

SOUTHOLD LOCAL
DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southold)
Basic Financial Statements and
Independent Auditors' Report
December 31, 2025 and 2024

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southold)

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Basic Financial Statements:	
Statements of Net Position	4
Statements of Revenue, Expenses and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	11 - 12
Independent Auditors' Report on Investment Compliance and Report on Internal Control Over Compliance Required by the Investment Guidelines	13 - 15

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Southold Local Development Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Southold Local Development Corporation (the Corporation), a component unit of the Town of Southold, New York, as of and for the years ended December 31, 2025 and 2024, and the related notes to financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Southold Local Development Corporation as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Corporation'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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Corporation'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 Corporation'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 audits.

Required Supplementary Information

Management 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 March 24, 2026 on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 24, 2026

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southold)
Statements of Net Position
December 31, 2025 and 2024

	<u>Assets</u>	<u>2025</u>	<u>2024</u>
Current assets:			
Cash - operating		\$ 19,945	12,760
Cash - reserves		21,409	36,230
Investments		<u>111,853</u>	<u>107,496</u>
Total assets		<u>\$ 153,207</u>	<u>156,486</u>
 <u>Liabilities and Net Position</u> 			
Current liabilities - accounts payable and accrued liabilities		4,800	-
Net position - unrestricted		<u>148,407</u>	<u>156,486</u>
Total liabilities and net position		<u>\$ 153,207</u>	<u>156,486</u>

See accompanying notes to financial statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southold)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenue - administrative fees	\$ 12,380	11,962
Operating expenses:		
Consultant fees	19,200	19,200
Website	750	380
Professional fees	5,000	550
Other expenses	45	45
Total operating expenses	<u>24,995</u>	<u>20,175</u>
Loss from operations	(12,615)	(8,213)
Nonoperating revenue - interest income	<u>4,536</u>	<u>5,067</u>
Change in net position	(8,079)	(3,146)
Net position at beginning of year	<u>156,486</u>	<u>159,632</u>
Net position at end of year	<u>\$ 148,407</u>	<u>156,486</u>

See accompanying notes to financial statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southhold)
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from charges for services	\$ 12,380	11,962
Cash paid for contractual expenses	<u>(20,195)</u>	<u>(21,975)</u>
Net cash used in operating activities	(7,815)	(10,013)
Cash flows from investing activities - net proceeds from investments	<u>179</u>	<u>437</u>
Net change in cash and equivalents	(7,636)	(9,576)
Cash and equivalents at beginning of year	<u>48,990</u>	<u>58,566</u>
Cash and equivalents at end of year	<u>\$ 41,354</u>	<u>48,990</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	(12,615)	(8,213)
Adjustments to reconcile loss from operations to net cash used in operating activities - change in accounts payable and accrued liabilities	<u>4,800</u>	<u>(1,800)</u>
Net cash used in operating activities	<u>\$ (7,815)</u>	<u>(10,013)</u>
Supplemental schedule of cash flow information - classifications of cash and equivalents:		
Operating	19,945	12,760
Reserves	<u>21,409</u>	<u>36,230</u>
	<u>\$ 41,354</u>	<u>48,990</u>

See accompanying notes to financial statements.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southhold)

Notes to Financial Statements

December 31, 2025 and 2024

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Southold Local Development Corporation's (the Corporation) purpose is to promote and conduct economic development activities in the Town of Southold (the Town) and to finance facilities for not-for-profit corporations so that they may acquire, improve, maintain, equip and furnish such projects. The Corporation is considered a component unit of the Town and is included as such in the Town's financial statements due to the Town being the sole corporate member and appointing the voting majority of the Board of Directors.

The Corporation uses the Town facilities; there is no written agreement for this arrangement. Also, the Town provided necessary insurance coverage to the Corporation for the years ended December 31, 2025 and 2024.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

(c) Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Cash and Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and equivalents.

Interest rate risk is the risk that the Corporation will incur losses in fair value caused by changing interest rates.

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. GASB Statement No. 40 - Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Corporation's name. As of December 31, 2025 and 2024 the Corporation had no deposits exposed to custodial credit risk.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southold)
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Cash and Equivalents, Continued

Credit risk is the risk an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Corporation does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State.

(e) Concentration of Credit Risk

Financial instruments that periodically subject the Corporation to concentration of credit risk consist principally of cash accounts at financial institutions. The Corporation maintains financial instruments at financial institution which periodically may exceed federally insured limits. At December 31, 2025 and 2024, the Corporation had no amount in excess of the federally insured limits.

(f) Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation/amortization and increased or reduced by outstanding balances of bonds and other debt and related components that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - consists of net position for which constraints are placed on asset use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted Net Position - consists of net position that does not meet the definition of the two preceding categories. The Corporation only has unrestricted net position as of December 31, 2025 and 2024.

(g) Revenue Recognition

The Corporation's primary sources of revenue are from annual administrative fees received on open projects. Revenue is recognized when earned.

(h) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southold)
Notes to Financial Statements, Continued

(2) Fair Value Measurements

A framework has been established for measuring fair value of its investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Corporation's investment in certificates of deposit amounted to \$111,853 and \$107,496 at December 31, 2025 and 2024, respectively, and are considered level 2 assets. For the years ended December 31, 2025 and 2024, there were no investment fees or commissions paid.

SOUTHOLD LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the Town of Southold)
Notes to Financial Statements, Continued

(3) Conduit Debt Obligations

The Corporation may issue revenue bonds to provide financial assistance to not-for-profit corporations for the acquisition of construction and equipment facilities for not-for-profits deemed to be in the public interest or refunding high-interest rate debt. The bonds are required to be secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the not-for profit organizations served by the bond issuance.

Neither the Corporation, the Town, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Conduit debt outstanding as of December 31, 2025 and 2024 totaled \$24,381,186 and \$25,604,772, respectively.

(4) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 103 - Financial Reporting Model Improvements. Effective for fiscal years beginning after June 15, 2025.

Statement No. 104 - Disclosure of Certain Capital Assets. Effective for fiscal years beginning after June 15, 2025.

Statement No. 105 - Subsequent Events. Effective for fiscal years beginning after June 15, 2026.

**INDEPENDENT AUDITORS' 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**

The Board of Directors
Southold Local Development Corporation:

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 Southold Local Development Corporation (the Corporation), a component unit of the Town of Southold, New York, as of and for the year ended December 31, 2025, and the related notes to financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 24, 2026

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE INVESTMENT GUIDELINES

The Board of Directors
Southold Local Development Corporation:

Report on Investment Compliance

Opinion on Investment Compliance

We have audited the Southold Local Development Corporation (the Corporation), a component unit of the Town of Southold, New York, compliance with the types of compliance requirements identified as subject to audit in Section 2925(3)(f) of the New York State Public Authorities Law (the investment guidelines) that could have a direct and material effect on its investments for the year ended December 31, 2025.

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investments for the year ended December 31, 2025.

Basis for Opinion on Investment Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the audit requirements of the investment guidelines. Our responsibilities under those standards and the investment guidelines are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance with the investment guidelines. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's investments.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. 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, Government Auditing Standards and the investment guidelines, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of the investment guidelines as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards and the investment guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the investment guidelines, but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the investment guidelines. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 24, 2026