City of Middletown O&W Local Development Corporation

Audit Committee

Agenda

July 16, 2026 3:30 PM

Roll Call

Members:

Paul Johnson
Joseph DeStefano
Leonora Liz

Reports – RBT presentation – 2025 Audit

Minutes – None

Old Business

New Business

AC2026-2 A Resolution to advance the 2025 audit for the LDC to the full Board for year ending 12/31/25.

Adjournment

FINANCIAL REPORT
Audited
MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Middletown, New York)
MIDDLETOWN, NEW YORK
December 31, 2025

Audited for:

Board of Directors
Middletown O&W Local Development Corporation

Audited By:
RBT CPAs, LLP
11 Racquet Road
Newburgh, NY 12550
(845) 567-9000

MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
MIDDLETOWN, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Middletown O&W Local Development Corporation
16 James Street
Middletown, New York 10940

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Middletown O&W Local Development Corporation (the "Corporation"), a component unit of the City of Middletown, New York, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements referred to above do not present fairly, in all material respects, the financial position of the Middletown &W Local Development Corporation as of December 31, 2025, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse 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* ("*GAS*"), 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 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.

Matter Giving Rise to Adverse Opinion

Management has not blended its controlled related parties as component units. Accounting principles generally accepted in the United States of America require that controlled related parties' assets, liabilities, equity, revenues and expenses be included as blended component units and any intra-entity transactions be eliminated. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the Corporation has not been determined.

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.

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 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 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 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 audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4-5, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2026, on our consideration of the Middletown O&W Local Development 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 Corporation's internal control over financial reporting and compliance

Newburgh, New York
April 28, 2026

MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
MIDDLETOWN, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis report ("MD&A") provides the reader with an introduction and overview to the financial activities and performance of the Middletown O&W Local Development Corporation (the "Corporation") for the year ended December 31, 2025. This information should be reviewed in conjunction with the Corporation's audited financial statements.

The Corporation was established in 2023 and its purpose is to foster and encourage the location or expansion of industrial, commercial or manufacturing buildings within the City of Middletown.

FINANCIAL POSITION SUMMARY

Net position may serve as an indicator of the Corporation's financial position. The Corporation's net position was $22,742,073 at December 31, 2025.

SUMMARY OF NET POSITION

ASSETS	2025	2024	$ Change	% Change
Current Assets	$ 6,252	$ -	$ 6,252	100.00%
Long-term Assets	26,562,047	-	26,562,047	100.00%
Total Assets	26,568,299	-	26,568,299	100.00%
LIABILITIES				
Non-Current Liabilities	3,826,226	-	3,826,226	100.00%
Total Liabilities	3,826,226	-	3,826,226	100.00%
Deferred Inflows of Resources	-	-	-	100.00%
NET POSITION				
Unrestricted	22,742,073	-	22,742,073	100.00%
NET POSITION	$ 22,742,073	$ -	$ 22,742,073	100.00%

MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
MIDDLETOWN, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL OPERATIONS HIGHLIGHTS

The increase in net position represented the contribution of funds from the City of Middletown to facilitate its mission.

A summary of operations is as follows:

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

REVENUES	**2025**	2024	$ Change	% Change
Contribution Revenue	**$ 22,735,890**	$ -	$ 22,735,890	100.00%
Interest Income	**6,183**	-	6,183	100.00%
Total Revenues	22,742,073	-	22,742,073	100.00%
Change in Net Position	$ 22,742,073	$ -	$ 22,742,073	100.00%

For details of the Corporation's finances, see the accompanying financial statements and notes thereof.

FINANCIAL STATEMENTS

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board ("GASB"). The Corporation is structured as a proprietary fund. The Mayor can appoint a majority of the Corporation's thirteen member board. See the accompanying Notes to the Financial Statements.

MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
MIDDLETOWN, NEW YORK
STATEMENT OF NET POSITION

As of December 31	2025
ASSETS	
Cash and Cash Equivalents	$ 6,252
Total Current Assets	6,252
Leveraged Loan Receivable (Note III)	8,446,000
Investment in Related Party (Note IV)	18,116,047
Total Long-term Assets	26,562,047
TOTAL ASSETS	26,568,299
LIABILITIES	
Due to Related Party (Note V)	3,826,226
Total Non-Current Liabilities	3,826,226
TOTAL LIABILITIES	3,826,226
NET POSITION	
Unrestricted	22,742,073
TOTAL NET POSITION	$ 22,742,073

See Notes to Financial Statements

MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
MIDDLETOWN, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31	2025
Operating Revenues:	
Contribution Revenue	$ 22,735,890
Total Operating Revenues	22,735,890
Non-Operating Revenues:	
Interest Income	6,183
Net Non-Operating Revenues	6,183
Change in Net Position	22,742,073
Net Position, Beginning	-
Net Position, Ending	$ 22,742,073

DRAFT

See Notes to Financial Statements

MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
MIDDLETOWN, NEW YORK
STATEMENT OF CASH FLOWS

For the Year Ended December 31	**2025**
Cash Flows from Operating Activities:	
Receipts from Contributions	**$ 22,735,890**
Net Cash Provided by Operating Activities	**22,735,890**
Cash Flows from Capital and Related Financing Activities:	
Loan Proceeds	**3,826,226**
Net Cash Provided by Capital and Related Financing Activities	**3,826,226**
Cash Flows from Investing Activities:	
Investment in Related Party	**(18,116,047)**
Loan to Affiliate	**(8,446,000)**
Interest Income	**6,183**
Net Cash (Used In) Investing Activities	**(26,555,864)**
Net Increase in Cash and Cash Equivalents	**6,252**
Cash and Cash Equivalents, Beginning	**-**
Cash and Cash Equivalents, Ending	**$ 6,252**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	**$ 22,735,890**
Net Cash Provided by Operating Activities	**$ 22,735,890**

See Notes to Financial Statements

I. Organization and Summary of Significant Accounting Policies

A. Organization and Purpose

The Middletown O&W Local Development Corporation (the "Corporation") was established by NYS legislation on July 25, 2023 at the request of the City of Middletown. It was formed according to sections 402 and 1411 of the Not-for-Profit Corporation law of the State of New York. The chief purpose of the Corporation is to foster and encourage the location or expansion of industrial, commercial or manufacturing buildings within the City of Middletown. The Corporation is subject to the oversight of the New York State Authorities Budget Office.

B. The Reporting Entity

The Corporation is considered a component unit of the financial reporting entity known as the City of Middletown, New York. Inclusion in the financial reporting entity, the City of Middletown, is determined based on financial accountability as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, "*The Financial Reporting Entity*", as amended. Pursuant to the Corporation's by-laws the Mayor, City Treasurer, Corporation Counsel and Director of the City of Middletown Community Development Agency are statutory board members, the President of the Common Council may appoint two members from the Common Council and the Mayor may appoint seven members of the Corporation Board of Directors. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14, as amended.

C. Basis of Accounting

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles ("GAAP"), as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under standards set by the GASB, the Corporation is considered a proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects of transactions and other events when these transactions and events occur. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The measurement focus is the flow of economic resources.

D. Cash and Cash Equivalents

For the purpose of presenting the Statements of Cash Flows, the Corporation considers all demand deposits, time and savings accounts and certificates of deposit with an original maturity of three months or less to be cash or cash equivalents.

Corporation monies are deposited in FDIC insured commercial banks or trust companies located within New York State. The Corporation is authorized to use demand deposit, time and money market savings accounts, and certificates of deposit. Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Corporation or its agent in the Corporation's name. The Corporation's cash balances were fully insured by the FDIC.

E. Advertising and Marketing Costs

Advertising costs are expensed as incurred.

F. Use of Estimates

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

I. Organization and Summary of Significant Accounting Policies (Continued)

G. Subsequent Events

The Corporation evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2025, and through April 28, 2026, the date on which the financial statements were approved for issuance.

II. O & W Project

The City of Middletown, through the Corporation, will restore sections of the former New York, Ontario and Western train station which was originally built between 1892-1893 using grant funds and leveraged historic tax credits. The renovated space will be used to expand child care services in the City. The total project is expected to amount to $42,269.000.

III. Leveraged Loan Receivable

In 2025, the Corporation provided a loan in the aggregate principal amount of $8,446,000 to DV-O&W Station QEI, LLC. The loan earns interest at a rate of 1.3870% per annum and will mature in 2060.

IV. Investment in Related Party

In 2025, the Corporation made investments in Middletown O&W Station, LLC (the "LLC"), a limited liability company which it controls. The LLC is considered a related party. The investment in the related party was $18,116,047 at December 31, 2025.

V. Due to Related Party

The City provided $22,735,890 in contribution revenue to the Corporation during 2025. The City of Middletown also provided a bridge loan in the amount of $3,826,826 to the Corporation for cash flow purposes.

VI. New Reporting Standards

In January 2024, GASB issued Statement No. 102, *Certain Risk Disclosures.* This statement requires governmental entities to assess and disclose concentrations and constraints that make the entity vulnerable to the risk of a substantial impact. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Corporation implemented this standard for fiscal 2025 as required. The implementation did not have a significant impact on the Corporation's financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement makes targeted improvements to the governmental financial reporting model in order to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Areas impacted by the changes include the MD&A, budgetary comparison information, and major component unit information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. Management has not estimated the potential impact of GASB 103, if any, on the Corporation's financial statements.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires leases, intangible right-to-use assets, and subscription-based information technology arrangements to be disclosed separately in the capital assets note disclosures. Additionally, this statement mandates the separate disclosure of all other intangible assets by major class, excluding the aforementioned types. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. Management has not estimated the potential impact of GASB 104, if any, on the Corporation's financial statements.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued and requires the reporting entity to disclose the date through which subsequent events have been evaluated. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The Corporation implemented this standard for fiscal 2025. The implementation did not have a significant impact on the Corporation's financial statements.

OTHER REPORTING REQUIRED BY *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*

Board of Directors
Middletown O&W Local Development Corporation
16 James Street
Middletown, New York 10940

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Middletown O&W Local Development Corporation (the "Corporation"), a component unit of the City of Middletown, New York as of and for the years ended December 31, 2025 and 2024, and the related Notes to the Financial Statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated April 28, 2026. We expressed an adverse opinion on the Corporation's financial statements for failure to blend its controlled related parties as component units.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control that we consider to be a material weakness.

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 Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2025-001 to be a material weakness.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Middletown O&W Local Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as item 2025-002.

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 Middletown O&W Local Development 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 Middletown O&W Local Development Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Newburgh, New York
April 28, 2026

MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION
MIDDLETOWN, NEW YORK
SCHEDULE OF FINDINGS

A. Internal Control Findings

2025-001	Related Party Transactions
Condition:	The Corporation did not blend its related parties as component units in its financial statements.
Criteria:	Accounting principles generally accepted in the United States of America require that controlled related parties meeting certain criteria be included in the Corporation's financial statements as blended component units and any intra-entity transactions be eliminated.
Cause:	The Corporation did not include its controlled related parties as blended component units required.
Effect:	The Corporation's assets, liabilities, net position, revenues and expenses could be understated by not reporting the blended component units.
Recommendation:	We recommend that the Corporation include its controlled related parties in its financial statements in accordance with generally accepted accounting principles.

B. Compliance Findings

2025-002	2025 Annual Report
Condition:	The Corporation did not file its 2024 Annual Report by the March 31, 2025 deadline.
Criteria:	The Annual Report is due to be filed within 90 days of the year end under New York State Authorities Budget Office "("ABO") regulations.
Cause:	The Corporation did not file timely.
Effect:	The Corporation's non-compliance could lead to enforcement actions against the Corporation by the ABO.
Recommendation:	We recommend that the Corporation file timely in order to comply with ABO regulations.

AUDIT COMMITTEE
CITY OF MIDDLETOWN LOCAL DEVELOPMENT CORPORATION

RESOLUTION AC 2026-2
Dated: July 16, 2026

A RESOLUTION OF THE AUDIT COMMITTEE OF THE MIDDLETOWN O&W LOCAL DEVELOPMENT CORPORATION (MLDC) TO ADVANCE THE 2025 RBT AUDT TO THE FULL BOARD FOR APPROVAL.

Whereas, the Treasurer of the MLDC has requested the services of RBT for audit services for the O&W project.

Whereas, these services are necessary for fulfilling New York State reporting requirements

WHEREAS, the Audit Committee of the MLDC has reviewed the 2025 audit.

NOW, THEREFORE, the members of the Audit Committee duly convened at a regular meeting hereby does:

RESOLVE, to advance to the full board the approval and adoption the aforesaid 2025 audit.

The 2025 audit was presented as attached.

Motion
Sec'd:

	Yea	*Nay*	*Abstain*	*Absent*
Paul Johnson	[ ]	[ ]	[ ]	[ ]
Joseph DeStefano	[ ]	[ ]	[ ]	[ ]
Leonora Liz	[ ]	[ ]	[ ]	[ ]

MOTION:

____, Committee Chairperson
Paul Johnson

I, Maria Bruni, hereby certify the above resolution was approved by the Middletown O&W Local Development Corporation at regular meeting held on July 16 ,2026

____
Maria Bruni, Secretary
Middletown O&W Local Development Corporation