



**JOINT REGULAR MEETING AGENDA
MONDAY, MAY 13, 2024, 5:00 PM**

5:00 PM - The City Council and Urban Renewal Agency will hold a joint meeting in the Council Chambers, 801 SW Highway 101 - 3rd Floor, Lincoln City, OR 97367.

If you wish to speak on an agenda or non-agenda item, please sign up on the sheet near the entrance door to the Council Chambers. You will be called to speak during the "Public Comment" section. Comments or testimony on agenda items listed under "public hearing/public comment" will be taken at that time.

Public comments can be submitted to publiccomment@lincolncity.org, by attending the joint meeting, or by telephone. Public comments submitted by email will be entered into the official record, distributed to the governing body, and summarized; however, due to personal privacy issues they are not generally published in the online agenda packet. **PUBLIC COMMENT VIA EMAIL WILL ONLY BE RECOGNIZED UPON RECEIPT OF AN EMAIL.**

Citizens requesting to give public comment via telephone must email publiccomment@lincolncity.org no later than noon on the meeting day. The request must include the person's name, the subject the person wishes to address, and the phone number the person intends to use for the meeting. Instructions will be sent to the person requesting prior to the meeting. Persons giving public comment via telephone will need to leave the microphone muted until the public comment portion of the meeting.

The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired, for a hearing-impaired device, or for other accommodations for persons with disabilities, should be made at least 48 hours in advance of the meeting. To request information in an alternate format or other assistance, please contact the City's ADA Coordinator, Kevin Mattias, at [541-996-1013](tel:541-996-1013) or kmattias@lincolncity.org. Visit the [ADA Accessibility | City of Lincoln City, OR](#) webpage to view how the City continues to remain in compliance with Title II of the Americans with Disabilities Act regarding City programs, services, processes, and facilities.

The City Council and Urban Renewal Agency Members reserve the right to add or delete items as needed, change the order of the agenda, and discuss any other business deemed necessary at the time of the meeting.

Agenda materials for this meeting are available at www.lincolncity.org under "Government", then select "Public Meeting Agendas, Packets & Videos". To stream the meeting in HD, please visit www.lincolncity.org/government/streaming. This meeting will be televised live on Channel 4, and rebroadcast on Channel 4 multiple times a day.

I. CALL TO ORDER

II. MINUTES FOR APPROVAL

1. Joint City Council and Urban Renewal Agency - Regular Meeting - Apr 22, 2024, 5:00 PM

III. PRESENTATIONS

1. FY2022-23 Submission of Audited Statements

IV. AGENCY/COUNCIL COMMUNICATIONS

1. Real Property Transfer: One (4 tax lots) URA-owned property to City-ownership

V. PUBLIC HEARINGS / PUBLIC COMMENT

1. Public Hearing: Transfer of Property - URA to City

VI. RESOLUTIONS

1. Resolution 2024-10 A Resolution Setting Forth Corrective Measures for Deficiencies Identified in the City of Lincoln City, Oregon 2022-23 Annual Financial Report

VII. ADJOURNMENT



JOINT REGULAR MEETING AGENDA
MONDAY, APRIL 22, 2024, 5:00 PM

The final minutes for this meeting are supplemented by an electronic recording of the meeting, which may be viewed online at www.lincolncity.org under the tab "Agendas, Packets and Videos". The staff reports, resolutions, ordinances and other documents related to this meeting are also available at the same location. This meeting is rebroadcast on Cable Channel 4. (See Channel 4 guide on the hour at www.lcprogramguide.org.)

APPROVED BY URBAN RENEWAL AGENCY

DATE: _____

I. CALL TO ORDER

Mayor Wahlke called the meeting to order at 5:00 PM

Attendee Name	Title	Status	Arrived
Riley Hoagland	Member / Councilor Ward 2	Present	
Susan Wahlke	Member / Mayor	Present	
Judy Casper	Member / Councilor Ward 3	Present	
Rick Mark	Chair/ Councilor Ward 3	Excused	
Mitch Parsons	Member / Councilor	Present	
Marci Baker	City Councilor	Present	
Todd Barker	City Council/Agency Member	Present	

Staff Present: Daphnee Legarza, City Manager; Chief Broderick, Lincoln City Police Department; Alison Robertson, Economic Development and Urban Renewal Director; Seth Lenaerts, Project Manager; Stephanie Reid, Public Works Director; Charree Slates, I.T. Support Specialist; Jamie Young, City Recorder.

II. PUBLIC PORTION

801 SW HIGHWAY 101-SUITE 350 • LINCOLN CITY, OR 97367
 541.996.1095 • 541.996.1241(FAX)
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No citizens were present for public comment.

III. COUNCIL COMMUNICATIONS

None

IV. PUBLIC HEARINGS / PUBLIC COMMENT

1. Motion to Close the Public Hearing and the Record for Transfer of Property URA to the City at 5:07 PM

MOTION:	Motion to Close the Public Hearing and the Record for Transfer of Property URA to the City at 5:07 PM
MOVER:	Mitch Parsons, Councilor Ward 1
SECONDER:	Riley Hoagland, Councilor Ward 2
AYES:	Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED:	Rick Mark
RESULT:	Passed via Voice Vote

Mayor Wahlke opened the public hearing at 5:03 PM. Alison Robertson reviewed the staff report. Council and Staff had a discussion.

2. Motion to Approve the Transfer of One Urban Renewal Agency Property (1 tax lot) to City Ownership and Direct Staff to Process the Transactions

MOTION:	Motion to Approve the Transfer of One Urban Renewal Agency Property (1 tax lot) to City Ownership and Direct Staff to Process the Transactions
MOVER:	Marci Baker, Councilor Ward 2
SECONDER:	Riley Hoagland, Councilor Ward 2
AYES:	Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED:	Rick Mark
RESULT:	Passed by Roll Call Vote

V. SPECIAL ORDER OF BUSINESS / PRESENTATIONS

1. Motion to Nominate Agency Member Mitch Parsons to the Chair Position

MOTION: **Motion to Nominate Agency Member Mitch Parsons to the Chair Position**
MOVER: **Judy Casper, Councilor Ward 3**
SECONDER: **Todd Barker, Councilor Ward 1**
AYES: Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED: Rick Mark
RESULT: **Passed via Voice Vote**

2. Motion to Close Nominations for the URA Chair

MOTION: **Motion to Close Nominations for the URA Chair**
MOVER: **Judy Casper, Councilor Ward 3**
SECONDER: **Todd Barker, Councilor Ward 1**
AYES: Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED: Rick Mark
RESULT: **Passed by Voice Vote**

3. Motion to Elect Agency Member Parsons as the Chair for the URA Committee

MOTION: **Motion to Elect Agency Member Parsons as the Chair for the URA Committee**
MOVER: **Judy Casper, Councilor Ward 3**
SECONDER: **Marci Baker, Councilor Ward 2**
AYES: Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED: Rick Mark
RESULT: **Passed by Voice Vote**

4. Motion to Nominate Agency Member Todd Barker to the Vice-Chair Position

MOTION: **Motion to Nominate Agency Member Todd Barker to the Vice-Chair Position**
MOVER: **Judy Casper, Councilor Ward 3**
SECONDER: **Mitch Parsons, Councilor Ward 1**
AYES: Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED: Rick Mark
RESULT: **Passed by Voice Vote**

5. Motion to Close Nominations for the URA Vice- Chair

MOTION: Motion to Close Nominations for the URA Vice-Chair
MOVER: Mitch Parsons, Councilor Ward 1
SECONDER: Marci Baker, Councilor Ward 2
AYES: Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED: Rick Mark
RESULT: Passed by Voice Vote

6. Motion to Elect Agency Member Todd Barker as the Vice Chair for the URA Committee

MOTION: Motion to Elect Agency Member Todd Barker as the Vice-Chair for the URA Committee
MOVER: Judy Casper, Councilor Ward 3
SECONDER: Mitch Parsons, Councilor Ward 1
AYES: Hoagland, Wahlke, Casper, Parsons, Baker, Barker
EXCUSED: Rick Mark
RESULT: Passed by Voice Vote

VI. ADJOURNMENT

Mayor Wahlke adjourned the meeting at 5:15 PM.

SUSAN WAHLKE, MAYOR

ATTEST:

**JAMIE YOUNG
CITY RECORDER**

Council Communication

FY2022-23 Submission of Audited Statements

Meeting Date:	May 13, 2024	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	20 minutes

Background:

The FY2022-23 audited financial statements for the City and for the Urban Renewal Agency have been posted on our website. I am pleased to report both audits received an unmodified audit opinion, which means Talbot, Korvola & Warwick, LLP, (TKW) concluded from their audit that the financial statements do not contain any material errors.

Included in this packet are four communications from our auditors:

Independent Auditor's Report

The primary purpose of an audit is to provide assurance to the users of the financial statements that the statements are reliable. The independent auditor's report states that the examination was performed in conformity with generally accepted auditing standards, and it expresses an opinion that the City's financial statements are presented fairly in conformity with generally accepted accounting principles. This letter also details management's responsibility for the financial statements and the auditor's responsibility, and discusses the Required Supplementary Information and Other Information sections of the statements.

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

This letter discusses the auditor's review of the City's compliance with certain provisions of laws, regulations, contracts, and grants. It notes the following in regards to compliance:

The General Fund reported an over expenditure of \$27,238 in building inspection and \$20,038 in debt service.

- *The primary expense in building inspection is the contracted inspection services. This is a percent of the revenue received. Revenue and the resulting expenditure were higher than budget.*

- *With the implementation of GASB 96, some of the City's software expenses were coded to debt service instead of software expense. The budget for all software was in operational expense, not in debt service expense.*

The Lincoln Square Operations Fund reported an over expenditure of \$17,902 in Lincoln Square maintenance.

- *The budget overage occurred in the building maintenance account, due to the water flooding and damage that occurred in City Hall. The City did receive insurance reimbursement for this.*

The Urban Renewal Property Rehabilitation Program Fund reported an over expenditure of \$509 in materials and services.

- *The budget overage occurred in the miscellaneous contracted services account.*

The Urban Renewal Tax Increment Fund – Roads End reported an over expenditure of \$96,185 in materials and services.

- *The budget overage is for the transfer that was done from URA to the City for the NW 47th St Connector project. This transfer was budgeted as capital but the actual transfer was coded to miscellaneous contracted services.*

The Facilities Capital Fund reported an over expenditure of \$90 in materials and services.

- *The budget overage is in the building maintenance account.*

The Sewer System Capital Fund reported an over expenditure of \$6,923 in transfers out.

- *The budget overage is in the transfer to % for Arts account.*

The Agate Beach Closure Fund reported an over expenditure of \$29 in materials and services.

- *This fund pays for the City's share of expenses incurred by the Lincoln County Consortium for Solid Waste Management for the Agate Beach closure. Expenses billed for the year were \$29 higher than what was budgeted.*

SAS 115 Letter: Communicating Internal Control Related Matters Identified in an Audit

One of the requirements of an audit is that the auditor must gain an understanding of the City's internal controls, how they are implemented and their operating effectiveness. This is typically done during preliminary fieldwork while conducting walkthroughs of certain key areas, such as the cash receipt and cash disbursement processes. In some cases, an internal control may not be operating as intended or may not be in place at all. This is when the SAS 115 letter is utilized. While any significant deficiencies or material weaknesses would have been discussed with

management during the audit, the AICPA requires the auditor to communicate them to management in writing. Along with identifying deficiencies in the controls, the auditor may also offer recommendations for ways to improve these controls that will help to mitigate risk and strengthen the City's accounting processes.

This letter notes the following two material weakness:

“Recognition of unearned revenue

Through testing procedures, we noted Grant Revenue for State Grants in the amount of \$270,000 and ARPA and other grant funding in the amount of \$1,969,735 was recorded in revenue although it had not been spent and therefore the requirements for revenue recognition had not been met. It was also discovered that ARPA grant monies received in the prior year that had not been spent were improperly recorded in the prior year as revenue, resulting in a restatement of beginning fund balance in the Sewer Fund in the amount of \$746,057.”

Grant monies, until they are spent, are considered a liability; i.e., if you don't do the project, you have to give the money back. Pre-COVID the City's grant money was normally received on a reimbursement basis; i.e. you don't get the money until you've done the project, so posting grant receipts as revenue was not a problem in the past. Staff will add review of unspent Grant monies to the list of things we look at during the year end process.

“Timely review of cutoff of transactions

During our search for unrecorded liabilities, as well as in our expense testing, and in testing prepaid expenses, we noted invoices which were recorded in the incorrect period as well as prepaid expense activity recorded in the wrong period. Several expenditures were recorded in fiscal year 2023 but which should have been recorded in fiscal year 2024, and one recorded in fiscal 2024 which should have been recorded in fiscal 2023. Due to these errors in the Explore Lincoln City Fund, Streets Operation Fund, and the Parks System Development Charge Fund, the scope of our test work was expanded, which identified further such cutoff errors. For prepaids, activity from fiscal 2022 was not discovered until prepaid expenses were assessed in fiscal 2023.

Cutoff procedures at the City did not appropriately identify the periods in which certain expenses should be recognized.”

There were several invoices that were coded to the wrong fiscal year in accounts payable. Additional training will be given to staff to correct this error.

This letter also notes the following significant deficiency:

“Following established purchasing policy

Through our capital asset testing procedures, we noted the City purchased a piece of heavy equipment without following their established purchasing policy. The equipment had an acquisition cost of approximately \$239,000. With certain limited exceptions, the City's purchasing policy requires City Council approval for purchases over \$150,000. This purchase did not have evidence of Council preapproval."

Public Works purchased a G-700B motor grader during the fiscal year. Since the item was budgeted, and it was purchased through a pre-approved vendor list, staff did not believe it needed to go to City Council. However, the amount was above the City Manager's purchasing authority. Follow-up and training have been done.

SAS 114 Letter: Ending Communications with Those Charged with Governance

This letter is an AICPA (American Institute of CPAs) required communication letter for all financial statement audits. The purpose of the letter is to communicate to those charged with governance the scope of audit procedures performed, significant findings, and other information, such as disagreements with management, audit adjustments and significant estimates, that aren't communicated in the audited financial statements. Another important portion of the letter is the presentation of any passed journal entries. These are entries that were not posted to the audited financials, because, in total, they have no material effect on the financial statements, but are presented to you in this letter in order to bring to your attention other known errors that were found during the audit

Council Action:

Per ORS 297.446(2), when a municipality's financial audit results in deficiencies (findings) communicated by the auditor, the municipality must adopt a plan of action to address those deficiencies, and a copy of that plan must be filed with the Secretary of State.

Included in the Council Packet is Resolution 2024-10 which gives the plan of action to address the material weaknesses and significant deficiency.

Council Options:

- Adopt Resolution 2024-10
- Do not adopt Resolution 2024-10

Attachments:

City IAR (PDF)
 City OMS (PDF)
 City SAS 114 Ending Communications TCWG (PDF)
 City SAS 115 Internal Control Letter (PDF)
 URA IAR (PDF)

URA OMS (PDF)

URA SAS 114 Ending Communications TCWG (PDF)



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 City, 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 City'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 will always detect a material

INDEPENDENT AUDITOR'S REPORT (Continued)

misstatement when it exists. The risk of not detecting a material misstatement resulting from 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, 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 City'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 City'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 (MD&A) and the Pension and OPEB schedules as listed in the Table of Contents in the Required Supplementary Information section, 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 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, Lincoln Square Operations Fund, Parks and Recreation Center Fund, and Explore Lincoln City 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. This budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and

INDEPENDENT AUDITOR'S REPORT (Continued)

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 budgetary comparison 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 City'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 auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Additional 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 Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated March 8, 2024, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Talbot, Korvola & Warwick, LLP
Portland, Oregon
March 8, 2024



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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

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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



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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 (Continued)

COMPLIANCE (Continued)

- The General Fund reported an over expenditure of \$27,238 in building inspection and \$20,038 in debt service.
- The Lincoln Square Operations Fund reported an over expenditure of \$17,902 in Lincoln Square maintenance.
- The Urban Renewal Property Rehabilitation Program Fund reported an over expenditure of \$509 in materials and services.
- The Urban Renewal Tax Increment Fund – Roads End reported an over expenditure of \$96,185 in materials and services.
- The Facilities Capital Fund reported an over expenditure of \$90 in materials and services.
- The Sewer System Capital Fund reported an over expenditure of \$6,923 in transfers out.
- The Agate Beach Closure Fund reported an over expenditure of \$29 in materials and services.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in a separate letter dated March 8, 2024 that we consider to be material weaknesses and a significant deficiency.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of the City Council, 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 8, 2024



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March 8, 2024

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

This letter is to inform the Honorable Mayor and City Council of the City of Lincoln City, Oregon (the City) about significant matters related to the conduct of our audit as of and for the year ended June 30, 2023, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated August 7, 2023. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated August 14, 2023, regarding the planned scope and timing of our audit and identified significant risks.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Under accounting principles generally accepted in the United States of America (GAAP), in certain circumstances management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. During the year ended June 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement required the City, as a subscriber, to record a right-to-use subscription asset and a corresponding subscription liability for subscription-based information technology arrangements.

We are not aware of any other significant accounting policies or their applications that were initially selected or changed during the year.



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Honorable Mayor and Members of City Council
City of Lincoln City
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Significant Accounting Practices, Including Policies, Estimates and Disclosures (Continued)

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's June 30, 2023, basic financial statements.

- Capital Assets and Related Depreciation, as described in Note 1 of the Notes to Basic Financial Statements, are recorded at cost and depreciated over the estimated useful lives of respective assets on a straight-line basis.
- Net Pension Liability and Related Deferred Outflows and Inflows, as described in Note 1 of the Notes to the Basic Financial Statements, are based on an actuarial valuation prepared by the Oregon Public Employees Retirement System (OPERS) using information provided by the City to OPERS.
- Other Postemployment Benefits, as described in Note 11 of the Notes to Basic Financial Statements, are based on actuarial valuations prepared using information provided by the City to the actuary.
- Leases, as described in Note 1 of the Notes to Basic Financial Statements, is composed of the following for leases in which the City is the lessee: the lease liability is based on the present value of lease payments discounted by the estimated incremental borrowing rate; the right-to-use asset is amortized over the term of the lease. For leases in which the City is the lessor, the lease receivable is based on the present value of lease receipts discounted by the estimated incremental loan rate; the deferred inflows of resources is recognized over the life of the lease.
- Subscription-based information technology arrangements, as described in Note 1 of the Notes to Basic Financial Statements, are recognized as a right-to-use asset and corresponding liability based on the present value of payments discounted by an estimated incremental borrowing rate; the right-to-use asset is amortized over the term of the lease.

Audit Adjustments and Uncorrected Misstatements

Management corrected the following material misstatements that were identified as a result of our audit procedures:

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	Increase/Decrease				
	Assets	Liabilities	Beginning Net Position/ Fund Balance	Revenue	Expenses/ Expenditures
Governmental Activities					
Construction in progress	\$ 74,717	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	59,592	-	-	-
Contracted services	-	-	-	-	(15,125)
<i>To correct for cutoff issues</i>					
Culture and recreation marketing	-	-	-	-	18,523
Prepaid expenses	(18,523)	-	-	-	-
<i>To correct for cutoff issues</i>					
Unearned grant revenue	-	1,270,000	-	-	-
Intergovernmental revenue	-	-	-	(1,270,000)	-
<i>To correct for grant monies received not yet earned</i>					
Business-type Activities					
Unearned grant revenue	-	1,715,792	-	-	-
Intergovernmental revenue	-	-	-	(969,735)	-
Beginning fund balance	-	-	(746,057)	-	-
<i>To correct for grant monies received not yet earned</i>					
General Fund					
New subscriptions	-	-	-	173,320	-
Capital outlay	-	-	-	-	173,320
<i>To record other financing sources for subscriptions</i>					
Explore Lincoln City Fund					
Accounts payable	-	(15,125)	-	-	-
Contracted services	-	-	-	-	(15,125)
<i>To correct for cutoff issues</i>					
Culture and recreation marketing	-	-	-	-	18,523
Prepaid expenses	(18,523)	-	-	-	-
<i>To correct for cutoff issues</i>					
Parks System Development Charge Improvement Fund					
Capital outlay	-	-	-	-	74,717
Accounts payable	-	74,717	-	-	-
<i>To correct for cutoff issues</i>					
Street Capital Fund					
Unearned grant revenue	-	270,000	-	-	-
Intergovernmental revenue	-	-	-	(270,000)	-
<i>To correct for grant monies received not yet earned</i>					
Parks Development Fund					
Unearned grant revenue	-	1,000,000	-	-	-
Intergovernmental revenue	-	-	-	(1,000,000)	-
<i>To correct for grant monies received not yet earned</i>					
Sewer Fund					
Unearned grant revenue	-	1,715,792	-	-	-
Intergovernmental revenue	-	-	-	(969,735)	-
Beginning fund balance	-	-	(746,057)	-	-
<i>To correct for grant monies received not yet earned</i>					

Honorable Mayor and Members of City Council
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We identified uncorrected misstatements, detailed in the attached representation letter, that management has concluded are not, individually or in the aggregate, material to the financial statements. We agree with management's conclusion in that regard.

Internal Control Matters

We have issued a separate communication dated March 8, 2024 regarding certain deficiencies in internal control that we identified during the planning or performance of our audit of the financial statements.

Consultation With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently issued the following statements:

- **GASB Statement No. 100, *Accounting Changes and Error Corrections***

This Statement will be effective for fiscal years beginning after June 15, 2023, with earlier application encouraged. This Statement prescribes accounting and financial reporting for each category of accounting change and error corrections. This Statement also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information.

- **GASB Statement No. 101, *Compensated Absences***

This Statement will be effective for fiscal years beginning after December 15, 2023, with earlier application encouraged. This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments.

Generally, a liability for leave that has not been used would be recognized if the leave: is attributable to services already rendered; accumulates; and is more likely than not to be used for time off or otherwise paid or settled.

Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For TKW to fulfill its professional responsibility to maintain and monitor independence, management, the City Council, and TKW each play an important role.

Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. TKW is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

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The City's Responsibilities

- Timely inform TKW, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Changes in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the City and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with TKW.
- Not entering into relationships resulting in close family members of TKW covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting or oversight role at the City.

Management Representations

Attached is a copy of the management representation letter.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the City.

This report is intended solely for the information and use of the Honorable Mayor and City Council 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 8, 2024

Talbot, Korvola & Warwick, LLP
 14945 SW Sequoia Parkway, Suite 150
 Portland, OR 97224

This representation letter is provided in connection with your audit of the basic financial statements of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2023 for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, that as of March 8, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 7, 2023, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the component unit for which the City is accountable, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. The City followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.



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8. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
9. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. Except as disclosed to you, management has followed applicable laws and regulations in adopting, approving and amending budgets.
12. Risk disclosures associated with deposit and investment securities are presented in accordance with GASB requirements.
13. Provisions for uncollectible receivables have been properly identified and recorded.
14. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
15. The City properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
16. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
17. Revenues are appropriately classified in the Statement of Activities within program revenues or general revenues.
18. Expenses have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
19. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
20. The City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
21. The City properly recognized landfill closure and post closure costs in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.



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22. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
23. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
24. We have reviewed the GASB Statements effective for the fiscal year ended June 30, 2023, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:
 - a. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
 - b. GASB Statement No. 99, *Omnibus 2022*.
25. We believe the implementation of the GASB Statement listed below is appropriate:
 - a. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. – Upon implementation the City recognized a right-to-use subscription asset and a corresponding subscription liability for subscription-based information technology arrangements.
26. We have informed you of all uncorrected misstatements.

As of and for the year ended June 30, 2023, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.



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Governmental Activities			Increase/Decrease		
	Assets	Liabilities	Beginning Net Position/ Fund Balance	Revenue	Expenses/ Expenditures
Contracts receivable	\$ 240,000	\$ -	\$ -	\$ -	\$ -
Beginning fund balance	-	-	(240,000)	-	-
<i>To correct rehabilitation loans expensed in prior year</i>					
Accounts payable - factual	-	(35,584)	-	-	-
Accounts payable - projected from sample	-	(68,510)	-	-	-
Systems maintenance	-	-	-	-	(15,289)
Contracted services	-	-	-	-	(88,805)
<i>To correct for cutoff issues</i>					
Business-type Activities					
Beginning net position	-	-	(232,861)	-	-
Intergovernmental revenue	-	-	-	232,861	-
<i>To correct for grant monies received not yet earned</i>					
Bond premium payable	-	50,741	-	-	-
Beginning net position	-	-	(57,990)	-	-
Interest expense	-	-	-	-	(7,249)
<i>To correct for sewer bond premium and amortization</i>					



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			Increase/Decrease		
	Assets	Liabilities	Beginning Net Position/ Fund Balance	Revenue	Expenses/ Expenditures
General Fund					
Contracts receivable	\$ 240,000	\$ -	\$ -	\$ -	\$ -
Beginning fund balance	-	-	(240,000)	-	-
<i>To correct rehabilitation loans expensed in prior year</i>					
Explore Lincoln City					
Accounts payable-factual	-	(20,295)	-	-	-
Accounts payable-projected from sample	-	(68,510)	-	-	-
Contracted services	-	-	-	-	(88,805)
<i>To correct for cutoff issues</i>					
Street Operations Fund					
Accounts payable	-	(15,289)	-	-	-
Systems maintenance	-	-	-	-	(15,289)
<i>To correct for cutoff issues</i>					
Water Fund					
Beginning net position	-	-	(232,861)	-	-
Intergovernmental revenue	-	-	-	232,861	-
<i>To correct for grant monies received not yet earned</i>					
Sewer Fund					
Bond premium payable	-	50,741	-	-	-
Beginning net position	-	-	57,990	-	-
Interest expense	-	-	-	-	(7,249)
<i>To correct for sewer bond premium and amortization</i>					

27. We have requested an unsecured electronic copy of the auditor's report and agree that the auditor's report will not be modified in any manner.

Information Provided

28. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

29. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.



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30. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
31. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
32. We have no knowledge of allegations of fraud or suspected fraud affecting the City's basic financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the basic financial statements.
33. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.
34. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
35. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
36. We have disclosed to you the identity of all of the City's related parties and all the related-party relationships and transactions of which we are aware.
37. We have informed you of all deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.
38. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
39. It is our responsibility to inform you of all current and potential affiliates of the City as defined by the "State and Local Government Client Affiliates" interpretation (ET sec. 1.224.020). Financial interests in, and other relationships with, affiliates of the City may create threats to independence. We have:
 - a. Provided you with all information we are aware of with respect to current and potential affiliates, including degree of influence assessments and materiality assessments.



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- b. Notified you of all changes to relevant considerations that may impact our determination of the existence of current or potential affiliates involving (i) changes in the determination of the materiality of an entity to the City's financial statements as a whole, (ii) the level of influence the City has over an entity's financial reporting process or (iii) the level of control or influence the City or a potential or current affiliate has over an investee that is not trivial or clearly inconsequential, sufficiently in advance of their effective dates to enable the City and TKW to identify and eliminate potential impermissible services and relationships between TKW or its associated entities and those potential affiliates, prior to the effective dates.
 - c. Made you aware, to the best of our knowledge and belief, of any nonaudit services that the City or any of our affiliates has engaged TKW to perform.
40. We agree with the findings of the OPERS pension and OPEB plans' actuaries in evaluating the actuarial assumptions and methods used by the actuaries for determining the net pension liability and the net OPEB asset are appropriate in the circumstances and have adequately considered the qualifications of the actuaries in determining the amounts and disclosures used in the financial statements and underlying accounting records. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining the plans' accumulated benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan actuaries.
41. We agree with the findings of the OPEB plan actuaries in evaluating the actuarial assumptions and methods used by the actuaries for determining the total OPEB liability is appropriate in the circumstances and have adequately considered the qualifications of the actuaries in determining the amounts and disclosures used in the financial statements and underlying accounting records. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining the plans' accumulated benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the specialist with respect to the value or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan actuaries.
42. We believe that the information obtained from the audited financial statements of and other participant information provided by Oregon Public Employees Retirement System (OEPRS) is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the Plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan or its auditor.
43. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

44. With respect to supplementary information presented in relation to the basic financial statements as a whole:



Department of Finance | City of Lincoln City | 801 SW Highway 101 | PO Box 50 | Lincoln City, OR 97367 | 541.996.2151

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 March 8, 2024
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- a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
45. With respect to Management's Discussion and Analysis, and Pension and OPEB schedules presented as required by the Government Accounting Standards Board to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Oregon Minimum Standards Considerations

46. We have complied with Oregon Minimum Standards, including Oregon Local Budget Law (ORS 294), other than over expenditures which have been disclosed to you.
47. All information and records pertaining to the preparation, adoption, and execution of the current and subsequent year budgets have been made available to you.

City of Lincoln City, Oregon



 Daphné Legarza, City Manager



 Debbie Bridges, Finance Director



Department of Finance | City of Lincoln City | 801 SW Highway 101 | PO Box 50 | Lincoln City, OR 97367 |
 541.996.2151



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March 8, 2024

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, Oregon

In planning and performing our audit of the basic financial statements of the City of Lincoln City, Oregon (the City), as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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. We consider the following deficiencies in the City's internal control to be material weaknesses:

Recognition of unearned revenue

Through testing procedures, we noted Grant Revenue for State Grants in the amount of \$270,000 and ARPA and other grant funding in the amount of \$1,969,735 was recorded in revenue although it had not been spent and therefore the requirements for revenue recognition had not been met. It was also discovered that ARPA grant monies received in the prior year that had not been spent were improperly recorded in the prior year as revenue, resulting in a restatement of beginning fund balance in the Sewer Fund in the amount of \$746,057.

Honorable Mayor and Members of City Council
City of Lincoln City
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Timely review of cutoff of transactions

During our search for unrecorded liabilities, as well as in our expense testing, and in testing prepaid expenses, we noted invoices which were recorded in the incorrect period as well as prepaid expense activity recorded in the wrong period. Several expenditures were recorded in fiscal year 2023 but which should have been recorded in fiscal year 2024, and one recorded in fiscal 2024 which should have been recorded in fiscal 2023. Due to these errors in the Explore Lincoln City Fund, Streets Operation Fund, and the Parks System Development Charge Fund, the scope of our test work was expanded, which identified further such cutoff errors. For prepaids, activity from fiscal 2022 was not discovered until prepaid expenses were assessed in fiscal 2023.

Cutoff procedures at the City did not appropriately identify the periods in which certain expenses should be recognized.

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. We consider the following deficiency in the City's internal control to be a significant deficiency.

Following established purchasing policy

Through our capital asset testing procedures, we noted the City purchased a piece of heavy equipment without following their established purchasing policy. The equipment had an acquisition cost of approximately \$239,000. With certain limited exceptions, the City's purchasing policy requires City Council approval for purchases over \$150,000. This purchase did not have evidence of Council preapproval.

This communication is intended solely for the information and use of the City Council, 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



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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 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, 2023, 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, 2023, 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). 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

The Agency's 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 will always detect a material

INDEPENDENT AUDITOR'S REPORT (Continued)

misstatement when it exists. The risk of not detecting a material misstatement resulting from 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, 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 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, the Property Rehabilitation Program Fund, and the Tax Increment Fund – Roads End/Villages District 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. 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

INDEPENDENT AUDITOR'S REPORT (Continued)

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 budgetary comparison 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 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 auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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 Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated March 8, 2024, 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
March 8, 2024



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150, Portland, Oregon 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

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, 2023, and the related notes to the financial statements which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 8, 2024. 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)

COMPLIANCE (Continued)

- The Property Rehabilitation Program Fund reported an over expenditure of \$509 in materials and services.
- The Tax Increment Fund – Roads End/Villages District reported an over expenditure of \$96,185 in materials and services.

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 have not been 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
March 8, 2024



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March 8, 2024

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

This letter is to inform the Agency Officials of the Lincoln City Urban Renewal Agency (the Agency), a component unit of the City of Lincoln City, Oregon, about significant matters related to the conduct of our audit as of and for the year ended June 30, 2023, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our engagement letter dated August 7, 2023. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated August 14, 2023 regarding the planned scope and timing of our audit and identified significant risks.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Under accounting principles generally accepted in the United States of America (GAAP), in certain circumstances management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. During the year ended June 30, 2023, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Management determined that there was no impact to the Agency's current financial accounting and reporting for the types of transactions identified in this Statement.

We are not aware of any other significant accounting policies or their applications that were initially selected or changed during the year.

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Agency Officials
 Lincoln City Urban Renewal Agency
 (A Component Unit of the City of Lincoln City, Oregon)
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Significant Accounting Practices, Including Policies, Estimates and Disclosures (Continued)

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Agency's June 30, 2023, basic financial statements.

- Capital Assets and Related Depreciation, as described in Note 1 of the Notes to Basic Financial Statements, are recorded at cost and depreciated over the estimated useful lives of respective assets on a straight-line basis.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Consultation With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently issued the following statements:

- ***GASB Statement No. 100, Accounting Changes and Error Corrections***

This Statement will be effective for fiscal years beginning after June 15, 2023, with earlier application encouraged. This Statement prescribes accounting and financial reporting for each category of accounting change and error corrections. This Statement also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information.

- ***GASB Statement No. 101, Compensated Absences***

This Statement will be effective for fiscal years beginning after December 15, 2023, with earlier application encouraged. This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments.

Generally, a liability for leave that has not been used would be recognized if the leave: is attributable to services already rendered; accumulates; and is more likely than not to be used for time off or otherwise paid or settled.

Agency Officials
 Lincoln City Urban Renewal Agency
 (A Component Unit of the City of Lincoln City, Oregon)
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Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For TKW to fulfill its professional responsibility to maintain and monitor independence, management, the Agency Officials, and TKW each play an important role.

Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. TKW is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Agency's Responsibilities

- Timely inform TKW, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Changes in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Agency and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with TKW.
- Not entering into relationships resulting in close family members of TKW covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Agency.

Management Representations

Attached is a copy of the management representation letter.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

This report is intended solely for the information and use of the Agency Officials 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 8, 2024

Talbot, Korvola & Warwick, LLP
 14945 SW Sequoia Parkway, Suite 150
 Portland, OR 97224

This representation letter is provided in connection with your audit of the basic financial statements of the Lincoln City Urban Renewal Agency (the Agency), a component unit of the City of Lincoln City, Oregon, as of and for the year ended June 30, 2023 for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, that as of March 8, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 7, 2023, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the City of Lincoln City having accountability for the Agency, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. The Agency followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.



Talbot, Korvola & Warwick, LLP

March 8, 2024

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8. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
11. Provisions for uncollectible receivables have been properly identified and recorded.
12. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
13. The Agency properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
14. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
15. Revenues are appropriately classified in the Statement of Activities within General Revenues.
16. Expenses have been appropriately classified in or allocated to functions and programs in the Statement of Activities.
17. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
18. The Agency's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
19. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
20. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.



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 March 8, 2024
 Page 3

21. We have reviewed the GASB Statements effective for the fiscal year ended June 30, 2023, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:
 - a. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
 - b. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
 - c. GASB Statement No. 99, *Omnibus 2022*.
22. We have no knowledge of any uncorrected misstatements in the financial statements.
23. We have requested an unsecured electronic copy of the auditor's report and agree that the auditor's report will not be modified in any manner.

Information Provided

24. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
25. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
26. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
27. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of the Agency's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
28. We have no knowledge of allegations of fraud or suspected fraud affecting the Agency's basic financial statements involving:
 - a. Management.



Talbot, Korvola & Warwick, LLP
 March 8, 2024
 Page 4

- b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the basic financial statements.
29. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.
 30. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
 31. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
 32. We have disclosed to you the identity of all of the Agency's related parties and all the related-party relationships and transactions of which we are aware.
 33. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize and report financial data.
 34. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 35. It is our responsibility to inform you of all current and potential affiliates of the Agency as defined by the "State and Local Government Client Affiliates" interpretation (ET sec. 1.224.020). Financial interests in, and other relationships with, affiliates of the Agency may create threats to independence. We have:
 - a. Provided you with all information we are aware of with respect to current and potential affiliates, including degree of influence assessments and materiality assessments.
 - b. Notified you of all changes to relevant considerations that may impact our determination of the existence of current or potential affiliates involving (i) changes in the determination of the materiality of an entity to the Agency's financial statements as a whole, (ii) the level of influence the Agency has over an entity's financial reporting process or (iii) the level of control or influence the Agency or a potential or current affiliate has over an investee that is not trivial or clearly inconsequential, sufficiently in advance of their effective dates to enable the Agency and TKW to identify and eliminate potential impermissible services and relationships between TKW or its associated entities and those potential affiliates, prior to the effective dates.
 - c. Made you aware, to the best of our knowledge and belief, of any nonaudit services that the Agency or any of our affiliates has engaged TKW to perform.



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March 8, 2024
Page 5

36. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

37. With respect to the budgetary comparison information for the General Fund, the Property Rehabilitation Program Fund, and the Tax Increment Fund – Roads End/Villages District Fund, and Other Supplementary Information presented in relation to the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
38. With respect to Management's Discussion and Analysis, presented as required by the Government Accounting Standards Board to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.



Talbot, Korvola & Warwick, LLP
March 8, 2024
Page 6

Oregon Minimum Standards Considerations

- 39. We have complied with Oregon Minimum Standards, including Oregon Local Budget Law (ORS 294), other than over expenditures which have been disclosed to you.

- 40. All information and records pertaining to the preparation, adoption, and execution of the current and subsequent year budgets have been made available to you.

Lincoln City Urban Renewal Agency



Daphne Legarza, City Manager



Debbie Bridges, Finance Director



Council Communication

Real Property Transfer: 1 URA-owned property (4 tax lots) to City-ownership

Meeting Date: May 13, 2024 Primary Staff Contact: Alison Robertson
 Department: Urban Renewal E-Mail: alisonr@lincolncity.org
 Secondary Dept: Secondary Contacts:
 Approval: Daphnee Legarza Estimated Time: 5 Min

Question:

Should the Urban Renewal Agency transfer additional real property (four tax lots) of the now closed "Year 2000 Development Plan" Urban Renewal Area, to City ownership?

Staff Recommendation:

Agency approves transfer of subject real property to the City.

Background:

With the sunset (closure) of the Agency's "Year 2000 Development Plan" in June, 2021, the Urban Renewal Agency reviewed the list of assets, including real property, to dispose of those assets if they were no longer of use to the Agency.

Staff continue to review redevelopment potential of remaining properties not already transferred to the City.

This particular property includes a public parking lot with RV sewer dump station, community garden, and an additional tax lot currently serving as a portion of SE Inlet Avenue. The elevation of the site is within tsunami evacuation zone and is therefore not an appropriate property to offer for construction of Affordable housing. Considering the City's new Schooner Creek Discovery Park, the parking lot will be in greater demand. The Agency approved a further look into feasibility of a public parking structure with vertical evacuation component. Initial conversations in January with staff at Oregon DOGAMI determined for this site specifically, using a more conservative XXL scenario the flood depth would be about 33 feet (City Charter maximum height is 45 feet). The property can now be transferred to the City since this Urban Renewal Area (Year 2000 Plan) is now inactive, and the Urban Renewal Agency is not charged with this sort of a public safety project.

Real property being transferred at this time includes:

- One property consisting of four (4) tax lots which include:

Map & Tax Lot	Acreage	Location Description	Total Value (non-taxable) 2020

07-11-27-DD-01001-00	0.09	78' portion of Road along SE Inlet Avenue @ Jetty Avenue – to be ROW	\$1,000
07-11-27-DD-01002-00	0.06	Public plaza & a portion of the community garden at SE Inlet Avenue & Jetty Avenue	\$27,920
07-11-27-DD-01100-00	0.36	SE Inlet Ave public parking lot south driveway access and a portion of the community garden	\$187,050
07-11-27-DD-01200-00	0.78	SE Inlet Avenue Public Parking Lot (includes RV Dump Station)	\$377,430
	1.29 Total		\$593,400 total (\$673,880 total 2024 value)



City Public Works and Parks Staff have been overseeing operations and maintenance of the property since the Agency improvements were made in 2009, and are supportive of the transfer.

Progress made thus far in disposing of assets is as follows:

- May 24, 2021 Agency directed staff to transfer to the City, all office furniture, office equipment, glass blowing equipment and capital improvements made by the Agency on City-owned property or in public right-of-way.

- June 14, 2021 Agency directed staff to carry out recommended actions (transfer to City; hold for future redevelopment; dedicate to public right-of-way) for real properties.

November 8, 2021	Joint Meeting of UR Agency and City Council – public hearings held, Disposition & Development Agreements entered into whereby the Agency transferred and Council accepts the real properties. (10 tax lots)
March 31, 2022	Property transfer deeds (10 tax lots) recorded with County
June 27, 2022	Direction to transfer two properties (5 tax lots – Taft SW 50 th Parking Lot and Restrooms, and NW 15 th Street Parking Lot)
March 13, 2023	Transfer of one property (3 tax lots) – Taft SW 50 th Parking Lot and Restrooms
June 22, 2023	Property transfer deeds (SW 50 th St) recorded with County
April 22, 2024	Direction to transfer one property (1 tax lot – NW 17 th Street Restroom)
April 30, 2024	Property transfer deed (NW 17 th St Restroom Lot) recorded with County

Evaluation of redevelopment potential continues for other Agency-owned properties and staff will report back to discuss next steps when the time comes. Any transferred properties needing further action (rezone as Parks or Open Space, or vacation/dedication of public right-of-way) will happen through the required City processes.

Authority:

In the Urban Renewal Agency’s “Year 2000 Development Plan”, the procedure reads:

605. PROPERTY DISPOSITION AND REDEVELOPER OBLIGATIONS

A. PROPERTY DISPOSITION. The Agency is authorized to dispose of, sell, lease, exchange, subdivide, transfer, assign, pledge, or encumber by mortgage, deed of trust, or otherwise any interest in real property which has been acquired by them in accordance with the provisions of this Plan and with the terms and conditions set forth in a Disposition and Development Agreement prepared by the Agency and mutually agreed to by the affected parties.

The attached draft Disposition and Development Agreement will be finalized with the appropriate attachments for each transaction to transfer the property (4 tax lots). This will include the respective Lot Book Reports and either a Warranty Deed or Quit Claim Deed.

Budget:

Associated costs of the transaction will be out of any remaining “Year 2000 Development Plan” funds in the Urban Renewal Agency budget. If “gap” funds are needed to complete the transactions, the City’s Economic Development budget will be used. Anticipated costs include no more than 4 Lot Book Reports (\$1,200), and any County recording fees.

Action:

Motion to approve transfer of one Urban Renewal Agency property including four (4) tax lots to City ownership and direct staff to process the transactions.

Attachments:

DDA-SEInletPkgLot_Garden_Lots_Revised-DRAFT (DOC)



**SE INLET AVE PARKING LOT & COMMUNITY GARDEN PROPERTY –
(TAX LOTS #07-11-27-DD- 1001, 1002, 1100, and 1200)
DISPOSITION AND DEVELOPMENT AGREEMENT**

THIS AGREEMENT is entered into as of the ___ day of May, 2024 by and between the LINCOLN CITY URBAN RENEWAL AGENCY, a public corporate body politic (the "Agency") and the CITY OF LINCOLN CITY, an Oregon municipal corporation ("Lincoln City"). The parties agree as follows:

ARTICLE 1: SUBJECT OF AGREEMENT

Section 1.1: Purpose of Agreement. The purpose of this Agreement is to effectuate the Amended and Restated Year 2000 Development Plan, an urban renewal plan and program of the City of Lincoln City, Oregon (the "Plan") by providing for the disposition of certain real property (the "Property") situated within the Year 2000 Development Plan Area (as defined in the Plan) and the stewardship and maintenance of the improvements on the Property. The Agency acquired the Property and desires to transfer ownership to the City of Lincoln City (City) since there is no public redevelopment potential due to the need for continued public parking to serve the City's Schooner Creek Discovery Park and the Taft Area; a future project may explore feasibility for a stacked parking structure to include a vertical evacuation component for public safety and emergency planning purposes.

Section 1.2: The Property. The "Property" consists of the real property owned by the Agency or purchased with Agency funds, all of which is located in the now expired "Year 2000 Development Plan" Area. Four tax lots are involved in the property transfer: 07-11-27-DD-01001, 01002, 01100, 01200. The Property includes a Community Garden (Lot 01002), public Parking Lot (Lots 01100 & 01200) with sewer dump station for recreational vehicles, and one tax lot (Lot 01001) serving as right-of-way with a constructed road (SE Inlet). The Property is shown on the map attached hereto as **Exhibit "A"**, the legal description of the property can be found in the Warranty Deed (**Exhibit "B"**) and in the Ownership and Encumbrances Report ("Lot Book Report") **Exhibit "C"**.

Section 1.3: The Project. The term "Project" means the improvements, if any, that have been made on the Property. The Property is shown on the map attached hereto as Exhibit "A", and is more particularly described in the legal description which is attached hereto in Exhibit "B" which exhibits are incorporated herein.

Section 1.4: The Agency. The Agency is a corporate body politic of the State of Oregon, as the duly designated Urban Renewal Agency of the City of Lincoln City, Oregon, exercising governmental functions and powers and organized and existing under Oregon Revised Statutes, Chapter 457. The principal offices and mailing address of the Agency for purposes of this Agreement is:

801 SW Highway 101 – Box 50
 Lincoln City, OR 97367
 Attn: Director, Urban Renewal Agency

The term "Agency" includes any assignee of or successor to its rights, powers, duties and responsibilities.

Section 1.5: The City. The City of Lincoln City is an Oregon municipal corporation. The principal office and mailing address of the City for purposes of this Agreement is:

801 SW Highway 101 – Box 50
 Lincoln City, OR 97367
 Attn: City Manager

The term "City" includes any permitted assignee of or successor to its rights, powers, duties and responsibilities.

ARTICLE 2: OWNERSHIP OF THE PROPERTY. The Agency originally purchased the property from a private owner for \$30,600.00 in recorded transaction on May 3, 1995 (Lots 01001 & 01002), and \$400,000.00 (Lots 01100 & 01200) in a recorded transaction on July 5th, 2007. Current (2024) real market value (un-appraised) of the properties is about \$673,880.00.

ARTICLE 3: DISPOSITION OF THE PROPERTY.

Section 3.1: Sale and Purchase. In accordance with, and subject to all the terms, covenants, and conditions of this Agreement, the Agency agrees to sell to the City and the City agrees to purchase from Agency the Property, in the manner and for the amount of ZERO DOLLARS and NO/100's (\$0.00) (the "Purchase Price"), and the promise to maintain the Property in its current condition or otherwise consistent with the "Year 2000 Development" Urban Renewal Plan (1988-2021).

Section 3.2: Conveyance. Conveyance of any and all interest the Agency has in the Property shall be made on or before the date City agrees to accept conveyance of the Property. The Agency and City agree to perform all acts necessary for conveyance of title in sufficient time for title to be conveyed in accordance with the foregoing provisions and close the transaction as provided herein. The conveyance of any and all interest the Agency has in the Property shall be made if at all possible before the end of the current fiscal year and after satisfaction or written waiver of the conditions precedent to conveyance contained in this Agreement. Possession of the Property shall be delivered to the City concurrently with the conveyance of title, or any interest therein.

Section 3.3: Conditions Precedent to City's Obligation to Purchase. City's obligation to purchase the Property is subject to City's reasonable satisfaction or written waiver, after its own investigation of the condition of the Property, and, except as previously disclosed, that the Property is free of any

hazardous or toxic materials or substances, including, without limitation, petroleum products or asbestos, as those terms are commonly used or defined in any federal, state or local statutes, ordinances, rules or regulations and no underground storage tanks are situated on, in or under the Property.

Section 3.4: Conditions Precedent to Agency's Obligation to Convey. Agency's obligation to convey the Property is subject to satisfaction or written waiver of the conditions precedent to conveyance contained in this Agreement.

Section 3.5: Deed Form. The Agency shall convey to City any and all interest the Agency may have in the Property by Warranty Deed, duly executed, acknowledged and delivered in the form of **Exhibit "B"** attached hereto.

Section 3.6: Condition of Title. The Agency shall convey to City any and all interest the Agency may have in the Property, free and clear of all liens and encumbrances except:

3.6.1 Matters affecting the Property and shown on the Lot Book Report marked **Exhibit "C"** and attached to this Agreement ("Permitted Exceptions"); and

3.6.2 Such regulations and controls, covenants and restrictions as may be imposed on the Property by City and Agency consistent with this Agreement or prior land use approvals.

Section 3.7: Property Taxes and Closing Costs. Recording costs will be paid by the Agency with any insufficient funds to be paid by the City's Economic Development budget. Real property taxes for the current year (if any) shall be prorated as of the date of the delivery of the deed to City. All real property taxes subsequently assessed and levied against the Property shall be paid by City or any responsible non-exempt Lessee of City, as applicable. The Parties shall be responsible for any and all real property taxes for the period of time prior to the recording of the deed. Any excise or conveyance tax which may be imposed, shall be shared equally by City and the Agency.

Section 3.8: Conditions of the Property. City acknowledges that it is acquiring the Property "As Is" which includes a public restroom building, a previous Urban Renewal Agency capital improvement project that is now needing reinvestment/replacement using City funds.

Section 3.9: Preliminary Work by City; Cooperation. Prior to the conveyance of title, City or its representatives, upon request to Agency shall have the right of access to the Property at all reasonable times for the purpose of obtaining data and making surveys and tests necessary to carry out this Agreement. City indemnifies and holds the Agency and their officers, agents and employees harmless from any injury or damages arising out of any activity of City, its agents, employees and contractors performed and conducted on the Property pursuant to this Section. Agency indemnifies and holds City and their officers, agents and employees harmless from any injury or damages arising out of any activity of the Agency, its agents, employees and contractors pursuant to this Section.

ARTICLE 4: DEVELOPMENT OF THE PROPERTY.

Section 4.1: Scope of Development. The Property is maintained by the City and any future improvements will be performed by City in accordance with the terms of this Agreement and the specifications, standards and codes and requirements of law.

Section 4.2: Taxes, Assessments, Encumbrances and Liens. City, or City Lessee if any, shall pay, prior to delinquency, all real estate taxes and assessments properly assessed and levied on the Property after conveyance by the Agency. City shall hold harmless the Agency from and against any liability or claim with respect to real estate taxes or assessments in connection with the Property accruing after the Agency's conveyance. Agency shall hold harmless the City from and against any liability or claim with respect to real estate taxes or assessments in connection with the Property accruing before the Agency's conveyance.

ARTICLE 5: USE OF THE PROPERTY. City covenants and agrees for itself, its successors and assigns, that City, its successors and assignees shall devote the Property to uses consistent with this Agreement and such other uses as from time to time are permitted under the Plan and applicable City Municipal Codes.

ARTICLE 6: DEFAULTS AND REMEDIES

Section 6.1: Default/General. Subject to the extensions of time set forth in Section 7.4, and subject to the notice and opportunity to cure provisions contained in this Agreement, the failure or delay by any party to perform any term or provision of this Agreement constitutes a default under this Agreement; however, if the party who so fails or delays, commences to cure, correct or remedy such failure or delay within sixty (60) days after receipt of a notice specifying such failure or delay, and thereafter diligently prosecutes such cure, correction or remedy to completion, then such party shall not be deemed to be in default. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. The injured party may not institute proceedings, whether judicial or otherwise, against the party in default until sixty (60) days after giving such notice. Agency shall send copies of any such default notices to such persons and entities as City may designate and any such party who is entitled to receive notice shall have the right to cure the alleged default. Any failure or delay by any party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any rights or remedies or deprive such party of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

Section 6.2: Institution of Legal and Equitable Actions. Subject to the provisions of Section 6.1 hereof, in addition to its other rights or remedies, either party may institute any legal or equitable action (including, without limitation, an action for specific performance) to cure, correct or remedy any default, to recover any damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Circuit Court of the State of Oregon, for the County of Lincoln, or in the United States District Court for the District of Oregon Main Office in Portland, Oregon.

Section 6.3: Applicable Law. The law of the State of Oregon shall govern the interpretation and enforcement of this Agreement.

Section 6.4: Rights and Remedies Are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different time, of any other rights or remedies for the same default or any other default by the other party.

Section 6.5: Termination by City. In the event that Agency cannot, despite its best efforts, convey any interest in title to the Property which Agency may have, in the manner, condition, and at the time provided in this Agreement, then this Agreement may, at the option of City, be terminated by City without further liability by either party.

ARTICLE 7: GENERAL PROVISIONS

Section 7.1: Attorneys' Fees. In the event any action is brought to enforce, modify or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs incurred in connection with such action or on appeal or review, said amount to be set by the court before which the matter is heard.

Section 7.2: Notice, Demands and Communications Between the Parties. Formal notices, demands and communications between the Agency and City shall be sufficiently given if dispatched by registered or certified mail, postage prepaid, return receipt requested to the principal offices of the Agency and City as designated herein. Such written notices, demands and communication may be sent in the same manner to such other addresses and to such other persons and entities as either party may from time to time designate by mail as provided in this section. Notices should be sent to the addresses shown in Section 1.5 and Section 1.6 of this Agreement and to the attention of the person indicated.

Section 7.3: Non-liability of Officials and Employees. No member, official or employee of any of the parties shall be personally liable to the other party or any successor-in-interest thereto, in the event of any default or breach by either party or for any amount which may become due to either party or its successor, or any obligations under the terms of this Agreement.

Section 7.4: Unavoidable Delay; Extension of Time of Performance. In addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lockouts; labor disputes; riots; volcanoes; floods; earthquakes, fires; casualties; acts of God; acts of the public enemy; epidemic; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priorities; litigation, including but not limited to, litigation challenging the validity of this transaction or any element thereof; adverse weather conditions preventing or delaying construction activities; inability to secure necessary labor, materials or tools, delays of any contractor or subcontractor or supplier; acts of the other party; acts or failures to act of any public or governmental agency or entities (other than acts or failure to act of the Agency shall not excuse performance by the Agency); remediation of hazardous or toxic material or substances (as those terms are now or hereafter defined or commonly used in any federal, state or local statute, rule or regulation) on any portion of the Property; or any other cause beyond the control or without default of the party claiming an extension of time to perform. In the event of such delay, the party delayed shall give written notice of the delay and the reason therefor to the other party within 30 days after the delayed party learns of the delaying event. An extension of time for any such cause shall be for the period of duration of the cause. Times of performance under this Agreement may also be extended for any reason in writing signed by the Agency's Director and the Lincoln City Manager.

Section 7.5: Merger. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed referred to herein and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement, but shall be deemed made pursuant to this Agreement.

Section 7.6: Headings. Any title of the several parts and sections of this Agreement are inserted for convenience or reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 7.7: Time of Essence. Time is of the essence of this Agreement. All obligations of the Agency and City to each other shall be due at the time specified by the Agreement, or as the same may be extended by mutual agreement of the parties in writing.

Section 7.8: Calculation of Time. All periods of time referred to herein shall include Saturdays, Sundays and legal holidays in the State of Oregon except that if the last day of any period falls on any Saturday, Sunday, or such holiday period, it shall be extended to include the next day which is not a Saturday, Sunday or such a holiday.

Section 7.9: Severability. If any clause, sentence or any other portion of the terms and conditions of this Agreement become illegal, null or void for any reason, or held by any court of competent jurisdiction to be so, the remaining portion will remain in full force and effect.

Section 7.10: Non-Waiver of Government Rights. Subject to the terms and conditions of this Agreement, by making this Agreement, the Agency is specifically not obligating itself, or any other agency with respect to any discretionary action relating to the acquisition of the Property or development, operation and use of the improvements on the Property, including but not limited to, condemnation, comprehensive planning, rezoning, variances, environmental clearances or any other governmental agency approvals which are or may be required.

Section 7.11: Entire Agreement; Waivers. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the parties or the predecessors in interest with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing by the appropriate authorities of the Agency and City, and all amendments must be in writing signed by the Agency and City.

ARTICLE 8: SUCCESSOR INTEREST

This Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

ARTICLE 9: STATUTORY DISCLAIMERS

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

"AGENCY"

LINCOLN CITY URBAN RENEWAL AGENCY, a corporate body politic

By: _____
Mitch Parsons, Urban Renewal Agency Chair

"CITY"

CITY OF LINCOLN CITY, an Oregon municipal corporation

By: _____
Susan Wahlke, Mayor

Approved as to form:

Attest:

David James Robinson, City Attorney

Jamie Young, City Recorder

LIST OF EXHIBITS

- A Map
- B Warranty Deed (with Legal Description)
- C Lot Book Report

Council Communication

Public Hearing: Transfer of Property – URA to City

Meeting Date:	May 13, 2024	Primary Staff Contact:	Alison Robertson
Department:	Urban Renewal	E-Mail:	alisonr@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	10 Min

Question:

Should the Urban Renewal Agency open a Public Hearing on the transfer of ownership of one Urban Renewal Agency property including four (4) tax lots to the City of Lincoln City and should the City accept the properties?

Staff Recommendation:

URA approves opening a public hearing for public comment on this property transfer.

Background:

On this meeting date, the Agency is accepting public comment on the proposed Disposition and Development Agreement (DDA) template to transfer ownership of one Urban Renewal Agency property including four (4) tax lots (07-11-27-DD- 01001, 01002, 01100, & 01200) to The City of Lincoln City.

City Staff is in support of the property transfer (Public Works and Parks & Recreation).

Authority:

605. PROPERTY DISPOSITION AND REDEVELOPER OBLIGATIONS

A. PROPERTY DISPOSITION. The Agency is authorized to dispose of, sell, lease, exchange, subdivide, transfer, assign, pledge, or encumber by mortgage, deed of trust, or otherwise any interest in real property which has been acquired by them in accordance with the provisions of this Plan and with the terms and conditions set forth in a Disposition and Development Agreement prepared by the Agency and mutually agreed to by the affected parties.

Disposition of Agency property requires a public hearing under ORS 221.725. This statutory process requires public notice, advertisement and disclosure of the proposed terms of the sale or exchange at the public hearing. Any resident may present testimony or evidence at the hearing.

221.725 Sale of city real property; publication of notice; public hearing. (1)

Except as provided in ORS 221.727, when a city council considers it necessary or convenient to sell real property or any interest therein, the city council shall publish a notice of the proposed sale in a newspaper of general circulation in the city, and shall hold a public hearing concerning the sale prior to the sale.

(2) The notice required by subsection (1) of this section shall be published at least once during the week prior to the public hearing required under this section. The notice shall state the time and place of the public hearing, a description of the property or interest to be sold, the proposed uses for the property and the reasons why the city council considers it necessary or convenient to sell the property. Proof of publication of the notice may be made as provided by ORS 193.070.

(3) Not earlier than five days after publication of the notice, the public hearing concerning the sale shall be held at the time and place stated in the notice. Nothing in this section prevents a city council from holding the hearing at any regular or special meeting of the city council as part of its regular agenda.

(4) The nature of the proposed sale and the general terms thereof, including an appraisal or other evidence of the market value of the property, shall be fully disclosed by the city council at the public hearing. Any resident of the city shall be given an opportunity to present written or oral testimony at the hearing.

(5) As used in this section and ORS 221.727, "sale" includes a lease-option agreement under which the lessee has the right to buy the leased real property in accordance with the terms specified in the agreement. [1983 c.216 §1; 2005 c.22 §164]

Motion to Consider:

Hold Public Hearing and consider approval of Agency Disposition and Development Agreement template with staff direction to complete all necessary documents for property transfer.

Council Communication

Resolution 2024-10: Measures for Audit Deficiencies

Meeting Date:	May 13, 2024	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Daphnee Legarza	Estimated Time:	5 minutes

See staff report under Presentations section

Attachments:

Res. 2024-10 audit deficiencies (PDF)

RESOLUTION 2024-10

A RESOLUTION SETTING FORTH CORRECTIVE MEASURES FOR DEFICIENCIES IDENTIFIED IN CITY OF LINCOLN CITY, OREGON 2022-23 ANNUAL FINANCIAL REPORT

WHEREAS, ORS 297.465(3) requires a municipal corporation to submit a copy of its annual audit report to the Secretary of State; and,

WHEREAS, audit reports are subject to review by the Secretary of State; and,

WHEREAS, ORS 297.466(2) states the governing body of a City shall determine the measures it considers necessary to correct any deficiencies disclosed in the report and shall adopt a plan of action setting forth the corrective measures it proposes and the period of time estimated to complete them; and,

WHEREAS, the 2022-23 financial statement audit of the City of Lincoln City identified two material weakness and one significant deficiency.

NOW THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF LINCOLN CITY, AS FOLLOWS:

Section 1: Recitals. The above recitals are true and correct and are incorporated herein by this reference.

Section 2: Finance will add review for unspent grant proceeds to its year-end processes.

Section 3: Training will be provided for coding invoices to the correct fiscal year.

Section 4: Training will be provided re City Manager purchase authority limits.

Section 5: Effective Date: This resolution is effective as of the date of its adoption.

PASSED AND ADOPTED by the City Council of the City of Lincoln City this 13th day of May, 2024.

SUSAN WAHLKE, MAYOR

ATTEST:

JAMIE YOUNG, CITY RECORDER

APPROVED AS TO FORM:

David Robinson, CITY ATTORNEY