

**BOLDT, CARLISLE & SMITH LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
PARTNERSHIP ■ ASSURANCE ■ INNOVATION

**LINCOLN CITY URBAN RENEWAL AGENCY**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2009**

[www.bcslc.com](http://www.bcslc.com)

Established - 1968

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# LINCOLN CITY URBAN RENEWAL AGENCY

## AGENCY OFFICIALS

For the Year Ended June 30, 2009

### GOVERNING BODY

| <u>Name</u>        | <u>Address</u>   | <u>Term Expires/Expired</u> |
|--------------------|--|-----------------------------|
| Lori Hollingsworth | 1640 NE 14 <sup>th</sup><br>Lincoln City, Oregon 97367       | December 31, 2010           |
| Ed Kuntz           | PO Box 1119<br>Lincoln City, Oregon 97367                    | December 31, 2008           |
| Doug Holbrook      | 1051 SW 8 <sup>th</sup> Street<br>Lincoln City, Oregon 97367 | December 31, 2008           |
| Rick Brissette     | 3543 NW Keel Avenue<br>Lincoln City, Oregon 97367            | December 31, 2012           |
| Randy Butts        | 2148 NE 29 <sup>th</sup> Drive<br>Lincoln City, Oregon 97367 | June 8, 2009                |
| Dick Anderson      | 960 SW Hwy 101 #347<br>Lincoln City, Oregon 97367            | December 31, 2010           |
| Gary Ellingson     | 3417 SW Anchor Ave.<br>Lincoln City, Oregon 97367            | December 31, 2010           |
| Tim Crenshaw       | 3452 SE 35 <sup>th</sup> Court<br>Lincoln City, Oregon 97367 | December 31, 2012           |
| Chester Noreikis   | 1421 NW 19 <sup>th</sup><br>Lincoln City, Oregon 97367       | December 31, 2012           |
| Sharon Connor      | 2725 NE 49 <sup>th</sup> Court<br>Lincoln City, Oregon 97367 | December 31, 2010           |

### CITY MANAGER

David Hawker

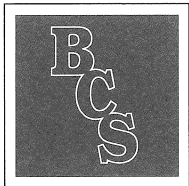
### FINANCE DIRECTOR

Debbie Mammone

# LINCOLN CITY URBAN RENEWAL AGENCY

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**BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

## INDEPENDENT AUDITOR'S REPORT

### Agency Officials

**LINCOLN CITY URBAN RENEWAL AGENCY**

**Lincoln City, Oregon**

We have audited the accompanying financial statements of the governmental activities and each major fund of **LINCOLN CITY URBAN RENEWAL AGENCY**, a *Component Unit of the City of Lincoln City, Oregon* as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **LINCOLN CITY URBAN RENEWAL AGENCY**, as of June 30, 2009, the respective changes in financial position, and the respective budgetary comparisons for the General and Property Rehabilitation Program Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through iv is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A



**Agency Officials**  
**LINCOLN CITY URBAN RENEWAL AGENCY**  
**Lincoln City, Oregon**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Other Supplementary Information and the Other Financial Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Other Financial Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

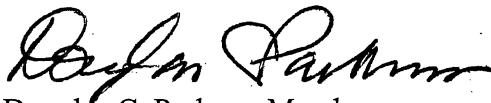
**Boldt, Carlisle & Smith, LLC**

Certified Public Accountants

Salem, Oregon

January 29, 2010

By:



Douglas C. Parham, Member

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**LINCOLN CITY URBAN RENEWAL AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2009**

As management of the Lincoln City Urban Renewal Agency, we offer readers of the Lincoln City Urban Renewal Agency's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget. Please read this analysis in conjunction with the Agency's financial statements, which follow:

**FINANCIAL HIGHLIGHTS**

The total net assets of the Lincoln City Urban Renewal Agency (total assets less total liabilities) at June 30, 2009 were \$16,811,919, an increase of \$1,324,424 in comparison with the prior year. Current liabilities increased by \$61,387 in comparison with the prior year, and long-term liabilities decreased by \$1,633,538. Governmental activities revenue increased \$87,761 due to an increase in property taxes received. Governmental expenses decreased \$41,664.

**REPORT LAYOUT**

This discussion and analysis is intended to serve as an introduction to the Lincoln City Urban Renewal Agency's basic financial statements. The Agency's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the Agency. The components of the report include the following:

*Independent auditor's report*

*Management's discussion and analysis (this report)*

*Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Lincoln City Urban Renewal Agency's finances, in a manner similar to a private sector business.

- The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets.
- The Statement of Activities present revenue and expense information showing how the Agency's net assets changed during the most recent fiscal year.

*Fund financial statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental fund statements follow the more traditional presentation of financial statements. The Lincoln City Urban Renewal Agency maintains two major governmental funds. These statements include balance sheets, statements of revenues and expenditures, changes in fund balances and budgetary information.

*Notes to basic financial statements*

The notes provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

*Other supplementary information*

Major funds are included in the governmental fund section, non-major funds are included in this section. These statements include balance sheets, statements of revenues and expenses, changes in fund balances and budgetary information.

*Other financial information*

This section is the annual report required by ORS. 457.460

*Reports by independent certified public accountants*

Supplemental communication on Agency compliance and internal controls as required by Oregon statutes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

*Statement of Net Assets*

Net assets may serve as a useful indicator of a government's financial position. The Lincoln City Urban Renewal Agency's assets exceed liabilities by \$16,811,919 at the close of the fiscal year ended June 30, 2009. This is an increase of \$1,324,424 (or 8.6%), due primarily to a reduction of long-term liabilities.



## STATEMENT OF NET ASSETS

|   | June 30,      |               |
|---|---------------|---------------|
|   | 2009          | 2008          |
| <b><u>Assets</u></b>                            |               |               |
| Cash and investments                            | \$ 4,846,071  | \$ 5,785,927  |
| Receivables                                     | 962,520       | 981,372       |
| Capital Assets                                  | 20,147,140    | 19,436,159    |
| Total assets                                    | 25,955,731    | 26,203,458    |
| <b><u>Liabilities</u></b>                       |               |               |
| Other liabilities                               | 146,486       | 85,099        |
| Long-term debt outstanding                      | 8,997,326     | 10,630,864    |
| Total liabilities                               | 9,143,812     | 10,715,963    |
| <b><u>Net Assets</u></b>                        |               |               |
| Invested in capital assets, net of related debt | 11,149,814    | 8,805,295     |
| Restricted for debt service                     | 1,812,621     | 2,803,976     |
| Unrestricted                                    | 3,849,484     | 3,878,224     |
| Total net assets                                | \$ 16,811,919 | \$ 15,487,495 |

### *Statement of Activities*

Total revenues increased by \$87,761 (or 3.1%). This increase was due to an increase in property taxes collected. Taxable assessed value increased 6.91%.

In the prior fiscal year ending June 30, 2008, the Agency participated with the City in a pump-station upgrade project at 48<sup>th</sup> and Jetty, contributing a total of \$471,985. The investment the Agency made in this capital project was transferred to the City to record the asset on the City's financial statements.

## STATEMENT OF ACTIVITIES

|  | Years Ended June 30, |               |
|--|----------------------|---------------|
|  | 2009                 | 2008          |
| <b><u>Revenues</u></b>                             |                      |               |
| General revenues:                                  |                      |               |
| Property taxes levied for debt service             | \$ 2,762,986         | \$ 2,549,364  |
| Interest   | 117,795              | 282,207       |
| Other  | 63,426               | 24,875        |
|  | 2,944,207            | 2,856,446     |
| <br><b><u>Transfers</u></b>                        |                      |               |
| Capital assets transferred to City of Lincoln City | -                    | (471,985)     |
| Total revenues and transfers                       | 2,944,207            | 2,384,461     |
| <br><b><u>Expenses</u></b>                         |                      |               |
| General government                                 | 1,215,778            | 1,167,983     |
| Interest on long-term obligations                  | 404,005              | 493,464       |
| Total expenses                                     | 1,619,783            | 1,661,447     |
| Change in net assets                               | 1,324,424            | 723,014       |
| Net assets - beginning                             | 15,487,495           | 14,764,481    |
| Net assets - ending                                | \$ 16,811,919        | \$ 15,487,495 |

### BUDGET HIGHLIGHTS

There was one change made to the General Fund Budget during the year, which increased the appropriation for storm drain construction by \$120,000. This increase was funded by a decrease in the Capital Reserve. The budgets for the years ended June 30, 2008 and 2009 were prepared and adopted in compliance with legal requirements.



## CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year ending June 30, 2009, the Agency had invested \$20,147,140 in a broad range of capital assets, including land, buildings and infrastructure improvements. This amount represents an increase (including additions, retirements, and depreciation) of \$710,981 over the prior year. Additions include assets acquired or under construction at year-end. Deductions are for disposition of assets and depreciation.

### CHANGE IN CAPITAL ASSETS

|                                  | Years Ended June 30, |                      |
|----------------------------------|----------------------|----------------------|
|                                  | 2009                 | 2008                 |
| Beginning balance                | \$ 23,785,535        | \$ 23,379,675        |
| Less: accumulated depreciation   | <u>(4,349,376)</u>   | <u>(3,598,181)</u>   |
| Net capital assets - beginning   | 19,436,159           | 19,781,494           |
| Additions and retirements        | 1,491,048            | 877,845              |
| Depreciation                     | (780,067)            | (751,195)            |
| Transfer to City of Lincoln City | <u>-</u>             | <u>(471,985)</u>     |
| Net capital assets - ending      | <u>\$ 20,147,140</u> | <u>\$ 19,436,159</u> |

For the fiscal year ending June 30, 2010, the City's Urban Renewal Agency has budgeted \$494,348 for property acquisition and \$1,469,000 for capital projects, related primarily to:

Wecoma Beach: N. 32<sup>nd</sup> Street/Highway 101 Pedestrian Crossing  
 OceanLake: NW15th Street Improvement Project / Streetscape  
 Nelscott: SW Anchor Avenue Improvement Project  
 Taft: SE Inlet Avenue Public Parking Lot  
 Cutler City: Two Bay Access Projects & Cutler Trails Project

### LONG-TERM DEBT

The Agency issued \$2,000,000 in short-term bonds during the fiscal year ending June 30, 2009 for funding projects listed above. The Lincoln City Urban Renewal Agency does not have a bond rating. Bonds are sold as private placements with Bank of America. 100% of tax increment revenues and the special levy are pledged to the Bank of America. The Agency repaid \$1,633,538 in principal during the year, plus repaid the \$2,000,000 short-term bond. The Agency's outstanding debt decreased from \$10,630,864 to \$8,997,326. Additional information on long-term obligations may be found in Note 6 to the financial statements.

The Agency has not budgeted the issuance of any bonds during the fiscal year ending June 30, 2010.

## ECONOMIC FACTORS

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the total amount of \$43,000,000. As of June 30, 2009 there is \$11,975,000 remaining.

## REQUESTS FOR INFORMATION

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 801 SW Hwy 101, Lincoln Square, Lincoln City, Oregon 97367. Copies of this report are also available at the Driftwood Library.



## **BASIC FINANCIAL STATEMENTS**

LINCOLN CITY URBAN RENEWAL AGENCY

STATEMENT OF NET ASSETS

June 30, 2009

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b><u>ASSETS</u></b>                            |                                    |
| Cash and investments                            | \$ 4,846,071                       |
| Receivables                                     | 962,520                            |
| Capital assets:                                 |                                    |
| Land, improvements and construction in progress | 6,638,224                          |
| Other capital assets, net                       | <u>13,508,916</u>                  |
| TOTAL ASSETS                                    | <u>25,955,731</u>                  |
| <b><u>LIABILITIES</u></b>                       |                                    |
| Accounts payable and accrued expenses           | 102,633                            |
| Accrued interest payable                        | 43,853                             |
| Long-term obligations:                          |                                    |
| Due within one year                             | 1,724,786                          |
| Due in more than one year                       | <u>7,272,540</u>                   |
| TOTAL LIABILITIES                               | <u>9,143,812</u>                   |
| <b><u>NET ASSETS</u></b>                        |                                    |
| Invested in capital assets, net of related debt | 11,149,814                         |
| Restricted for debt service                     | 1,812,621                          |
| Unrestricted                                    | <u>3,849,484</u>                   |
| TOTAL NET ASSETS                                | <u><u>\$ 16,811,919</u></u>        |

*See notes to basic financial statements*

LINCOLN CITY URBAN RENEWAL AGENCY

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009

| <u>Functions/Programs</u>              | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>PROGRAM EXPENSES</b>                |                                    |
| General government                     | \$ 1,215,778                       |
| Interest on long-term obligations      | 404,005                            |
|  | <hr/>                              |
| TOTAL PROGRAM EXPENSES                 | 1,619,783                          |
|  | <hr/>                              |
| <b>GENERAL REVENUES</b>                |                                    |
| Property taxes levied for debt service | 2,762,986                          |
| Unrestricted investment earnings       | 117,795                            |
| Miscellaneous                          | 63,426                             |
|  | <hr/>                              |
| TOTAL GENERAL REVENUES                 | 2,944,207                          |
|  | <hr/>                              |
| CHANGE IN NET ASSETS                   | 1,324,424                          |
| NET ASSETS - BEGINNING                 | 15,487,495                         |
|  | <hr/>                              |
| NET ASSETS - ENDING                    | \$ 16,811,919                      |
|  | <hr/> <hr/>                        |

*See notes to basic financial statements*

**LINCOLN CITY URBAN RENEWAL AGENCY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

|   | General             | Property<br>Rehabilitation<br>Program | Tax<br>Increment    | Totals               |
|---|---------------------|---------------------------------------|---------------------|----------------------|
| <b><u>ASSETS</u></b>  |                     |                                       |                     |                      |
| Cash and investments  | \$ 2,800,798        | \$ 470,416                            | \$ 1,574,857        | \$ 4,846,071         |
| Receivables   | -                   | 724,756                               | 237,764             | 962,520              |
| <b>TOTAL ASSETS</b>   | <b>\$ 2,800,798</b> | <b>\$ 1,195,172</b>                   | <b>\$ 1,812,621</b> | <b>\$ 5,808,591</b>  |
| <b><u>LIABILITIES</u></b>   |                     |                                       |                     |                      |
| Accounts payable and accrued expenses   | \$ 102,633          | \$ -                                  | \$ -                | \$ 102,633           |
| Deferred revenue  | -                   | 724,756                               | 237,764             | 962,520              |
| <b>TOTAL LIABILITIES</b>  | <b>102,633</b>      | <b>724,756</b>                        | <b>237,764</b>      | <b>1,065,153</b>     |
| <b><u>FUND BALANCES</u></b>   |                     |                                       |                     |                      |
| Unreserved  | 2,698,165           | 470,416                               | 1,574,857           | 4,743,438            |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>  | <b>\$ 2,800,798</b> | <b>\$ 1,195,172</b>                   | <b>\$ 1,812,621</b> |                      |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>   |                     |                                       |                     |                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds net of accumulated depreciation of \$5,129,443 |                     |                                       |                     | 20,147,140           |
| Other long-term assets are not available for current-period expenditures and therefore are deferred in the funds  |                     |                                       |                     | 962,520              |
| Long-term obligations and accrued interest are not due and payable in the current period and therefore are not reported in the funds                                  |                     |                                       |                     | (9,041,179)          |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  |                     |                                       |                     | <b>\$ 16,811,919</b> |

*See notes to basic financial statements*

**LINCOLN CITY URBAN RENEWAL AGENCY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009**

|   | General             | Property<br>Rehabilitation<br>Program | Tax<br>Increment    | Totals              |
|---|---------------------|---------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                                   |                     |                                       |                     |                     |
| Property taxes                                    | \$ -                | \$ -                                  | \$ 2,703,566        | \$ 2,703,566        |
| Rents   | 31,553              | -                                     | -                   | 31,553              |
| Interest on investments                           | 42,753              | 7,825                                 | 67,217              | 117,795             |
| Loan repayments                                   | -                   | 133,089                               | -                   | 133,089             |
| <b>TOTAL REVENUES</b>                             | <u>74,306</u>       | <u>140,914</u>                        | <u>2,770,783</u>    | <u>2,986,003</u>    |
| <b>EXPENDITURES</b>                               |                     |                                       |                     |                     |
| Current:  |                     |                                       |                     |                     |
| Personal services                                 | 183,307             | -                                     | -                   | 183,307             |
| Material and services                             | 252,404             | -                                     | -                   | 252,404             |
| Debt Service                                      | 218,304             | -                                     | 1,821,558           | 2,039,862           |
| Capital outlay                                    | 1,463,992           | 50,000                                | -                   | 1,513,992           |
| <b>TOTAL EXPENDITURES</b>                         | <u>2,118,007</u>    | <u>50,000</u>                         | <u>1,821,558</u>    | <u>3,989,565</u>    |
| Excess (deficiency) of revenues over expenditures | <u>(2,043,701)</u>  | <u>90,914</u>                         | <u>949,225</u>      | <u>(1,003,562)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                                       |                     |                     |
| Proceeds from short-term obligations              | 2,000,000           | -                                     | -                   | 2,000,000           |
| Repayment of short-term obligations               | -                   | -                                     | (2,000,000)         | (2,000,000)         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <u>2,000,000</u>    | <u>-</u>                              | <u>(2,000,000)</u>  | <u>-</u>            |
| Net change in fund balances                       | (43,701)            | 90,914                                | (1,050,775)         | (1,003,562)         |
| Fund balances at beginning of year                | 2,741,866           | 379,502                               | 2,625,632           | 5,747,000           |
| Fund balances at end of year                      | <u>\$ 2,698,165</u> | <u>\$ 470,416</u>                     | <u>\$ 1,574,857</u> | <u>\$ 4,743,438</u> |

*See notes to basic financial statements*



LINCOLN CITY URBAN RENEWAL AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,003,562)

*Amounts reported for governmental activities in the  
Statement of Activities are different because of the following:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:

|                                 |                  |         |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 1,491,048     |         |
| Less current year depreciation  | <u>(780,067)</u> | 710,981 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

|                 |                 |          |
|-----------------|-----------------|----------|
| Taxes           | 59,420          |          |
| Loan repayments | <u>(78,272)</u> | (18,852) |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments:

|                    |  |           |
|--------------------|--|-----------|
| Principal payments |  | 1,633,538 |
|--------------------|--|-----------|

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.

|                  |  |              |
|------------------|--|--------------|
| Accrued interest |  | <u>2,319</u> |
|------------------|--|--------------|

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,324,424

**LINCOLN CITY URBAN RENEWAL AGENCY**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**For the Year Ended June 30, 2009**

|   | Original and<br>Final Budget | Actual              | Variance            |
|---|------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                                   |                              |                     |                     |
| Rents   | \$ 27,000                    | \$ 31,553           | \$ 4,553            |
| Interest on investments                           | 110,000                      | 42,753              | (67,247)            |
| <b>TOTAL REVENUES</b>                             | <u>137,000</u>               | <u>74,306</u>       | <u>(62,694)</u>     |
| <b>EXPENDITURES</b>                               |                              |                     |                     |
| Personal services                                 | 187,427                      | 183,307             | 4,120               |
| Material and services                             | 290,220                      | 252,404             | 37,816              |
| Capital outlay                                    | 4,590,000                    | 1,463,992           | 3,126,008           |
| Debt service                                      | 218,304                      | 218,304             | -                   |
| Contingencies                                     | 2,197,654                    | -                   | 2,197,654           |
| <b>TOTAL EXPENDITURES</b>                         | <u>7,483,605</u>             | <u>2,118,007</u>    | <u>5,365,598</u>    |
| Excess (deficiency) of revenues over expenditures | (7,346,605)                  | (2,043,701)         | 5,302,904           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                              |                     |                     |
| Proceeds from short term debt                     | 5,000,000                    | 2,000,000           | (3,000,000)         |
| Net change in fund balance                        | (2,346,605)                  | (43,701)            | 2,302,904           |
| Fund balance at beginning of year                 | 2,616,388                    | 2,741,866           | 125,478             |
| Fund balance at end of year                       | <u>\$ 269,783</u>            | <u>\$ 2,698,165</u> | <u>\$ 2,428,382</u> |

*See notes to basic financial statements*

**LINCOLN CITY URBAN RENEWAL AGENCY**

**PROPERTY REHABILITATION PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2009**

|                                   | Original and<br>Final Budget | Actual            | Variance          |
|-----------------------------------|------------------------------|-------------------|-------------------|
| <b>REVENUES</b>                   |                              |                   |                   |
| Loan repayments                   | \$ 125,000                   | \$ 133,089        | \$ 8,089          |
| Interest                          | 14,000                       | 7,825             | (6,175)           |
| <b>TOTAL REVENUES</b>             | 139,000                      | 140,914           | 1,914             |
| <b>EXPENDITURES</b>               |                              |                   |                   |
| Capital outlay                    | 459,801                      | 50,000            | 409,801           |
| Net change in fund balance        | (320,801)                    | 90,914            | 411,715           |
| Fund balance at beginning of year | 320,801                      | 379,502           | 58,701            |
|                                   | <u>\$ -</u>                  | <u>\$ 470,416</u> | <u>\$ 470,416</u> |

*See notes to basic financial statements*

# LINCOLN CITY URBAN RENEWAL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

### 1. Summary of Significant Accounting Policies

#### A. Organization

The Agency was organized under ORS 457. It is a municipal corporation created by the City of Lincoln City to facilitate urban renewal within the boundaries of the city. The Agency is a component unit of the City of Lincoln City. The city council serves as the governing body and is accountable for the fiscal matters of the Agency.

#### B. Urban Renewal Areas

Tax Allocation Bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The Agency (City Council) selects an urban renewal plan area and defines its boundaries.
- The County Assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance the Urban Renewal Project.
- Urban Renewal Tax Increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$43,000,000.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of Significant Accounting Policies (continued)

#### C. Basis of Presentation, Measurement Focus, and Basis of Accounting

##### *Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

##### *Fund Financial Statements*

The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. Each of the Agency's three funds is a major fund. They are as follows:

- General
- Property Rehabilitation Program
- Tax Increment

These funds account for the general administration of the Agency's urban renewal areas and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas.

##### *Measurement Focus and Basis of Accounting*

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of Significant Accounting Policies (continued)

#### C. Basis of Presentation, Measurement Focus, and Basis of Accounting (continued)

##### *Measurement Focus and Basis of Accounting (continued)*

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt are reported as other financing sources.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

#### D. Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally overexpended.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budget amounts shown in the financial statements may have been revised since the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

#### E. Cash and Investments

Investments are stated at cost which approximates fair value.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**1. Summary of Significant Accounting Policies (continued)**

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the Agency as assets with an initial, individual cost of \$1,000 or more, and an estimated useful life of greater than five years. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

| <u>Asset</u>            | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 25-40        |
| Urban renewal projects  | 25-40        |
| System improvements     | 25-40        |
| Vehicles                | 5-10         |
| Equipment and furniture | 5-10         |
| Books and art           | 5-10         |

Depreciation is taken in the year the assets are acquired or retired based upon the number of months held. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

G. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of Significant Accounting Policies (continued)

#### H. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### 2. Deposits and Investments

The Agency's deposits and investments are held by the City of Lincoln City in pooled deposit and investment accounts that are available for use by all funds and the Agency. The Agency's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

*Credit risk:* Oregon statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**2. Deposits and Investments (continued)**

As of June 30, 2009, investments of the City of Lincoln City and the amount allocable to the Agency were as follows:

| Investment                                    | Carrying Value       | Fair Value           |
|---|----------------------|----------------------|
| Oregon State Local Government Investment Pool | <u>\$ 24,800,569</u> | <u>\$ 24,800,569</u> |
| Amount allocable to Agency                    | <u>\$ 4,762,871</u>  | <u>\$ 4,762,871</u>  |

*Interest Rate Risk:* The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

*Concentration of Credit Risk:* The Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

*Custodial Credit Risk – Investments:* This is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. Investments, except those in the Local Investment Pool have custodial credit risk because the related securities are uninsured, unregistered and held by the City’s brokerage firm, which is the counterparty to those securities. The Agency does not have a policy which limits the amount of investments that can be held by counterparties.

*Custodial Credit Risk – Deposits:* This is the risk that, in the event of a bank failure, the Agency’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency’s deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2009, none of the Agency's bank balances were exposed to custodial risk.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**2. Deposits and Investments (continued)**

The City's deposits and investments and the amount allocable to the Agency as of June 30, 2009 are as follows:

|                                 | <u>City of<br/>Lincoln City</u> | <u>Allocable<br/>to Agency</u> |
|---------------------------------|---------------------------------|--------------------------------|
| Deposits                        | \$ 433,229                      | \$ 83,200                      |
| Cash on hand                    | 1,025                           | --                             |
| Investments                     | <u>24,800,569</u>               | <u>4,762,871</u>               |
| Total deposits and investments  | <u>\$ 25,234,823</u>            | <u>\$ 4,846,071</u>            |
| Governmental activities/funds   |                                 |                                |
| General                         |                                 | \$ 2,800,798                   |
| Property Rehabilitation Program |                                 | 470,416                        |
| Tax Increment                   |                                 | <u>1,574,857</u>               |
| Total cash and investments      |                                 | <u>\$ 4,846,071</u>            |

**3. Receivables**

A. The Agency's receivables at June 30, 2009 are shown below:

|                      | <u>Property<br/>Rehabilitation<br/>Program</u> | <u>Tax<br/>Increment</u> | <u>Totals</u>     |
|----------------------|--|--------------------------|-------------------|
| Rehabilitation loans | \$ 724,756                                     | \$ --                    | \$ 724,756        |
| Property taxes       | <u>--</u>                                      | <u>237,764</u>           | <u>237,764</u>    |
| Totals               | <u>\$ 724,756</u>                              | <u>\$ 237,764</u>        | <u>\$ 962,520</u> |

B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Lincoln County bills and collects property taxes for the Agency.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**3. Receivables (continued)**

B. Property taxes (continued)

ii. Transactions

|                                   | Balances<br>July 1,<br>2008 | 2008-09<br>Levy     | Adjust-<br>ments  | Net<br>Interest<br>(Discounts) | Collec-<br>tions    | Balances<br>June 30,<br>2009 |
|-----------------------------------|-----------------------------|---------------------|-------------------|--------------------------------|---------------------|------------------------------|
| Current                           | \$ --                       | \$ 2,799,030        | \$ (5,381)        | \$ (64,913)                    | \$ 2,581,753        | \$ 146,983                   |
| Prior                             | <u>178,344</u>              | --                  | <u>(1,571)</u>    | <u>10,884</u>                  | <u>96,876</u>       | <u>90,781</u>                |
| Totals                            | <u>\$ 178,344</u>           | <u>\$ 2,799,030</u> | <u>\$ (6,952)</u> | <u>\$ (54,029)</u>             | 2,678,629           | <u>\$ 237,764</u>            |
| Adjustments                       |                             |                     |                   |                                | <u>24,937</u>       |                              |
| Total property tax revenue        |                             |                     |                   |                                | <u>\$ 2,703,566</u> |                              |
| Analysis of property tax revenue: |                             |                     |                   |                                |                     |                              |
| Current levy                      |                             |                     |                   |                                | \$ 2,601,783        |                              |
| Prior levies                      |                             |                     |                   |                                | <u>101,783</u>      |                              |
|                                   |                             |                     |                   |                                | <u>\$ 2,703,566</u> |                              |

iii. Ensuing year's levy

The Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2009-10.

The tax rate limit of \$10 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.



**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**4. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2009 was as follows:

| Description                                 | Beginning<br>Balances | Increases  | Decreases  | Ending<br>Balances |
|---|-----------------------|------------|------------|--------------------|
| Capital assets not being depreciated        |                       |            |            |                    |
| Land  | \$ 5,805,647          | \$ 191,245 | \$ -       | \$ 5,996,892       |
| Construction in progress                    | 229,494               | 553,489    | 141,651    | 641,332            |
| Total capital assets not being depreciated  | \$ 6,035,141          | \$ 744,734 | \$ 141,651 | \$ 6,638,224       |
| Capital assets being depreciated            |                       |            |            |                    |
| Buildings                                   | \$ 1,757,559          | \$ -       | \$ -       | \$ 1,757,559       |
| Urban renewal projects                      | 519,929               | 881,547    | -          | 1,401,476          |
| System improvements                         | 15,394,672            | 6,418      | -          | 15,401,090         |
| Vehicles                                    | 19,581                | -          | -          | 19,581             |
| Equipment and furniture                     | 28,403                | -          | -          | 28,403             |
| Books and art                               | 30,250                | -          | -          | 30,250             |
| Total depreciable capital assets            | 17,750,394            | 887,965    | -          | 18,638,359         |
| Less: Accumulated depreciation              | 4,349,376             | 780,067    | -          | 5,129,443          |
| Total capital assets being depreciated, net | \$ 13,401,018         | \$ 107,898 | \$ -       | \$ 13,508,916      |

Depreciation expense charged to the general government function amounted to \$780,067.

**5. Deferred Revenue**

Resources owned by the Agency, which are measurable, but not available, and therefore, deferred in the funds, consist of the following:

|                      | Property<br>Rehabilitation<br>Program | Tax<br>Increment | Totals     |
|----------------------|---------------------------------------|------------------|------------|
| Rehabilitation loans | \$ 724,756                            | \$ --            | \$ 724,756 |
| Property taxes       | --                                    | 237,764          | 237,764    |
| Totals               | \$ 724,756                            | \$ 237,764       | \$ 962,520 |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-Term Obligations**

A. Transactions for the year ended June 30, 2009:

|   | Balances<br>July 1,<br>2008 | Additions         | Reductions          | Balances<br>June 30,<br>2009 | Balances<br>Due Within<br>One Year |
|---|-----------------------------|-------------------|---------------------|------------------------------|------------------------------------|
| <u>Urban Renewal Bonds</u>  |                             |                   |                     |                              |                                    |
| Series 2003, interest<br>at 3.90 percent  |                             |                   |                     |                              |                                    |
| Principal   | \$ 1,792,727                | \$ -              | \$ 298,143          | \$ 1,494,584                 | \$ 309,943                         |
| Interest  | 1,900                       | 65,275            | 65,591              | 1,584                        |                                    |
|   | <u>1,794,627</u>            | <u>65,275</u>     | <u>363,734</u>      | <u>1,496,168</u>             |                                    |
| Series 2004, interest<br>at 4 percent   |                             |                   |                     |                              |                                    |
| Principal   | 3,234,913                   | -                 | 486,959             | 2,747,954                    | 506,732                            |
| Interest  | 3,516                       | 121,624           | 122,153             | 2,987                        |                                    |
|   | <u>3,238,429</u>            | <u>121,624</u>    | <u>609,112</u>      | <u>2,750,941</u>             |                                    |
| Series 2007, interest<br>at 4.4 percent   |                             |                   |                     |                              |                                    |
| Principal   | 4,453,221                   | -                 | 663,436             | 3,789,785                    | 693,113                            |
| Interest  | 32,249                      | 180,231           | 185,095             | 27,385                       |                                    |
|   | <u>4,485,470</u>            | <u>180,231</u>    | <u>848,531</u>      | <u>3,817,170</u>             |                                    |
| <u>Contract payable</u>   |                             |                   |                     |                              |                                    |
| Lincoln County School District,<br>interest from 3.0 to 5.0 percent<br>beginning October 2007 |                             |                   |                     |                              |                                    |
| Principal   | 1,150,003                   | -                 | 185,000             | 965,003                      | 214,998                            |
| Interest  | 8,507                       | 36,694            | 33,304              | 11,897                       |                                    |
|   | <u>1,158,510</u>            | <u>36,694</u>     | <u>218,304</u>      | <u>976,900</u>               |                                    |
|   | 10,677,036                  | <u>\$ 403,824</u> | <u>\$ 2,039,681</u> | 9,041,179                    | <u>\$ 1,724,786</u>                |
| Less accrued interest payable   | 46,172                      |                   |                     | 43,853                       |                                    |
| Total long-term obligations   | <u>\$ 10,630,864</u>        |                   |                     | <u>\$ 8,997,326</u>          |                                    |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-Term Obligations (continued)**

B. The future maturities of all obligations outstanding as of June 30, 2009 are as follows:

| Fiscal<br>Year | Urban Renewal Bonds |                   |                     |                   |                     |                   | Contract Payable                  |                  | Totals              |                   |
|----------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-----------------------------------|------------------|---------------------|-------------------|
|                | Series 2003         |                   | Series 2004         |                   | Series 2007         |                   | Lincoln County<br>School District |                  |                     |                   |
|                | Principal           | Interest          | Principal           | Interest          | Principal           | Interest          | Principal                         | Interest         | Principal           | Interest          |
| 2009-10        | \$ 309,943          | \$ 53,792         | \$ 506,732          | \$ 102,380        | \$ 693,113          | \$ 155,418        | \$ 214,998                        | \$ 45,634        | \$ 1,724,786        | \$ 357,224        |
| 2010-11        | 322,209             | 41,526            | 527,308             | 81,804            | 724,117             | 124,415           | 378,015                           | 31,985           | 1,951,649           | 279,730           |
| 2011-12        | 334,960             | 28,775            | 548,718             | 60,393            | 756,507             | 92,024            | 244,409                           | 15,591           | 1,884,594           | 196,783           |
| 2012-13        | 348,215             | 15,519            | 570,999             | 38,113            | 790,347             | 58,184            | 127,581                           | 3,198            | 1,837,142           | 115,014           |
| 2013-14        | 179,257             | 2,626             | 594,197             | 14,929            | 825,701             | 22,831            | -                                 | -                | 1,599,155           | 40,386            |
| 2015-19        | -                   | -                 | -                   | -                 | -                   | -                 | -                                 | -                | -                   | -                 |
| <b>Totals</b>  | <b>\$ 1,494,584</b> | <b>\$ 142,238</b> | <b>\$ 2,747,954</b> | <b>\$ 297,619</b> | <b>\$ 3,789,785</b> | <b>\$ 452,872</b> | <b>\$ 965,003</b>                 | <b>\$ 96,408</b> | <b>\$ 8,997,326</b> | <b>\$ 989,137</b> |

**7. Short-term debt**

Transactions for the year ended June 30, 2009 of the governmental activities were as follows:

|   | Balances<br>July 1,<br>2008 | Additions           | Reductions          | Balances<br>June 30,<br>2009 |
|---|-----------------------------|---------------------|---------------------|------------------------------|
| Short Term Subordinate Urban<br>Renewal Bond, Series 2009 |                             |                     |                     |                              |
| Principal   | \$ -                        | \$ 2,000,000        | \$ 2,000,000        | \$ -                         |
| Interest  | -                           | 181                 | 181                 | -                            |
|   | <u>\$ -</u>                 | <u>\$ 2,000,181</u> | <u>\$ 2,000,181</u> | <u>\$ -</u>                  |

**OTHER SUPPLEMENTARY INFORMATION**

**LINCOLN CITY URBAN RENEWAL AGENCY**

**TAX INCREMENT (A MAJOR FUND) - DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2009**

|  | Budget       | Actual       | Variance    |
|--|--------------|--------------|-------------|
| <b>REVENUES</b>                                      |              |              |             |
| Property taxes                                       | \$ 2,649,516 | \$ 2,703,566 | \$ 54,050   |
| Interest   | 101,000      | 67,217       | (33,783)    |
|  | 2,750,516    | 2,770,783    | 20,267      |
| <b>TOTAL REVENUES</b>                                |              |              |             |
| <b>EXPENDITURES</b>                                  |              |              |             |
| Debt service   | 4,125,615    | 1,821,558    | 2,304,057   |
| Excess (deficiency) of revenues over<br>expenditures | (1,375,099)  | 949,225      | 2,324,324   |
| <b>OTHER FINANCING SOURCES (USES)</b>                |              |              |             |
| Repayment of short-term obligations                  | -            | (2,000,000)  | (2,000,000) |
| Net change in fund balance                           | (1,375,099)  | (1,050,775)  | 324,324     |
| Fund balance at beginning of year                    | 2,675,099    | 2,625,632    | (49,467)    |
| Fund balance at end of year                          | \$ 1,300,000 | \$ 1,574,857 | \$ 274,857  |

**OTHER FINANCIAL INFORMATION**



**LINCOLN CITY URBAN RENEWAL AGENCY**

**NOTICE OF PREPARATION AND FILING OF  
FINANCIAL STATEMENT**

In accordance with ORS 457.460, a Financial Statement for the Lincoln City Urban Renewal Agency has been prepared and is on file with the City of Lincoln City and the Lincoln City Urban Renewal Agency. The information contained in the statement is available to all interested persons. A summary of the Financial Statement and Budget follows:

**LINCOLN CITY URBAN RENEWAL AGENCY BUDGET  
FISCAL YEAR 2009-10**

|                                | GENERAL<br>FUND         | TAX<br>INCREMENT<br>FUND | PROPERTY<br>REHABILITATION<br>FUND |
|--------------------------------|-------------------------|--------------------------|------------------------------------|
|                                | <u>          </u>       | <u>          </u>        | <u>          </u>                  |
| <b><u>RESOURCES</u></b>        |                         |                          |                                    |
| Estimated beginning balance    | \$ 2,622,922            | \$ 1,570,091             | \$ 471,252                         |
| Interest                       | 50,000                  | 37,000                   | 7,000                              |
| Loan repayments                | -                       | -                        | 140,000                            |
| Tax increment proceeds         | -                       | 2,793,288                | -                                  |
| Bond sales                     | -                       | -                        | -                                  |
| Other income                   | <u>27,000</u>           | <u>-</u>                 | <u>-</u>                           |
| <br>Total Resources            | <br><u>\$ 2,699,922</u> | <br><u>\$ 4,400,379</u>  | <br><u>\$ 618,252</u>              |
| <br><b><u>REQUIREMENTS</u></b> |                         |                          |                                    |
| Personal services              | \$ 213,862              | \$ -                     | \$ -                               |
| Materials and services         | 262,080                 | -                        | -                                  |
| Capital outlay                 | 1,963,348               | -                        | -                                  |
| Property rehabilitation        | -                       | -                        | 618,252                            |
| Debt service                   | 260,632                 | 1,821,378                | -                                  |
| Unappropriated fund balance    | <u>-</u>                | <u>2,579,001</u>         | <u>-</u>                           |
| <br>Total Requirements         | <br><u>\$ 2,699,922</u> | <br><u>\$ 4,400,379</u>  | <br><u>\$ 618,252</u>              |

**LINCOLN CITY URBAN RENEWAL AGENCY  
REVENUE AND EXPENDITURES**

**FISCAL YEAR 2008-09**

|                         | GENERAL<br>FUND     | TAX<br>INCREMENT<br>FUND | PROPERTY<br>REHABILITATION<br>FUND |
|-------------------------|---------------------|--------------------------|------------------------------------|
| <u>REVENUE</u>          |                     |                          |                                    |
| Beginning balance       | \$ 2,741,866        | \$ 2,625,632             | \$ 379,502                         |
| Interest                | 42,753              | 67,217                   | 7,825                              |
| Loan repayments         | -                   | -                        | 133,089                            |
| Tax increment proceeds  | -                   | 2,703,566                | -                                  |
| Rents                   | 31,553              | -                        | -                                  |
| Debt proceeds           | 2,000,000           | -                        | -                                  |
| <br>                    |                     |                          |                                    |
| Total Revenue           | <u>4,816,172</u>    | <u>5,396,415</u>         | <u>520,416</u>                     |
| <u>EXPENDITURES</u>     |                     |                          |                                    |
| Personal services       | 183,307             | -                        | -                                  |
| Materials and services  | 252,404             | -                        | -                                  |
| Capital outlay          | 1,463,992           | -                        | -                                  |
| Property rehabilitation | -                   | -                        | 50,000                             |
| Debt service            | 218,304             | 3,821,558                | -                                  |
| <br>                    |                     |                          |                                    |
| Total Expenditures      | <u>2,118,007</u>    | <u>3,821,558</u>         | <u>50,000</u>                      |
| <br>                    |                     |                          |                                    |
| ENDING FUND BALANCE     | <u>\$ 2,698,165</u> | <u>\$ 1,574,857</u>      | <u>\$ 470,416</u>                  |

The Tax Increment Proceeds (revenue) received by the Agency are used to pay for indebtedness incurred in carrying out the Urban Renewal Plan. The outstanding obligations of the Lincoln City Urban Renewal Agency as of June 30, 2009 amounted to \$ 8,997,297.

**IN CARRYING OUT THE URBAN RENEWAL PLAN,  
PROPERTY TAX COLLECTIONS  
OF THE OTHER TAXING DISTRICTS FOR 2008-09  
ARE AFFECTED AS FOLLOWS:**

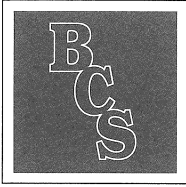
| TAXING DISTRICT                | TAXES<br>IMPOSED<br>WITH<br>URBAN<br>RENEWAL | TAXES<br>IMPOSED<br>WITHOUT<br>URBAN<br>RENEWAL | URBAN<br>RENEWAL<br>TAXES<br>IMPOSED |
|--------------------------------|--|---|--------------------------------------|
| Lincoln County School District | \$ 5,121,856                                 | \$ 6,164,434                                    | \$ 1,042,578                         |
| Linn-Benton-Lincoln ESD        | 277,145                                      | 333,559   | 56,414                               |
| Oregon Coast Community College | 159,706                                      | 192,215   | 32,509                               |
| City of Lincoln City           | 4,026,367                                    | 4,845,953                                       | 819,586                              |
| North Lincoln Fire/Rescue      | 766,806                                      | 922,893   | 156,087                              |
| Lincoln County General         | 2,684,911                                    | 3,231,438                                       | 546,527                              |
| Lincoln County Extension       | 40,994                                       | 49,339  | 8,345                                |
| North Lincoln Health District  | 471,209                                      | 567,126   | 95,917                               |
| Lincoln County Transportation  | 88,534                                       | 106,555   | 18,021                               |
| Devils Lake Water - Inside     | 61,441                                       | 61,901  | 460                                  |
| Devils Lake Water - Outside    | <u>84,618</u>                                | <u>108,065</u>                                  | <u>23,447</u>                        |
| <b>TOTALS</b>                  | <u><u>\$ 13,783,587</u></u>                  | <u><u>\$ 16,583,478</u></u>                     | <u><u>\$ 2,799,891</u></u>           |

(1) Note: Property taxes for education are determined by a State Formula. The State reimburses education for the difference between the Formula and what is collected locally.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S  
COMMENTS AS OUTLINED IN OREGON ADMINISTRATIVE RULES  
CHAPTER 162 [SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10  
[MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL  
CORPORATIONS]**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

- *Accounting Records and Internal Controls*
- *Collateral*
- *Indebtedness*
- *Budget*
- *Insurance and Fidelity Bonds*
- *Programs Funded from Outside Sources*
- *Investments*
- *Public Contracts and Purchasing*



**BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

**LINCOLN CITY URBAN RENEWAL AGENCY**

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF  
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS]**

**For the Year Ended June 30, 2009**

**162-010-0230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS**

1. Accounting records

The entity's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

Through other reports and communications to management and those charged with governance, we have identified situations or practices that could be improved.

2. Internal control

In planning and performing our audit, we considered the entity's internal control over financial reporting as a basis for designing our auditing procedures 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162  
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM  
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS]  
FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)**

**162-010-0230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS (Continued)**

1. Internal control (continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**162-010-0240 – COLLATERAL**

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the City currently deposits public funds.

The Agency does not maintain separate cash accounts. Instead, the Agency's cash is pooled with the cash of the City of Lincoln City. The City has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

**162-010-0250 – INDEBTEDNESS**

1. Limitations on the amount incurred

The general obligation bonded debt of the entity is in compliance with the limitation imposed by ORS.

2. Liquidation provisions, debt agreement provisions, and restricted assets

We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the entity's short-term and long-term debt issues, and no breach of the debt agreements at June 30, 2009.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162  
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM  
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS]  
FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)**

**162-010-0260 – BUDGET**

1. Current year

A. Preparation and adoption

The budget for the year ended June 30, 2009 was adopted in compliance with legal requirements.

B. Execution

The budget for the year ended June 30, 2009 was executed in compliance with legal requirements.

2. Subsequent year

Preparation and adoption

The budget for the year ended June 30, 2010 was adopted in compliance with legal requirements.

3. Financial or organizational level of appropriations

The Agency established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

**162-010-0270 – INSURANCE AND FIDELITY BONDS**

The Agency does not have separate coverage. Instead the Agency's risks are insured by policies owned by the City of Lincoln City. The City of Lincoln City's insurance agent has indicated that insurance coverage at June 30, 2009 was adequate.

**162-010-0280 – PROGRAMS FUNDED FROM OUTSIDE SOURCES**

The Agency did not operate any programs funded wholly or partially by other governmental agencies.

**162-010-0300 – INVESTMENTS**

Funds of the Agency were invested in compliance with ORS 294.035.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162  
[SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM  
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS]  
FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)**

**162-010-0310 – PUBLIC CONTRACTS AND PURCHASING**

1. Awarding of public contracts

The Agency awarded public contracts in compliance with ORS 279.

2. Construction of public improvements

The Agency constructed public improvements in compliance with ORS 279.

**Boldt, Carlisle & Smith LLC**  
Certified Public Accountants  
Salem, Oregon  
January 29, 2010