2025 ANNUAL REPORT
MIDDLETON URBAN RENEWAL AGENCY

Pursuant to Idaho Code § 50-2006(5)(c), an urban renewal agency is required to file with the local governing body and the Idaho State Controller, on or before March 31 of each year, a report of its activities for the preceding calendar year, which shall include certain financial information, specifically the fiscal year 2024 audit and the fiscal year 2025 budget. An urban renewal agency's fiscal year commences October 1 and ends September 30.

1Pursuant to Idaho Code § 67-450B, an urban renewal agency is required to prepare certain audited financial statements as described in that section depending on the agency's overall expenditures. Agencies with expenditures that do not exceed $150,000[1] have no audit requirements. Even though the Middleton Urban Renewal Agency's (the "Agency") annual expenditures in FY2024 did not exceed $150,000, the Agency did authorize an audit of its financial statements for fiscal year ending September 30, 2024, which audit was completed and received by the Agency in the spring of 2025. A copy of the Agency's 2024 audited financial statements are attached hereto as **Exhibit 1** The fiscal year 2024 audit was uploaded to the Local Government Registry administered by the Idaho State Controller's Office prior to December 1, 2025, as required by Idaho Code Section 67-1076. The fiscal year 2025 audit was completed in February 2026.

The fiscal year 2025 budgetary process, which the Agency completed on August 19, 2024, resulted in a budget approval that depicts actual and budgeted figures for Fiscal Years 2023, 2024 and 2025. A copy of the approved budget is attached as **Exhibit 2**. The fiscal year 2026 budget was adopted on August 18, 2025. The fiscal year 2025 budget was uploaded to the Local Government Registry administered by the Idaho State Controller's Office prior to December 1, 2025, as required by Idaho Code Section 67-1076. The Agency was determined by the Idaho State Controller's Office to be in compliance with the Local Government Registry reporting requirements for 2025. The Agency is also required to submit certain information to the Idaho State Tax Commission for the urban renewal registry pursuant to Idaho Code Section 50-2913. The Agency timely submitted the necessary information.

The Middleton City Council formally approved the Middleton Downtown Urban Renewal Plan (the "Downtown Plan"), establishing the Downtown revenue allocation area (the "Downtown Project Area"), on December 3, 2008, through Ordinance No. 442. The ordinance became effective upon publication on December 17, 2008. Since that approval, the Agency has worked to implement the Downtown Plan.

The Middleton City Council formally approved the Urban Renewal Plan for the Middleton East District Urban Renewal Project (the "Middleton East District Plan"), establishing the Middleton East District revenue allocation area (the "Middleton East District Project Area"), on November 30, 2022, through Ordinance No. 672. The ordinance became effective upon publication on December 6, 2022. The Middleton East District Plan includes parcels located within unincorporated Canyon County and Canyon County entered into an Intergovernmental Agreement with the City of Middleton and adopted a transfer of powers ordinance.

[1] Effective July 1, 2025, the annual expenditure amount for no minimum audit requirements under Idaho Code Section 67-450B increased from $150,000 to $200,000.

AGENCY BOARD MEMBERS, OFFICERS, CONSULTANTS AND SUPPORT STAFF

Board members for calendar year 2025 included Rob Kiser, Carrie Huggins, Brett Bishop, Carl Lohrengel, and Mark Christiansen. Board member officers for the year were Brett Bishop, Chairman and Rob Kiser, Vice-Chairman. The duties of Secretary were performed by non-board member Jennica Reynolds pursuant to a Consultant Contract, as amended. Treasurer and Bookkeeper Services were performed by non-board member Wendy Miles pursuant to an Independent Contractor Agreement, as amended. Meghan Conrad of the law firm of Elam & Burke, P.A. served as legal counsel.

AGENCY ACTIVITIES

There were no significant project activities in the Downtown Project Area. The Agency, upon receipt of tax increment revenue reviewed and processed the required payments to Middleton Village Partners for the downtown shopping center project. The Agency also agreed to fund the City of Middleton Main Street Sidewalk Improvements Study to evaluate the improvement to pedestrian facilities within the Downtown Project Area along Main Street (SH-44) and between S. Piccadilly Avenue and S. Paradise Avenue. The Study will be presented to the Board in 2026.

In 2023, the Agency worked with several developers to enter into a Capital Improvement Reimbursement Agreement related to the reimbursement of certain eligible costs associated with the Middleton Road to Bass Lane Gas Mainline Project in the Middleton East District Project Area. The Project was completed and reimbursement commenced in 2025. It is anticipated this obligation will be fully reimbursed by September 30, 2026.

In 2025, the Agency proceeded to purchase real property from the City of Middleton, Idaho as contemplated by City Council Resolution No. 486-23, in the amount of $436,635.50, which parcel is located in the Middleton East District Project Area. The Agency expects to issue a request for proposal for development of the parcel in 2026.

The remaining Agency activities consisted of compliance with the statutory requirements in the preparation and adoption of the 2025 annual report, compliance with the Local Government Registry, the Urban Renewal Plan Registry, and the approval of the FY 2026 budget.

REVENUES

Tax Increment Revenue

The main source of Agency income is Tax Increment Revenue (revenue allocation proceeds) generated within the revenue allocation area. Because of the provisions of the Local Economic Development Act, Title 50, Chapter 29, Idaho Code, and the ad valorem tax system, the Agency received $400,055.39 tax increment revenue and $31,556.12 interest earnings totaling $431,281.51 in 2025

EXPENDITURES

Leverage of Agency Dollars

An integral component of the Agency's program is to develop outside funding sources to leverage Agency dollars for improvements within the urban renewal/revenue allocation area. The Agency continues to coordinate with property owners and public entities in an effort to determine redevelopment opportunities.

The Agency intends to seek, review and approve funding, where appropriate, for other projects that positively impact the urban renewal area and its residents.

OPERATING EXPENSES

Generally, the Agency has minimal operating expenses. Plan implementation activities were minimal in 2025. Expenditures are shown on **Exhibit 2** to this report.

ASSETS

The Agency's Assets are comprised solely of cash accounts and property taxes receivable. The major portions of property taxes are received twice per year (end of January and end of July) with smaller amounts of delinquent taxes received during the course of the year.

LIABILITIES AND DEBT

As of the fiscal year end, the Agency's liabilities consist only of current accounts payable and deferred revenue.

On February 19, 2013, the Agency entered into a Limited Recourse Promissory Note payable in the amount of $308,913 to Middleton Village Partners. The note bears interest at 4.11%. The balance as of September 30, 2025, is $287,993.00. Future debt service payments in dollars are not specified. However, semiannual payments of 75% of the tax revenue allocation proceeds from the private development are to be made against the note. Payments will continue until paid in full or December 31, 2032, whichever occurs first.

The Agency entered into a Capital Infrastructure Reimbursement Agreement as of October 6, 2023. This agreement is for the installation of a gas mainline in 2024 to support development activities in the Middleton East District Project Area. In or around June 2025, the parties entered into the Confirmation of Agency Reimbursement confirming the total reimbursement amount of $178,059, with no interest accruing, divided pro-rata between the three development entities in the amount of $59,353.00 each: Premier Industrial LLC, Meredith North, LLC, and M3 ID Woodland LLC. Reimbursement payments are made, subject to certain conditions, twice a year and are 75% of the property taxes received from the Middleton East District Project Area. The first reimbursement payment was made in 2025. The remaining reimbursement amount is $135,672.48. The Agreement and reimbursements will be in place until the earlier of (1) the completion of all reimbursement payments or (2) the earlier of December 31, 2042, or the date on which the Urban Renewal Plan terminates if such termination occurs before December 31, 2042. Intermountain Gas will retain ownership of the gas mainline.

The Agency approved Resolution No. 03-2025 on December 15, 2025, for an interfund transfer from non-obligated, surplus funds from the Downtown Project Area to the Middleton East District Project Area in the amount of $250,000.00, with repayment of that sum, plus interest at 6.5% per

annum, from the Middleton East District Project Area revenue allocation revenues to the Downtown Project Area no later than September 30, 2032.

SIGNIFICANT CHANGES IN AGENCY'S FINANCIAL POSITION

With the exception of the developer's note, the reimbursement agreement and the inter-fund transfer identified above, the Agency continues to operate in a "pay-as-you-go" environment, committing only those funds to projects that can be funded out of current funds or projected tax increment revenues in a given fiscal year, though the Agency continues to consider how to better leverage Agency funds.

Brett Bishop, Chairman

Exhibit 1
FY2024 Audited Financial Statements

MIDDLETON
URBAN RENEWAL AGENCY

Audited Financial Statements and
Required Supplementary Information

For the Year Ended September 30, 2024

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Independent Auditor's Report

To the Board of Commissioners
Middleton Urban Renewal Agency

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying financial statements of the governmental activities and each fund of Middleton Urban Renewal Agency (the Agency), a component unit of City of Middleton, Idaho, as of and for the year ended September 30, 2024, 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 respective financial position of the governmental activities and each fund of Middleton Urban Renewal Agency as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Agency has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2025, on our consideration of the Agency's internal control over financial reporting and 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.

Bailey & Co.

Nampa, Idaho
January 21, 2025

Middleton Urban Renewal Agency
Statement of Net Position
September 30, 2024

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 703,421
Property Tax Receivable, Net	364,545
Interest Receivable	2,151
Prepaid Items	2,754
Total Assets	1,072,871
Deferred Outflows	0
Liabilities	
Current Liabilities	
Accounts Payable	3,450
Accrued Interest	6,503
Long-term Liabilities	
Due Within One Year	
Notes Payable	26,745
Due in More Than One Year	
Notes Payable	263,240
Total Liabilities	299,938
Deferred Inflows	
Unavailable Property Tax Revenue	361,263
Net Position	
Restricted	398,391
Unrestricted	13,279
Total Net Position	$ 411,670

The accompanying notes are an integral part of the financial statements

Middleton Urban Renewal Agency
Statement of Activities
For the Year Ended September 30, 2024

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position - Governmental Activities
Primary Government					
Governmental Activities					
General Government	$ 37,098	$ 0	$ 0	$ 0	$ (37,098)
Urban Renewal	743	0	0	0	(743)
Interest on Long-term Debt	11,902	0	0	0	(11,902)
Total Governmental Activities	$ 49,743	$ 0	$ 0	$ 0	(49,743)
General Revenues and Special Items:					
Property Taxes					276,997
Interest Earnings					10,298
Total General Revenues and Special Items					287,295
Change in Net Position					237,552
Net Position, Beginning					174,118
Net Position, Ending					$ 411,670

The accompanying notes are an integral
part of the financial statements

Middleton Urban Renewal Agency
Balance Sheet -
Governmental Funds
September 30, 2024

	General (Downtown)	East District	Total
Assets			
Cash and Cash Equivalents	$ 600,471	$ 102,950	$ 703,421
Property Tax Receivable, Net	164,940	199,605	364,545
Interest Receivable	2,151	0	2,151
Prepaid Items	1,448	1,306	2,754
Total Assets	769,010	303,861	1,072,871
Deferred Outflows	0	0	0
Total Assets and Deferred Outflows	$ 769,010	$ 303,861	$ 1,072,871
Liabilities			
Accounts Payable	$ 1,500	$ 1,950	$ 3,450
Deferred Inflows			
Unavailable Property Tax Revenue	164,409	199,605	364,014
Fund Balances			
Nonspendable	1,448	1,306	2,754
Restricted	588,521	100,853	689,374
Assigned	0	147	147
Unassigned	13,132	0	13,132
Total Fund Balances	603,101	102,306	705,407
Total Liabilities, Deferred Inflows, and Fund Balances	$ 769,010	$ 303,861	$ 1,072,871

The accompanying notes are an integral
part of the financial statements

Middleton Urban Renewal Agency
Reconciliation of the Balance Sheet of the Governmental
Funds to the Statement of Net Position
September 30, 2024

Total Fund Balances - Governmental Funds	$	705,407
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Some of the property taxes receivable are not available to pay for current period expenditures and are, therefore, considered unavailable in the funds. However, in the government-wide statements, only the portion of the receivable that is for future periods is reported as deferred inflows.		2,751
Long-term debt, applicable to the Agency's governmental activities, are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position.		
Notes Payable		(289,985)
Accrued Interest		(6,503)
Total Net Position - Governmental Activities	$	411,670

The accompanying notes are an integral
part of the financial statements

Middleton Urban Renewal Agency
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2024

	General (Downtown)	East District	Total
Revenues			
Property Taxes	$ 161,271	$ 112,975	$ 274,246
Interest Earnings	10,149	149	10,298
Total Revenues	171,420	113,124	284,544
Expenditures			
Current:			
General Government:			
Office Expenditures	1,834	410	2,244
Insurance	2,172	0	2,172
Legal and Professional	23,017	9,665	32,682
Urban Renewal	0	743	743
Debt Service:			
Interest	15,864	0	15,864
Total Expenditures	42,887	10,818	53,705
Net Change in Fund Balances	128,533	102,306	230,839
Fund Balances - Beginning	474,568	0	474,568
Fund Balances - Ending	$ 603,101	$ 102,306	$ 705,407

The accompanying notes are an integral
part of the financial statements

Middleton Urban Renewal Agency
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2024

Total Net Change in Fund Balances - Governmental Funds	$	230,839
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Some of the property tax revenue is not available to pay for current period expenditures and are, therefore, considered unavailable in the funds. However, in the government-wide statements, only the portion of the revenue that is for future periods is reported as deferred inflows. This accounts for the change in these unavailable revenues.		2,751
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Change in Accrued Interest on Long-term Debt		3,962
Change in Net Position of Governmental Activities	$	237,552

The accompanying notes are an integral
part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Middleton Urban Renewal Agency (the Agency) is a separate and distinct legal entity of City of Middleton, Idaho (the City) created by and existing under the Idaho Urban Renewal Law of 1965, as amended. The Commissioners for the Agency are appointed by the Mayor and approved by the City Council. The Agency provides urban renewal services for the citizens of the City.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

Financial Reporting Entity

For financial reporting purposes, in conformity with governmental accounting standards, the Agency is included as a component unit in City of Middleton, Idaho's financial statements. The Agency provides urban renewal services to the City and its citizens. These statements present only the funds of the Agency and are not intended to present the financial position and results of operations of City of Middleton, Idaho in conformity with generally accepted accounting principles.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements, i.e. the statement of net position and the statement of activities report information on all the nonfiduciary activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. There were no program revenues in 2024. Taxes and other items are reported as *general revenues.*

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

The 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments become due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Agency reports the following major governmental funds:

- *General (Downtown) fund* – This is the Agency's primary operating fund. It accounts for all financial resources of the Agency, except those required to be accounted for in another fund.
- *East District Fund* – This fund is a capital projects fund and accounts for urban renewal projects in the Eastern boundaries of the Agency.

Property Taxes Receivable and Unavailable Revenue – Fund Financial Statements

Property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures. Available tax proceeds include property tax receivables expected to be collected within 60 days after year end. Property taxes attach as liens on properties on January 1 and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20.

Since the Agency is on a September 30 fiscal year end, property taxes not received by November 30th are recorded as deferred inflows in the fund financial statements because they are not considered available to the Agency. Canyon County bills and collects taxes for the Agency.

Risk Management

As a component unit of City of Middleton, Idaho, the Agency is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City and the Agency participate in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for property and liability insurance. The City's and the Agency's exposure to loss from their participation in ICRMP is limited to the extent of their deductible only.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Nondepreciable Assets	$5,000	Straight-Line	N/A
Buildings and Improvements	$5,000	Straight-Line	15 - 40 Years
Equipment and Vehicles	$5,000	Straight-Line	5 -15 Years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives. The Agency has no capital assets to report at this time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

A "Pooled Cash" concept is used in maintaining the cash accounts in the accounting records. Under this method, each fund has equity in the pooled amount. Cash and cash equivalents are defined as investments with an original maturity of three months or less and those funds in the local government investment pool (separate from pooled cash). See Note 2.

Idaho Code authorizes the Agency to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements. The Agency is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP).

Investments are stated at fair value as determined by the fair value hierarchy, except certificates of deposit (which are non-participating contracts and are, therefore, carried at amortized cost).

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide statement of net position and in the governmental fund balance sheet.

The Agency uses the following fund balance categories in the governmental fund balance sheet:

- *Nonspendable.* Balances, for example, in permanent funds, prepaid items, and inventories that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions. Idaho statute restricts property tax increment revenues to urban renewal projects and related operations.
- *Assigned.* Limitations imposed on balances through intentions of the Board of Commissioners or a body or official designated by the Board of Commissioners. The board has assigned interest earned in the East District fund to urban renewal projects in that fund.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classification (committed) was not applicable for the current fiscal year. However, had funds been committed, these amounts would have been decided by the Board of Commissioners (the Agency's highest level of decision-making authority) through a resolution. When both restricted and unrestricted resources are available for use, it is the Agency's intent to use restricted amounts first, followed by committed, assigned, then unassigned amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2024, the carrying amount of the Agency's deposits was $196,272 and the respective bank balances totaled the same.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2024, all of the Agency's deposits were covered by the National Credit Union Association or by collateral held by the Agency's agent or pledging financial institution's trust department or agent in the name of the Agency, and thus were not exposed to custodial credit risk. The Agency does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency does not have a formal policy limiting its exposure to custodial credit risk for investments.

Interest Rate Risk

The Agency does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The State Treasurer must operate and invest the funds of the pool for the benefit of the participants. They make investments in accordance with Idaho Code, Sections 67-1210 and 67-1210A. The pool is not rated and is not registered with the Securities and Exchange Commission or any other regulatory body. The pool is valued using the Net Asset Value (NAV) per share method. Investments using the NAV per share method do not have readily obtainable fair values and are, instead, valued based on the Agency's pro-rata share of the pool's net position. The Agency values these investments based on the State of Idaho Treasurer's Office. The State Treasurer does not provide any legally binding guarantees to support the value of the shares to participants. Participants have overnight availability to their funds up to $10 million. Withdrawals of more than $10 million require three business days' notification.

As of September 30, 2024, the Agency's investments had the following maturities:

	Fair	Investment Maturities (in Years)	
	Value	Less Than 1	1 - 5
External Investment Pool	$ 507,149	$ 507,149	$ 0

2. CASH AND INVESTMENTS (continued)

At year-end, cash and cash equivalents were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and Cash Equivalents	$ 196,272
Investments Categorized as Deposits	507,149
	$ 703,421

3. RELATED PARTY TRANSACTIONS

The Agency is a component unit of City of Middleton, Idaho. The capital assets constructed from the Agency's activities are generally contributed to the City. In the current year, the Agency reimbursed the City for engineering services totaling $743 for capital projects in the East District. There were no balances due to or from City of Middleton, Idaho as of September 30, 2024.

4. COMMITMENTS

The Agency approved Resolution No. 05-23 on November 30, 2023, which conveyed a warranty deed for City-owned land. In this resolution, there are multiple conditions. The first condition is that the Agency will seek private development of the property. The second condition is that the Agency may sell the property for no less than its reuse appraisal value provided that prior to, or at the time of closing on the property, from the Agency to the selected proposer, the Agency shall pay to the City $375,343, plus interest commencing September 1, 2024 and compounded monthly until the date of closing at the same rate paid on funds invested in the Idaho Local Government Investment Pool or 6.5%, whichever is greater, for the conveyance of the property from the City to the Agency. Should the Agency fail to receive a proposal from a proposer which includes the payment of funds for the property, the Agency shall have no obligation to move forward with purchase and conveyance of the property from the City. The Agency did not receive a proposal in fiscal year 2024. The final condition is that if the property is not transferred to the Agency on or before September 1, 2028, its right to acquire the property shall lapse and the City and Agency shall have no further obligations under this resolution, and the City will have no obligation to execute and deliver the deed or otherwise hold or transfer the property for the benefit of the Agency.

5. TAX ABATEMENTS

The Agency has entered into tax abatement agreements for the purpose of promoting economic development, as allowed under Title 50, Chapter 29 of the Idaho Code. The abated tax is in the form of tax increment revenues. All of the developers that the Agency has entered into such agreements, own property in the Agency's project areas. The agreement noted in Note 6, is one such agreement and the developer receives back 75% of the property taxes on properties owned by the developer.

Another agreement gives back to the developers 75% of the tax increment collected in a project area, not just the tax increment from the developers' sites until the earlier of reimbursements accumulating $178,059 or the termination date of the Urban Renewal Plan, which is December 31, 2042. However, commencement of the reimbursements will not begin until the project is complete, the developers to be reimbursed are current on their property tax obligations, and tax increment revenues have been collected.

6. LONG-TERM DEBT

The Agency's debt is derived from direct borrowings and is as follows:

On February 19, 2013, the Agency entered into a Limited Recourse Promissory Note payable in the amount of $308,913 to Middleton Village Partners. The note bears interest at 4.11%. The balance as of September 30, 2024, is $289,985. Future debt service payments in dollars are not specified. However, semiannual payments of 75% of the tax revenue allocation proceeds from the private development are to be made against the note. Payments will continue until paid in full or December 31, 2032, whichever occurs first.

The note has default provisions in place. These include when revenue allocation proceeds have been received and required payments to the lender are not made, then the lender (at their option) may require the entire unpaid principal balance together with accrued interest, to become payable within forty-five days of notice by the lender.

A summary of long-term liability activity for the year ended September 30, 2024, is as follows:

Governmental Activities:	Rate	Beginning	Increases	Decreases	Ending	Estimated Current
Direct Borrowings:						
Note Payable - Middleton Village Partners	4.110%	$ 289,985	$ 0	$ 0	$ 289,985	$ 26,745

Future minimum payments on the note, in order to pay it off at maturity, would need to be as follows:

Year Ended September 30,	Principal	Interest
2025	$ 26,745	$ 16,912
2026	33,175	10,482
2027	34,553	9,104
2028	35,987	7,670
2029	37,481	6,175
2030-2032	122,044	8,927
	$ 289,985	$ 59,270

7. SUBSEQUENT EVENTS

The Agency entered into a support services agreement with the City of Middleton, Idaho (the City) beginning November 2024 through September 30, 2025, and will renew automatically for additional one-year terms unless the City or the Agency provides a notice of non-renewal by July 31 prior to the expiration of the then existing term. The City is to make certain personnel available to the Agency to help carry out urban renewal activities and the City will be reimbursed up to $10,000 in the initial term. Costs associated with Agency funded projects will be reimbursed in addition to this support services agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Middleton Urban Renewal Agency
Budgetary (GAAP Basis) Comparison Schedule
General (Downtown)
For the Year Ended September 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	$ 150,000	$ 150,000	$ 161,271	$ 11,271
Interest Earnings	320	320	10,149	9,829
Total Revenues	150,320	150,320	171,420	21,100
Expenditures				
Current:				
General Government:				
Office Expenditures	29,200	29,200	1,834	27,366
Insurance	4,172	4,172	2,172	2,000
Legal and Professional	66,000	66,000	23,017	42,983
Urban Renewal	80,948	80,948	0	80,948
Debt Service:				
Interest	15,864	15,864	15,864	0
Principal	4,136	4,136	0	4,136
Total Expenditures	200,320	200,320	42,887	157,433
Net Change in Fund Balances	(50,000)	(50,000)	128,533	178,533
Fund Balances - Beginning	50,000	50,000	474,568	424,568
Fund Balances - Ending	$ 0	$ 0	$ 603,101	$ 603,101

Middleton Urban Renewal Agency
Budgetary (GAAP Basis) Comparison Schedule
East District
For the Year Ended September 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	$ 0	$ 0	$ 112,975	$ 112,975
Interest Earnings	0	0	149	149
Total Revenues	0	0	113,124	113,124
Expenditures				
Current:				
General Government:				
Office Expenditures	0	0	410	(410)
Legal and Professional	0	0	9,665	(9,665)
Urban Renewal	0	0	743	(743)
Total Expenditures	0	0	10,818	(10,818)
Net Change in Fund Balances	0	0	102,306	102,306
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	$ 0	$ 0	$ 102,306	$ 102,306

Middleton, Idaho Urban Renewal Agency
Notes to Required Supplementary Information
For the Year Ended September 30, 2024

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1. BUDGETS AND BUDGETARY ACCOUNTING

   A. The Agency is required by Idaho State Code to adopt an annual appropriated budget and must be provided to the City of Middleton, Idaho by September 1 of each year.

   B. Prior to September 1, the budget is legally enacted through passage at a board meeting.

   C. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

   D. Formal budgetary integration is employed as a management control device during the year.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

   A budget was not established for the East District in the current year. As such, expenditures exceeded appropriations in the amount of $10,818. However, the Agency received sufficient tax increment revenues to pay these expenditures.

INTERNAL CONTROL AND COMPLIANCE REPORT

Bailey & Company Chtd.
Certified Public Accountants

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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*

To the Board of Commissioners
Middleton Urban Renewal Agency

We have audited, in accordance with the 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 fund of Middleton Urban Renewal Agency (the Agency), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 21, 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Middleton Urban Renewal 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*.

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.

Bailey & Co.

Nampa, Idaho
January 21, 2025

Exhibit 2
FY2025 Budget

4904-2071-9898, v. 1

NOTICE OF PUBLIC HEARING
BUDGET FOR FISCAL YEAR 2025
MIDDLETON URBAN RENEWAL AGENCY

Notice is hereby given that a public hearing for consideration of the proposed Middleton Urban Renewal Agency budget for the fiscal year October 1, 2024, to September 30, 2025, will be held at the Middleton City Hall Council Chambers, 1103 W. Main Street, Middleton, Idaho, on Monday, August 19, 2024, at 6:00 p.m., pursuant to provisions of Sections 50-2903(5) and 50-1002, Idaho Code. Written or oral comments about the proposed budget are welcome. Written comments may be submitted prior to the meeting to: Middleton Urban Renewal Agency, PO Box 37, Middleton, Idaho 83644.

The Agency budget funds the programs, services, and capital projects that the Agency Board has determined to be important to meet the Agency's strategic goals as described in the Middleton Urban Renewal Plan as approved by the City Council by the adoption of City Ordinance No. 442 on December 17, 2008, and the Urban Renewal Plan for the Middleton East District Urban Renewal Project as approved by the City Council by the adoption of the City Ordinance No. 672 on November 30, 2022.

The Agency commenced activities in August 2007. The proposed budget below shows the breakdown of anticipated expenses for FY 2025.

This public hearing on the proposed budget is required for formal adoption of the FY 2025 budget. The proposed expenditures and revenues for FY 2025 have been tentatively approved by the Middleton Urban Renewal Agency Board of Commissioners at its regular meeting on July 15, 2024.

MIDDLETON URBAN RENEWAL REVENUES	FY 2023 ACTUAL REVENUES	2024 BUDGETED REVENUES	2025 DOWNTOWN REVENUES	2025 EAST REVENUES	2025 TOTAL PROPOSED REVENUES
Middleton URA					
Cash Carry Forward/Savings	$0	$50,000	$50,000	$121,809	$171,809
Tax Increment Revenue	$129,696	$150,000	$130,000	$180,000	$310,000
Investments	$1,058	$320	$600	$400	$1,000
Other Revenue	$7,794	$0	$0	$0	$0
Total Middleton URA Revenue	**$138,549**	**$200,320**	**$180,600**	**$302,209**	**$482,809**

MIDDLETON URBAN RENEWAL EXPENDITURES	FY 2023 ACTUAL EXPENDITURE	2024 BUDGETED EXPENDITURE	2025 DOWNTOWN EXPENDITURE	2025 EAST EXPENDITURE	2025 TOTAL PROPOSED EXPENDITURE
Middleton URA					
Middleton Village Partners Pmt	$12,351	$20,000	$20,000	$0	$20,000
M3 Woodland LLC - Gas Line	$0	$0	$0	$178,059	$178,059
Professional Services	$50,591	$54,000	$27,000	$37,000	$64,000
Consulting Services	$10,440	$12,000	$59,600	$59,600	$119,200
Training	$0	$2,500	$0	$0	$0
Software Expense	$955	$1,700	$900	$900	$1,800
Dues & Subscriptions	$450	$1,000	$500	$500	$1,000
Advertising/Publications	$493	$2,500	$400	$400	$800
Marketing Expense	$53	$20,000	$10,000	$10,000	$20,000
Liability Insurance	$1,889	$4,172	$1,306	$1,306	$2,612
Office/Misc. Expense	$366	$1,500	$750	$750	$1,500
Capital Improvements	$5,963	$80,948	$60,144	$13,694	$73,838
Total Middleton URA Expenses	**$83,551**	**$200,320**	**$180,600**	**$302,209**	**$482,809**