

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

Annual Financial Report

Year Ended June 30, 2021

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

AGENCY OFFICIALS

JUNE 30, 2021

| | <u>Term Expires</u> |
|--|---------------------|
| Rick Mark (Chair) City of Lincoln City PO Box 50 Lincoln City, Oregon 97367 | December 31, 2022 |
| Mitch Parsons City of Lincoln City PO Box 50 Lincoln City, Oregon 97367 | December 31, 2022 |
| Sydney Kasner City of Lincoln City PO Box 50 Lincoln City, Oregon 97367 | December 31, 2022 |
| Elaine Starmer City of Lincoln City PO Box 50 Lincoln City, Oregon 97367 | December 31, 2024 |
| Susan Wahlke City of Lincoln City PO Box 50 Lincoln City, Oregon 97367 | December 31, 2022 |
| Dennis "Riley" Hoagland City of Lincoln City PO Box 50 Lincoln City, Oregon 97367 | December 31, 2024 |
| Judy Casper City of Lincoln City PO Box 50 Lincoln City, Oregon 97367 | December 31, 2024 |

Interim City Manager

Lila Bradley

Finance Director

Debbie Bridges

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

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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, 2021, 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.

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, 2021, 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.



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INDEPENDENT AUDITOR'S REPORT (Continued)

Agency Officials
Lincoln City Urban Renewal Agency

OTHER MATTERS

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund and the Property Rehabilitation Program Fund, listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The 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.

Other Supplementary Information

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 as listed in the Table of Contents 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 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Agency Officials
Lincoln City Urban Renewal Agency

OTHER MATTERS (Continued)

Other Schedules

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

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated March 31, 2022 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

By 
Timothy R. Gillette, Partner

Portland, Oregon
March 31, 2022

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, 2021. 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, 2021 was \$18,364,750, a decrease of \$547,219 in comparison with the prior year. Long-term liabilities decreased by \$1,956,394 with the payoff of the Agency's outstanding debt. Governmental program expenses decreased by \$126,728.

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 presents 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 four major governmental funds. These statements include balance sheets, statements of revenues, expenditures, and changes in fund balances, and reconciliations of fund statements to the Government-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 fund 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), the Construction fund (a capital projects fund), and a schedule of property tax transactions.

Other schedules

This section contains the annual report required by ORS. 457.460

Report 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 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 \$18,364,750 at the close of the fiscal year ended June 30, 2021. This is a decrease of \$547,219 (or -2.9%) from the prior fiscal year.

STATEMENT OF NET POSITION

| | <u>June 30,</u> | |
|----------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Assets: | | |
| Cash and investments | \$585,361 | \$2,590,527 |
| Receivables | 907,343 | 594,923 |
| Capital assets | <u>16,913,575</u> | <u>17,722,211</u> |
| Total Assets | <u>18,406,279</u> | <u>22,907,661</u> |
| Liabilities: | | |
| Other liabilities | 41,529 | 39,298 |
| Long-term debt outstanding | <u> -</u> | <u>1,956,394</u> |
| Total Liabilities | <u>41,529</u> | <u>1,995,692</u> |
| Net Position: | | |
| Net investment in capital assets | 17,115,086 | 16,315,559 |
| Restricted for urban renewal | 281,882 | 772,616 |
| Restricted for debt service | 65,594 | 1,252,715 |
| Unrestricted | <u>902,188</u> | <u>591,079</u> |
| Total Net Position | <u>\$18,364,750</u> | <u>\$18,911,969</u> |

Statement of Activities

In FY2013-14, the Lincoln City Urban Renewal Agency authorized a ten-year extension of the Urban Renewal District and levied 20 percent of the amount of its authority under option one of ORS 457.435(s)(a) for the retirement of long-term obligations, principal and interest, without making a special levy.

Total expenses including contributions of capital assets, net of depreciation, to the City of Lincoln City increased by \$46,626 (or 3.6%) versus the prior year.

STATEMENT OF ACTIVITIES

| | <u>Years Ended June 30,</u> | |
|--|-----------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Revenues: | | |
| General revenues: | | |
| Property taxes levied for debt service | \$784,458 | \$762,288 |
| Unrestricted investment earnings | 9,720 | 61,075 |
| Gain from sale of capital assets | - | 4,990 |
| Miscellaneous | <u>716</u> | <u>15,000</u> |
| Total Revenues | <u>794,894</u> | <u>843,353</u> |
| Expenses: | | |
| General government | 1,143,082 | 1,215,055 |
| Interest on long-term obligations | <u>25,677</u> | <u>80,432</u> |
| Total Expenses | <u>1,168,759</u> | <u>1,295,487</u> |
| Deficiency of Revenues under Expenses | (373,865) | (452,134) |
| Contributions | <u>(173,354)</u> | <u>-</u> |
| Change in Net Position | (547,219) | (452,134) |
| Net Position – beginning | <u>18,911,969</u> | <u>19,364,103</u> |
| Net Position – ending | <u>\$18,364,750</u> | <u>\$18,911,969</u> |

BUDGET HIGHLIGHTS

There were no changes between original adopted and final budget for the General Fund. The Agency over-expended the personal services category and underspent the materials and services category versus budget, and was under budget on expenses for the General Fund as a whole by \$43,983.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2021, the Agency had invested \$16,913,575 in a broad range of capital assets, including land, buildings and infrastructure improvements. This amount represents a net decrease (including additions, deductions, and depreciation) of \$808,636 from the prior year. Additions (net) include assets acquired or under construction at year-end, less assets that were disposed of during the fiscal year. For further information, please refer to footnote 4 in the Notes to the Basic Financial Statements.

CHANGE IN CAPITAL ASSETS

| | <u>June 30,</u> | |
|--------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Beginning balance | \$32,592,647 | \$32,139,755 |
| Less: accumulated depreciation | <u>(14,870,436)</u> | <u>(13,839,220)</u> |
| Net capital assets - beginning | 17,722,211 | 18,300,535 |
| Additions (net) | 160,079 | 452,892 |
| Depreciation - current year | <u>(968,715)</u> | <u>(1,031,216)</u> |
| Net capital assets - ending | <u>\$16,913,575</u> | <u>\$17,722,211</u> |

LONG-TERM DEBT

The Agency's outstanding obligations decreased by \$1,956,394 with the payoff of all outstanding bonds during the fiscal year ended June 30, 2021. Additional information on long-term obligations may be found in footnote 6 in the Notes to the Basic Financial Statements.

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, 2021, there is \$-0- 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.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

JUNE 30, 2021

ASSETS

| | |
|---|--------------------------|
| Cash and investments | \$ 575,446 |
| Cash with County Treasurer | 9,915 |
| Receivables | 73,118 |
| Notes receivable, long term | 834,225 |
| Land, improvements and construction in progress | 3,678,289 |
| Other capital assets, net | <u>13,235,286</u> |
| TOTAL ASSETS | <u><u>18,406,279</u></u> |

LIABILITIES

| | |
|--|---------------|
| Accounts payable and other accrued liabilities | <u>41,529</u> |
|--|---------------|

NET POSITION

| | |
|----------------------------------|-----------------------------|
| Net investment in capital assets | 17,115,086 |
| Restricted for urban renewal | 281,882 |
| Restricted for debt service | 65,594 |
| Unrestricted | <u>902,188</u> |
| TOTAL NET POSITION | <u><u>\$ 18,364,750</u></u> |

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, 2021

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| PROGRAM EXPENSES: | |
| General government | \$ 1,143,082 |
| Interest on long-term obligations | <u>25,677</u> |
| TOTAL PROGRAM EXPENSES | <u>1,168,759</u> |
| GENERAL REVENUES: | |
| Property taxes levied for debt service | 784,458 |
| Unrestricted investment earnings | 9,720 |
| Miscellaneous | <u>716</u> |
| TOTAL GENERAL REVENUES | <u>794,894</u> |
| DEFICIENCY OF REVENUES UNDER EXPENSES | (373,865) |
| Contributions | <u>(173,354)</u> |
| CHANGE IN NET POSITION | (547,219) |
| NET POSITION , beginning of year | <u>18,911,969</u> |
| NET POSITION , end of year | <u><u>\$ 18,364,750</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, 2021

| | General | Property Rehabilitation Program | Tax Increment | Construction | Totals |
|---|------------------|---------------------------------------|-------------------|-------------------|----------------------|
| ASSETS: | | | | | |
| Cash and investments | \$ 77,535 | \$ 206,142 | \$ 55,679 | \$ 236,090 | \$ 575,446 |
| Cash with County Treasurer | - | - | 9,915 | - | 9,915 |
| Receivables | - | 837,503 | 69,840 | - | 907,343 |
| | \$ 77,535 | \$ 1,043,645 | \$ 135,434 | \$ 236,090 | \$ 1,492,704 |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 2,388 | \$ 2,685 | - | \$ 34,579 | \$ 39,652 |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | - | - | 69,840 | - | 69,840 |
| FUND BALANCE: | | | | | |
| Nonspendable in form | - | 834,225 | - | - | 834,225 |
| Restricted for: | | | | | |
| Capital projects | - | - | - | 201,511 | 201,511 |
| Urban renewal | 75,147 | 206,735 | | | 281,882 |
| Debt service | - | - | 65,594 | - | 65,594 |
| | 75,147 | 1,040,960 | 65,594 | 201,511 | 1,383,212 |
| TOTAL FUND BALANCE | 75,147 | 1,040,960 | 65,594 | 201,511 | 1,383,212 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | \$ 77,535 | \$ 1,043,645 | \$ 135,434 | \$ 236,090 | \$ 1,492,704 |
| RECONCILIATION OF FUND BALANCE TO NET POSITION: | | | | | |
| Total fund balance | | | | | \$ 1,383,212 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds net of accumulated depreciation of \$13,588,523. | | | | | 16,913,575 |
| Property taxes are not available for current-period expenditures and therefore are in the funds as unavailable revenues. | | | | | 69,840 |
| Other accrued liabilities not payable in the current year are not recorded as governmental fund liabilities. | | | | | (1,877) |
| TOTAL NET POSITION | | | | | \$ 18,364,750 |

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, 2021

| | General | Property Rehabilitation Program | Tax Increment | Construction | Totals |
|--|------------------|---------------------------------------|--------------------|-------------------|---------------------|
| REVENUES: | | | | | |
| Property taxes | \$ - | \$ - | \$ 794,325 | \$ - | \$ 794,325 |
| Interest on investments | 1,095 | (1,203) | 5,761 | 4,067 | 9,720 |
| Miscellaneous | 716 | - | - | - | 716 |
| TOTAL REVENUES | 1,811 | (1,203) | 800,086 | 4,067 | 804,761 |
| EXPENDITURES: | | | | | |
| Personal services | 79,603 | - | - | - | 79,603 |
| Materials and services | 37,803 | 37,960 | - | - | 75,763 |
| Debt service | - | - | 1,987,207 | - | 1,987,207 |
| Capital outlay | - | - | - | 354,798 | 354,798 |
| TOTAL EXPENDITURES | 117,406 | 37,960 | 1,987,207 | 354,798 | 2,497,371 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (115,595) | (39,163) | (1,187,121) | (350,731) | (1,692,610) |
| OTHER FINANCING SOURCE: | | | | | |
| Proceeds from sale of capital assets | - | - | - | 2,500 | 2,500 |
| NET CHANGE IN FUND BALANCE | (115,595) | (39,163) | (1,187,121) | (348,231) | (1,690,110) |
| FUND BALANCE, beginning of year | 190,742 | 1,080,123 | 1,252,715 | 549,742 | 3,073,322 |
| FUND BALANCE, end of year | \$ 75,147 | \$ 1,040,960 | \$ 65,594 | \$ 201,511 | \$ 1,383,212 |

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, 2021

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,690,110)

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

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 | 354,798 |
| Less current year depreciation | (968,715) |

The net effect of transactions involving capital assets, i.e, gain/loss on sales, contributions, donations. These transactions are not reported in the governmental funds. (194,719)

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

| | |
|----------------|---------|
| Property Taxes | (9,867) |
|----------------|---------|

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,956,394

Accrued interest is not recorded in the governmental funds. 5,136

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.

| | |
|---------------------------------------|--------------|
| Decrease in other accrued liabilities | <u>(136)</u> |
|---------------------------------------|--------------|

TOTAL CHANGE IN NET POSITION \$ (547,219)

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, 2021

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, 2021

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. Contributions include transfers of capital assets to the City of Lincoln City.

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 four funds are presented as major funds. They are as follows:

- General
- Property Rehabilitation Program
- Tax Increment
- Construction

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, 2021

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.

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.

Cash and Investments

Cash and investments 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. All cash 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, 2021, for compliance with Oregon Revised Statutes relating to the collateralization of deposits.

Receivables

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.

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.

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, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Purchased or constructed capital assets are recorded at estimated historical cost with subsequent additions at cost. Donated assets are recorded at acquisition value. 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.

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 |

Deferred Inflow of Resources

The Agency reports a deferred inflow of resources in the fund statements related to unavailable revenues for property taxes that will be collected in future years.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts, if significant, 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.

Fund Balance

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).

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, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- 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.

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 and other postemployment benefits costs for the Agency employees are charged back to the Agency and reflected in Urban Renewal expenditures/expenses.

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.

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, 2021

3. RECEIVABLES

The Agency's receivables at June 30, 2021, are shown below:

| | Property Rehabilitation Program | Tax Increment | Totals |
|----------------------|---------------------------------------|------------------|-------------------|
| Rehabilitation loans | \$ 834,225 | \$ - | \$ 834,225 |
| Miscellaneous | 3,278 | - | 3,278 |
| Property taxes | - | 69,840 | 69,840 |
| Totals | \$ 837,503 | \$ 69,840 | \$ 907,343 |

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. Loans receivable are as follows:

| <u>Fund and Program</u> | <u>Maximum Term</u> | <u>Interest Rate</u> | <u>Loans Receivable</u> |
|-------------------------------|-------------------------|--------------------------|-----------------------------|
| Major fund: | | | |
| Property Rehabilitation Fund: | | | |
| Urban development: | | | |
| Rehabilitation loans | 10 years | 0% | \$ 834,225 |

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

| | Balance June 30, 2020 | Increases | Decreases | Balance June 30, 2021 |
|---|--------------------------|---------------------|---------------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 3,294,893 | \$ 255,699 | \$ (8,861) | 3,541,731 |
| Construction in progress | 275,214 | 99,099 | (237,755) | 136,558 |
| total capital assets not being depreciated | <u>3,570,107</u> | <u>354,798</u> | <u>(246,616)</u> | <u>3,678,289</u> |
| Capital assets being depreciated | | | | |
| Buildings | 554,969 | - | (16,519) | 538,450 |
| System improvements | 28,419,739 | 237,755 | (2,401,385) | 26,256,109 |
| Equipment and furniture | 17,582 | - | (17,582) | - |
| Books and art | 30,250 | - | (1,000) | 29,250 |
| Total capital assets being depreciated | <u>29,022,540</u> | <u>237,755</u> | <u>(2,436,486)</u> | <u>26,823,809</u> |
| Total accumulated depreciation | <u>(14,870,436)</u> | <u>(968,715)</u> | <u>2,250,628</u> | <u>(13,588,523)</u> |
| Total capital assets being depreciated, net | <u>14,152,104</u> | <u>(730,960)</u> | <u>(185,858)</u> | <u>13,235,286</u> |
| Total capital assets, net | <u>\$ 17,722,211</u> | <u>\$ (376,162)</u> | <u>\$ (432,474)</u> | <u>\$ 16,913,575</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, 2021

5. UNAVAILABLE REVENUE

Resources of the Agency, which are measurable but not available, and are therefore reported as deferred inflow of resources in the funds, relate to property taxes receivable in the Tax Increment Fund of \$69,840.

6. LONG-TERM OBLIGATIONS

| | <u>Balances</u> <u>June 30, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balances</u> <u>June 30, 2021</u> |
|---|---|------------------|-------------------|---|
| Full Faith and Credit Note, Series 2017 | | | | |
| Original issue amount \$2.975 million, final maturity | | | | |
| June 2023, interest at 3.15 percent | \$ 1,956,394 | \$ - | \$ (1,956,394) | \$ - |

All long-term obligations of the Agency were retired during the 2020-21 fiscal year.

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, 2021

| | Budget Original/Final | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------------|------------------|---|
| REVENUES: | | | |
| Interest on investments | \$ 2,099 | \$ 1,095 | \$ (1,004) |
| Miscellaneous | - | 716 | 716 |
| TOTAL REVENUES | 2,099 | 1,811 | (1,004) |
| EXPENDITURES: | | | |
| Personal services | 68,482 | 79,603 | (11,121) |
| Materials and services | 92,907 | 37,803 | 55,104 |
| TOTAL EXPENDITURES | 161,389 | 117,406 | 43,983 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE | (159,290) | (115,595) | 43,695 |
| FUND BALANCE, beginning of year | 159,290 | 190,742 | 31,452 |
| FUND BALANCE, end of year | \$ - | \$ 75,147 | \$ 75,147 |

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, 2021

| | Budget | | Actual | Variance with |
|--|-----------|-----------|--------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES: | | | | |
| Loan repayments | \$ 72,000 | \$ 72,000 | \$ 144,922 | \$ 72,922 |
| Interest on investments | 7,350 | 7,350 | (1,203) | (8,553) |
| TOTAL REVENUES | 79,350 | 79,350 | 143,719 | 64,369 |
| EXPENDITURES: | | | | |
| Materials and services | 32,400 | 32,400 | 28,858 | 3,542 |
| Special payments - loans and grants | 431,403 | 581,403 | 490,000 | 91,403 |
| TOTAL EXPENDITURES | 463,803 | 613,803 | 518,858 | 94,945 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (384,453) | (534,453) | (375,139) | 159,314 |
| FUND BALANCE, beginning of year | 384,453 | 534,453 | 581,874 | 47,421 |
| FUND BALANCE, end of year | \$ - | \$ - | \$ 206,735 | \$ 206,735 |
| | | | | |
| Fund balance - budgetary basis | | | \$ 206,735 | |
| Balance of loans receivable | | | 834,225 | |
| Fund balance - GAAP | | | \$ 1,040,960 | |
| | | | | |
| Change in fund balance - budgetary basis | | | \$ (375,139) | |
| New loans reported as increases in receivable | | | 490,000 | |
| Loan repayments reported as reduction in receivable | | | (144,922) | |
| Credit given on loan | | | (9,102) | |
| | | | | |
| Changes in fund balance - GAAP basis | | | \$ (39,163) | |

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

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, special payments, 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. 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, 2021

| | Budget Original/Final | Actual | Variance with Final Budget Positive (Negative) |
|---|---|-------------|---|
| REVENUES: | | | |
| Property taxes | \$ 756,556 | \$ 794,325 | \$ 37,769 |
| Interest on investments | 15,191 | 5,761 | (9,430) |
| | TOTAL REVENUES | 800,086 | 28,339 |
| EXPENDITURES: | | | |
| Debt service | 1,987,207 | 1,987,207 | - |
| | EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE | (1,187,121) | 28,339 |
| | (1,215,460) | | |
| FUND BALANCE , beginning of year | 1,215,460 | 1,252,715 | 37,255 |
| FUND BALANCE , end of year | \$ - | \$ 65,594 | \$ 65,594 |

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**

CONSTRUCTION FUND

YEAR ENDED JUNE 30, 2021

| | Budget Original/Final | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------------|------------|---|
| REVENUES: | | | |
| Interest on investments | \$ 12,244 | \$ 4,067 | \$ (8,177) |
| EXPENDITURES: | | | |
| Capital Outlay | 503,986 | 354,798 | 149,188 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (491,742) | (350,731) | 141,011 |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from sale of land | - | 2,500 | 2,500 |
| NET CHANGE IN FUND BALANCE | (491,742) | (348,231) | 143,511 |
| FUND BALANCE, beginning of year | 491,742 | 549,742 | 58,000 |
| FUND BALANCE, end of year | \$ - | \$ 201,511 | \$ 201,511 |

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

PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2021

| | | Balance | | Net Interest (Discount) and | | Balance |
|---------------|---------|------------------|-------------------|-----------------------------------|---------------------|------------------|
| | | June 30, 2020 | Levy | Adjustments | Collections | June 30, 2021 |
| Current | 2020-21 | \$ - | \$ 803,886 | \$ (22,482) | \$ (765,000) | \$ 16,404 |
| Prior | 2019-20 | 21,624 | - | (164) | (12,511) | 8,949 |
| | 2018-19 | 9,587 | - | 82 | (4,776) | 4,893 |
| | 2017-18 | 5,470 | - | 789 | (4,967) | 1,292 |
| | 2016-17 | 1,366 | - | 234 | (1,399) | 201 |
| | Prior | 41,660 | - | 2,113 | (5,672) | 38,101 |
| Totals | | \$ 79,707 | \$ 803,886 | \$ (19,428) | \$ (794,325) | \$ 69,840 |

OTHER SCHEDULES

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

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 2021-22

| | <u>General Fund</u> | <u>Tax Increment Fund</u> | <u>Property Rehabilitation Fund</u> | <u>Construction Fund</u> |
|---------------------------|-------------------------|-----------------------------------|---|------------------------------|
| REVENUES: | | | | |
| Beginning Fund Balance | \$ 41,188 | \$ - | \$ 311,197 | \$ 454,942 |
| Interest | 768 | - | 800 | 5,300 |
| Loan Repayments | - | - | 80,000 | - |
| Tax Increment Proceeds | - | 166,729 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | <u>\$ 41,956</u> | <u>\$ 166,729</u> | <u>\$ 391,997</u> | <u>\$ 460,242</u> |
| | | | | |
| EXPENDITURES: | | | | |
| Materials & Services | \$ 41,956 | \$ - | \$ 10,000 | \$ - |
| Capital Outlay | - | - | - | 460,242 |
| Property Rehabilitation | - | - | 381,997 | - |
| Debt Service | - | 166,729 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | <u>\$ 41,956</u> | <u>\$ 166,729</u> | <u>\$ 391,997</u> | <u>\$ 460,242</u> |

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

REVENUES AND EXPENDITURES

FISCAL YEAR 2020-21

| | General Fund | Tax Increment Fund | Property Rehabilitation Fund | Construction Fund |
|----------------------------|------------------|--------------------------|------------------------------------|----------------------|
| REVENUES: | | | | |
| Beginning Fund Balance | \$ 190,742 | \$ 1,252,715 | \$ 581,874 | \$ 549,742 |
| Interest | 1,095 | 5,761 | (1,203) | 4,067 |
| Sale of Land | - | - | - | 2,500 |
| Loan Repayments | - | - | 144,922 | - |
| Tax Increment Proceeds | - | 794,325 | - | - |
| Miscellaneous | 716 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 192,553 | 2,052,801 | 725,593 | 556,309 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | | |
| Personal Services | 79,603 | - | - | - |
| Materials & Services | 37,803 | - | 28,858 | - |
| Capital Outlay | - | - | - | 354,798 |
| Economic Development | - | - | 490,000 | - |
| Debt Service | - | 1,987,207 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 117,406 | 1,987,207 | 518,858 | 354,798 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| ENDING FUND BALANCE | \$ 75,147 | \$ 65,594 | \$ 206,735 | \$ 201,511 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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, 2021 amounted to \$0.

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

THE LINCOLN CITY URBAN RENEWAL PLAN'S PROPERTY TAX COLLECTION

EFFECTS ON THE OTHER TAXING DISTRICTS FOR FY 2020-21

ARE AS FOLLOWS:

| Taxing District | Taxes Collected with Urban Renewal | Taxes Collected without Urban Renewal | Urban Renewal Taxes Collected |
|--------------------------------|---|--|--|
| Lincoln County School District | \$ 9,217,404 | \$ 9,501,927 | \$ 284,524 |
| Linn-Benton-Lincoln ESD | 572,531 | 590,145 | 17,613 |
| Oregon Coast Community College | 330,009 | 340,073 | 10,065 |
| City of Lincoln City | 7,697,428 | 7,934,918 | 237,490 |
| Lincoln County Animal Shelter | 206,715 | 212,909 | 6,194 |
| North Lincoln Fire/Rescue | 1,267,230 | 1,306,326 | 39,095 |
| Lincoln County General | 5,295,236 | 5,458,595 | 163,359 |
| Lincoln County Extension | 84,776 | 87,293 | 2,516 |
| North Lincoln Health District | 973,380 | 1,003,381 | 30,001 |
| Lincoln County Transportation | 182,908 | 188,521 | 5,613 |
| Devil's Lake Water - Inside | 91,395 | 91,615 | 220 |
| Devil's Lake Water - Outside | 154,431 | 161,629 | 7,198 |
| TOTALS | <u>\$ 26,073,443</u> | <u>\$ 26,877,332</u> | <u>\$ 803,888</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.

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



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

Agency Officials
Lincoln City Urban Renewal Agency
(A Component Unit of the City of Lincoln City, Oregon)
Lincoln City, Oregon

We have audited the 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, 2021, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 31, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

As part of obtaining reasonable assurance about whether the 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 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- 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 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as follows:

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

Agency Officials
Lincoln City Urban Renewal Agency

COMPLIANCE (Continued)

- The General Fund reported an over expenditure of \$11,121 in personal services appropriations

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, 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 opinions 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.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

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

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 31, 2022