

CITY OF LONG BEACH
FINANCIAL STATEMENTS
Year Ended June 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

City Manager and City Council
City of Long Beach
Long Beach, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, New York, (the "City") as of and for the year ended June 30, 2017 and the related notes to the financial statements which collectively comprise the City'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 City'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 City'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 opinions.

BEYOND THE NUMBERS...

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City Long Beach, New York, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Notes 1.H and 7 to the financial statements, the City adopted GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68" and GASB Statement No. 80 "Blending Requirements for Certain Component Units – an Amendment of Statement No. 14." Accordingly, the net position of both the governmental activities and the business-type activities and the fund balance of the general fund have been restated as of July 1, 2016. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for the other postemployment benefits (OPEB), schedule of pension liability - length of service award program (LOSAP), schedule of proportionate share of the net pension liability, and the schedule of pension contributions 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual - debt service fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (continued)

Other Information (continued)

The schedule of revenues, expenditures and changes in fund balance – budget and actual - debt service fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures and changes in fund balance – budget and actual - debt service fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the City of Long Beach, New York'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 City'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 City of Long Beach, New York's internal control over financial reporting and compliance.

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

Hauppauge, New York
November 9, 2018

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

INTRODUCTION

Our discussion and analysis of the financial performance of the City of Long Beach, New York ("City") provides an overview of the City's financial activities for the year ended June 30, 2017. To enhance understanding of the City's financial performance, it should be read in conjunction with the basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

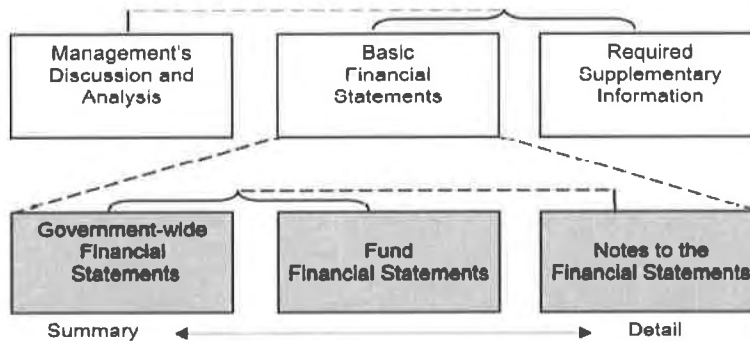
- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of 2017 by \$60,587,325 resulting in a negative net position. This is primarily the result of unfunded liabilities, including other postemployment benefits payable (OPEB) costs, pension related debt and claims and judgments payable.
- The City's total negative net position increased by \$12,808,123 (exclusive of prior period adjustments related to recognition of service awards assets and activity of \$1,760,123). This is the result of expenses in excess of revenues, in particular, the recognition of other postemployment benefits and pension liabilities, along with state and federal disaster assistance costs exceeding current year reimbursements.
- As of the close of 2017, the City's governmental funds reported a combined fund balance of \$19,247,555, which consists of the following: \$1,367,885 of amounts not in spendable form; \$25,991,531 of amounts restricted for specific purposes (primarily long-term receivables, length of service award program (LOSAP), debt service and capital projects); \$2,800,663 of amounts assigned for a specific purpose and subsequent year's budget and a remaining deficit of \$10,912,524 of unassigned fund balance. The deficit of \$10,912,524 in unassigned fund balance consists of a deficit in the FEMA fund of \$14,514,870 and a fund balance in the general fund of \$3,602,346. Fund balance, excluding the deficit of the FEMA totaled \$33,762,425 of which \$1,367,885 (4.0%) is in nonspendable form, \$25,991,531 (77.0%) is restricted primarily for long-term receivables, debt service, the length of service award program and capital projects, \$2,800,663 (8.3%) is assigned for the general and water funds subsequent year's budget, community development income and for water and sewer operations and \$3,602,346 (10.7%) is unassigned for general fund purposes.
- At the end of 2017, the City's total fund balance for the general fund was \$8,364,799, a decrease of \$921,765 from the prior year, exclusive of a cumulative effect of an accounting change of \$1,738,215. The assigned and unassigned fund balance for the general fund was \$4,439,891, or 5.7% of total general fund expenditures and other uses.
- The City's total bonded debt, inclusive of long-term BANs and premiums on issuances, was \$97,930,798 for an increase of 24.0% from the prior year. This increase was mainly due to bonds issued for capital improvements and employee separation payments offset by principal payments made during the year.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**COMPONENTS OF THE
ANNUAL FINANCIAL REPORT**



Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the City's financial condition.

The Statement of Net Position presents financial information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the two reported as net position. This combines and consolidates the City's current financial resources with capital assets and long-term obligations. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's buildings, roads, drainage and other assets to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the City's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the City's fund financial statements.

The City's government-wide financial statements includes all of the governmental and business-type activities of the City itself (known as the primary government).

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Governmental Activities

The City's basic services are reported here, including: general government support, education, public safety, transportation, economic opportunity and development, culture and recreation and home and community services. Property taxes, mortgage taxes, franchise fees, and state and federal grants finance these activities. The City also charges user fees to customers to help cover the cost of certain services it provides.

Business-Type Activities

The City's Local Development Corporation, a blended component unit is reported here.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

The City's activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the City's near-term financial requirements.

As the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven (7) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund, water fund, sewer fund, FEMA fund, debt service fund and capital projects fund are reported as major funds. Data for the community development fund is reflected as a non-major governmental fund.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

The City adopts an annual budget for its general fund, water fund, sewer fund and debt service fund. The budget for the capital projects fund is prepared on a project-by-project basis and on a grant basis for the FEMA fund and community development fund. Budgetary comparison schedules have been provided for the general fund, water fund, sewer fund and debt service fund to demonstrate compliance with their adopted budgets. Budgetary comparison schedules for these major funds can be found in the section labeled Required Supplementary Information Other Than Management's Discussion and Analysis and Other Supplementary Information.

The governmental funds financial statements can be found in the basic financial statements section of this report.

Proprietary Funds

The City maintains two Proprietary Funds. The Internal Service Fund is to account for its self-insured workers' compensation and general liability programs. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. These benefits have been included within governmental activities in the government-wide financial statements. The City also has a blended component unit reported in an Enterprise Fund to account for the business activities of the Long Beach Local Development Corporation.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the basic financial statements section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report contains required supplementary information immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$60,587,325 at the close of the most recent year.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Our analysis below focuses on the net position and changes in net position of the City as a whole.

**Condensed Statement of Net Position
as of June 30,**

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	\$ 40,446,781	\$ 47,942,941
Capital and other assets	146,431,311	135,795,543
Total Assets	<u>186,878,092</u>	<u>183,738,484</u>
Deferred outflows of resources	<u>12,959,772</u>	<u>24,746,226</u>
Total Assets and Deferred Outflows of Resources	<u>199,837,864</u>	<u>208,484,710</u>
Liabilities		
Current and other liabilities	75,899,822	72,539,787
Long-term liabilities	180,365,814	177,581,727
Total Liabilities	<u>256,265,636</u>	<u>250,121,514</u>
Deferred inflows of resources	<u>4,159,553</u>	<u>4,382,275</u>
Total Liabilities and Deferred Inflows of Resources	<u>260,425,189</u>	<u>254,503,789</u>
Net Position		
Net investment in capital assets	75,636,256	80,456,104
Restricted	15,626,216	897,416
Unrestricted	(151,849,797)	(127,372,599)
Total Net Position	<u>\$ (60,587,325)</u>	<u>\$ (46,019,079)</u>

The City's governmental activities net position at June 30, 2017 includes \$75,636,256 in net investment in capital assets, \$15,626,216 in net position restricted for specific purposes (primarily for long-term receivables and debt service) and \$151,849,797 in unrestricted net deficit position.

Financial Highlights

Net Position

By far, the largest positive component of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Net Position (continued)

Total negative net position was increased in the current year due to the ongoing recognition of the City's other postemployment benefits (OPEB) costs, pension costs and the excess of expenditures over revenues associated with federal and state grants funding and assistance.

The unfunded liability for other postemployment benefits (OPEB) increased in 2017 by \$7,804,824 bringing the net OPEB obligation at year-end to \$53,115,829. The City's net pension liability decreased by \$8,557,246 in 2017, resulting in a year-end balance of \$14,843,180. Additional information on OPEB and the net pension liability and related amounts can be found in the notes to the financial statements.

The deficit balance of unrestricted net position does not necessarily indicate stress. At the end of the current year, the City is able to report a positive balance in the categories of net investment in capital assets and restricted. The same situation held true for the prior year. The deficit balance in unrestricted arose primarily due to the recognition of long-term liabilities which include general obligation bonds, long-term bond anticipation notes payable, capital leases, retirement system obligations, net pension liability, length of service award program liability, accrued liabilities (compensated absences and accrued payroll) and other postemployment benefits payable which will be funded through future budgetary appropriations as they become payable in future periods.

**Changes in Net Position
for the years ended June 30,**

	Governmental Activities	
	2017	2016
Program Revenues		
Charges for services	\$ 33,297,103	\$ 33,733,579
Operating grants and contributions	4,374,968	3,171,117
Capital grants and contributions	9,468,468	9,619,824
Total Program Revenues	<u>47,140,539</u>	<u>46,524,520</u>
General Revenues		
Real property taxes	35,670,101	33,644,491
Other real property tax items	528,089	525,970
Non-property tax items	5,389,524	5,041,559
Earnings on investments	112,157	83,609
Grants - unrestricted	4,390,977	4,192,506
Sale of property and compensation for loss	1,174,666	780,321
Other	560,384	26,941
Total General Revenues	<u>47,825,898</u>	<u>44,295,397</u>
Total Revenues	<u>94,966,437</u>	<u>90,819,917</u>
Program Expenses		
General government support	21,299,540	24,255,826
Education	144,995	267,964
Public safety	33,995,646	31,967,305
Transportation	5,300,367	5,979,984
Economic assistance and opportunity	602,263	926,562
Culture and recreation	19,815,324	17,291,955
Home and community services	23,815,914	24,823,887
Interest on debt	2,800,511	2,444,022
Total Program Expenses	<u>107,774,560</u>	<u>107,957,505</u>
Change in Net Position	<u>(12,808,123)</u>	<u>(17,137,588)</u>
Net Position at Beginning of Year, as Reported	(46,019,079)	(28,881,491)
*Cumulative Effect of Change in Accounting Principle	(1,760,123)	
Net Position at Beginning of Year, as Restated	<u>(47,779,202)</u>	<u>(28,881,491)</u>
Net Position at End of Year	<u>\$ (60,587,325)</u>	<u>\$ (46,019,079)</u>

*The cumulative effect of applying Governmental Accounting Standards Board (GASB) Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68," and Statement No. 80, "Blending Requirements for Certain Component Units - an Amendment of Statement No. 14," is shown as an adjustment to the beginning net position of 2017. See Note 7 of the audited financial statements for more details.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Net Position (continued)

The City's net position from governmental activities decreased from the prior year by \$12,808,123, or 27.8% (which is exclusive of prior period adjustments related to recognition of service awards assets and activity of \$1,760,123) to a negative \$60,587,325.

Key elements of the governmental activities are:

- Operating grants and contributions increased by \$1,203,851 mainly due to an increase in the amount received from the Federal Transit Administration to support bus operations.
- Real property taxes increased \$2,025,610 from the prior year due to an increase in the tax rate.
- Overall expenses decreased by \$182,945, due to an overall increase in employee benefits of \$1,614,852 partially offset by a decrease in general government support expenses related to litigation costs incurred in the prior year.

For the year ended June 30, 2017, the total cost of services provided by the City (governmental activities) totaled \$107,774,560 of which 43.7% was funded from program revenues (30.9% from charges for services, 12.8% from operating and capital grants); 33.1% was funded by real property taxes, 5.0% from non-property tax items and 4.1% from unrestricted aid from other governments. The net cost of these services after being subsidized by program revenues of \$47,140,539 was \$60,634,021.

The following charts illustrate the total expenses by program function for the City's governmental funds.

Net Cost of Services
Governmental Activities
For the Years Ended June 30,

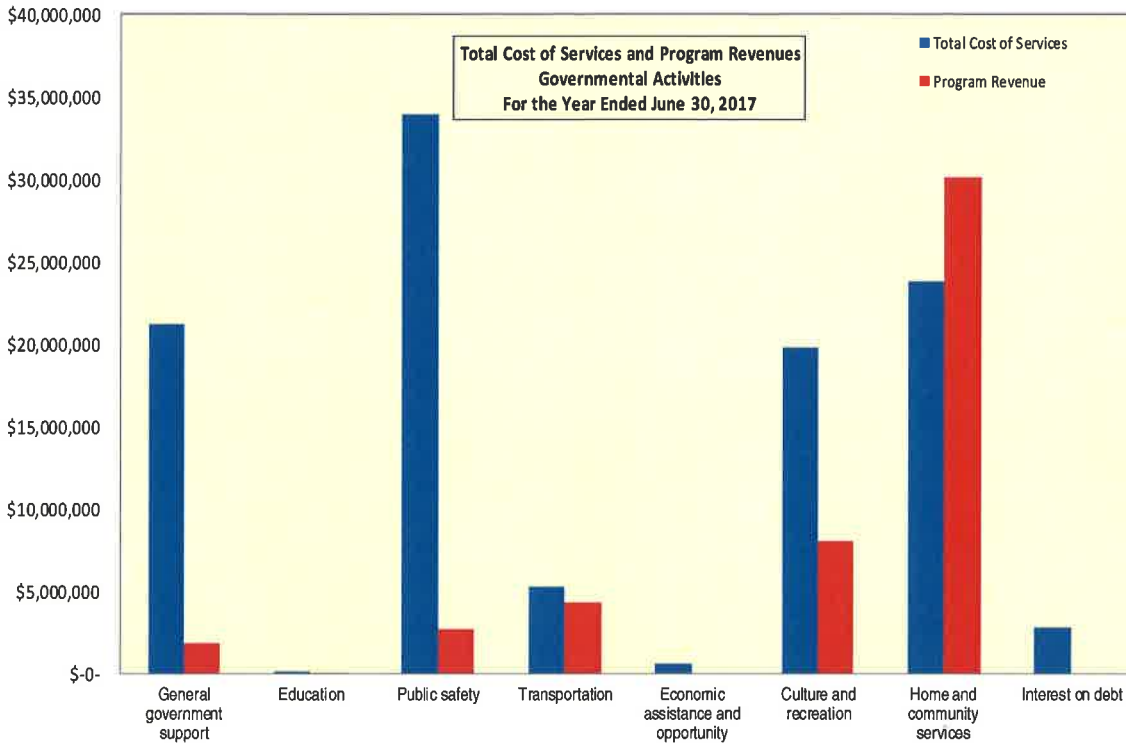
	2017	2016	2017	2016	2017	2016
	Total Cost of Services		Program Revenue		Net (Cost) Revenue of Services	
General government support	\$ 21,299,540	\$ 24,255,826	\$ 1,875,687	\$ 2,441,019	\$ (19,423,853)	\$ (21,814,807)
Education	144,995	267,964	38,695	-0-	(106,300)	(267,964)
Public safety	33,995,646	31,967,305	2,689,212	3,079,122	(31,306,434)	(28,888,183)
Transportation	5,300,367	5,979,984	4,374,612	2,739,889	(925,755)	(3,240,095)
Economic assistance and opportunity	602,263	926,562	-0-	-0-	(602,263)	(926,562)
Culture and recreation	19,815,324	17,291,955	8,043,501	9,586,433	(11,771,823)	(7,705,522)
Home and community services	23,815,914	24,823,887	30,118,832	28,678,057	6,302,918	3,854,170
Interest on debt	2,800,511	2,444,022	-0-	-0-	(2,800,511)	(2,444,022)
	<u>\$ 107,774,560</u>	<u>\$ 107,957,505</u>	<u>\$ 47,140,539</u>	<u>\$ 46,524,520</u>	<u>\$ (60,634,021)</u>	<u>\$ (61,432,985)</u>

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2017

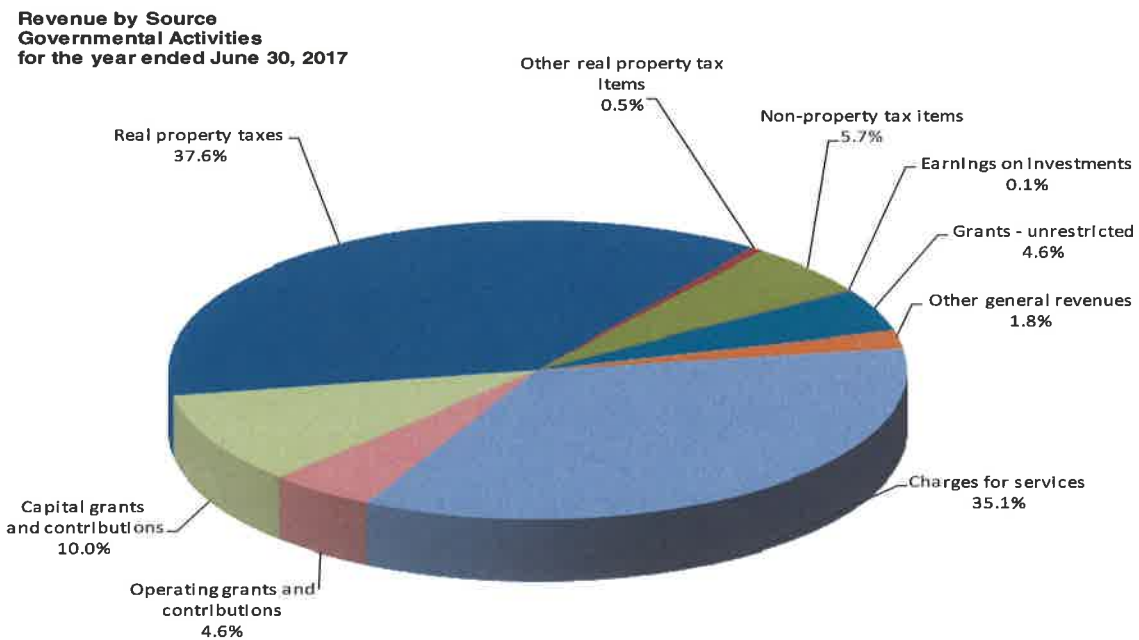
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Net Position (continued)



The following chart illustrates the revenues by source for the City's governmental funds.



CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As of June 30, 2017, the City's governmental funds reported overall fund balances of \$19,247,555, an increase of \$6,296,440 from the restated beginning fund balances of \$12,951,115. The category breakdown is as follows:

- **Nonspendable fund balance** - \$1,367,885 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact. This amount recognizes the cash advanced by the general fund to sewer fund to provide cash flows that cannot be repaid within the next annual operating cycle as well as certain prepaid items.
- **Restricted fund balance** - \$25,991,531 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments and consists of \$10,365,315 that can only be used to fund authorized capital projects, \$11,504,642 for long-term receivables, \$1,331,501 which can only be used to fund debt service, \$971,804 restricted by donors and \$1,818,269 which is restricted for public safety and the length of service award program.
- **Assigned fund balance** - \$2,800,663 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making authority and the remaining positive fund balance amounts in funds other than the general fund. At year end, this amount consisted of \$837,545 appropriated fund balance for the general fund subsequent year's budget, \$150,085 appropriated fund balance for the water fund subsequent year's budget and positive fund balances in the water, sewer and community development funds of \$1,184,806, \$593,340, and \$34,887, respectively.
- **Unassigned fund balance (deficit)** - (\$10,912,524) (residual net resources) is the total fund balance in the general fund of \$3,602,346 in excess of nonspendable, restricted and assigned fund balance and primarily represents the fund deficit in the FEMA fund of \$14,514,870.

General Fund

The general fund is the chief operating fund of the City.

As the City completed the year, the general fund's total fund balance was \$8,364,799, a \$921,765 decrease from the prior year, exclusive of a cumulative effect of an accounting change.

The general fund revenues (excluding other financing sources) increased \$3,931,423 from \$71,118,801 in 2016 to \$75,050,224 in 2017. The increase is primarily attributable to an increase of \$2,025,610 in property taxes, \$1,820,096 in additional federal aid, mainly due to an increase in federal aid for bus operations, and state and local aid increases of \$472,124. These increases were partially offset by decreases in departmental income of \$722,445 and intergovernmental charges of \$448,887.

The key elements of the decrease in fund balance of \$921,765 exclusive of the \$1,789,411 increase in fund balance related to the cumulative effect of an accounting change for the length of service award program assets are as follows:

- Non-property tax item income was under budget by \$55,476, due to lower than expected utility gross receipts partially offset by higher than expected sales tax revenues.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

General Fund (continued)

- Departmental income was less than the budgeted amount by \$1,287,336, due to lower than anticipated beach charges and recreational fees.
- Sales of property and compensation for loss was less than the budgeted amount by \$752,780, due to an expected land sale not occurring.
- Licenses and permits, and fines and forfeitures, were less than budgeted amounts by \$769,479 and \$248,671, respectively.
- Federal aid was more than the budgeted amount by \$1,330,742, as a timing issue on a Federal Transit Administration award caused certain federal reimbursements expected in the prior year to be recognized in the 2017 fiscal year.
- Overall total expenditures (excluding other financing uses) were \$1,009,315 less than the final budgeted amount. This is primarily due to lower than expected general government support and employee benefits expenditures of \$294,197 and \$571,191, respectively, and additional small savings in various departments related to lower contracted services and supplies and materials costs.

Water Fund

In the water fund, the fund balance decreased \$297,413, from \$1,632,304 at the beginning of the year to \$1,334,891 at the end of the year. This was partially expected due to an appropriation of fund balance for separation pay and debt service expenditures totaling \$155,253, and lower than budgeted water sales revenue.

Sewer Fund

In the sewer fund, the fund balance increased \$101,393, from \$491,947 at the beginning of the year to \$593,340 at the end of the year. This is primarily due to lower than budgeted home and community expenditures of \$343,754 offset by lower than expected transfers in of \$250,000, due to the sewer fund not requiring the budgeted subsidy transfer from the general fund.

FEMA Fund

The FEMA fund primarily accounts for grants received as a result of natural disasters, such as Superstorm Sandy. The Department of Homeland Security, as authorized by the Stafford Act, is authorized to assist individuals and local governments with response to and recovery from disasters. During the year ended June 30, 2017, the City recognized \$8,047,163 in state and federal aid as a result of the damage suffered from Superstorm Sandy. Federal emergency disaster grants are reimbursement based grants where expenditures and related revenues have been accrued. During the year ended June 30, 2017, the City incurred \$2,935,410 of expenditures as a result of Superstorm Sandy for extensive repairs and capital improvements, resulting in an increase in fund balance of \$5,228,947 and a total fund deficit of \$2,038,424. Grant funding will continue to be recognized in future years, to cover this deficit and additional expenditures associated with Superstorm Sandy. Any unfunded portion of expenditures reported in the FEMA fund will either be reimbursed by New York State, borne by the City's operating funds, financed with long-term debt, or some combination.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Debt Service Fund

The debt service fund has a total fund balance of \$592,747 which is a decrease of \$273,807 from the prior year balance of \$866,554. This decrease is directly due to the transfer of prior year debt issuance premiums of \$529,086 to the operating funds offset by the current year debt premiums received totaling \$232,868. The fund balance is restricted for the payment of debt service. During the year ended June 30, 2017, the City paid \$7,143,511 of serial bond principal and \$2,606,131 of related interest and paid \$310,349 of capital lease principal and \$98,279 of related interest. These expenditures were funded by \$10,215,270 of operating transfers from the general fund, water and sewer funds, (\$7,740,206, \$872,346, and \$1,602,718, respectively).

Capital Projects Fund

The capital projects fund has a total fund balance of \$10,365,315, an increase of \$2,382,265 from the prior year. This is due to the timing of when revenues are recorded from the issuance of long-term debt, and when the expenditures for the related projects are incurred. Included in other financing sources is \$10,423,759 of proceeds from long-term financing issued during the year ended June 30, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget are adopted by City Council resolution throughout the year.

Overall, budgeted revenues (excluding other financing sources) were increased from \$75,470,981 to \$76,872,683. The budgeted revenue increase of \$1,401,702 is primarily the result of additional insurance recoveries (\$804,075), masonry charges (\$275,000), and state aid (\$194,639). Overall budgeted appropriations/expenditures (excluding other financing uses) increased \$1,328,996 from \$70,136,229 to \$71,465,225. The significant budget amendments were to increase appropriations for separation payments by \$210,957, recreation services by \$210,564, public works contractual costs by \$329,569, and employee benefits by \$438,560.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the City had \$132,968,328 in net capital assets, of which \$109,656,505 was infrastructure. The City's capital assets also include land, buildings and improvements, construction-in-progress and machinery and equipment. The details of capital assets are shown in Note 4.D in the notes to financial statements.

Major capital asset events during the current year included the following:

- Road, parking lot and other transportation related improvements totaling \$5.1 million.
- Costs for improvements to City recreational areas of approximately \$1.2 million.
- Improvements to the City's water and sewer infrastructure with a total cost of \$4.7 million.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

- Construction in progress totaled approximately \$7.3 million, due to various ongoing infrastructure projects related to flood protection projects, road improvements and Superstorm Sandy recovery.
- The City purchased various equipment items and vehicles at a total cost of approximately \$1.6 million.

The capital budget is a long range financing guide and not a definitive plan. The City Council must authorize each appropriation before any project is initiated. Each project may be financed by issuance of general obligation bonds, which, at times, are preceded by the issuance of bond anticipation notes for various periods of time depending on the period's probable usefulness of the purpose of the expenditure.

Capital assets, net of accumulated depreciation
At June 30,

Governmental Activities:

	2017	2016
Land	\$ 4,135,210	\$ 4,135,210
Construction-in-progress	7,261,745	10,419,864
Buildings	16,205,549	15,715,034
Machinery and equipment	38,841,237	38,257,730
Infrastructure	215,861,665	203,570,477
Total capital assets	282,305,406	272,098,315
Less: accumulated depreciation	149,337,078	136,471,702
Total net governmental capital assets	\$ 132,968,328	\$ 135,626,613

Debt

The City issues general obligation bonds, bond anticipation notes, revenue anticipation notes and budgetary notes. The details of City's long-term and short-term obligations are shown in Note 4.E in the notes to financial statements.

Short-Term Debt

A summary of changes in short-term outstanding debt, related to governmental activities, for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	New Issues	Maturities/ Reductions	Balance June 30, 2017
Revenue anticipation notes payable	\$ 14,430,000	\$ -0-	\$ 1,180,000	\$ 13,250,000
Tax anticipation notes payable	-0-	4,200,000	-0-	4,200,000
Bond anticipation notes payable	17,607,500	11,666,370	27,970,870	1,303,000
Total short-term debt	\$ 32,037,500	\$ 15,866,370	\$ 29,150,870	\$ 18,753,000

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of 2017, the City had general obligation bonded debt outstanding, inclusive of premiums on issuance, of \$71,723,928, capital lease obligations of \$2,995,305 and outstanding bond anticipation notes in the amount of \$26.2, for a total of \$100,926,103, in comparison to \$81,260,565 in the prior year. For the year ended June 30, 2017, the City's long-term debt increased by \$19,965,538 or 24.2%. The entire debt is backed by the full faith and credit of the City.

In February 2018, Moody's Investors Service, Inc. affirmed the City's credit rating as "Baa1" with a stable outlook. In May 2018, Moody's Investors Service, Inc. revised the outlook to negative.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The debt limitation for the City at June 30, 2017 was \$343,943,279 which is significantly in excess of the City's outstanding general obligation debt. The percentage of debt limit exhausted at June 30, 2017 was 25.7%.

A summary of changes in outstanding long-term debt, related to governmental activities, for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	New Issues	Maturities	Balance June 30, 2017
Capital leases payable	\$ 2,313,765	\$ 991,889	\$ 310,349	\$ 2,995,305
Bond anticipation notes payable	6,859,500	26,206,870	6,859,500	26,206,870
General obligation bonds payable, inclusive of premiums on issuance	72,087,300	6,859,500	7,222,872	71,723,928
Total long-term debt	<u>\$ 81,260,565</u>	<u>\$ 34,058,259</u>	<u>\$ 14,392,721</u>	<u>\$ 100,926,103</u>

Additional information on the City's indebtedness is shown in Note 4.E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Collective Bargaining Agreements

The City employs approximately 340 full-time employees as of June 30, 2017. The Civil Service Employees Association ("CSEA") covers approximately 220 employees. Their contract was renewed on July 1, 2017, and will expire June 30, 2025. The International Association of Firefighters AFL-CIO Uniform Firefighters Association Local 287 covers approximately 27 employees. Their contract expired on June 30, 2010, and is in the process of being renewed. The Patrolmen's Benevolent Association of Long Beach covers approximately 63 employees. Their contract was renewed on July 1, 2009, and expired June 30, 2016, negotiations are ongoing. The Commanding Officers Association, a new bargaining unit whose contract is still in negotiation, covers 5 employees.

Long-Term Debt

In February 2018, the City issued \$26.2 million in serial bonds to convert \$15.4 million in bond anticipation notes used to finance litigation awards, \$2.2 million to fund employee separation payments and related benefits and \$9.5 million in bond anticipation notes to finance various public improvements.

CITY OF LONG BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

Property Tax

Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011. The Tax Cap Law limits annual increases of the City's overall real property tax to no more than the lesser of 2% or the rate of inflation. The Tax Cap law took effect with the year end June 2013, budget year. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the City. In addition, the City Council may override the limitations if the City Council enacts, by vote of at least sixty percent of the voting power of the City Council, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the City.

The adopted budget for the year beginning July 1, 2017, includes an \$899,597 increase in real property taxes in the general fund. This change equates to a 2.51% increase, which complies with the Tax Cap Law.

Grant Funding

Pursuant to an agreement with the Governor's Office of Storm Recovery – NY Rising Community Reconstruction Program, the City of Long Beach is eligible for up to \$25 million in Community Development Block Grant – Disaster Recovery grant funding for certain capital projects including but not limited to: storm water remediation, bulk head replacement, critical facility resiliency, and flood protection of buildings, subject to final approval of the grantor. Such projects have been included in the City's 2014/2016 and 2016/2017 capital improvement plans. To date, \$1.4 million has been approved for the City's tree replacement costs and \$1.9 million has been approved for bulk heading.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City's citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, the financial statements of the Long Beach Local Development Corporation or need additional financial information, please contact: City of Long Beach, New York, Office of the Comptroller, 1 West Chester Street, Long Beach, New York 11561; (516) 431-1004.

BASIC FINANCIAL STATEMENTS

CITY OF LONG BEACH
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
June 30, 2017

(With Long Beach Local Development Corporation as of December 31, 2016)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 16,400,881	\$ 21,554	\$ 16,422,435
Restricted cash	10,250,662		10,250,662
Accounts receivable, net of allowance	4,160,937		4,160,937
Internal Balances	10,000	(10,000)	0
State and federal aid receivables	7,654,565		7,654,565
Due from other governments	1,850,002	2,500	1,852,502
Due from agency fund	176		176
Prepaid items	119,558		119,558
Total Current Assets	<u>40,446,781</u>	<u>14,054</u>	<u>40,460,835</u>
Noncurrent Assets:			
Non-current benefit assessment receivable, net of allowance	168,930		168,930
State and federal aid receivables	11,504,642		11,504,642
Non-depreciable capital assets	11,396,955		11,396,955
Depreciable capital assets, net of accumulated depreciation	121,571,373		121,571,373
Length of Service Award Program (LOSAP) assets	1,789,411		1,789,411
Total Noncurrent Assets	<u>146,431,311</u>	<u>-0-</u>	<u>146,431,311</u>
Total Assets	<u>186,878,092</u>	<u>14,054</u>	<u>186,892,146</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension amounts	12,821,164		12,821,164
Length of Service Award Program (LOSAP)	30,818		30,818
Deferred loss on refunding	107,790		107,790
Total Deferred Outflows of Resources	<u>12,959,772</u>	<u>-0-</u>	<u>12,959,772</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	7,159,308	26,469	7,185,777
Accrued interest payable	1,090,276		1,090,276
Retainage payable	168,522		168,522
Due to agency fund	904		904
Due to other governments	4,998	1,500	6,498
Unearned revenues	8,190,933		8,190,933
Tax anticipation notes payable	4,200,000		4,200,000
Revenue anticipation notes payable	13,250,000		13,250,000
Bond anticipation notes payable	1,303,000		1,303,000
Noncurrent liabilities due within one year:			
Accrued liabilities	1,578,997		1,578,997
Claims and judgments payable	3,661,603		3,661,603
Tax certioraris and grievances payable	211,386		211,386
Capital lease payable	402,773		402,773
Pension related debt	722,391		722,391
Bond anticipation notes payable	26,206,870		26,206,870
General obligation bonds payable, net	7,747,861		7,747,861
Total Current Liabilities	<u>75,899,822</u>	<u>27,969</u>	<u>75,927,791</u>
Noncurrent Liabilities:			
Accrued liabilities	30,351,912		30,351,912
Claims and judgments payable	7,479,614		7,479,614
Tax certioraris and grievances payable	125,000		125,000
Capital lease payable	2,592,532		2,592,532
Pension related debt	4,765,125		4,765,125
Net pension liability, proportionate share of unfunded liability	14,843,180		14,843,180
Length of Service Award Program (LOSAP) liability	3,116,555		3,116,555
Other postemployment benefits payable	53,115,829		53,115,829
General obligation bonds payable, net	63,976,067		63,976,067
Total Noncurrent Liabilities	<u>180,365,814</u>	<u>-0-</u>	<u>180,365,814</u>
Total Liabilities	<u>256,265,636</u>	<u>27,969</u>	<u>256,293,605</u>
DEFERRED INFLOWS OF RESOURCES			
Pension amounts	3,616,276		3,616,276
Length of Service Award Program (LOSAP)	543,277		543,277
Total Deferred Inflows of Resources	<u>4,159,553</u>	<u>-0-</u>	<u>4,159,553</u>
NET POSITION			
Net investment in capital assets	75,636,256		75,636,256
Restricted for:			
Debt service	1,331,501		1,331,501
Public safety	1,818,269		1,818,269
Home and community	12,476,446		12,476,446
Unrestricted	(151,849,797)	(13,915)	(151,863,712)
Total Net Position	<u>\$ (60,587,325)</u>	<u>\$ (13,915)</u>	<u>\$ (60,601,240)</u>

See notes to the financial statements.

CITY OF LONG BEACH
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
(With Long Beach Local Development Corporation for the Year Ended December 31, 2016)

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Government Activities:							
General government support	\$ 21,299,540	\$ 1,614,099	\$ 170,933	\$ 90,655	\$ (19,423,853)		\$ (19,423,853)
Education	144,995		38,695		(106,300)		(106,300)
Public safety	33,995,646	2,546,302	111,936	30,974	(31,306,434)		(31,306,434)
Transportation	5,300,367	335,144	3,191,592	847,876	(925,755)		(925,755)
Economic assistance and opportunity	602,263				(602,263)		(602,263)
Culture and recreation	19,815,324	7,914,105	129,396		(11,771,823)		(11,771,823)
Home and community services	23,815,914	20,887,453	732,416	8,498,963	6,302,918		6,302,918
Interest and other debt service costs	2,800,511				(2,800,511)		(2,800,511)
Total Governmental Activities	\$ 107,774,560	\$ 33,297,103	\$ 4,374,968	\$ 9,468,468	\$ (60,634,021)		\$ (60,634,021)
Business-type Activities:							
Home and Community Services	17,559		2,500			\$ (15,059)	\$ (15,059)
Total Business-type Activities	17,559	-0-	2,500	-0-		(15,059)	(15,059)
Total Primary Government	\$ 107,792,119	\$ 33,297,103	\$ 4,377,468	\$ 9,468,468		\$ (15,059)	\$ (60,649,080)
GENERAL REVENUES:							
					\$ 35,670,101		\$ 35,670,101
					528,089		528,089
					5,389,524		5,389,524
					112,157	\$ 256	112,413
					4,390,977		4,390,977
					1,174,666		1,174,666
					560,384		560,384
				Total General Revenues	47,825,898	256	47,826,154
				Change in Net Position	(12,808,123)	(14,803)	(12,822,926)
				Net Position at Beginning of Year, as Restated (See Note 7)	(47,779,202)	888	(47,778,314)
				Net Position at End of Year	\$ (60,587,325)	\$ (13,915)	\$ (60,601,240)

See notes to the financial statements.

CITY OF LONG BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	Major Funds						Nonmajor Governmental Fund	Total Governmental Funds
	General	Water	Sewer	FEMA	Debt Service	Capital Projects		
ASSETS								
Cash and investments	\$ 3,386,294	\$ 402	\$ 95	\$ 153,269	\$ 592,747	\$ 11,040,440	\$ 235,945	\$ 15,409,192
Restricted cash	28,858			10,221,804				10,250,662
Accounts receivable	757,889	1,594,803	1,780,964					4,133,656
Benefit assessment receivable	168,930							168,930
Due from other funds	7,946,911	313,738	175,333		88,296	312,343		8,836,621
State and federal aid receivables	1,474,187			16,735,521		772,463	177,036	19,159,207
Due from other governments	1,389,462		429,340			31,200		1,850,002
Advances to other funds	1,373,327							1,373,327
Prepaid items	119,558							119,558
Length of Service Award Program (LOSAP) assets	1,789,411							1,789,411
Total Assets	<u>\$ 18,434,827</u>	<u>\$ 1,908,943</u>	<u>\$ 2,385,732</u>	<u>\$ 27,110,594</u>	<u>\$ 681,043</u>	<u>\$ 12,156,446</u>	<u>\$ 412,981</u>	<u>\$ 63,090,566</u>
LIABILITIES								
Accounts payable and accrued liabilities	\$ 4,568,192	\$ 189,049	\$ 353,617	\$ 440,222	\$ 88,296	\$ 1,273,131	\$ 51,574	\$ 6,964,081
Accrued interest payable				89,963				89,963
Due to other funds	222,529	377,878	65,448	8,000,816			326,520	8,993,191
Due to other governments	4,998							4,998
Unearned revenues	815,791	7,125		7,368,017				8,190,933
Tax anticipation note payable	4,200,000							4,200,000
Revenue anticipation notes payable				13,250,000				13,250,000
Bond anticipation notes payable						518,000		518,000
Advances from other funds			1,373,327					1,373,327
Total Liabilities	<u>9,811,510</u>	<u>574,052</u>	<u>1,792,392</u>	<u>29,149,018</u>	<u>88,296</u>	<u>1,791,131</u>	<u>378,094</u>	<u>43,584,493</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	258,518							258,518
Total Deferred Inflows of Resources	<u>258,518</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>258,518</u>
FUND BALANCES (DEFICITS)								
Nonspendable	1,367,885							1,367,885
Restricted	2,557,023			12,476,446	592,747	10,365,315		25,991,531
Assigned	837,545	1,334,891	593,340				34,887	2,800,663
Unassigned	3,602,346			(14,514,870)				(10,912,524)
Total Fund Balances (Deficits)	<u>8,364,799</u>	<u>1,334,891</u>	<u>593,340</u>	<u>(2,038,424)</u>	<u>592,747</u>	<u>10,365,315</u>	<u>34,887</u>	<u>19,247,555</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 18,434,827</u>	<u>\$ 1,908,943</u>	<u>\$ 2,385,732</u>	<u>\$ 27,110,594</u>	<u>\$ 681,043</u>	<u>\$ 12,156,446</u>	<u>\$ 412,981</u>	<u>\$ 63,090,566</u>

See notes to the financial statements.

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

TOTAL FUND BALANCES- GOVERNMENTAL FUNDS \$ 19,247,555

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets - non-depreciable	\$ 11,396,955	
Capital assets - depreciable	270,908,451	
Accumulated depreciation	<u>(149,337,078)</u>	
		132,968,328

The Internal Service Fund is used by management to account for the City's risk retention and charges to individual funds. These assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. (25,724,356)

Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable in the funds 258,518

Deferred outflows of resources reported in the Statement of Net Position 12,959,772

Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:

Accrued liabilities	(31,930,909)	
Tax certioraris and grievances payable	(336,386)	
Capital lease payable	(2,995,305)	
Pension related debt	(5,487,516)	
Bond anticipation notes payable	(11,631,870)	
General obligation bonds payable, net	(71,723,928)	
Net pension liability, proportionate share of unfunded liability	(14,843,180)	
Length of Service Award Program (LOSAP) liability	(3,116,555)	
Other postemployment benefits payable	<u>(53,115,829)</u>	
		(195,181,478)

Interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. However, these liabilities are included in the Statement of Net Position. (787,589)

Retainage payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. However, these liabilities are included in the Statement of Net Position. (168,522)

Deferred inflows of resources reported in the Statement of Net Position (4,159,553)

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (60,587,325)**

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Major Funds						Nonmajor Governmental Fund	Total Governmental Funds
	General	Water	Sewer	FEMA	Debt Service	Capital Projects		
REVENUES								
Real property taxes and tax items	\$ 35,670,101							\$ 35,670,101
Other real property tax items	528,089							528,089
Non-property tax items	5,389,524							5,389,524
Departmental income	19,488,452	\$ 4,646,820	\$ 4,944,303					29,079,575
Intergovernmental charges	(152,779)		568,878					416,099
Use of money and property	662,470			\$ 2,199	\$ 22,411		\$ 100,735	787,815
Licenses and permits	2,067,526	247,250	39,000					2,353,776
Fines and forfeitures	779,829							779,829
Sale of property and compensation for loss	1,046,295	69,891						1,116,186
Miscellaneous local sources	833,550				232,868	\$ 90,655		1,157,073
State and local aid	6,545,706			988,100		50,174		7,583,980
Federal aid	2,191,461			7,059,063		484,531	452,539	10,187,594
Total Revenues	75,050,224	4,963,961	5,552,181	8,049,362	255,279	625,360	553,274	95,049,641
EXPENDITURES								
Current:								
General government support	13,170,523	142,096	158,778					13,471,397
Education	144,995							144,995
Public safety	17,354,500							17,354,500
Transportation	1,987,190							1,987,190
Economic assistance and opportunity	309,880							309,880
Culture and recreation	7,158,243							7,158,243
Home and community services	8,286,086	2,662,927	2,469,017	393,507			464,779	14,276,316
Employee benefits	21,927,551	1,576,584	1,407,718				11,675	24,923,528
Capital outlay				2,451,940		8,607,563		11,059,503
Debt service:								
Principal					7,453,860			7,453,860
Interest			19,227		2,704,410	122,091		2,845,728
Debt issuance costs	116,942	7,421	14,627	89,963				228,953
Total Expenditures	70,455,910	4,389,028	4,069,367	2,935,410	10,158,270	8,729,654	476,454	101,214,093
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,594,314	574,933	1,482,814	5,113,952	(9,902,991)	(8,104,294)	76,820	(6,164,452)
OTHER FINANCING SOURCES (USES)								
Debt proceeds	2,010,957		189,043			9,431,870		11,631,870
Capital lease proceeds						991,889		991,889
Transfers in	496,832	50,000	57,254	114,995	10,215,270	62,800		10,997,151
Transfers out	(8,023,868)	(922,346)	(1,627,718)		(586,086)			(11,160,018)
Total Other Financing Sources (Uses)	(5,516,079)	(872,346)	(1,381,421)	114,995	9,629,184	10,486,559	-0-	12,460,892
Net Change in Fund Balances	(921,765)	(297,413)	101,393	5,228,947	(273,807)	2,382,265	76,820	6,296,440
Fund Balances (Deficits), Beginning of Year, as Restated	9,286,564	1,632,304	491,947	(7,267,371)	866,554	7,983,050	(41,933)	12,951,115
Fund Balances (Deficits) at End of Year	\$ 8,364,799	\$ 1,334,891	\$ 593,340	\$ (2,038,424)	\$ 592,747	\$ 10,365,315	\$ 34,887	\$ 19,247,555

See notes to the financial statements.

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

NET CHANGE IN FUND BALANCES \$ 6,296,440

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital outlay	\$ 11,221,011	
Depreciation expense	<u>(13,879,296)</u>	(2,658,285)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 12,319

Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:

Tax certioraris payable	106,497	
Capital lease proceeds	(991,889)	
Repayment of capital leases	310,349	
Pension related debt	699,477	
Bonds and bond anticipation notes issued	(11,631,870)	
Premiums on bonds issued, net of amortization	79,361	
Repayment of bond principal	7,143,511	
Amortization of deferred loss on refunding	<u>(35,931)</u>	(4,320,495)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as an expenditures in the funds:

Other postemployment benefits payable	(7,804,824)	
Accrued liabilities	(949,995)	
Accrued interest payable	(17,441)	
Retainage payable	235,686	
Length of Service Award Program (LOSAP) liability	381,783	
Net pension liability, proportionate share of unfunded liability	8,557,246	
Changes in deferred outflows of resource and deferred inflows of resources related to net pension amounts	(11,015,342)	
Changes in deferred outflows of resource and deferred inflows of resources related to LOSAP amounts	<u>(512,459)</u>	(11,125,346)

The Internal Service Fund is used by management to charge the costs of insurance activities to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities:

Claims and judgments payable		<u>(1,012,756)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (12,808,123)

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

(With Long Beach Local Development Corporation as of December 31, 2016)

	Business-Type Activities	Governmental Activities
	Enterprise - Long Beach Local Development Corporation	Internal Service - Risk Retention Fund
ASSETS		
Current Assets:		
Cash	\$ 21,554	\$ 991,689
Accounts receivable		27,281
Due from other governments	2,500	
Due from other funds		165,842
Total Current Assets	24,054	1,184,812
Total Assets	\$ 24,054	\$ 1,184,812
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 26,469	\$ 195,227
Accrued interest payable		212,724
Due to other funds	10,000	
Due to other governments	1,500	
Bond anticipation note payable		785,000
Claims and judgments payable		3,661,603
Total Current Liabilities	37,969	4,854,554
Noncurrent Liabilities:		
Bond anticipation note payable		14,575,000
Claims and judgments payable		7,479,614
Total Noncurrent Liabilities	-0-	22,054,614
Total Liabilities	37,969	26,909,168
NET POSITION		
Unrestricted	(13,915)	(25,724,356)
Total Net Position	\$ (13,915)	\$ (25,724,356)

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017
(With Long Beach Local Development Corporation for the Year Ended December 31, 2016)

	Business-Type Activities	Governmental Activities
	Enterprise - Long Beach Local Development Corporation	Internal Service - Risk Retention Fund
OPERATING REVENUES		
Premiums Charged for Risk Retention:		
Judgments and claims		\$ 468,274
Employee benefits - workers' compensation		3,013,382
Grants	\$ 2,500	
Total Operating Revenues	2,500	3,481,656
OPERATING EXPENSES		
Administrative costs		2,736,111
Contractual services	2,500	
Professional fees	15,059	
Employee benefits - workers' compensation claims		244,584
Judgments and claims		1,464,185
Bond issuance costs		212,724
Total Operating Expenses	17,559	4,657,604
Loss from Operations	(15,059)	(1,175,948)
NON-OPERATING REVENUES		
Interest on investments	256	325
Transfers In		162,867
Total Non-Operating Revenues	256	163,192
Change in Net Position	(14,803)	(1,012,756)
Net Position at Beginning of Year, as Restated	888	(24,711,600)
Net Position at End of Year	\$ (13,915)	\$ (25,724,356)

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

(With Long Beach Local Development Corporation for the Year Ended December 31, 2016)

	Business-Type Activities	Governmental Activities
	Enterprise - Long Beach Local Development Corporation	Internal Service - Risk Retention Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue Collected:		
Receipts for interfund services provided		\$ 4,244,548
Payments for Expenses:		
Payments to insurance carriers and claimants		(745,869)
Payments for other	\$ (2,500)	(3,159,918)
Net Cash Provided (Used) by Operating Activities	(2,500)	338,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and earnings received	256	325
Net Cash Provided by Investing Activities	256	325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Receipts from the City of Long Beach		162,867
Cash Payments to the City of Long Beach	(87,895)	
Net Cash Provided (Used) by Financing Activities	(87,895)	162,867
Net Change in Cash	(90,139)	501,953
Cash at Beginning of Year	111,693	489,736
Cash at End of Year	\$ 21,554	\$ 991,689
RECONCILIATION OF THE LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Loss from operations	\$ (15,059)	\$ (1,175,948)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Accounts receivable		(27,281)
Grant receivable	(2,500)	
Due from other funds		790,173
Accounts payable	15,059	(4,313)
Accrued interest payable		49,887
Due to other funds		(256,657)
Claims and judgments payable		962,900
Net Cash Provided (Used) by Operating Activities	\$ (2,500)	\$ 338,761

See notes to the financial statements.

CITY OF LONG BEACH
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
June 30, 2017

		Agency Fund
ASSETS		
Cash	\$	477,548
Due from other funds		904
Total Assets	\$	478,452
LIABILITIES		
Accounts payable	\$	15,402
Employee payroll deductions		86,041
Due to other funds		176
Other agency liabilities		376,833
Total Liabilities	\$	478,452

See notes to the financial statements.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Long Beach, New York (the "City") was established in 1922 and is governed by its Charter and various other applicable laws of the State of New York and various local laws. The City Council, which is the legislative body responsible for the overall operation of the City, consists of five members who are elected for two to four-year terms. The City Manager, who is appointed by the City Council, is responsible for the daily operations of the City and acts as the chief executive officer. The Comptroller, hired by the City Manager, serves as the chief financial officer.

The City provides a full range of municipal services including public safety, education, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The accompanying financial statements present the operations of all funds, functions and organizations of the City. The financial reporting entity consists of (a) the primary government, which is the City; and (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the City's reporting entity is based on several criteria, including legal standing, dependency and financial accountability. Based on the application of these criteria, the City's management has identified the Long Beach Local Development Corporation (the "LDC") as a blended component unit.

The Long Beach Local Development Corporation was established under the Laws of New York State as a not-for-profit corporation, with the City being the sole corporate member. In accordance with GASB Statement No. 80, the LDC, although a legally separate entity, is in substance, part of the primary government's operations. The objective of the LDC is to lessen the burdens on governments by undertaking and promoting economic development initiatives in 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. Accordingly, the LDC is included in the City's financial statements as a blended component unit in the proprietary fund financial statements. Financial information from the unit is combined with that of the primary government, and presented as of and for the year ended December 31, 2016. These financial statements can be obtained from the LDC at 1 West Chester Street, Long Beach, New York, 11561.

All salaries and fringe benefits for the LDC's personnel are paid by the City, as well as certain professional fees. Additionally, the City provides office space to the LDC. The LDC currently does not reimburse the City for salaries, fringe benefits, rent and certain professional fees. As of December 31, 2016, the LDC reported a short-term loan of \$10,000 to the City in due to other funds.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Management has identified Long Beach Housing Authority (the "Authority") as an organization related to the City. The Authority is a public benefit corporation created by State Legislation to promote the development of adequate housing for the City's citizens. The City is not obligated to provide any financial assistance to the Authority.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City as a whole, with separate columns for the primary governmental and business-type activities. The effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

In the government-wide statement of net position, the City's governmental and business-type activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function, and 3) interest earned on grants or capital projects that is required to be used to support a particular program or project. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses to specific functions in the statement of activities.

Separate financial statements are provided for governmental, business-type and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. The focus of the governmental funds financial statements is on the major funds. Individual funds are classified as major funds if certain criteria are met. In addition, any other governmental fund that the City believes is particularly important to financial statement users may be reported as a major fund.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Management has designated the water, sewer and debt service funds as major, even when the criteria is not met. Accordingly, the City maintains the following fund types:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major and non-major funds.

The City reports the following major governmental funds:

General Fund – is the principal operating fund of the City. This fund is used to account for and report all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the City are as follows:

Water Fund – a special revenue fund used to account for revenues and expenditures of the water utility operations of the City, which renders services primarily on a user charge basis to the general public.

Sewer Fund – a special revenue fund established pursuant to General Municipal Law of the State of New York and used to account for sewer operations financed by sewer rents.

FEMA Fund – a special revenue fund used to account for revenues primarily consisting of aid received from the Federal Emergency Management Agency (the “FEMA”), for authorized disasters.

Debt Service Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for financial resources that are being accumulated for principal and interest in future years.

Capital Projects Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the City accounts for and reports the following nonmajor fund:

Community Development Fund – is used to account for and report the operation of the federal grant programs administered by the City’s Community Development Agency.

Proprietary Fund – The proprietary fund is used to account for ongoing activities, which are similar to those often found in the private sector. Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows for each proprietary fund.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Proprietary Fund (continued)

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows and liabilities and deferred inflows (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position.

The City's reports the following proprietary funds:

Enterprise Fund – used to account for special activities or services. Included is the following major fund:

Long Beach Local Development Corporation – used to account for operations of promoting the expansion of business and creation of jobs within the City.

Internal Service Fund – used to account for special activities or services provided by one department to the other departments or to other governments on a cost-reimbursement basis. Included is the following fund:

Risk Retention Fund – used to account for transactions and reserves set aside by the City to provide for self-insurance type programs related to workers' compensation and general liability claims.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity.

Fiduciary Fund – used to account for assets held by the City in a trustee or custodial capacity.

Agency Fund – is used to account for resources held as an agent for parties outside the government.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of the year end. The City generally considers all revenue available if they are collected within 90 days after year-end, except for water and sewer revenue which is recorded when services are rendered. In certain circumstances this application of the City's normal availability period for a given revenue source might distort revenue trends from one year to the next. In such unusual circumstances, revenues may be considered available if received beyond the availability periods listed above, however, to the extent the revenue will remain uncollected after one year, the City classifies the fund balance as nonspendable in the general fund or as restricted or assigned fund balance in funds other than the general fund. Certain other revenues may be considered available if received within one year of year-end. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to capital leases, compensated absences, claims and judgments, certain pension costs, length of service award program costs and other postemployment benefits are recorded when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual include property taxes, charges for services, state and federal aid, sales tax, mortgage tax, franchise fees, intergovernmental revenues and operating transfers. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until payment has been received. As previously discussed, in those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred, and all other grant requirements are met. Expenditures for prepaids are recognized when incurred. In the governmental funds, issuance of long-term debt is reported as other financing sources.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services. The principal operating revenues consists of charges to other funds on a cost reimbursement basis. Operating expenses include judgments and claims, employee benefits in the form of workers' compensation and certain administrative costs. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT

1. CASH AND INVESTMENTS

Cash consists of funds deposited in demand accounts, both interest bearing and non-interest bearing, petty cash, time deposit accounts and certificates of deposit with maturities of less than three months.

The City has a written investment policy, approved by the City Council, which conforms to New York State statutes. The City's financial institutions and dealers are designated by the City Council annually. To determine the financial creditworthiness of each bank it uses, the City obtains independent bank rating agency reports. Also, the City requests financial information from any security dealers it conducts business with. The creditworthiness is evaluated on an annual basis by the Comptroller. The City is authorized to use demand accounts, time deposits and certificates of deposit. Permissible investments include obligations of the United States Treasury, and obligations of the City of Long Beach for monies held in certain reserve accounts established pursuant to general municipal law and any other obligations authorized by law.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of New York State or its agencies and instrumentalities that have a market value of no less than the principal amount of the deposits.

The City's investment policy requires collateral for all demand deposits, time deposit accounts and certificates of deposit at 100% of all deposits not covered by the federal deposit insurance corporation (the "FDIC"). Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

2. RESTRICTED CASH

Restricted cash consists of cash which is to be used for Superstorm Sandy relief, revenue anticipation note ("RAN") repayment and restoration efforts and for public safety activities.

3. RECEIVABLES

Receivables relating to governmental-type and business-type activities primarily include amounts due from federal, state, and other local governments, individuals and entities for services provided by the City, special assessments, as well as amounts due related to various grant and franchise agreements. Receivables are recorded, and revenues recognized as earned or as specific program expenditures are incurred.

4. DUE FROM/TO OTHER FUNDS

During the course of operations, the City has activity between funds for various purposes. Activities between funds that are representative of lending/borrowing arrangements outstanding at year end are referred to as either due to/from other funds or advances to/from other funds. Long-term advances between funds, reported as advances to/from other funds in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds statements to indicate that it is not available for appropriation and are not expendable available resources. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

5. PREPAID ITEMS

Certain payments to vendors and other parties reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements. In governmental funds, amounts reported as prepaid expenses are equally offset by nonspendable fund balance amounts, indicating that they do not constitute available spendable resources even though they are a component of net current assets.

6. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value on the date received. Additions, improvements and other capital outlay that significantly extend the useful lives of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	15 - 50 years
Machinery and equipment	5 - 30 years
Infrastructure systems	5 - 50 years

Infrastructure assets, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage systems, street lighting, water mains and sewer systems are capitalized along with other capital assets.

In the fund financial statements, capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition.

7. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”)

The City sponsors a length of service award program (“LOSAP”) (the “Program”) to provide retirement-like benefits for those volunteering time and services pertaining to firefighting services, in accordance with the Program Plan Document. The assets are held in trust accounts in the name of the award program. The trust does not meet the criteria of GASB Statement No. 73, paragraph 4 because the assets are not protected from the City’s creditors. Accordingly, the City reports its service award liability which has been measured at the actuarial present value of projected benefit payments without offset from the trust assets.

See Note 4.A for more information on the Program’s investments and Note 4.G for information on the Program.

8. UNEARNED REVENUES

Unearned revenues, reported as liabilities in the fund and government-wide financial statements, are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unspent grant monies, and amounts deemed to be measurable but not available to finance current expenses.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

9. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the balance sheet or statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has reported deferred outflows of resources from 1) a deferred loss on refunding bonds and 2) pension and length of service award programs related amounts in the government-wide statement of net position. A deferred loss on a refunding, results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows stemming from pension and length of service award program amounts consists of differences between expected and actual experience, changes in assumptions, net differences between projected and actual investment earnings on pension plan and program investments, changes in the proportion and differences between the City's contribution and proportionate share of contributions. It also includes the City's contributions paid subsequent to the Plan's measurement date.

In addition to liabilities, the balance sheet or statement of net position will sometimes report a separate section for the deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. On the fund financial statements, the City reports deferred inflows of resources for items that will be recognized as revenues in the period that the amounts become available which includes amounts for the bulkhead receivable and civil service chargebacks. On the government-wide financial statements, the City reports a deferred inflows of resources stemming from pension and length of service award program related amounts. This represents the effect of changes in proportion and differences between the City's pension contributions and proportionate share of the City's net pension and length of service award program liability as well as differences between expected and actual experience and changes in assumptions in the pension and length of service award programs.

10. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, capital leases, accrued liabilities (compensated absences, deferred compensation and Fashion Institute of Technology (the "FIT") chargebacks), claims and judgments, tax certioraris and grievances payable, certain pension obligations, length of service award program liability, and other postemployment benefits are recognized in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Debt issuance costs are expensed as incurred.

In the fund financial statements governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period, in the fund servicing the debt. The face amount of the debt issued is reported as other financing sources and payment of principal and interest reported as debt service expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

11. NET POSITION AND FUND BALANCE/DEFICIT CLASSIFICATIONS

Net Position

In the government-wide and proprietary fund financial statements, net position is reported in three categories:

- 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. Accounts payable in the capital projects fund and retainage payable in the government-wide statements are considered capital related debt and are used in the calculation of net investment in capital assets.
- b) Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – all other net position that does not meet the definition of restricted or net investment in capital assets.

Fund Balance/Deficit

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted, 3) committed, 4) assigned or 5) unassigned.

- a) Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. prepaid items or inventories), or (b) will not convert to cash within the current period (i.e. long-term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- b) Restricted - reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c) Committed - reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The City's highest decision-making authority is the City Council, who by adoption of a City ordinance prior to year-end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action imposing the commitment.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE/DEFICIT (continued)

11. NET POSITION AND FUND BALANCE/DEFICIT CLASSIFICATIONS (continued)

- d) Assigned - reflects the amounts constrained by the City's "intent" to be used for specific purposes but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- e) Unassigned - is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

Net Position and Fund Balance Flow Assumptions

When outlays for a particular purpose can be funded from both restricted and unrestricted net position resources it is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

When both restricted and unrestricted fund balance resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources - committed, assigned and unassigned - in order as needed.

E. REVENUES AND EXPENDITURES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

The City's property taxes are levied and become a lien on July 1st, each year. Taxes are levied based upon the taxable value of all real property located within the City. The City taxes are recorded as a receivable on July 1st, and are payable in two installments, 50% due July 1st and 50% due January 1st, payable without penalty to July 31st and January 31st, respectively. Nassau County taxes are due in two installments, 50% due January 1st and 50% due July 1st, payable without penalty to February 10th and August 10th, respectively. On or about September 1st, the City returns the uncollected items to the County, which assumes collection responsibility. The City is not responsible for the collection of school taxes.

Real property taxes become a lien on the respective days when they become due and payable.

2. GRANTS

Federal, State and County grants and assistance awards made on the basis of entitlement periods are recorded as receivables (state and federal receivable / due from other governments) and revenues when entitlement occurs. All other Federal, State and County reimbursement type grants are recorded as receivables and revenues when all eligibility requirements are met and as applied to FEMA, as project worksheets are approved.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

3. OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City's full-time employees may become eligible for these benefits if they reach normal retirement age while working for the City as well as meet certain years of service requirements.

Health care benefits in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), are provided through the New York State Health Insurance Program NYSHIP (the "Empire Plan") whose premiums are based on the benefits paid throughout the State during the year.

The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The City's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The City has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for these other postemployment benefits is recorded as a noncurrent liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation.

4. ACCRUED LIABILITIES - COMPENSATED ABSENCES

The liability for vested or accumulated vacation and sick leave (compensated absences) is recorded as current and noncurrent obligations in the government-wide financial statements as accrued liabilities. The current portion of this obligation is estimated based on historical trends. The compensated absences liability and expenses are reported in the governmental funds only if they have matured, for example, as a result of employee resignation, terminations and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as expenditures and a liability in the governmental fund financial statements in the respective fund that will pay it.

5. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Employees' Retirement System and New York State and Police and Fire Retirement Systems (the "System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUE AND EXPENDITURES (continued)

6. INTERFUND TRANSACTIONS

Interfund transactions, exclusive of interfund services provided and used, have been eliminated from the government-wide financial statements. In the funds statements interfund transactions include:

a) Interfund Revenues

Interfund revenues represent amounts received from other funds for services or facilities provided by another fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure of that fund.

b) Transfers

Transfers primarily represent payments to the debt service and capital projects funds from the other funds for their appropriate share of the debt service or capital project costs as well as excess capital monies returned to the other funds.

7. RISK MANAGEMENT

The internal service fund services claims for risk of loss, associated with workers' compensation and general liability, to which the City is exposed. All operating funds of the City participate. The City allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund. This charge considers recent trends in actual claim experience of the City as a whole and makes provisions for catastrophic losses. The premiums paid by the operating funds are accounted for as expenditures/expenses of the funds.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes, is employed in the governmental funds. Encumbrances for general, sewer, water, debt service and community development funds are liquidated as of year end. Encumbrances for capital and FEMA funds are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

G. 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 reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources, and disclosure of contingent assets and deferred outflows of resources and liabilities and deferred inflows of resources, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRINCIPLES

The City has adopted all the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended June 30, 2017, the City adopted:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68,*" the objective is to clarify the existing guidance as well as establishes new requirements for pensions not covered by Statement No. 67 and No. 68. The requirements of this Statement that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. The implementation of this Statement resulted in the City recording the assets of the Length of Service Award Program (the "Program") and the restricted fund balance in the general fund, they were formerly reported in the agency fund. In the government-wide financial statements, the City recorded the actuarially determined length of service award program liability and related deferred inflows/outflows of resources.

Statement No. 77, "*Tax Abatement Disclosures,*" the objective of which is to improve financial reporting by providing the users of financial statements with information about the nature and magnitude of tax abatements, and helping the users understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations, as well as the impact on the government's financial position and economic condition. The implementation of this Statement required note disclosure of tax abatement programs that reduce the City's tax revenue.

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 implementation of this Statement required the reporting of the Long Beach Local Development Corporation as a blended component unit in the proprietary fund financial statements.

Statement No. 82, "*Pension Issues – an Amendment of Statements No. 67, 68, and 73,*" the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016, except for the requirements for selection of assumptions in a certain circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements. See Note 8.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before April 10th, the City Manager submits to the City Council a tentative operating budget for the year commencing the following July 1st. The tentative budget includes proposed expenditures and the means of financing.
- b) A copy of the submitted budget is filed in the City Clerk's office no later than 10 days after the date of submission of the budget to the City Council by the City Manager and is available for inspection by the public.
- c) The City Council conducts public hearings on the tentative budget to obtain taxpayer comments.
- d) After the public hearings and no later than May 31st, the City Council meets to consider and adopt the budget.
- e) Formal budgetary integration is employed during the year as a management control device for the general, water, sewer and debt service funds.
- f) The budgets for the general, water, sewer, community development and debt service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The capital projects, FEMA and community development funds are budgeted on a project or grant basis. The City also adopts a budget for the risk retention fund, which is an internal service fund.
- g) The City Council has established legal control of the budget at the object level of expenditures. Transfers between appropriation accounts, at the object level, require approval by the City Council for amounts exceeding \$1,500. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the City Council.
- h) Appropriations in general, water, sewer, community development and debt service funds lapse at year end along with outstanding encumbrances.
- i) In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. In 2017, the City voted to override the tax cap.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND BALANCE

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Water Fund	Sewer Fund	FEMA Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Fund	Total
Fund Balances (Deficits):								
Nonspendable:								
Long-term advances	\$ 1,248,327							\$ 1,248,327
Prepaid items	119,558							119,558
Total Nonspendable	<u>1,367,885</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>1,367,885</u>
Restricted for:								
Capital projects						10,365,315		10,365,315
Debt service	738,754				592,747			1,331,501
Public safety	28,858							28,858
Length of service award program	1,789,411							1,789,411
Grantor restrictions				971,804				971,804
Long-term receivables				11,504,642				11,504,642
Total Restricted	<u>2,557,023</u>	<u>-0-</u>	<u>-0-</u>	<u>12,476,446</u>	<u>592,747</u>	<u>10,365,315</u>	<u>-0-</u>	<u>25,991,531</u>
Assigned to:								
Subsequent year's budget	837,545	150,085						987,630
Special revenue funds		1,184,806	593,340				34,887	1,813,033
Total Assigned	<u>837,545</u>	<u>1,334,891</u>	<u>593,340</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>34,887</u>	<u>2,800,663</u>
Unassigned, reported in:								
General fund	3,602,346							3,602,346
Special revenue funds				(14,514,870)				(14,514,870)
Total Unassigned	<u>3,602,346</u>	<u>-0-</u>	<u>-0-</u>	<u>(14,514,870)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(10,912,524)</u>
Total Fund Balances (Deficits)	<u>\$ 8,364,799</u>	<u>\$ 1,334,891</u>	<u>\$ 593,340</u>	<u>\$ (2,038,424)</u>	<u>\$ 592,747</u>	<u>\$ 10,365,315</u>	<u>\$ 34,887</u>	<u>\$ 19,247,555</u>

C. DEFICIT FUND BALANCE

The FEMA fund deficit of \$2,038,424 at June 30, 2017 resulted from incurring cumulative excess expenditures over revenues stemming from Superstorm Sandy. Additional FEMA aid revenue will be recognized as other Project Worksheets are approved by FEMA. Any unfunded portion of expenditures reported in the FEMA fund will either be reimbursed by New York State, paid by the City's operating funds and/or financed with long-term debt.

The internal service fund deficit of \$25,724,356 at June 30, 2017 was a result of charging the operating funds only that which is expected to be paid in the near term. As the long-term liabilities mature, the internal service fund will charge the operating funds sufficient amounts to fund the payments on a modified accrual basis of accounting at the operating fund level.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

D. FUND BALANCE POLICY

The City's policy sets forth a recommended unassigned fund balance level of 5% of the normal prior year expenditures made from its general, water and sewer funds for working capital. To the extent that the City utilizes its unassigned fund balance, its policy shall be to use these funds either for (i) non-recurring expenses that promote important policy objectives; or (ii) extraordinary operating and capital purposes that could not be anticipated, and which otherwise cannot be financed with current revenues in the annual operating budget. In fiscal years where the City's unassigned fund balance fall below the recommended level of 5% the City will develop a plan to replenish its unassigned fund balance by direct appropriation commencing with the next operating budget. The City will appropriate 25% of the difference between the current level and the minimum recommended amount.

3. NATURAL DISASTER/SUPERSTORM SANDY

On October 27, 2012, Superstorm Sandy, a Category 1 post-tropical cyclone, struck the southern Atlantic coast of Nassau County, New York. The resulting storm surge and winds caused substantial damage to the City, as well as widespread physical damage throughout the City and in nearby areas of New York City and Nassau and Suffolk Counties. As a result of a direct impact of the superstorm, the City suffered widespread physical damage to buildings, infrastructure and equipment. As of June 30, 2017, approximately \$122.5 million for emergency protective measures, debris clean-up and other costs following the storm have been spent over the last five years, and the City continues to incur costs associated with the recovery efforts.

In response to the damages caused by Superstorm Sandy, the President of the United States signed a major disaster declaration on October 30, 2012, authorizing the Federal Emergency Management Agency ("FEMA") to provide Public Assistance aid to governmental entities for response and recovery efforts. The emergency declaration supports the reimbursement of eligible emergency work (emergency protective measures and debris removal efforts) and permanent work (restoration of infrastructure and capital assets). The authorized reimbursement rate is 90% of eligible costs incurred. As part of FEMA's Public Assistance program, local governments were required to cover 10% of the costs incurred. In July 2014, New York State announced funding to cover local governments' costs to repair and rebuild infrastructure damaged by Superstorm Sandy with the state-allocated Community Development Block Grant – Disaster Relief (CDBG-DR) funds to cover the localities' costs on a project by project basis. The City will record these funds as they are approved for payment.

In fiscal year 2013, the City established a FEMA fund to account for and report the revenues and expenditures incurred as a result of Superstorm Sandy. To date, the City's costs for emergency protective measures, debris removal, capital repair/replacement and other recovery efforts totaled \$122.5 million during the five years ended June 30, 2017. The City received insurance payments totaling \$10.9 million from its insurance carrier. Additionally, the City has recorded \$96.3 million in aid from FEMA and other federal agencies during the five years ended June 30, 2017 based on the contractual reimbursement rate of 90% of eligible costs incurred related to approved Project Worksheets. The City has also recorded an additional \$10.7 million in aid from NYS during the five years ended June 30, 2017 covering the additional 10% match as noted above.

Additional FEMA aid revenue will be recognized as other Project Worksheets are approved by FEMA. Any unfunded portion of expenditures reported in the FEMA fund will either be reimbursed by New York State, borne by the City's operating funds, financed with long-term debt or some combination. Currently, 100% of these expenditures are reported in the FEMA fund.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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 City's name

At June 30, 2017, the City's cash book balance totaled \$27,143,519. This amount is inclusive of fiduciary fund deposits of \$477,548, proprietary fund deposits of \$1,013,243 and restricted cash of \$10,250,662 but exclusive of petty cash of \$7,126. The bank balance was \$29,153,995. Of the total bank balance, \$654,175 was covered by the Federal Deposit Insurance Corporation ("FDIC") and \$28,499,820 was covered by collateral held by the City's agent, a third-party financial institution, in the City's name.

Credit Risk – State law and City law limit investments to those authorized by State statutes. The City has a written investment policy.

Interest-Rate Risk – Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

Concentration of Credit Risk – Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer.

As of June 30, 2017, the City did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Restricted Investments - Primary Government

The City, as sponsor of a LOSAP ("Program"), contributes monies to the Program to fund future benefit payments to volunteer firefighters. The assets are held in a rabbi trust. At June 30, 2017, the Program assets consist of \$1,538,214 of investments in guaranteed annuity contracts and a \$251,197 of a limited partnership interest.

The City categorizes the fair value measurements into the fair value hierarchy. The three levels of inputs used to measure fair value are as follows:

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

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect the City's own assumptions about the assumptions that market participants would use in pricing an asset.

The fair value measurement level within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The City has no investments valued using the above mentioned levels.

The following methods and assumptions were used in estimating the fair value assets for the Program assets:

Guaranteed Annuity Contracts

The carrying amounts of guaranteed annuity contracts totaling \$1,538,214 are reported as amortized cost which approximates fair value. These are considered unallocated insurance contracts.

Limited Partnership in NY SAFE

The Program's \$251,197 investment in a limited partnership ("Partnership") is measured at net asset value (NAV) per share (or its equivalent) as of June 30, 2017, the measurement date. The primary activity of the Partnership is investing portfolios. The Partnership's investment objective to increase diversification of investment portfolios and achieve stable growth. In doing so, the Partnership targets a total return in excess of the rate of inflation and in excess of the return currently available on group fixed annuity contracts while maintain a level of volatility well below that of the equity markets. The Partnership primarily consists of common stocks and mutual funds. The fair values of the underlying investments are used to determine the NAV per share/its equivalent of the Partnership capital.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Restricted Investments - Primary Government (continued)

Limited Partnership in NY SAFE (continued)

Generally, initial investment in the Partnership is \$150,000, although NY SAFE, ("General Partner"), has the discretion to accept less. Additionally, investments by existing limited partners will be accepted in amounts not less than \$50,000, although the General Partner has discretion in accepting lower amounts. Limited partners may redeem any portion of its capital account in a minimum amount of \$25,000 and at least 15 calendar days prior notice. If aggregate withdrawal requests are received for a particular withdrawal date for more than 70% of the NAV of the Partnership of such withdrawal date, the General Partner may, in its discretion, reduce all withdrawal request for such withdrawal date pro rata in proportion to the amount sought to be withdrawn by each withdrawing Partner so that only 70% of the NAV of the Partnership is withdrawn on the said withdrawal date.

To obtain a copy of the NY SAFE audited financial statements, contact Trident Fund Services, Inc., 1100 Abernathy Road, NE, Suite 300, Atlanta, GA, 30328.

Investment Risk

The Program assets are invested in various investments. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments either held by the Program or indirectly through the limited partnership, it is at least reasonably possible the changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported.

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CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund balances, categorized as due to/from funds, represent reimbursements of operating expenditures. The interfund balances categorized as advances, represent reimbursements of operating expenditures and temporary advances for cash flow purposes, which are not expected to be repaid in the subsequent year and are therefore considered long-term advances.

At June 30, 2017, interfund receivable and payable balances are summarized as follows:

	Due to/from		Long-Term Advances	
	Receivable	Payable	Receivable	Payable
Governmental Funds:				
Major Funds:				
General fund	\$ 7,946,911	\$ 222,529	\$ 1,373,327	
Water fund	313,738	377,878		
Sewer fund	175,333	65,448		\$ 1,373,327
FEMA fund		8,000,816		
Debt service fund	88,296			
Capital projects fund	312,343			
Nonmajor Fund:				
Community development fund		326,520		
Proprietary Fund:				
Risk retention fund	165,842			
Local Development Corporation		10,000		
Subtotal	9,002,463	9,003,191	1,373,327	1,373,327
Agency funds	904	176		
Total	\$ 9,003,367	\$ 9,003,367	\$ 1,373,327	\$ 1,373,327

At June 30, 2017, individual fund interfund transfer balances primarily represent receipt and payment of debt service and capital projects expenditures as well as excess capital monies returned to the other funds as follows:

	Transfers In	Transfers Out
Governmental Funds:		
Major Funds:		
General fund	\$ 496,832	\$ 8,023,868
Water fund	50,000	922,346
Sewer fund	57,254	1,627,718
FEMA fund	114,995	
Debt service fund	10,215,270	586,086
Capital projects fund	62,800	
Proprietary Fund:		
Risk retention fund	162,867	
Total	\$ 11,160,018	\$ 11,160,018

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

C. BENEFIT ASSESSMENT RECEIVABLE

At June 30, 2017, the City has a receivable from benefit assessments, which consists of \$577,000 of principal and \$98,719 of accrued interest. The amounts due are billed semiannually.

	Principal	Interest	Total Principal and Interest
Past due amounts	\$ 577,000	\$ 98,719	\$ 675,719

The entities which owe the City these funds have filed for bankruptcy, primarily due to the effects of Superstorm Sandy. Management believes the majority of the benefit assessment receivable is not collectible and has established an allowance for doubtful accounts of 75% in the amount of \$506,789, resulting in a net reported benefit assessment receivable of \$168,930 at June 30, 2017. In addition, a deferred inflow of resources has been recorded in relation to the benefit assessment receivable due to the availability of the revenue.

D. CAPITAL ASSETS

A summary of changes within the City's capital assets for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,135,210			\$ 4,135,210
Construction-in-progress	10,419,864	\$ 6,991,108	\$ 10,149,227	7,261,745
Total capital assets not being depreciated	14,555,074	6,991,108	10,149,227	11,396,955
Depreciable capital assets:				
Buildings	15,715,034	490,515		16,205,549
Machinery and equipment	38,257,730	1,597,427	1,013,920	38,841,237
Infrastructure	203,570,477	12,291,188		215,861,665
Total depreciable capital assets	257,543,241	14,379,130	1,013,920	270,908,451
Less accumulated depreciation:				
Buildings	11,801,585	450,657		12,252,242
Machinery and equipment	29,530,524	2,363,072	1,013,920	30,879,676
Infrastructure	95,139,593	11,065,567		106,205,160
Total accumulated depreciation	\$ 136,471,702	\$ 13,879,296	\$ 1,013,920	149,337,078
Total net depreciable capital assets				121,571,373
Total net capital assets				\$ 132,968,328

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 1,860,671
Public safety	2,070,380
Transportation	2,111,021
Economic assistance and opportunity	9,681
Culture and recreation	6,248,737
Home and community services	1,578,806
Total governmental activities depreciation expense	\$ 13,879,296

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The City's policy is to record an impairment loss in the period when the City determines that the carrying amount of the asset will not be recoverable. During the year ended June 30, 2017, the City did not record any such impairment losses.

E. INDEBTEDNESS

SHORT-TERM DEBT

Revenue Anticipation Notes – In September 2016, the City issued \$9,250,000 (2016 Series B) in revenue anticipation notes in advance of the receipt of Federal Emergency Management Agency and state aid relating to Superstorm Sandy. As of the beginning of the year, the City had \$10,430,000 of 2015 Series B revenue anticipation notes outstanding. The City redeemed \$1,180,000 of these notes and renewed the \$9,250,000 balance from the proceeds of the RANs. The \$9,250,000 Series B note bore interest at 1.21% and matured in June 2017. The City made a late payment on these notes in July 2017, as such they are reported as outstanding at June 30, 2017.

Revenue Anticipation Notes – In June 2017, the City issued \$4,000,000 of 2017 revenue anticipation notes in advance of the receipt of FEMA aid and state aid the City expects to receive for relief of Superstorm Sandy. The proceeds of the RANs will be used to pay expenditures incurred as a result of Superstorm Sandy. The \$4,000,000 note bore interest at 2.0% and matured in June 2018.

Tax Anticipation Notes – In June 2017, the City issued \$4,200,000 of 2017 tax anticipation notes in advance of the collection of real estate taxes which were to be levied for City purposes for the fiscal year beginning July 1, 2017. The note bore interest at 2.0% and matured in June 2018.

Bond Anticipation Notes – During the year, the City issued \$27,509,870 of bond anticipation notes to finance \$9,466,370 of various capital projects, \$2,200,000 of separation payments due to employees and \$15,843,500 to renew outstanding BANs. Of these bond anticipation notes \$1,303,000, is considered short-term debt and \$26,206,870 is considered long-term debt. (See Long-Term Debt- Bond Anticipation Notes below). The bond anticipation notes bear interest at rates ranging from 1.75% to 2.50%. Of the ending BAN payable balances, \$8,124,370 matured in September 2017 and the remainder matured in February 2018.

These notes are summarized as follows:

	Balance July 1, 2016	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2017
Revenue anticipation notes	\$ 14,430,000		\$ 1,180,000	\$ 13,250,000
Tax anticipation note		\$ 4,200,000		4,200,000
Bond anticipation notes	<u>17,607,500</u>	<u>11,666,370</u>	<u>27,970,870</u>	<u>1,303,000</u>
Total short-term debt	<u>\$ 32,037,500</u>	<u>\$ 15,866,370</u>	<u>\$ 29,150,870</u>	<u>\$ 18,753,000</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT

Bond Anticipation Notes

Subsequent to year end, the City issued \$26,206,870 of public improvement serial bonds and used \$803,000 of available funds to redeem \$27,009,870 in outstanding BANs. Accordingly, \$26,206,870 of the BANs outstanding at June 30, 2017 have been classified and reported as long-term debt. The public improvement serial bonds mature in September 2030 and bear interest at rates ranging from 2.0% to 3.0%. Maturity schedules relating to the public improvement bonds will be presented next year.

General Obligation Bonds

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

In February 2017, the City issued \$6,859,000 of public improvement serial bonds at interest rates ranging from 3.125% to 3.50% and maturing in installments through February 2036. Proceeds of the bonds together with \$40,500 of available funds were used to redeem \$6,900,000 of bond anticipation notes of which \$6,859,500 were considered long-term at June 30, 2016.

These long-term liabilities are backed by the full faith and credit of the City. Interest rates on these bonds vary from 2.00% to 5.22%. A summary of these bonds outstanding at June 30, 2017 is as follows:

<u>Description of Issue</u>	<u>Original Debt</u>	<u>Year Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Governmental Activities:				
EFC - Water Pollution Control	\$ 2,261,000	2020	4.270 -5.220%	\$ 663,000
Refunding	22,585,000	2020	2.750-5.000%	2,795,000
Public Improvements	5,575,000	2022	4.000%	2,375,000
Public Improvements	4,650,000	2020	3.250-3.500%	1,465,000
Public Improvements	16,045,000	2030	3.500-4.000%	11,830,000
Public Improvements	15,015,000	2027	2.000-4.000%	12,485,001
Deficit Financing	8,200,000	2023	2.000-4.000%	6,565,000
General Obligation Refunding	7,765,000	2025	2.000-4.000%	5,180,000
Public Improvements	6,500,000	2029	2.000-3.000%	5,715,000
Public Improvements	16,156,512	2031	2.125-3.000%	15,265,000
Public Improvements	6,859,500	2036	3.125-3.500%	<u>6,859,500</u>
		Total Governmental Activities		<u>\$ 71,197,501</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

The annual debt service requirements of the City, including principal and interest of governmental activities, are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2018	\$ 7,668,500	\$ 2,240,759	\$ 9,909,259
2019	6,911,000	2,015,413	8,926,413
2020	6,385,000	1,811,875	8,196,875
2021	6,098,001	1,614,138	7,712,139
2022	5,875,000	1,425,788	7,300,788
2023-2027	25,100,000	4,349,706	29,449,706
2028-2032	11,315,000	1,189,406	12,504,406
2033-2036	1,845,000	164,131	2,009,131
Total	\$ 71,197,501	\$ 14,811,216	\$ 86,008,717

The above maturity schedule does not reflect amounts for bond issuances subsequent to year end.

Capital Leases

The City entered into lease agreements to finance the acquisition of equipment purchases. The agreements are in substance purchases (capital assets) and are to be reported as capital lease obligations. The various agreements expire at various dates through July 2027. The leases are being repaid in monthly/quarterly/annual installments (as per the agreements) and bear interest at rates ranging from 1.0% to 5.168%. At June 30, 2017, the principal balance outstanding was \$2,995,305.

The following schedule presents future minimum lease payments as of June 30, 2017:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2018	\$ 402,773	\$ 85,069	\$ 487,842
2019	417,539	71,256	488,795
2020	432,947	56,812	489,759
2021	292,518	41,708	334,226
2022	519,889	34,001	553,890
2023-2027	929,639	52,652	982,291
Total	\$ 2,995,305	\$ 341,498	\$ 3,336,803

Included in capital assets are various equipment financed under a capital lease with a cost of \$4,345,774 and accumulated depreciation of \$1,709,168.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Summary of Long-Term Debt

A summary of changes in long-term debt transactions for the year ended June 30, 2017, is as follows:

	(As Restated)			Noncurrent		
	Balance July 1, 2016 *	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2017	liabilities due within one year	Noncurrent liabilities
Governmental Activities:						
Bonds payable	\$ 71,481,512	\$ 6,859,500	\$ 7,143,511	\$ 71,197,501	\$ 7,668,500	\$ 63,529,001
Plus: premiums on issuance	605,788	-0-	79,361	526,427	79,361	447,066
Total bonds payable	72,087,300	6,859,500	7,222,872	71,723,928	7,747,861	63,976,067
Bond anticipation notes payable	6,859,500	26,206,870	6,859,500	26,206,870	26,206,870	-0-
Capital leases payable	2,313,765	991,889	310,349	2,995,305	402,773	2,592,532
Pension related debt	6,186,993	-0-	699,477	5,487,516	722,391	4,765,125
Net pension liability, proportionate share of unfunded liability	23,400,426	9,382,462	17,939,708	14,843,180	-0-	14,843,180
Accrued liabilities:						
Compensated absences	29,196,926	6,374,787	5,351,555	30,220,158	1,511,008	28,709,150
Accrued payroll	1,433,026	47,438	120,675	1,359,789	67,989	1,291,800
Other	350,962	-0-	-0-	350,962	-0-	350,962
Claims and judgments payable	10,178,317	1,767,252	804,352	11,141,217	3,661,603	7,479,614
Tax certioraris and grievances payable	442,883	373,411	479,908	336,386	211,386	125,000
Length of Service Award Program liability	3,498,338	249,601	631,384	3,116,555	-0-	3,116,555
Other postemployment benefits payable	45,311,005	11,094,800	3,289,976	53,115,829	-0-	53,115,829
Total non-current liabilities	\$ 201,259,441	\$ 63,348,010	\$ 43,709,756	\$ 220,897,695	\$ 40,531,881	\$ 180,365,814

* The beginning balance of the Length of Service Award Program liability is reported as of July 1, 2016 in accordance with GASB Statement No. 73. See Note 7.

The liabilities for general obligation bonds payable, bond anticipation notes payable, capital leases, pension related debt, net pension liability, accrued liabilities, length of service award program liability and other postemployment benefits payable will be liquidated through future budgetary appropriation in the fund that gave rise to the liability. The liability for claims and judgments payable and tax certioraris and grievances payable will be liquidated through the internal service fund and general fund, respectively.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM

Plan Description

The City participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"), collectively referred to as New York State and Local Retirement System (the "System"). These are cost sharing multiple public employer defined benefit pension plans provide retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2, is 55 and 62, respectively.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEMS (continued)

Benefits Provided (continued)

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63 for ERS members and 62 for PFRS members.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEMS (continued)

Benefits Provided (continued)

Disability Retirement Benefits

Disability retirement benefits are available to members unable to perform their job duties because of permanent physical or mental capacity. There are three general types of disability benefits: ordinary, performance of duty and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

Contributions

Generally, Tier 3, 4 and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31st.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEMS (continued)

Contributions (continued)

The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2017, the actual contributions were equal to 100% of the actuarially required amount of \$2,955,514 for the ERS and \$3,367,397 for the PFRS.

Retirement Incentives and Other Pension Obligations

The State, at various times, will enact laws which allow local employers to defer a portion of their retirement bill and enact laws authorizing local governments to make available various retirement incentive programs and amortize certain contribution costs. The law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts. Below is a summary of these programs with which the City opted to participate.

In 2012, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 57 of the Laws of 2010 of the State of New York. The deferred amounts are due in ten annual installments including interest at 3.75% per annum. At June 30, 2017, the outstanding amounts owed to the System totaled \$435,914 (\$319,643 related to ERS and \$116,271 related to PFRS).

In 2013, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 57 of the Laws of 2010 of the State of New York. The deferred amounts are due in ten annual installments including interest at 3.00% per annum. At June 30, 2017, the outstanding amounts owed to the System totaled \$1,367,523 (\$968,359 related to ERS and \$399,164 related to PFRS).

In 2014, the City elected to defer a portion of its ERS and PFRS retirement contribution under Chapter 57 of the Laws of 2010 of the State of New York. The deferred amounts are due in ten annual installments including interest at 3.67% per annum. At June 30, 2017, the outstanding amounts owed to the System totaled \$1,122,855 (\$526,656 related to ERS and \$596,199 related to PFRS).

In 2015, the City elected to defer a portion of its ERS and PFRS retirement contributions under Chapter 57 of the Laws of 2010 of the State of New York. The deferred amounts are due in ten annual installments included interest at 3.67% per annum. At June 30, 2017, the outstanding amounts owed to the System totaled \$2,561,224 (\$796,030 related to ERS and \$1,765,194 related to PFRS).

Future principal and interest payments to maturity for the afore-mentioned programs are as follows:

Years ending June 30,	ERS		PFRS		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2018	\$ 365,410	\$ 85,441	\$ 356,981	\$ 93,820	\$ 901,652
2019	377,402	73,449	368,659	82,141	901,651
2020	389,791	61,060	380,723	70,079	901,653
2021	402,592	48,259	393,183	57,618	901,652
2022	415,815	35,035	406,053	44,747	901,650
2023-2025	659,678	34,791	971,229	57,875	1,723,573
Total	\$ 2,610,688	\$ 338,035	\$ 2,876,828	\$ 406,280	\$ 6,231,831

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEMS (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2017, the City reported a liability of \$14,843,180 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. Below is the City's proportionate share of the net pension liability of the System and its related employer allocation percentage as of March 31, 2017 (measurement date).

		<u>Net Pension Liability</u>	<u>Allocation of the System's Total Net Pension Liability</u>	<u>Change in Allocation of the System's Total Net Pension Liability Since Prior Measurement Date</u>
ERS	\$	6,996,508	0.0744609%	0.004532800%
PFRS	\$	7,846,672	0.3785813%	-0.032686600%

There was no significant change in the City's proportion from March 31, 2016 to March 31, 2017.

For the year ended June 30, 2017, the City recognized pension expense of \$8,616,462 (\$3,941,358 for ERS and \$4,675,104 for PFRS) in the statement of activities.

At June 30, 2017, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>			<u>Deferred Inflow of Resources</u>		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 175,326	\$ 1,029,348	\$ 1,204,674	\$ 1,062,459	\$ 1,355,731	\$ 2,418,190
Changes of assumptions	2,390,263	3,865,725	6,255,988			
Net difference between projected and actual investment earnings on pension plan investments	1,397,486	1,171,889	2,569,375			
Changes in proportion and differences between the City's contribution and proportionate share of contributions	147,572	881,717	1,029,289	308,026	890,060	1,198,086
City's contributions subsequent to the measurement date	<u>807,712</u>	<u>954,126</u>	<u>1,761,838</u>			
Total	<u>\$ 4,918,359</u>	<u>\$ 7,902,805</u>	<u>\$12,821,164</u>	<u>\$ 1,370,485</u>	<u>\$ 2,245,791</u>	<u>\$ 3,616,276</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

The City's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Plan Year Ended March 31, 2018	\$ 1,257,897	\$ 1,615,541	\$ 2,873,438
2019	1,257,897	1,615,541	2,873,438
2020	1,158,882	1,528,075	2,686,957
2021	(934,514)	(250,143)	(1,184,657)
2022		193,874	193,874
Total	<u>\$ 2,740,162</u>	<u>\$ 4,702,888</u>	<u>\$ 7,443,050</u>

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Measurement Date	March 31, 2017	March 31, 2017
Actuarial Valuation Date	April 1, 2016	April 1, 2016
Investment rate of return (net of investment expenses)	7.0%	7.0%
Salary Increases	3.8%	4.5%, indexed by service
Inflation Rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private equity	10.0%	7.75%
Real estate	10.0%	5.80%
Absolute return strategies	2.0%	4.00%
Opportunistic portfolio	3.0%	5.89%
Real assets	3.0%	5.54%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.50%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate (7.0%):

	1% Decrease 6.0%	Current Assumption 7.0%	1% Increase 8.0%
City's proportionate share of the collective net pension liability/(asset)			
ERS	\$ 22,345,459	\$ 6,996,508	\$ (5,981,002)
PFRS	22,244,861	7,846,672	(4,229,883)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of all the employers participating in the Systems' as of March 31, 2017 were as follows:

Valuation Date	(Dollars in Thousands)		
	April 1, 2016		
	ERS	PFRS	Total
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 209,071,069
Plan fiduciary net position	(168,004,363)	(29,597,831)	(197,602,194)
Employers' net pension liability	\$ 9,396,223	\$ 2,072,652	\$ 11,468,875
Ratio of plan net position to the Employers' total pension liability	94.70%	93.50%	94.50%

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued financial statements.

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS/PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions for both ERS and PFRS, as of June 30, 2017 amounted to \$1,761,838.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

G. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

Program Description

The City established a defined benefit plan for the active volunteer firefighters of the City of Long Beach Fire Department (the "Fire Department"). The Length of Service Awards Program (the "Program") was established in 1994 and amended in 2007. The Program was established pursuant to Article 11-A of New York State General Municipal Law. The Program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The City is the sponsor and administrator of the Program.

The Program has a year end of December 31st, and an actuarial valuation is performed as of the beginning of the Program's year, January 1st for funding purposes.

Participation, vesting and service credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the Program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age or the participant is awarded a finding of total and permanent disability. The Program's entitlement age is the later of age 65 or the age after first year of service credit. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Program in which they accumulate fifty points. Points are granted for the performance of certain activities in accordance with a system (the "Point System") established by the City on the basis of a statutory list of activities and point values. A Participant may also receive credit for five years of firefighting service (called "Prior Service") rendered prior to the establishment of the Program.

Benefits

A participant's benefit under the program is a continuous monthly payment life annuity with 10 years certain equal to \$20 multiplied by the firefighter's total number of years firefighting experience. The maximum number of years of firefighting service for which a participant may receive a contribution is twenty years.

Participants covered by the benefit terms:

Retired participants receiving benefits	8
Inactive participants entitled to, but not yet receiving benefits	76
Active participants	<u>114</u>
Total	<u><u>198</u></u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

G. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (continued)

Fiduciary Investment and Control

Service credit is determined based on information maintained by the Fire Department. The Fire Department must maintain all required records on forms prescribed by the City Council. The City Council has retained and designated BPAS Actuarial and Pension Service, LLC to assist in the administration of the Program. The designated Program administrator's functions include calculating the amount to be contributed at the end of each year based upon the criteria set forth in the Program document. Disbursements of Program assets for the payment of benefits or administrative expenses must be approved by the City Council and delivered to the Custodian through a payment schedule. The City Council has retained and designated Hometown Firefighters as the Custodian of the Program's assets. The Custodian shall make payments to Program participants and their beneficiaries in accordance with the payment schedule.

Program assets are required to be held in a trust by Length of Service Award Program legislation, for the purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Any payments under the program shall be made from the general assets of the sponsor (City) which general assets are subject to the claims of the creditors of the sponsor. As such, the trust assets do not meet the criteria as defined by GASB and, therefore, may not be offset against the length of service award program (LOSAP) liability.

The Service Award Program Trust Document is dated January 1994, and the trustees are the City Council. Authority to invest Program assets is vested in the City Council. Subject to restrictions in the Program document, Program assets are invested in accordance with a statutory "prudent person" rule.

The Sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is BPAS Actuarial and Pension Service, LLC. Portions of the following information are derived from a report prepared by the actuary dated March 2017.

The assumptions used in calculating the City's contribution were as follows:

Actuarial Valuation Date	January 1, 2017
For the Program Year Ended	December 31, 2017
Actuarial cost method	Unit Credit Method
Investment rate of return	4.75%
	15CM - 2015
Mortality	Combined (male) - IRC 430(h)(3)(A)
Salary increases	Not Applicable

Prior service costs are being amortized over a range of 10 to 20 years at a discount of 4.75%.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

G. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (continued)

Contributions and Administration Fees

New York State General Municipal Law Section §219-o(1) requires the Program sponsor to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution are appropriated annually by the City Board.

Amount of City's required contribution:	Minimum	\$ 103,763
	Maximum	\$ 110,309

Amount of City's actual contribution: \$ 93,960

Administrative fees of \$3,554 were paid by the Program sponsor and not from Program assets during the year.

Receipts and Disbursements

The following represents the Program's program assets as of June 30, 2017 and the changes for the year then ended.

Group annuity contracts	\$ 1,538,214
NY SAFE (Limited Partnership at Net Asset Value)	<u>251,197</u>
Total Net Assets Available for Benefits	<u><u>\$ 1,789,411</u></u>

Receipts and Disbursements

Program Net Assets, July 1, 2016	\$ 1,738,215
Changes during the year:	
Plan contributions	93,960
Changes in fair market value of investments	45,343
Plan benefit withdrawals	<u>(88,107)</u>
Program Net Assets, June 30, 2017	<u><u>\$ 1,789,411</u></u>

See Note 4.A for more information on the program assets.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

G. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (continued)

Program Liabilities, Program Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Program

At June 30, 2017, the City reported a liability of \$3,116,555 for the length of service award program (LOSAP) liability.

The following information is derived from an actuarial report prepared by BPAS Actuarial and Pension Service, LLC dated October 2018 to determine the GASB Statement No. 73 liability at the City's year-end.

Program Liability - Beginning of year	\$3,498,338
Service cost	117,918
Interest	100,865
Changes in assumptions	(543,277)
Differences between expected and actual experience	30,818
Benefit payments	(88,107)
Program Liability - End of year	<u>\$3,116,555</u>

For the year ended June 30, 2017, the City recognized program expense of \$222,337 in the Statement of Activities. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions		\$ 543,277
Difference between expected and actual experience	\$ 30,818	
Total	<u>\$ 30,818</u>	<u>\$ 543,277</u>

These deferred outflows and inflows of resources related to the program will be recognized in program expense as follows:

For years ending December 31, 2018	\$ (38,685)
2019	(38,685)
2020	(38,685)
2021	(38,685)
2022	(38,685)
Thereafter	<u>(319,034)</u>
	<u>\$ (512,459)</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

G. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (continued)

Funding Methodology and Actuarial Assumptions

The assumed rate of return on investments was based upon the Fidelity 20-Year GO AA Bond Index. Update procedures were used to roll forward the liability from the actuarial valuation date to the measurement date.

The assumptions used by the actuary to determine the actuarial present value of benefits are:

Actuarial Valuation Date	January 1, 2017
Measurement Date	June 30, 2017
Actuarial cost method	Entry Age Normal
Investment rate of return	3.56%
Mortality	RP 2000 Combined Table Projected to 2017
Inflation rate	1.90%
Salary increases	Not Applicable

Sensitivity of the LOSAP Liability to the Discount Rate Assumption

The following presents the City's length of service award program liability calculated using the discount rate of 3.56% as well as what the program liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current assumption:

<u>One Percent Decrease</u>	<u>Current Assumption</u>	<u>One Percent Increase</u>
2.56%	3.56%	4.56%
\$ 3,795,000	\$3,116,555	\$ 2,583,000

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City, a participant in a single-employer defined benefit plan, has collective bargaining contracts with three associations a) Civil Service Employees Association, Inc., b) City of Long Beach Police Benevolent Association and c) International Association of Fire Fighters AFL-CIO Uniformed Fire Fighters Association Local 287. These contracts may be renegotiated at various times in the future.

The City, in accordance with its contract with Civil Service Employees Association, Inc., will pay 100% of the premium costs for medical insurance coverage (currently provided by the New York State Empire Plan) and life insurance coverage at retirement, provided the employee is credited with at least 15 years of service under the New York State Retirement System and is at least 55 years old; or has at least 30 years of service with the City under the New York State Retirement System.

The City, in accordance with its contract with City of Long Beach Police Benevolent Association, will pay 100% of the premium costs for medical insurance coverage (currently provided by the New York State Empire Plan), as well as life insurance coverage at retirement for the retiree and their families who is credited with 20 years of service in the New York State Policeman and Fireman's Retirement System and 15 years of service in the City of Long Beach Police Department. Upon death of the retiree, the surviving spouse and dependent children will continue to receive health and dental coverage for three years.

The City, in accordance with its contract with the International Association of Fire Fighters AFL-CIO Uniformed Fire Fighters Association Local 287, will pay 100% of the premium costs for medical insurance coverage (currently provided by the New York State Empire Plan), as well as dental and life insurance coverage at retirement for the retiree who is credited with 20 years of service in the New York State Policeman and Fireman's Retirement System and 15 years of service in the City of Long Beach Fire Department. Upon the death of the retiree, the surviving spouse and dependents will continue to receive health insurance coverage for one year.

All retirees are eligible for Medicare reimbursement in accordance with the Plan provisions. Upon death of a retiree, the City will cease to pay any portion of the health insurance premium for the surviving spouse; however, the spouse is still eligible for Medicare reimbursement.

The number of participants as of July 1, 2016, the effective date of the most recent OPEB valuation is as follows:

Active employees	344
Retired employees	<u>240</u>
Total	<u><u>584</u></u>

There have been no significant changes in the number of employees or the type of coverage since that date. The City, as administrator of the plan, does not issue a separate report.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funding Policy

The City currently pays for other postemployment benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost and Net Obligation

For the year ended June 30, 2017, the City's annual other postemployment benefits cost (expense) was \$11,094,800. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$3,289,976 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$7,804,824 for the year ended June 30, 2017.

Benefit Obligations and Normal Cost

Actuarial Accrued Liability (AAL)	
Active employees	\$ 70,725,254
Retired employees	64,834,566
Total Actuarial Accrued Liability (AAL)	<u>135,559,820</u>
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	<u>\$135,559,820</u>
Funded Ratio	0.00%
Normal cost at the beginning of the year	\$ 3,422,644
Amortization cost at the beginning of the year	\$ 8,903,779
Annual covered payroll	\$ 34,072,909
UAAL as a percentage of covered payroll	397.85%

The City's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the City for the year ended June 30, 2017, amounted to \$135,559,820.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Level Dollar Amortization Method Calculation of ARC under the Entry Age Normal Cost Method - Governmental Activities

The following table shows the components of the City's other postemployment benefits liability:

Normal cost	\$ 3,422,644
Amortization of unfunded actuarial liability (UAAL) over 30 years	<u>8,903,779</u>
Annual required contribution (ARC)	12,326,423
Interest on net OPEB obligation	1,744,474
Adjustment to ARC	<u>(2,976,097)</u>
OPEB Cost	11,094,800
Less: Contribution for year ended June 30, 2017	<u>3,289,976</u>
Increase in other postemployment benefits liability	7,804,824
Other postemployment benefits liability at June 30, 2016	<u>45,311,005</u>
Other postemployment benefits liability at June 30, 2017	<u>\$ 53,115,829</u>
Percent of annual OPEB cost contributed	29.65%

Funded Status and Funding Progress

The percentage contributed, as it relates to the City, for the current year and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 11,094,800	\$ 3,289,976	29.65%	\$ 53,115,829
2016	10,164,517	3,643,418	35.84%	45,311,005
2015	10,555,009	3,902,537	36.97%	38,789,906

The funded status of the plan as of July 1, 2016, projected for the year ended June 30, 2017 as follows:

	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	\$ 135,559,820	\$ -0-	\$ 135,559,820	0.00%	\$ 34,072,909	397.85%

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funded Status and Funding Progress (continued)

The required schedule of funding progress can be found immediately following the notes, in required supplementary information, and presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of a plan and the City's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation (updated for June 30, 2016), the liabilities were computed using the entry age normal cost method and level dollar amortization method over a closed 30-year amortization period to amortize the initial unfunded liability. The actuarial assumptions utilized a 3.56% interest rate. The valuation assumes an initial 10% healthcare cost trend and reduced by 1% increments until a rate of 5.0% after five years. The mortality table used was the RP-2000 Mortality Table (combined healthy lives) projected to 2017. The July 1, 2015 actuarial valuation did not reflect any effects of the Affordable Care Act and more specifically the effects of the potential taxes as a result of the Affordable Care Act, commonly referred to as the 'Cadillac Tax'.

A copy of the City of Long Beach Other Postemployment Benefits Valuation is available by contacting the City of Long Beach, Office of Comptroller, Long Beach, New York.

I. ACCRUED LIABILITIES

Long-term accrued liabilities consist of compensated absences, accrued payroll and amounts owed to Nassau County, New York for tuition chargeback costs pertaining to the years 2004-2009.

Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts, the terms of which must comply with the current collective bargaining agreements. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave and compensatory absences, subject to certain limitations.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. DETAIL NOTES ON ALL FUNDS (continued)

I. ACCRUED LIABILITIES (continued)

Compensated Absences (continued)

Estimated vacation, sick leave, and compensatory absences accumulated by governmental employees have been recorded in the statement of net position. Payment of vacation, sick leave, and compensatory absences is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave, and compensatory absences when such payments become due. As of June 30, 2017, the value of the City's accumulated vacation, sick leave, and compensatory absences for governmental activities was \$30,220,158 which has been recorded in the statement of net position.

Accrued Payroll

In accordance with a stipulation of agreement entered into with a labor contract, the equivalent of ten days of pay was withheld from each employee during the years ended June 30, 2013 and 2014. This liability is payable upon the employee's separation from employment at the rate of pay at time of such separation. As of June 30, 2017, the liability totaled \$1,359,789 which has been recorded in the statement of net position.

Tuition Chargebacks

In June 2015, Nassau County informed the City that they owed \$350,962 in tuition chargebacks which represents the payments the County made for students residing in the City who attended the Fashion Institute of Technology (the "FIT") for the years 2004 through 2009. These charges are currently in dispute and therefore the City included them within long-term debt. As of June 30, 2017, this liability has been recorded in the statement of net position.

5. TAX ABATEMENT PROGRAMS

The City is subject to real property tax abatements granted by the Nassau County Industrial Development Agency ("NCIDA"), an entity created as a New York State public benefit corporation. The NCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The NCIDA offers several abatement programs on certain qualified projects to promote, retain, attract and encourage sound commerce and an industry base to prevent unemployment. Generally, a qualified project is an applicant submitted project which meets certain economic development criteria (such as job creation/retention), and which either, 1) has been or will be financed by the issuance of NCIDA issued bonds, notes or other evidences of indebtedness with respect thereto, or 2) is a straight lease transaction which the NCIDA has determined to undertake pursuant to a lease policy. The NCIDA, as a condition of providing assistance, may require that the benefiting company remit a PILOT payment to offset the amount of taxes abated. The NCIDA is authorized to enter into PILOT agreements per Real Property Tax Law, Section 412-a and General Municipal Law, Section 874. In 2017, the agreements the NCIDA ratified in the current and previous years, resulted in abatements of \$91,590 and \$74,750 of the City's general and sanitation real property taxes, respectively, and the receipt of \$123,012 in PILOT payments.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

In common with other municipalities, the City receives numerous notices of claims. During this reporting period the City was self-insured for the first \$500,000 per general liability including law enforcement liability occurrence and for the first \$150,000 public officials and employment practices liability occurrences and carried excess liability insurance coverage of \$5,000,000 per occurrence with a \$5,000,000 annual aggregate and is self-insured for claims under the self insurance retention and above this threshold. The Fire Department has first dollar coverage. Automobile claims were subject to a \$10,000 self-insured retention, however, the policy provided for a potential refund of the premium paid based on the claims experience during the policy period. Although the eventual outcome of these claims cannot presently be determined, the City has estimated unsettled claims and litigation to be \$6,737,222, which is included in the claims and judgments payable in the government-wide financial statements and in the risk retention fund, which is an internal service fund.

The City is self-insured for property protection on the first \$25,000 per loss with insurance protection coverage of up to \$25,000,000. The City is self-insured for machinery and equipment protection on the first \$25,000 per loss with insurance protection coverage of up to \$72,720,530.

Through June 30, 2007, the City was self-insured with respect to workers' compensation insurance. Subsequent to that date, the City purchased insurance through a group self-insured program in order to minimize the costs. Under this policy, the City's coverage is unlimited.

In accordance with General Municipal Law, section 207-a, the City is required to compensate retired firemen who are injured or suffered illness in performance of their duties, their regular salary less any retirement allowance received. The City is self-insured for this and the liability of \$2,905,150 is included in the workers' compensation liability below.

The City established a risk retention fund, which is an internal service fund, to account for the general liability and workers' compensation claims activity. The risk retention fund is funded by charges to the City's other funds.

There have been no significant reductions in insurance coverage as compared to the prior year, and, other than the resolution agreement which established a date for the City to comply with the judgment rendered in the Matter of Marshall Starkman v. City of Long Beach, Index No. 16834/10, 2d Dept. No. 2015-01328, there were no settlements in excess of insurance coverage over the last three years.

Changes in the liability for claims and judgments for the years ended June 30, 2017 and 2016, is as follows:

	Workers' Compensation		General Liability	
	2017	2016	2017	2016
Unpaid claims as of July 1,	\$ 4,750,838	\$ 4,907,282	\$ 5,427,479	\$ 18,451,007
Incurred Claims including IBNR		430,000	280,195	307,600
Changes to prior years estimates	303,066	546,833	1,183,991	2,382,713
Payments of claims	(649,909)	(1,133,277)	(154,443)	(15,713,841)
Unpaid Claims as of June 30,	<u>\$ 4,403,995</u>	<u>\$ 4,750,838</u>	<u>\$ 6,737,222</u>	<u>\$ 5,427,479</u>

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. COMMITMENTS AND CONTINGENCIES (continued)

B. TAX CERTIORARI PROCEEDINGS AND GRIEVANCES

From time to time, the City is involved in tax certiorari proceedings and grievances under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. The amount refunded to City taxpayers as a result of tax certiorari proceedings and grievances was \$479,908 during the year ended June 30, 2017. As of June 30, 2017, the liability totaled \$336,386 which has been recorded in the statement of net position.

C. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress commitments for equipment purchases and other capital acquisition commitments amounting to \$3,395,723 are recorded as encumbrances in the capital projects fund and \$1,276,827 are recorded as encumbrances in the FEMA fund. These commitments are recorded as a portion of restricted fund balance in the captions capital projects and long-term receivables, for the capital projects fund and FEMA fund, respectively.

D. LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City, except as noted below.

Eminent Domain

In April 2006, the City of Long Beach acquired, via eminent domain, individual parcels of land collectively comprising 6 acres of land on the oceanfront between Long Beach Boulevard and Riverside Boulevard ("Superblock property"). Two of the property holders who owned various parcels of land challenged the valuations and amounts of the advance payments made on the April 18, 2006 taking date. In October 2012, the Nassau County Supreme Court rendered two decisions and two judgments in favor of the property owners. In January 2015, the Appellate Division, Second Department, issued two separate decisions which upheld these judgments.

In September 2015, the New York State Court of Appeals denied the City's appeal of the Second Department's decisions. The claims associated with these judgments are estimated to total between \$19 and \$22 million. Together with \$2.5 million in available escrowed funds, \$15.6 million proceeds of bond anticipation notes issued by the City in February 2016 were used to finance payments totaling \$18.1 million to the plaintiffs and thereby provide funding for the first and largest phase of the claims associated with this litigation. Of the two separate claims for attorneys' fees, one is still in appeal. The other, attorneys' fees award, for approximately \$1.745 million, was affirmed on appeal. As of June 30, 2017, there is approximately \$2.6 million included within the general liability related to attorney fees which is being appealed separately.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. COMMITMENTS AND CONTINGENCIES (continued)

D. LITIGATION (continued)

Zoning Board of Appeals

In 2002, a commercial real estate developer commenced litigation that claims the City has improperly prevented it from building certain residential cooperative towers on the City's waterfront on Shore Road. The Plaintiffs/Petitioners are seeking both zoning relief and money damages. In March 2015, the trial court granted the plaintiffs' motion seeking a default judgment against the City and the Zoning Board of Appeals of the City of Long Beach ("ZBA"). The individual ZBA members were dismissed from the action shortly thereafter. Both parties filed appeals. On July 19, 2017, the Appellate Division, Second Department issued two separate decisions in favor of the Plaintiffs/Petitioners. Accordingly, the individual ZBA defendants were reinstated as parties, and the default judgment (against all Defendants/Respondents) was affirmed. Upon remand, the trial court scheduled a damages inquest to occur in March 2019. While the plaintiffs are claiming approximately \$55 million in damages, the amount the City may ultimately be liable for cannot be determined at this time as actual damages need to be established at the damages inquest, and are based on alleged losses suffered by the Plaintiffs/Petitioners. Accordingly, no amount has been accrued in the financial statements.

iStar Financial

iStar Financial, Inc. ("iStar"), through its wholly-owned subsidiary, Shore Road-Long Beach Superblock LLC (collectively, "iStar"), the owner and developer of the "Superblock" property in Long Beach, has long threatened to institute a breach-of-contract action (stemming from a January 2014 settlement agreement) seeking approximately \$105 million in damages.

On August 3, 2017, a CPLR Article 78 Petition was filed against the ZBA, the City's Building Commissioner, and iStar, by several residents (led by James Kirklin) who sought to annul the Long Beach Building Commissioner's issuance of a permit to iStar. In the alternative, Petitioners sought to compel the ZBA to place the matter on its calendar to review of the Building Commissioner's permit, and to examine whether the ZBA's variance (originally issued in February 2014) expired by its own terms. Subsequently, the Supreme Court of the State of New York, County of Nassau, issued a decision on January 22, 2018, which remanded this matter to the ZBA. Consequently, the ZBA conducted a court-ordered hearing on April 10, 2018. On May 16, 2018, iStar filed its long-awaited \$105 million lawsuit against the City (alleging breach of contract) and the Long Beach Local Development Corporation (a separate corporate entity).

On May 24, 2018, the ZBA voted unanimously to revoke iStar's existing permit (see above). The ZBA subsequently issued findings of fact, and, on June 21, 2018, iStar filed an Article 78 petition challenging the ZBA's decision. Thereafter, the ZBA filed a motion to dismiss wherein it alleged that iStar failed to name a necessary party to the proceeding. Subsequently, Kirklin filed a notice of discontinuance which released the ZBA and Building Commissioner in the first matter. Following this, iStar filed an omnibus motion to: (1) consolidate the two matters and (2) vacate the notice of discontinuance. The ZBA submitted opposition to this motion. Oral argument was held, on both the motion to dismiss and the omnibus motion, on October 29, 2018. A decision is expected within 60-90 days. The amount the City may ultimately be liable for cannot be determined at this time. Accordingly, no amount has been accrued in the financial statements.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. COMMITMENTS AND CONTINGENCIES (continued)

E. GRANTS

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

F. OTHER

The City's employees are represented by four collective bargaining agreements: Civil Service Employees Association, Police Benevolent Association, Commanding Officers Associations and the Long Beach Professional Firefighters Association. The Police Benevolent Association agreement expired June 30, 2016 and the parties are now engaged in an interest arbitration. A decision is expected in the next four (4) to six (6) months. The Long Beach Professional Firefighters Association agreement expired on June 30, 2010. The Commanding Officers Association agreement is still in negotiations. At this point in time, the City is unable to determine the potential outcome of the settlement of these contracts and is therefore unable to estimate the potential impact it may have on the financial statements. See subsequent events in Note 8.B for additional information.

7. RESTATEMENT AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE ON CURRENT PERIOD FINANCIAL STATEMENTS

The City implemented GASB Statement No. 80 "*Blending Requirements for Certain Component Units – an Amendment of Statement No. 14,*" and accordingly, has determined that the Long Beach Local Development Corporation (LDC), for which the City is the sole corporate member, should be reported as a blended component unit in the City's financial statements. For the year ended June 30, 2017, the City recorded the Long Beach Local Development Corporation as a nonmajor enterprise fund in the proprietary fund financial statements. This resulted in an increase of \$888 to the beginning net position in the proprietary fund and government-wide financial statements.

For the year ended June 30, 2017, the City adopted, GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68.*" The implementation of the Statement resulted in the retroactive reporting of a liability related to the City's participation as a governmental sponsor of the City of Long Beach Length of Service Award Program (defined benefit plan) for volunteer firefighters. The Statement also required that the assets held in trust for the program that are not protected from creditors be reported as assets of the sponsoring municipality. In the fund level financial statements, the general fund fund balance was restated by \$1,738,215, increasing from \$7,548,349 to \$9,286,564 for the recognition of the City's length of service award program assets. In the government-wide statements, the City's July 1, 2016 governmental activities net position was restated by the net of the City's length of service award program liability \$3,498,338 and the program assets \$1,738,215 which increased the negative net position by \$1,760,123 from \$46,019,079 to \$47,779,202.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

8. SUBSEQUENT EVENTS

A. DEBT ISSUANCES

In September 2017, the City issued \$21,427,370 in bond anticipation notes (2017 Series C) which bore an interest rate of 2.0% and matured in February 2018. The purposes were to redeem \$8,124,730 of Series 2016 C bond anticipation notes and the balance to fund various capital projects.

In February 2018, the City issued \$26,206,870 million in serial bonds and together with \$803,000 in available funds redeemed a portion of the 2017 Series A and C and all of Series B bond anticipation notes. Of these bonds, \$15,360,000 is to be used to finance litigation awards, \$2,200,000 to fund employee separation payments and related benefits, and \$8,646,870 to finance various public improvements. The public improvement serial bonds mature in September 2030 and bear interest rates ranging from 2.0% to 3.0%.

In February 2018, the City issued \$18,291,000 in bond anticipation notes (2018 Series A) which bore an interest rate of 2.0% matured in February 2019. The purposes were to renew \$13,303,000 of 2017 Series C and \$500,000 of 2017 Series A bond anticipation notes and the balance to fund \$2,391,000 of settlements and \$2,097,000 of various capital projects.

In June 2018, the City issued \$550,000 in bond anticipation notes (2018 Series B) they bear interest at a rate of 3.0% and mature in June 2019. The purposes were to provide original financing for the cost of separation payments.

In June 2018, the City issued \$1,315,000 in bond anticipation notes (2018 Series C – Federally Taxable) they bear interest at a rate of 4.0% and mature in June 2019. The purposes were to provide original financing for the cost of certain extraordinary expenses resulting from Superstorm Sandy.

In June 2018, the City issued \$4,000,000 in tax anticipation notes (2018 Series) they bear interest at a rate of 2.5% and mature in June 2019. The proceeds from the sale will be used to finance cash flow requirements in anticipation of the collection of real property taxes which are to be levied for City purposes for the fiscal year beginning July 1, 2018.

B. COLLECTIVE BARGAINING AGREEMENTS

The City's contract with The Civil Service Employees Association ("CSEA"), which covers approximately 220 employees, was renewed on July 1, 2017, and will expire June 30, 2025.

C. LONG BEACH LOCAL DEVELOPMENT CORPORATION

In December 2017, the Board of Directors of the Long Beach Local Development Corporation (Corporation) gave notice to the City that they desire to dissolve the Corporation. As noted above, the sole member of the Corporation is the City, and therefore the decision to dissolve the Corporation is ultimately a decision of the City Council. 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 of the Corporation shall, after paying or making provisions 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.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

9. NEW PRONOUNCEMENTS

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*," which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 81, "*Irrevocable Split-Interest Agreements*," provides guidance over financing reporting for irrevocable split-interest agreements where the government is a beneficiary of the agreement. The provisions of this Statement are effective for periods beginning after December 31, 2016 first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 82, "*Pension Issues- an Amendment of GASB Statements No. 67, 68 and 73*," the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016 except for the requirements for selection of assumptions in certain circumstances. In those certain circumstances, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 83, "*Certain Asset Retirement Obligations*," the objective of which is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of the new Statement become effective for the City for the year ended June 30, 2019.

Statement No. 84, "*Fiduciary Activities*," the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of the new Statement become effective for the City for the year ending June 30, 2020.

Statement No. 85, "*Omnibus 2017*," the objective of which is to address practice issues that have been identified during implementation of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of the new Statement become effective for the City for the year ending June 30, 2018.

Statement No. 86, "*Certain Debt Extinguishment Issues*," the objective of which is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also addresses reporting for prepaid insurance on debt that is extinguished. The requirements of the new Statement become effective for the City for the year ending June 30, 2018.

CITY OF LONG BEACH
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

9. NEW PRONOUNCEMENTS (continued)

Statement No. 87, "*Leases*," requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for the City for the year ending June 30, 2020.

Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*," the objective of which is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement 1) defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established, 2) requires that additional information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses, and 3) requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the City for the year ending June 30, 2019.

Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*," the objectives of which are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for the City for the year ending June 30, 2021.

Statement No. 90, "*Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*)

The objectives of which are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for the City for the year ending June 30, 2020.

The City is currently evaluating the impact, if any, of the above pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
Major Governmental Funds and Schedules
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)
Schedule of Pension Liability - Length of Service Award Program (LOSAP)
Schedule of Proportionate Share of the Net Pension Liability
Schedule of Pension Contributions

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The Capital Projects and the FEMA funds are budgeted on a project or grant basis.

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Real Property Taxes				
Real property taxes	\$ 35,794,272	\$ 35,794,272	\$ 35,670,101	\$ (124,171)
Total Real Property Taxes	35,794,272	35,794,272	35,670,101	(124,171)
Other Real Property Tax Items				
Payment in lieu of taxes	220,000	220,000	260,306	40,306
Interest and penalties on real property tax	242,500	242,500	267,783	25,283
Total Other Real Property Tax Items	462,500	462,500	528,089	65,589
Non-Property Tax Items				
Sales tax revenues	3,935,000	3,935,000	4,091,171	156,171
Utilities gross receipts tax	700,000	700,000	427,172	(272,828)
Franchise fees	810,000	810,000	871,181	61,181
Total Non-Property Tax Items	5,445,000	5,445,000	5,389,524	(55,476)
Departmental Income				
Civil service charges	85,000	85,000	87,975	2,975
Clerk fees	95,000	95,000	105,199	10,199
Other general fees	9,150	9,150	13,278	4,128
Emergency tenant protection act fees	7,260	7,260	6,398	(862)
Police fees	130,000	130,000	149,777	19,777
Fire and automatic alarm fees	145,000	145,000	111,131	(33,869)
Clean lots and secure buildings	15,000	15,000	6,711	(8,289)
Sidewalk and curb charges	20,000	20,000	2,549	(17,451)
Recreation fees	1,557,500	1,557,500	1,366,129	(191,371)
Ambulances charges	1,050,000	1,050,000	1,001,494	(48,506)
Data processing fees	800	800	800	-0-
Parking, meters and gate access fees	162,500	162,500	183,389	20,889
Bus passenger fees	435,000	435,000	380,397	(54,603)
Beach charges	5,025,327	5,025,327	4,355,854	(669,473)
Long Beach arena fees	780,000	780,000	675,635	(104,365)
Other recreational charges	106,000	136,000	58,402	(77,598)
Youth services	1,035,460	1,035,460	960,183	(75,277)
Community Center activities	5,000	7,381	13,695	6,314
Zoning and planning board	48,550	48,550	64,587	16,037
Memorial Garden fees	1,225	1,225	1,225	-0-
Refuse and garbage charges	9,319,635	9,319,635	9,321,390	1,755
Commercial sanitation fees	710,000	710,000	622,254	(87,746)
Total Departmental Income	20,743,407	20,775,788	19,488,452	(1,287,336)
Intergovernmental Charges				
Fire protection and dispatching services	203,760	203,760	205,243	1,483
Health and inspection services - Nassau County	22,500	22,500	22,929	429
Transit services - Nassau County	75,000	75,000	(410,951)	(485,951)
Gasoline and fuel charges	16,000	16,000	-0-	(16,000)
Housing inspections	30,000	30,000	30,000	-0-
Total Intergovernmental Charges	347,260	347,260	(152,779)	(500,039)

(continued)

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
(continued)				
Use of Money and Property				
Interest earnings	45,000	45,000	80,883	35,883
Interest earnings - interfund balances	15,000	15,000	19,227	4,227
Transportation advertising fees	60,000	60,000	50,937	(9,063)
Banner advertising fees	7,500	7,500	8,160	660
Vending machine	4,000	4,000	10,328	6,328
Rental of real property	460,066	460,066	487,231	27,165
Interest and penalties	6,000	6,000	5,704	(296)
Total Use of Money and Property	<u>597,566</u>	<u>597,566</u>	<u>662,470</u>	<u>64,904</u>
Licenses and Permits				
Business and occupational licenses	1,175,000	1,175,000	1,439,869	264,869
Street opening permits	85,000	85,000	121,110	36,110
Plumbing permits	150,000	150,000	140,203	(9,797)
Dog licenses	3,000	3,000	4,895	1,895
Marriage licenses	3,000	3,000	3,433	433
Other	1,146,000	1,421,000	358,016	(1,062,984)
Total Licenses and Permits	<u>2,562,000</u>	<u>2,837,000</u>	<u>2,067,526</u>	<u>(769,474)</u>
Fines and Forfeitures				
Fines and forfeited bail	530,000	530,000	400,069	(129,931)
Seized property and unclaimed property	20,000	20,000	1,749	(18,251)
Handicapped parking education	3,500	3,500	2,055	(1,445)
Court fees	475,000	475,000	375,956	(99,044)
Total Fines and Forfeitures	<u>1,028,500</u>	<u>1,028,500</u>	<u>779,829</u>	<u>(248,671)</u>
Sales of Property and Compensation for Loss				
Insurance recoveries	225,000	1,029,075	956,067	(73,008)
Sale of equipment	100,000	100,000	44,954	(55,046)
Sale of real property	600,000	600,000	-0-	(600,000)
Minor sales	65,000	65,000	40,276	(24,724)
Other compensation for loss	5,000	5,000	4,998	(2)
Total Sale of Property and Compensation for Loss	<u>995,000</u>	<u>1,799,075</u>	<u>1,046,295</u>	<u>(752,780)</u>
Miscellaneous Local Sources				
Refund of prior year's expenditures	10,000	10,000	75,614	65,614
Gifts and donations	135,000	146,000	170,933	24,933
Employee health insurance contributions	105,000	105,000	135,101	30,101
Other	251,000	289,338	451,902	162,564
Total Miscellaneous Local Sources	<u>501,000</u>	<u>550,338</u>	<u>833,550</u>	<u>283,212</u>

(continued)

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
(continued)				
Interfund Revenues	500,000	500,000	-0-	(500,000)
State and Local Aid				
Per capita	3,152,704	3,152,704	3,152,704	-0-
Mortgage tax	875,000	875,000	1,238,273	363,273
Court facilities aid	62,908	62,908	62,908	-0-
Public safety grants	74,000	74,000	35,359	(38,641)
Bus operations	840,120	840,120	946,781	106,661
CHIPs grant	396,000	396,000	795,945	399,945
Mapping studies	-0-	42,994	9,447	(33,547)
Youth, elderly and out of school program	9,294	10,254	9,956	(298)
Other	270,000	420,685	294,333	(126,352)
Total State and Local Aid	5,680,026	5,874,665	6,545,706	671,041
Federal Aid				
Youth services	20,000	20,000	12,750	(7,250)
Mass transit	340,000	358,000	1,791,547	1,433,547
Transit preventative maintenance	201,200	201,200	362,400	161,200
Community development block grant	-0-	-0-	11,095	11,095
Other	253,250	281,519	13,669	(267,850)
Total Federal Aid	814,450	860,719	2,191,461	1,330,742
Total Revenues	\$ 75,470,981	\$ 76,872,683	\$ 75,050,224	\$ (1,822,459)

(continued)

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
(continued)				
EXPENDITURES				
Current:				
General Government Support				
City council	\$ 107,799	\$ 106,001	\$ 105,817	\$ 184
Traffic violation bureau	60,000	61,798	61,798	-0-
City manager	330,522	343,211	343,209	2
City comptroller	748,535	735,244	733,077	2,167
Tax receiver	186,641	186,641	185,416	1,225
Purchasing	165,284	166,429	166,427	2
Tax assessor	245,081	227,236	225,736	1,500
Credit card fees	50,000	62,302	62,302	-0-
City clerk	328,924	370,617	369,908	709
Legal counsel	1,113,784	1,166,082	1,166,078	4
Civil service	239,750	251,425	251,416	9
Buildings	562,785	519,614	518,755	859
Public works	1,183,175	1,512,744	1,473,929	38,815
Municipal building	957,017	1,037,933	951,611	86,322
Central garage	1,808,418	1,644,254	1,614,654	29,600
Central administration services	433,351	443,784	419,853	23,931
Central data processing	530,212	530,080	495,399	34,681
Other expenditures	144,000	144,000	84,442	59,558
Unallocated insurance	950,000	875,651	875,651	-0-
Refunds of real property taxes	622,500	479,908	479,908	-0-
Metropolitan commuter transportation mobility tax	122,031	131,381	131,380	1
Termination payments	1,800,000	1,826,410	1,826,410	-0-
Publicity	173,701	173,701	159,073	14,628
Self insurance	468,274	468,274	468,274	-0-
Contingency	512,307	-0-	-0-	-0-
Total General Government Support	13,844,091	13,464,720	13,170,523	294,197
Education				
Community college chargeback	440,000	210,996	143,045	67,951
College reimbursements	4,000	4,000	1,950	2,050
Total Education	444,000	214,996	144,995	70,001
Public Safety				
Police department	13,020,822	13,323,068	13,322,551	517
Fire department	3,179,711	3,752,622	3,752,615	7
Traffic control	150,000	146,272	146,272	-0-
Auxiliary police	25,000	18,063	18,062	1
Animal control	116,500	116,500	115,000	1,500
Total Public Safety	16,492,033	17,356,525	17,354,500	2,025

(continued)

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017

(continued)	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Transportation				
Bus transportation	1,571,650	1,663,828	1,662,705	1,123
Street lighting	250,000	174,872	174,871	1
Snow removal	255,000	145,724	145,285	439
Other transportation	32,244	7,944	4,329	3,615
Total Transportation	<u>2,108,894</u>	<u>1,992,368</u>	<u>1,987,190</u>	<u>5,178</u>
Economic Assistance and Opportunity				
Economic development	312,770	362,551	309,880	52,671
Total Economic Assistance and Opportunity	<u>312,770</u>	<u>362,551</u>	<u>309,880</u>	<u>52,671</u>
Culture and Recreation				
Recreation	3,431,460	3,642,024	3,635,639	6,385
Lifeguards	1,291,800	1,489,956	1,489,937	19
Beach park	637,500	617,399	617,398	1
Youth and family services	698,269	710,561	710,476	85
MLK childcare center	-0-	22,217	22,216	1
Magnolia community center	394,970	366,736	366,452	284
Celebrations	255,000	264,840	264,837	3
Arts council	-0-	1,031	1,030	1
Performing arts	48,460	50,259	50,258	1
Recreation program for the aging	1,800	-0-	-0-	-0-
Total Culture and Recreation	<u>6,759,259</u>	<u>7,165,023</u>	<u>7,158,243</u>	<u>6,780</u>
Home and Community Services				
Zoning	67,400	26,150	26,150	-0-
Sanitation	4,136,759	4,221,501	4,221,497	4
Street maintenance	1,716,695	1,610,519	1,610,506	13
Beach maintenance	1,989,096	2,367,023	2,366,722	301
Shade trees	55,000	45,971	39,020	6,951
Conservation recycling	40,000	6,404	6,403	1
Emergency tenants protection act	6,050	5,150	5,150	-0-
Other	14,000	10,639	10,638	1
Total Home and Community Services	<u>8,025,000</u>	<u>8,293,357</u>	<u>8,286,086</u>	<u>7,271</u>
Employee Benefits				
State retirement	2,700,000	2,826,622	2,826,622	-0-
Fire service award program	97,500	97,514	91,661	5,853
Police and fire retirement	3,800,000	3,810,312	3,810,312	-0-
Social security	2,745,706	2,762,524	2,539,591	222,933
Life insurance	120,000	120,000	101,838	18,162
Unemployment insurance	50,000	50,000	21,273	28,727
Disability	4,750	4,750	3,903	847
Hospital and medical insurance	9,956,500	10,241,294	10,083,481	157,813
Firefighters' supplemental benefit- self insurance charge	416,768	416,768	416,768	-0-
Workers' compensation - self insurance charge	2,038,958	2,038,958	1,913,975	124,983
Other fringe benefits	130,000	130,000	118,127	11,873
Total Employee Benefits	<u>22,060,182</u>	<u>22,498,742</u>	<u>21,927,551</u>	<u>571,191</u>

(continued)

CITY OF LONG BEACH
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
(continued)				
Debt Service				
Debt issuance costs	90,000	116,943	116,942	1
Total Debt Service	90,000	116,943	116,942	1
Total Expenditures	70,136,229	71,465,225	70,455,910	1,009,315
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,334,752	5,407,458	4,594,314	(813,144)
Other Financing Sources (Uses)				
Debt proceeds	1,800,000	2,010,957	2,010,957	-0-
Transfers in	920,701	920,701	496,832	(423,869)
Transfers out	(8,692,998)	(8,976,661)	(8,023,868)	952,793
Total Other Financing Sources (Uses)	(5,972,297)	(6,045,003)	(5,516,079)	528,924
Net Change in Fund Balance	<u>\$ (637,545)</u>	<u>\$ (637,545)</u>	<u>(921,765)</u>	<u>\$ (284,220)</u>
Fund Balance at Beginning of Year			7,548,349	
Cumulative Effect of a Change in Accounting Principle			<u>1,738,215</u>	
Fund Balance at Beginning of Year, as Restated			<u>9,286,564</u>	
Fund Balance at End of Year			<u>\$ 8,364,799</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
WATER FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Departmental income	\$ 4,861,298	\$ 4,861,298	\$ 4,646,820	\$ (214,478)
Licenses and permits	175,000	225,000	247,250	22,250
Sales of property and compensation for loss	68,000	68,000	69,891	1,891
Total Revenues	<u>5,104,298</u>	<u>5,154,298</u>	<u>4,963,961</u>	<u>(190,337)</u>
EXPENDITURES				
Current:				
General government support	171,124	142,096	142,096	-0-
Home and community services	2,672,044	2,709,620	2,662,927	46,693
Employee benefits	1,544,503	1,578,066	1,576,584	1,482
Debt service:				
Debt issuance costs	5,000	7,421	7,421	-0-
Total Expenditures	<u>4,392,671</u>	<u>4,437,203</u>	<u>4,389,028</u>	<u>48,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>711,627</u>	<u>717,095</u>	<u>574,933</u>	<u>(142,162)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-0-
Transfers out	(916,880)	(922,348)	(922,346)	2
Total Other Financing Sources (Uses)	<u>(866,880)</u>	<u>(872,348)</u>	<u>(872,346)</u>	<u>2</u>
Net Change in Fund Balance	<u>\$ (155,253)</u>	<u>\$ (155,253)</u>	<u>(297,413)</u>	<u>\$ (142,160)</u>
Fund Balance at Beginning of Year			<u>1,632,304</u>	
Fund Balance at End of Year			<u>\$ 1,334,891</u>	

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEWER FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Departmental income	\$ 5,034,542	\$ 5,034,542	\$ 4,944,303	\$ (90,239)
Intergovernmental charges	475,000	475,000	568,878	93,878
Licenses and permits	35,000	35,000	39,000	4,000
Total Revenues	<u>5,544,542</u>	<u>5,544,542</u>	<u>5,552,181</u>	<u>7,639</u>
EXPENDITURES				
Current:				
General government support	173,644	169,016	158,778	10,238
Home and community services	2,674,760	2,739,087	2,469,017	270,070
Employee benefits	1,447,984	1,471,163	1,407,718	63,445
Debt service:				
Interest - interfund	11,000	19,227	19,227	-0-
Debt issuance costs	10,000	14,628	14,627	1
Total Expenditures	<u>4,317,388</u>	<u>4,413,121</u>	<u>4,069,367</u>	<u>343,754</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,227,154</u>	<u>1,131,421</u>	<u>1,482,814</u>	<u>351,393</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	90,000	189,043	189,043	-0-
Transfers in	307,254	307,254	57,254	(250,000)
Transfers out	(1,624,408)	(1,627,718)	(1,627,718)	-0-
Total Other Financing Sources (Uses)	<u>(1,227,154)</u>	<u>(1,131,421)</u>	<u>(1,381,421)</u>	<u>(250,000)</u>
Net Change in Fund Balances	<u>\$ -0-</u>	<u>\$ -0-</u>	101,393	<u>\$ 101,393</u>
Fund Balance at Beginning of Year			<u>491,947</u>	
Fund Balance at End of Year			<u>\$ 593,340</u>	

CITY OF LONG BEACH
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
June 30, 2017

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2015*	\$ -0-	\$ 135,559,820	\$ 135,559,820	0.00%	\$ 34,072,909 **	397.85%
2015	\$ -0-	\$ 126,811,040	\$ 126,811,040	0.00%	\$ 34,072,909	372.18%
2013	\$ -0-	\$ 112,145,012	\$ 112,145,012	0.00%	\$ 33,212,727	337.66%
2011	\$ -0-	\$ 108,077,034	\$ 108,077,034	0.00%	\$ 27,365,670	394.94%
2009	\$ -0-	\$ 68,550,284	\$ 68,550,284	0.00%	\$ 30,900,000	221.85%

* - Projected for the year ended June 30, 2017.

** - Covered payroll for June 30, 2016 was used for the June 30, 2017 projection.

CITY OF LONG BEACH
SCHEDULE OF PENSION LIABILITY - LENGTH OF SERVICE AWARD PROGRAM (LOSAP)
June 30, 2017

Measurement date	June 30, 2017
Total pension liability	
Service cost	\$ 117,918
Interest	100,865
Changes in assumptions	(543,277)
Differences between expected and actual experience	30,818
Benefit payments	(88,107)
Total pension liability - beginning of year	3,498,338
Total pension liability - end of year	\$ 3,116,555
Covered payroll	N/A
Total pension liability as a percentage of covered-employee payroll	N/A

Notes:

There are no assets accounted in a trust which meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

The above information is based on a June 30, 2017 measurement date. Information for the previous years was not available. Additional years will be included as information becomes available.

Covered payroll and total pension liability as a percentage of covered payroll is not applicable as since the the participants are volunteer firefighters.

There was a change in the discount rate assumption as follows:

June 30, 2017 measurement date	3.56%
June 30, 2016 measurement date	2.92%

CITY OF LONG BEACH
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

NYSERS	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the collective net pension liability	0.0744609%	0.0699281%	0.0718696%	0.0718696%
City's proportionate share of the net collective pension liability	\$ 6,996,508	\$ 11,223,658	\$ 2,427,932	\$ 3,247,688
City's covered-employee payroll	\$ 19,119,593	\$ 19,336,743	\$ 19,487,079	\$ 18,128,634
City's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	36.59%	58.04%	12.46%	17.91%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	94.70%	90.70%	97.90%	97.20%
 NYSFRS	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>	 <u>2014</u>
City's proportion of the collective net pension liability	0.3785813%	0.4112679%	0.4991109%	0.4991109%
City's proportionate share of the net collective pension liability	\$ 7,846,672	\$ 12,176,768	\$ 1,373,851	\$ 2,077,846
City's covered-employee payroll	\$ 14,145,939	\$ 14,693,135	\$ 13,371,240	\$ 19,337,631
City's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	55.47%	82.87%	10.27%	10.75%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	93.50%	90.20%	99.00%	98.50%

Note - Amounts presented are based on the fiscal year related to the measurement date of March 31st.

CITY OF LONG BEACH
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

ERS

Year Ended June 30,	Contractually required contributions	Contributions recognized by the plan in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2017	\$ 2,955,514	\$ 2,955,514	\$ -0-	\$ 21,090,672	14.01%
2016	2,838,886	2,838,886	-0-	19,464,644	14.58%
2015	3,279,122	2,313,080	966,042	18,865,565	12.26%
2014	2,825,538	2,110,802	714,736	18,540,953	11.38%
2013	3,807,300	2,282,468	1,524,832	18,654,306	12.24%
2012	2,543,976	1,958,429	585,547	19,420,533	10.08%
2011	2,034,790	2,034,790	-0-	17,950,829	11.34%
2010	1,492,709	1,492,709	-0-	19,844,576	7.52%
2009	1,335,179	1,335,179	-0-	16,430,358	8.13%
2008	1,217,254	1,217,254	-0-	16,221,656	7.50%

PFRS

Year Ended June 30,	Contractually required contributions	Contributions recognized by the plan in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2017	\$ 3,367,397	\$ 3,367,397	\$ -0-	\$ 15,536,046	21.67%
2016	2,230,796	2,230,796	-0-	14,748,194	15.13%
2015	5,654,269	3,512,074	2,142,195	14,917,504	23.54%
2014	3,809,143	3,000,027	809,116	18,763,096	15.99%
2013	3,437,619	2,809,075	628,544	13,325,362	21.08%
2012	2,894,346	2,681,353	212,993	14,386,088	18.64%
2011	2,355,257	2,355,257	-0-	13,299,109	17.71%
2010	1,757,840	1,757,840	-0-	10,816,952	16.25%
2009	1,903,100	1,903,100	-0-	13,221,427	14.39%
2008	1,739,460	1,739,460	-0-	13,233,664	13.14%

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Debt Service Fund

CITY OF LONG BEACH
SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Use of money and property			\$ 22,411	\$ 22,411
Miscellaneous local sources			232,868	232,868
Total Revenues	\$ -0-	\$ -0-	255,279	255,279
EXPENDITURES				
Debt Service:				
Principal - serial bonds	7,543,132	7,486,132	7,143,511	342,621
Interest - serial bonds	2,902,986	2,902,986	2,606,131	296,855
Principal - capital leases	320,996	320,996	310,349	10,647
Interest - capital leases	113,581	113,581	98,279	15,302
Total Expenditures	10,880,695	10,823,695	10,158,270	665,425
Excess (Deficiency) of Revenues				
Over (Under) Expenditures				
	(10,880,695)	(10,823,695)	(9,902,991)	920,704
OTHER FINANCING SOURCES (USES)				
Transfers in	10,880,695	10,880,695	10,215,270	(665,425)
Transfers out	(529,086)	(586,086)	(586,086)	-0-
Total Other Financing Sources (Uses)	10,351,609	10,294,609	9,629,184	(665,425)
Net Change in Fund Balances				
	\$ (529,086)	\$ (529,086)	(273,807)	\$ 255,279
Fund Balance at Beginning of Year				
			866,554	
Fund Balance at End of Year				
			\$ 592,747	