

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

Annual Financial Report

Year Ended June 30, 2013

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**AGENCY OFFICIALS**

**JUNE 30, 2013**

	<u>Term Expires</u>
Henry Quandt (Chair) 2717 NW Jetty Ave Lincoln City, Oregon 97367	December 31, 2014
Gordon Eggleton 1225 NW 16 <sup>th</sup> St. Lincoln City, Oregon 97367	December 31, 2014
Roger Sprague PO Box 286 Lincoln City, Oregon 97367	December 31, 2016
Dick Anderson 960 SW Hwy. 101, #347 Lincoln City, Oregon 97367	December 31, 2016
Gary Ellingson 3417 SW Anchor Ave. Lincoln City, Oregon 97367	December 31, 2014
Chester Noreikis 1421 NW 19 <sup>th</sup> Lincoln City, Oregon 97367	December 31, 2016
Wes Ryan 2820 NE 45 <sup>th</sup> St Lincoln City, Oregon 97367	December 31, 2016

**City Manager**

David Hawker

**Finance Director**

Debbie Mammone

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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**INDEPENDENT AUDITOR'S REPORT**

## **INDEPENDENT AUDITOR'S REPORT**

December 13, 2013

Agency Officials  
Lincoln City Urban Renewal Agency  
(A component unit of the City of Lincoln City, Oregon)  
Lincoln City, Oregon

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Lincoln City Urban Renewal Agency (the Agency), a component unit of the City of Lincoln City, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

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

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

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



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

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

Lincoln City Urban Renewal Agency  
(A component unit of the City of Lincoln City, Oregon)  
December 13, 2013  
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### **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 Agency, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **OTHER MATTERS**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management Discussion and Analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison information for the General Fund and Special Revenue Funds, listed in the Table of Contents as Required Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 information, listed in the Table of Contents as Other Supplementary Information, is presented for purposes of additional analysis and is 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

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

Lincoln City Urban Renewal Agency  
(A component unit of the City of Lincoln City, Oregon)  
December 13, 2013  
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**OTHER MATTERS (CONTINUED)**

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 REPORTING REQUIRED BY OREGON MINIMUM STANDARDS**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 13, 2013, on our consideration of the Agency'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**

Certified Public Accountants

By

  
\_\_\_\_\_  
Robert G. Moody, Jr., Partner

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## LINCOLN CITY URBAN RENEWAL AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lincoln City Urban Renewal Agency (the 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, 2013. 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 net position of the Agency (total assets less total liabilities) at June 30, 2013 was \$22,640,563, an increase of \$1,535,267 in comparison with the prior year. Short-term liabilities increased by \$24,053 in comparison with the prior year. Long-term liabilities decreased by \$1,361,345. Governmental activities revenue decreased by \$92,259, due to decreases in property tax revenue, and governmental expenses decreased \$39,937.

#### REPORT LAYOUT

This discussion and analysis is intended to serve as an introduction to the 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 Agency's finances, in a manner similar to a private sector business.

- The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position.
- The Statement of Activities present revenue and expense information showing how the Agency's net position 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 Agency maintains three major governmental funds. These statements include balance sheets, statements of revenues,

expenditures, and changes in fund balances, and reconciliations of fund statements to the Agency-wide statements.

*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.

*Required supplementary information*

Budget information for the general and major special revenue funds is included in this section. The schedules report revenues, expenditures, changes in fund balances, and budgetary information.

*Other supplementary information*

This section includes revenues, expenditures, changes in fund balance, and budgetary information for the Tax Increment Fund, a debt service fund.

*Other schedules*

This section contains 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 and Governmental Auditing Standards.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

*Statement of Net Position*

Net position may serve as a useful indicator of a government’s financial position. The Lincoln City Urban Renewal Agency’s assets exceed liabilities by \$22,640,563 at the close of the fiscal year ended June 30, 2013. This is an increase of \$1,535,267 (or 7.2%), due primarily to a reduction of long-term debt.

**STATEMENT OF NET POSITION**

	<u>Years Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>Assets:</b>		
Cash and investments	\$ 5,027,013	\$ 3,878,432
Receivables	623,541	775,911
Capital Assets	<u>18,438,520</u>	<u>19,236,756</u>
Total Assets	<u>24,089,074</u>	<u>23,891,099</u>
<b>Liabilities:</b>		
Other liabilities	28,612	4,559
Long-term debt outstanding	<u>1,419,899</u>	<u>2,781,244</u>
Total Liabilities	<u>1,448,511</u>	<u>2,785,803</u>
<b>Net Position:</b>		
Invested in capital assets	17,018,621	16,455,512
Restricted for capital project	4,192,856	1,553,025
Restricted for debt service	805,545	2,320,849
Unrestricted	<u>623,541</u>	<u>775,910</u>
Total Net Position	<u>\$ 22,640,563</u>	<u>\$ 21,105,296</u>

*Statement of Activities*

Total revenues decreased by \$92,259 (or 3.0%), largely due to a decrease in property tax revenues. Total expenditures decreased by \$39,937. Taxable assessed value increased 1.6 %.

**STATEMENT OF ACTIVITIES**

	<u>Years Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
General revenues:		
Property taxes levied for debt service	\$ 2,917,573	\$ 3,012,431
Interest	23,255	18,455
Other	<u>3,700</u>	<u>5,901</u>
Total Revenues	<u>2,944,528</u>	<u>3,036,787</u>
<b>Expenses:</b>		
General government	1,312,693	1,280,767
Interest on long-term obligations	<u>96,568</u>	<u>168,431</u>
Total expenses	<u>1,409,261</u>	<u>1,449,198</u>
Change in Net Position	1,535,267	1,587,589
Net Position - beginning	<u>21,105,296</u>	<u>19,517,707</u>
Net Position - ending	<u>\$ 22,640,563</u>	<u>\$ 21,105,296</u>

**BUDGET HIGHLIGHTS**

There were no changes made to the General Fund Budget during the year. The budgets for the years ended June 30, 2012 and 2013 were prepared and adopted in compliance with legal requirements.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year ending June 30, 2013, the Agency had invested \$18,438,520 in a broad range of capital assets, including land, buildings and infrastructure improvements. This amount represents a net decrease (including additions and deductions) of \$798,236 over the prior year. Additions (net) include assets acquired or under construction at year-end, less assets that were disposed of during the fiscal year.

### CHANGE IN CAPITAL ASSETS

	<u>Years Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 26,989,465	\$ 26,723,788
Less: accumulated depreciation	<u>(7,752,709)</u>	<u>(6,875,866)</u>
Net capital assets - beginning	19,236,756	19,847,922
Additions (net)	122,509	272,935
Depreciation - current year	<u>(920,745)</u>	<u>(884,101)</u>
Net capital assets - ending	<u>\$ 18,438,520</u>	<u>\$ 19,236,756</u>

For the fiscal year ending June 30, 2014, the City's Urban Renewal Agency had budgeted \$500,000 for property acquisition and \$4,657,997 for capital projects, related primarily to:

- Nelscott Renovation Projects
- D-River Lake Access
- Cutler City Renovation Projects
- Sidewalk Construction
- Property Rehab and Economic Development Programs

### LONG-TERM DEBT

The Lincoln City Urban Renewal Agency issued \$3,000,000 of bonds during the fiscal year; these was a du jour financing and the bonds were paid off the following day. The 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 Bank of America.

The Agency repaid \$1,361,345 in principal during the year. The Agency's outstanding debt decreased from \$2,781,244 to \$1,419,899. Additional information on long-term obligations may be found in Note 6 to the financial statements.

The Agency has budgeted to issue \$2,150,000 in bonds during the fiscal year ending June 30, 2014.

## 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, 2013 there is \$6,975,000 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 available at the Driftwood Library and are also available on the City's website at [www.lincolncity.org](http://www.lincolncity.org).

**BASIC FINANCIAL STATEMENTS**

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 5,000,246
Cash with County Treasurer	26,767
Receivables	295,243

<b>TOTAL CURRENT ASSETS</b>	<b>5,322,256</b>
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**NON-CURRENT ASSET:**

Note receivable, long term	328,298
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**CAPITAL ASSETS:**

Land, improvements and construction in progress	6,128,104
Other capital assets, net	12,310,416

<b>TOTAL CAPITAL ASSETS</b>	<b>18,438,520</b>
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<b>TOTAL ASSETS</b>	<b>24,089,074</b>
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**LIABILITIES**

Accounts payable	28,612
Long-term obligations: Due within one year	1,419,899

<b>TOTAL LIABILITIES</b>	<b>1,448,511</b>
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**NET POSITION**

Net investment in capital assets	17,018,621
Restricted for capital projects	4,192,856
Restricted for debt service	805,545
Unrestricted	623,541

<b>TOTAL NET POSITION</b>	<b>\$ 22,640,563</b>
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See notes to basic financial statements.



**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2013**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES:</b>	
General government	\$ 1,312,693
Interest on long-term obligations	<u>96,568</u>
<b>TOTAL PROGRAM EXPENSES</b>	<u>1,409,261</u>
<b>GENERAL REVENUES:</b>	
Property taxes levied for debt service	2,917,573
Unrestricted investment earnings	23,255
Miscellaneous	<u>3,700</u>
<b>TOTAL GENERAL REVENUES</b>	<u>2,944,528</u>
<b>CHANGE IN NET POSITION</b>	1,535,267
<b>NET POSITION, beginning of year</b>	<u>21,105,296</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 22,640,563</u></u>

See notes to basic financial statements.

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**JUNE 30, 2013**

	General	Property Rehabilitation Program	Tax Increment	Totals
<b>ASSETS:</b>				
Cash and investments	\$ 3,340,579	\$ 880,889	\$ 778,778	\$ 5,000,246
Cash with County Treasurer	-	-	26,767	26,767
Receivables	-	328,298	295,243	623,541
	<b>TOTAL ASSETS</b>	<b>\$ 1,209,187</b>	<b>\$ 1,100,788</b>	<b>\$ 5,650,554</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 28,612	\$ -	\$ -	\$ 28,612
Unearned revenue	-	-	295,243	295,243
	<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>295,243</b>	<b>323,855</b>
<b>FUND BALANCE:</b>				
Nonspendable in form	-	328,298	-	328,298
Restricted for:				
Capital projects	3,311,967	880,889	-	4,192,856
Debt service	-	-	805,545	805,545
	<b>TOTAL FUND BALANCE</b>	<b>1,209,187</b>	<b>805,545</b>	<b>5,326,699</b>
	<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,209,187</b>	<b>\$ 1,100,788</b>	
<b>RECONCILIATION OF FUND BALANCE TO NET POSITION:</b>				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds net of accumulated depreciation of \$7,752,709.				18,438,520
Other long-term assets are not available for current-period expenditures and therefore are in the funds as unearned revenues.				295,243
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds.				(1,419,899)
				<b>\$ 22,640,563</b>

See notes to basic financial statements.

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Property Rehabilitation Program</u>	<u>Tax Increment</u>	<u>Totals</u>
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ 2,935,014	\$ 2,935,014
Rents	500	-	-	500
Interest on investments	12,539	3,121	7,595	23,255
Miscellaneous	3,200	-	-	3,200
<b>TOTAL REVENUES</b>	<u>16,239</u>	<u>3,121</u>	<u>2,942,609</u>	<u>2,961,969</u>
<b>EXPENDITURES:</b>				
Personal services	180,721	-	-	180,721
Materials and services	205,227	-	-	205,227
Debt service	-	-	4,457,913	4,457,913
Capital outlay	128,509	-	-	128,509
<b>TOTAL EXPENDITURES</b>	<u>514,457</u>	<u>-</u>	<u>4,457,913</u>	<u>4,972,370</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(498,218)</u>	<u>3,121</u>	<u>(1,515,304)</u>	<u>(2,010,401)</u>
<b>OTHER FINANCING SOURCE:</b>				
Proceeds from short-term borrowing	3,000,000	-	-	3,000,000
<b>NET CHANGE IN FUND BALANCE</b>	2,501,782	3,121	(1,515,304)	989,599
<b>FUND BALANCE, beginning of year</b>	<u>810,185</u>	<u>1,206,066</u>	<u>2,320,849</u>	<u>4,337,100</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 3,311,967</u>	<u>\$ 1,209,187</u>	<u>\$ 805,545</u>	<u>\$ 5,326,699</u>

See notes to basic financial statements.

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2013**

<b>CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 989,599
<i>Amounts reported for governmental activities in the Statement of Activities are different due to the following:</i>	
Governmental funds report capital outlays as expenditure 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	122,509
Less current year depreciation	(920,745)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:	
Taxes	(17,441)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>1,361,345</u>
<b>TOTAL CHANGE IN NET POSITION</b>	<b><u><u>\$ 1,535,267</u></u></b>

See notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**1. 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 (Council) serves as the governing body and is accountable for the fiscal matters of the Agency.

**Urban Renewal Areas**

Tax Increment 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 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 projects.
- 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.**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

**Government-wide Financial Statements**

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

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**YEAR ENDED JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Government-wide Financial Statements (Continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for the Agency's programs. The Agency does not allocate indirect expenses. Program revenues include any 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 any 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 are presented as major funds. They are as follows:

- General
- Property Rehabilitation Program
- Tax Increment

These funds account for the general administration of the Agency and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas, as well as debt service related to the Agency's operations.

**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 grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the 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 principal and interest on long-term obligations, and claims and judgments.

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**YEAR ENDED JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from debt and acquisitions under capital leases are reported as other financing sources and uses, respectively.

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

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value. All cash, cash equivalents and investments are held by the City of Lincoln City on behalf of the Agency. The Agency considers these items as a demand deposit account, whereby funds may be deposited or withdrawn without prior notice or penalty. Interest earnings are allocated from the City based on the proportion of the Agency's funds to the total of the City of Lincoln City funds.

Reference should be made to the City of Lincoln City's Annual Financial Report for the year ended June 30, 2013, for compliance with Oregon Revised Statutes relating to the collateralization of deposits and categorization of investments.

**Property Taxes Receivable**

Real and personal property taxes are levied and assessed and become a lien against the property as of July 1 each year. Property taxes are payable in three installments, following the lien date, on November 15, February 15 and May 15. Discounts are allowed if the amount is paid by November 15 or February 15. Taxes unpaid and outstanding on May 15 are considered delinquent.

**Contracts/Loans Receivable**

The Agency makes loans to third parties for rehabilitation of properties consistent with the Agency's mission. Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. As the Agency obtains liens against the properties, no allowance for uncollectible accounts is deemed necessary.

**Capital Assets**

Purchased or constructed capital assets are recorded at estimated historical cost with subsequent additions at cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Capital assets are assets with an initial cost of more than \$1,000 and an estimated life of one year or more. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.



**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**YEAR ENDED JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Continued)**

Capital assets are depreciated on a straight-line basis over the following estimated lives:

<u>Asset</u>	<u>Years</u>
Buildings	25-40
System improvements	25-40
Vehicles	5-10
Equipment and furniture	5-10

**Fund Equity**

Fund balance is reported within classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to observe constraints imposed on the use of the resources reported in governmental funds. Those classifications are as follows:

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents the long-term portion of receivables.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the Agency's Board for a particular purpose. The Board may commit fund balance by resolution. The Board may also modify or rescind commitments by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board or by an official to whom that authority has been given by the governing body. Both the City Manager and the Finance Director have been given this authority by the Board.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any residual fund deficit as unassigned.

The Agency Officials have 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.

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**YEAR ENDED JUNE 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pension/Other Postemployment Benefits**

The Agency's employees are employees of the City. Employees of the City participate in the Oregon Public Employees Retirement Plan administered by the Oregon Public Employees Retirement System. Personnel costs including pension costs for the Agency employees are charged back to the Agency, and reflected in Urban Renewal expenditures/expenses.

**Long-term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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 premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

**Risk Management**

The Agency 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 which the Agency is covered under the City of Lincoln City's commercial insurance policies. The Agency does not engage in risk financing activities where risk is retained (self-insurance). There has been no significant reduction in insurance coverage from the prior year for any category of risk and settled claims from these risks have not exceeded commercial insurance limits in any of the past three fiscal years.

**Use of Estimates**

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

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**YEAR ENDED JUNE 30, 2013**

**3. RECEIVABLES**

The Agency's receivables at June 30, 2013, are shown below:

	Property Rehabilitation Program	Tax Increment	Totals
Rehabilitation loans	\$ 328,298	\$ -	\$ 328,298
Property taxes	-	295,243	295,243
<b>Totals</b>	<b>\$ 328,298</b>	<b>\$ 295,243</b>	<b>\$ 623,541</b>

Rehabilitation loans receivable are comprised of loans to qualified borrowers for the rehabilitation and restoration of single-family and multi-family residences, collateralized by real property, and commercial loans to small business to promote economic development, which are collateralized by personal property. Net loans receivable are as follows:

<u>Fund and Program</u>	<u>Term</u>	<u>Rate</u>	<u>Receivable</u>
<b>Major funds:</b>			
Property Rehabilitation Fund:			
Urban development:			
Rehabilitation loans	10 years	0%	\$ 328,298

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 5,996,892	\$ -	\$ -	\$ 5,996,892
Construction in progress	32,872	104,340	(6,000)	131,212
Total capital assets not being depreciated	<u>\$ 6,029,764</u>	<u>\$ 104,340</u>	<u>\$ (6,000)</u>	<u>\$ 6,128,104</u>
Capital assets being depreciated:				
Buildings	\$ 1,757,559	\$ 11,405	\$ -	\$ 1,768,964
System improvements	19,132,461	12,764	-	19,145,225
Vehicles	19,581	-	-	19,581
Equipment and furniture	19,850	-	-	19,850
Books and art	30,250	-	-	30,250
Total capital assets being depreciated	20,959,701	24,169	-	20,983,870
Less accumulated depreciation	(7,752,709)	(920,745)	-	(8,673,454)
Total capital assets being depreciated, net	<u>\$ 13,206,992</u>	<u>\$ (896,576)</u>	<u>\$ -</u>	<u>\$ 12,310,416</u>

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**YEAR ENDED JUNE 30, 2013**

**5 UNEARNED REVENUE**

Resources of the Agency, which are measurable but not available, and are therefore reported as liability in the funds, relate to property taxes receivable in the Tax Increment Fund of \$295,243.

**6. LONG-TERM OBLIGATIONS**

	<u>Balance June 30, 2012</u>	<u>Reductions</u>	<u>Balances June 30, 2013</u>	<u>Due within one year</u>
<u>Tax Increment Bonds</u>				
Urban Renewal Bonds, Series 2004				
Original issue amount \$5 million, final maturity June 2014, interest at 4.0 percent				
Principal	\$ 1,165,196	\$ 570,997	\$ 594,199	\$ 594,199
Urban Renewal Bonds, Series 2007				
Original issue amount \$5 million, final maturity June 2014, interest at 4.40 percent				
Principal	<u>1,616,048</u>	<u>790,348</u>	<u>825,700</u>	<u>825,700</u>
	<u>\$ 2,781,244</u>	<u>\$ 1,361,345</u>	<u>\$ 1,419,899</u>	<u>\$ 1,419,899</u>

The future maturities of all obligations outstanding as of June 30, 2013, are as follows:

Fiscal Year	<u>Urban Renewal Bonds</u>				<u>Totals</u>	
	<u>Series 2004</u>		<u>Series 2007</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2014	<u>\$ 594,199</u>	<u>\$ 14,928</u>	<u>\$ 825,700</u>	<u>\$ 22,831</u>	<u>\$ 1,419,899</u>	<u>\$ 37,759</u>

During 2013, the Agency issued and paid off a \$3,000,000 short-term bond.

**7. RELATED PARTY TRANSACTIONS**

The Agency utilizes the City for staff support, accounting, information technology, human resources and other services. Total expenses/expenditures related to these services for the year ended June 30, 2013, were \$108,302.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2013**

	Budget		Variance with Final Budget
	Original and Final	Actual	Positive (Negative)
<b>REVENUES:</b>			
Rents	\$ 6,000	\$ 500	\$ (5,500)
Interest on investments	7,000	12,539	5,539
Miscellaneous	-	3,200	3,200
	<b>TOTAL REVENUES</b>	16,239	3,239
	13,000		
<b>EXPENDITURES:</b>			
Personal services	183,494	180,721	2,773
Materials and services	561,729	205,227	356,502
Capital outlay	2,538,704	128,509	2,410,195
	<b>TOTAL EXPENDITURES</b>	514,457	2,769,470
	3,283,927		
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	(3,270,927)	(498,218)	2,772,709
<b>OTHER FINANCING SOURCE:</b>			
Proceeds from bonds	2,500,000	3,000,000	500,000
	<b>NET CHANGE IN FUND BALANCE</b>	2,501,782	3,272,709
	(770,927)		
<b>FUND BALANCE, beginning of year</b>	770,927	810,185	39,258
	-		
<b>FUND BALANCE, end of year</b>	\$ -	\$ 3,311,967	\$ 3,311,967

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**PROPERTY REHABILITATION PROGRAM FUND**

**YEAR ENDED JUNE 30, 2013**

	Budget Original and Final	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Loan repayments	\$ 120,000	\$ 141,928	\$ 21,928
Interest on investments	2,500	3,121	621
<b>TOTAL REVENUES</b>	<b>122,500</b>	<b>145,049</b>	<b>22,549</b>
<b>EXPENDITURES:</b>			
Capital outlay	865,627	7,000	858,627
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE</b>	<b>(743,127)</b>	<b>138,049</b>	<b>881,176</b>
<b>FUND BALANCE, beginning of year</b>	<b>743,127</b>	<b>742,840</b>	<b>(287)</b>
<b>FUND BALANCE, end of year</b>	<b>\$ -</b>	<b>\$ 880,889</b>	<b>\$ 880,889</b>
Fund balance - budgetary basis		\$ 880,889	
Balance of loans outstanding		328,298	
Fund balance - GAAP		\$ 1,209,187	

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2013**

**Budgets**

Annual budgets are adopted on the modified accrual basis of accounting for all funds. The budgetary process begins by appointing Budget Committee members each year. Budget recommendations are developed by management and staff through early spring, with the Budget Committee approving the budget document in late spring. Public notices of the budget hearing are published prior to the public hearing held in June. The Agency Board adopts the budget and authorizes appropriations no later than June 30.

The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. All funds establish the levels of budgetary control at the personal services, materials and services, capital outlay, debt service, and contingency category levels. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Agency Board at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Agency Board. Original and supplemental budgets may be modified by the use of appropriation transfers between category levels. Such transfers require approval by the Agency Board. One appropriation transfer was made during the year. All annual appropriations lapse at fiscal year end.



**OTHER SUPPLEMENTARY INFORMATION**

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

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

**TAX INCREMENT FUND**

**YEAR ENDED JUNE 30, 2013**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 2,912,755	\$ 2,912,755	\$ 2,935,014	\$ 22,259
Interest on investments	5,500	5,500	7,595	2,095
<b>TOTAL REVENUES</b>	<u>2,918,255</u>	<u>2,918,255</u>	<u>2,942,609</u>	<u>24,354</u>
<b>EXPENDITURES:</b>				
Debt service	4,217,224	4,717,224	4,457,913	259,311
Reserve for future expenditures	1,000,000	500,000	-	500,000
<b>TOTAL EXPENDITURES</b>	<u>5,217,224</u>	<u>5,217,224</u>	<u>4,457,913</u>	<u>759,311</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,298,969)</u>	<u>(2,298,969)</u>	<u>(1,515,304)</u>	<u>783,665</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,298,969)	(2,298,969)	(1,515,304)	783,665
<b>FUND BALANCE, beginning of year</b>	<u>2,298,969</u>	<u>2,298,969</u>	<u>2,320,849</u>	<u>21,880</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 805,545</u>	<u>\$ 805,545</u>

**LINCOLN CITY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Lincoln City, Oregon)

**PROPERTY TAX TRANSACTIONS**

**YEAR ENDED JUNE 30, 2013**

		Balance July 1, 2012	Levy	Net Interest (Discount) and Adjustments	Collections	Balance June 30, 2013
Current	2012-13	\$ -	\$ 2,973,147	\$ (74,890)	\$ 2,758,601	\$ 139,656
Prior	2011-12	157,918	-	3,761	81,192	80,487
	2010-11	84,187	-	4,523	37,288	51,422
	2009-10	47,619	-	6,792	36,395	18,016
	Prior	22,961	-	4,026	21,324	5,663
<b>Totals</b>		<b>\$ 312,685</b>	<b>\$ 2,973,147</b>	<b>\$ (55,788)</b>	<b>\$ 2,934,800</b>	<b>\$ 295,244</b>

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

December 13, 2013

Agency Officials  
Lincoln City Urban Renewal Agency  
(A component unit of the City of Lincoln City, Oregon)

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Lincoln City Urban Renewal Agency (the Agency) a component unit of the City of Lincoln City, Oregon, as of and for the year ended June 30, 2013, and have issued our report thereon dated December 13, 2013.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Agency'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 162-10-320 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 the 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.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Agency 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 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.



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& Warwick, LLP

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& Consultants

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**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 2

**OAR 162-10-230 INTERNAL CONTROL**

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

**RESTRICTION ON USE**

This report is intended solely for the information and use of Agency officials, 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.

A handwritten signature in blue ink, appearing to read "W. K. & W. W. W. W.", is written over a horizontal line.

Certified Public Accountants