MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

A PENSION TRUST FUND OF THE CITY OF MIAMI BEACH, FLORIDA

FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2016

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Plan Administrator
Miami Beach Employees' Retirement Plan

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, 2016 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.

MARCUMGROUP
MEMBER

Marcum LLP ▪ One Southeast Third Avenue ▪ Suite 1100 ▪ Miami, Florida 33131 ▪ Phone 305.995.9600 ▪ Fax 305.995.9601 ▪ www.marcumllp.com

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, 2016, 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

Comparative Information

We have previously audited the Miami Beach Employees' Retirement Plan’s 2015 financial statements, and our report dated March 14, 2016, 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, 2015, 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 26–28 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, 2017 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, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

(Required Supplementary Information)

September 30, 2016

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, 2016 compared to the fiscal year ended September 30, 2015. 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, 2016 and 2015 by $554,933,714 and $507,584,533, respectively (reported as net position held in trust for pension benefits).

- For the fiscal year ended September 30, 2016, liabilities decreased by $8,163 (or 6%) from the fiscal year ended September 30, 2015.

- For the fiscal year ended September 30, 2016, City contributions to the Plan, increased $1,327,272 (or 5%).

- For the fiscal year ended September 30, 2016, member contributions including buybacks increased by $31,350.

- For the fiscal year ended September 30, 2016, the Plan had net investment income of $55,750,683 compared to a net investment loss of $(5,048,406) in the fiscal year ended September 30, 2015.

- For the fiscal year ending September 30, 2016, administrative expenses decreased by $(28,774) (or 4%).

Plan Highlights

As of September 30, 2016, the total return of the Plan's portfolio was 11.3% and ranked in the 19th percentile of the universe of total funds, 0.7% above the benchmark return of 10.6%. During fiscal year 2015, the total return of the Plan's portfolio was (1.1%), and ranked in the 62nd percentile of the universe of total funds, .9% above the benchmark return of (2.0%).

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. There were no deferred outflows/inflows at September 30, 2016.

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:

			Increase (Decrease) 2015 to 2016	
	2016	2015	Amount	Percent
Cash and cash equivalents	$ 1,416,967	$ 4,526,360	$ (3,109,393)	(69%)
Receivables	265,568	316,270	(50,702)	(16%)
Investments	550,326,976	502,890,765	47,436,211	9%
Other Assets	3,064,902	--	3,064,902	100%
Total assets	555,074,413	507,733,395	47,341,018	9%
Liabilities	140,699	148,862	(8,163)	(5%)
Net position held in trust for pension benefits	$ 554,933,714	$ 507,584,533	$ 47,349,181	9%

- The Plan assets exceeded its liabilities at the close of fiscal years ended September 30, 2016 and 2015 by $554,933,714 and $507,584,533 respectively (reported as net position held in trust for pension benefits). Net position is held in trust to meet future benefit payments. The increase of $47,349,181 and decrease of $(8,803,252), for the years ended September 30, 2016 and 2015, respectively, have resulted primarily from the changes in the contributions and the investment income and losses (market conditions).

- Cash and cash equivalents at year ended September 30, 2016 decreased by $(3,109,393) (69%) from the fiscal year ended September 30, 2015 due primarily to the timing and processing of benefit payments.

- Receivables at year ended September 30, 2016 decreased by $(50,702) (16%) from the fiscal year ended September 30, 2015 due primarily to a decrease in accrued interest and dividend receivable.

- For fiscal year ended September 30, 2016, the Plan has reported a prepayment of $3,064,902. This amount represents the October 2017 benefit payments due to retiree’s which were processed prior to year end.

- For the fiscal year ended September 30, 2016, liabilities decreased by $8,163 (or 5%) primarily due to a decrease in accrued expenses.

Summary of Changes in Fiduciary Net Position

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

	2016	2015	Increase (Decrease) 2014 to 2015 Amount	Percent
Additions				
Contributions:				
City	$ 27,783,852	$ 26,456,580	$ 1,327,272	5%
Member	7,341,533	7,310,183	31,350	0%
Total contributions	35,125,385	33,766,763	1,358,622	4%
Net investment income (loss)	55,750,683	(5,048,406)	60,799,089	1204%
Total additions	90,876,068	28,718,357	62,157,711	216%
Deductions				
Benefits paid	41,900,843	35,874,016	6,026,827	17%
Refund of contributions	948,535	941,310	7,225	1%
Administrative expenses	677,509	706,283	(28,774)	(4%)
Total deductions	43,526,887	37,521,609	6,005,278	16%
Net increase (decrease)	47,349,181	(8,803,252)	56,152,433	638%
Net position held in trust for pension benefits at beginning of year	507,584,533	516,387,785	(8,803,252)	(2%)
Net position held in trust for pension benefits at end of year	$ 554,933,714	$ 507,584,533	$ 47,349,181	9%

- For the fiscal year ended September 30, 2016, City contributions to the Plan, increased $1,327,272 (or 5%). Actual City contributions are based primarily on the actuarial valuation and were $27,783,852 and $26,456,580 for 2016 and 2015, respectively.

- For the fiscal year ended September 30, 2016, member contributions including buybacks increased by $31,350. Actual member contributions, including buybacks were $7,341,533 and $7, 310,183 for 2016 and 2015, respectively.

- For the fiscal year ended September 30, 2016, the Plan had net investment income of $55,750,683 compared to a net investment loss of $(5,048,406) in the fiscal year ended September 30, 2015. Actual results were $51,520,871 and $(9,806,578) in net appreciation (depreciation) in fair value of investments for 2016 and 2015, respectively, $5,489,593 and $5,433,273 of income from interest and dividends, respectively. Investment expenses increased by $584,680 due to itemization of investment expenses previously captured in the fund's net appreciation (depreciation) in fair value of investments for the Plan's real estate investment. Such detailed information is not available for fiscal year ended September 30, 2015.

- For the fiscal year ended September 30, 2016, the Plan's benefit paid increased $6,026,827 (17%) as compared to fiscal year ended September 30, 2015, due to properly recognizing benefits paid for the proper accounting period in 2015.

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, 2016, the domestic equity portion, excluding the DROP mutual funds, comprised 42% ($224,113,565) of the total portfolio. The allocation to fixed income securities was 30% ($162,270,704), while real estate comprised 12% or ($61,908,042). The allocation to international equity including emerging markets was 16% ($88,174,289) of the total portfolio. The current allocation to cash is $885,346.

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.

The target asset allocation as of September 30, 2016 and 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, 2016
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

	2016	2015
Assets		
Cash and Cash Equivalents	$ 1,416,967	$ 4,526,360
Receivables		
Accrued interest and dividends	27	68,249
DROP notes receivable	265,541	248,021
Total Receivables	265,568	316,270
Investments, at Fair Value		
Domestic equities	224,113,565	206,778,561
International equities	88,174,289	73,795,023
Fixed income bond funds	162,270,704	154,832,630
Real estate fund	61,908,042	56,866,879
Mutual funds - Deferred Retirement Option Program	13,860,376	10,617,672
Total Investments	550,326,976	502,890,765
Other Assets		
Prepayments	3,064,902	--
Total Assets	555,074,413	507,733,395
Liabilities		
Accounts payable and accrued expenses	140,699	148,862
Net Position Held in Trust for Pension Benefits	$ 554,933,714	$ 507,584,533

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, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016	2015
Additions		
Contributions		
City	$ 27,783,852	$ 26,456,580
Members	7,341,533	7,310,183
Total Contributions	35,125,385	33,766,763
Investment Income (Loss)		
Net appreciation (depreciation) in fair value of investments	51,520,871	(9,806,578)
Interest and dividends	5,489,593	5,433,273
Total Investment Income (Loss)	57,010,464	(4,373,305)
Less: investment expenses	1,259,781	675,101
Net Investment Income (Loss)	55,750,683	(5,048,406)
Total Additions	90,876,068	28,718,357
Deductions		
Benefits paid	41,900,843	35,874,016
Refunds of contributions	948,535	941,310
Administrative expenses	677,509	706,283
Total Deductions	43,526,887	37,521,609
Net Increase (Decrease)	47,349,181	(8,803,252)
Net Position Held in Trust for Pension Benefits		
Beginning of year	507,584,533	516,387,785
End of year	$ 554,933,714	$ 507,584,533

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

NOTES TO FINANCIAL STATEMENTS

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, 2015, the date of the latest actuarial valuation:

Inactive plan members and beneficiaries currently receiving benefits	1,046
Inactive plan members entitled but not yet receiving benefits	207
Active plan members	1,082
Total Members	2,335

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

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.

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.

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.

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

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.

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.

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

DEFERRED RETIREMENT OPTION PROGRAM (DROP) (CONTINUED)

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, 2016, there were 150 members in the DROP and the fair value of DROP investment was $13,860,376 which is included in the Plan’s net position. The DROP also allows for member loans. Approximately $266,000 in loans were outstanding as of September 30, 2016.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

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. Refer to Note 5 for more detail regarding the methods used to measure the fair value of investments.

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 statement 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 investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

COMPARATIVE INFORMATION

The financial statements include certain prior-period comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan’s financial statements for the year ended September 20, 2015, from which the information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

GASB Statement No. 72, Fair Value Measurement and Application

This Statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of GASB 72 results in increased disclosures related to the fair value measurement of investments.

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, 2016 and 2015, the Plan determined to use the "fixed dollar contribution amount".

The contributions required from the City for the years ended September 30, 2016 and 2015 were actuarially determined using valuation dates of October 1, 2014 and October 1, 2013, respectively.

The actual City contributions for active employees for the years ended September 30, 2016 and 2015 amounted to $27,783,852 and $26,456,580, 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.

NOTE 4 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents at September 30, 2016 consists of the following:

Cash	$ 531,621
Short-term investment	885,346
Total	$ 1,416,967

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:

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

NOTE 4 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

RATE OF RETURN

For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.63%. 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, 2016.

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Fixed income bond funds	$ 162,270,704	$ --	$ 54,083,545	$ 108,187,159	$ --

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.

NOTE 4 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

CREDIT RISK (CONTINUED)

The following table discloses credit ratings by investment type, at September 30, 2016.

	Fair Value	Percent of Portfolio
Quality Rating of Credit Risk Debt Securities:		
AA+	$ 108,187,159	67%
AA	54,083,545	33%
Total Credit Risk Debt Securities	$ 162,270,704	100%

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, 2016.

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.

NOTE 5 – FAIR VALUE HIERARCHY

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as defined below:

Level 1 - Investments' fair values based on prices quoted in active markets for identical assets.

Level 2 - Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3 - Investments' fair inputs based upon unobservable inputs.

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:

Short-term investments, which consists of money market funds, are reported at amortized cost.

Debt Securities
Debt securities consist primarily of 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. Accordingly, these investments have been reported as Level 2.

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 (Level 1). 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 or using a matrix pricing technique (Level 2).

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.

NOTE 5 – FAIR VALUE HIERARCHY (CONTINUED)

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 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. The real estate investment trust requires a 90-day notice for redemption.

		Fair Value Measurements Using		
	9/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Domestic Equities				
S&P Index	$ 101,767,556	$ --	$ 101,767,556	$ --
Large Cap Fund PLUS	63,221,904	--	63,221,904	--
Mid-Cap Index Fund	37,733,334	--	37,733,334	--
Small-Cap Index Fund	21,390,770	--	21,390,770	--
International Equities				
International Quality Growth	59,308,460	--	59,308,460	--
Emerging Markets Core	28,865,829	28,865,829	--	--
Mutual Funds (DROP)				
Mutual Fund equities	13,860,376	13,860,376	--	--
Total Equity Securities	326,148,229	42,726,205	283,422,024	--
Fixed Income				
Core Bond Index Fund	54,083,545	--	54,083,544	--
Bond Fund	108,187,159	--	108,187,159	--
Total Fixed Income	162,270,704	--	162,270,703	--
Real Estate				
Strategic Property Fund	61,908,043	--	--	61,908,043
Total Investments at fair value	$ 550,326,976	$ 42,726,205	$ 445,692,727	$ 61,908,043

NOTE 6 –NET PENSION LIABILITY OF THE CITY

The components of the net pension liability of the City at September 30, 2016:

Total pension liability	$ 759,676,742
Plan fiduciary net position	(555,001,936) *
Net Pension Liability	$ 204,674,806
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.06%

* A difference of $68,222 exists between the above amount and the net position held in trust for pension benefits amount of $554,933,714 reported in the Statement of Fiduciary Net Position on page 9. The difference is due to an accounting adjustment to Plan receivables made subsequent to the availability of the GASB 67 report provided by the Plan's actuary.

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2015, rolled forward to September 30, 2016, using the following actuarial assumptions:

Interest rates:	
Discount rate	7.70%
Long-term expected rate of return	7.70%
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 AA.

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.

NOTE 6 – NET PENSION LIABILITY OF THE CITY (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)

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, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equities	3.90%
Fixed income securities	2.04%
International equities	4.70%
Real estate	3.20%
Cash and equivalents	0.42%

DISCOUNT RATE

A single discount rate of 7.70% 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 7.70%. 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 6.70%	Single Discount Rate Assumption 7.70%	1% Increase 8.70%
Net Pension Liability	$ 291,053,273	$ 204,674,806	$ 132,262,794

NOTE 7 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

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

	2016	2015	2014
Total Pension Liability			
Service cost	$ 12,906,811	$ 11,795,411	$ 12,306,795
Interest	56,164,518	53,832,182	51,809,378
Benefit changes	--	(1,277,929)	--
Difference between actual and expected experience	(2,210,692)	5,603,144	(278,357)
Assumption changes	11,676,037	11,026,357	--
Benefit payments	(41,900,843)	(35,874,016)	(37,501,400)
Refunds	(948,535)	(941,310)	(1,143,866)
Other (change in receivable from excess benefit plan)	--	311,076	311,077
Net Change in Total Pension Liability	35,687,296	44,474,915	25,503,627
Total Pension Liability - Beginning	723,989,446	679,514,531	654,010,904
Total Pension Liability - Ending (a)	$ 759,676,742	$ 723,989,446	$ 679,514,531
Plan Fiduciary Net Position			
Contributions - employer	$ 27,783,852	$ 26,456,580	$ 25,602,030
Contributions - member	7,341,533	7,310,183	7,373,407
Net investment income	55,818,905	(5,048,406)	51,773,646
Benefit payments	(41,900,843)	(35,874,016)	(37,501,400)
Refunds	(948,535)	(941,310)	(1,143,866)
Administrative expense	(677,509)	(706,283)	(668,851)
Other	--	--	--
Net Change in Plan Fiduciary Net Position	47,417,403	(8,803,252)	45,434,966
Plan Fiduciary Net Position - Beginning	507,584,533	516,387,785	470,952,819
Plan Fiduciary Net Position - Ending (b)	$ 555,001,936 **	$ 507,584,533	$ 516,387,785
Net Pension Liability - Ending (a) - (b)	$ 204,674,806	$ 216,404,913	$ 163,126,746
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.06%	70.11%	75.99%
Covered Employee Payroll*	$ 71,863,150	$ 82,359,302	$ 76,362,960
Net Pension Liability as a Percentage of Covered Employee Payroll	284.81%	262.76%	213.62%

* Expected total covered payroll for the year ending September 30, 2016 was estimated using the expected pensionable payroll from the October 1, 2015 Actuarial Valuation.

** A difference of $68,222 exists between the above amount and the net position held in trust for pension benefits amount of $554,933,714 reported in the Statement of Fiduciary Net Position on page 9. The difference is due to an accounting adjustment to Plan receivables made subsequent to the availability of the GASB 67 report provided by the Plan's actuary.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will 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
2016	$ 27,783,852	$ 27,783,852	$ --	$ 71,863,150	38.66%
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, 2014
Measurement Date:	September 30, 2016
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	7.85%
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, the Plan will present information for those years for which information is available.

MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.63%	-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, the Plan will 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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015

Schedule "1"
Schedule of Investment Expenses

	2016	2015
Financial Management Expense	$ 1,170,092	$ 569,762
Investment Consultant Fees	71,250	71,933
Investment Custodial Fees	15,395	29,164
DROP Service Fees	3,044	4,242
Total Investment Expenses	$ 1,259,781	$ 675,101

Schedule "2"
Schedule of Administrative Expenses

	2016	2015
Personnel Services		
Salaries and payroll taxes	$ 404,163	$ 403,203
Total Personnel Services	404,163	403,203
Professional Services		
Legal	61,343	61,679
Actuarial	42,764	47,864
Audit	15,309	26,048
Bookkeeping	4,200	4,200
Total Professional Services	123,616	139,791
Other		
Insurance	49,541	50,915
Education, dues and subscriptions	58,955	38,115
IT department computer and phone charges	8,046	26,040
Property management fees	14,566	22,144
Printing and postage	7,672	12,881
Office supplies	2,389	2,437
Copier lease and copy fees	1,967	1,967
Computer consultant	1,608	1,948
Medical	875	1,350
Advertising RFP	55	1,000
Miscellaneous board of directors' expense	1,033	963
Verification services	1,945	945
Replaced check expense	167	877
Miscellaneous	100	876
Storage fees	547	512
A/C maintenance/repair	--	180
Shredding fees	264	139
Total Other	149,730	163,289
Total Administrative Expenses	$ 677,509	$ 706,283

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 and Plan Administrator
Miami Beach Employees' Retirement Plan

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, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2017.

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*.

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, 2017