

**LONG BEACH LOCAL DEVELOPMENT
CORPORATION**

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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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 business-type activities of the Long Beach Local Development Corporation (the "Corporation"), a component unit of the City of Long Beach, New York (the "City"), as of and for the years ended December 31, 2017 and 2016, 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 from 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 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 audit opinion.

BEYOND THE NUMBERS...

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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, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance 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 contractual services and amounts due to the City was discovered in the current year. The cumulative effect of this error as of December 31, 2016 was an understatement of operating expenses of \$2,500 and an understatement of amounts due to the City of the same amount, which resulted in a \$2,500 adjustment to current year beginning net position. Our opinion is not modified with respect to this matter.

Substantial Doubt about the Corporation's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note 7 to the financial statements, the Board of Directors of the Corporation gave notice to the City Council and City Manager of the City that they desire to dissolve the Corporation. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 July 24, 2018, 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.

Albrecht, Viggiano, Zwick & Company, P.C.

Hauppauge, New York
July 24, 2018

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

LONG BEACH LOCAL DEVELOPMENT CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Long Beach Local Development Corporation (the "Corporation") financial condition and activities for the years ended December 31, 2017 and 2016. 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.

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

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 31st, for each of the years is presented as follows:

	2017	(As Restated) 2016	2015
Assets			
Current Assets	\$ 1,092	\$ 24,054	\$ 111,693
Total Current Assets	<u>1,092</u>	<u>24,054</u>	<u>111,693</u>
Liabilities			
Current Liabilities	28,464	37,969	110,805
Total Current Liabilities	<u>28,464</u>	<u>37,969</u>	<u>110,805</u>
Net Position			
Unrestricted (deficit)	(27,372)	(13,915)	888
Total Net Position	<u>\$ (27,372)</u>	<u>\$ (13,915)</u>	<u>\$ 888</u>

Total liabilities as of December 31, 2017 were \$28,464, which exceeded its assets by \$27,372 (net deficit). The Corporation has an unrestricted net deficit. Total assets decreased by \$22,962 between December 31, 2016 and 2017, primarily due to a decrease in cash of \$21,462, primarily due to \$34,969 of cash payments for legal and contractual expenses, and \$9,000 reimbursed to the City for amounts owed relating to short-term loans which served to cover some of the Corporation's expenses. These cash payments were offset by \$2,500 cash received in 2017 relating to a 2016 grant receivable and a \$20,000 short-term loan from the City. Total net position decreased by \$13,457 in the current year, primarily due to operating expenses outpacing revenues.

LONG BEACH LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CORPORATION (continued)

Total liabilities as of December 31, 2016 were \$37,969, which exceeded its assets by \$13,915 (net deficit). The Corporation has an unrestricted net deficit. Total assets decreased by \$87,639 between December 31, 2015 and 2016, primarily due to a decrease in cash of \$90,139, primarily due to \$87,895 of cash payments made to the City as reimbursement for amounts owed on short-term loans which served to cover some of the Corporation's expenses; such as legal, advertising, and contractual expenses paid by the City on behalf of the Corporation. There was no cash received during 2016 relating to donations or grant reimbursements. Total net position decreased by \$14,803 in 2016, primarily due to operating expenses (as a percentage of revenues) outpacing revenues at a higher percentage as compared to 2015.

Operating Results

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

	2017	(As Restated) 2016	2015
Operating Revenues			
Grants	\$ 1,000	\$ 2,500	\$ 15,000
Total Operating Revenues	1,000	2,500	15,000
Operating Expenses			
Contractual services and professional fees	14,464	17,559	25,488
Total Operating Expenses	14,464	17,559	25,488
Non-Operating Revenues (Expenses)	7	256	165
Change in Net Position	(13,457)	(14,803)	(10,323)
Net Position at Beginning of Year	(13,915)	888	11,211
Net Position at End of Year	\$ (27,372)	\$ (13,915)	\$ 888

The Corporation's revenues decreased \$1,500 from \$2,500 in 2016 to \$1,000 in 2017, a decrease of 60%, which is due to a smaller grant received in 2017 as compared to 2016. The Corporation's total expenses decreased \$3,095 from \$17,559 in 2016 to \$14,464 in 2017, a decrease of 18%, which is primarily due to less legal fees incurred as compared to 2016.

The Corporation's revenues decreased \$12,500 from \$15,000 in 2015 to \$2,500 in 2016, a decrease of 83%, which was due to less grants received in 2016 as compared to 2015. The Corporation's total expenses decreased \$7,929 from \$25,488 in 2015 to \$17,559 in 2016, a decrease of 31%, which was attributable to an approximate \$5,000 decrease in legal fees and a \$2,500 decrease in other contractual expenses.

**LONG BEACH LOCAL DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S PLAN

Limited activity is expected for the year ending December 31, 2018, although the Corporation is currently exploring new projects and opportunities to carry out the mission. The Board of Directors adopted a budget for 2018 that is consistent with the 2017 adopted budget.

In December 2017, the Board of the Directors of the Corporation gave notice to the City Council and City Manager of the City that they desire to dissolve the Corporation. The sole member of the Corporation is the City, acting through the City Manager, therefore the decision to dissolve the Corporation is ultimately a decision of the City Council of the City. As of the report date, the City Council has not yet voted to dissolve the Corporation.

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, 2017 and 2016

	<u>2017</u>	<u>(As Restated) 2016</u>
ASSETS		
Current Assets:		
Cash	\$ 92	\$ 21,554
Grant receivable	1,000	2,500
Total Current Assets	<u>1,092</u>	<u>24,054</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	5,964	26,469
Due to the City of Long Beach	22,500	11,500
Total Current Liabilities	<u>28,464</u>	<u>37,969</u>
NET POSITION		
Unrestricted deficit	<u>(27,372)</u>	<u>(13,915)</u>
Total Net Position	<u>\$ (27,372)</u>	<u>\$ (13,915)</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, 2017 and 2016

	<u>2017</u>	<u>(As Restated) 2016</u>
OPERATING REVENUES:		
Grants	\$ 1,000	\$ 2,500
Total Operating Revenues	<u>1,000</u>	<u>2,500</u>
OPERATING EXPENSES:		
Contractual services	1,000	2,500
Professional fees	13,464	15,059
Total Operating Expenses	<u>14,464</u>	<u>17,559</u>
Net Operating Loss	<u>(13,464)</u>	<u>(15,059)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	34	256
Other	(27)	-0-
Total Non-Operating Revenues (Expenses)	<u>7</u>	<u>256</u>
Changes in Net Position	(13,457)	(14,803)
Net Position at Beginning of Year, as Restated	<u>(13,915)</u>	<u>888</u>
Net Position at End of Year	<u>\$ (27,372)</u>	<u>\$ (13,915)</u>

See notes to the financial statements.

LONG BEACH LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>(As Restated)</u> <u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grant	\$ 2,500	\$ -0-
Cash payments for contractual services	(34,969)	(2,500)
Net Cash Used by Operating Activities	<u>(32,469)</u>	<u>(2,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	34	256
Other	(27)	-0-
Net Cash Provided by Investing Activities	<u>7</u>	<u>256</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from the City of Long Beach	20,000	-0-
Cash payments to the City of Long Beach	(9,000)	(87,895)
Net Cash Provided (Used) by Financing Activities	<u>11,000</u>	<u>(87,895)</u>
Net Decrease in Cash	(21,462)	(90,139)
Cash at Beginning of Year	<u>21,554</u>	<u>111,693</u>
Cash at End of Year	<u>\$ 92</u>	<u>\$ 21,554</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:		
Net operating loss	\$ (13,464)	\$ (15,059)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Decrease (increase) in assets:		
Grant receivable	1,500	(2,500)
Increase (decrease) in current liabilities:		
Accounts payable	(20,505)	15,059
Net Cash Used by Operating Activities	<u>\$ (32,469)</u>	<u>\$ (2,500)</u>

See notes to the financial statements.

LONG BEACH LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

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 ("NPL"). 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 (the "City") 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 is the sole corporate member of the Corporation and appoints the governing board of the Corporation which results in interdependency with the City. Accordingly, the Corporation has been determined to be a component unit of the City.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses 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

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, 2017 and 2016, 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, 2017 and 2016.
- 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, 2017 and 2016.
- 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, 2017 and 2016, the Corporation's net deficit of \$27,372 and \$13,915, 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, 2017 and 2016, the Corporation's operating revenue consisted of grants 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 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

Note 1 – Summary of Significant Accounting Policies (continued)

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 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 all deposits of the Corporation, including certificates of deposit and special time deposits accounts not covered by FDIC. 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

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, 2017 and 2016, the Corporation's cash was fully insured by the FDIC.

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 2017 and 2016 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, 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, 2017 and 2016, there was no conduit debt, revenue bonds or notes outstanding.

Note 5 – Related Party Transactions

The Corporation is a component unit of 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.

As of December 31, 2017 and 2016, the Corporation owed to the City net amounts totaling \$22,500 and \$11,500, respectively, as presented in the statements of net position.

LONG BEACH LOCAL DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

Note 5 – Related Party Transactions (continued)

Related party transactions at December 31, 2017 and 2016 are comprised of short-term loans issued to the Corporation by the City to cover the Corporation's operating expenses. The Corporation borrowed \$20,000 from the City and reimbursed \$9,000 to the City during 2017. The Corporation reimbursed \$87,895 to the City during 2016.

The sole member of the Corporation is the City, 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, other than noted below.

In May 2018, iStar FM Loans ("iStar") filed a complaint in Nassau County Supreme Court against the Corporation, insofar as the Corporation was a named party (along with the City of Long Beach) to a "Host Community Agreement." While iStar alleges that the City breached this agreement, the complaint fails to allege any specific breach by the Corporation. Accordingly, the Corporation will defend themselves in this matter in order to dismiss the action. The Corporation believes the lawsuit will have no material adverse financial impact.

Note 7 – Going Concern

In December 2017, the Board of Directors of the Corporation gave notice to the City Council and City Manager of the City that they desire to dissolve the Corporation. As noted above, the sole member of the Corporation is the City, acting through the City Manager, and therefore the decision to dissolve the Corporation is ultimately a decision of the City Council of the City. As of the report date, the City Council has not yet voted to dissolve the Corporation. In the event of dissolution, the Board of Directors shall, after paying or making provision for the payment of all debts and liabilities of the Corporation, distribute all of the remaining assets and property of the Corporation to the City.

Note 8 – Prior Period Adjustment

An error resulting in a misstatement of contractual services and amounts due to the City for the year ending December 31, 2016 was discovered in the current year. These obligations were for services rendered by the City during 2016 for the holiday tree lighting event which should have been a due to the City. The cumulative effect of this error as of December 31, 2016 was an understatement of operating expenses of \$2,500 and an understatement of amounts due to the City of the same amount, which resulted in a \$2,500 adjustment to current year beginning net position.

Net position at beginning of year,	
as of December 31, 2016, as previously reported	\$ (11,415)
Prior period adjustment:	
Contractual services not recorded in proper period	<u>(2,500)</u>
Net position at end of year,	
as of December 31, 2016, as restated	<u>\$ (13,915)</u>

OTHER REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN 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 business-type activities 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated July 24, 2018.

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 have not been 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 2017-001.

BEYOND THE NUMBERS...

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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 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 which are described in the accompanying schedule of findings as item 2017-002.

Local Beach Local Development Corporation's Response to Findings

Local 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.

Albrecht, Viggiano, Zurek & Company, P.C.

Hauppauge, New York
July 24, 2018

LONG BEACH LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS
Year Ended December 31, 2017

FINDINGS - FINANCIAL STATEMENTS

2017-001 – 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, 2017 reflect prior period adjustments for the following misstatement as of December 31, 2016:

- Understatement of operating expenses
- Understatement of the amount due to City of Long Beach

An error resulting in a misstatement of contractual services and amounts due to the City for the year ended December 31, 2016 was discovered in the current year. These obligations were for services rendered by the City during 2016 for the holiday tree lighting event which should have been due to the City. The cumulative effect of this error as of December 31, 2016 was an understatement of operating expenses of \$2,500 and an understatement of the amount due to the City for the same amount, which resulted in a \$2,500 adjustment to current year beginning net position.

Effect

The Corporation's December 31, 2017 financial statements reflect a prior period adjustment. The cumulative effect of this error as of December 31, 2016 was an understatement of operating expenses of \$2,500 and an understatement of the amount due to the City of the same amount, which resulted in a \$2,500 adjustment to current year beginning net position.

Recommendation

We recommend that the Corporation develop an internal control system with policies and procedures to ensure amounts due to the City are properly recorded and such amounts are reconciled to the City's records.

Management's Response

We will develop internal controls to ensure amounts due to the City are properly recorded and reconciled.

LONG BEACH LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS
Year Ended December 31, 2017

FINDINGS – COMPLIANCE AND OTHER MATTERS

2017-002 – LATE FILING OF ANNUAL REPORT

Criteria

Pursuant to Section 2800 of Public Authorities Law, public authorities are required to file an annual report and audit report within 90 days of their fiscal year end.

Condition

The Corporation did not file their annual report and audit report within 90 days of year end.

Effect

The Corporation is in violation of Public Authorities Law.

Recommendation

The Corporation should make every effort to close their books on a timely basis in order to meet the required reporting deadlines.

Management's Response

The City's Comptroller position has been vacant since the end of December 2017, although there is an Acting Comptroller in the meantime. The City Manager left at the same time and we have an Acting City Manager for now. These openings have delayed the process this year. We will make every effort to be on time next year.



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

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, 2017 through December 31, 2017. Management is responsible for the Corporation's compliance with their investment policy. Our responsibility is to express an opinion on the Corporation's compliance with their investment policy based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied, in all material respects, with their investment policy as referenced above. An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specific requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Corporation's compliance with their investment policy.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the period January 1, 2017 through December 31, 2017.

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

Hauppauge, New York
July 24, 2018

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