

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Miami Beach Employees' Retirement Plan
Miami Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Miami Beach Employees' Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2015 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Comparative Information

We have previously audited the Miami Beach Employees' Retirement Plan's 2014 financial statements, and our report dated March 14, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the city's net pension liability and related ratios, schedule of city contributions, and schedule of investment returns on pages 4–8 and 25–27 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

The schedule of investment expenses and the schedule of administrative expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the 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 March 14, 2016 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
March 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
(Required Supplementary Information)

September 30, 2015

Our discussion and analysis of the Miami Beach Employees' Retirement Plan's (the Plan) financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal year ended September 30, 2015 compared to the fiscal year ended September 30, 2014. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information. Please read it in conjunction with the Plan's financial statements, which follows this discussion.

Financial Highlights

- The Plan assets exceeded its liabilities at the close of fiscal years ended September 30, 2015 and 2014 by \$507,584,533 and \$516,387,785, respectively (reported as net position held in trust for pension benefits).
- For the fiscal year ended September 30, 2015, liabilities increased by \$8,162 (or 6%) from the fiscal year ended September 30, 2014.
- For the fiscal year ended September 30, 2015, City contributions to the Plan, increased \$854,550 (or 3%).
- For the fiscal year ended September 30, 2015, member contributions including buybacks decreased by \$63,224 (or 1%).
- For the fiscal year ended September 30, 2015, the Plan had a net investment loss of \$(5,048,406) compared to net investment income of \$51,773,646 in the fiscal year ended September 30, 2014.
- For the fiscal year ending September 30, 2015, administrative expenses increased by \$37,432 (or 6%).

Plan Highlights

As of September 30, 2015, the total return of the Plan's portfolio was (1.1)% and ranked in the 62nd percentile of the universe of total funds, 0.9% above the benchmark return of (2.0)%. During fiscal year 2014, the total return of the Plan's portfolio was 11.0%, and ranked in the 21st percentile of the universe of total funds, .2% above the benchmark return of 10.8%.

Description of the Financial Statements

The *Statement of Fiduciary Net Position* presents information that includes all of the Plan's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two reported as net position held in trust for pension benefits. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay members, retirees and beneficiaries at that point in time.

The *Statement of Changes in Fiduciary Net Position* reports how the Plan's net position changed during the year. The additions and deductions to net position are summarized in this statement. The additions include contributions to the retirement plan from the City and members and net investment income, which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Plan, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There are also three *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The schedule of changes in the City's net pension liability and related ratios, schedule of City contributions, and schedule of investment returns are available following the notes to the financial statements.

Additional information is presented as part of *Supplementary Information*. This section is not required but management has chosen to include it. It includes the *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Plan and include financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Plan.

Summary of Fiduciary Net Position

The table below shows comparative summary of Plan Fiduciary Position:

	2015	2014	Increase (Decrease) 2014 to 2015	
			Amount	Percent
Cash and cash equivalents	\$ 4,526,360	\$ 1,179,625	\$ 3,346,735	284%
Receivables	316,270	258,765	57,505	22%
Investments	<u>502,890,765</u>	<u>515,090,095</u>	<u>(12,199,330)</u>	-2%
Total assets	507,733,395	516,528,485	(8,795,090)	-2%
Liabilities	<u>148,862</u>	<u>140,700</u>	<u>8,162</u>	6%
Net position held in trust for pension benefits	<u>\$ 507,584,533</u>	<u>\$ 516,387,785</u>	<u>\$ (8,803,252)</u>	-2%

- The Plan assets exceeded its liabilities at the close of fiscal years ended September 30, 2015 and 2014 by \$507,584,533 and \$516,387,785 respectively (reported as net position held in trust for pension benefits). Net position is held in trust to meet future benefit payments. The decrease of \$(8,803,252) and increase of \$45,434,966, for the years ended September 30, 2015 and 2014, respectively, have resulted primarily from the changes in the contributions and the investment income and losses (market conditions).
- Receivables at year ended September 30, 2015 increased by \$57,505 (22%) from the fiscal year ended September 30, 2014 due primarily to an increase in DROP notes receivable.
- For the fiscal year ended September 30, 2015, liabilities increased by \$8,162 (or 6%) primarily due to an increase in accrued expenses.

Summary of Changes in Fiduciary Net Position

The table below shows comparative summary of changes in fiduciary net position:

	2015	2014	Increase (Decrease) 2014 to 2015	
			Amount	Percent
Additions				
Contributions:				
City	\$ 26,456,580	\$ 25,602,030	\$ 854,550	3%
Member	<u>7,310,183</u>	<u>7,373,407</u>	<u>(63,224)</u>	-1%
Total contributions	33,766,763	32,975,437	791,326	2%
Net investment income (loss)	<u>(5,048,406)</u>	<u>51,773,646</u>	<u>(56,822,052)</u>	-110%
Total additions	<u>28,718,357</u>	<u>84,749,083</u>	<u>(56,030,726)</u>	-66%
Deductions				
Benefits paid	35,874,016	37,501,400	(1,627,384)	-4%
Refund of contributions	941,310	1,143,866	(202,556)	-18%
Administrative expenses	<u>706,283</u>	<u>668,851</u>	<u>37,432</u>	6%
Total deductions	<u>37,521,609</u>	<u>39,314,117</u>	<u>(1,792,508)</u>	-5%
Net increase (decrease)	(8,803,252)	45,434,966	(54,238,218)	-119%
Net position held in trust for pension benefits at beginning of year	<u>516,387,785</u>	<u>470,952,819</u>	<u>45,434,966</u>	10%
Net position held in trust for pension benefits at end of year	<u>\$ 507,584,533</u>	<u>\$ 516,387,785</u>	<u>\$ (8,803,252)</u>	-2%

- For the fiscal year ended September 30, 2015, City contributions to the Plan, increased \$854,550 (or 3%). Actual City contributions are based primarily on the actuarial valuation and were \$26,456,580 and \$25,602,030 for 2015 and 2014, respectively.
- For the fiscal year ended September 30, 2015, member contributions including buybacks decreased by \$(63,244) (or -1%). Actual member contributions, including buybacks were \$7,310,183 and \$7,373,407 for 2015 and 2014, respectively.
- For the fiscal year ended September 30, 2015, the Plan had a net investment loss of \$(5,048,406) compared to net investment income of \$51,773,646 in the fiscal year ended September 30, 2014. Actual results were \$(9,806,578) and \$47,490,489 in net appreciation (depreciation) in fair value of investments for 2015 and 2014, respectively, \$5,433,273 and \$5,097,103 of income from interest and dividends, respectively. Investment expense decreased by \$138,845 (or 17%).

The Plan's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At September 30, 2015, the domestic equity portion, excluding the DROP mutual funds, comprised 42% (\$206,778,561) of the total portfolio. The allocation to fixed income securities was 31% (\$154,832,630), while real estate comprised 12% or (\$56,866,879). The allocation to international equity was 15% (\$73,795,023) of the total portfolio.

At September 30, 2014, the domestic equity portion, excluding DROP mutual fund, comprised 51.6% (\$262,508,080) of the total portfolio. The allocation to fixed income securities was 31.4% (\$159,989,139), while cash and cash equivalents comprised .3% (\$1,179,625). The allocation to international equity was 16.7% (\$85,158,862) of the total portfolio.

The target asset allocation as of September 30, 2015 is as follows:

Domestic equities	43%
Fixed income securities	31%
International equities	16%
Real estate	10%

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact Miami Beach Employees' Retirement Plan, 1700 Convention Center Drive, Miami Beach, Florida 33139.

FINANCIAL STATEMENTS

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2015

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and Cash Equivalents	\$ 4,526,360	\$ 1,179,625
Receivables		
Accrued interest and dividends	68,249	94,096
DROP notes receivable	<u>248,021</u>	<u>164,669</u>
Total Receivables	<u>316,270</u>	<u>258,765</u>
Investments, at Fair Value		
Domestic equities	206,778,561	262,508,080
International equities	73,795,023	85,158,862
Fixed income securities	102,970,038	104,115,494
Domestic bond fund	51,862,592	55,873,645
Real estate fund	56,866,879	--
Mutual funds - Deferred Retirement Option Program	<u>10,617,672</u>	<u>7,434,014</u>
Total Investments	<u>502,890,765</u>	<u>515,090,095</u>
Total Assets	507,733,395	516,528,485
Liabilities		
Accounts payable and accrued expenses	<u>148,862</u>	<u>140,700</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 507,584,533</u>	<u>\$ 516,387,785</u>

The accompanying notes are an integral part of these financial statements.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

**FOR THE YEAR ENDED SEPTEMBER 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2014)**

	2015	2014
Additions		
Contributions		
City	\$ 26,456,580	\$ 25,602,030
Members	<u>7,310,183</u>	<u>7,373,407</u>
Total Contributions	<u>33,766,763</u>	<u>32,975,437</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	(9,806,578)	47,490,489
Interest and dividends	<u>5,433,273</u>	<u>5,097,103</u>
Total Investment Income (Loss)	(4,373,305)	52,587,592
Less: investment expenses	<u>675,101</u>	<u>813,946</u>
Net Investment Income (Loss)	<u>(5,048,406)</u>	<u>51,773,646</u>
Total Additions	<u>28,718,357</u>	<u>84,749,083</u>
Deductions		
Benefits paid	35,874,016	37,501,400
Refunds of contributions	941,310	1,143,866
Administrative expenses	<u>706,283</u>	<u>668,851</u>
Total Deductions	<u>37,521,609</u>	<u>39,314,117</u>
Net Increase (Decrease)	<u>(8,803,252)</u>	<u>45,434,966</u>
Net Position Held in Trust for Pension Benefits		
Beginning of year, as previously reported	516,387,785	466,151,540
Prior period adjustment	<u>--</u>	<u>4,801,279</u>
Beginning of year, as restated	<u>516,387,785</u>	<u>470,952,819</u>
End of year	<u>\$ 507,584,533</u>	<u>\$ 516,387,785</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 – DESCRIPTION OF THE PLAN

ORGANIZATION

The Miami Beach Employees' Retirement Plan (the Plan) is a single-employer defined benefit pension plan for general employees established by the City of Miami Beach, Florida (the City) effective March 18, 2006. The Miami Beach Employees' Retirement System was created under and by the authority of Chapter 18691, Laws of Florida, Act of 1937, as amended, by merging the "Retirement System for General Employees of the City of Miami Beach" created by Ordinance 1901 with the "Retirement System for Unclassified Employees and Elected Officials of the City of Miami Beach" created by Ordinance 88-2603, as amended. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

Classified employees in the Plan are segregated into three unions and into a category called "Others": American Federation of State, County and Municipal Employees (AFSCME), Communications Workers of America (CWA) and Government Supervisors Association of Florida (GSAF). Unclassified and Others employees are not represented by a bargaining unit.

The following brief description of the Plan is provided for general information purposes only. Members should refer to the Plan document for more detailed and comprehensive information.

MEMBERS

Members are all full-time employees, classified and unclassified positions, who work more than 30 hours per week except for police officers and firefighters and persons who elected to join the defined contribution retirement plan sponsored by the City.

MEMBERSHIP

Membership consisted of the following as of October 1, 2014, the date of the latest actuarial valuation:

Inactive plan members and beneficiaries currently receiving benefits	1,066
Inactive plan members entitled but not yet receiving benefits	181
Active plan members	<u>1,011</u>
Total members	<u><u>2,258</u></u>

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

PENSION BENEFITS

The Plan provides for retirement benefits as well as death and disability benefits at three different tiers depending on when the members entered the Plan.

The First Tier is for members that entered the Plan prior to the Second Tier Dates. The Second Tier is for members that entered the Plan on or after the Second Tier Dates, but before the Third Tier Dates. The Third Tier is for members that entered the Plan on or after the Third Tier Dates. Both the Second Tier and Third Tier Dates were established when each of the unions bargained with the City to establish new guidelines for retirement benefits relating to employees associated with their Unions. The Second Tier Dates are April 30, 1993 for members of AFSCME; August 1, 1993 for those classified as Other and GSAF, and February 21, 1994 for members of CWA. The Third Tier Dates are September 30, 2010 for members of AFSCME, GSAF and for those classified as other, and October 27, 2010 for members of CWA.

Classified members administered under the First Tier are eligible for normal retirement at age 50 and five years of Creditable Service and are entitled to benefits of 3% of Final Average Monthly Earnings (FAME) multiplied by the first 15 years of Creditable Service plus 4% of FAME multiplied by years of service in excess of 15 years, with the total not to exceed 90% of FAME. First Tier unclassified members accrued 4% for creditable service before October 18, 1992. Unclassified First Tier members accrued 3% per year of service after October 18, 1992, with the total not to exceed 80% of FAME.

Classified and unclassified members administered under the Second Tier are eligible for Normal Retirement at age 55 and five years of creditable service and are entitled to benefits of 3% of FAME multiplied by creditable service, subject to a maximum of 80% of FAME.

Classified and unclassified members administered under the Third Tier are eligible for Normal Retirement at age 55 with at least 30 years of creditable service, or age 62 with at least five years of creditable service and are entitled to benefits of 2.5% of FAME multiplied by creditable service, subject to a maximum of 80% of FAME.

For elected officials, City Manager or City Attorney, the benefit is 4% of FAME for each year of creditable service as an elected official, city manager or city attorney plus the retirement benefit as defined above for any other period of city employment, subject to a maximum of 80% of FAME.

Final average monthly earnings (FAME) means one-twelfth of the average annual earnings during the highest two paid years of credible service. For Unclassified First Tier members who became a member prior to October 18, 1992 and was continuously a member from that

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

PENSION BENEFITS (CONTINUED)

date until March 18, 2006, FAME is defined as the larger of one-twelfth average covered salary during the two highest paid years of creditable service or one-twelfth of the pay of the year immediately preceding March 18, 2006. Effective as of September 30, 2010, FAME for members who have obtained normal retirement age or are within 24 months from normal retirement age is defined as average covered salary during the two highest paid years of creditable service. FAME for those members who as of September 30, 2010 are between 24 and 36 months from normal retirement age is defined as average covered salary during the three highest paid years of creditable service. FAME for those members who as of September 30, 2010 are between 36 and 48 months from normal retirement age is defined as average covered salary during the four highest paid years of creditable service. FAME for those members who as of September 30, 2010 are more than 48 months from normal retirement age is defined as average covered salary during the five highest paid years of creditable service.

A Member with five or more years of creditable service may, at any time prior to retirement, elect to purchase a maximum of two years additional creditable service. Effective September 30, 2013, Members whose classification is included in the CWA and GSAF bargaining unit and Members who are not included in any collective bargaining unit shall not be eligible to purchase additional creditable service. Effective April 23, 2015, members whose classifications are included in the AFSCME bargaining unit are not eligible to purchase additional creditable service.

FUNDING REQUIREMENTS

Member Contributions

All First Tier members who participate are required to contribute 12% of their covered salary to the Plan. All Second and Third Tier members are required to contribute 10% of their covered salary.

Any First Tier member who terminates employment may either request a refund of their own contributions plus interest, or receive their accrued benefit beginning at age 50, if at least five years of creditable service are completed. Any Second Tier member who entered on or after the Second Tier Date and who terminates employment after five years of creditable service may either request a refund of their own contributions plus interest or receive their accrued benefit beginning at age 55. Any Third Tier member who entered on or after the Third Tier Date and who terminates employment after five years of creditable service but prior to the normal or early retirement date shall be eligible to receive a normal retirement benefit at age 62.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

FUNDING REQUIREMENTS (CONTINUED)

City Contributions

The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid to the members. The City also provides indirect administrative support such as office space and utilities.

INVESTMENTS

The Plan has contracts with investment managers who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment advisor who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan. The Plan provides for investments in U.S. Government securities, money market funds, bonds, notes, common stock, international securities, and real estate investment trust funds.

DEFERRED RETIREMENT OPTION PROGRAM (DROP)

A DROP was enacted on January 28, 2009 by Ordinance 2009-3626. Under this Program, First and Second Tier members who have attained eligibility for Normal Retirement may continue working with the City for up to three years, while receiving a retirement benefit that is deposited into a DROP account. Third Tier members may participate in a DROP account for up to five years. Effective July 17, 2013, Members within classifications in the CWA bargaining unit who were hired prior to October 27, 2010, and Members not included in any bargaining unit who were hired prior to September 10, 2010, may elect to retire for the purposes of the Program but continue employment with the City for up to sixty months, and have their monthly retirement benefit paid into a DROP account during the DROP period. Effective October 1, 2013, any member within classifications in the GSAF bargaining may elect to retire for the purposes of the Program but continue employment with the City for up to sixty (60) months, and have their monthly retirement paid into a DROP account during the DROP period. Effective April 23, 2014, members within classifications in the AFSCME bargaining unit who were hired prior to September 30, 2010, may elect to retire for the purposes of the Plan but continue employment with the City for up to sixty (60) months, and have their monthly retirement benefit paid into a DROP account during the DROP period. The amount of the benefit is calculated as if the participant had retired on the date of DROP commencement. Upon termination with the City, the accumulated value of the DROP account is distributed to the participant. A member's creditable service, accrued benefit and compensation calculation shall be frozen.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

DEFERRED RETIREMENT OPTION PROGRAM (DROP) (CONTINUED)

A series of investment vehicles which are established by the Board of Trustees are made available to DROP participants to choose from. Any losses, charges, or expenses incurred by the participant in their DROP account are not made up by the City or the Plan, but shall be borne by the participant. Upon termination of employment, a member may receive distributions in accordance with the DROP.

A DROP participant shall not be entitled to receive an ordinary or service disability retirement and in the event of death of a DROP participant, there shall be no accidental death benefit for pension purposes. DROP participation does not affect any other death or disability benefit provided to a member under federal law, state law, City ordinance, or any rights or benefits under any applicable collective bargaining agreement. As of September 30, 2015, there were 109 members in the DROP and the fair value of DROP investment was \$10,617,672 which is included in the Plan's net position. The DROP also allows for member loans. Approximately \$248,000 in loans were outstanding as of September 30, 2015.

COST OF LIVING ADJUSTMENT

First and Second Tier members receive an annual cost-of-living adjustment (COLA) of 2.5%. The COLA is not payable while members are in the DROP. For Third Tier members the COLA is 1.5%.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. City contributions are recognized as revenues when due pursuant to actuarial valuations. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date.

CASH EQUIVALENTS

The Plan considers all highly liquid investments with an original maturity of one year or less when purchased, to be cash equivalents.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are recorded at fair value in the statement of fiduciary net position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The diversity of the investment types in which the Plan has entered into requires a range of techniques to determine fair value. The overall valuation processes and information sources by major investment classification are as follows:

Debt Securities

Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporate bonds, foreign bonds, municipal bonds and bond funds. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

Equity Securities

These include common stock and domestic and international equity funds. Domestic securities, which include common stock and domestic equity funds, traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at year end. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds

Mutual funds are held on behalf of participants in the DROP. These mutual funds are priced daily at net asset value (NAV) by the fund sponsor based generally upon the exchange traded last or official closing price of the securities held by the fund.

Real Estate Investment Trusts

These investments are composed primarily of real estate investments owned directly or through partnership interests. Estimated fair value of net equity investments in real estate assets is determined by the Trustee at each valuation date. As part of the Trustee's valuation process, properties are externally appraised generally on an annual basis. Property

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

Real Estate Investment Trusts (continued)

valuations are reviewed by the Trustee quarterly and values are adjusted if there has been a significant change in circumstances related to the investment property since the last valuation.

Unrealized gains and losses are presented as net appreciation or depreciation in fair value of investments on the statement of changes in fiduciary net position along with gains and losses realized on sales of investments. Purchases and sales of securities are reflected on a trade-date basis. Interest income is recognized as earned and dividend income is recorded as of the ex-dividend date. Realized gains and losses on the sale of investments are based on average cost identification method.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

USE OF ESTIMATES

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

RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of fiduciary net position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 3 – CONTRIBUTIONS

ACTUARIALLY DETERMINED CONTRIBUTIONS

Effective May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contributions) that best fits the funding requirements of the Plan. For the years ended September 30, 2015 and 2014, the Plan determined to use the "fixed dollar contribution amount".

The contributions required from the City for the years ended September 30, 2015 and 2014 were actuarially determined using valuation dates of October 1, 2013 and October 1, 2012, respectively.

The actual City contributions for active employees for the years ended September 30, 2015 and 2014 amounted to \$26,456,580 and \$25,602,030, respectively.

NOTE 4 – DEPOSIT AND INVESTMENT RISK DISCLOSURES

CASH AND CASH EQUIVALENTS

Deposits are carried at cost and are included in cash and cash equivalents in the statement of fiduciary net position. Cash and cash equivalents include demand accounts and short-term investment funds (STIF). The cash is invested through daily sweeps of excess cash by the Plan's custodial bank into the custodial short-term (money market) commingled fund or invested in certificates of deposit, commercial paper, U.S. Treasury bills and repurchase agreements. Cash and cash equivalents at September 30, 2015 consists of the following:

Cash	\$ 3,652,601
Short-term investment	<u>873,759</u>
Total	<u><u>\$ 4,526,360</u></u>

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 4 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENT AUTHORIZATION

The Plan's investment policy is determined by the Board of Trustees. The policy has been established to have the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 60% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 25% (at cost) of the value of the portfolio.

The fixed income portfolio shall be comprised of securities rated "BBB–" or higher by Standard & Poor's rating services with no more than 5% of an investment manager's total fixed income portfolio invested in the securities of a single corporate issuer.

TYPES OF INVESTMENTS

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at fair value is as follows:

<u>Authorized Investments</u>	<u>Target % of Portfolio</u>
Domestic equities	43%
Fixed income securities	31%
International equities	16%
Real estate	10%
Cash and equivalents	0%

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 4 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

RATE OF RETURN

For the year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.61%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30, 2015.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Fixed income securities	\$ 102,970,038	\$ 102,970,038	\$ --	\$ --	\$ --
Domestic bond fund	<u>51,862,592</u>	<u>--</u>	<u>--</u>	<u>51,862,592</u>	<u>--</u>
	<u>\$ 154,832,630</u>	<u>\$ 102,970,038</u>	<u>\$ --</u>	<u>\$ 51,862,592</u>	<u>\$ --</u>

CREDIT RISK

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 4 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

CREDIT RISK (CONTINUED)

The following table discloses credit ratings by investment type, at September 30, 2015.

	Fair Value	Percent of Portfolio
Quality Rating of Credit Risk Debt Securities:		
AA+	\$ 102,970,038	67%
AA	<u>51,862,592</u>	<u>33%</u>
Total Credit Risk Debt Securities	<u>\$ 154,832,630</u>	<u>100%</u>

CONCENTRATION OF CREDIT RISK

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2015.

CUSTODIAL CREDIT RISK

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Plan's deposits are covered by depository insurance or are collateralized by securities held with a financial institution in the Plan's name.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan, and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by the Plan's custodial banks and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 5 –NET PENSION LIABILITY OF THE CITY

The components of the net pension liability of the City at September 30, 2015:

Total pension liability	\$ 723,989,446
Plan fiduciary net position	<u>(507,584,533)</u>
Net pension liability	<u>\$ 216,404,913</u>
Plan fiduciary net position as a percentage of total pension liability	70.11%

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2014, rolled forward to September 30, 2015, using the following actuarial assumptions:

Interest rates:	
Discount rate	7.85%
Long-term expected rate of return	7.85%
Mortality table	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected after year 2000 to the year 2010 using Scale

LONG-TERM EXPECTED RATE OF RETURN

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 pension plan 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 arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equities	4.06%
Fixed income securities	2.04%
International equities	4.74%
Real estate	3.32%
Cash and equivalents	0.58%

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 5 – NET PENSION LIABILITY (CONTINUED)

DISCOUNT RATE

A single discount rate of 7.85% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease 6.85%	Single Discount Rate Assumption 7.85%	1% Increase 8.85%
Net pension liability	\$ 297,949,152	\$ 216,404,913	\$ 148,003,197

NOTE 6 – TAX STATUS

The Internal Revenue Service has determined and informed the Trustees by a letter dated October 15, 2014 that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and tax counsel believe that the Plan is currently being operated in compliance with the applicable requirements of the IRC.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 7 – PRIOR PERIOD ADJUSTMENT

Management analyzed GASB Statement No. 67 and determined that the Deferred Retirement Option Program (DROP) liability recorded in 2013 did not meet the criteria of DROP liability. A pension plan is required to recognize a liability for benefits when the benefits currently are due and payable to a plan member. Therefore, only those amounts in the DROP accounts that are due and payable to the plan member at the plan's reporting date should be reported as a liability in the pension plan's statement of fiduciary net position. The 2014 beginning net position restricted for pension benefits has been restated/increased by \$4,801,279 to include the investments and the activity held in the DROP as of October 1, 2013. The Board of Trustees of the Plan serves as the administrative board, which holds title to, supervises, administers and manages the assets of the plan including the DROP.

REQUIRED SUPPLEMENTARY INFORMATION

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2015	2014
Total Pension Liability		
Service cost	\$ 11,795,411	\$ 12,306,795
Interest	53,832,182	51,809,378
Benefit changes	(1,277,929)	--
Difference between actual and expected experience	5,603,144	(278,357)
Assumption changes	11,026,357	--
Benefit payments	(35,874,016)	(37,501,400)
Refunds	(941,310)	(1,143,866)
Other (change in receivable from excess benefit plan)	311,076	311,077
Net Change in Total Pension Liability	44,474,915	25,503,627
Total Pension Liability - Beginning	679,514,531	654,010,904
Total Pension Liability - Ending (a)	\$ 723,989,446	\$ 679,514,531
Plan Fiduciary Net Position		
Contributions - employer	\$ 26,456,580	\$ 25,602,030
Contributions - member	7,310,183	7,373,407
Net investment income	(5,048,406)	51,773,646
Benefit payments	(35,874,016)	(37,501,400)
Refunds	(941,310)	(1,143,866)
Administrative expense	(706,283)	(668,851)
Other	--	--
Net Change in Plan Fiduciary Net Position	(8,803,252)	45,434,966
Plan Fiduciary Net Position - Beginning	516,387,785	470,952,819
Plan Fiduciary Net Position - Ending (b)	\$ 507,584,533	\$ 516,387,785
Net Pension Liability - Ending (a) - (b)	\$ 216,404,913	\$ 163,126,746
Plan Fiduciary Net Position as a Percentage of Total Pension	70.11%	75.99%
Covered Employee Payroll*	\$ 82,359,302	\$ 76,362,960
Net Pension Liability as a Percentage of Covered Employee Payroll	262.76%	213.62%

*Expected total covered payroll for the year ending September 30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 26,317,983	\$ 26,456,580	\$ (138,597)	\$ 82,359,302	32.12%
2014	\$ 25,602,030	\$ 25,602,030	\$ --	\$ 76,362,960	33.53%

Notes to Schedule of Contributions

Valuation Date: October 1, 2013
Measurement Date: September 30, 2015
Notes: Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	4.5% to 7.0% depending on service, including inflation
Investment Rate of Return	8.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected after year 2000 to the year 2010 using Scale AA.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	-2.61%	10.70%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2015	2014
Schedule "1"		
<u>Schedule of Investment Expenses</u>		
Financial Management Expense	\$ 569,762	\$ 642,791
Investment Consultant Fees	71,933	134,500
Investment Custodial Fees	29,164	34,354
DROP Service Fees	<u>4,242</u>	<u>2,301</u>
Total Investment Expenses	<u>\$ 675,101</u>	<u>\$ 813,946</u>
Schedule "2"		
<u>Schedule of Administrative Expenses</u>		
Personnel Services		
Salaries and payroll taxes	\$ 403,203	\$ 380,326
Total Personnel Services	<u>403,203</u>	<u>380,326</u>
Professional Services		
Legal	61,679	61,425
Actuarial	47,864	45,835
Audit	26,048	26,000
Bookkeeping	<u>4,200</u>	<u>4,200</u>
Total Professional Services	<u>139,791</u>	<u>137,460</u>
Other		
Insurance	50,915	50,317
Education, dues and subscriptions	38,115	32,986
IT department computer and phone charges	26,040	25,920
Property management fees	22,144	9,123
Printing and postage	12,881	15,533
Office supplies	2,437	1,971
Copier lease and copy fees	1,967	1,968
Computer consultant	1,948	3,053
Medical	1,350	6,150
Advertising RFP	1,000	--
Miscellaneous board of directors' expense	963	833
Verification services	945	315
Replaced check expense	877	--
Miscellaneous	876	--
Storage fees	512	327
A/C maintenance/repair	180	--
Shredding fees	139	--
IRS fee	--	2,500
Bank charges	<u>--</u>	<u>69</u>
Total Other	<u>163,289</u>	<u>151,065</u>
Total Administrative Expenses	<u>\$ 706,283</u>	<u>\$ 668,851</u>

See independent auditors' report.

REPORTING SECTION

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

To the Board of Trustees
Miami Beach Employees' Retirement Plan
Miami Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Miami Beach Employees' Retirement Plan (the Plan), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Plan's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
March 14, 2016