931,565
Corporate Bonds	7,029,131
	<u>\$103,524,158</u>

Cash and investments are reflected on the basic financial statements as follows:

	Governmental Activities	Business-type Activities
Cash and investments		
Unrestricted	\$ 38,854,238	\$ 40,610,130
Restricted	24,059,790	-
Total cash and investments	<u>\$ 62,914,028</u>	<u>\$ 40,610,130</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

A. Cash and investments, continued

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, 2017 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, 2017 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	\$ 21,696,340	\$ 21,696,340	\$ -	\$ -
U.S. agencies	13,931,565	13,931,565	-	-
Corporate bonds	7,029,131	-	7,029,131	-
State of oregon local government investment pool	45,889,370	-	-	45,889,370
Total	<u>\$ 88,546,406</u>	<u>\$ 35,627,905</u>	<u>\$ 7,029,131</u>	<u>\$ 45,889,370</u>

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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

A. Cash and investments, continued

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, 2017 subject to custodial credit risk.

B. Receivables

Receivables as of the fiscal year ended June 30, 2017 for the City’s governmental and business-type activities, net of the allowance for uncollectible amounts, are as follows:

Governmental activities:	General	Street	Other (nonmajor)	Total	
Receivables:					
Property taxes	\$ 1,838,710	\$ -	\$ 679,209	\$ 2,517,919	
Accounts	685,819	519,853	46,088	1,251,760	
Assessments	-	-	147,145	147,145	
Gross receivables	<u>2,524,529</u>	<u>519,853</u>	<u>872,442</u>	<u>3,916,824</u>	
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(4,400)</u>	<u>(4,400)</u>	
Net receivables	<u>\$ 2,524,529</u>	<u>\$ 519,853</u>	<u>\$ 868,042</u>	<u>\$ 3,912,424</u>	

Business-type activities:	Water	Wastewater	Surface Water	Internal Service Funds	Total
Receivables:					
Accounts	\$ 1,464,348	\$ 66,236	\$ 7,726	\$ 11,400	\$ 1,549,710
Utility accounts	1,574,371	1,683,347	385,591	-	3,643,309
Gross receivables	<u>3,038,719</u>	<u>1,749,583</u>	<u>393,317</u>	<u>11,400</u>	<u>5,193,019</u>
Less: allowance for uncollectibles	<u>(13,000)</u>	<u>(400)</u>	<u>(100)</u>	<u>-</u>	<u>(13,500)</u>
Net receivables	<u>\$ 3,025,719</u>	<u>\$ 1,749,183</u>	<u>\$ 393,217</u>	<u>\$ 11,400</u>	<u>\$ 5,179,519</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. 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	\$ 1,616,875
Nonmajor Funds	<u>634,150</u>
	<u>2,251,025</u>
Liens and assessments:	
Nonmajor Funds	<u>147,145</u>
	<u>147,145</u>
Total unavailable revenue for governmental funds	<u><u>\$ 2,398,170</u></u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

D. Capital assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

Primary government

	Beginning balances	Additions	Reductions	Ending balances
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land and land improvements	\$ 47,785,649	\$ 2,054,206	\$ (10,320)	\$ 49,829,535
Intangibles	50,000	-	-	50,000
Construction in progress	4,456,612	6,189,341	(6,448,234)	4,197,719
Total capital assets, not being depreciated	<u>52,292,261</u>	<u>8,243,547</u>	<u>(6,458,554)</u>	<u>54,077,254</u>
<i>Capital assets, being depreciated:</i>				
Buildings	25,821,100	399,038	(78,526)	26,141,612
Improvements other than buildings	23,386,092	1,589,507	(42,019)	24,933,580
Machinery and equipment	11,217,379	328,528	(446,633)	11,099,274
Infrastructure	96,653,588	3,284,582	(146,235)	99,791,935
Intangibles	386,768	28,668	-	415,436
Total capital assets, being depreciated	<u>157,464,927</u>	<u>5,630,323</u>	<u>(713,413)</u>	<u>162,381,837</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(9,130,221)	(546,974)	63,156	(9,614,039)
Improvements other than buildings	(15,836,175)	(991,161)	40,208	(16,787,128)
Machinery and equipment	(8,127,891)	(567,815)	356,071	(8,339,635)
Infrastructure	(49,471,575)	(2,950,301)	-	(52,421,876)
Intangibles	(228,732)	(64,479)	-	(293,211)
Total accumulated depreciation	<u>(82,794,594)</u>	<u>(5,120,730)</u>	<u>459,435</u>	<u>(87,455,889)</u>
Total capital assets being depreciated, net	<u>74,670,333</u>	<u>509,593</u>	<u>(253,978)</u>	<u>74,925,948</u>
Governmental activities capital assets, net	<u>\$ 126,962,594</u>	<u>\$ 8,753,140</u>	<u>\$ (6,712,532)</u>	<u>\$ 129,003,202</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 796,643
Public safety	490,834
Culture and recreation	1,309,960
Highways and streets	2,523,293
Depreciation expense (governmental)	<u>\$ 5,120,730</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

D. Capital assets, continued

	<u>Beginning balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balances</u>
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land and land improvements	\$ 7,642,786	\$ 1,156,824	\$ -	\$ 8,799,610
Intangibles	5,283,379	2,119,851	-	7,403,230
Construction in progress	211,213,639	28,853,656	(117,442,852)	122,624,443
Total capital assets, not being depreciated	<u>224,139,804</u>	<u>32,130,331</u>	<u>(117,442,852)</u>	<u>138,827,283</u>
<i>Capital assets, being depreciated:</i>				
Buildings	46,920,023	9,886,750	(6,206,470)	50,600,303
Improvements other than buildings	205,486,031	102,596,318	(1,566,001)	306,516,348
Machinery and equipment	16,499,385	595,457	(922,644)	16,172,198
Infrastructure	171,753	895,590	-	1,067,343
Intangibles	25,545	2,103,258	-	2,128,803
Total capital assets, being depreciated	<u>269,102,737</u>	<u>116,077,373</u>	<u>(8,695,115)</u>	<u>376,484,995</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(14,525,140)	(687,601)	4,189,638	(11,023,103)
Improvements other than buildings	(62,571,888)	(4,745,866)	1,135,250	(66,182,504)
Machinery and equipment	(8,815,107)	(666,275)	887,869	(8,593,513)
Infrastructure	(477)	(20,652)	-	(21,129)
Intangibles	(8,089)	(40,163)	-	(48,252)
Total accumulated depreciation	<u>(85,920,701)</u>	<u>(6,160,557)</u>	<u>6,212,757</u>	<u>(85,868,501)</u>
Total capital assets being depreciated, net	<u>183,182,036</u>	<u>109,916,816</u>	<u>(2,482,358)</u>	<u>290,616,494</u>
Business-type activities capital assets, net	<u>\$ 407,321,840</u>	<u>\$ 142,047,147</u>	<u>\$ (119,925,210)</u>	<u>\$ 429,443,777</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 981,258
Wastewater	2,738,760
Surface water	756,650
LO-Tigard Water	1,562,432
Public works support services	47,319
Engineering	18,067
Golf course	40,580
Tennis facility	15,491
Depreciation expense (business-type)	<u>\$ 6,160,557</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

D. Capital assets, continued

Construction commitments

The City has active construction projects as of June 30, 2017, including Operations Center Project; Boones Ferry Road Project; annual pavement preservation; pump station upgrades; and the Lake Oswego/Tigard Water Expansion. As of the fiscal year-end, the City's commitments are as follows:

<u>Project</u>	<u>Expended through 6/30/17</u>	<u>Remaining commitment</u>
Street rehabilitation	\$ 3,636,985	\$ 1,733,831
Wastewater projects	919,102	136,959
Lake Oswego/Tigard Water Expansion	14,808,598	719,002
Water and surface water projects	307,437	379,886
Lake Oswego Redevelopment projects	1,861,380	1,451,520
Various other miscellaneous projects	10,077,673	2,200,967
	<u>\$ 31,611,175</u>	<u>\$ 6,622,165</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, 2017 are as follows:

	<u>Transfer from other funds</u>	<u>Transfer to other funds</u>	<u>Net</u>
Governmental funds:			
General	\$ 1,275,773	\$ (7,091,000)	\$ (5,815,227)
Street	5,625,000	(2,525,000)	3,100,000
Nonmajor governmental	946,816	(1,175,339)	(228,523)
Total governmental funds	<u>7,847,589</u>	<u>(10,791,339)</u>	<u>(2,943,750)</u>
Proprietary funds:			
Water	617,000	(2,017,000)	(1,400,000)
Public Works Support Services	4,207,000	(107,250)	4,099,750
Wastewater	-	(95,000)	(95,000)
Nonmajor proprietary	339,000	-	339,000
Total proprietary funds	<u>5,163,000</u>	<u>(2,219,250)</u>	<u>2,943,750</u>
Total interfund transfers	<u>\$ 13,010,589</u>	<u>\$ (13,010,589)</u>	<u>\$ -</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

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, 2017.

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 \$20,325,000.

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,	Governmental activities		
	Principal	Interest	Total
2018	\$ 1,605,000	\$ 290,684	\$ 1,895,684
2019	1,660,000	248,784	1,908,784
2020	1,175,000	198,084	1,373,084
2021	710,000	174,584	884,584
2022	800,000	139,084	939,084
2023-27	795,000	449,744	1,244,744
2028-32	910,000	327,644	1,237,644
2033-37	1,060,000	180,410	1,240,410
2038-39	475,000	23,238	498,238
	<u>\$ 9,190,000</u>	<u>\$ 2,032,256</u>	<u>\$ 11,222,256</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

F. Long-term obligations, continued

Line of Credit. On September 23, 2011, the City secured a \$10,000,000 non-revolving line-of-credit for interim financing of upcoming urban renewal projects. The variable interest rate at June 30, 2017 was 2.05%. The rate is recalculated quarterly. The principal balance at June 30, 2017 was \$6,000,000. This will be due and payable on June 15, 2018.

Revenue bonds. The City also issues revenue bonds and pledges income derived from the acquired or constructed assets to pay debt service. The City has committed to establish utility user charges sufficient to pay principal and interest when due. Approximately 8% of Water revenue and 9% of Surface water revenue was pledged to pay debt service. During fiscal year 2004-05, the City issued surface water revenue bonds for improvements to the City’s surface water management system in the amount of \$3,000,000 having a final maturity in May 2024. During fiscal year 1999-00, the City issued water revenue bonds relating to various infrastructure improvements to the City’s water system in the amount of \$7,185,000, \$4,505,000 of which were refunded in fiscal year 2007-08 with proceeds from a 2007 revenue bond issue of \$9,560,000. The 2007 revenue bonds are being repaid by enterprise fund revenues. For the fiscal year ended June 30, 2017, the City was in compliance with the covenants associated with these bonds.

Annual debt service requirements to maturity for the revenue bonds, which have stated interest rates that range from 4 - 5%, are as follows:

Fiscal year ending June 30,	Business-type activities		
	Principal	Interest	Total
2018	\$ 970,000	\$ 229,561	\$ 1,199,561
2019	1,020,000	186,011	1,206,011
2020	450,000	154,761	604,761
2021	470,000	134,411	604,411
2022	490,000	113,738	603,738
2023-27	2,035,000	276,116	2,311,116
2028	360,000	7,875	367,875
	<u>\$ 5,795,000</u>	<u>\$ 1,102,473</u>	<u>\$ 6,897,473</u>

Full Faith and Credit obligations. In June 2009 and September 2010 the City issued \$60 million and \$35 million, respectively, in Full Faith and Credit obligations for the Lake Oswego Interceptor Sewer project.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

F. Long-term obligations, continued

Then in June 2011 the City issued \$11,500,000 of Full Faith and Credit obligations to refund Variable Rate Tax Increment Revenue Bonds - Series 2005A for the Lake Oswego Redevelopment Agency (LORA) – a blended component unit of the City, to finance urban renewal projects, and pay costs of issuance. The debt service will be paid from tax increment revenues generated from the respective urban renewal area.

In September 2013, \$75.3 million of full faith and credit obligations were sold to finance upcoming expenditures and repay the \$13 million non-revolving line of credit for interim financing for the LO-Tigard Water Partnership project.

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
2018	\$ 500,000	\$ 321,975	\$ 821,975
2019	515,000	306,975	821,975
2020	535,000	291,525	826,525
2021	545,000	278,150	823,150
2022	560,000	261,800	821,800
2023-27	3,160,000	960,000	4,120,000
2028-31	2,990,000	304,600	3,294,600
	<u>\$ 8,805,000</u>	<u>\$ 2,725,025</u>	<u>\$ 11,530,025</u>

Fiscal year ending June 30,	FF&C business-type activities		
	Principal	Interest	Total
2018	\$ 5,415,000	\$ 6,420,707	\$ 11,835,707
2019	5,595,000	6,231,381	11,826,381
2020	5,800,000	6,025,181	11,825,181
2021	6,015,000	5,807,856	11,822,856
2022	6,240,000	5,582,369	11,822,369
2023-27	35,225,000	23,804,854	59,029,854
2028-32	43,155,000	15,811,361	58,966,361
2033-37	40,605,000	5,670,925	46,275,925
2038	5,235,000	235,575	5,470,575
	<u>\$ 153,285,000</u>	<u>\$ 75,590,209</u>	<u>\$ 228,875,209</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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 and OPEB obligations 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 2006-A G.O. Refunding	\$ 1,760,000	\$ -	\$ (760,000)	\$ 1,000,000	\$ 490,000
Series 2011 Refunded	1,650,000	-	(400,000)	1,250,000	405,000
Series 2015 Lake Grove / Refunded	7,640,000	-	(700,000)	6,940,000	710,000
Full Faith & Credit					
Series 2011A LORA FF&C	9,290,000	-	(485,000)	8,805,000	500,000
Total bonds	20,340,000	-	(2,345,000)	17,995,000	2,105,000
Unamortized bond premium	1,043,541	-	(68,084)	975,457	68,088
Total bonds and premium payable	21,383,541	-	(2,413,084)	18,970,457	2,173,088
Line of credit	6,000,000	-	-	6,000,000	6,000,000
Capital leases	182,323	-	(36,104)	146,219	37,929
Compensated absences	2,524,937	2,278,463	(2,272,691)	2,530,709	2,530,709
Accrued OPEB Obligation	2,939,259	-	(48,097)	2,891,162	-
Total governmental activities	<u>\$ 32,847,737</u>	<u>\$ 2,278,463</u>	<u>\$ (4,769,976)</u>	<u>\$ 30,392,328</u>	<u>\$ 10,703,797</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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:					
Revenue bonds					
Series 2005 Surface Water	\$ 1,565,000	\$ -	\$ (165,000)	\$ 1,400,000	\$ 170,000
Series 2007 Water	5,165,000	-	(770,000)	4,395,000	800,000
Full Faith & Credit					
Series 2009 Wastewater FF&C	52,930,000	-	(1,900,000)	51,030,000	1,960,000
Series 2010 Wastewater FF&C	30,310,000	-	(1,220,000)	29,090,000	1,245,000
Series 2013 Water FF&C	75,290,000	-	(2,125,000)	73,165,000	2,210,000
Total revenue bonds / FF&C	165,260,000	-	(6,180,000)	159,080,000	6,385,000
Unamortized bond premium	4,163,391	-	(242,946)	3,920,445	242,956
Bonds / FFC and premiums	169,423,391	-	(6,422,946)	163,000,445	6,627,956
Compensated absences	504,677	409,734	(440,221)	474,190	474,190
Accrued OPEB Obligation	750,900	-	(12,800)	738,100	-
Total business-type activities	<u>\$ 170,678,968</u>	<u>\$ 409,734</u>	<u>\$ (6,875,967)</u>	<u>\$ 164,212,735</u>	<u>\$ 7,102,146</u>

G. Lease obligations

Last year, the City entered into a lease agreement as lessee for financing the acquisition of fleet vehicles valued at \$198,050. The equipment has a ten-year estimated useful life. This year, \$27,753 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

2. Detailed notes on all accounts, continued

G. Lease obligations, continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>
2018	44,294
2019	44,294
2020	44,294
2021	27,046
Total minimum lease payments	159,928
Less: amount representing interest	(13,709)
Present value of minimum lease payments	<u>\$ 146,219</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. 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 \$1,000,000 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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

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.

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.

The title for the City of Tigard's share of the project shall transfer upon completion of the expansion of the existing supply facilities, expected in 2017. Project costs are located in construction in progress in the Water Fund. Upon completion, the City will record a reduction in capital by the total amount paid by Tigard. The total payments from Tigard as of June 30, 2017 were \$157,708,037 and are shown as a long-term liability in the Water Fund.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

E. Employee retirement pension plan

1. Pension plan

The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit 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:
<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

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.

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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

E. Employee retirement pension plan, continued

2. Description of benefit terms, continued

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

- 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 a 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, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

E. Employee retirement pension plan, continued

2. Description of benefit terms, continued

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.

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

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

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

Benefit Changes After Retirement - Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 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.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

E. Employee retirement pension plan, continued

2. Description of benefit terms, continued

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, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

E. Employee retirement pension plan, continued

3. Actuarial Valuations continued

Actuarial Methods and Assumptions -

• Valuation Date	12/31/2014
• Measurement Date	06/30/2016
• Experience Study	2014, published September 2015
• 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	2.50 percent
▪ Long-term expected rate of return	7.50 percent
▪ Discount rate	7.50 percent
▪ Projected salary increases	3.50 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: RP-2000 table. Active members: a percentage of healthy retiree rates. Disabled retirees: males 70%, females 95% of the RP-2000 static combined disabled table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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 7.5 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 September 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Assumed Asset Allocation

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	13.5	21.5	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	12.5	12.5
Opportunity Portfolio	0.0	3.0	0.0
Total			<u>100.0</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

E. Employee retirement pension plan, continued

3. Actuarial Valuations, continued

Asset Class	Target Allocation	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds-Diversified	2.50	4.64
Hedge Fund-Event driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
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 Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

E. Employee retirement pension plan, continued

4. Contributions, continued

The City's contributions for the year ended June 30, 2017 were \$4,204,426 (including 6% employee pickup of \$1,383,833). The rates in effect for the fiscal year ended June 30, 2017 were 19.45% for Tier One/Tier Two, 11.87% for OPSRP Pension Program General Service Members, 15.98% for OPSRP Pension Program Police and Fire Members, and 6% for OPSRP Individual Account Program.

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 will be used for rates beginning July 1, 2017.

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

At June 30, 2017, the City reported a liability of \$53,184,559 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2016 and 2015, the City's proportion was 0.35427271 percent and 0.40130413, respectively.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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, continued

For the year ended June 30, 2017, the City recognized pension expense (income) of \$8,857,483. At June 30, 2017, 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	\$ 1,759,578	\$ -
Change of assumptions	11,342,989	-
Net difference between projected and actual earnings on pension plan investments	10,507,038	-
Changes in proportionate share	-	2,610,385
Difference between employer contributions and employer's proportionate share of system contributions	604,125	636,337
City contributions subsequent to the measurement date	4,204,426	-
Total	<u>\$ 28,418,156</u>	<u>\$ 3,246,722</u>

Deferred outflows of resources related to pensions of \$4,204,426 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) / liability in the year ending June 30, 2018. 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:	
2018	\$ 3,576,475
2019	3,576,475
2020	7,474,017
2021	5,619,535
2022	720,506
	<u>\$ 20,967,008</u>

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

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 (asset)/liability calculated using the discount rate of 7.5 percent, as well as what the City's share of the net pension asset 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</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
Entity's proportionate share of net pension (asset)/liability	\$ 85,875,331	\$ 53,184,559	\$ 25,860,795

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, 2017

3. Other information, continued

G. Postemployment Healthcare Plan (implicit 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. GASB Statement No. 45 is applicable to the City due only to the implicit rate subsidy. 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 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 by retirees, and an additional amount calculated to prefund future benefits as determined by the actuary. For fiscal year ended June 30, 2017, the City retirees paid 100 percent of their insurance premium costs. The City has elected to not prefund the actuarially determined future cost amount of \$3,629,262.

The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2017:

	Health / Vision		Dental	
	<u>PacSce/VSP</u>	<u>Kaiser</u>	<u>MODA</u>	<u>Kaiser</u>
Employee	\$ 781	\$ 618	\$ 65	\$ 82
Emp + child(s)	1,404	1,112	103	148
Employee + 1	1,558	1,236	129	165
Full Family	2,185	1,854	181	247

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 over a period of 10 years.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

G. Postemployment Healthcare Plan (implicit subsidy), continued

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

Employer's normal cost at year end	\$ 155,251
Amortization of UAAL with interest	<u>335,451</u>
Annual Required Contribution (ARC)	490,702
Interest on prior year Net OPEB Obligation	129,156
Adjustment to ARC	<u>(443,709)</u>
Annual OPEB cost	176,149
Implicit benefit payments	<u>(237,046)</u>
Increase in Net OPEB Obligation	(60,897)
OPEB obligation at beginning of year	<u>3,690,159</u>
OPEB obligation at end of year (June 30, 2017)	<u><u>\$ 3,629,262</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Cost Contribution</u>	<u>Net OPEB Obligation</u>
06/30/2017	\$ 176,149	135%	\$ 3,629,262
06/30/2016	262,248	73%	3,690,159
06/30/2015	486,729	45%	3,620,134

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2016 (the date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 2,789,813
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 2,789,813</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 25,801,104
UAAL as a percentage of covered payroll	10.81%

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

G. Postemployment Healthcare Plan (implicit subsidy), continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a general inflation rate of 2.50 percent per year, a 3.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.50 percent, reduced by decrements to an ultimate rate of 5.00 percent. The UAAL is being amortized using the level percentage of payroll over an open period of ten (10) years.

H. Retirement Health Insurance Account (RHIA)

Plan Description. As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefits other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (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 after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

CITY OF LAKE OSWEGO, OREGON

Notes to the Basic Financial Statements

June 30, 2017

3. Other information, continued

H. Retirement Health Insurance Account (RHIA), continued

Funding Policy. 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 Retirement Health Insurance Account 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.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.45% of annual covered payroll for OPSRP and 0.53% for general services and police and fire for Tier 1/Tier 2. The OPERS Board of Trustees 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 Statement No. 45. 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. The City's contributions to RHIA for the years ended June 30, 2017, 2016, and 2015 were \$128,873, \$127,956, and \$103,819 respectively, which equaled the required contributions for those years.

I. 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 Funding Progress - Other Post Employment Benefits

Schedule of Pension Plan Contributions

Schedule of Proportionate Share of Net Pension (Asset)/Liability

Schedules of Resources and Requirements -

Budget to Actual

CITY OF LAKE OSWEGO, OREGON

Schedule of Funding Progress

Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
08/01/2012	\$ -	\$ 3,786,939	\$ 3,786,939	0%	\$ 24,425,339	15.50%
08/01/2014	-	3,070,851	3,070,851	0%	25,011,221	12.28%
07/01/2016	-	2,789,813	2,789,813	0%	25,801,104	10.81%

City of Lake Oswego, Oregon
Schedule of Pension Plan Contributions
for the fiscal year ended June 30, 2017

Fiscal year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency/ (excess)	City's covered employee payroll	Contributions as a percentage of covered employee payroll
2008	\$ 2,994,251	\$ (2,994,251)	-	\$ 21,759,941	13.76%
2009	3,285,961	(3,285,961)	-	22,094,577	14.87%
2010	2,520,989	(2,520,989)	-	23,614,999	10.68%
2011	2,643,347	(2,643,347)	-	24,452,864	10.81%
2012	3,557,540	(3,557,540)	-	24,854,557	14.31%
2013	3,718,335	(3,718,335)	-	24,834,690	14.97%
2014	3,427,596	(3,427,596)	-	22,981,341	14.91%
2015	3,677,671	(3,677,671)	-	23,901,652	15.39%
2016	4,150,621	(4,150,621)	-	23,029,280	18.02%
2017	4,204,426	(4,204,426)	-	23,063,883	18.23%

City of Lake Oswego, Oregon
Schedule of Proportionate Share of Net Pension (Asset) / Liability
for the fiscal year ended June 30, 2017

Fiscal year	City's proportion of the net pension (asset)/liability	City's proportionate share of the net pension (asset)/liability	City's covered employee payroll	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 total pension (asset)/liability
2008	-	\$ -	\$ 20,785,348	-	-
2009	-	-	21,759,941	-	-
2010	-	-	22,094,577	-	-
2011	-	-	23,614,999	-	-
2012	-	-	24,452,864	-	-
2013	-	-	24,854,557	-	-
2014	0.4072195%	20,781,008	24,834,690	83.68%	-
2015	0.4072195%	(9,230,505)	22,981,341	-40.17%	103.6%
2016	0.4013041%	23,040,721	23,901,652	96.40%	91.9%
2017	0.3542727%	53,184,559	23,029,280	230.94%	80.5%

CITY OF LAKE OSWEGO, OREGON

Schedule of Resources and Requirements - Budget to Actual

Major Governmental Funds

June 30, 2017

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.

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CITY OF LAKE OSWEGO, OREGON

General Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 22,392,285	\$ 22,392,285	\$ 25,518,411	\$ 3,126,126
Property taxes	32,120,000	32,120,000	32,760,319	640,319
Franchise fees	2,615,000	2,615,000	2,743,582	128,582
Intergovernmental	6,147,000	6,147,000	5,898,916	(248,084)
Licenses and fees	1,745,000	1,745,000	1,823,352	78,352
Fines and forfeitures	973,000	973,000	1,047,501	74,501
Sales and services	4,074,000	4,074,000	4,201,260	127,260
Charges for services	7,677,000	7,677,000	7,677,000	-
Miscellaneous	349,000	349,000	802,078	453,078
Transfers	117,000	120,000	118,523	(1,477)
Proceeds sale of capital assets	-	-	29,507	29,507
Total resources	\$ 78,209,285	\$ 78,212,285	\$ 82,620,449	\$ 4,408,164
Requirements:				
General administration	\$ 8,876,253	\$ 8,876,253	\$ 7,954,281	\$ 921,972
Redevelopment	583,067	583,067	558,286	24,781
Fire services	12,080,315	12,080,315	10,796,821	1,283,494
Library	5,685,956	5,688,956	5,453,714	235,242
Municipal court	1,168,044	1,168,044	1,059,581	108,463
Parks and recreation	8,587,134	8,587,134	7,732,167	854,967
Adult community center	1,356,825	1,356,825	1,177,203	179,622
Planning and building services	3,484,768	3,484,768	2,500,719	984,049
Police	14,062,475	14,062,475	12,923,449	1,139,026
Nondepartmental				
Materials & service	255,000	255,000	255,000	-
Transfers to other funds	6,952,000	6,952,000	6,952,000	-
Contingency	7,431,000	7,431,000	-	7,431,000
Unappropriated ending fund balance	7,686,448	7,686,448	25,257,228	(17,570,780)
Total requirements	\$ 78,209,285	\$ 78,212,285	\$ 82,620,449	\$ (4,408,164)
Reconciliation to net change in net position - GAAP basis:				
Resources-beginning fund balance			\$ (25,518,411)	
Net change in fund balance public art fund			74,490	
Net change in fund balance capital reserve fund			931,486	
Requirements-unappropriated ending fund balance			25,257,228	
Net change in net position - GAAP basis			<u>\$ 744,793</u>	

CITY OF LAKE OSWEGO, OREGON

Street Fund

**Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017**

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 6,071,167	\$ 6,071,167	\$ 7,941,651	\$ 1,870,484
Intergovernmental	2,187,000	2,187,000	2,351,829	164,829
Licenses and fees	2,600,000	2,600,000	2,601,187	1,187
Miscellaneous	36,000	36,000	156,047	120,047
Transfers	5,625,000	5,625,000	5,625,000	-
Proceeds sale of capital assets	-	-	2,850	2,850
Total resources	\$ 16,519,167	\$ 16,519,167	\$ 18,678,564	\$ 2,159,397
Requirements:				
Street department	\$ 11,185,000	\$ 11,185,000	\$ 6,636,732	\$ 4,548,268
Transfers	2,525,000	2,525,000	2,525,000	-
Contingency	2,809,167	2,809,167	-	2,809,167
Unappropriated ending fund balance	-	-	9,516,832	(9,516,832)
Total requirements	\$ 16,519,167	\$ 16,519,167	\$ 18,678,564	\$ (2,159,397)
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (7,941,651)	
Requirements-unappropriated ending fund balance			9,516,832	
Net change in fund balance - GAAP basis			\$ 1,575,181	

CITY OF LAKE OSWEGO, OREGON

Notes to Required Supplementary Information

June 30, 2017

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 personnel services, materials and services, 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 2016-17 fiscal year, the City Council approved two supplemental budget resolutions, to reflect LO Tigard water partnership costs incurred in the current fiscal year coming in higher, and to account for an increase in building fund licenses and fees due to permitting various new commercial projects that were not known when the budget was approved.

CITY OF LAKE OSWEGO, OREGON

Notes to Required Supplementary Information

June 30, 2017

2. Net Pension Liability

Changes of assumptions

Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2015 actuarial valuation, which was published on September 27, 2016, and can be found at: <http://www.oregon.gov/pers/Documents/Financials/Actuarial/2015/Actuarial-Valuation-2015.pdf>.

At its July 28, 2017 meeting the PERS Board lowered its assumed rate of investment returns to 7.20% effective January 1, 2018.

OTHER SUPPLEMENTARY INFORMATION

*Combining and Individual Fund Financial
Statements and Schedules*

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Combining and Individual Fund Financial
Statements and Schedules
For Nonmajor 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 surface water. 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 97.

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 Nonmajor 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.

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.

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, 2017

	General Fund	Public Art Fund	Capital Reserve Fund	Combined General Fund
	Actual Amounts	Actual Amounts	Actual Amounts	Total
Resources:				
Beginning fund balance	\$ 25,518,411	\$ 6,729	\$ 940,108	\$ 26,465,248
Property taxes	32,760,319	-	-	32,760,319
Franchise fees	2,743,582	-	-	2,743,582
Intergovernmental	5,898,916	-	-	5,898,916
Licenses and fees	1,823,352	-	-	1,823,352
Fines and forfeitures	1,047,501	-	-	1,047,501
Sales and services	4,201,260	-	-	4,201,260
Charges for services	7,677,000	-	-	7,677,000
Miscellaneous	802,078	1,148	11,486	814,712
Proceeds - sale of capital assets	29,507	-	-	29,507
Transfers	118,523	237,250	920,000	1,275,773
Total resources	<u>\$ 82,620,449</u>	<u>\$ 245,127</u>	<u>\$ 1,871,594</u>	<u>\$ 84,737,170</u>
Requirements:				
General administration	\$ 7,954,281	\$ -	\$ -	\$ 7,954,281
Redevelopment	558,286	-	-	558,286
Fire services	10,796,821	-	-	10,796,821
Library	5,453,714	-	-	5,453,714
Municipal court	1,059,581	-	-	1,059,581
Parks and recreation	7,732,167	-	-	7,732,167
Adult community center	1,177,203	-	-	1,177,203
Planning and building services	2,500,719	-	-	2,500,719
Police	12,923,449	-	-	12,923,449
Nondepartmental	7,207,000	-	-	7,207,000
Public art	-	163,908	-	163,908
Unappropriated ending fund balance	25,257,228	81,219	1,871,594	27,210,041
Total requirements	<u>\$ 82,620,449</u>	<u>\$ 245,127</u>	<u>\$ 1,871,594</u>	<u>\$ 84,737,170</u>

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City of Lake Oswego, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
as of June 30, 2017

	Special Revenue Funds			
	Tourism Fund	Trolley Fund	Systems Development Charges Fund	Bicycle Path Fund
Assets				
Cash and investments	\$ 715,046	\$ 428,682	\$ -	\$ 127,922
Property taxes receivable	-	-	-	-
Accounts receivable	44,162	-	-	1,926
Assessment liens receivable	-	-	33,778	-
Restricted cash and investments	-	-	11,240,150	-
Restricted beneficial interest in trust	-	-	-	-
Total assets	<u>\$ 759,208</u>	<u>\$ 428,682</u>	<u>\$ 11,273,928</u>	<u>\$ 129,848</u>
Liabilities				
Accounts payable	\$ 23,530	\$ 16,995	\$ 74,014	\$ -
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>23,530</u>	<u>16,995</u>	<u>74,014</u>	<u>-</u>
Deferred Inflows of resources				
Unavailable revenue	-	-	33,778	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>33,778</u>	<u>-</u>
Fund balances				
Restricted for:				
Senior center programs and capital	-	-	-	-
Library programs and capital	-	-	-	-
Building inspection	-	-	-	-
Trolley	-	411,687	-	-
Tourism	735,678	-	-	-
Capital projects	-	-	11,166,136	-
Highway and streets	-	-	-	129,848
Debt service	-	-	-	-
Total fund balances	<u>735,678</u>	<u>411,687</u>	<u>11,166,136</u>	<u>129,848</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 759,208</u>	<u>\$ 428,682</u>	<u>\$ 11,273,928</u>	<u>\$ 129,848</u>

Continued on next page

City of Lake Oswego, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
as of June 30, 2017

	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	-	-	-	404,929	-
Accounts receivable	-	-	-	-	-
Assessment liens receivable	-	-	-	-	-
Restricted cash and investments	3,855,360	-	-	822,625	-
Restricted beneficial interest in trust	-	3,305,712	2,033,951	-	-
Total assets	\$ 3,855,360	\$ 3,305,712	\$ 2,033,951	\$ 1,227,554	\$ -
Liabilities					
Accounts payable	\$ 358,137	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	1,452	-	-	-	-
Total liabilities	359,589	-	-	-	-
Deferred Inflows of resources					
Unavailable revenue	-	-	-	390,090	-
Total deferred inflows of resources	-	-	-	390,090	-
Fund balances					
Restricted for:					
Senior center programs and capital	-	-	2,033,951	-	-
Library programs and capital	-	3,305,712	-	-	-
Building inspection	3,495,771	-	-	-	-
Trolley	-	-	-	-	-
Tourism	-	-	-	-	-
Capital projects	-	-	-	-	-
Highway and streets	-	-	-	-	-
Debt service	-	-	-	837,464	-
Total fund balances	3,495,771	3,305,712	2,033,951	837,464	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,855,360	\$ 3,305,712	\$ 2,033,951	\$ 1,227,554	\$ -

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<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>
<u>Redevelopment Agency East End Debt Service Fund</u>	<u>Redevelopment Agency Lake Grove Debt Service Fund</u>	<u>Redevelopment Agency East End Capital Projects Fund</u>	<u>Redevelopment Agency Lake Grove Capital Projects Fund</u>	<u>Assessment Project Fund</u>	
\$ -	\$ -	\$ -	\$ -	\$ 459,622	\$ 1,731,272
238,719	35,561	-	-	-	679,209
-	-	-	-	-	46,088
-	-	-	-	113,367	147,145
3,630,040	1,991,853	2,169,074	350,688	-	24,059,790
-	-	-	-	-	5,339,663
<u>\$ 3,868,759</u>	<u>\$ 2,027,414</u>	<u>\$ 2,169,074</u>	<u>\$ 350,688</u>	<u>\$ 572,989</u>	<u>\$ 32,003,167</u>
\$ -	\$ -	\$ 127,233	\$ -	\$ -	\$ 599,909
-	-	-	-	-	1,452
-	-	127,233	-	-	601,361
214,464	29,596	-	-	113,367	781,295
<u>214,464</u>	<u>29,596</u>	-	-	<u>113,367</u>	<u>781,295</u>
-	-	-	-	-	2,033,951
-	-	-	-	-	3,305,712
-	-	-	-	-	3,495,771
-	-	-	-	-	411,687
-	-	-	-	-	735,678
-	-	2,041,841	350,688	459,622	14,018,287
-	-	-	-	-	129,848
3,654,295	1,997,818	-	-	-	6,489,577
<u>3,654,295</u>	<u>1,997,818</u>	<u>2,041,841</u>	<u>350,688</u>	<u>459,622</u>	<u>30,620,511</u>
<u>\$ 3,868,759</u>	<u>\$ 2,027,414</u>	<u>\$ 2,169,074</u>	<u>\$ 350,688</u>	<u>\$ 572,989</u>	<u>\$ 32,003,167</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, 2017

	Special Revenue Funds			
	Tourism Fund	Trolley Fund	Systems Development Charges Fund	Bicycle Path Fund
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	43,533	-	22,366
Licenses and fees	416,353	-	3,227,611	-
Sales and services	600	12,300	-	-
Special assessment - principal	-	-	1,686	-
Miscellaneous	3,917	19,577	57,029	693
Total revenues	<u>420,870</u>	<u>75,410</u>	<u>3,286,326</u>	<u>23,059</u>
Expenditures:				
Current:				
General government	-	-	207,446	-
Culture and recreation	84,965	75,174	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	68,469	-	146,857	-
Total expenditures	<u>153,434</u>	<u>75,174</u>	<u>354,303</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>267,436</u>	<u>236</u>	<u>2,932,023</u>	<u>23,059</u>
Other financing sources (uses):				
Transfers in	-	20,000	-	-
Transfers out	(130,000)	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(130,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	137,436	20,236	2,932,023	23,059
Fund balances - beginning	598,242	391,451	8,234,113	106,789
Fund balances - ending	<u>\$ 735,678</u>	<u>\$ 411,687</u>	<u>\$ 11,166,136</u>	<u>\$ 129,848</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
\$ -	\$ -	\$ -	\$ 2,250,724	\$ -	\$ 3,558,277	\$ 1,126,390
-	-	-	-	-	-	-
2,602,905	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
28,843	375,676	238,517	16,024	-	46,083	22,763
<u>2,631,748</u>	<u>375,676</u>	<u>238,517</u>	<u>2,266,748</u>	<u>-</u>	<u>3,604,360</u>	<u>1,149,153</u>
2,230,927	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,860,000	485,000	-	-
-	-	-	343,084	441,816	-	-
-	-	-	-	-	-	-
<u>2,230,927</u>	<u>-</u>	<u>-</u>	<u>2,203,084</u>	<u>926,816</u>	<u>-</u>	<u>-</u>
400,821	375,676	238,517	63,664	(926,816)	3,604,360	1,149,153
-	-	-	-	926,816	-	-
-	(28,762)	(89,761)	-	-	(926,816)	-
14,488	-	-	-	-	-	-
<u>14,488</u>	<u>(28,762)</u>	<u>(89,761)</u>	<u>-</u>	<u>926,816</u>	<u>(926,816)</u>	<u>-</u>
415,309	346,914	148,756	63,664	-	2,677,544	1,149,153
3,080,462	2,958,798	1,885,195	773,800	-	976,751	848,665
<u>\$ 3,495,771</u>	<u>\$ 3,305,712</u>	<u>\$ 2,033,951</u>	<u>\$ 837,464</u>	<u>\$ -</u>	<u>\$ 3,654,295</u>	<u>\$ 1,997,818</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, 2017

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Redevelopment Agency East End Capital Projects Fund	Redevelopment Agency Lake Grove Capital Projects Fund	Assessment Project Fund	
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ 6,935,391
Intergovernmental	-	-	-	65,899
Licenses and fees	-	-	43,828	6,290,697
Sales and services	122,931	-	-	135,831
Special assessment - principal	-	-	3,877	5,563
Miscellaneous	29,523	3,142	2,350	844,137
Total revenues	<u>152,454</u>	<u>3,142</u>	<u>50,055</u>	<u>14,277,518</u>
Expenditures:				
Current:				
General government	1,519,393	50,000	-	4,007,766
Culture and recreation	-	-	-	160,139
Debt service:				
Principal	-	-	-	2,345,000
Interest	-	-	-	784,900
Capital outlay	1,861,380	-	-	2,076,706
Total expenditures	<u>3,380,773</u>	<u>50,000</u>	<u>-</u>	<u>9,374,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,228,319)</u>	<u>(46,858)</u>	<u>50,055</u>	<u>4,903,007</u>
Other financing sources (uses):				
Transfers in	-	-	-	946,816
Transfers out	-	-	-	(1,175,339)
Proceeds from sale of capital assets	-	-	-	14,488
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(214,035)</u>
Net change in fund balances	(3,228,319)	(46,858)	50,055	4,688,972
Fund balances - beginning	5,270,160	397,546	409,567	25,931,539
Fund balances - ending	<u>\$ 2,041,841</u>	<u>\$ 350,688</u>	<u>\$ 459,622</u>	<u>\$ 30,620,511</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, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 550,173	\$ 550,173	\$ 598,242	\$ 48,069
Licenses and fees	383,000	383,000	416,353	33,353
Sales and services	-	-	600	600
Miscellaneous	1,000	1,000	3,917	2,917
Total resources	<u>\$ 934,173</u>	<u>\$ 934,173</u>	<u>\$ 1,019,112</u>	<u>\$ 84,939</u>
Requirements:				
Tourism department	\$ 155,000	\$ 175,000	\$ 153,434	\$ 21,566
Transfers	100,000	130,000	130,000	-
Contingency	679,173	629,173	-	629,173
Unappropriated ending fund balance	-	-	735,678	(735,678)
Total requirements	<u>\$ 934,173</u>	<u>\$ 934,173</u>	<u>\$ 1,019,112</u>	<u>\$ (84,939)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (598,242)	
Requirements-unappropriated ending fund balance			735,678	
Net change in fund balance - GAAP basis			<u>\$ 137,436</u>	

CITY OF LAKE OSWEGO, OREGON

Trolley Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 333,774	\$ 333,774	\$ 391,451	\$ 57,677
Intergovernmental	40,000	40,000	43,533	3,533
Sales and services	12,000	12,000	12,300	300
Miscellaneous	5,000	5,000	19,577	14,577
Transfers	20,000	20,000	20,000	-
Total resources	<u>\$ 410,774</u>	<u>\$ 410,774</u>	<u>\$ 486,861</u>	<u>\$ 76,087</u>
Requirements:				
Trolley	\$ 77,000	\$ 87,000	\$ 75,174	\$ 11,826
Contingency	333,774	323,774	-	323,774
Unappropriated ending fund balance	-	-	411,687	(411,687)
Total requirements	<u>\$ 410,774</u>	<u>\$ 410,774</u>	<u>\$ 486,861</u>	<u>\$ (76,087)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (391,451)	
Requirements-unappropriated ending fund balance			411,687	
Net change in fund balance - GAAP basis			<u>\$ 20,236</u>	

CITY OF LAKE OSWEGO, OREGON
Systems Development Charges Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 7,769,732	\$ 7,769,732	\$ 8,234,113	\$ 464,381
Licenses and fees	1,123,000	1,123,000	3,227,611	2,104,611
Special assessment	2,000	2,000	1,686	(314)
Miscellaneous	22,000	22,000	57,029	35,029
Total resources	<u>\$ 8,916,732</u>	<u>\$ 8,916,732</u>	<u>\$ 11,520,439</u>	<u>\$ 2,603,707</u>
Requirements:				
System development charges department	\$ 2,263,000	\$ 2,263,000	\$ 354,303	\$ 1,908,697
Contingency	6,653,732	6,653,732	-	6,653,732
Unappropriated ending fund balance	-	-	11,166,136	(11,166,136)
Total requirements	<u>\$ 8,916,732</u>	<u>\$ 8,916,732</u>	<u>\$ 11,520,439</u>	<u>\$ (2,603,707)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (8,234,113)	
Requirements-unappropriated ending fund balance			11,166,136	
Net change in fund balance - GAAP basis			<u>\$ 2,932,023</u>	

CITY OF LAKE OSWEGO, OREGON

Bicycle Path Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 105,069	\$ 105,069	\$ 106,789	\$ 1,720
Intergovernmental	20,000	20,000	22,366	2,366
Miscellaneous	1,000	1,000	693	(307)
Total resources	<u>\$ 126,069</u>	<u>\$ 126,069</u>	<u>\$ 129,848</u>	<u>\$ 3,779</u>
Requirements:				
Reserve for future expenditure	\$ 126,069	\$ 126,069	\$ -	\$ 126,069
Unappropriated ending fund balance	-	-	129,848	(129,848)
Total requirements	<u>\$ 126,069</u>	<u>\$ 126,069</u>	<u>\$ 129,848</u>	<u>\$ (3,779)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (106,789)
Requirements-unappropriated ending fund balance	129,848
Net change in fund balance - GAAP basis	<u>\$ 23,059</u>

CITY OF LAKE OSWEGO, OREGON

Building Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 2,631,990	\$ 2,631,990	\$ 3,080,462	\$ 448,472
Licenses and fees	2,221,000	2,399,000	2,602,905	203,905
Miscellaneous	11,000	11,000	28,843	17,843
Proceeds sale of capital asset:	-	-	14,488	14,488
Total resources	<u>\$ 4,863,990</u>	<u>\$ 5,041,990</u>	<u>\$ 5,726,698</u>	<u>\$ 684,708</u>
Requirements:				
Building department	\$ 2,110,000	\$ 2,345,000	\$ 2,230,927	\$ 114,073
Contingency	112,000	55,000	-	55,000
Unappropriated ending fund balance	2,641,990	2,641,990	3,495,771	(853,781)
Total requirements	<u>\$ 4,863,990</u>	<u>\$ 5,041,990</u>	<u>\$ 5,726,698</u>	<u>\$ (684,708)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (3,080,462)	
Requirements-unappropriated ending fund balance			<u>3,495,771</u>	
Net change in fund balance - GAAP basis			<u>\$ 415,309</u>	

CITY OF LAKE OSWEGO, OREGON

Library Endowment

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 3,057,132	\$ 3,057,132	\$ 2,958,798	\$ (98,334)
Miscellaneous	95,000	95,000	375,676	280,676
Total resources	<u>\$ 3,152,132</u>	<u>\$ 3,152,132</u>	<u>\$ 3,334,474</u>	<u>\$ 182,342</u>
Requirements:				
Transfers	\$ 27,000	\$ 30,000	\$ 28,762	\$ 1,238
Contingency	789,000	786,000	-	786,000
Unappropriated ending fund balance	2,336,132	2,336,132	3,305,712	(969,580)
Total requirements	<u>\$ 3,152,132</u>	<u>\$ 3,152,132</u>	<u>\$ 3,334,474</u>	<u>\$ (182,342)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (2,958,798)	
Requirements-unappropriated ending fund balance			<u>3,305,712</u>	
Net change in fund balance - GAAP basis			<u>\$ 346,914</u>	

CITY OF LAKE OSWEGO, OREGON

ACC Endowment

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 1,920,248	\$ 1,920,248	\$ 1,885,195	\$ (35,053)
Miscellaneous	61,000	61,000	238,517	177,517
Total resources	<u>\$ 1,981,248</u>	<u>\$ 1,981,248</u>	<u>\$ 2,123,712</u>	<u>\$ 142,464</u>
Requirements:				
Transfers	\$ 90,000	\$ 90,000	\$ 89,761	\$ 239
Contingency	400,000	400,000	-	400,000
Unappropriated ending fund balance	1,491,248	1,491,248	2,033,951	(542,703)
Total requirements	<u>\$ 1,981,248</u>	<u>\$ 1,981,248</u>	<u>\$ 2,123,712</u>	<u>\$ (142,464)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (1,885,195)	
Requirements-unappropriated ending fund balance			<u>2,033,951</u>	
Net change in fund balance - GAAP basis			<u>\$ 148,756</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, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 715,841	\$ 715,841	\$ 773,800	\$ 57,959
Property taxes	2,198,000	2,198,000	2,250,724	52,724
Miscellaneous	6,000	6,000	16,024	10,024
Total resources	<u>\$ 2,919,841</u>	<u>\$ 2,919,841</u>	<u>\$ 3,040,548</u>	<u>\$ 120,707</u>
Requirements:				
Debt service	\$ 2,204,000	\$ 2,204,000	\$ 2,203,084	\$ 916
Unappropriated ending fund balance	715,841	715,841	837,464	(121,623)
Total requirements	<u>\$ 2,919,841</u>	<u>\$ 2,919,841</u>	<u>\$ 3,040,548</u>	<u>\$ (120,707)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (773,800)	
Requirements-unappropriated ending fund balance			837,464	
Net change in fund balance - GAAP basis			<u>\$ 63,664</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, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Intergovernmental	\$ 8,442,000	\$ 8,442,000	\$ 926,816	\$ (7,515,184)
Total resources	<u>\$ 8,442,000</u>	<u>\$ 8,442,000</u>	<u>\$ 926,816</u>	<u>\$ (7,515,184)</u>
Requirements:				
Materials and services	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Debt service	<u>8,432,000</u>	<u>8,432,000</u>	<u>926,816</u>	<u>7,505,184</u>
Total requirements	<u>\$ 8,442,000</u>	<u>\$ 8,442,000</u>	<u>\$ 926,816</u>	<u>\$ 7,515,184</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, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 810,455	\$ 810,455	\$ 976,751	\$ 166,296
Property taxes	3,365,000	3,365,000	3,558,277	193,277
Miscellaneous	10,000	10,000	46,083	36,083
Other financing sources	25,000,000	25,000,000	-	(25,000,000)
Total resources	<u>\$ 29,185,455</u>	<u>\$ 29,185,455</u>	<u>\$ 4,581,111</u>	<u>\$ (24,604,344)</u>
Requirements:				
Materials and services	\$ 520,000	\$ 520,000	\$ -	\$ 520,000
Debt service	9,751,000	9,751,000	926,816	8,824,184
Transfers	18,000,000	18,000,000	-	18,000,000
Reserve for future expenditure	593,000	593,000	-	593,000
Unappropriated ending fund balance	321,455	321,455	3,654,295	(3,332,840)
Total requirements	<u>\$ 29,185,455</u>	<u>\$ 29,185,455</u>	<u>\$ 4,581,111</u>	<u>\$ 24,604,344</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (976,751)
Requirements-unappropriated ending fund balance	<u>3,654,295</u>
Net change in fund balance - GAAP basis	<u>\$ 2,677,544</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, 2017

	<u>2016-17 Budget</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 841,228	\$ 841,228	\$ 848,665	\$ 7,437
Property taxes	1,141,000	1,141,000	1,126,390	(14,610)
Miscellaneous	2,000	2,000	22,763	20,763
Total resources	<u>\$ 1,984,228</u>	<u>\$ 1,984,228</u>	<u>\$ 1,997,818</u>	<u>\$ 13,590</u>
Requirements:				
Transfers	\$ 300,000	\$ 300,000	\$ -	\$ 300,000
Reserve for future expenditure	1,583,992	1,583,992	-	1,583,992
Unappropriated ending fund balance	100,236	100,236	1,997,818	(1,897,582)
Total requirements	<u>\$ 1,984,228</u>	<u>\$ 1,984,228</u>	<u>\$ 1,997,818</u>	<u>\$ (13,590)</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (848,665)	
Requirements-unappropriated ending fund balance			<u>1,997,818</u>	
Net change in fund balance - GAAP basis			<u>\$ 1,149,153</u>	

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, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 4,444,072	\$ 5,244,072	\$ 5,270,160	\$ 26,088
Sales and services	166,000	166,000	122,931	(43,069)
Miscellaneous	30,000	30,000	29,523	(477)
Transfers	<u>18,000,000</u>	<u>18,000,000</u>	-	<u>(18,000,000)</u>
Total resources	<u>\$ 22,640,072</u>	<u>\$ 23,440,072</u>	<u>\$ 5,422,614</u>	<u>\$ (18,017,458)</u>
Requirements:				
East end activities	\$ 2,790,000	\$ 4,190,000	\$ 3,380,773	\$ 809,227
Contingency	18,700,000	18,100,000	-	18,100,000
Unappropriated ending fund balance	<u>1,150,072</u>	<u>1,150,072</u>	<u>2,041,841</u>	<u>(891,769)</u>
Total requirements	<u>\$ 22,640,072</u>	<u>\$ 23,440,072</u>	<u>\$ 5,422,614</u>	<u>\$ 18,017,458</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (5,270,160)	
Requirements-unappropriated ending fund balance			<u>2,041,841</u>	
Net change in fund balance - GAAP basis			<u>\$ (3,228,319)</u>	

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, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 397,361	\$ 397,361	\$ 397,546	\$ 185
Miscellaneous	2,000	2,000	3,142	1,142
Transfers	300,000	300,000	-	(300,000)
Total resources	<u>\$ 699,361</u>	<u>\$ 699,361</u>	<u>\$ 400,688</u>	<u>\$ (298,673)</u>
Requirements:				
Lake grove village activities	\$ 490,000	\$ 490,000	\$ 50,000	\$ 440,000
Contingency	209,361	209,361	-	209,361
Unappropriated ending fund balance	-	-	350,688	(350,688)
Total requirements	<u>\$ 699,361</u>	<u>\$ 699,361</u>	<u>\$ 400,688</u>	<u>\$ 298,673</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (397,546)	
Requirements-unappropriated ending fund balance			350,688	
Net change in fund balance - GAAP basis			<u>\$ (46,858)</u>	

CITY OF LAKE OSWEGO, OREGON
Assessment Project Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 423,186	\$ 423,186	\$ 409,567	\$ (13,619)
Licenses and fees	100,000	100,000	43,828	(56,172)
Special assessment	9,000	9,000	3,877	(5,123)
Miscellaneous	1,000	1,000	2,350	1,350
Total resources	<u>\$ 533,186</u>	<u>\$ 533,186</u>	<u>\$ 459,622</u>	<u>\$ (73,564)</u>
Requirements:				
Reserve for future expenditure	\$ 533,186	\$ 533,186	\$ -	\$ 533,186
Unappropriated ending fund balance	-	-	459,622	(459,622)
Total requirements	<u>\$ 533,186</u>	<u>\$ 533,186</u>	<u>\$ 459,622</u>	<u>\$ 73,564</u>
Reconciliation to net change in fund balance - GAAP basis:				
Resources-beginning fund balance			\$ (409,567)	
Requirements-unappropriated ending fund balance			<u>459,622</u>	
Net change in fund balance - GAAP basis			<u>\$ 50,055</u>	

CITY OF LAKE OSWEGO, OREGON

Public Art Fund

**Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017**

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 6,425	\$ 6,425	\$ 6,729	\$ 304
Miscellaneous	-	-	1,148	1,148
Transfers	100,000	238,000	237,250	(750)
Total resources	<u>\$ 106,425</u>	<u>\$ 244,425</u>	<u>\$ 245,127</u>	<u>\$ 702</u>
Requirements:				
Public art	\$ 100,000	\$ 238,000	\$ 163,908	\$ 74,092
Unappropriated ending fund balance	6,425	6,425	81,219	(74,794)
Total requirements	<u>\$ 106,425</u>	<u>\$ 244,425</u>	<u>\$ 245,127</u>	<u>\$ (702)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (6,729)
Requirements-unappropriated ending fund balance	81,219
Net change in fund balance - GAAP basis	<u>\$ 74,490</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, 2017

	<u>2016-17 Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources:				
Beginning fund balance	\$ 937,343	\$ 937,343	\$ 940,108	\$ 2,765
Miscellaneous	4,000	4,000	11,486	7,486
Transfers	920,000	920,000	920,000	-
Total resources	<u>\$ 1,861,343</u>	<u>\$ 1,861,343</u>	<u>\$ 1,871,594</u>	<u>\$ 10,251</u>
Requirements:				
Reserve for future expenditures	\$ 1,861,343	\$ 1,861,343	\$ -	\$ 1,861,343
Unappropriated ending fund balance	-	-	1,871,594	(1,871,594)
Total requirements	<u>\$ 1,861,343</u>	<u>\$ 1,861,343</u>	<u>\$ 1,871,594</u>	<u>\$ (10,251)</u>

Reconciliation to net change in

fund balance - GAAP basis:

Resources-beginning fund balance	\$ (940,108)
Requirements-unappropriated ending fund balance	<u>1,871,594</u>
Net change in fund balance - GAAP basis	<u>\$ 931,486</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.

Water Fund (budgetary basis financial schedules only)

Lake Oswego-Tigard Water Partnership Fund (budgetary basis financial schedules only)

Wastewater Fund - accounts for the activities of the City's wastewater collection and treatment system. Revenue is derived primarily from sewer service charges.

Surface Water Fund - accounts for the activities of the City's surface water management system which was developed to address water quality and flooding problems. Revenue is derived primarily from surface water management charges.

Nonmajor enterprise funds:

Golf Course Fund – accounts for the operation of the City's golf course. Revenue is primarily from user fees.

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.

Operations Building Capital Projects Fund – accounts for the transfer from the wastewater, capital reserve, and general funds to start setting aside resources for a new public works operations building.

Engineering Fund – manages the planning, design and construction of the City's infrastructure, including surface water, water, wastewater 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.

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City of Lake Oswego, Oregon
Combining Statement of Net Position
Nonmajor Enterprise Funds
as of June 30, 2017

	Business-type Activities - Enterprise Funds		
	Golf Course Fund	Tennis Facility Fund	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and investments	\$ 22,224	\$ 696,701	\$ 718,925
Inventories	22,800	-	22,800
Total current assets	<u>45,024</u>	<u>696,701</u>	<u>741,725</u>
Noncurrent assets:			
Capital assets:			
Land	227,929	-	227,929
Buildings and improvements	1,324,981	730,317	2,055,298
Machinery and equipment	359,255	10,300	369,555
	<u>1,912,165</u>	<u>740,617</u>	<u>2,652,782</u>
Less accumulated depreciation	(1,259,893)	(530,463)	(1,790,356)
Total capital assets (net of accumulated depreciation)	<u>652,272</u>	<u>210,154</u>	<u>862,426</u>
Total assets	<u>697,296</u>	<u>906,855</u>	<u>1,604,151</u>
Deferred outflows of resources			
Deferred amounts related to pensions	<u>211,889</u>	<u>132,146</u>	<u>344,035</u>
Liabilities			
Current liabilities:			
Accounts payable	22,658	2,585	25,243
Salaries and benefits payable	513	287	800
Compensated absences payable	12,467	709	13,176
Total current liabilities	<u>35,638</u>	<u>3,581</u>	<u>39,219</u>
Noncurrent liabilities:			
Accrued other postemployment benefit obligation	73,200	34,600	107,800
Net pension liability	396,550	247,311	643,861
Total noncurrent liabilities	<u>469,750</u>	<u>281,911</u>	<u>751,661</u>
Total liabilities	<u>505,388</u>	<u>285,492</u>	<u>790,880</u>
Deferred inflows of resources			
Deferred amounts related to pensions	<u>24,208</u>	<u>15,097</u>	<u>39,305</u>
Net Position			
Invested in capital assets	652,272	210,154	862,426
Unrestricted	(272,683)	528,258	255,575
Total net position	<u>\$ 379,589</u>	<u>\$ 738,412</u>	<u>\$ 1,118,001</u>

City of Lake Oswego, Oregon
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
for the fiscal year ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Golf Course Fund	Tennis Facility Fund	Total Nonmajor Enterprise Funds
Operating revenues:			
Licenses and fees	\$ -	\$ 2,040	\$ 2,040
Charges for sales and services	557,567	404,330	961,897
Miscellaneous	5,999	32,289	38,288
Total operating revenues	<u>563,566</u>	<u>438,659</u>	<u>1,002,225</u>
Operating expenses:			
Salaries and benefits	385,312	226,165	611,477
Operating supplies and services	523,941	164,705	688,646
Depreciation	40,580	15,491	56,071
Total operating expenses	<u>949,833</u>	<u>406,361</u>	<u>1,356,194</u>
Operating income (loss)	<u>(386,267)</u>	<u>32,298</u>	<u>(353,969)</u>
Nonoperating revenues:			
Interest on investments	718	3,774	4,492
Total nonoperating revenues	<u>718</u>	<u>3,774</u>	<u>4,492</u>
Net income (loss) before transfers	(385,549)	36,072	(349,477)
Transfers in	339,000	-	339,000
Change in net position	(46,549)	36,072	(10,477)
Total net position - beginning	<u>426,138</u>	<u>702,340</u>	<u>1,128,478</u>
Total net position - ending	<u>\$ 379,589</u>	<u>\$ 738,412</u>	<u>\$ 1,118,001</u>

CITY OF LAKE OSWEGO, OREGON
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
for the fiscal year ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Golf Course Fund	Tennis Facility Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 557,567	\$ 406,370	\$ 963,937
Payments to suppliers	(508,933)	(206,212)	(715,145)
Payments to employees	(358,789)	(203,134)	(561,923)
Other receipts	5,999	32,289	38,288
Net cash from operating activities	<u>(304,156)</u>	<u>29,313</u>	<u>(274,843)</u>
Cash flows from noncapital financing activities:			
Transfers to/from other funds	339,000	-	339,000
Net cash from noncapital financing activities	<u>339,000</u>	<u>-</u>	<u>339,000</u>
Cash flows from capital and related financing activities:			
Purchases, acquisitions, and construction of capital assets	(36,553)	-	(36,553)
Net cash from capital and related financing activities	<u>(36,553)</u>	<u>-</u>	<u>(36,553)</u>
Cash flows from investing activities:			
Investment income	718	3,774	4,492
Net increase (decrease) in cash and investments	(991)	33,087	32,096
Cash and investments, June 30, 2016	<u>23,215</u>	<u>663,614</u>	<u>686,829</u>
Cash and investments, June 30, 2017	<u>\$ 22,224</u>	<u>\$ 696,701</u>	<u>\$ 718,925</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ (386,267)	\$ 32,298	\$ (353,969)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	40,580	15,491	56,071
Changes in assets and liabilities:			
Inventories	14,812	-	14,812
Deferred outflows	(172,363)	(108,430)	(280,793)
Accounts payable	196	(41,507)	(41,311)
Salaries and benefits payable	36	24	60
Accrued other postemployment benefits obligation	(900)	(500)	(1,400)
Compensated absences payable	(9,863)	(3,784)	(13,647)
Net pension liability	227,685	145,992	373,677
Deferred inflows	(18,072)	(10,271)	(28,343)
Net cash from operating activities	<u>\$ (304,156)</u>	<u>\$ 29,313</u>	<u>\$ (274,843)</u>

CITY OF LAKE OSWEGO, OREGON

Water Fund

Schedule of Combining Actual Resources and Requirements for the Water Utility

for the fiscal year ended June 30, 2017

	<u>Water Fund</u>	<u>LO-Tigard Water Partnership Fund</u>		<u>Combined Water Funds</u>
	<u>Actual Amounts</u>	<u>Actual Amounts</u>	<u>Adjustments</u>	<u>Total</u>
Resources:				
Beginning fund balance	\$ 9,187,539	\$ 7,070,553	\$ -	\$ 16,258,092
Intergovernmental	1,431,073	9,143,834	-	10,574,907
Sales and services	12,672,908	-	-	12,672,908
Charges for services	-	438,199	(438,199)	-
Miscellaneous	82,604	384,840	-	467,444
Proceeds - sale of capital assets	6,413	-	-	6,413
Transfers	-	617,000	-	617,000
Total resources	<u>\$ 23,380,537</u>	<u>\$ 17,654,426</u>	<u>\$ (438,199)</u>	<u>\$ 40,596,764</u>
Requirements:				
Personal services	\$ 2,039,677	\$ 457,153	\$ (438,199)	\$ 2,058,631
Materials and services	3,509,407	214,644	-	3,724,051
Debt service	6,444,216	-	-	6,444,216
Transfers	2,017,000	-	-	2,017,000
Capital outlay	112,754	14,808,598	-	14,921,352
Unappropriated ending fund balance	9,257,483	2,174,031	-	11,431,514
Total requirements	<u>\$ 23,380,537</u>	<u>\$ 17,654,426</u>	<u>\$ (438,199)</u>	<u>\$ 40,596,764</u>
Reconciliation to net change in net position - GAAP basis:				
Resources-beginning fund balance				\$ (16,258,092)
Requirements-unappropriated ending fund balance				11,431,514
Tigard Water Partnership payments				(9,143,834)
Investment income - LO/Tigard - capitalized				(18,458)
Accrual for other postemployment benefits obligation				3,800
Accrual for compensated absences payable				6,066
Debt principal payment				2,895,000
Bond interest payable				9,650
Amortization of bond premium				110,399
Capitalized interest on construction				3,450,280
Net pension liability (asset)				(1,690,820)
Deferred outflow pension				1,340,639
Deferred inflow pension				172,446
Capital outlay				14,921,352
Loss on sale of capital assets				(2,450,864)
Depreciation expense-GAAP expense				(2,543,690)
Capital contributions				123,019
Net change in net position - GAAP basis				<u>\$ 2,358,407</u>

CITY OF LAKE OSWEGO, OREGON

Water Fund

**Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017**

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 8,410,237	\$ 8,410,237	\$ 9,187,539	\$ 777,302
Intergovernmental	1,593,000	1,593,000	1,431,073	(161,927)
Sales and services	12,472,000	12,472,000	12,672,908	200,908
Charges for services	1,000	1,000	-	(1,000)
Miscellaneous	35,000	35,000	82,604	47,604
Proceeds sale of capital assets	-	-	6,413	6,413
Total resources	\$ 22,511,237	\$ 22,511,237	\$ 23,380,537	\$ 869,300
Requirements:				
Water department	\$ 6,571,000	\$ 6,571,000	\$ 5,661,838	\$ 909,162
Debt Service	6,445,000	6,445,000	6,444,216	784
Transfers	2,017,000	2,017,000	2,017,000	-
Contingency	7,478,237	7,478,237	-	7,478,237
Unappropriated ending fund balance	-	-	9,257,483	(9,257,483)
Total requirements	\$ 22,511,237	\$ 22,511,237	\$ 23,380,537	\$ (869,300)

Note: For purposes of reporting this fund is combined with the Lake Oswego - Tigard Water Partnership Fund for presentation in the proprietary fund statements.

CITY OF LAKE OSWEGO, OREGON
Lake Oswego - Tigard Water Partnership Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 2,589,013	\$ 7,559,013	\$ 7,070,553	\$ (488,460)
Intergovernmental	3,584,000	12,355,000	9,143,834	(3,211,166)
Charges for services	796,000	796,000	438,199	(357,801)
Miscellaneous	10,000	10,000	384,840	374,840
Transfers	617,000	617,000	617,000	-
Total resources	<u>\$ 7,596,013</u>	<u>\$ 21,337,013</u>	<u>\$ 17,654,426</u>	<u>\$ (3,682,587)</u>
Requirements:				
LO-tigard water supply partnership department	\$ 6,601,000	\$ 20,601,000	\$ 15,480,395	\$ 5,120,605
Contingency	995,013	736,013	-	736,013
Unappropriated ending fund balance	-	-	2,174,031	(2,174,031)
Total requirements	<u>\$ 7,596,013</u>	<u>\$ 21,337,013</u>	<u>\$ 17,654,426</u>	<u>\$ 3,682,587</u>

Note: For purposes of reporting this fund is combined with the Water Fund for presentation in the proprietary fund statements.

CITY OF LAKE OSWEGO, OREGON

Wastewater Fund

Schedule of Resources and Requirements - Budget to Actual

for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 18,082,218	\$ 18,082,218	\$ 19,108,115	\$ 1,025,897
Licenses and fees	45,000	45,000	64,908	19,908
Sales and services	13,640,000	13,640,000	13,523,752	(116,248)
Miscellaneous	80,000	80,000	120,591	40,591
Total resources	<u>\$ 31,847,218</u>	<u>\$ 31,847,218</u>	<u>\$ 32,817,366</u>	<u>\$ 970,148</u>
Requirements:				
Wastewater department	\$ 8,964,000	\$ 8,964,000	\$ 6,949,869	\$ 2,014,131
Debt service	6,360,000	6,360,000	6,359,631	369
Transfers	95,000	95,000	95,000	-
Contingency	16,428,218	16,428,218	-	16,428,218
Unappropriated ending fund balance	-	-	19,412,866	(19,412,866)
Total requirements	<u>\$ 31,847,218</u>	<u>\$ 31,847,218</u>	<u>\$ 32,817,366</u>	<u>\$ (970,148)</u>

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (19,108,115)
Requirements-unappropriated ending fund balance	19,412,866
Accrual for other postemployment benefits obligation	1,100
Accrual for compensated absences payable	(21,116)
Bond principal payment	3,120,000
Bond interest payable	6,783
Amortization of bond premium	132,557
Net pension liability (asset)	(396,019)
Deferred outflow pension	294,985
Deferred inflow pension	28,400
Capital outlay	1,372,338
Depreciation expense-GAAP expense	(2,738,760)
Capital contributions	565,432
Net change in net position - GAAP basis	<u>\$ 2,670,451</u>

CITY OF LAKE OSWEGO, OREGON

Surface Water Fund

**Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017**

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 216,262	\$ 216,262	\$ 662,834	\$ 446,572
Intergovernmental	-	-	332,019	332,019
Sales and services	3,037,000	3,037,000	3,098,436	61,436
Miscellaneous	9,000	9,000	40,286	31,286
Total resources	\$ 3,262,262	\$ 3,262,262	\$ 4,133,575	\$ 871,313
Requirements:				
Surface water department	\$ 2,301,000	\$ 2,301,000	\$ 1,959,130	\$ 341,870
Debt service	236,000	236,000	235,495	505
Contingency	725,262	725,262	-	725,262
Unappropriated ending fund balance	-	-	1,938,950	(1,938,950)
Total requirements	\$ 3,262,262	\$ 3,262,262	\$ 4,133,575	\$ (871,313)

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (662,834)
Requirements-unappropriated ending fund balance	1,938,950
Accrual for other postemployment benefits obligation	700
Accrual for compensated absences payable	(13,695)
Bond principal payment	165,000
Bond interest payable	687
Net pension liability (asset)	(246,274)
Deferred outflow pension	185,676
Deferred inflow pension	19,069
Capital outlay	194,685
Depreciation expense-GAAP expense	(756,650)
Capital contributions	507,233
Capital asset transfer	146,235
Net change in net position - GAAP basis	\$ 1,478,782

CITY OF LAKE OSWEGO, OREGON
Golf Course Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 80,075	\$ 80,075	\$ 37,885	\$ (42,190)
Sales and services	745,000	745,000	557,567	(187,433)
Miscellaneous	2,000	2,000	6,717	4,717
Transfers	238,000	238,000	339,000	101,000
Total resources	\$ 1,065,075	\$ 1,065,075	\$ 941,169	\$ (123,906)
Requirements:				
Golf course department	\$ 940,000	\$ 940,000	\$ 919,319	\$ 20,681
Contingency	125,075	125,075	-	125,075
Unappropriated ending fund balance	-	-	21,850	(21,850)
Total requirements	\$ 1,065,075	\$ 1,065,075	\$ 941,169	\$ 123,906

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (37,885)
Requirements-unappropriated ending fund balance	21,850
Accrual for other postemployment benefits obligation	900
Accrual for compensated absences payable	9,863
Net pension liability (asset)	(227,685)
Deferred outflow pension	172,363
Deferred inflow pension	18,072
Capital outlay	36,553
Depreciation expense-GAAP expense	(40,580)
Net change in net position - GAAP basis	\$ (46,549)

CITY OF LAKE OSWEGO, OREGON

Tennis Facility Fund

**Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017**

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 635,305	\$ 635,305	\$ 619,260	\$ (16,045)
Licenses and fees	2,000	2,000	2,040	40
Sales and services	408,000	408,000	404,330	(3,670)
Miscellaneous	5,000	5,000	36,063	31,063
Total resources	<u>\$ 1,050,305</u>	<u>\$ 1,050,305</u>	<u>\$ 1,061,693</u>	<u>\$ 11,388</u>
Requirements:				
Tennis facility department	\$ 407,000	\$ 407,000	\$ 367,864	\$ 39,136
Contingency	111,000	111,000	-	111,000
Unappropriated ending fund balance	532,305	532,305	693,829	(161,524)
Total requirements	<u>\$ 1,050,305</u>	<u>\$ 1,050,305</u>	<u>\$ 1,061,693</u>	<u>\$ (11,388)</u>

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (619,260)
Requirements-unappropriated ending fund balance	693,829
Accrual for other postemployment benefits obligation	500
Accrual for compensated absences payable	3,785
Net pension liability (asset)	(145,992)
Deferred outflow pension	108,430
Deferred inflow pension	10,271
Depreciation expense-GAAP expense	<u>(15,491)</u>
Net change in net position - GAAP basis	<u>\$ 36,072</u>

City of Lake Oswego, Oregon
Combining Statement of Net Position
Internal Service Funds
as of June 30, 2017

	Public Works Support Services Fund	Engineering Fund	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 5,911,940	\$ 1,154,575	\$ 7,066,515
Receivables	-	11,400	11,400
Inventories	11,733	-	11,733
Total current assets	<u>5,923,673</u>	<u>1,165,975</u>	<u>7,089,648</u>
Noncurrent assets:			
Capital assets:			
Land	458,819	-	458,819
Buildings and improvements	941,333	-	941,333
Machinery and equipment	383,157	287,276	670,433
Construction in progress	10,117,787	-	10,117,787
	<u>11,901,096</u>	<u>287,276</u>	<u>12,188,372</u>
Less accumulated depreciation	<u>(1,052,516)</u>	<u>(140,983)</u>	<u>(1,193,499)</u>
Total capital assets (net of accumulated depreciation)	<u>10,848,580</u>	<u>146,293</u>	<u>10,994,873</u>
Total assets	<u>16,772,253</u>	<u>1,312,268</u>	<u>18,084,521</u>
Deferred outflows of resources			
Deferred amounts related to pensions	<u>688,069</u>	<u>1,786,245</u>	<u>2,474,314</u>
Liabilities			
Current liabilities:			
Accounts payable	2,873,784	50,604	2,924,388
Salaries and benefits payable	1,099	3,052	4,151
Compensated absences payable	50,176	146,672	196,848
Refundable deposits	-	142,751	142,751
Total current liabilities	<u>2,925,059</u>	<u>343,079</u>	<u>3,268,138</u>
Noncurrent liabilities:			
Accrued other postemployment benefit obligation	87,800	223,400	311,200
Net pension liability	<u>1,287,720</u>	<u>3,342,956</u>	<u>4,630,676</u>
Total noncurrent liabilities	<u>1,375,520</u>	<u>3,566,356</u>	<u>4,941,876</u>
Total liabilities	<u>4,300,579</u>	<u>3,909,435</u>	<u>8,210,014</u>
Deferred inflows of resources			
Deferred amounts related to pensions	<u>78,611</u>	<u>204,075</u>	<u>282,686</u>
Net Position			
Invested in capital assets	10,848,580	146,293	10,994,873
Unrestricted	<u>2,232,552</u>	<u>(1,161,290)</u>	<u>1,071,262</u>
Total net position	<u>\$ 13,081,132</u>	<u>\$ (1,014,997)</u>	<u>\$ 12,066,135</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, 2017

	Public Works Support Services Fund	Engineering Fund	Total Internal Service Funds
Operating revenues:			
Licenses and fees	\$ 12,683	\$ 373,477	\$ 386,160
Charges for sales and services	2,039,000	3,403,761	5,442,761
Miscellaneous	18,619	23,894	42,513
Total operating revenues	<u>2,070,302</u>	<u>3,801,132</u>	<u>5,871,434</u>
Operating expenses:			
Salaries and benefits	1,029,806	2,986,092	4,015,898
Operating supplies and services	654,962	726,588	1,381,550
Depreciation	47,319	18,067	65,386
Total operating expenses	<u>1,732,087</u>	<u>3,730,747</u>	<u>5,462,834</u>
Operating income (loss)	<u>338,215</u>	<u>70,385</u>	<u>408,600</u>
Nonoperating revenues (expenses):			
Interest on investments	36,377	6,777	43,154
Gain or loss on sale of capital assets	4,940	3,088	8,028
Total nonoperating revenues (expenses)	<u>41,317</u>	<u>9,865</u>	<u>51,182</u>
Net income before contributions and transfers	379,532	80,250	459,782
Capital contributions	16,000	-	16,000
Transfers in	4,207,000	-	4,207,000
Transfers out	<u>(107,250)</u>	<u>-</u>	<u>(107,250)</u>
Change in net position	4,495,282	80,250	4,575,532
Total net position - beginning	<u>8,585,850</u>	<u>(1,095,247)</u>	<u>7,490,603</u>
Total net position - ending	<u><u>\$ 13,081,132</u></u>	<u><u>\$ (1,014,997)</u></u>	<u><u>\$ 12,066,135</u></u>

CITY OF LAKE OSWEGO, OREGON
Combining Statement of Cash Flows
Internal Service Funds
for the fiscal year ended June 30, 2017

	Public Works Support Services Fund	Engineering Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from customers	\$ 2,054,166	\$ 3,751,627	\$ 5,805,793
Payments to suppliers	1,860,681	(677,010)	1,183,671
Payments to employees	(1,064,248)	(2,730,035)	(3,794,283)
Other receipts	18,619	23,894	42,513
Net cash provided by operating activities	<u>2,869,218</u>	<u>368,476</u>	<u>3,237,694</u>
Cash flows from noncapital financing activities:			
Transfer to/from other funds	<u>4,099,750</u>	-	<u>4,099,750</u>
Net cash flows from noncapital financing activities			
Cash flows from capital and related financing activities:			
Purchases, acquisitions, and construction of capital assets	<u>(9,381,757)</u>	<u>(28,907)</u>	<u>(9,410,664)</u>
Cash flows from investing activities:			
Investment income	<u>36,377</u>	<u>6,778</u>	<u>43,155</u>
Net increase (decrease) in cash and investments	(2,376,412)	346,347	(2,030,065)
Cash and investments, June 30, 2016	<u>8,288,352</u>	<u>808,228</u>	<u>9,096,580</u>
Cash and investments, June 30, 2017	<u>\$ 5,911,940</u>	<u>\$ 1,154,575</u>	<u>\$ 7,066,515</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 338,215	\$ 70,385	\$ 408,600
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	47,319	18,067	65,386
Changes in assets and liabilities:			
Receivables	2,483	1,800	4,283
Inventories	10,480	-	10,480
Deferred outflows	(527,330)	(1,448,079)	(1,975,409)
Accounts payable	2,505,163	49,578	2,554,741
Salaries and benefits payable	18	152	170
Accrued other postemployment benefits obligation	(1,800)	(4,000)	(5,800)
Compensated absences payable	(13,004)	(32,583)	(45,587)
Refundable deposits	-	(27,411)	(27,411)
Net pension liability	601,001	1,898,220	2,499,221
Deferred inflows	<u>(93,327)</u>	<u>(157,653)</u>	<u>(250,980)</u>
Net cash provided by operating activities	<u>\$ 2,869,218</u>	<u>\$ 368,476</u>	<u>\$ 3,237,694</u>

CITY OF LAKE OSWEGO, OREGON

Public Works Support Services Fund

Schedule of Combining Actual Resources and Requirements for Public Works Support Services Funds

for the fiscal year ended June 30, 2017

	Public Works Support Services Fund	Operations Building Capital Project Fund	Combined Public Works Support Services Fund
	Actual Amounts	Actual Amounts	Total
Resources:			
Beginning fund balance	\$ 455,803	\$ 7,487,543	\$ 7,943,346
Charges for services	2,039,000	-	2,039,000
Miscellaneous	34,170	33,509	67,679
Transfers	-	4,207,000	4,207,000
Proceeds sale of capital assets	4,940	-	4,940
Total resources	<u>\$ 2,533,913</u>	<u>\$ 11,728,052</u>	<u>\$ 14,261,965</u>
Requirements:			
Personal services	\$ 1,064,265	\$ -	\$ 1,064,265
Materials and services	654,962	-	654,962
Transfers	-	107,250	107,250
Capital outlay	-	9,386,697	9,386,697
Unappropriated ending fund balance	814,686	2,234,105	3,048,791
Total requirements	<u>\$ 2,533,913</u>	<u>\$ 11,728,052</u>	<u>\$ 14,261,965</u>

Reconciliation to net change in

net position - GAAP basis:

Resources-beginning fund balance	\$ (7,943,346)
Requirements-unappropriated ending fund balance	3,048,791
Accrual for other postemployment benefits obligation	1,800
Accrual for compensated absences payable	13,003
Net pension liability (asset)	(601,001)
Deferred outflow pension	527,330
Deferred inflow pension	93,327
Capital outlay	9,386,697
Depreciation expense-GAAP expense	(47,319)
Capital asset transfer	<u>16,000</u>
Net change in net position - GAAP basis	<u>\$ 4,495,282</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, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 292,136	\$ 292,136	\$ 455,803	\$ 163,667
Charges for services	2,039,000	2,039,000	2,039,000	-
Miscellaneous	30,000	30,000	34,170	4,170
Proceeds sale of capital assets	-	-	4,940	4,940
Total resources	\$ 2,361,136	\$ 2,361,136	\$ 2,533,913	\$ 172,777
Requirements:				
Operations services department	\$ 2,056,000	\$ 2,056,000	\$ 1,719,227	\$ 336,773
Contingency	305,136	305,136	-	305,136
Unappropriated ending fund balance	-	-	814,686	(814,686)
Total requirements	\$ 2,361,136	\$ 2,361,136	\$ 2,533,913	\$ (172,777)

Note: For purposes of reporting this fund is combined with the Operations Building Capital Project Fund for presentation in the proprietary fund statements.

CITY OF LAKE OSWEGO, OREGON
Operations Building Capital Projects Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 7,405,683	\$ 7,405,683	\$ 7,487,543	\$ 81,860
Miscellaneous	15,000	15,000	33,509	18,509
Transfers	4,207,000	4,207,000	4,207,000	-
Total resources	<u>\$ 11,627,683</u>	<u>\$ 11,627,683</u>	<u>\$ 11,728,052</u>	<u>\$ 100,369</u>
Requirements:				
Operation building	\$ 11,600,000	\$ 11,492,000	\$ 9,386,697	\$ 2,105,303
Transfers	-	108,000	107,250	750
Contingency	27,683	27,683	-	27,683
Unappropriated ending fund balance	-	-	2,234,105	(2,234,105)
Total requirements	<u>\$ 11,627,683</u>	<u>\$ 11,627,683</u>	<u>\$ 11,728,052</u>	<u>\$ (100,369)</u>

Note: For purposes of reporting this fund is combined with the Public Works Support Services Fund for presentation in the proprietary fund statements.

CITY OF LAKE OSWEGO, OREGON
Engineering Fund
Schedule of Resources and Requirements - Budget to Actual
for the fiscal year ended June 30, 2017

	2016-17 Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Resources:				
Beginning fund balance	\$ 585,440	\$ 585,440	\$ 647,341	\$ 61,901
Licenses and fees	255,000	255,000	373,477	118,477
Charges for services	3,274,000	3,274,000	3,403,761	129,761
Miscellaneous	11,000	11,000	30,671	19,671
Proceeds sale of capital assets	-	-	3,088	3,088
Total resources	\$ 4,125,440	\$ 4,125,440	\$ 4,458,338	\$ 332,898
Requirements:				
Engineering department	\$ 3,924,000	\$ 3,924,000	\$ 3,488,770	\$ 435,230
Contingency	201,440	201,440	-	201,440
Unappropriated ending fund balance	-	-	969,568	(969,568)
Total requirements	\$ 4,125,440	\$ 4,125,440	\$ 4,458,338	\$ (332,898)
Reconciliation to net change in net position - GAAP basis:				
Resources-beginning fund balance			\$ (647,341)	
Requirements-unappropriated ending fund balance			969,568	
Accrual for other postemployment benefits obligation			4,000	
Accrual for compensated absences payable			32,584	
Net pension liability (asset)			(1,898,220)	
Deferred outflow pension			1,448,079	
Deferred inflow pension			157,653	
Capital outlay			31,994	
Depreciation expense-GAAP expense			(18,067)	
Net change in net position - GAAP basis			\$ 80,250	

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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

as of June 30, 2017

<u>Tax levy fiscal year</u>	<u>Balance June 30, 2016</u>	<u>Levy assessed</u>	<u>Add (deduct) adjustments and discounts</u>	<u>Deduct cash collections</u>	<u>Balance June 30, 2017</u>
2016-17	\$ -	\$ 40,837,465	\$ (1,035,349)	\$ (38,920,314)	\$ 881,802
2015-16	940,443	-	(130,637)	(339,565)	470,241
2014-15	477,594	-	(11,070)	(127,176)	339,348
2013-14	328,274	-	(22,174)	(90,560)	215,540
2012-13 & prior	661,898	-	128,282	(179,192)	610,988
	<u>\$ 2,408,209</u>	<u>\$ 40,837,465</u>	<u>\$ (1,070,948)</u>	<u>\$ (39,656,807)</u>	<u>\$ 2,517,919</u>

CITY OF LAKE OSWEGO, OREGON

**Schedule of Future Requirements for Debt Obligations
as of June 30, 2017**

FUTURE PRINCIPAL REQUIREMENTS									
Fiscal year	General Obligation Bonds			Revenue Bonds		Full Faith & Credit			
	Refunded Series 2006 10/18/06	Refunded Series 2011 9/20/11	Lake Grove/Parks Refunding 2/26/15	Surface Water Revenue 4/6/05	Water Revenue & Refunding 10/18/07	Wastewater 6/3/09	Wastewater 9/21/10	LORA Series 2011A 9/20/11	Water 9/11/13
2018	\$ 490,000	\$ 405,000	\$ 710,000	\$ 170,000	\$ 800,000	\$ 1,960,000	\$ 1,245,000	\$ 500,000	\$ 2,210,000
2019	510,000	420,000	730,000	180,000	840,000	2,020,000	1,280,000	515,000	2,295,000
2020	-	425,000	750,000	190,000	260,000	2,100,000	1,310,000	535,000	2,390,000
2021	-	-	710,000	200,000	270,000	2,185,000	1,345,000	545,000	2,485,000
2022	-	-	800,000	210,000	280,000	2,270,000	1,385,000	560,000	2,585,000
2023	-	-	150,000	220,000	290,000	2,360,000	1,420,000	585,000	2,685,000
2024	-	-	155,000	230,000	305,000	2,455,000	1,465,000	610,000	2,795,000
2025	-	-	160,000	-	315,000	2,580,000	1,510,000	630,000	2,935,000
2026	-	-	165,000	-	330,000	2,705,000	1,555,000	660,000	3,080,000
2027	-	-	165,000	-	345,000	2,845,000	1,600,000	675,000	3,235,000
2028	-	-	170,000	-	360,000	2,955,000	1,650,000	705,000	3,365,000
2029	-	-	175,000	-	-	3,075,000	1,705,000	735,000	3,500,000
2030	-	-	180,000	-	-	3,195,000	1,760,000	760,000	3,640,000
2031	-	-	190,000	-	-	3,330,000	1,820,000	790,000	3,790,000
2032	-	-	195,000	-	-	3,495,000	1,895,000	-	3,980,000
2033	-	-	200,000	-	-	3,670,000	1,970,000	-	4,180,000
2034	-	-	205,000	-	-	3,830,000	2,045,000	-	4,390,000
2035	-	-	210,000	-	-	4,000,000	2,130,000	-	4,585,000
2036	-	-	220,000	-	-	-	-	-	4,795,000
2037	-	-	225,000	-	-	-	-	-	5,010,000
2038	-	-	235,000	-	-	-	-	-	5,235,000
2039	-	-	240,000	-	-	-	-	-	-
	<u>\$ 1,000,000</u>	<u>\$ 1,250,000</u>	<u>\$ 6,940,000</u>	<u>\$ 1,400,000</u>	<u>\$ 4,395,000</u>	<u>\$ 51,030,000</u>	<u>\$ 29,090,000</u>	<u>\$ 8,805,000</u>	<u>\$ 73,165,000</u>

FUTURE INTEREST REQUIREMENTS									
Fiscal year	General Obligation Bonds			Revenue Bonds		Full Faith & Credit			
	Refunded Series 2006 10/18/06	Refunded Series 2011 9/20/11	Lake Grove/Parks Refunding 2/26/15	Surface Water Revenue 4/6/05	Water Revenue & Refunding 10/18/07	Wastewater 6/3/09	Wastewater 9/21/10	LORA Series 2011A 9/20/11	Water 9/11/13
2018	\$ 40,000	\$ 25,000	\$ 225,684	\$ 62,120	\$ 167,441	\$ 2,189,969	\$ 967,363	\$ 321,975	\$ 3,263,375
2019	20,400	16,900	211,484	53,370	132,641	2,120,169	936,238	306,975	3,174,975
2020	-	8,500	189,584	44,120	110,641	2,037,769	904,238	291,525	3,083,175
2021	-	-	174,584	34,370	100,041	1,952,069	868,213	278,150	2,987,575
2022	-	-	139,084	24,697	89,041	1,862,969	831,225	261,800	2,888,175
2023	-	-	99,084	15,130	77,460	1,770,369	793,138	239,400	2,784,775
2024	-	-	94,584	5,117	65,074	1,661,794	750,538	216,000	2,677,375
2025	-	-	89,934	-	51,975	1,535,919	706,588	191,600	2,537,625
2026	-	-	85,134	-	38,063	1,403,794	661,288	166,400	2,390,875
2027	-	-	81,009	-	23,297	1,279,269	614,638	146,600	2,236,875
2028	-	-	76,059	-	7,875	1,163,269	565,038	119,600	2,107,475
2029	-	-	70,959	-	-	1,042,669	511,413	91,400	1,972,875
2030	-	-	65,709	-	-	915,272	456,000	62,000	1,832,875
2031	-	-	60,309	-	-	766,125	394,400	31,600	1,678,175
2032	-	-	54,609	-	-	595,500	321,600	-	1,488,675
2033	-	-	48,759	-	-	427,844	245,800	-	1,289,675
2034	-	-	42,759	-	-	263,781	167,000	-	1,080,675
2035	-	-	36,353	-	-	90,000	85,200	-	883,125
2036	-	-	29,790	-	-	-	-	-	676,800
2037	-	-	22,750	-	-	-	-	-	461,025
2038	-	-	15,438	-	-	-	-	-	235,575
2039	-	-	7,800	-	-	-	-	-	-
	<u>\$ 60,400</u>	<u>\$ 50,400</u>	<u>\$ 1,921,454</u>	<u>\$ 238,924</u>	<u>\$ 863,549</u>	<u>\$ 23,078,547</u>	<u>\$ 10,779,918</u>	<u>\$ 2,725,025</u>	<u>\$ 41,731,570</u>

<u>Capital Leases</u>		<u>Lines of Credit</u>	
<u>Parks 7 Leases Various</u>	<u>LORA 9/23/11</u>	<u>Total</u>	
\$ 37,929	\$ 6,000,000	\$	14,527,929
39,846	-		8,829,846
41,860	-		8,001,860
26,584	-		7,766,584
-	-		8,090,000
-	-		7,710,000
-	-		8,015,000
-	-		8,130,000
-	-		8,495,000
-	-		8,865,000
-	-		9,205,000
-	-		9,190,000
-	-		9,535,000
-	-		9,920,000
-	-		9,565,000
-	-		10,020,000
-	-		10,470,000
-	-		10,925,000
-	-		5,015,000
-	-		5,235,000
-	-		5,470,000
-	-		240,000
<u>\$ 146,219</u>	<u>\$ 6,000,000</u>	<u>\$</u>	<u>183,221,219</u>

<u>Capital Leases</u>		<u>Lines of Credit</u>	
<u>Parks 7 Leases Various</u>	<u>LORA 9/23/11</u>	<u>Total</u>	
\$ 6,365	\$ 55,000	\$	7,324,292
4,448	-		6,977,600
2,434	-		6,671,986
462	-		6,395,464
-	-		6,096,991
-	-		5,779,356
-	-		5,470,482
-	-		5,113,641
-	-		4,745,554
-	-		4,381,688
-	-		4,039,316
-	-		3,689,316
-	-		3,331,856
-	-		2,930,609
-	-		2,460,384
-	-		2,012,078
-	-		1,554,215
-	-		1,094,678
-	-		706,590
-	-		483,775
-	-		251,013
-	-		7,800
<u>\$ 13,709</u>	<u>\$ 55,000</u>	<u>\$</u>	<u>81,518,676</u>

CITY OF LAKE OSWEGO, OREGON

Schedule of Accountability of Independently Elected Officials

for the fiscal year ended June 30, 2017

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
COMPREHENSIVE ANNUAL 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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	151
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	157
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.	162
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 ¹

(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2008	2009	2010	2011 ¹	2012	2013	2014 ²	2015	2016	2017
Governmental activities										
Invested in capital assets	\$ 82,266	\$ 84,360	\$ 87,117	\$ 89,610	\$ 90,372	\$ 96,670	\$ 98,123	\$ 98,290	\$ 99,579	\$ 104,033
Restricted	13,246	13,548	12,860	16,466	14,709	15,445	20,568	24,497	24,835	29,343
Unrestricted	14,487	13,514	16,121	15,487	19,745	20,136	11,160	23,146	13,012	11,929
Total net position governmental activities	<u>109,999</u>	<u>111,422</u>	<u>116,098</u>	<u>121,563</u>	<u>124,826</u>	<u>132,251</u>	<u>129,851</u>	<u>145,933</u>	<u>137,426</u>	<u>145,305</u>
Business-type activities										
Invested in capital assets	71,929	77,153	79,028	84,031	90,734	95,832	85,087	74,091	88,946	108,735
Restricted	-	-	166	222	-	-	-	-	-	-
Unrestricted	11,878	9,110	10,545	10,920	7,488	8,559	16,788	43,074	40,238	31,298
Total net position business-type activities	<u>83,807</u>	<u>86,263</u>	<u>89,739</u>	<u>95,173</u>	<u>98,221</u>	<u>104,392</u>	<u>101,875</u>	<u>117,165</u>	<u>129,184</u>	<u>140,033</u>
Primary government										
Invested in capital assets	154,195	161,513	166,145	173,641	181,106	192,503	183,210	172,381	188,525	212,768
Restricted	13,246	13,548	13,026	16,688	14,709	15,445	20,568	24,497	24,835	29,343
Unrestricted	26,365	22,624	26,666	26,407	27,233	28,695	27,948	66,220	53,250	43,227
Total net position primary government	<u>\$ 193,806</u>	<u>\$ 197,685</u>	<u>\$ 205,837</u>	<u>\$ 216,736</u>	<u>\$ 223,048</u>	<u>\$ 236,643</u>	<u>\$ 231,726</u>	<u>\$ 263,098</u>	<u>\$ 266,610</u>	<u>\$ 285,338</u>

¹ With the implementation of GASB Statement No. 54, the City reclassified the Operations Services and Motor Pool Fund and the Engineering Fund as internal service funds from special revenue funds. This change resulted in a restatement of \$631,881 unrestricted fund balance moving to business-type activities from governmental activities July 1, 2010.

² 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)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 7,369	\$ 7,391	\$ 9,128	\$ 12,846	\$ 15,542	\$ 12,580	\$ 11,337	\$ 5,193	\$ 18,034	\$ 10,292
Public safety	18,385	18,242	18,359	17,390	18,689	19,239	19,613	16,764	32,202	26,260
Culture and recreation	10,006	10,311	10,187	11,074	11,403	11,312	12,205	12,173	15,776	15,737
Community development	5,348	4,283	557	-	-	-	-	-	-	-
Highways and streets	4,323	4,673	4,413	4,477	4,628	5,086	5,233	4,679	6,058	5,741
Interest on long-term debt	2,878	2,061	1,640	1,487	1,324	1,189	1,025	915	750	728
Total governmental activities expenses	<u>48,309</u>	<u>46,960</u>	<u>44,284</u>	<u>47,275</u>	<u>51,585</u>	<u>49,406</u>	<u>49,413</u>	<u>39,724</u>	<u>72,820</u>	<u>58,758</u>
Business-type activities:										
Water	6,220	5,461	5,900	6,522	6,756	7,342	8,743	5,055	8,781	10,817
Wastewater	6,191	6,100	5,606	6,542	11,341	11,070	12,566	10,338	11,341	11,436
Surface water	1,617	1,923	1,996	2,183	2,263	2,348	2,418	2,241	2,904	2,582
Golf course	919	876	828	920	881	796	841	822	1,126	946
Tennis facility	325	347	376	349	361	389	352	361	480	406
Public Works Support Services ¹	-	-	-	234	239	210	207	28	74	49
Engineering ¹	-	-	-	973	215	131	207	532	219	393
Total business-type activities expenses	<u>15,272</u>	<u>14,707</u>	<u>14,706</u>	<u>17,723</u>	<u>22,056</u>	<u>22,286</u>	<u>25,334</u>	<u>19,377</u>	<u>24,925</u>	<u>26,629</u>
Total primary government expenses	<u>\$ 63,581</u>	<u>\$ 61,667</u>	<u>\$ 58,991</u>	<u>\$ 64,998</u>	<u>\$ 73,641</u>	<u>\$ 71,692</u>	<u>\$ 74,747</u>	<u>\$ 59,101</u>	<u>\$ 97,745</u>	<u>\$ 85,387</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,181	\$ 2,240	\$ 1,426	\$ 4,222	\$ 4,152	\$ 4,838	\$ 5,791	\$ 5,439	\$ 8,055	\$ 7,698
Public safety	2,265	2,444	2,503	2,654	2,601	3,085	2,923	3,266	3,083	3,286
Culture and recreation	990	1,047	1,046	953	947	1,002	1,034	1,120	1,234	1,284
Community development	2,493	1,515	536	-	-	-	-	-	-	-
Highways and streets	1,504	1,333	1,445	1,543	1,803	2,323	2,404	2,490	2,526	2,601
Operating grants and contributions	4,020	3,091	5,164	6,678	6,313	6,518	6,939	6,675	6,903	8,317
Capital grants and contributions	141	2,093	555	956	289	465	460	481	922	830
Total governmental activities program revenues	<u>13,594</u>	<u>13,763</u>	<u>12,675</u>	<u>17,006</u>	<u>16,105</u>	<u>18,232</u>	<u>19,552</u>	<u>19,471</u>	<u>22,723</u>	<u>24,016</u>
Business-type activities:										
Charges for services:										
Water	4,534	4,765	5,951	6,896	9,007	11,487	10,207	11,807	13,200	14,104
Wastewater	5,885	7,223	8,393	10,856	12,089	12,048	12,352	12,916	13,211	13,589
Surface water	1,799	1,812	1,822	1,964	2,103	2,233	2,398	2,555	2,851	3,098
Golf course	726	730	658	597	636	630	591	664	663	558
Tennis facility	351	336	381	403	425	391	382	363	381	406
Operations & Motor Pool ¹	-	-	-	211	228	210	207	28	13	13
Engineering ¹	-	-	-	111	151	124	206	447	261	397
Operating grants and contributions	-	-	-	910	71	-	-	-	-	-
Capital grants and contributions	-	1,837	779	175	414	452	244	734	3,558	1,674
Total business-type activities program revenues	<u>13,295</u>	<u>16,703</u>	<u>17,983</u>	<u>22,124</u>	<u>25,124</u>	<u>27,575</u>	<u>26,587</u>	<u>29,513</u>	<u>34,138</u>	<u>33,839</u>
Total primary government program revenues	<u>\$ 26,889</u>	<u>\$ 30,465</u>	<u>\$ 30,658</u>	<u>\$ 39,130</u>	<u>\$ 41,229</u>	<u>\$ 45,806</u>	<u>\$ 46,139</u>	<u>\$ 48,984</u>	<u>\$ 56,861</u>	<u>\$ 57,855</u>

¹The Public Works Support Services Fund and the Engineering Fund were part of governmental activities until 2010-11. They are now classified as internal service funds.

Continued on next page

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) Revenue										
Governmental activities	\$ (34,715)	\$ (33,198)	\$ (31,609)	\$ (30,269)	\$ (35,480)	\$ (31,175)	\$ (29,861)	\$ (20,254)	\$ (50,097)	\$ (34,742)
Business-type activities	(1,977)	1,996	3,277	4,402	3,068	5,289	1,253	10,136	9,213	7,210
Total expenses	<u>\$ (36,692)</u>	<u>\$ (31,202)</u>	<u>\$ (28,332)</u>	<u>\$ (25,868)</u>	<u>\$ (32,412)</u>	<u>\$ (25,886)</u>	<u>\$ (28,608)</u>	<u>\$ (10,117)</u>	<u>\$ (40,884)</u>	<u>\$ (27,532)</u>
General Revenues and Other Changes in Net position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 23,442	\$ 27,057	\$ 28,565	\$ 26,170	\$ 27,429	\$ 27,614	\$ 28,956	\$ 30,204	\$ 31,594	\$ 32,963
Property taxes, levied for debt service	6,086	3,683	3,485	6,411	6,801	6,721	7,028	6,667	6,465	6,804
Franchise taxes	2,558	2,529	2,627	2,773	3,135	2,844	2,519	2,593	2,580	2,744
Hotel and motel taxes	733	678	716	796	806	949	1,011	1,146	1,273	1,249
Interest and investment earnings	1,329	524	455	337	147	750	966	137	264	1,054
Capital contributions	561	-	-	-	-	-	-	-	-	-
Other revenues	155	266	449	187	261	465	319	656	967	761
Gain (loss) on sale of capital assets	-	-	-	3	3	3	1,492	3	767	(11)
Transfers	230	(115)	(12)	(310)	160	(746)	(242)	(5,070)	(2,320)	(2,944)
Total governmental activities	<u>35,094</u>	<u>34,621</u>	<u>36,285</u>	<u>36,366</u>	<u>38,743</u>	<u>38,600</u>	<u>42,049</u>	<u>36,335</u>	<u>41,590</u>	<u>42,620</u>
Business-type activities:										
Interest and investment earnings	827	272	124	70	119	243	159	45	287	221
Capital contributions	1,652	-	-	-	-	-	-	-	-	-
Other revenues	60	73	63	21	21	16	19	38	199	475
Gain (Loss) on sale of capital assets	-	-	-	-	-	(124)	61	-	-	-
Transfers	(230)	115	12	310	(160)	746	242	5,070	2,320	2,944
Total business-type activities	<u>2,309</u>	<u>459</u>	<u>199</u>	<u>400</u>	<u>(20)</u>	<u>881</u>	<u>481</u>	<u>5,153</u>	<u>2,806</u>	<u>3,640</u>
Total	<u>\$ 37,403</u>	<u>\$ 35,080</u>	<u>\$ 36,485</u>	<u>\$ 36,767</u>	<u>\$ 38,723</u>	<u>\$ 39,481</u>	<u>\$ 42,530</u>	<u>\$ 41,488</u>	<u>\$ 44,396</u>	<u>\$ 46,260</u>
Change in Net Position										
Governmental activities	\$ 379	\$ 1,423	\$ 4,676	\$ 6,097	\$ 3,263	\$ 7,425	\$ 12,188	\$ 16,082	\$ (8,507)	\$ 7,878
Business-type activities	332	2,456	3,476	4,802	3,048	6,170	1,734	15,289	12,019	10,850
Total	<u>\$ 711</u>	<u>\$ 3,879</u>	<u>\$ 8,152</u>	<u>\$ 10,899</u>	<u>\$ 6,311</u>	<u>\$ 13,595</u>	<u>\$ 13,922</u>	<u>\$ 31,371</u>	<u>\$ 3,512</u>	<u>\$ 18,728</u>

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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
2008	\$ 29,106,537	\$ 2,557,856	\$ 1,574,305	\$ 733,297	\$ 430,649	\$ 34,402,644
2009	30,314,960	2,528,804	1,404,495	678,052	432,498	35,358,809
2010	31,963,819	2,626,633	1,523,590	716,098	413,965	37,244,105
2011	32,711,063	2,773,246	1,797,277	795,570	429,633	38,506,789
2012	33,800,882	3,135,014	1,997,467	806,141	468,432	40,207,936
2013	34,717,306	2,843,946	2,009,869	948,461	489,679	41,009,261
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

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)

	Fiscal year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ -	\$ 5,949	\$ 6,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,604	14,054	16,359	-	-	-	-	-	-	-
Non-spendable ¹	-	-	-	1,500	1,500	-	-	-	-	-
Restricted ¹	-	-	-	6,956	5,954	6,826	-	-	-	-
Committed ¹	-	-	-	-	-	105	124	26	69	41
Assigned ¹	-	-	-	1,014	1,658	2,713	2,771	986	947	1,942
Unassigned ¹	-	-	-	16,105	15,570	16,627	21,696	21,422	25,449	25,227
Total general fund	<u>\$ 3,604</u>	<u>\$ 20,003</u>	<u>\$ 22,437</u>	<u>\$ 25,575</u>	<u>\$ 24,682</u>	<u>\$ 26,271</u>	<u>\$ 24,591</u>	<u>\$ 22,434</u>	<u>\$ 26,465</u>	<u>\$ 27,210</u>
All other governmental funds										
Reserved	\$ 16,727	\$ 11,120	\$ 10,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	11,990	1,159	1,423	-	-	-	-	-	-	-
Capital projects funds	305	101	72	-	-	-	-	-	-	-
Non-spendable ¹	-	-	-	33	-	-	-	-	-	-
Restricted ¹	-	-	-	10,082	9,199	9,094	21,820	25,296	25,931	30,620
Assigned ¹	-	-	-	1,423	1,740	2,329	2,408	6,599	7,942	9,517
Total all other governmental funds	<u>\$ 29,022</u>	<u>\$ 12,380</u>	<u>\$ 11,837</u>	<u>\$ 11,538</u>	<u>\$ 10,939</u>	<u>\$ 11,423</u>	<u>\$ 24,228</u>	<u>\$ 31,895</u>	<u>\$ 33,873</u>	<u>\$ 40,137</u>

¹ These reflect the new classifications of fund balance as determined for GASB 54 beginning with fiscal year 2010-11.

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Property taxes	\$ 29,106	\$ 30,315	\$ 31,964	\$ 32,711	\$ 33,801	\$ 34,717	\$ 36,099	\$ 36,822	\$ 37,915	\$ 39,696
Franchise fees	2,558	2,529	2,627	2,773	3,135	2,844	2,519	2,593	2,580	2,744
Intergovernmental	4,359	4,460	5,671	6,123	6,623	6,678	6,939	6,675	6,903	8,317
Licenses and fees	5,577	4,611	4,665	5,547	5,953	7,039	8,257	8,310	11,048	10,715
Fines and forfeitures	967	823	1,129	1,113	986	1,058	990	942	960	1,048
Sales and services	3,015	3,141	3,281	3,341	3,357	4,083	3,974	4,239	4,173	4,337
Charges for services	7,221	6,570	6,728	2,580	2,585	2,698	2,710	7,339	7,160	7,677
Special assessment - principal	35	61	50	25	12	9	9	11	9	6
Miscellaneous	1,846	88	1,606	1,206	366	1,478	1,276	786	1,231	1,815
Total revenues	<u>54,684</u>	<u>52,598</u>	<u>57,720</u>	<u>55,420</u>	<u>56,819</u>	<u>60,603</u>	<u>62,773</u>	<u>67,717</u>	<u>71,979</u>	<u>76,353</u>
Expenditures:										
Current:										
General government	9,418	10,424	14,431	14,276	15,541	14,150	12,949	14,540	17,789	16,207
Public safety	17,557	17,521	17,782	16,702	17,997	18,664	18,986	21,815	23,209	23,545
Culture and recreation	8,655	8,617	9,283	9,349	9,860	10,012	9,730	12,080	12,026	13,824
Community development	6,595	6,053	2,589	-	-	-	-	-	-	-
Highways and streets	2,243	2,523	2,208	2,464	2,443	2,673	2,796	2,827	2,642	3,147
Debt service:										
Principal	2,935	3,161	3,375	3,510	40,812	3,980	3,435	9,585	19,315	2,381
Interest	2,840	2,004	1,273	1,504	1,195	1,192	1,056	980	851	793
Capital outlay	9,451	2,590	4,804	4,221	7,115	7,116	3,946	6,088	10,995	6,551
Intergovernmental expense	900	-	38	150	2,000	-	-	-	-	-
Total expenditures	<u>60,594</u>	<u>52,892</u>	<u>55,784</u>	<u>52,176</u>	<u>96,963</u>	<u>57,787</u>	<u>52,898</u>	<u>67,915</u>	<u>86,828</u>	<u>66,447</u>
Deficiency of revenues over (under) expenditures	<u>(5,910)</u>	<u>(194)</u>	<u>1,936</u>	<u>3,244</u>	<u>(40,144)</u>	<u>2,817</u>	<u>9,876</u>	<u>(197)</u>	<u>(14,849)</u>	<u>9,906</u>
Other financing sources (uses):										
Transfers in	2,733	19,005	1,802	2,694	19,907	3,604	14,754	5,893	12,703	7,848
Transfers out	(2,698)	(19,195)	(1,851)	(3,004)	(19,747)	(4,350)	(14,996)	(10,963)	(15,023)	(10,791)
Proceeds from sale of capital assets	1,104	142	3	3	3	3	1,492	3	19,482	47
Proceeds from bonds issued	-	-	-	-	15,832	-	-	-	-	-
Proceeds line-of-credit issued	-	-	-	-	22,657	-	-	-	3,500	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	196	-
Proceeds from refunding bonds issued	-	-	-	-	-	-	-	10,774	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,139</u>	<u>(48)</u>	<u>(46)</u>	<u>(307)</u>	<u>38,652</u>	<u>(743)</u>	<u>1,250</u>	<u>5,707</u>	<u>20,857</u>	<u>(2,897)</u>
Net change in fund balances	<u>\$ (4,771)</u>	<u>\$ (242)</u>	<u>\$ 1,890</u>	<u>\$ 2,937</u>	<u>\$ (1,492)</u>	<u>\$ 2,073</u>	<u>\$ 11,126</u>	<u>\$ 5,510</u>	<u>\$ 6,009</u>	<u>\$ 7,009</u>
Debt service as a percentage of noncapital expenditures	11.3%	10.3%	9.1%	10.5%	46.8%	10.2%	9.2%	17.1%	26.6%	5.3%

CITY OF LAKE OSWEGO, OREGON

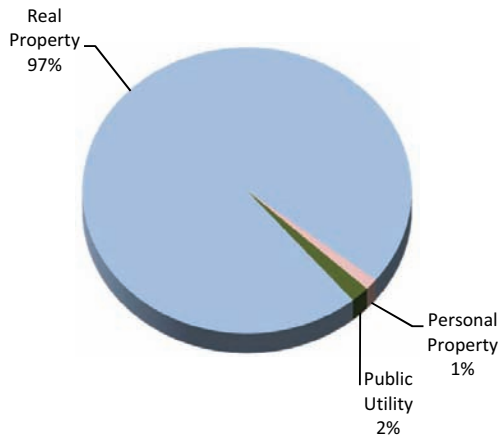
**Assessed Value and Estimated Real Market Value of Taxable Property
for the last ten fiscal years**

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			
2008	\$ 4,836,748,746	\$ 91,410,514	\$ 67,132,080	\$ 4,995,291,340	\$ 6.0581	\$ 9,444,930,784	52.9%
2009	5,070,330,976	99,718,138	65,890,930	5,235,940,044	6.0565	9,910,531,110	52.8
2010	5,283,069,817	97,869,846	91,696,150	5,472,635,813	6.0453	9,159,770,829	59.7
2011	5,476,019,197	85,399,877	93,014,268	5,654,433,342	5.9945	8,094,242,425	69.9
2012	5,639,720,370	82,744,398	126,894,660	5,849,359,428	6.0056	7,690,906,645	76.1
2013	5,809,790,626	78,903,354	121,103,000	6,009,796,980	5.9835	7,423,694,430	81.0
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

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 2017**



CITY OF LAKE OSWEGO, OREGON

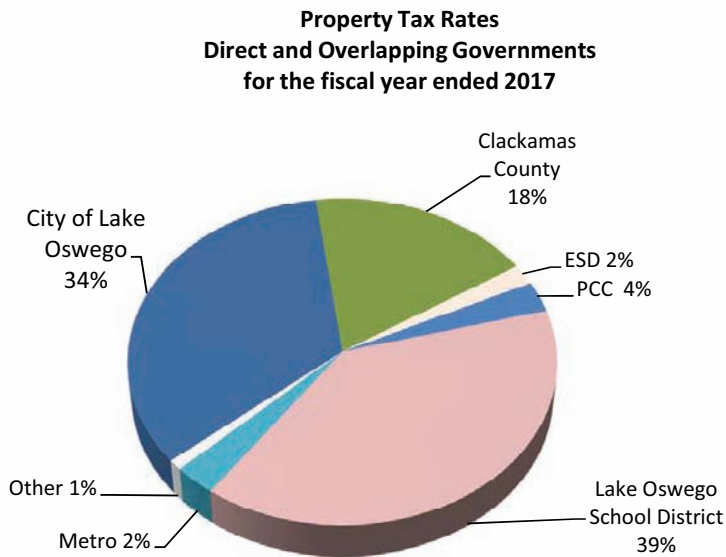
Property Tax Rates - Direct and Overlapping Governments
for the last ten fiscal years
(rate per \$1,000 of assessed value)

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	
2008	\$ 4.8035	\$ 0.6964	\$ 0.5582	\$ 6.0581	\$ 2.70	\$ 0.35	\$ 0.48	\$ 6.62	\$ 0.41	\$ 0.22	\$ 16.84
2009	4.8055	0.6908	0.5602	6.0565	2.70	0.35	0.49	6.91	0.38	0.22	17.11
2010	4.7915	0.6247	0.6291	6.0453	3.17	0.35	0.61	6.91	0.41	0.22	17.72
2011	4.7924	0.5883	0.6138	5.9945	3.17	0.35	0.61	6.65	0.39	0.22	17.38
2012	4.7855	0.5898	0.6303	6.0056	3.14	0.35	0.58	6.60	0.30	0.19	17.17
2013	4.7918	0.5796	0.6121	5.9835	3.16	0.35	0.64	6.60	0.38	0.14	17.25
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

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	2017			2008		
	Assessed value	Rank	Percent of total value	Assessed value	Rank	Percent of total value
Shorenstein Properties LLC	\$ 216,829,350	1	3.04%	\$ 96,859,307	1	1.94%
Meadows Road LLC	71,456,748	2	1.00			
Prime Foothills LLC	44,946,482	3	0.63			
Comcast Corporation	32,263,200	4	0.45			
Property Reserve Inc.	38,264,785	5	0.54	29,268,017	4	0.59
Micro Systems Engineering Inc.	34,067,401	6	0.48			
Gramor Development	30,521,404	7	0.43	23,400,803	5	0.47
Phoenix Commercial Investments	30,212,865	8	0.42	23,155,646	6	0.46
Friedkin Realty Group	24,453,175	9	0.34			
5 CP LLC	21,856,367	10	0.31			
St. Paul Properties Inc.				18,031,055	8	0.36
Portland General Electric Co.				17,756,000	9	0.36
Prime Property Capital Inc.				34,447,735	2	0.69
Spieker Properties				30,465,754	3	0.61
Alliance Tax Advisors				20,659,285	7	0.41
Qwest Corporation				16,757,500	10	0.34
Total	\$ 544,871,777		7.64%	\$ 310,801,102		6.22%

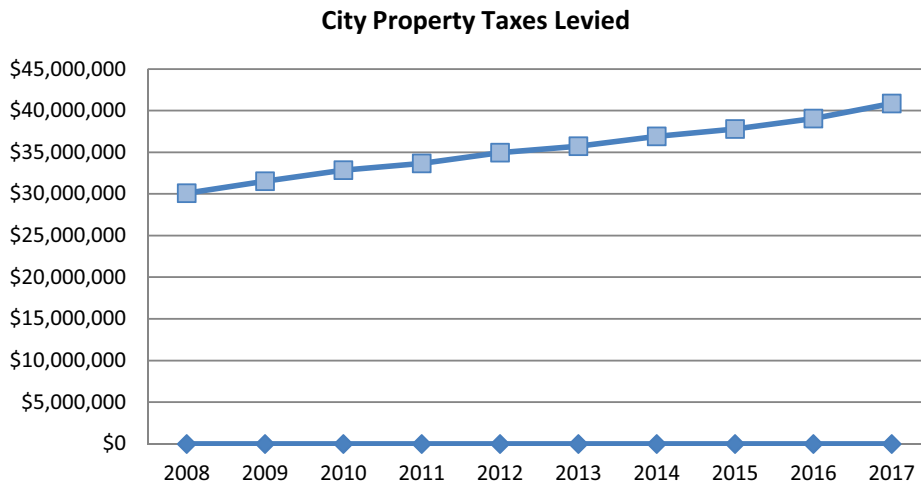
Source: Clackamas County Assessor's Office

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
2008	\$ 30,078,019	\$ 28,329,781	94%	\$ 863,818	\$ 29,193,599	97%
2009	31,529,026	29,507,399	94	1,278,649	30,786,048	98
2010	32,864,149	30,946,450	94	1,033,961	31,980,411	97
2011	33,669,684	31,650,218	94	1,024,825	32,675,043	97
2012	34,934,532	32,917,116	94	964,563	33,881,679	97
2013	35,709,850	33,760,247	95	871,457	34,631,704	97
2014	36,904,316	34,985,936	95	804,508	35,790,444	97
2015	37,798,336	35,900,595	95	604,770	36,505,365	97
2016	39,030,062	37,116,892	95	339,565	37,456,457	96
2017	40,837,465	38,920,314	95	-	38,920,314	95

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	Capital Leases ³
2008	\$ 25,665,000	\$ 20,156,913	\$ -	\$ 16,235,000	\$ -
2009	23,380,000	20,156,913	-	15,360,000	-
2010	21,020,000	20,156,913	-	14,345,000	-
2011	18,580,000	20,156,913	-	13,275,000	-
2012	16,066,920	21,806,913	11,767,792	-	-
2013	13,363,555	20,956,913	11,294,224	-	-
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

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 Capital leases are for the lease program for city vehicles.

Continued on next page

Business-type activities

Revenue bonds	Full Faith & Credit obligations¹	Line of Credit²	Bond anticipation notes	Total	Percentage of personal income	Per capita
\$ 12,875,000	\$ -	\$ -	\$ 12,000,000	\$ 86,931,913	96.62%	\$ 2,392
12,220,000	60,000,000	-	12,000,000	143,116,913	168.17	3,900
11,540,000	60,000,000	-	-	127,061,913	144.49	3,457
10,815,000	95,000,000	-	-	157,826,913	168.89	4,284
10,065,000	95,000,000	-	-	154,706,625	156.49	4,213
9,280,000	92,160,000	13,000,000	-	160,054,692	158.14	4,353
8,465,000	169,194,293	-	-	219,792,052	204.39	5,942
7,615,000	165,981,337	-	-	216,849,879	187.44	5,844
6,730,000	162,693,391	-	-	196,989,255	NA	5,281
5,795,000	157,205,445	-	-	188,117,121	NA	5,026

Continued from previous page

CITY OF LAKE OSWEGO, OREGON

Ratios of General Bonded Debt Outstanding
for the last ten fiscal years

Fiscal year	General obligation bonds	Redevelopment agency urban renewal bonds	Less: Amounts available in debt service fund	Total	Percentage of estimated actual taxable value of property¹	Per capita²
2008	\$ 25,665,000	\$ 16,235,000	\$ 773,392	\$ 41,126,608	0.82%	\$ 1,132
2009	23,380,000	15,360,000	1,425,502	37,314,498	0.71	1,017
2010	21,020,000	14,345,000	1,879,141	33,485,859	0.61	911
2011	18,580,000	13,275,000	1,634,088	30,220,912	0.53	820
2012	16,066,920	-	579,826	15,487,094	0.26	422
2013	13,363,555	-	679,029	12,684,526	0.21	345
2014	11,215,190	-	1,269,203	9,945,987	0.16	269
2015	13,689,541	-	806,841	12,882,700	0.20	347
2016	11,590,021	-	773,800	10,816,221	0.16	290
2017	9,695,505	-	837,464	8,858,041	0.12	237

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 157.

² Population data can be found in the demographic statistic on page 170.

CITY OF LAKE OSWEGO, OREGON

**Direct and Overlapping Governmental Activities Debt
as of June 30, 2017**

Governmental unit	Debt outstanding	Estimated percentage applicable	Amount applicable to City of Lake Oswego
Debt repaid with property taxes:			
Lake Oswego SD #7J	\$ 90,618,476	86.66%	\$ 78,530,062
Metro	183,510,000	3.85	7,071,558
Portland Community College	302,090,000	4.78	14,432,652
Multnomah County SD #1J	665,077,068	0.48	3,206,337
Other districts:			
Clackamas County	155,330,136	15.11	23,462,928
Clackamas Community College	102,608,913	0.21	215,889
Clackamas County ESD	22,820,637	15.93	3,634,415
Multnomah County	143,743,241	0.39	554,561
Washington County	232,130,277	0.01	34,587
Rivergrove Water District 14J	627,528	36.07	226,348
Other Debt:			
Metro	19,225,000	3.85	740,835
Port of Portland	62,108,214	3.55	2,207,263
Portland Community College	87,170,000	4.78	4,164,634
Other districts:			
Clackamas County	1,400,000	15.11	211,473
Clackamas Community College	25,665,000	0.21	53,999
Clackamas County ESD	-	15.93	-
Multnomah County	94,263,370	0.39	363,668
Multnomah ESD	28,200,000	0.36	102,676
Washington County	26,740,000	0.01	3,984
Subtotal, overlapping debt	2,243,327,860		139,217,869
Direct debt outstanding:			
City of Lake Oswego, Oregon	25,116,676	100.00%	25,116,676
Total direct and overlapping debt outstanding	\$ 2,268,444,536		\$ 164,334,545

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 283,347,924	\$ 297,315,933	\$ 274,793,125	\$ 242,827,273	\$ 230,727,199
Debt applicable to limit	25,665,000	23,380,000	21,020,000	18,580,000	16,066,920
Less premium received on Refunding Bonds Series 2011	-	-	-	-	(106,920)
Total net debt applicable to limit	<u>25,665,000</u>	<u>23,380,000</u>	<u>21,020,000</u>	<u>18,580,000</u>	<u>15,960,000</u>
Legal debt margin	<u>\$ 257,682,924</u>	<u>\$ 273,935,933</u>	<u>\$ 253,773,125</u>	<u>\$ 224,247,273</u>	<u>\$ 214,767,199</u>
Total net debt applicable to the limit as a percentage of debt limit	9.06%	7.86%	7.65%	7.65%	6.92%

Continued on next page

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 222,710,833	\$ 227,796,174	\$ 254,384,729	\$ 278,882,093	\$ 314,817,382
13,363,555	11,215,190	13,689,541	11,590,021	9,695,505
(93,555)	(80,190)	(574,545)	(540,021)	(505,505)
<u>13,270,000</u>	<u>11,135,000</u>	<u>13,114,996</u>	<u>11,050,000</u>	<u>9,190,000</u>
<u>\$ 209,440,833</u>	<u>\$ 216,661,174</u>	<u>\$ 241,269,733</u>	<u>\$ 267,832,093</u>	<u>\$ 305,627,382</u>
5.96%	4.89%	5.16%	3.96%	2.92%

Legal debt margin calculation for fiscal year ended 2016-17

Total property real market value ¹	\$ 10,493,912,727
	<u>3%</u>
Debt limit (3% of total property real market value)	<u>314,817,382</u>
Amount of debt applicable to debt limit:	
Total bonded debt	177,075,000
Less debt excluded from debt limit:	
Wastewater Full Faith & Credit bonds '09	(51,030,000)
Wastewater Full Faith & Credit bonds '10	(29,090,000)
Water Full Faith & Credit bonds '13	(73,165,000)
Revenue bonds and refunding, Water '07	(4,395,000)
Revenue bonds, Series 2005 Surface Water	(1,400,000)
Urban renewal bonds, Series 2011-A	<u>(8,805,000)</u>
Net amount of debt applicable to limit	<u>9,190,000</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 305,627,382</u>

Note: Pursuant to Oregon Revised Statutes 287A.050, outstanding general obligation debt is limited to 3 percent of real market value

¹ Source: Clackamas, Multnomah, and Washington County Department of Assessment and Taxation

CITY OF LAKE OSWEGO, OREGON

Pledged-Revenue Coverage

for the last ten fiscal years

Fiscal year	Water Revenue Bonds						Coverage
	Utility service charges ¹	Less: operating expenses ²	Net available revenue	Debt service requirements			
				Principal	Interest		
2008	\$ 4,618,809	\$ 3,162,915	\$ 1,455,894	\$ 300,000	\$ 394,083	2.10	
2009	4,887,543	3,208,067	1,679,476	530,000	265,676	2.11	
2010	5,577,462	3,329,995	2,247,467	555,000	194,507	3.00	
2011	6,283,664	3,839,281	2,444,383	595,000	362,541	2.55	
2012	8,062,352	3,974,729	4,087,623	615,000	338,341	4.29	
2013	10,286,446	4,675,432	5,611,014	645,000	313,141	5.86	
2014	10,275,507	4,754,905	5,520,602	670,000	286,841	5.77	
2015 ³	11,850,676	2,882,987	8,967,689	700,000	259,441	9.35	
2016 ⁴	13,439,678	5,584,389	7,855,289	730,000	230,841	8.18	
2017 ⁵	14,552,967	5,100,551	9,452,416	770,000	200,841	9.74	

Source: Annual financial statements of the City of Lake Oswego

¹ Includes operating revenue plus interest income on operating earnings.

² Includes operating expenses except for depreciation and, starting with fiscal year 2000, transfers to the general and community development funds are excluded as well through fiscal year 2009, pursuant to bond covenants coverage requirements. Starting in fiscal year 2010 the transfers from the engineering fund have been excluded instead of the community development fund. Starting in fiscal year 2014 transfers to the General and Engineering funds, became Internal Fees for Service as part of Materials and Services and have been excluded.

³ In 2015, GASB 68 was implemented. The effect on FY15 operating expenses for water was a reduction in operating expenses of \$487,343 and for surface water was a reduction of \$98,660.

⁴ In 2016, the effect of GASB 68 on FY16 operating expenses for water was an increase in operating expenses of \$739,286 and for surface water was an increase of \$139,350.

⁵ In 2017, the effect of GASB 68 on FY17 operating expenses for water was an increase in operating expenses of \$59,245 and for surface water was an increase of \$13,843.

Continued on next page

Surface Water Revenue Bonds

Fiscal year	Utility service charges¹	Less: operating expenses²	Net available revenue	Debt service requirements³		Coverage
				Principal	Interest	
2008	\$ 1,384,460	\$ 528,878	\$ 855,582	\$ 120,000	\$ 117,420	3.60
2009	1,844,390	820,043	1,024,347	125,000	113,589	4.29
2010	1,836,641	667,769	1,168,872	125,000	109,526	4.98
2011	1,973,175	691,819	1,281,356	130,000	105,220	5.45
2012	2,112,909	862,665	1,250,244	135,000	100,582	5.31
2013	2,253,760	890,208	1,363,552	140,000	95,420	5.79
2014	2,406,619	907,736	1,498,883	145,000	89,720	6.39
2015 ³	2,555,325	870,525	1,684,800	150,000	83,820	7.21
2016 ⁴	2,858,860	1,149,734	1,709,126	155,000	77,720	7.34
2017	3,138,722	1,015,969	2,122,753	165,000	70,495	9.01

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CITY OF LAKE OSWEGO, OREGON
Demographic and Economic Statistics
for the last ten fiscal years

Fiscal year	Population	Personal income (in thousands)¹	Per capita personal income¹	School enrollment	Unemployment rate
2008	36,345	\$ 89,977	\$ 41,410	6,777	5.6%
2009	36,698	85,103	38,565	6,743	11.3
2010	36,755	87,940	39,384	6,702	10.2
2011	36,845	93,449	41,302	6,746	9.0
2012	36,725	98,862	43,189	6,765	8.0
2013	36,770	101,210	43,728	6,782	7.2
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	*	*	7,023	4.9
2017	37,430	*	*	7,071	3.7

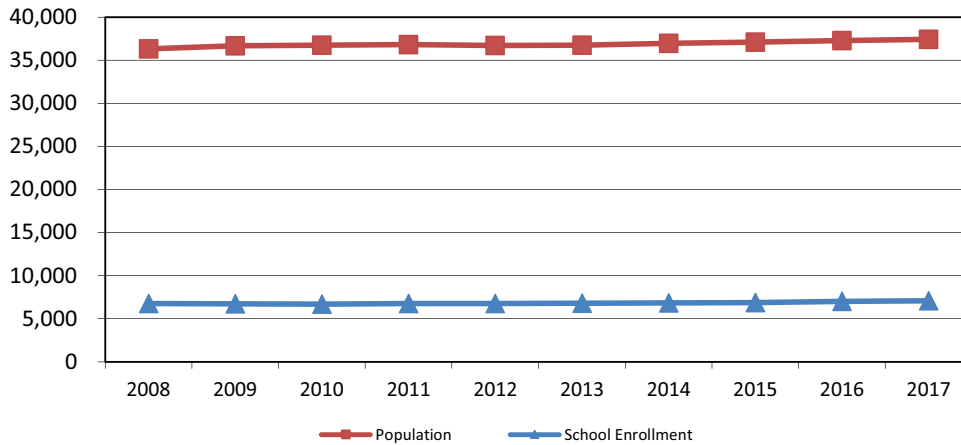
* Information unavailable at this time

Sources: Center for Population Research and Census, Portland State University
 Bureau of Economic Analysis

¹Beginning in 2009, the data reflects a change to the statistical area used for the metropolitan statistical area to Portland-Vancouver-Hillsboro, OR-WA (*Vancouver now replaces Beaverton as a principal city based on population*). All prior fiscal years were updated to reflect BEA revised figures as of April 2012.

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	2017			2008		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Lake Oswego School District	687	1	1.99%	890	1	2.54%
City of Lake Oswego	345	2	1.00	350	2	1.00
Mary's Woods at Marylhurst	344	3	1.00			
Micro Systems Engineering, Inc.	335	4	0.97	285	5	0.81
Navex Global, Inc.	267	5	0.77			
Marylhurst University	244	6	0.71			
Autodesk, Inc.	215	7	0.62			
Greenbrier Companines, Inc.	164	8	0.48			
New Seasons Market, Inc.	158	9	0.46			
Biotronix Inc.	141	10	0.41			
Gage Industries, Inc.				325	3	0.93
Waggener Edstrom, Inc.				308	4	0.88
Pacificare of Oregon				278	6	0.79
Guidance Medical Personnel				250	7	0.71
Lime Financial				232	8	0.66
Otak, Inc.				200	9	0.57
Meritage Mortgage Corp.				200	10	0.57
Total	2,900		8.41%	3,318		9.48%

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	2008	2009	2010	2011¹	2012	2013	2014	2015	2016	2017
General government	50.8	52.2	78.2	75.7	74.5	74.8	67.8	67.8	65.5	66.0
Public safety	126.0	125.0	125.0	121.0	121.0	121.0	121.0	121.0	121.0	120.5
Culture and recreation	89.9	94.5	94.5	93.4	92.4	95.6	90.5	89.5	88.5	88.5
Public works	48.7	46.0	25.0	-	-	-	-	-	-	-
Highways and streets	5.3	5.3	5.3	4.8	4.8	4.8	5.1	5.1	5.0	5.0
Water	15.2	14.7	14.7	18.7	20.7	24.4	25.2	24.2	23.7	21.9
Wastewater	11.2	11.4	11.4	10.4	8.2	7.0	6.0	6.0	6.0	6.2
Surface water	3.0	3.3	3.3	3.8	3.8	3.8	3.8	3.8	3.8	3.9
Public Works Support Services	-	-	-	8.5	8.8	8.8	9.9	9.9	11.0	10.0
Engineering	-	-	-	19.5	20.3	22.3	22.8	22.8	22.8	22.8
Total	350.1	352.4	357.4	355.8	354.5	362.5	352.1	350.1	347.3	344.8

¹ With the implementation of GASB 54, Operations Services and Motor Pool Fund and the Engineering Fund were reclassified as internal service funds. The FTE from Operations Services and Motor Pool had previously been recognized in general government, while Engineering had been recognized in Public Works.

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	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Public safety										
Physical arrests	1,140	1,170	957	837	724	765	651	699	696	607
Traffic violations	5,617	5,456	6,329	6,062	5,474	6,203	5,885	4,093	4,089	4,557
Emergency fire and medical responses	3,615	3,835	3,517	3,520	3,389	3,588	3,559	3,784	4,003	4,000
Emergency calls (Police)	2,793	2,715	2,361	2,484	2,374	2,322	2,346	2,503	2,504	2,412
Culture and recreation										
Library volunteer hours	12,236	13,506	14,008	14,193	13,467	12,779	12,005	12,454	12,615	11,045
Library - average items circulated per capita	33	33	36	36	34	33	33	30	27	27
Community development										
Residential building permits issued	322	372	275	297	301	305	355	385	375	387
Business-type activities:										
Water										
Service connections ¹	12,267	12,296	12,315	12,186	12,139	12,173	12,518	12,491	12,534	12,641
Average daily consumption (in thousands of gallons)	5,753	5,750	5,460	4,900	4,811	5,253	4,679	5,073	5,199	5,116
Sewer ²										
Service connections	12,239	12,232	12,243	12,277	12,347	12,373	12,582	12,693	12,734	12,840
Average daily sewage treatment (in thousands of gallons)	4,472	3,920	4,214	4,684	4,324	3,994	3,889	3,803	4,795	5,679

¹ In previous CAFR reports the service connections included unassigned meters. As of the 2010-11 CAFR, the connection count was updated retroactively to not include unassigned meters.

² In more recent CAFR reports Sewer was named Wastewater.

Source: City of Lake Oswego's Finance department

CITY OF LAKE OSWEGO, OREGON

Capital Assets Statistics by Function
for the last ten fiscal years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Culture and recreation										
Park and open space acreage	618	618	618	618	616	616	620	620	620	620
Community development										
Value of new building construction (in thousands)	50,772	13,023	10,399	28,452	20,350	34,490	42,750	56,430	113,601	67,153
Highways and streets										
Miles of streets	169	169	169	169	169	169	169	169	169	169

Source: City of Lake Oswego's Finance department

**CITY OF LAKE OSWEGO, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SECTION IV

COMPLIANCE

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

To the City Council
City of Lake Oswego
Lake Oswego, Oregon

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Oswego, Oregon (the City), as of and for the year ended June 30, 2017, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- 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, 279C).



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

Page 2

COMPLIANCE (Continued)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

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

Talbot, Kowola & Warwick LLP

Lake Oswego, Oregon
November 21, 2017

APPENDIX C
FORM OF LEGAL OPINION

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December __, 2017

City of Lake Oswego
Lake Oswego, Oregon

\$ _____
City of Lake Oswego, Oregon
Full Faith and Credit Refunding Obligations, Series 2017
(Final Opinion)

Ladies and Gentlemen:

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 Wells Fargo, National Association, as escrow agent (the "Escrow Agent"), and the City, dated as of December __, 2017 (the "Financing Agreement"), that establishes the terms for the \$ _____ aggregate principal amount of the City's Full Faith and Credit Refunding Obligations, Series 2017 (the "Obligations"), which are executed and delivered by the Escrow Agent, pursuant to an Escrow Agreement, dated as of December __, 2017 (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. 17-63 adopted by the City Council of the City on November 21, 2017 (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 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 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 execution and delivery and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) 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 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 with respect to the Obligations and under the Financing Agreement, the Escrow Agreement, the Resolution and the Tax Certificate and their

City of Lake Oswego, Oregon

December __, 2017

Page 2

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 cities 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 real or personal property [assets] 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 assets. 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 opinion 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 the valid and binding obligations of the City.

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 with respect to the Obligations 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 component is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

\$[_____]
CITY OF LAKE OSWEGO, OREGON
FULL FAITH AND CREDIT REFUNDING OBLIGATIONS
SERIES 2017

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 Refunding Obligations, Series 2017 (the “Obligations”). The Obligations are being executed and delivered pursuant to Resolution No. 17-63 adopted by the City Council of the City on November 21, 2017 (the “Resolution”) and pursuant to a Financing Agreement dated as of December [], 2017 (the “Financing Agreement”) and an Escrow Agreement dated as of December [], 2017 (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 [] (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.

“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 December [], 2017.

“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 9 and Tables 12 through 15 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, 2018. 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.

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 Obligation 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.

(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.

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 (i) 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 (ii) 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 [] day of December 2017.

CITY OF LAKE OSWEGO, OREGON

By: _____
Authorized Representative

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 effect 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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