

**LONG BEACH LOCAL DEVELOPMENT  
CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Long Beach Local Development Corporation  
Long Beach, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Long Beach Local Development Corporation (the "Corporation"), a component unit of the City of Long Beach, New York, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**PERSONAL SERVICE. TRUSTED ADVICE.**

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Corporation, as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As described in Note 8 to the financial statements, an error resulting in a misstatement of professional fee obligations was discovered in the current year. These obligations were for legal services rendered to the Corporation during 2015, but not recorded in the proper period. The cumulative effect of this error as of December 31, 2015 was an understatement of operating expenses of \$11,410 and an understatement of a liability of the same amount, which resulted in a \$11,410 adjustment to current year beginning net position. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 June 23, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Albrecht, Diggiano, Zureck & Company, P.C.*

Hauppauge, New York  
June 23, 2017

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Management's Discussion and Analysis**

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended December 31, 2016 and 2015

This section presents management's analysis of the Long Beach Local Development Corporation (the "Corporation") financial condition and activities for the year ended December 31, 2016 and 2015. Please read this information in conjunction with the financial statements.

The Corporation is a component unit of the City of Long Beach (the "City"). All salaries and fringe benefits for the Corporation's personnel are paid by the City as well as certain professional fees. Additionally, the City provides office space to the Corporation. The Corporation currently does not reimburse the City for salaries, fringe benefits, rent and certain professional fees.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the Corporation's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Corporation's operating plan and other management tools were used for this analysis.

The financial statements report information about the Corporation. The Corporation utilizes full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information.

The financial statements include the statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows and the notes to the financial statements. The statements of net position include all of the Corporation's assets and liabilities, and provide information about the nature and amount of investments, where applicable.

The statements of revenues, expenses, and changes in net position present the results of the Corporation's activities over the course of the year and information as to how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide information about whether the Corporation has successfully recovered its costs through its user fees and other charges, profitability and credit worthiness.

The statements of cash flows present changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the Corporation's significant accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended December 31, 2016 and 2015

**FINANCIAL ANALYSIS OF THE CORPORATION**

One of the most important objectives of the financial analysis is to determine whether the Corporation, as a whole, is better or worse off as a result of the year's activities. The statements of net position and the statements of revenues, expenses, and changes in net position provide useful information in this regard and provide a detailed analysis of the changes in net position. The amount of net position, which is the difference between total assets and liabilities, is a significant measure of the financial health or financial position of the Corporation. Over time, increases or decreases in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in economic conditions, population growth, zoning and new or changed government legislation should be considered in evaluating the financial condition of the Corporation.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

**Net Position**

A summary of the Corporation's condensed statements of net position at December 31<sup>st</sup>, for each of the years is presented as follows:

	2016	(As Restated) 2015	2014
<b>Assets</b>			
Current Assets	\$ 24,054	\$ 111,693	\$ 101,606
Total Current Assets	<u>24,054</u>	<u>111,693</u>	<u>101,606</u>
<b>Liabilities</b>			
Current Liabilities	35,469	110,805	90,395
Total Current Liabilities	<u>35,469</u>	<u>110,805</u>	<u>90,395</u>
<b>Net Position</b>			
Unrestricted (deficit)	(11,415)	888	11,211
Total Net Position	<u>\$ (11,415)</u>	<u>\$ 888</u>	<u>\$ 11,211</u>

Total liabilities as of December 31, 2016 were \$35,469, which exceeded its assets by \$11,415 (net deficit). The Corporation's net position is unrestricted and available to support the Corporation's operations. Total assets decreased by \$87,639 between December 31, 2015 and 2016, primarily due to a decrease in cash due to \$90,395 of cash payments made to the City of Long Beach to reimburse the City for amounts owed relating to short-term loans which served to cover some of the Corporation's expenses; and for legal, advertising, and contractual expenses, paid by the City of Long Beach on behalf of the Corporation. There was no cash received during the current year relating to donations or grant reimbursements. Total net position decreased by \$12,303 in the current year, primarily due to operating expenses (as a percentage of revenues) outpacing revenues at a higher percentage as compared to 2015.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 Years Ended December 31, 2016 and 2015

**FINANCIAL ANALYSIS OF THE CORPORATION** (continued)

Total assets as of December 31, 2015 were \$111,693, which exceeded its liabilities by \$888 (net position). All of the Corporation's net position was unrestricted and available to support the Corporation's operations. Total assets increased by \$10,087 between December 31, 2014 and 2015, primarily due to an increase in cash due to \$100,000 in grant reimbursements from the Empire State Development Corporation for eligible reimbursable project costs relating to the 2013 marketing campaign, and \$15,000 in donations. The \$100,000 in grant reimbursements relieved the \$100,000 grant receivable balance as of December 31, 2014. Total net position decreased by \$10,323 during the year ended December 31, 2015, primarily due to operating expenses outpacing revenues generated from donations.

**Operating Results**

The Corporation's condensed statements of revenues, expenses and changes in net position for the years ended December 31<sup>st</sup> are presented as follows:

	2016	(As Restated) 2015	2014
<b>Operating Revenues</b>			
Donations	\$ 2,500	\$ 15,000	\$ 50,000
Total Operating Revenues	<u>2,500</u>	<u>15,000</u>	<u>50,000</u>
<b>Operating Expenses</b>			
Contractual Services	<u>15,059</u>	<u>25,488</u>	<u>114,070</u>
Total Operating Expenses	<u>15,059</u>	<u>25,488</u>	<u>114,070</u>
<b>Non-Operating Revenues</b>	<u>256</u>	<u>165</u>	<u>278</u>
Change in Net Position	<u>(12,303)</u>	<u>(10,323)</u>	<u>(63,792)</u>
<b>Net Position at Beginning of Year</b>	<u>888</u>	<u>11,211</u>	<u>75,003</u>
Net Position at End of Year	<u>\$ (11,415)</u>	<u>\$ 888</u>	<u>\$ 11,211</u>

The Corporation's revenues decreased \$12,500 from \$15,000 in 2015 to \$2,500 in 2016, a decrease of 83%, which is due to less donations received in 2016 as compared to 2015. The Corporation's total expenses decreased \$10,429 from \$25,488 in 2015 to \$15,059 in 2016, a decrease of 41%, which is attributable to an approximate \$5,000 decrease in legal fees and no contractual expenses incurred during 2016 relating to the 2016 tree lighting event. In 2015, the Corporation incurred \$5,000 of contractual expenses relating to the 2015 tree lighting event.

The Corporation's revenues decreased \$35,000 from \$50,000 in 2014 to \$15,000 in 2015, a decrease of 70%, which was due to less donations received in 2015 as compared to 2014. The Corporation's total expenses decreased \$88,582 from \$114,070 in 2014 to \$25,488 in 2015, a decrease of 78%, which was attributable to less marketing expenses. The Corporation incurred higher marketing expenses during 2014 in the effort to promote the Corporation.



**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Years Ended December 31, 2016 and 2015

**ECONOMIC FACTORS AND NEXT YEAR'S PLAN**

Limited activity is expected for the year ending December 31, 2017 as the Corporation is currently exploring new projects and opportunities to carry out the mission. The Board of Directors adopted a budget for 2017 that is consistent with the 2016 adopted budget.

**CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our readers with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Bourne at the Long Beach Local Development Corporation at 1 West Chester Street, Long Beach, New York, 11561.

**FINANCIAL STATEMENTS**

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF NET POSITION**  
December 31, 2016 and 2015

	<u>2016</u>	<u>(As Restated) 2015</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 21,554	\$ 111,693
Donation receivable	2,500	-0-
<b>Total Current Assets</b>	<u>24,054</u>	<u>111,693</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	26,469	11,410
Due to the City of Long Beach	9,000	99,395
<b>Total Current Liabilities</b>	<u>35,469</u>	<u>110,805</u>
<b>NET POSITION</b>		
Unrestricted (deficit)	(11,415)	888
<b>Total Net Position</b>	<u>\$ (11,415)</u>	<u>\$ 888</u>

See notes to the financial statements.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
Years Ended December 31, 2016 and 2015

	2016	(As Restated) 2015
<b>OPERATING REVENUES:</b>		
Donations	\$ 2,500	\$ 15,000
Total Operating Revenues	<u>2,500</u>	<u>15,000</u>
<b>OPERATING EXPENSES:</b>		
Contractual services	-0-	5,000
Professional fees	15,059	20,410
Marketing contracts	-0-	78
Total Operating Expenses	<u>15,059</u>	<u>25,488</u>
Net Operating Loss	<u>(12,559)</u>	<u>(10,488)</u>
<b>NON-OPERATING REVENUES:</b>		
Interest income	256	165
Total Non-Operating Revenues	<u>256</u>	<u>165</u>
Changes in Net Position	(12,303)	(10,323)
<b>Net Position at Beginning of Year, as Restated</b>	<u>888</u>	<u>11,211</u>
Net Position at End of Year	<u>\$ (11,415)</u>	<u>\$ 888</u>

See notes to the financial statements.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2016 and 2015

	2016	(As Restated) 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Donations	\$ -0-	\$ 15,000
Grant revenue	-0-	100,000
Cash payments for contractual services	-0-	(14,078)
	-	100,922
Net Cash Provided by Operating Activities	-0-	100,922
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	256	165
	256	165
Net Cash Provided by Investing Activities	256	165
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from the City of Long Beach	-0-	9,000
Cash payments to the City of Long Beach	(90,395)	-0-
	(90,395)	9,000
Net Cash Provided (Used) by Financing Activities	(90,395)	9,000
Net Increase (Decrease) in Cash	(90,139)	110,087
Cash at Beginning of Year	111,693	1,606
Cash at End of Year	\$ 21,554	\$ 111,693
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net operating loss	\$ (12,559)	\$ (10,488)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Decrease (increase) in assets:		
Grant receivable	-0-	100,000
Donation receivable	(2,500)	-0-
Increase in current liabilities:		
Accounts payable	15,059	11,410
	15,059	11,410
Net Cash Provided by Operating Activities	\$ -0-	\$ 100,922

See notes to the financial statements.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies**

Organization

The Long Beach Local Development Corporation (the "Corporation") was established as a local development corporation on August 7, 2012, pursuant to Section 1411 of the New York Not-for-Profit Corporation Law. The Corporation is subject to the Public Authorities Accountability Act of 2005, as amended by Chapter 506 of the Laws of 2009 (collectively, the "PAAA") and must comply with the PAAA, as set forth in the New York State Public Authorities Law.

The mission and public objective of the Corporation is to lessen the burdens on governments by undertaking and promoting economic development initiatives in the City of Long Beach, New York ("City of Long Beach") area that include real estate leasing, acquisition, development and management, real estate project finance and other community-based economic development activities, as permissible under the New York Not-for-Profit Corporation Law.

The Corporation's more significant accounting policies are described below.

Reporting Entity

The financial reporting entity includes all functions and activities over which the appointed officials exercise responsibility. No other governmental organization has been included or excluded from the reporting entity. The Corporation is governed by a Board of Directors, who are responsible for the overall operations. The City of Long Beach appoints the governing board of the Corporation which results in interdependency with the City of Long Beach. Accordingly, the Corporation has been determined to be a component unit of the City of Long Beach.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States, as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements include the statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies** (continued)

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, cash equivalents are defined as short-term highly liquid investments with original maturities of less than three months. The statements of cash flows presented use the direct method. During the years ended December 31, 2016 and 2015, the Corporation did not hold any cash equivalents.

Net Position Classification

In the financial statements, equity is classified as net position and, where applicable, displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The Corporation had no net investment in capital assets at December 31, 2016 and 2015.
- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation had no restricted net position at December 31, 2016 and 2015.
- c. Unrestricted net position - is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position. At December 31, 2016 and 2015, the Corporation's net position (deficit) of (\$11,415) and \$888, respectively, is unrestricted.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as needed.

Revenue Recognition

For the years ended December 31, 2016 and 2015, the Corporation's operating revenue consisted of various donations to help promote the Corporation. The Corporation's other source of operating revenue has consisted of a state-funded grant from the Empire State Development Corporation which is subject to expenditure matching requirements. Grant revenues and donations are recognized as revenue by the Corporation when all eligibility requirements imposed by the provider have been met.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2016 and 2015

**Note 1 – Summary of Significant Accounting Policies (continued)**

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosures 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.

Income Taxes

The Corporation is a not-for-profit corporation organized pursuant to Sections 402 and 1411 of the NPL and is, therefore, exempt from income taxes. The Corporation is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit of an affiliate of a government unit described in the procedure. However, the Corporation is currently in the process of filing the proper paperwork with the IRS in order to be exempt from the filing requirements. Until proper approval is obtained, the Corporation will continue to file form 990-N, the annual electronic filing requirement for small exempt organizations.

New Pronouncement

The Corporation has adopted all of the statements of issued by the Governmental Accounting Standards Board ("GASB") that are applicable. The implementation of the new standards had no impact on the Corporation's financial statements.

Subsequent Events

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

**Note 2 – Cash**

Cash consists of funds deposited in demand accounts with original maturities of less than three months.

The Corporation's investments are governed by a formal investment policy. The Corporation's monies must be deposited in Federal Depository Insurance Corporation ("FDIC") insured commercial banks or trust companies located within New York State. Permissible investments include certificates of deposits, obligations of the United States, obligations of the State of New York, repurchase agreements, and obligations of agencies of the federal government where principal and interest are guaranteed by the United States.

Collateral is required for certificates of deposit and special time deposits accounts at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State.

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the Corporation may be unable to recover deposits, or recover collateral securities that are in possession of an outside Corporation. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.



**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2016 and 2015

**Note 2 – Cash (continued)**

Custodial Credit Risk – Deposits / Investments (continued)

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Corporation's name.

At December 31, 2016, the Corporation's cash was fully insured by the Federal Depository Insurance Corporation or collateralized by securities held in the pledging bank's trust department in the Corporation's name.

**Note 3 – Revenues**

Under current New York Not-for-Profit Corporation Law, the Corporation is permitted to collect administration fees from the issuance of taxable bonds, tax exempt bonds and other transactions from the Corporation's not-for-profit applicants, pursuant to its Board-approved fee structure. The Corporation did not receive any project applications during 2016 and 2015 and is in the process of developing a fee structure.

**Note 4 – Conduit Debt Obligations, Revenue Bonds and Note Transactions**

Under current New York Not-for-Profit Corporation Law, the Corporation is permitted to issue revenue bonds in order to provide financial assistance to not-for-profit organizations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Such revenue bonds can 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 City of Long Beach, nor any political subdivision thereof, are obligated in any manner to repay such debt and therefore, are not required to be reported as liabilities in the Corporation's financial statements.

As of December 31, 2016 and 2015, there was no conduit debt, revenue bonds or notes outstanding.

**Note 5 – Related Party Transactions**

The Corporation is a component unit of the City of Long Beach (the "City") and its personnel are employees of the City. All salaries and fringe benefits for the Corporation's personnel are paid by the City as well as certain professional fees. Additionally, the City provides office space to the Corporation. The Corporation currently does not reimburse the City for salaries, fringe benefits, rent and certain professional fees.

For the years ended December 31, 2016 and 2015, the Corporation owed to the City of Long Beach net amounts totaling \$9,000 and \$99,395, as presented in the statements of net position.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Years Ended December 31, 2016 and 2015

**Note 5 – Related Party Transactions** (continued)

Related party transactions at December 31, 2016 are comprised of professional fees paid by the City on behalf of the Corporation. Related party transactions at December 31, 2015 are comprised of: 1) legal, advertising, and contractual expenses related to the initial formation and startup and promotion of the Corporation, and 2) two short-term loans issued to the Corporation by the City to cover the Corporation's expenses. The Corporation reimbursed \$90,395 to the City during 2016.

The sole member of the Corporation is the City of Long Beach, acting through the City Manager.

**Note 6 – Litigation**

The Corporation is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, if such litigation should occur, either individually or in the aggregate, that it would have a material adverse effect on the financial condition of the Corporation. As of the date of the report, the date the financial statements were available to be issued, there were no pending litigation matters with the Corporation.

**Note 7 – New Pronouncements**

Statement No. 80, "*Blending Requirements for Certain Component Units – an Amendment of Statement No.14,*" the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

The Corporation is currently evaluating the impact of the above pronouncement.

**Note 8 – Prior Period Adjustment**

An error resulting in a misstatement of professional fee obligations was discovered in the current year. These obligations were for services rendered to the Corporation during 2015, but not recorded in the proper period. The cumulative effect of this error as of December 31, 2015 was an understatement of operating expenses of \$11,410 and an understatement of a liability of the same amount, which resulted in a \$11,410 adjustment to current year beginning net position.

Net position at beginning of year, as of December 31, 2015, as previously reported	\$ 12,298
Prior period adjustment: Professional fee obligations not recorded in proper period	<u>(11,410)</u>
Net position at end of year, as of December 31, 2015, as restated	<u>\$ 888</u>

**OTHER REPORTS**



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Long Beach Local Development Corporation  
Long Beach, New York

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 Long Beach Local Development Corporation (the "Corporation"), a component unit of the City of Long Beach, New York, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 23, 2017.

**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) 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 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. Refer to finding 2016-001.

PERSONAL SERVICE. TRUSTED ADVICE. 

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2016-002.

## **Long Beach Local Development Corporation's Response to Findings**

Long Beach Local Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 the 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.

*Albrucht, Viggiano, Zureck & Company, P.C.*

Hauppauge, New York  
June 23, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH THE CORPORATION'S INVESTMENT POLICY

To the Board of Directors  
Long Beach Local Development Corporation  
Long Beach, New York

**Report**

We have examined the Long Beach Local Development Corporation's (the "Corporation"), a component unit of the City of Long Beach, New York, compliance with the Corporation's investment policy during the period January 1, 2016 through December 31, 2016.

**Management's Responsibility**

Management is responsible for the Corporation's compliance with their investment policy.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Corporation's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

**Opinion**

In our opinion, the Corporation is not in compliance with the aforementioned requirements during the period January 1, 2016 through December 31, 2016. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2016-002.

**Other Matters**

This report is intended solely for the information and use of the Board of Directors, management of the Corporation, and the City of Long Beach and is not intended to be and should not be used by anyone other than these specified parties.

*Albrecht, Viggiano, Zureck & Company, P.C.*

Hauppauge, New York  
June 23, 2017

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**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**SCHEDULE OF FINDINGS**  
Year ended December 31, 2016

**FINDINGS - FINANCIAL STATEMENTS**

**2016-001 – RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS – MATERIAL WEAKNESS**

**Criteria**

Internal control over financial reporting should be in place to ensure the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Condition**

The Corporation's financial statements for the year ended December 31, 2016 reflect prior period adjustments for the following misstatement as of December 31, 2015:

- Understatement of operating expenses
- Understatement of accounts payable

An error resulting in a misstatement of professional fee obligations was discovered in the current year. These obligations were for \$11,410 worth of legal services rendered to the Corporation during 2015, but not recorded in the proper period. These liabilities as of December 31, 2015 were not recorded due to the timing of when the legal invoices were received by the Corporation. One of the invoices was for \$8,378 and the other was for \$3,032 worth of services rendered during 2015; these invoices were received by the Corporation subsequent to our December 31, 2015 audit field work. However, during the December 31, 2015 financial statement audit, we had inquired of management as to any legal fees that pertained to the 2015 fiscal year and were advised that no legal expenses were incurred during 2015. Therefore, a prior period adjustment had to be made in order to correct this error.

**Effect**

The Corporation's December 31, 2016 financial statements reflect a prior period adjustment. The cumulative effect of this error as of December 31, 2015 was an understatement of operating expenses of \$11,410 and an understatement of a liability of the same amount, which resulted in a \$11,410 adjustment to current year beginning net position.

**Recommendation**

We recommend that the Corporation develop an internal control system with policies and procedures to capture unrecorded liabilities as of the end of a fiscal year, such as reviewing unprocessed invoices and invoices paid via manual checks subsequent to year end; any payments to vendors in the subsequent year for services that pertained to the prior year need to be included in accounts payable or accrued expenses in the proper period. Management should also contact their vendors and advise them to prepare and send their invoices to the Corporation in a timely manner.

In addition, the Corporation currently uses Microsoft Excel to maintain its books and records. We recommend that the Corporation consider utilizing an accounting software to ensure that there are safeguards on the books and records, there is an audit trail for activities posted, and to allow for the generation of accounting reports such as a check register. Thus, in addition to reviewing unprocessed invoices and manual checks subsequent to year end, reviewing a check register is an easier way to match payments against invoices and to review the time period of the invoice.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION**  
**SCHEDULE OF FINDINGS**  
Year ended December 31, 2016

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2016-001 – RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS – MATERIAL WEAKNESS (continued)**

**Management's Response**

The Corporation will request that vendors remit any outstanding invoice within 60 days of the year end.

The Corporation will purchase 2017 QuickBooks pro at a cost of approximately \$180 to respond to the accounting issue.

**FINDINGS – COMPLIANCE AND OTHER MATTERS**

**2016-002 – INVESTMENT POLICY - MATERIAL WEAKNESS**

**Criteria**

Public Authorities Law, Section 2925, requires the adoption, by resolution, of a comprehensive investment policy which details the Corporation's operative policy and instructions to officers and staff regarding the investing, monitoring, and reporting of funds of the Corporation. General Municipal Law also provides that the policy be annually reviewed. The investment policy should include the permitted investments in accordance with the laws and regulations of NYS, procedures and provisions to secure the financial interest in investments, standards of written agreements pursuant to which investments are made, procedures for monitoring deposits and retention of investment and collateral, standards for security agreements and custodial agreements, standards for diversification of investments, and standards for qualification of firms with whom the Corporation conducts its investments. The investment guidelines shall be annually reviewed and approved by the Corporation.

**Condition**

The Corporation was unable to provide documentation that the investment policy was reviewed and approved for the year ended December 31, 2016.

**Effect**

The Corporation is in violation of Public Authorities Law.

**Recommendation**

The Corporation should review the investment policy on an annual basis, updated as needed, and approve via their Board of Director minutes.

**Management's Response**

As the Corporation does not have any investments, we have been using the original policy. However, going forward, the Corporation will review the investment policy on an annual basis, approve it and have it recorded in the Board minutes. On June 23, 2017, the Board reviewed and approved the Corporation's investment policy for 2017.