

Sandpoint Urban Renewal Agency

Financial Report
September 30, 2025

Sandpoint Urban Renewal Agency
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Independent Auditor's Report

Board of Commissioners
Sandpoint Urban Renewal Agency
Sandpoint, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sandpoint Urban Renewal Agency (“the Agency”), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sandpoint Urban Renewal Agency, as of September 30, 2025, and the respective changes in financial position thereof, for the year then ended, in accordance with governmental accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District 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.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District'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.

Other Matters

Required Supplementary Information

GAAP requires that the budgetary comparison schedules on pages 20 and 21 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 (GASB), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the Management’s Discussion and Analysis that GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 13, 2026, on our consideration of the Agency’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency’s internal control over financial reporting and compliance.

DeCoria & Company, PC

DeCoria & Company, PC
Evanston, Wyoming

February 13, 2026

Basic Financial Statements

Sandpoint Urban Renewal Agency
Statement of Net Position - Entity-Wide
September 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents (Note 6)	\$ 7,577,919
Restricted cash and cash equivalents (Notes 6 and 11)	84,792
Interest receivable	25,223
Property taxes receivable (Note 7)	<u>2,276,742</u>
Total assets	<u>9,964,676</u>
LIABILITIES	
Current liabilities:	
Accounts payable	37,294
Unearned property taxes (Note 7)	2,251,010
Notes payable, due within one year (Note 11)	<u>145,429</u>
Total current liabilities	2,433,733
Noncurrent liabilities:	
Notes payable, due after one year (Note 11)	<u>1,042,936</u>
Total liabilities	<u>3,476,669</u>
Commitments and contingencies (Notes 12 and 14)	
NET POSITION	
Restricted for Downtown District	899,575
Restricted for Northern District	<u>5,588,432</u>
Total net position	<u><u>\$ 6,488,007</u></u>

**Sandpoint Urban Renewal Agency
Statement of Activities - Entity-Wide
Year Ended September 30, 2025**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Community development	\$ 568,981	\$ -	\$ -	\$ (568,981)
Interest expense	26,201	-	-	(26,201)
Total governmental activities	<u>\$ 595,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(595,182)</u>
General revenue:				
Property taxes, general purpose				1,843,454
Interest income				<u>301,654</u>
			Total general revenue	<u>2,145,108</u>
			Change in net position	1,549,926
			Total net position, beginning of year	<u>4,938,081</u>
			Total net position, end of year	<u>\$ 6,488,007</u>

**Sandpoint Urban Renewal Agency
Balance Sheet - Governmental Funds
September 30, 2025**

	Downtown District	Northern District	Total Governmental Funds
ASSETS			
Assets:			
Cash and cash equivalents	\$ 2,003,844	\$ 5,574,075	\$ 7,577,919
Restricted cash and cash equivalents	84,792	-	84,792
Interest receivable	6,418	18,805	25,223
Property taxes receivable	1,433,451	843,291	2,276,742
Total assets	<u>\$ 3,528,505</u>	<u>\$ 6,436,171</u>	<u>\$ 9,964,676</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 16,689	\$ 20,605	\$ 37,294
Unearned property taxes	1,423,876	827,134	2,251,010
Total liabilities	<u>1,440,565</u>	<u>847,739</u>	<u>2,288,304</u>
Deferred Inflows of Resources:			
Unavailable property taxes	5,530	16,157	21,687
Total deferred inflows of resources	<u>5,530</u>	<u>16,157</u>	<u>21,687</u>
Fund balances:			
Restricted for:			
Debt service	84,792	-	84,792
Public art	191,164	106,242	297,406
Current and future projects	1,806,454	5,466,033	7,272,487
Total fund balances	<u>2,082,410</u>	<u>5,572,275</u>	<u>7,654,685</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,528,505</u>	<u>\$ 6,436,171</u>	<u>\$ 9,964,676</u>

Sandpoint Urban Renewal Agency
Reconciliation of the Balance Sheet - Governmental Funds
with the Statement of Net Position - Entity-Wide
September 30, 2025

Amounts reported for governmental activities in the Statement of Net Position - Entity-Wide are different because:

Total fund balances - governmental funds	\$ 7,654,685
Property taxes receivable will be collected, but are not available soon enough to pay for current period liabilities, and are therefore reported as deferred inflows of resources in the governmental funds.	21,687
Noncurrent liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:	
Notes payable, due within one year	\$ (145,429)
Notes payable, due after one year	<u>(1,042,936)</u>
	<u>(1,188,365)</u>
Total net position - entity-wide	<u><u>\$ 6,488,007</u></u>

Sandpoint Urban Renewal Agency
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2025

	Downtown District	Northern District	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 1,232,910	\$ 621,776	\$ 1,854,686
Interest income	75,675	222,979	298,654
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>1,308,585</u>	<u>844,755</u>	<u>2,153,340</u>
Expenditures:			
Public improvements	537,994	19,503	557,497
Professional services	1,899	1,899	3,798
Public art	4,521	-	4,521
Miscellaneous	1,949	1,216	3,165
Debt service	166,756	-	166,756
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>713,119</u>	<u>22,618</u>	<u>735,737</u>
Net changes in fund balances	595,466	822,137	1,417,603
Total fund balances, beginning of year	<u>1,486,944</u>	<u>4,750,138</u>	<u>6,237,082</u>
Total fund balances, end of year	<u>\$ 2,082,410</u>	<u>\$ 5,572,275</u>	<u>\$ 7,654,685</u>

Sandpoint Urban Renewal Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds with the Statement of Activities - Entity-Wide
Year Ended September 30, 2025

Amounts reported for governmental activities in the Statement of Activities - Entity-Wide
are different because:

Net changes in fund balances - governmental funds	\$ 1,417,603
Some property taxes will not be collected until several months after the Agency's fiscal year end, and therefore will not be available to pay liabilities of the current period. Accordingly, they are recorded as deferred inflows of resources. They are however, recorded as revenue in the Statement of Activities - Entity-Wide. The change in deferred inflows of resources on the Balance Sheet - Governmental Funds during the current year is an adjustment.	(8,232)
Repayment of notes payable principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Position - Entity-Wide.	<u>140,555</u>
Change in net position - entity-wide	<u><u>\$ 1,549,926</u></u>

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

1. Organization

Sandpoint Urban Renewal Agency (“the Agency”) is an urban renewal agency created by, and existing under, the Idaho Urban Renewal Law of 1965, as amended, and is an independent public body.

In 2005, the City of Sandpoint, Idaho (“the City”) City Council passed an ordinance that created the Sandpoint Urban Renewal Agency, a legally separate entity from the City. The Agency was established to promote urban development and improvement in deteriorated areas within the Agency’s boundaries. The Agency is governed by a five-member Board of Commissioners (“the Board”) appointed by the Mayor of the City and confirmed by the City Council. The City Council has the ability to appoint, reassign or dismiss the board members of the Agency. Because the Agency is fiscally dependent on the City and the Agency’s governing board is appointed by the City, the Agency is considered to be a component unit of the City.

2. Entity-Wide and Fund Financial Statements

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments* (GASB No. 34) defines the financial reporting requirements and the reporting model for the annual financial reports of state and local governments. The financial information required by GASB No. 34 includes:

Management’s Discussion and Analysis

The management’s discussion and analysis introduces the basic financial statements and provides an analytical overview of the Agency’s financial activities in a narrative format. An analysis of the Agency’s overall financial position and results of operations should be included to assist users in assessing whether the financial position has improved or deteriorated as a result of the year’s activities.

Entity-Wide Financial Statements

The entity-wide financial statements, including the Statement of Net Position – Entity-Wide and the Statement of Activities – Entity-Wide, report information on all of the *governmental activities* of the Agency. Governmental transactions are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. In general, the effect of interfund transactions, if any, has been eliminated from the entity-wide financial statements.

The Statement of Activities – Entity-Wide presents a comparison between direct expenses and program revenues for each function of the Agency’s governmental activities. Direct expenses are those that are specifically associated with a program or function. The Agency does not charge indirect expenses to programs or functions. Under the reporting model prescribed by GASB No. 34, program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

2. Entity-Wide and Fund Financial Statements, Continued

Fund Financial Statements

The fund financial statements provide information on the Agency's funds. The emphasis of fund financial statements is on major governmental funds, each displayed separately.

Budgetary Comparison Schedules

The budgetary comparison schedules are presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the Agency's legally adopted budgets (see Note 4). The Agency may revise the original budgets over the course of the year for various reasons. Under the reporting model prescribed by GASB No. 34, budgetary information is provided, and includes comparisons of the Agency's originally adopted budgets to the final budgets and actual results.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The entity-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and contributions. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and contributions is recognized in the fiscal year in which all eligibility requirements stipulated by the provider have been met and satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 30 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences, and early retirement liabilities, if any, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

The Agency reports the following governmental funds:

Downtown District: This fund is used to account for all financial resources of the Downtown District. The Downtown District is a separate and legally distinct district under the umbrella of the Agency. This District will expire in 2029 and the net position will be distributed according to Idaho Statutes; and

Northern District: This fund is used to account for all financial resources of the Northern District. The Northern District is a separate and legally distinct district under the umbrella of the Agency. This District will expire in 2029 and the net position will be distributed according to Idaho Statutes.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

4. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the Downtown and Northern Districts. All annual appropriations lapse at year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The Agency publishes a proposed budget for public review before it is adopted;
- b) Prior to October 1, the budget is adopted by resolution of the Board of Commissioners and published; and
- c) The final budget is then filed with the State of Idaho. Expenditures may not legally exceed budgeted appropriations at the functional level. The legal level of budgetary control is the functional level at which the Board must approve any over-expenditures of appropriations or transfers of appropriated amounts.

5. Summary of Significant Accounting Policies

Accounting Principles Generally Accepted in the United States of America

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The Agency has adopted and applied all applicable GASB pronouncements, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Cash and Cash Equivalents

The Agency considers all short-term deposits and highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Management expects all September 30, 2025 receivables to be collectible, and therefore no allowance for doubtful accounts has been provided as of that date.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

5. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the Agency’s own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the Agency.

At September 30, 2025, the assets or liabilities of the Agency that were measured at fair value on a recurring basis are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in the LGIP	\$ --	\$ 7,115,337	\$ --	\$ 7,115,337

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The Agency had no assets or liabilities measured at fair value on a nonrecurring basis during 2025.

Liabilities

Liabilities shown on the governmental funds financial statements are those that have become due and payable at the end of the fiscal year, which are expected to be paid during the upcoming fiscal year, and are reported as an expenditure and fund liability of the governmental fund that will pay it. On the entity-wide financial statements, liabilities that become due and payable within one year after the financial statement date are included in current liabilities, while liabilities that become due and payable after that time are shown as noncurrent liabilities.

Property Taxes

In accordance with Idaho State Law, an ad valorem property tax is levied in September for each calendar year. Taxes are recorded by the Agency using the modified accrual basis of accounting. Levies are made on the second Monday of September and billed to taxpayers in November. One-half of the real property taxes and personal property taxes are due on or before December 20. The remaining one-half of the real property taxes and personal property taxes are due on or before June 20 of the following year. If the first half of the personal property taxes is not paid on or before December 20, the full amount is due on demand.

Property taxes attach as an enforceable lien on property as of January 1 of the current year. Notice of foreclosure is filed with the County Clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year. Bonner County acts as an agent for the Agency in both the assessment and collection of property taxes. The County remits tax revenues to the City monthly, which in turn, remits taxes to the Agency. The majority of the collections are remitted in January and July.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

5. Summary of Significant Accounting Policies, Continued

Property Taxes, Continued

In the governmental fund financial statements, property taxes are recorded as revenue in the period in which the taxes are levied, to the extent that they are both measurable and available. For this purpose, the Agency considers amounts to be available if they are collected and received by the Agency within 30 days after the financial statement date. Property taxes receivable which are collectible subsequent to 30 days after the financial statement date are reflected in the fund financial statements as deferred inflows. In the entity-wide financial statements, all property taxes receivable, regardless of when they are collected, are recorded as revenue in the period for which the taxes are levied.

Donated Services

Donated services are recognized as contributions if the services either create or enhance non-financial assets or require specialized skills, which are performed by people with those skills, and would otherwise be purchased by the Agency. Some members of the Board have donated significant amounts of their time in furthering the Agency's programs and objectives. No amounts have been included in the financial statements for donated services since they do not meet the criteria for recognition under professional accounting standards.

Net Position

Net position represents the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified within one or more of the following components.

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets;

Restricted net position: This component of net position consists of amounts subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation; and

Unrestricted net position: This component of net position consists of amounts that do not meet the definition of "net investment in capital assets" or "restricted net position."

Because all of the Agency's net position is restricted for urban development within one of the Agency's two Districts, and the two Districts will expire in 2029, all net position is reported as restricted within the corresponding District.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

5. Summary of Significant Accounting Policies, Continued

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB No. 54), defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54 requires the fund balance amounts to be properly reported within one or more of the following fund balance classifications (see Note 13):

Nonspendable: The portion of fund balance that is not expected to be converted to cash, such as inventories and prepaid expenses, if any;

Restricted: The portion of fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

Committed: The portion of fund balance that can be used only for the specific purposes determined by a formal action of the Agency's Board of Commissioners (the Agency's highest level of decision-making authority);

Assigned: The portion of fund balance that is intended to be used by the Agency for specific purposes, but does not meet the criteria to be classified as restricted or committed; and

Unassigned: The residual portion of fund balance for the Agency's two Districts and includes all spendable amounts not included in the other classifications.

Because all of the Agency's fund balance is restricted for urban development within one of the Agency's two Districts, and the two Districts will expire in 2029, all fund balance is reported as restricted within the corresponding District.

Fund Balance Spending Policy

As disclosed above, all of the Agency's fund balance is restricted.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in either of the Agency's two Districts.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

5. Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Subsequent Events

The Agency has evaluated subsequent events through February 13, 2026, the date these financial statements were available to be issued. Except for the repayment of the note payable to the City of Sandpoint, as discussed in Note 11, no material subsequent events have occurred since September 30, 2025 that require recognition or disclosure in these financial statements.

6. Cash and Investments

Cash and cash equivalents consist of deposits held in checking and money market accounts with a local bank, and amounts invested in the Idaho State Local Government Investment Pool (LGIP). Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. At September 30, 2025, the Agency’s deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Both the carrying amount of cash and investments on the Agency’s books (including restricted cash), and bank balances and deposits with LGIP at September 30, 2025, totaled \$7,662,711. A summary of the total insured and uninsured bank and LGIP balances at September 30, 2025 is as follows:

Bank balances	\$ 547,374
LGIP balances	<u>7,115,337</u>
	7,662,711
Portion insured by FDIC	<u>(250,000)</u>
Uninsured bank and LGIP balances	<u>\$ 7,412,711</u>

The Agency has not adopted a formal investment policy. At September 30, 2025, the Agency had the following investments.

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
LGIP	68 days (weighted average)	<u>\$7,115,337</u>

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

Credit Risk: State law limits investments to obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State of Idaho investment pools and funds. The Agency has no investment policy that would further limit its investment choices. At September 30, 2025, the Agency’s investment in the LGIP is not rated;

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

6. Cash and Investments, Continued

Concentration of Credit Risk: The Agency places no limit on the amount the Agency may invest in any one issuer. All of the Agency's investments are in the LGIP.

The LGIP is overseen and managed by the State of Idaho Treasurer's Office.

7. Property Taxes Receivable

Property taxes receivable at September 30, 2025 are summarized as follows:

Unearned property taxes receivable	\$ 2,251,010
Property taxes receivable	4,045
Delinquent property taxes receivable	<u>21,687</u>
	<u>\$ 2,276,742</u>

Unearned property taxes receivable consist of property taxes levied for collection in the next fiscal year. These amounts have been offset by unearned property tax revenue in the entity-wide and governmental funds financial statements.

Property taxes receivable consist of property taxes received within the first 30 days after the end of the Agency's fiscal year end that relate to taxes levied for the current or prior fiscal years.

Delinquent property taxes receivable consist of property taxes levied for the current and prior fiscal years, which were not collected within the current period or within 30 days after the end of the Agency's fiscal year. These amounts have been offset by a deferred inflow of resources in the governmental funds financial statements.

8. Interfund Receivables and Payables

Interfund receivables and payables arise primarily from one fund making payments on behalf of another fund. The Agency had no interfund receivables or payables at September 30, 2025.

9. Interfund Transfers

Interfund transfers are made as a method of allocating the cost of program operations to the respective funds. The Agency had no interfund transfers during the year ended September 30, 2025.

10. Short-Term Borrowings

The Agency had no short-term borrowings at September 30, 2025, nor were there any short-term borrowings or repayments during the year then ended.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

11. Long-Term Obligations

Note Payable to the City of Sandpoint

The Agency and the City have entered into an informal agreement in which certain large community development projects are initially funded by the City and will be repaid by the Agency as future property taxes are collected. The informal agreement does not contain a specific repayment schedule and, therefore, no portion of the long-term debt is considered to be due and payable. Although the note payable to the City of Sandpoint does not have a formal repayment schedule, the balance was paid on October 14, 2025.

Revenue Allocation Notes Payable

On September 7, 2018, the Agency issued a \$1,500,000 revenue allocation note, with an interest rate of 3.63% per annum. The purpose of the note is for the acquisition, construction, and installation of public improvements within the Downtown District. The note, which requires semi-annual payments of approximately \$83,378 including interest, required an initial payment beginning on March 15, 2019, and matures on September 15, 2029.

At September 30, 2025, the Agency had restricted cash of \$84,792, which is held in a separate debt service payment account. The use of this cash is restricted to paying the semi-annual installments on the note.

The annual requirements to pay the above revenue allocation notes are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 145,429	\$ 21,327	\$ 166,756
2027	150,831	15,925	166,756
2028	156,400	10,356	166,756
2029	<u>163,177</u>	<u>4,514</u>	<u>167,691</u>
	<u>\$ 615,837</u>	<u>\$ 52,122</u>	<u>\$ 667,959</u>

A summary of changes in long-term obligations of the Agency for the year ended September 30, 2025 is as follows:

	<u>Long-Term Obligations September 30, 2024</u>	<u>Long-Term Obligations Incurred</u>	<u>Long-Term Obligations Paid</u>	<u>Long-Term Obligations September 30, 2025</u>	<u>Due Within One Year</u>
Note payable to the City	\$ 572,528	\$ --	\$ --	\$ 572,528	\$ --
2018 Revenue allocation	<u>756,392</u>	<u>--</u>	<u>(140,555)</u>	<u>615,837</u>	<u>145,429</u>
	<u>\$ 1,328,920</u>	<u>\$ --</u>	<u>\$ (140,555)</u>	<u>\$ 1,188,365</u>	<u>\$ 145,429</u>

12. Commitments and Contingencies

As of September 30, 2025, the Agency was involved in discussions with several interested parties on future urban development projects, although none of these projects had been formalized and the Agency had not entered into any agreements to provide funding for the projects. It is anticipated that any approved projects will be funded through the Agency and tax increment financing in the future.

Sandpoint Urban Renewal Agency
Notes to Financial Statements
September 30, 2025

13. Fund Equity

As described in Note 5, the Agency's entity-wide net position is required to be reported within one or more of three categories, while GASB 54 requires the fund balance amounts to be reported within one or more of five categories. Both the Agency's net position and the Agency's two District's fund balances are reported as restricted because the Agency's resources are restricted for urban development and the Districts will expire in 2029.

14. Risk Management

Insurance Coverage

The Agency's Board believes there is no significant risk of loss related to general liability and property claims because the Agency does not own any physical property and the operating activities are minimal. Accordingly, the Agency currently does not purchase general liability and property insurance. The Agency's Board is not aware of any pending claims against the Agency as of September 30, 2025, nor were there any settled claims in any of the past three years. Therefore, the Agency has not established a reserve for the payment of uninsured claims. Generally, insurance expenditures, if any, are recognized when amounts are paid.

Litigation

The Agency's management is unaware of any pending litigation or unasserted claims as of September 30, 2025 or through the date of the audit report. In the opinion of the Agency's management, the outcome of any lawsuits would not have a material adverse effect on the accompanying financial statements and, accordingly, no provision for loss has been recorded.

15. Related Party Transactions

During the year ended September 30, 2025, the Agency used banking services provided by a financial institution that is the employer of a Board Commissioner.

Required Supplementary Information

**Sandpoint Urban Renewal Agency
 Budgetary Comparison Schedule - Downtown District
 Year Ended September 30, 2025**

	Budgeted Amounts		Actual	Variances	
	Original	Final	Modified	Positive/(Negative)	
			Accrual	Original	Final
	Original	Final	Basis	to Final	to Actual
Revenues:					
Property taxes	\$ 1,060,000	\$ 1,060,000	\$ 1,232,910	\$ -	\$ 172,910
Interest income	50,000	50,000	75,675	-	25,675
Total revenues	<u>1,110,000</u>	<u>1,110,000</u>	<u>1,308,585</u>	<u>-</u>	<u>198,585</u>
Expenditures:					
Public improvements	1,597,528	1,597,528	537,994	-	1,059,534
Professional services	5,000	5,000	1,899	-	3,101
Public art	208,400	208,400	4,521	-	203,879
Dues and subscriptions	1,750	1,750	-	-	1,750
Miscellaneous	6,450	6,450	1,949	-	4,501
Debt service	166,857	166,857	166,756	-	101
Total expenditures	<u>1,985,985</u>	<u>1,985,985</u>	<u>713,119</u>	<u>-</u>	<u>1,272,866</u>
Net changes in fund balance	(875,985)	(875,985)	595,466	-	1,471,451
Total fund balance, beginning of year	<u>949,169</u>	<u>949,169</u>	<u>1,486,944</u>	<u>-</u>	<u>537,775</u>
Total fund balance, end of year	<u>\$ 73,184</u>	<u>\$ 73,184</u>	<u>\$ 2,082,410</u>	<u>\$ -</u>	<u>\$ 2,009,226</u>

**Sandpoint Urban Renewal Agency
 Budgetary Comparison Schedule - Northern District
 Year Ended September 30, 2025**

	Budgeted Amounts		Actual	Variances	
	Original	Final	Modified	Positive/(Negative)	
			Accrual	Original	Final
	Original	Final	Basis	to Final	to Actual
Revenues:					
Property taxes	\$ 540,000	\$ 540,000	\$ 621,776	\$ -	\$ 81,776
Interest income	150,000	150,000	222,979	-	72,979
Total revenues	690,000	690,000	844,755	-	154,755
Expenditures:					
Public improvements	1,428,766	1,428,766	19,503	-	1,409,263
Professional services	5,000	5,000	1,899	-	3,101
Public art	114,000	114,000	-	-	114,000
Dues and subscriptions	1,750	1,750	-	-	1,750
Miscellaneous	6,450	6,450	1,216	-	5,234
Total expenditures	1,555,966	1,555,966	22,618	-	1,533,348
Net changes in fund balance	(865,966)	(865,966)	822,137	-	1,688,103
Total fund balance, beginning of year	4,783,701	4,783,701	4,750,138	-	(33,563)
Total fund balance, end of year	<u>\$ 3,917,735</u>	<u>\$ 3,917,735</u>	<u>\$ 5,572,275</u>	<u>\$ -</u>	<u>\$ 1,654,540</u>

Sandpoint Urban Renewal Agency
Notes to Budgetary Comparison Schedules
September 30, 2025

1. Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting, which is the same basis of accounting used in the governmental funds financial statements.

2. Expenditures in Excess of Budgeted Amounts

As disclosed in Note 1 above, the budgetary comparison schedules have been prepared in conformity with the presentation used in the preparation of the governmental funds financial statements. This presentation differs from the account groupings required by Idaho Statutes for Board of Commissioners' budgetary control at the functional level. As disclosed at pages 20 and 21, there were no instances in which General Fund expenditures exceeded budgeted expenditures at the functional levels required by Idaho Statutes.

Compliance Report

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners
Sandpoint Urban Renewal Agency
Sandpoint, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sandpoint Urban Renewal Agency (“the Agency”), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements and have issued our report thereon dated February 13, 2026.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the deficiencies described in the accompanying Schedule of Findings and Responses as Finding 2025-001 and 2025-002, in the aggregate, to be a material weakness.

Compliance and Other Matters

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 grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Agency's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the Agency's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

DeCoria & Company, PC

DeCoria & Company, PC
Evanston, Wyoming

February 13, 2026

**Sandpoint Urban Renewal Agency
 Schedule of Findings and Responses
 Year Ended September 30, 2025**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2025-001

Condition	The size of the Agency’s staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.
Criteria	An effective system of internal control over financial reporting requires that closely related duties be segregated.
Effect	The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.
Cause	The Agency’s staff is too small to allow an adequate segregation of duties.
Recommendation	Although the Agency’s staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting, we recommend that officials be aware that the condition does exist.
Management’s Response	Management and the Agency’s Board of Commissioners are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations.

**Sandpoint Urban Renewal Agency
Schedule of Findings and Responses, Continued
Year Ended September 30, 2025**

Finding 2025-002

Condition	Due in part to the Agency's size and limited resources, year-end closing procedures are not fully formalized and documented for certain accounts.
Criteria	An effective system of internal control over financial reporting includes periodically reconciling each general ledger account and adjusting the recorded balances if necessary.
Effect	In connection with performing our audit testing, we proposed several audit adjustments to correct account balances. Clarified Statements on Auditing Standards Section 265, <i>Communicating Internal Control Related Matters Identified in an Audit</i> (AU-C 265), indicates that identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control should at least be regarded as a significant deficiency and should be considered as a strong indicator of a material weakness in internal control.
Cause	The Agency does not have fully formalized, documented procedures for periodically reviewing and reconciling each general ledger account.
Recommendation	We recommend that year-end closing procedures be further developed, documented, and implemented for each general ledger account. The implementation of increased procedures should reduce or eliminate the need for audit adjustments.
Management's Response	The Agency will continue to develop and implement documented procedures for reconciling and adjusting account balances for each general ledger account in an effort to eliminate audit adjustments.

**Sandpoint Urban Renewal Agency
Status of Prior Year Findings
Year Ended September 30, 2025**

Finding 2024-001

Condition: The size of the Agency's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.

Status: This condition still exists at September 30, 2025. See Finding 2025-001.

Finding 2024-002

Condition: Due in part to the Agency's size and limited resources, year-end closing procedures are not fully formalized and documented for certain accounts.

Status: This condition still exists at September 30, 2025. See Finding 2025-002.