

SANDY URBAN RENEWAL AGENCY

(A Component Unit of the City of Sandy, Oregon)

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2025

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

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INTRODUCTORY SECTION

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

URBAN RENEWAL AGENCY OFFICIALS

BOARD OF DIRECTORS

	<u>TERMS EXPIRES</u>
Kathleen Walker, Mayor	12/31/2026
Don Hokanson, Council President	12/31/2028
Chris Mayton, Councilor	12/31/2026
Laurie Smallwood, Councilor	12/31/2026
Rich Sheldon, Councilor	12/31/2028
Kristina Ramseyer, Councilor	12/31/2028
Lindy Hanley, Councilor	12/31/2026

STAFF

Tyler Deems, City Manager
Jeff Aprati, Deputy City Manager
Tyler Wallace, Finance Director
Angie Welty, Human Resources Director
Patrick Huskey, Police Chief
AJ Thorne, Public Works Director
Sarah McIntyre, Library Director
Andi Howell, Transit Director
Kelly O'Neill Jr., Development Services Director
Tiana Rundell, Interim Parks & Recreation Director
Greg Brewster, IT Director

MAILING ADDRESS

39250 Pioneer Blvd. Sandy, Oregon 97055
www.ci.sandy.or.us

FINANCIAL SECTION



Your peace of mind is our passion.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sandy Urban Renewal Agency
Sandy, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy, Oregon, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Agency, as of June 30, 2025, and the respective changes in financial position and the respective budgetary comparison statement for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, 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 Management's Discussion and Analysis 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2025, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 26, 2025, 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
December 26, 2025

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

This discussion is intended to be an easily readable analysis of the Sandy Urban Renewal Agency's (Agency) financial activities based on currently known facts, decisions, and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

The report consists of agency-wide statements, fund financial statements and notes to the statements.

AGENCY-WIDE STATEMENTS

Statement of Net Position

The table below reflects a summary of net position compared to prior fiscal year.

Summary Statement of Net Position			
	<u>At June, 30</u>		
	<u>2025</u>	<u>2024</u>	<u>Change</u>
Assets			
Current and other assets	\$ 3,137,734	\$ 6,541,192	\$ (3,403,458)
Liabilities			
Long-term liabilities	4,900,033	5,649,990	(749,957)
Other liabilities	59,599	73,901	(14,302)
Total liabilities	4,959,632	5,723,891	(764,259)
Net position			
Unrestricted	<u>\$ (1,821,898)</u>	<u>\$ 817,301</u>	<u>\$ (2,639,199)</u>

The decrease in net position is due to a substantial increase in spending related to economic development. Notable expenses include the following expenditures on behalf of the City: \$4,164,846 toward the construction of a new City park.

Statement of Activities

The below compares general revenues and expenses with prior year.

Summary Statement of Activities			
	<u>Year Ended June, 30</u>		
	<u>2025</u>	<u>2024</u>	<u>Change</u>
General Revenues			
Property taxes	\$ 1,864,249	\$ 1,867,458	\$ (3,209)
Interest	214,770	391,838	(177,068)
Miscellaneous	29,720	3,495	26,225
Total general revenues	2,108,739	2,262,791	(154,052)
Expenses			
Economic development	4,611,603	2,630,758	1,980,845
Interest on long-term debt	136,335	171,671	(35,336)
Total expenses	4,747,938	2,802,429	1,945,509
Change in net position	<u>\$ (2,639,199)</u>	<u>\$ (539,638)</u>	<u>\$ (2,099,561)</u>

The Agency's tax levied \$1,864,249 of property taxes for urban renewal projects or repayment of related debt. Long-term debt has been used to finance the improvements identified in the urban renewal plan.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

FUND FINANCIAL STATEMENTS

Fund Statements

Following agency-wide statements is a section containing fund financial statements. For the fund, a Budgetary Comparison Statement is presented.

Budgetary Highlights

The budget was based upon a conscious effort by management to complete improvements based on the direction of the urban renewal advisory committee and the urban renewal agency board.

Debt Administration

As of June 30, 2025, the Agency had \$4,900,033 in debt outstanding compared to \$5,649,990 last year.

During the fiscal year ended June 30, 2025, all scheduled debt payments were met.

Additional information on the Agency's long-term debt can be found in the Notes to the Basic Financial Statements – Note 4.

NOTES AND SUPPLEMENTAL INFORMATION

Economic Factors

The Agency continues to be an important partner in economic development within the City of Sandy, providing necessary infrastructure improvements to support continued growth and quality of service to those within the Agency's boundaries. The tax increment is stable, with no significant changes from the prior fiscal year. That tax increment is then used to pay debt service on bonds issued to fund projects and improvements.

Financial Contact

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, you should contact the Agency's Manager, Tyler Deems, at 39250 Pioneer Blvd., Sandy, Oregon 97055.

BASIC FINANCIAL STATEMENTS

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

STATEMENT OF NET POSITION
June 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Deposits held by the City	\$ 3,061,073
Property taxes receivable	71,759
Notes receivable, current	4,118
Prepays	<u>784</u>
Total assets	<u>3,137,734</u>
LIABILITIES	
Accounts payable	47,437
Interest payable	9,963
Other current liabilities	2,199
Current portion of long-term debt	<u>768,256</u>
Total current liabilities	827,855
Long-term debt, net of current portion	<u>4,131,777</u>
Total liabilities	<u>4,959,632</u>
NET POSITION	
Unrestricted	<u><u>\$ (1,821,898)</u></u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2025

	<u>Expenses</u>	<u>Net Revenues (Expenses) and Changes in Net Position</u>
FUNCTIONS/PROGRAMS		
Governmental activities:		
Economic development	\$ 4,611,603	\$ (4,611,603)
Interest on long-term debt	<u>136,335</u>	<u>(136,335)</u>
Total governmental activities	<u>\$ 4,747,938</u>	<u>(4,747,938)</u>
GENERAL REVENUES		
Property taxes		1,864,249
Interest		214,770
Miscellaneous		<u>29,720</u>
Total general revenues		<u>2,108,739</u>
Change in net position		(2,639,199)
NET POSITION, BEGINNING		<u>817,301</u>
NET POSITION, ENDING		<u><u>\$ (1,821,898)</u></u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

BALANCE SHEET – GOVERNMENTAL FUND AND RECONCILIATION
June 30, 2025

	<u>General Fund</u>
ASSETS	
Deposits held by the City	\$ 3,061,073
Property taxes receivable	71,759
Notes receivable	4,118
Prepays	<u>784</u>
Total assets	<u>\$ 3,137,734</u>
LIABILITIES	
Accounts payable	\$ 47,437
Other liabilities	<u>2,199</u>
Total liabilities	<u>49,636</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>71,759</u>
FUND BALANCE	
Nonspendable	4,902
Assigned subsequent year's budget appropriation of fund balance	<u>3,011,437</u>
Total fund balance	<u>3,016,339</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 3,137,734</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental fund	\$ 3,016,339
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.	
Unavailable revenue - property taxes	71,759
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.	
Note payable	(4,900,033)
Accrued interest on long-term debt	<u>(9,963)</u>
Total long-term liabilities	<u>(4,909,996)</u>
Net position of governmental activities	<u>\$ (1,821,898)</u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND AND RECONCILIATION**
Fiscal Year Ended June 30, 2025

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 1,853,993
Interest	214,770
Miscellaneous	<u>29,720</u>
Total revenues	<u>2,098,483</u>
EXPENDITURES	
Economic development	4,611,603
Debt service	
Principal	749,957
Interest	<u>137,860</u>
Total expenditures	<u>5,499,420</u>
Net change in fund balance	(3,400,937)
FUND BALANCE, BEGINNING	<u>6,417,276</u>
FUND BALANCE, ENDING	<u><u>\$ 3,016,339</u></u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund	\$ (3,400,937)
Revenues in the statement of activities do not provide current financial resources are not reported as revenues in the governmental fund	
Property taxes	10,256
Repayment of bond and other debt principal is an expenditure in the governmental fund, but repayment reduces long-term debt liabilities in the statement of activities	749,957
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Accrued interest on long-term debt	<u>1,525</u>
Change in net position of governmental activities	<u><u>\$ (2,639,199)</u></u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**
Fiscal Year Ended June 30, 2025

	Biennial Budget		Actual			Variance with
	Original	Final	2024	2025	Biennial	Final Budget
REVENUES						
Property taxes	\$ 3,900,000	\$ 3,900,000	\$ 1,857,928	\$ 1,853,993	\$ 3,711,921	\$ (188,079)
Interest	75,000	75,000	391,838	214,770	606,608	531,608
Miscellaneous	55,000	55,000	33,482	38,384	71,866	16,866
Total revenues	4,030,000	4,030,000	2,283,248	2,107,147	4,390,395	360,395
EXPENDITURES						
Personnel services - contracted personnel	349,100	349,100	156,766	110,692	267,458	81,642
Materials and services	553,500	553,500	92,697	245,173	337,870	215,630
Capital outlay	6,100,000	6,600,000	2,371,950	4,228,957	6,600,907	(907)
Contingency	2,549,101	2,049,101	-	-	-	2,049,101
Total expenditures	9,551,701	9,551,701	2,621,413	4,584,822	7,206,235	2,345,466
Revenues over (under) expenditures	(5,521,701)	(5,521,701)	(338,165)	(2,477,675)	(2,815,840)	2,705,861
OTHER FINANCING SOURCES (USES)						
Transfers to City of Sandy	(1,829,197)	(1,829,197)	(914,599)	(914,598)	(1,829,197)	-
Net change in fund balance	(7,350,898)	(7,350,898)	(1,252,764)	(3,392,273)	(4,645,037)	2,705,861
FUND BALANCE, BEGINNING - BUDGETARY BASIS	7,350,898	7,350,898	7,657,258	6,404,494	7,657,258	306,360
FUND BALANCE, ENDING - BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	6,404,494	\$ 3,012,221	<u>\$ 3,012,221</u>	<u>\$ 3,012,221</u>
Notes receivable			12,782	4,118		
FUND BALANCE, ENDING - GAAP BASIS			<u>\$ 6,417,276</u>	<u>\$ 3,016,339</u>		
NET CHANGE IN FUND BALANCE - BUDGETARY BASIS			\$ (1,252,764)	\$ (3,392,273)		
Principal payments on notes receivable			(29,987)	(8,664)		
NET CHANGE IN FUND BALANCE - GAAP BASIS			<u>\$ (1,282,751)</u>	<u>\$ (3,400,937)</u>		

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2025

1. Summary of Significant Accounting Policies

The financial statements of the Sandy Urban Renewal Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy (the City), was organized December 26, 1998 under the provisions of Oregon Revised Statutes, Chapter 457, to provide rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. The fiscal year ended June 30, 2000 was the first year property taxes were levied by the Agency. As provided by ORS 457, the City Council of the City is designated as the governing body of the Agency. Principle funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of the City. The urban renewal area was renewed on October 6, 2008 with the debt limitation increased to \$18 million. The Sandy Urban Renewal Plan has had three adopted amendments, the most recent dated July 7, 2015 with the debt limitation increased to \$67 million.

The Agency is a legally separate entity governed by the City Council. Additionally, the City's management has operational responsibility for the Agency as it manages the activities of the Agency, in essentially the same manner in which it manages the City's own operations, and provides personnel, and other resources, for the Agency operations. The Agency is a component unit of the City and, as such is included in the financial statements of the City for the year ended June 30, 2025.

The Agency Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency has no component units.

B. Basic Financial Statements

The Agency's financial operations are presented at both the government-wide and fund financial levels. All activities performed by the Agency are categorized as governmental.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Agency as a whole.

The Agency uses one fund to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid fiscal management by segregating transactions related to certain government functions and activities.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2025

The Statement of Activities 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 and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently, the Agency has only one governmental fund.

B. Basis of Presentation

The financial transactions of the Agency are recorded in the General Fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflow of resources, fund balance, revenues, and expenditures/expenses.

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, the Agency's General Fund is presented as a major fund.

General Fund - The General Fund is used to record expenditures related to capital improvements projects. Major sources of revenue and other financing sources are specific taxes that are legally restricted to expenditures for specific purposes.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 available when they are collectible 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the government-wide presentation.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2025

E. Deposits Held by the City

The Agency maintains cash and investments that are held by the City. Interest earned on the pooled cash and investments is allocated monthly based on the average cash balance as a proportion of the City's total pooled cash and investments. Additional disclosure on the cash and investments can be found in the Annual Comprehensive Financial Report of the City.

F. Receivables and Property Tax Calendar

In the fund financial statements, uncollected property taxes receivable, which have been collected within 60 days following year-end are considered measurable and available and are recognized as revenue. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes are billed and collected by Clackamas County and remitted to the Agency. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within the Agency's boundaries.

G. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category. Unavailable revenue from property taxes is reported in the governmental fund's Balance Sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

H. Net Position

In the agency-wide financial statements, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. The Agency has no net investment in capital assets. Restricted net position represents net position restricted by parties outside of the Agency (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. All other net position is considered unrestricted.

I. Fund Balance

In the fund financial statements, fund balance for the governmental fund is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance can be reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes amounts not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes amounts that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2025

Committed – Includes amounts that have been committed by resolution by the Agency’s Board of Directors, which is the Agency’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the Board of Directors removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by board action. Assigned fund balance is established by the Agency through adoption or amendment of the budget as intended for specific purpose.

Unassigned – This is the residual classification used for those balances not assigned to another category.

I. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the Agency’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

J. Use of Estimates

In preparing the Agency’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Budgetary Information

On or before June 30 of each biennium, the Agency enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Agency Board for budget hearings prior to enactment of the resolution. The Agency budgets its fund as required by Oregon Local Budget Law.

The resolution authorizing appropriations for the fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service, transfers, and contingency are the legal level of control for the fund. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of each odd numbered year-end.

For the biennial ended June 30, 2025, expenditures exceeded appropriations for capital outlay in the General Fund by \$907.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2025

3. Notes Receivable

The Agency offers a matching grant program to businesses to complete qualifying façade improvements on a building or structure owned by a grantee. As part of the façade grant program, the grantee either reimburses the Agency for 20% of the costs of the qualifying façade improvements within 30 days or elects to make installment payments with 3% interest per annum over 36 months. At June 30, 2025, the Agency had related notes receivable of \$4,118, with \$0 due in more than one year.

4. Long-term Debt

During the year ended June 30, 2025, long-term liability activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
FFC Note, Series 2017	\$ 5,649,990	\$ -	\$ 749,957	\$ 4,900,033
				<u>(768,256)</u>
				<u>\$ 4,131,777</u>

In March 2017, the City entered into a financing agreement with a bank for a \$10,000,000 note payable with an interest rate of 2.44% per annum on behalf of the Agency. The Agency entered into a related agreement with the City that obligated the Agency to repay the note with tax increment revenues.

Interest is payable semiannually through June 2031, while principal is due annually in June through 2031. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 768,256	\$ 119,561	\$ 887,817
2027	787,001	100,815	887,816
2028	806,204	81,613	887,817
2029	825,875	61,941	887,816
2030	846,027	41,790	887,817
2031	<u>866,670</u>	<u>21,147</u>	<u>887,817</u>
	<u>\$ 4,900,033</u>	<u>\$ 426,867</u>	<u>\$ 5,326,900</u>

5. Related Party Transactions

The Agency contracts with the City for personnel services to provide for general administration of the Agency. For the year ended June 30, 2025, the Agency paid the City \$110,692 for these services. The Agency transferred \$887,817 for debt service related to long-term debt and \$26,781 for various other services provided by the City. Additionally, the Agency expended \$4,228,957 for the purchase, improvement, or maintenance of City capital assets.

6. Risk Management

The Agency is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Agency purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

COMPLIANCE SECTION



Your peace of mind is our passion.

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

Board of Directors
Sandy Urban Renewal Agency
Sandy, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and the major fund of the Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy, Oregon as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 26, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of This Report

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

Talbot, Kowala & Warwick LLP

Portland, Oregon
December 26, 2025



Your peace of mind is our passion.

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

Board of Directors
Sandy Urban Renewal Agency
Sandy, Oregon

We have audited the financial statements of the governmental activities and the major fund of the Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy, Oregon, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 26, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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

- The General Fund reported an over expenditure of \$907 in capital outlay.
- A Supplemental Budget was approved on June 16, 2025 through Resolution Number 2025-24. No public notice was issued for the meeting in which the Supplemental Budget was approved which is not in compliance with Oregon Revised Statute (ORS) 294.471.

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

Internal Control Over Financial Reporting

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

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

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

Purpose of This Report

This report is intended solely for the information and use of the Board Members, 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
December 26, 2025