

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

Annual Financial Report

Year Ended June 30, 2025

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

AGENCY OFFICIALS

JUNE 30, 2025

	<u>Term Expires</u>
Mitch Parsons (Chair) City of Lincoln City PO Box 50 Lincoln City, Oregon 97367	December 31, 2026
Dennis "Riley" Hoagland City of Lincoln City PO Box 50 Lincoln City, Oregon 97367	December 31, 2028
Kevin Hohnbaum City of Lincoln City PO Box 50 Lincoln City, Oregon 97367	December 31, 2028
Todd Barker City of Lincoln City PO Box 50 Lincoln City, Oregon 97367	December 31, 2028
Rick Mark City of Lincoln City PO Box 50 Lincoln City, Oregon 97367	December 31, 2026
Susan Wahlke City of Lincoln City PO Box 50 Lincoln City, Oregon 97367	December 31, 2026
Marci Baker City of Lincoln City PO Box 50 Lincoln City, Oregon 97367	December 31, 2026

City Manager

Daphnee Legarza

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



Your peace of mind is our passion.

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 Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2025, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

INDEPENDENT AUDITOR'S REPORT (Continued)

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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, the Property Rehabilitation Program Fund, the Tax Increment Fund - Roads End/Villages District Fund, and the Tax Increment Fund - Nelscott District, 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. This 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 GAAS. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Other Schedules, as listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated January 15, 2026, 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.



For Talbot, Korvola & Warwick, LLP
Portland, Oregon
January 15, 2026

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, 2025. 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, 2025 was \$5,393,647, an increase of \$745,118 in comparison with the prior year. Short-term liabilities increased by \$11,784 in comparison with the prior year. Governmental expenses increased by \$1,095.

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 funds are included in this section. The schedules report revenues, expenditures, changes in fund balances, and budgetary information.

Other supplementary information

This section includes 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 State 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 \$5,393,647 at the close of the fiscal year ended June 30, 2025. This is an increase of \$745,118 (or 16.0%) from the prior fiscal year.

STATEMENT OF NET POSITION

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and investments	\$2,608,183	\$1,583,529
Receivables	451,428	529,924
Prepays	-	34,074
Capital assets, net	<u>2,350,945</u>	<u>2,506,127</u>
Total Assets	<u>5,410,556</u>	<u>4,653,654</u>
Liabilities:		
Accounts payable	<u>16,909</u>	<u>5,125</u>
Net Position:		
Net investment in capital assets	2,350,945	2,506,127
Restricted for urban renewal	2,238,148	1,456,442
Unrestricted	<u>804,554</u>	<u>685,960</u>
Total Net Position	<u>\$5,393,647</u>	<u>\$4,648,529</u>

Statement of Activities

General revenues increased by \$454,851 (or 81.1%). This is partially due to a second URA district (Nelscott District) receiving its first year of property tax revenue in the current fiscal year. It is also due to the Roads End district increase in assessed value, resulting in increased property taxes, and to increased interest earnings.

General governmental expenses increased by \$1,095 (or 0.1%).

STATEMENT OF ACTIVITIES

	<u>2025</u>	<u>2024</u>
General Revenues:		
Property taxes levied	\$ 867,798	\$ 495,596
Intergovernmental	41,816	-
Unrestricted investment earnings	105,827	60,394
Miscellaneous	<u>-</u>	<u>4,600</u>
Total Revenues	<u>1,015,441</u>	<u>560,590</u>
Expenses:		
General government	<u>93,198</u>	<u>92,103</u>
Excess of revenues over expenses before transfers	922,243	468,487
Transfer of capital assets to City	<u>(177,125)</u>	<u>(12,357,509)</u>
Change in Net Position	745,118	(11,889,022)
Net Position – beginning	<u>4,648,529</u>	<u>16,537,551</u>
Net Position – ending	<u>\$ 5,393,647</u>	<u>\$ 4,648,529</u>

BUDGET HIGHLIGHTS

The Urban Renewal Agency changed the General Fund budget once during the fiscal year, to reduce budgeted capital outlay by \$11,500 and increase budgeted materials and services by same amount.

CAPITAL ASSET

At June 30, 2025, the Agency had invested \$2,350,945 in a range of capital assets, including land and infrastructure improvements. This amount represents a net decrease (including additions and deductions) of \$155,182 from the prior year. The decrease in net assets is primarily due to the transfer of an asset in the amount of \$177,125 to the City, from the Y2000 URA TIF area that has expired. 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 note 4 in the Notes to Basic Financial Statements.

CHANGE IN CAPITAL ASSETS

	<u>2025</u>	<u>2024</u>
Beginning balance	\$2,657,970	\$30,164,229
Less: accumulated depreciation	<u>(151,843)</u>	<u>(15,299,389)</u>
Net capital assets - beginning	2,506,127	14,864,840
Additions (net)	24,572	3,663
Transfer of assets to City (net)	(177,125)	(12,357,509)
Depreciation - current year	<u>(2,629)</u>	<u>(4,867)</u>
Net capital assets – ending	<u>\$ 2,350,945</u>	<u>\$2,506,127</u>

For the fiscal year ending June 30, 2026, the City's Urban Renewal Agency has budgeted \$425,000 for capital projects and \$3,142,718 for contingencies.

ECONOMIC FACTORS

As required by ORS 457.190(3)(a), the Agency has included in its Roads End TIF area plan the maximum amount of indebtedness that may be issued or incurred under the plan in the total amount of \$87,100,000. As of June 30, 2025, there is \$86,990,581 remaining.

The Agency has also included in its Nelscott TIF area plan the maximum amount of indebtedness that may be issued or incurred under the plan in the total amount of \$129,000,000. As of June 30, 2025, there is \$129,000,000 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.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

JUNE 30, 2025

ASSETS

Cash and investments	\$ 2,603,408
Cash with County Treasurer	4,775
Receivables	38,994
Notes receivable, long term	412,434
Land and construction in progress	2,320,637
Other depreciable capital assets, net	<u>30,308</u>

TOTAL ASSETS

5,410,556

LIABILITIES

Accounts payable	<u>16,909</u>
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NET POSITION

Net investment in capital assets	2,350,945
Restricted for urban renewal	2,238,148
Unrestricted	<u>804,554</u>

TOTAL NET POSITION

\$ 5,393,647

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, 2025

	<u>Governmental Activities</u>
PROGRAM EXPENSES:	
General government	<u>\$ 93,198</u>
GENERAL REVENUES:	
Property taxes levied	867,798
Intergovernmental	41,816
Unrestricted investment earnings	105,827
TRANSFER of capital assets to City	<u>(177,125)</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>838,316</u>
CHANGE IN NET POSITION	745,118
NET POSITION , beginning of year	<u>4,648,529</u>
NET POSITION , end of year	<u><u>\$ 5,393,647</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, 2025

	<u>General</u>	<u>Property Rehabilitation Program</u>	<u>Tax Increment Roads End/ Villages District</u>	<u>Tax Increment Nelscott District</u>	<u>Totals</u>
ASSETS:					
Cash and investments	\$ 377,535	\$ 388,420	\$ 1,687,443	\$ 150,010	\$ 2,603,408
Cash with County Treasurer	-	-	465	4,310	4,775
Receivables	-	419,934	27,537	3,957	451,428
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 377,535</u>	<u>\$ 808,354</u>	<u>\$ 1,715,445</u>	<u>\$ 158,277</u>	<u>\$ 3,059,611</u>
LIABILITIES:					
Accounts payable	\$ 16,909	-	-	-	\$ 16,909
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue - property taxes	-	-	27,537	3,957	31,494
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE:					
Nonspendable in form	-	412,434	-	-	412,434
Restricted for:					
Urban renewal	-	395,920	1,687,908	154,320	2,238,148
Assigned	360,626	-	-	-	360,626
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>360,626</u>	<u>808,354</u>	<u>1,687,908</u>	<u>154,320</u>	<u>3,011,208</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE					
	<u>\$ 377,535</u>	<u>\$ 808,354</u>	<u>\$ 1,715,445</u>	<u>\$ 158,277</u>	<u>\$ 3,059,611</u>
RECONCILIATION OF FUND BALANCE TO NET POSITION:					
Total fund balance					\$ 3,011,208
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds net of accumulated depreciation of \$154,472					2,350,945
Property tax receivable is not available for current-period expenditures and therefore is in the funds as unavailable revenues.					<u>31,494</u>
TOTAL NET POSITION					<u>\$ 5,393,647</u>

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, 2025

	<u>General</u>	<u>Property Rehabilitation Program</u>	<u>Tax Increment Roads End/ Villages District</u>	<u>Tax Increment Nelscott District</u>	<u>Eliminations</u>	<u>Totals</u>
REVENUES:						
Property taxes	\$ -	\$ -	\$ 703,386	\$ 150,219	\$ -	\$ 853,605
Intergovernmental	41,816	-	-	-	-	41,816
Interest on investments	10,999	23,400	66,792	4,636	-	105,827
TOTAL REVENUES	<u>52,815</u>	<u>23,400</u>	<u>770,178</u>	<u>154,855</u>	<u>-</u>	<u>1,001,248</u>
EXPENDITURES:						
Materials and services	47,376	5,013	37,645	535	-	90,569
Capital outlay	24,572	-	-	-	-	24,572
TOTAL EXPENDITURES	<u>71,948</u>	<u>5,013</u>	<u>37,645</u>	<u>535</u>	<u>-</u>	<u>115,141</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,133)	18,387	732,533	154,320	-	886,107
OTHER FINANCING SOURCE (USE):						
Transfers in	250,000	-	-	-	(250,000)	-
Transfers out	-	(250,000)	-	-	250,000	-
TOTAL OTHER FINANCING SOURCE (USE)	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	230,867	(231,613)	732,533	154,320	-	886,107
FUND BALANCE, beginning of year	<u>129,759</u>	<u>1,039,967</u>	<u>955,375</u>	<u>-</u>	<u>-</u>	<u>2,125,101</u>
FUND BALANCE, end of year	<u>\$ 360,626</u>	<u>\$ 808,354</u>	<u>\$ 1,687,908</u>	<u>\$ 154,320</u>	<u>\$ -</u>	<u>\$ 3,011,208</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, 2025

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 886,107
<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	24,572
Less current year depreciation	(2,629)
The net effect of transactions involving capital assets, i.e, gain/loss on sales, donations. These transactions are not reported in the governmental funds.	(177,125)
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 - Roads End / Nelscott Districts	<u>14,193</u>
TOTAL CHANGE IN NET POSITION	<u>\$ 745,118</u>

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, 2025

1. ORGANIZATION

The Urban Renewal Agency of the City of Lincoln City (the Agency) is a component unit of the City of Lincoln City, Oregon (the City) and 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 City Council (Council) serves as the governing body and is accountable for the fiscal matters of the Agency.

Urban Renewal Areas

The Urban Renewal Agency's objective is the elimination and prevention of the development or spread of urban blight and deterioration, and/or the encouraging of needed urban conservation and rehabilitation to provide for redevelopment of blighted or deteriorated areas.

Urban renewal activities are funded through tax increment financing (TIF). This mechanism relies on the increment of taxes resulting from increased property values during the life of the urban renewal TIF area.

The City has established three Urban Renewal TIF areas. FY2020-21 saw the end of the URA Y2000 TIF area as it made its final bond payment and collected its final tax increment revenue in that year. A second URA TIF area, Roads End/Villages at Cascade Head (Roads End), was established on August 10, 2020, and collected its first tax increment revenue in FY2021-22. A third URA TIF area, Nelscott, was established on August 28, 2023, and collected its first tax increment revenue in FY2024-25.

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 funding Urban Renewal projects and activities.
- As required by ORS 457.190(3)(a), the Agency has included in its plans the maximum amount of indebtedness that may be issued or incurred. For the Roads End plan, the maximum amount of indebtedness is \$87,100,000. For the Nelscott plan, the maximum amount of indebtedness is \$129,000,000.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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.

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

- General
- Property Rehabilitation Program
- Tax Increment Fund – Roads End/Villages District
- Tax Increment Fund – Nelscott District

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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.

Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from debt and acquisitions under 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, 2025, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

The Agency makes loans to third parties for rehabilitation of properties consistent with the Agency's mission. Loan receivables 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 assets are recorded at acquisition value. Capital assets are assets with an initial cost of more than \$5,000 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:

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- 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 or 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 balances 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 has no employees. Agency work is performed by the City employees; these personnel costs, including pension cost and other postemployment benefits costs, are not charged to the Agency for FY2024-25, and are not 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

YEAR ENDED JUNE 30, 2025

3. RECEIVABLES

The Agency's receivables at June 30, 2025, are shown below:

	Property Rehabilitation Program	Tax Increment Roads End / Villages District	Tax Increment Nelscott District	Totals
Rehabilitation loans	\$ 412,434	\$ -	\$ -	\$ 412,434
Miscellaneous	7,500	-	-	7,500
Property taxes	-	27,537	3,957	31,494
Totals	<u>\$ 419,934</u>	<u>\$ 27,537</u>	<u>\$ 3,957</u>	<u>\$ 451,428</u>

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>Term</u>	<u>Rate</u>	<u>Receivable</u>
Major fund:			
Property Rehabilitation Fund:			
Urban development:			
Rehabilitation loans	10 years	0%	\$ 412,434

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increases	Donation to City	Reclass	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 1,997,040	\$ -	\$ -	\$ 257,880	\$ 2,254,920
Construction in progress	218,270	24,572	(177,125)	-	65,717
Total capital assets not being depreciated	<u>2,215,310</u>	<u>24,572</u>	<u>(177,125)</u>	<u>257,880</u>	<u>2,320,637</u>
Capital assets being depreciated:					
System improvements	442,660	-	-	(257,880)	184,780
Less accumulated depreciation	(151,843)	(2,629)	-	-	(154,472)
Total capital assets being depreciated, net	<u>290,817</u>	<u>(2,629)</u>	<u>-</u>	<u>(257,880)</u>	<u>30,308</u>
Total capital assets, net	<u>\$ 2,506,127</u>	<u>\$ 21,943</u>	<u>\$ (177,125)</u>	<u>\$ -</u>	<u>\$ 2,350,945</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

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 Roads End/Villages fund of \$27,537, and property taxes receivable in the Nelscott fund of \$3,957.

6. SUBSEQUENT EVENTS

In August 2025, the Urban Renewal Agency issued bonds in the amount of \$6,078,000, with the full faith and credit backing of the City of Lincoln City. Bond proceeds will be used to begin capital projects for the new Nelscott District.

At its November 10, 2025 meeting, the Urban Renewal Agency passed a resolution authorizing bonds in the amount of \$5,000,000 for projects described in the Roads End / Villages at Cascade Head Urban Renewal Plan.

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, 2025

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Intergovernmental	-	-	41,816	41,816
Interest on investments	1,000	1,000	10,999	9,999
TOTAL REVENUES	<u>51,000</u>	<u>51,000</u>	<u>52,815</u>	<u>1,815</u>
EXPENDITURES:				
Materials and services	25,968	37,468	47,376	(9,908)
Capital outlay	405,000	393,500	24,572	368,928
TOTAL EXPENDITURES	<u>430,968</u>	<u>430,968</u>	<u>71,948</u>	<u>359,020</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(379,968)	(379,968)	(19,133)	360,835
OTHER FINANCING SOURCE:				
Transfer In	250,000	250,000	250,000	-
NET CHANGE IN FUND BALANCE	(129,968)	(129,968)	230,867	360,835
FUND BALANCE, beginning of year	<u>129,968</u>	<u>129,968</u>	<u>129,759</u>	<u>(209)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,626</u>	<u>\$ 360,626</u>

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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original/Final</u>		
REVENUES:			
Loan repayments	\$ 60,000	\$ 92,379	\$ 32,379
Interest on investments	10,000	23,400	13,400
TOTAL REVENUES	<u>70,000</u>	<u>115,779</u>	<u>45,779</u>
EXPENDITURES:			
Property Rehab Program	5,000	5,000	-
Contingency	312,856	-	312,856
TOTAL EXPENDITURES	<u>317,856</u>	<u>5,000</u>	<u>312,856</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(247,856)	110,779	358,635
OTHER FINANCING SOURCES (USES):			
Transfers out	250,000	250,000	-
NET CHANGE IN FUND BALANCE	(497,856)	(139,221)	358,635
FUND BALANCE, beginning of year	<u>497,856</u>	<u>535,141</u>	<u>37,285</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 395,920</u>	<u>\$ 395,920</u>
Fund balance - budgetary basis		\$ 395,920	
Balance of loans receivable		<u>412,434</u>	
Fund balance - GAAP		<u>\$ 808,354</u>	
Change in fund balance - budgetary basis		\$ (139,221)	
Loan writeoff reported as decrease in receivable		(13)	
Loan repayments reported as reduction in receivable		<u>(92,379)</u>	
Changes in fund balance - GAAP basis		<u>\$ (231,613)</u>	

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
TAX INCREMENT FUND - ROADS END / VILLAGES DISTRICT
YEAR ENDED JUNE 30, 2025

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 550,886	\$ 550,886	\$ 703,386	\$ 152,500
Interest on investments	25,750	25,750	66,792	41,042
TOTAL REVENUES	576,636	576,636	770,178	193,542
EXPENDITURES:				
Roads End / Villages Improvements	7,100	57,100	37,645	19,455
Contingency	1,472,502	1,422,502	-	1,422,502
TOTAL EXPENDITURES	1,479,602	1,479,602	37,645	1,441,957
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE	(902,966)	(902,966)	732,533	1,635,499
FUND BALANCE, beginning of year	902,966	902,966	955,375	52,409
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,687,908	\$ 1,687,908

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 - NELSCOTT DISTRICT

YEAR ENDED JUNE 30, 2025

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 121,473	\$ 150,219	\$ 28,746
Interest on investments	1,000	4,636	3,636
TOTAL REVENUES	<u>122,473</u>	<u>154,855</u>	<u>32,382</u>
EXPENDITURES:			
Nelscott District Improvements	16,800	535	16,265
Contingency	105,673	-	105,673
TOTAL EXPENDITURES	<u>122,473</u>	<u>535</u>	<u>121,938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND CHANGE IN FUND BALANCE	-	154,320	154,320
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 154,320</u>	<u>\$ 154,320</u>

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2025

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)

PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2025

		<u>Balance</u> <u>June 30, 2024</u>	<u>Levy</u>	<u>Net Interest</u> <u>(Discount)</u> <u>and</u> <u>Adjustments</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2025</u>
Current	2023-24	\$ -	\$ 890,760	\$ (23,168)	\$ 845,324	\$ 22,268
Prior	2022-23	12,903	-	(119)	6,247	6,537
	2021-22	3,445	-	90	1,198	2,337
	2019-20	953	-	113	714	352
		<u>\$ 17,301</u>	<u>\$ 890,760</u>	<u>\$ (23,084)</u>	<u>853,483</u>	<u>\$ 31,494</u>
					Heavy Equipment Tax	<u>122</u>
					Total property tax	<u>\$ 853,605</u>

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 2025-26

	<u>General Fund</u>	<u>Property Rehabilitation Fund</u>	<u>Tax Increment Fund - Roads End/Villages District</u>	<u>Tax Increment Fund - Nelscott District</u>
REVENUES:				
Beginning Fund Balance	\$ 376,565	\$ 388,711	\$ 1,414,669	\$ 126,273
Interest	3,000	15,000	55,750	8,300
Deferred Improvement Agreements	50,000	-	-	-
Loan Repayments	-	85,000	-	-
Tax Increment Proceeds	-	-	857,795	226,560
Transfers In	100,000	-	-	-
TOTAL REVENUES	<u>\$ 529,565</u>	<u>\$ 488,711</u>	<u>\$ 2,328,214</u>	<u>\$ 361,133</u>
 EXPENDITURES:				
Materials & Services	\$ 29,905	\$ -	\$ -	\$ -
Capital Outlay	499,660	-	-	-
Nelscott District Improvements	-	-	-	10,000
Contingency	-	388,711	2,328,214	351,133
Transfers Out	-	100,000	-	-
TOTAL EXPENDITURES	<u>\$ 529,565</u>	<u>\$ 488,711</u>	<u>\$ 2,328,214</u>	<u>\$ 361,133</u>

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

REVENUES AND EXPENDITURES

FISCAL YEAR 2024-25

	<u>General Fund</u>	<u>Property Rehabilitation Fund</u>	<u>Tax Increment Fund - Roads End/Villages District</u>	<u>Tax Increment Fund - Nelscott District</u>
REVENUES:				
Beginning Fund Balance	\$ 129,759	\$ 535,141	\$ 955,375	\$ -
Interest	10,999	23,400	66,792	4,636
Intergovernmental	41,816	-	-	-
Loan Repayments	-	92,379	-	-
Tax Increment Proceeds	-	-	703,386	150,219
Transfers In	250,000	-	-	-
TOTAL REVENUES	<u>\$ 432,574</u>	<u>\$ 650,920</u>	<u>\$ 1,725,553</u>	<u>\$ 154,855</u>
 EXPENDITURES:				
Materials & Services	\$ 47,376	\$ 5,000	\$ 37,645	\$ 535
Capital Outlay	24,572	-	-	-
Transfers Out	-	250,000	-	-
TOTAL EXPENDITURES	<u>71,948</u>	<u>255,000</u>	<u>37,645</u>	<u>535</u>
 ENDING FUND BALANCE	<u>\$ 360,626</u>	<u>\$ 395,920</u>	<u>\$ 1,687,908</u>	<u>\$ 154,320</u>

The Tax Increment Proceeds (revenue) received by the Agency are used to pay for indebtedness incurred in carrying out the Urban Renewal Plan.

The maximum amount of indebtedness that may be issued or incurred under the Roads End/Villages plan is \$87,100,000. As of June 30, 2025, the unspent available maximum indebtedness balance is \$86,990,581.

The maximum amount of indebtedness that may be issued or incurred under the Roads End/Villages plan is \$129,000,000. As of June 30, 2025, the unspent available maximum indebtedness balance is \$129,000,000.

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

IMPACT ON OVERLAPPING TAXING DISTRICTS OF PROPERTY TAX LEVIED FOR
THE LINCOLN CITY URBAN RENEWAL DISTRICT FOR FISCAL YEAR 2024-25

IS AS FOLLOWS:

Taxing District	Taxes Levied with Urban Renewal	Taxes Levied without Urban Renewal	Urban Renewal Taxes Levied
Lincoln County School District	\$ 10,849,777	\$ 11,167,818	\$ 318,041
Linn-Benton-Lincoln ESD	674,044	693,609	19,565
Oregon Coast Community College	388,548	399,696	11,148
City of Lincoln City	9,060,828	9,326,079	265,251
Lincoln County Animal Shelter	243,411	250,236	6,825
North Lincoln Fire/Rescue	4,257,406	4,300,449	43,045
Lincoln County General	6,233,150	6,415,603	182,453
Lincoln County Extension	99,867	102,597	2,730
North Lincoln Health District	1,145,852	1,179,295	33,443
Lincoln County Transportation	215,658	221,573	5,915
Devil's Lake Water - Inside	109,580	110,153	573
Devil's Lake Water - Outside	187,100	188,871	1,771
TOTALS	<u>\$ 33,465,221</u>	<u>\$ 34,355,979</u>	<u>\$ 890,760</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 INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**



Your peace of mind is our passion.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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 (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Kowala & Warwick LLP

Portland, Oregon
January 15, 2026

**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**



Your peace of mind is our passion.

**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, 2025, and the related notes to the financial statements which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 15, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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:

- The Urban Renewal General Fund reported an over expenditure of \$9,908.

**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)**

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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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
January 15, 2026