

The cover features a collage of Miami Beach scenes within a series of overlapping, downward-pointing triangles in shades of light green and yellow. The collage includes: a lifeguard stand with red and white stripes and stars; a modern high-rise building; a beach with a pier; a hotel at night with a 'HOTEL' sign; a park with palm trees; and a building at night with palm trees in the foreground.

Miami Beach Redevelopment Agency

(A component Unit of the City of Miami Beach, Florida)

Financial Report

For the Fiscal Year Ended September 30, 2017

Prepared by:

The Finance Department

Miami Beach Redevelopment Agency **(A Component Unit of the City of Miami Beach, Florida)**

Financial Report
Fiscal Year Ended September 30, 2017

PREPARED BY

THE FINANCE DEPARTMENT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Commission
City of Miami Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, of the Miami Beach Redevelopment Agency (the "Agency"), a component unit of the City of Miami Beach, Florida (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 financial statement presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the City of Miami Beach, Florida as of September 30, 2017, the changes in its financial position, or where applicable its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions, schedule of proportionate share of the net pension liability, and budgetary comparison schedule on pages 3 to 13, page 56, page 57, and page 60 to 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison schedule for the debt service fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule for the debt service fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Crowe Horwath LLP

Miami, Florida
May 22, 2018

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Management's Discussion and Analysis
September 30, 2017**

The Management's Discussion and Analysis (the "MD&A") of the Miami Beach Redevelopment Agency (the "Agency") is intended to provide an overview of the Agency's position and results of operations for the fiscal year ended September 30, 2017. The MD&A is an element of the reporting model required by the Governmental Accounting Standards Board (the "GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments* issued in 1999. The MD&A should be read in conjunction with the Agency's financial statements, including the accompanying notes, to enhance the understanding of the Agency's financial performance.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of fiscal year 2017 by \$211.1 million (net position).
- The Agency's net position increased by \$23.0 million. The governmental net position increased by \$21.9 million and the business-type net position increased by \$ 1.1 million.
- Business Type Activity revenue increased by \$0.8 million and expenses increased by \$0.4 million.
- Governmental activities revenue increased by \$8.9 million and expenses decreased by \$2.3 million.
- At September 30, 2017 fund balance in the Agency's governmental funds was \$283.4 million. This includes \$69.7 million restricted fund balance in the general fund and \$213.7 million of restricted fund balance in the capital projects fund.
- The Agency's total long-term liabilities decreased by \$8.9 million or 2.5% during the current year. The decrease is due to the Agency's normal principal payments on its debt. See Note 6 and 7 for more information regarding the bonds.
- The Agency's assets and deferred outflows increased by approximately \$30.2 million or 5.3%. The increase is attributed to an increase of capital assets of \$81.9 million, a decrease of deferred outflows of \$0.8 million, and a decrease in current assets of \$50.9 million

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which have the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Management's Discussion and Analysis
September 30, 2017**

Both of the government-wide financial statements listed above distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges. The governmental activities of the Agency include general government, public safety, physical environment, transportation, economic environment and culture and recreation. The business-type activity of the Agency includes the parking and leasing operations of the Anchor and Pennsylvania Avenue Garages and Anchor and Pennsylvania Avenue Shops, respectively.

The government-wide financial statements can be found on pages 14 – 16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

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

Key elements of the reconciliation of these two statements are that the government-wide statements report the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (depreciated) and changes in long-term liabilities as adjustments of expenses. Conversely, the governmental funds statements report the issuance of debt as another financing source of funds, the repayment of debt as expenditure, the purchase of capital assets as expenditure and do not reflect changes in long-term liabilities.

The Agency maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, City Center debt service fund, and City Center capital projects fund which are considered to be major funds. For the current fiscal year, the Agency does not have any non-major governmental funds.

Proprietary Funds

The Agency maintains two different types of proprietary funds or enterprise funds. The Agency uses enterprise funds to account for the parking and leasing operations of the Anchor and Pennsylvania Avenue Garages and Anchor and Pennsylvania Avenue Shops, respectively.

The proprietary fund financial statements provide separate information for parking and leasing of the Anchor and Pennsylvania Avenue Garage/Shops which are considered to be major funds of the Agency. For the current fiscal year, the Agency does not have any non-major proprietary funds.

Miami Beach Redevelopment Agency
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Management's Discussion and Analysis
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The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 24-55 of this report. The Agency is considered a component unit of the City of Miami Beach, Florida and as such, the financial information of the Agency is included in the City's Comprehensive Annual Financial Report for the current fiscal year.

Government-Wide Financial Analysis

The table below summarizes the statement of net position:

	Summary of Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 312,650	\$ 364,325	\$ 27,497	\$ 26,721	\$ 340,147	\$ 391,046
Capital assets	228,042	145,566	23,960	24,548	252,002	170,114
Total assets	540,692	509,891	51,457	51,269	592,149	561,160
Deferred Outflows	3,149	3,909	-	-	3,149	3,909
Total deferred outflows	3,149	3,909	-	-	3,149	3,909
Long-term liabilities	343,521	352,448	214	166	343,735	352,614
Other liabilities	40,049	22,949	373	1,368	40,422	24,317
Unearned revenue	-	-	75	75	75	75
Total liabilities	383,570	375,397	662	1,609	384,232	377,006
Deferred Inflows	11	-	-	-	11	-
Total deferred outflows	11	-	-	-	11	-
Net position:						
Net investment in capital assets	135,017	65,240	23,960	24,548	158,977	89,788
Restricted for debt service	-	16,154	-	-	-	16,154
Restricted for economic development	69,731	39,238	-	-	69,731	39,238
Restricted for capital improvement	36,836	43,414	-	-	36,836	43,414
Unrestricted (deficit)	(81,324)	(25,643)	26,835	25,112	(54,489)	(531)
Total net position	\$ 160,260	\$ 138,403	\$ 50,795	\$ 49,660	\$ 211,055	\$ 188,063

There are six basic transactions that can affect the comparability of the Statement of Net Position. They are as follows:

- 1) Net results of activities will impact (increase/decrease) current assets and unrestricted net position.
- 2) Borrowing for capital will increase assets and long term debt.
- 3) Spending borrowed proceeds on new capital will reduce current assets and increase capital assets.
- 4) Spending non-borrowed current assets on new capital will reduce current assets and increase capital assets as well as reduce unrestricted net position and increase invested in capital assets, net of debt.
- 5) Principal payments on debt will reduce current assets and reduce long-term debt as well as reduce unrestricted net position and invested in capital assets, net of debt, if applicable.
- 6) Reduction of capital assets through depreciation will reduce capital assets and invested in capital assets, net of debt.

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$211.1 million at September 30, 2017, an increase of \$23.0 million or 12.2% from September 30, 2016. Governmental activities accounted for an increase of \$21.9 million while Business-type accounted for an increase of \$1.1 million.

The Agency's net position represents resources that are subject to external restrictions on how they may be used.

There are also various normal impacts on revenue and expense that can affect the change in net position from year to year. The economic condition, which can reflect a declining, stable or growing economic environment, can have a substantial impact on tax revenue as well as the public's spending habits on fees and charges for services. An increase/or decrease in Commission approved rates can have a substantial impact on parking revenue if there is a current year increase/decrease in an approved rate. Also, current market condition may cause investment income to fluctuate from year to year. Impacts on expense from year to year could result from new programs, an increase or decrease in personnel, salary increases and of course inflation.

The table below summarizes the change in net position:

	Summary of Changes in Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ -	\$ 28	\$ 6,099	\$ 5,391	\$ 6,099	\$ 5,419
General Revenues:						
Taxes:						
Property taxes	51,843	44,176	-	-	51,843	44,176
Investment earnings	2,669	1,452	149	86	2,818	1,538
Total revenues	54,512	45,656	6,248	5,477	60,760	51,133
Expenses:						
General government	6,500	6,236	-	-	6,500	6,236
Public safety	4,430	4,852	-	-	4,430	4,852
Physical environment	47	45	-	-	47	45
Transportation	1,675	1,379	-	-	1,675	1,379
Economic environment	3,250	2,755	-	-	3,250	2,755
Culture and recreation	2,632	2,439	-	-	2,632	2,439
Parking - Anchor & Penn. Garage	-	-	4,597	4,261	4,597	4,261
Leases - Anchor & Penn. Shops	-	-	516	502	516	502
Interest on long-term debt	13,640	16,751	-	-	13,640	16,751
Total expenses	32,174	34,457	5,113	4,763	37,287	39,220
Increase in net position before transfers and gain (loss) on sale of capital assets	22,338	11,199	1,135	714	23,473	11,913
Gain (loss) on sale of Capital Assets	-	4	-	1	-	5
Transfers	(481)	(7,769)	-	-	(481)	(7,769)
Increase in net position	21,857	3,434	1,135	715	22,992	4,149
Net position, beginning as restated	138,403	134,969	49,660	48,945	188,063	165,548
Net position, ending	\$ 160,260	\$ 138,403	\$ 50,795	\$ 49,660	\$ 211,055	\$ 169,697

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**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Management's Discussion and Analysis
September 30, 2017**

Governmental activities increased the Agency's net position by \$21.9 million.

Key elements of the net increase are as follows:

- Total expenses from governmental activities in fiscal 2017 totaled \$32.2 million. This is a decrease of \$2.3 million or 6.6% from the prior year.
- Revenues from governmental activities in fiscal year 2017 totaled \$54.5 million, an increase of \$ 8.9 million from 2016. The increase is primarily due to the increase in tax increment revenue which increased by \$7.7 million of 17.36% from the prior year.

Business-Type Activities

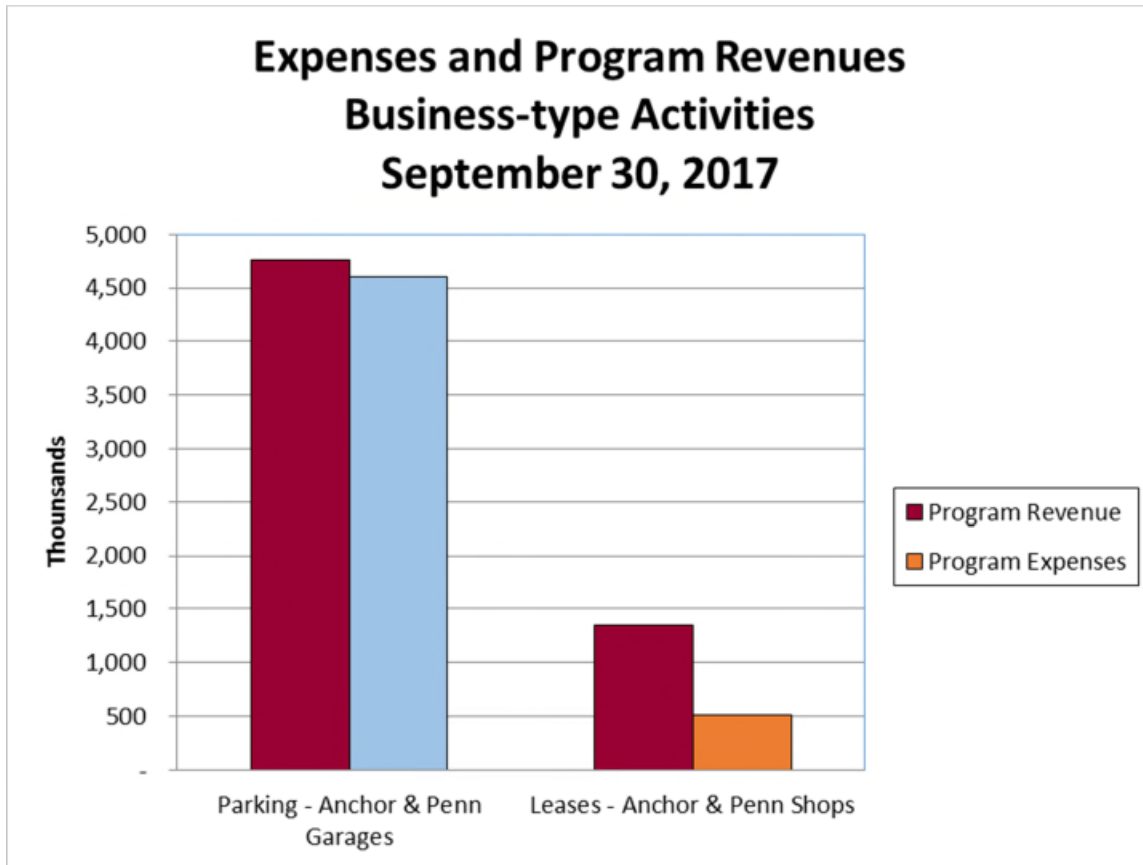
Business-type activities increased the Agency's net position by approximately \$1.1 million.

Key elements of this increase are as follows:

- The Parking Garages' net position increased by \$0.2 million or 0.7%. The garage funds have an increase in charges for service of \$0.2 million or 4.0%. Permits, rental and other operating revenues increased by \$0.1 million or 21.1%. Total operating expenses increased by \$0.3 million or 7.9%.
- The Leasing Shops' net position increased by \$0.9 million or 7.9%. Interest income increased by \$22,722 or 68.5% and operating revenues increased by \$0.4 million or 49.8% from the prior year. Operating expenses in the shops had a net increase of \$13,563 or 2.7% over the prior year. The shops had a decrease in administration fees of \$47,460 or 65.5%; these fees represent charges to the general fund to pay for direct and indirect staff support for the agency.

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The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2017:



Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Total fund balance for the Governmental Funds totaled \$283.4 million at September 30, 2017. This is a total decrease of \$68.6 million or approximately 19.5%.

The general fund is the chief operating fund of the Agency. The fund balance of the Agency's general fund had a net increase in fund balance of \$30.5 million during the current fiscal year. The general fund's tax increment revenues increased by \$7.7 million or 17.4%. Tax increments revenue is computed by applying the operating tax rate for the City and Miami-Dade County, Florida, (the County) multiplied by the increased value of property in the district over the base property value minus 5%. Fluctuations in tax increment revenue is based on real estate property values City wide.

The Agency's General Fund is required to adopt an annual budget prepared on a basis consistent with generally accepted accounting principles.

The agency's debt service fund had a decrease in net position of \$ 16.2 million. Principal and interest payments on the tax increment revenue bonds were \$21.7 million. Net transfers from the general fund to pay debt service expenditures were \$5.5 million.

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Management’s Discussion and Analysis
September 30, 2017**

The agency’s capital project fund had a net decrease in fund balance of \$82.9 million. This fund received \$2.2 million from interest income. Capital expenditures increased by \$49.9 million or 141.9% compared to FY 2016.

The Agency’s Capital Projects Fund accounts for the financing of the Agency’s capital program. The primary resources are obtained from the receipt of tax increment funds from Miami-Dade County and from the issuance of Agency debt.

Financial Analysis of the Governmental Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the Agency’s governmental funds:

	General	Debt Service City Center	Capital Projects City Center	Total Governmental Funds
Fund balance, September 30, 2016	\$ 39,238	\$ 16,154	\$ 296,635	\$ 352,027
Revenues	52,274	-	2,238	54,512
Expenditures	15,787	21,667	85,188	122,642
Other financing sources (uses)	(5,994)	5,513	-	(481)
Fund balance, September 30, 2017	\$ 69,731	\$ -	\$ 213,685	\$ 283,416

Proprietary Funds

The Agency’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total growth in net position for both proprietary funds was approximately \$1.1 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the Agency’s business-type activities.

Budgetary Highlights

The following information is presented to assist the reader in comparing the original/final budget (Adopted Budget) and the actual results.

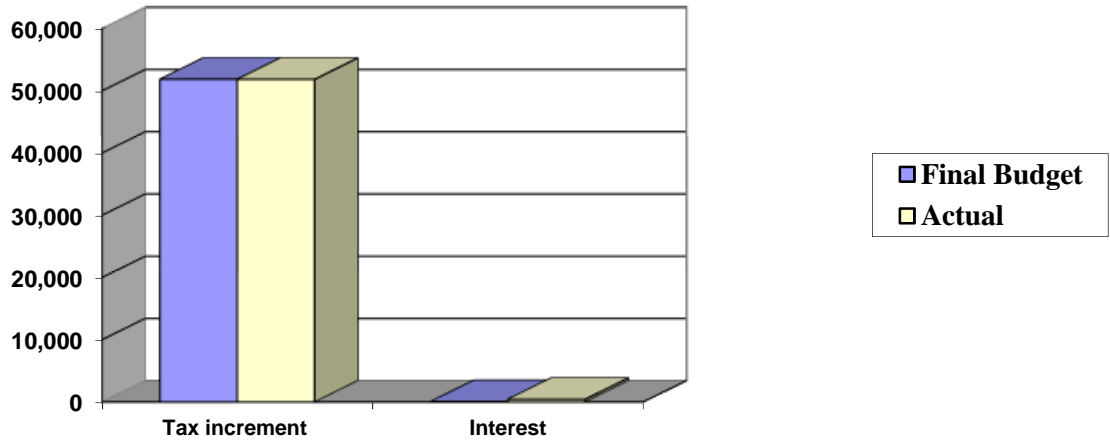
The major variance between the adopted/final budget and actual is the resort tax revenues collected. Fluctuations in resort tax revenues are completely based on the fluctuation in the sales of the above item and vary from one year to another based on the economy and tourism.

Actual expenditures were \$15.8 million; \$14.2 million less than budgeted. The difference with budgeted amounts was mainly in the General Government functions. These variances of the actual versus budgeted expenditures within these functions were due to the contingencies relating to debt service requirements of the agency.

General Fund Revenues

The following charts and tables summarize actual revenues by category for fiscal year 2017 and compares actual revenues with the Adopted/Final Budget:

**General Fund Revenues
 Fiscal Year 2017
 (in thousands)**



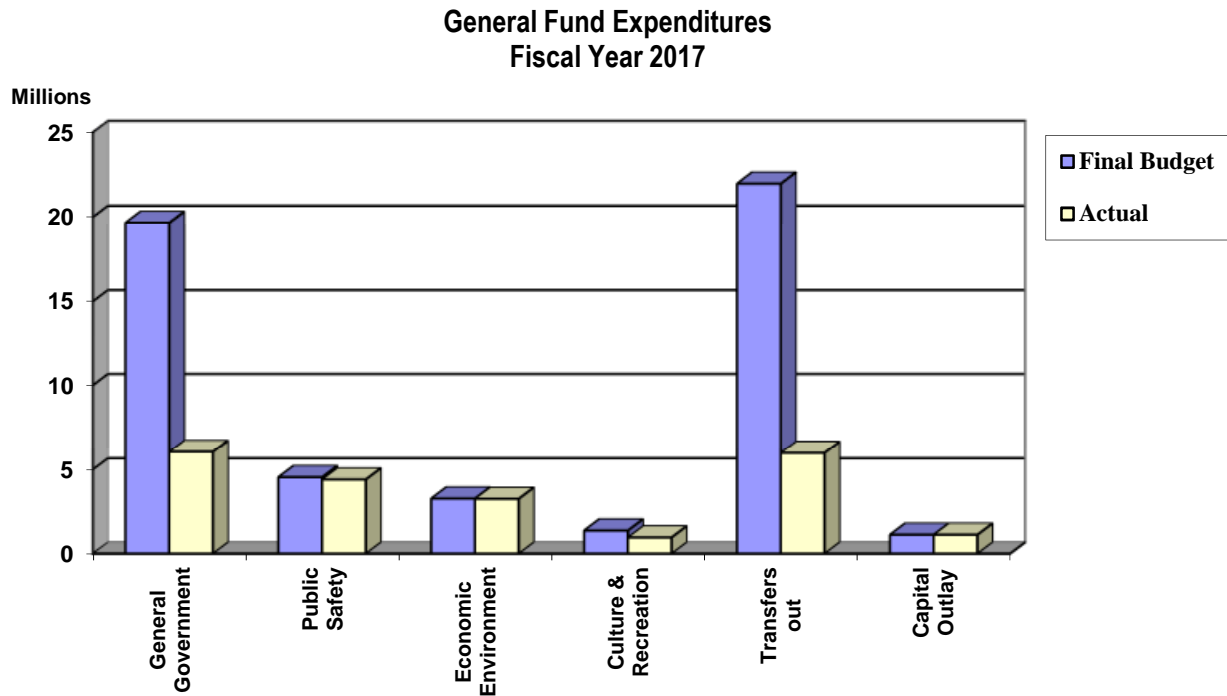
**General Fund Revenues
 Fiscal Year 2017
 (in thousands)**

	Final Adopted Budget	Actual Amounts
Revenues:		
Tax increment (property taxes)	\$ 51,861	\$ 51,843
Interest income	60	431
Total revenues	\$ 51,921	\$ 52,274

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General Fund Expenditures

The following chart and table summarize actual expenditures by function/program for fiscal year 2017 and compare the actual expenditures with the Final Budget:



**General Fund Expenditures
Fiscal Year 2017
(in thousands)**

Expenditures:	Final Adopted Budget	Actual Amounts
General government	\$ 19,656	\$ 6,061
Public safety	4,539	4,401
Economic environment	3,268	3,250
Culture and recreation	1,368	958
Capital outlay	1,117	1,117
Operating transfers out	21,973	5,994
Total expenditures	\$ 51,921	\$ 21,781

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
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Capital Assets and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental and business-type activities as of September 30, 2017 amounts to \$252.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, vehicles, machinery and equipment, streetscape improvements, restorations and renovations and construction work-in-progress, which are detailed as follows (net of accumulated depreciation):

	Capital Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and land improvements	\$ 10,818	\$ 10,818	\$ 3,003	\$ 3,003	\$ 13,821	\$ 13,821
Buildings and structures	20,153	20,612	20,576	21,306	40,729	41,918
Machinery and equipment	130	155	381	54	511	209
Furniture and fixtures	473	361	-	-	473	361
Streetscape improvements	33,291	31,960	-	-	33,291	31,960
Restorations and renovations	24,209	25,231	-	-	24,209	25,231
Construction in progress	138,968	56,429	-	185	138,968	56,614
Totals	\$ 228,042	\$ 145,566	\$ 23,960	\$ 24,548	\$ 252,002	\$ 170,114

The Agency has developed various capital improvement programs to improve the quality of life for the residents of the City of Miami Beach. Recent major projects included the restoration of the City Center Historic District, Collins Park parking garage, Bass Museum interior space enhancement, and a Lincoln Road master plan study. Major on-going projects include streetscape improvements. Additional information on the Agency's capital assets can be found in the notes to the financial statements. Major capital asset events in progress during the current fiscal year include the following:

- The City Center Right of Way (ROW) BP9B Infrastructure Improvement Project includes the restoration and enhancement of right-of-ways/streetscapes throughout City Center, including roadway, sidewalk, curb and gutter, landscape, streetscape irrigation, lighting, potable water, and storm drainage infrastructure as needed.
- Collins Park Parking Garage is going to be a new parking facility which will accommodate approximately 470 parking spaces and 17,000 sf of ground floor retail space.
- Lincoln Road Master Plan Study is to determine needed improvements for Lincoln Road considering the Convention Center District Plan, change uses of Lincoln Road, intensity of uses, Planning/defining connections with other adjacent or nearby urban assets and long-term maintenance of Lincoln Road.
- Bass Museum Interior Space Expansion to house additional gallery space and other amenities.
- Convention Center Renovation Project includes the complete renovation and façade modifications of the of the Miami Beach Convention Center, an expansion to include a ballroom and auxiliary spaces, rooftop parking, new public parks, as well as underground utilities and streetscape improvements in the immediate vicinity.

**Miami Beach Redevelopment Agency
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 Management's Discussion and Analysis
 September 30, 2017**

Outstanding Debt

At the end of the current fiscal year, the Agency had a total debt outstanding in the governmental activities of \$342.7 million. The debt balance decreased by \$8.3 million during the year due to annual principal payments on the 2015A and 2015B Tax Increment Bonds.

**Miami Beach Redevelopment Agency's
 Outstanding Debt
 (in thousands)**

	Governmental Activities	
	2017	2016
Tax increment revenue bonds	<u>\$ 342,669</u>	<u>\$ 350,985</u>

Economic Factors and Future Developments

The Redevelopment Agency has continued to focus its efforts on a number of initiatives aimed at upgrading the area's infrastructure, streets and parks, alleviating traffic and parking congestion and encouraging the continued increase in tourism in the. In 2014, the Redevelopment Agency amended its Redevelopment Plan for City Center to better define the Convention Center redevelopment project and related infrastructure initiatives which are anticipated to increase the number of high-value conventions to the City. Additionally, this amendment included an extension of the Redevelopment Agency's term of existence through 2044.

The Redevelopment Agency's has stayed true to its mission to coordinate, implement and fund the Plan's objectives and to compliment the City's established vision:

- Policing Culture
- Management and Service Delivery
- Infrastructure
- International Center for Tourism and Business
- Educational Excellence

The Redevelopment Agency's objective over the next five years shall focus on the implementation of capital projects associated with, but not limited to the Master Plan for the expansion of the Convention Center, reconstruction of the Lincoln Road pedestrian mall, upgrading streetscapes and related infrastructure in the City Center area and increasing the inventory of parking facilities, including the pending construction of a new parking garage and artist space to be located on 23rd street and Collins Avenue. The RDA shall also continue to fund public service enhancements provided for under the Community Policing Program as well as ensure the on-going maintenance of capital assets funded with TIF.

Requests for Information

This financial report is designed to provide a general overview of the Miami Beach Redevelopment Agency's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Miami Beach Redevelopment Agency, Finance Department, 1700 Convention Center Drive, Miami Beach, Florida 33139.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Net Position
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 69,402,165	\$ 27,044,215	\$ 96,446,380
Receivables (net):			
Accounts receivables	3,384	59,676	63,060
Interest	378,662	-	378,662
Prepaid expenses	-	101,165	101,165
Total current assets	<u>69,784,211</u>	<u>27,205,056</u>	<u>96,989,267</u>
Noncurrent assets:			
Restricted cash and investments	242,865,980	291,872	243,157,852
Capital assets not being depreciated:			
Land	10,817,763	3,003,282	13,821,045
Construction in progress	138,968,216	-	138,968,216
Capital assets net of accumulated depreciation:			
Buildings and structures	20,153,554	20,576,383	40,729,937
Streetscape improvements	33,290,769	-	33,290,769
Restorations and renovations	24,208,883	-	24,208,883
Machinery and equipment	129,815	380,662	510,477
Furniture and fixtures	472,734	-	472,734
Total capital assets	<u>228,041,734</u>	<u>23,960,327</u>	<u>252,002,061</u>
Total noncurrent assets	<u>470,907,714</u>	<u>24,252,199</u>	<u>495,159,913</u>
Total assets	<u>540,691,925</u>	<u>51,457,255</u>	<u>592,149,180</u>
Deferred outflows of resources			
Unmortized refunding costs	754,482	-	754,482
GASB 68 - Employees retirement plan	347,099	-	347,099
GASB 68 - Police & fire retirement plan	2,047,664	-	2,047,664
Total deferred outflows of resources	<u>3,149,245</u>	<u>-</u>	<u>3,149,245</u>
Total assets and deferred outflows of resources	<u>\$ 543,841,170</u>	<u>\$ 51,457,255</u>	<u>\$ 595,298,425</u>

(Continued)

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Net Position
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 26,579,262	\$ 318,504	\$ 26,897,766
Retainage payable	2,166,595	-	2,166,595
Accrued expenses	2,803,267	26,741	2,830,008
Due to other governments	-	24,603	24,603
Unearned Revenue	-	75,190	75,190
Deposits	-	2,680	2,680
Portion due or payable within one year:			
Environmental remediation	200,000	-	200,000
Accrued compensated absences	109,984	-	109,984
Bonds payable	8,190,090	-	8,190,090
Total current liabilities	<u>40,049,198</u>	<u>447,718</u>	<u>40,496,916</u>
Long-term liabilities:			
Net pension liability - MBERP	1,268,843	-	1,268,843
Net pension liability - MBF&P	7,607,398	-	7,607,398
Deposits	-	214,002	214,002
Portion due or payable after one year:			
Accrued compensated absences	166,242	-	166,242
Bonds payable	334,478,884	-	334,478,884
Total long-term liabilities	<u>343,521,367</u>	<u>214,002</u>	<u>343,735,369</u>
Total liabilities	<u>383,570,565</u>	<u>661,720</u>	<u>384,232,285</u>
Deferred inflows of resources			
GASB 68 - Employees retirement plan	10,659	-	10,659
Total deferred inflows of resources	<u>10,659</u>	<u>-</u>	<u>10,659</u>
Net position			
Net investment in capital assets	135,016,717	23,960,327	158,977,044
Restricted for:			
Economic development	69,730,637	-	69,730,637
Capital improvement	36,836,204	-	36,836,204
Unrestricted	(81,323,612)	26,835,208	(54,488,404)
Total net position	<u>\$ 160,259,946</u>	<u>\$ 50,795,535</u>	<u>\$ 211,055,481</u>

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Activities
Fiscal Year Ended September 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Activities:							
Governmental:							
General government	\$ 6,500,456	\$ -	\$ -	\$ -	\$ (6,500,456)	\$ -	\$ (6,500,456)
Public safety	4,429,549	-	-	-	(4,429,549)	-	(4,429,549)
Physical environment	46,714	-	-	-	(46,714)	-	(46,714)
Transportation	1,675,146	-	-	-	(1,675,146)	-	(1,675,146)
Economic environment	3,250,066	-	-	-	(3,250,066)	-	(3,250,066)
Culture and recreation	2,632,017	-	-	-	(2,632,017)	-	(2,632,017)
Interest on long-term debt	13,640,464	-	-	-	(13,640,464)	-	(13,640,464)
Total governmental activities	<u>32,174,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,174,412)</u>	<u>-</u>	<u>(32,174,412)</u>
Business-type:							
Parking – Anchor & Penn. Garages	4,597,056	4,752,412	-	-	-	155,356	155,356
Leasing – Anchor & Penn. Shops	515,963	1,346,548	-	-	-	830,585	830,585
Total business-type activities	<u>5,113,019</u>	<u>6,098,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>985,941</u>	<u>985,941</u>
Total primary government	<u>\$ 37,287,431</u>	<u>\$ 6,098,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(32,174,412)</u>	<u>985,941</u>	<u>(31,188,471)</u>
General revenues:							
Taxes:							
Tax increments for redevelopment districts					51,843,091	-	51,843,091
Investment income					2,669,393	149,880	2,819,273
Transfers to the primary government					(481,324)	-	(481,324)
Total general revenues					<u>54,031,160</u>	<u>149,880</u>	<u>54,181,040</u>
Changes in net position					21,856,748	1,135,821	22,992,569
Net position, beginning					<u>138,403,198</u>	<u>49,659,714</u>	<u>188,062,912</u>
Net position, ending					<u>\$ 160,259,946</u>	<u>\$ 50,795,535</u>	<u>\$ 211,055,481</u>

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Balance Sheet
Governmental Funds
September 30, 2017

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 71,188,220	\$ -	\$ 241,079,925	\$ 312,268,145
Receivables:				
Accounts receivable	3,384	-	-	3,384
Interest	-	-	378,662	378,662
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 71,191,604</u>	<u>\$ -</u>	<u>\$ 241,458,587</u>	<u>\$ 312,650,191</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,188,218	\$ -	\$ 25,391,044	\$ 26,579,262
Retainage payable	-	-	2,166,595	2,166,595
Accrued expenses	72,749	-	215,649	288,398
Environmental remediation	200,000	-	-	200,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,460,967</u>	<u>-</u>	<u>27,773,288</u>	<u>29,234,255</u>
Fund balances:				
Restricted	69,730,637	-	213,685,299	283,415,936
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>69,730,637</u>	<u>-</u>	<u>213,685,299</u>	<u>283,415,936</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 71,191,604</u>	<u>\$ -</u>	<u>\$ 241,458,587</u>	<u>\$ 312,650,191</u>

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2017

Total fund balance – governmental funds **\$ 283,415,936**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. Those assets consist of:

Land	\$ 10,817,763	
Construction in progress	138,968,216	
Buildings and structures, net	20,153,554	
Street improvements, net	33,290,769	
Restoration and renovations, net	24,208,883	
Machinery and equipment, net	129,815	
Furniture and fixtures, net	472,734	
Total capital assets, net		228,041,734

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Balances at September 30, 2017 are:

Accrued interest on bonds	(2,514,869)	
Bonds payable	(315,600,000)	
Premium on bonds payable	(27,068,974)	
Accrued compensated absences	(276,226)	
Net pension liability - MBERP	(1,268,843)	
Net pension liability - MBF&P	(7,607,398)	
Total long-term liabilities		(354,336,310)

In governmental funds, deferred outflows and inflows of resources relating to pensions and debt are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows relating to unamortized refunding	754,482	
Deferred outflows of resources relating to MBERP	347,099	
Deferred outflows of resources relating to MBF&P	2,047,664	
Deferred inflows of resources relating to MBERP	(10,659)	
Total deferred resources		3,138,586
Total net position of governmental activities		\$ 160,259,946

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Fiscal Year Ended September 30, 2017

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Tax increment	\$ 51,843,091	\$ -	\$ -	\$ 51,843,091
Interest	430,918	-	2,238,475	2,669,393
Total revenues	<u>52,274,009</u>	<u>-</u>	<u>2,238,475</u>	<u>54,512,484</u>
Expenditures				
Current				
General government	6,061,344	-	-	6,061,344
Public safety	4,400,734	-	-	4,400,734
Economic environment	3,250,066	-	-	3,250,066
Culture and recreation	958,234	-	32,663	990,897
Capital outlay	1,117,060	-	85,155,543	86,272,603
Debt service:				
Principal	-	6,495,000	-	6,495,000
Interest	-	15,170,579	-	15,170,579
Other fiscal charges	-	754	-	754
Total expenditures	<u>15,787,438</u>	<u>21,666,333</u>	<u>85,188,206</u>	<u>122,641,977</u>
Excess of revenues over (under) expenditures	36,486,571	(21,666,333)	(82,949,731)	(68,129,493)
Other financing sources (uses):				
Transfers in	-	5,512,636	-	5,512,636
Transfers out	(5,993,960)	-	-	(5,993,960)
Total other financing sources (uses)	<u>(5,993,960)</u>	<u>5,512,636</u>	<u>-</u>	<u>(481,324)</u>
Net change in fund balances	30,492,611	(16,153,697)	(82,949,731)	(68,610,817)
Fund balances, beginning	39,238,026	16,153,697	296,635,030	352,026,753
Fund balances, ending	<u>\$ 69,730,637</u>	<u>\$ -</u>	<u>\$ 213,685,299</u>	<u>\$ 283,415,936</u>

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Fiscal Year Ended September 30, 2017

Net change in fund balances - governmental funds **\$ (68,610,817)**

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	86,272,603	
Adjustments for capital asset disposals	(178,076)	
Depreciation expense	(3,618,368)	
Excess of deletions and depreciation over capital outlay		82,476,159

The issuance of long-term debt (e.g., bonds) provides current financial resources to government funds, while the repayment of the principal of long-term obligations is an expenditure in the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The statement of net position has been adjusted for transactions as follows:

Net amortization of bond premiums, discounts, refunding, and other debt costs	1,559,006	
Principal - debt service	6,495,000	
Total long-term debt retirement and related transactions		8,054,006

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental activities section of the statement of net position:

Increase in accrued compensated absences	(52,199)	
Increase in accrued interest on bonds	(28,137)	
		(80,336)

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contribution was:

MBERP	(49,436)	
MBF&P	67,172	
Total pension costs		17,736

Change in net position of governmental activities **\$ 21,856,748**

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Net Position
Enterprise Funds
September 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Assets			
Current Assets:			
Cash and investments	\$ 16,721,702	\$ 10,322,513	\$ 27,044,215
Receivables:			
Rent, net of allowance	-	59,676	59,676
Prepaid expenses	101,165	-	101,165
Total current assets	<u>16,822,867</u>	<u>10,382,189</u>	<u>27,205,056</u>
Noncurrent assets:			
Restricted cash and investments	82,910	208,962	291,872
Capital assets:			
Land	2,793,052	210,230	3,003,282
Buildings and structures	28,426,115	2,397,145	30,823,260
Machinery and equipment	695,693	9,404	705,097
Less accumulated depreciation	(9,725,034)	(846,278)	(10,571,312)
Total capital assets (net of accumulated depreciation)	<u>22,189,826</u>	<u>1,770,501</u>	<u>23,960,327</u>
Total noncurrent assets	<u>22,272,736</u>	<u>1,979,463</u>	<u>24,252,199</u>
Total assets	<u>39,095,603</u>	<u>12,361,652</u>	<u>51,457,255</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	318,504	-	318,504
Accrued expenses	11,696	15,045	26,741
Due to other government	19,269	5,334	24,603
Deposits	2,680	-	2,680
Unearned revenue	75,190	-	75,190
Total current liabilities	<u>427,339</u>	<u>20,379</u>	<u>447,718</u>
Noncurrent liabilities:			
Deposits	5,040	208,962	214,002
Total noncurrent liabilities	<u>5,040</u>	<u>208,962</u>	<u>214,002</u>
Total liabilities	<u>432,379</u>	<u>229,341</u>	<u>661,720</u>
Net position			
Net investment in capital assets	22,189,826	1,770,501	23,960,327
Unrestricted	16,473,398	10,361,810	26,835,208
Total net position	<u>\$ 38,663,224</u>	<u>\$ 12,132,311</u>	<u>\$ 50,795,535</u>

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Revenues, Expenses and Changes in Fund Net Position –
Enterprise Funds
Fiscal Year Ended September 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Operating revenues:			
Charges for services	\$ 4,195,407	\$ -	\$ 4,195,407
Permits, rentals and other	557,005	1,346,548	1,903,553
Total operating revenues	4,752,412	1,346,548	6,098,960
Operating expenses:			
Operating supplies	1,300	-	1,300
Contractual services	2,983,984	347,659	3,331,643
Utilities	133,621	17,501	151,122
Internal Charges	185,925	29,000	214,925
Administrative fees	423,000	25,000	448,000
Depreciation	734,467	77,352	811,819
Other	134,759	19,451	154,210
Total operating expenses	4,597,056	515,963	5,113,019
Operating income	155,356	830,585	985,941
Interest income	93,988	55,892	149,880
Total nonoperating revenues	93,988	55,892	149,880
Changes in net position	249,344	886,477	1,135,821
Total net position, beginning	38,413,880	11,245,834	49,659,714
Total net position, ending	\$ 38,663,224	\$ 12,132,311	\$ 50,795,535

See Notes to Financial Statements.

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Cash Flows
Enterprise Funds
Fiscal Year Ended September 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Cash Flows From Operating Activities:			
Receipts received from customers	\$ 4,758,941	\$ 1,516,631	\$ 6,275,572
Payments to suppliers	(3,537,476)	(382,152)	(3,919,628)
Receipts for other operating revenue	(467,837)	(276,467)	(744,304)
Net cash provided by operating activities	<u>753,628</u>	<u>858,012</u>	<u>1,611,640</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(171,832)	(52,445)	(224,277)
Net cash used in capital and related financing activities	<u>(171,832)</u>	<u>(52,445)</u>	<u>(224,277)</u>
Cash Flows From Investing Activities:			
Interest on investments	93,988	55,892	149,880
Net cash provided by investing activities	<u>93,988</u>	<u>55,892</u>	<u>149,880</u>
Net increase in cash and investments	675,784	861,459	1,537,243
Cash and investments – beginning of year	16,128,828	9,670,016	25,798,844
Cash and investments – end of year	<u>\$ 16,804,612</u>	<u>\$ 10,531,475</u>	<u>\$ 27,336,087</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	\$ 155,356	\$ 830,585	\$ 985,941
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	734,467	77,352	811,819
Provisions for uncollectible accounts	(4,815)	(66,176)	(70,991)
Changes in assets and liabilities:			
(Increase) decrease in receivables	11,121	236,259	247,380
(Increase) decrease in due from primary government	677,209	8,051	685,260
(Increase) decrease in prepaid expenses	(101,165)	-	(101,165)
Increase (decrease) in accounts payable	(83,235)	(11,469)	(94,704)
Increase (decrease) in accrued expenses	(110,297)	15,045	(95,252)
Increase (decrease) in due to other governments	10,885	(1,117)	9,768
Increase (Decrease) in due to primary government	(536,121)	(230,518)	(766,639)
Increase (decrease) in deposits	360	-	360
Increase (decrease) in unavailable other revenue	(137)	-	(137)
Total adjustments	<u>598,272</u>	<u>27,427</u>	<u>625,699</u>
Net cash provided by operating activities	<u>\$ 753,628</u>	<u>\$ 858,012</u>	<u>\$ 1,611,640</u>

See Notes to Financial Statements.

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Notes to Financial Statements
September 30, 2017**

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

In February 1976, the Miami Beach Redevelopment Agency (the "Agency") was formed by the City of Miami Beach, Florida (the "City") under the provisions of Chapter 163 of the Florida Statutes.

The Agency's stated purpose was to spur development and redevelopment in the South Pointe area of the City, an area which includes approximately 250 acres at the southern tip of the City, and a redevelopment area called the City Center/Historic Convention Village Redevelopment and Revitalization Area. During fiscal year 2006, the South Pointe district, under the Agency's jurisdiction expired, and at that point, the City assumed the responsibilities for the South Pointe area. At that time, the stated purpose became specifically the City Center/Historic Convention Village Redevelopment and Revitalization Area.

Subsequent to its inception in March 1977, the City adopted the Agency's redevelopment plan which provided for the construction of residential housing, hotels, a marina and commercial, recreational and entertainment facilities. Because of the desire of the City Commission to revise the concept for redevelopment of the South Pointe area, on December 17, 1982, the City Commission declared itself to be, and to constitute the Agency. This action resulted in the City Commissioners becoming the new Agency's Board Members and the City manager becoming the executive director of the Agency. The Agency's budget is adopted by its Board of Directors.

The City Center/Historic Convention Village Redevelopment and Revitalization Area was formed in the same manner as the South Pointe Area. In March 1993, the City adopted the Agency's redevelopment plan for the City Center/Historic Convention Village Redevelopment and Revitalization Area, which called for the revitalization of the blighted area surrounding the Miami Beach Convention Center and Lincoln Road.

The City has expended certain funds prior to and subsequent to the inception of the Agency for various projects, which have benefited the redevelopment area. These expenditures have been recorded in the accounting records of the City, and accordingly, are not reflected in the accompanying financial statements of the Agency.

The City provides the Agency facilities for its operations.

The Board of Directors of the Agency (the "Board") is comprised of the six members of the City Commission and the Mayor. The Agency meets the criteria for inclusion in the City's reporting entity as a blended component unit, and therefore, has been reported in the basic financial statements of the City.

For financial reporting purposes, in accordance with Governmental Accounting Standards Board ("GASB") Codification Section 2100, the Agency includes those organizations and activities that are generally controlled by or dependent on the Agency. Control by or dependence of the Agency is determined on the basis of such factors as budget adoption, outstanding debt secured by revenue of the Agency and obligation of the Agency to finance any deficit that may occur.

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Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Notes to Financial Statements
September 30, 2017

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. The government-wide focus is more on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements focus on short-term results of operations and financing decisions at a specific fund level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given functional category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. The Agency's program revenue consists of charges to customers or applicants, who purchase use or directly benefit from goods, services or privileges provided by a given functional category. Taxes and other items not included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements consist of the government-wide financial statements and fund financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes (tax increments) are recognized as revenue in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on their balance sheet. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide governmental activities column, a reconciliation is necessary to explain the adjustments needed to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation. Their operating statements present sources (revenue and financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, compensated absence and claims expenditures, are recorded only when the liability has matured and payment is due.

Tax increment when levied for and interest associated with the current fiscal period, are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenues are measurable upon receipt of cash and are recognized at that time.

Amounts reported as program revenue in the government-wide financial statements include charges to customers or applicants for goods and services or privileges provided and, operating grants and contributions and capital grants and contributions restricted to a particular program. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included in general revenues.

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

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The Agency reports the following major governmental funds:

- The general fund is the general operating fund of the Agency. All financial resources, except those required to be accounted for in another fund, are accounted for in the general fund.
- The City Center debt service fund is used to account for the accumulation of resources for the payment of general long-term debt, principal, interest and related costs associated with the City Center District.
- The City Center capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities within the City Center District.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The Agency established the use of proprietary funds to account for its business-type activities; accordingly, the operations of the Agency's parking and leasing activities are accounted for in separate enterprise funds.

The Agency reports the following major proprietary funds:

- The Parking Fund accounts for the parking operations of the Anchor Garage and the Pennsylvania Avenue Garage, which are located within the City Center District.
- The Leasing Fund accounts for the leasing operations of the Anchor Shops and the Pennsylvania Avenue Shops. The Anchor Shops and Pennsylvania Avenue Shops are both located within the City Center District.

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D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance or Equity

1. Capital Assets

Capital assets, which include property, vehicles, machinery, furniture and fixtures, are reported in the applicable governmental or business-type columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost as described below, and an estimated useful life in excess of one year. Such assets are recorded at historical costs or based on valuations, which approximate cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. During the construction phase of capital assets, interest expense of business-type activities is included as part of the capitalized cost of the assets constructed.

Property, furniture and fixtures of the Agency are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives and the capitalization threshold effective October 1, 2010, are as follows:

Assets	Threshold Capitalized All	Years
Land and other nondepreciable assets	\$ 100,000	N/A
Construction work in progress	100,000	N/A
Building and building improvements	100,000	35-50
Roads, sidewalks, foot bridges, and curbs and streets	100,000	30
Causeways, bridges, canals, and drainage systems	100,000	50
Guard rails, noise abatement, alley and seawalls, boardwork, walkways	100,000	30
Furniture and equipment	5,000	7
Maintenance and heavy moving equipment	5,000	15
Motor vehicles	5,000	5
Motor vehicles (greater than \$50,000)	50,000	10

In governmental funds, capital outlay (capital assets) is reported as an expenditure and no depreciation expense is reported.

2. Cash and Investments

Cash is comprised of deposits with financial institutions. Investments are comprised of U.S. Treasury obligations, money market funds and external governmental investment pools. For the purpose of the statement of cash flows for the proprietary fund types, cash and investments are short-term, highly liquid investments with an original maturity of three months or less.

Investments are recorded at fair value using quoted market price or the best available estimate thereof, except for those investments with remaining maturities of one year or less, when purchased, which are recorded at amortized cost, in accordance with GASB Statement No. 72 "*Fair Value Measurement and Application*" and/or No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" where applicable.

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Note 1. Summary of Significant Accounting Policies (Continued)

3. Prepaid Items

Expenditures made for services that will benefit periods beyond September 30, 2017 are recorded as prepaid expenses in the government-wide statements and proprietary fund statements. Accordingly, a portion of fund balance has been reserved to indicate that these funds are not available for appropriation.

4. Fund Equity/Net Position

Fund Equity:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes criteria for classifying fund balances into specifically defined classification and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- a. Restricted Fund Balance - amounts that are restricted to specific purposes when constraints placed on the use of resources are either by (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- b. Committed Fund Balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The commission adopts a City resolution, which includes the amount to be committed and the reason for the commitment. Only an adopted resolution by the Commission can establish, modify or rescind the commitment.
- c. Assigned Fund Balance – amounts that are constrained by the City Commission's or an official delegated by the governing body's (City Manager) intent to be used for specific purposes, but are neither restricted nor committed. Fund balance is primarily assigned based on the City's budgeting policy. Some amounts are approved and assigned by the City commission subsequent to September 30, 2017
- d. Unassigned Fund Balance – Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Net Position:

The government-wide and proprietary funds financial statements utilize a net position presentation. Net Position is categorized as investment in capital assets, restricted or unrestricted. The first category represents capital assets, less accumulated depreciation and net of any outstanding debt associated with the acquisition of capital assets. Restricted net position represents amounts that are restricted by requirement of debt indenture. Unrestricted net position represents the net position of the Agency which is not restricted for any project or purpose.

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5. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

6. Risk Management

The City, which includes coverage for the Agency, is self-insured for health insurance, automobile liability, general liability, police professional liability, workers' compensation, theft and property damage. The Agency is charged a premium fee by the City's self-insurance fund. The Agency does not retain any risk beyond premiums paid to the City. For fiscal year ended September 30, 2017, the City charged the Agency \$320,000 for health insurance, automobile liability, general liability, police professional liability and workers' compensation coverage.

7. Employee Benefit Plan

The following is a brief description of the Agency employees' participation in the Miami Beach Employees' Retirement Plan and the City's Pension Fund for Firefighter's and Police (the "Plans"). Pursuant to Modification 29 of the Florida State Social Security Agreement, effective January 1, 1955, the City of Miami Beach does not participate in the Federal Old-Age and Survivors Insurance System (OASI) embodied in the Social Security Act. Instead, it provides eligible employees a comprehensive defined benefit pension. The City of Miami Beach does participate in the hospital insurance tax, also known as Medicare and withholds taxes accordingly. Readers should refer to Note 16 in the City's 2017 Comprehensive Annual Financial Report and Plan documents for detailed and comprehensive information on the Plans.

All full-time employees of the City who work more than 30 hours per week and hold classified or unclassified positions, except for Policemen and Firemen, are covered by the Miami Beach Employees' Retirement Plan (the "Plan"). The Plan provides retirement benefits as well as death and disability benefits at two different tiers depending on when the employees entered the plan. All First Tier employees who participate are required to contribute 12% of their salary to the Plan. All Second Tier employees are required to contribute 10% of their salary. The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The City's Pension Fund for Firefighters and Police (the "Plan") is a defined benefit pension plan covering substantially all police officers and firefighters of the City. Members of the plan contribute 10% of their salary. The City is required to contribute an actuarially determined amount that, when combined with members' contributions, will fully provide for all benefits as they become payable.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the Miami Beach General Employees' Retirement Plan ("MBERP") and the Miami Beach Fire and Police Retirement Plan ("MBF&P") and additions to/deductions from the MBERP and MBF&P plan net position has been determined on the same basis as they are reported by the MBERP and MBF&P, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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8. Post-Employment Benefits Other Than Pensions (OPEB)

Government Accounting Standards Board (GASB Statement No. 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), was effective for the Agency beginning with its year ending September 30, 2008. This Statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan.

Pursuant to Section 112.08, Florida Statutes, the City is required to permit eligible retirees and their eligible dependents to participate in the City's health insurance program at a cost to the retirees that is no greater than the cost at which coverage is available for active employees. This coverage extends to Agency employees.

The City has the authority to establish and amend funding policy. The annual cost (expense) of the City's Plan is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years.

The Agency's Annual Required Contribution (ARC) to the OPEB Trust for the fiscal year ended September 30, 2017 was based on an actuarially determined amount for the City. The Agency was allocated its equitable share of the ARC based on its covered payroll. The Agency contributed \$80,207 to the OPEB Trust. At September 30, 2017, the Agency did not have a net OPEB obligation or a net OPEB asset. Readers should refer to Note 17 of the City's 2017 Comprehensive Annual Financial Report for detailed and comprehensive information on OPEB.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are recorded as additions to or deductions from the related debt and amortized in interest expense over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Deferred Outflows/Inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time.

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11. Recent accounting pronouncements adopted/implemented

In June 2015, the GASB issued Statements No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for the fiscal year ended September 30, 2017. Please refer to note 17 of the City's Comprehensive Annual Financial Report and the Agency's Required Supplementary Information for more information relating to GASB 74. This statement had no effect on the Agency.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". The objective of this Statement is to require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by the government and that reduce the reporting government's tax revenues. This Statement is effective for the Agency's fiscal year ended September 30, 2017. Please refer to note 18 in the City of Miami Beach's Comprehensive Annual Financial Report for more information relating to GASB 77.

In December 2015, the GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". The objective of this Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is effective for the Agency's fiscal year ended September 30, 2017. This statement had no effect on the Agency.

In December 2015, the GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants". The objective of this Statement is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2A7. Rule 2A7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The provisions of this Statement are effective for financial statements for the Agency's financial year ending September 30, 2016, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for financial statements for the Agency's financial year ending September 30, 2017. This statement had no effect on the Agency.

In January 2016, the GASB issued Statement No. 80, "Blending Requirements for Certain Component Units". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, "Determining Whether Certain Organizations Are Component Units". This Statement is effective for the Agency's fiscal year ended September 30, 2017. This statement had no effect on the Agency.

In March 2016, the GASB issued Statement No. 82, "Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and no. 73". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not

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within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the Agency's financial year ending September 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The new disclosures were added to Note 14 and in the Required Supplementary Information.

Note 2 - Deposits and Investments

Deposits

All deposits are held in banking institutions approved by the State Treasurer of the State of Florida, to hold public funds. Under the Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. governmental and agency securities, state or municipality government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280, Florida Statutes. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The Agency adopted the City's ordinance designating the investments which are allowable for its cash management activities. The policy specifies the types and limits by instrument and establishes a diversified investment objective that takes into consideration the safety, return and liquidity of capital. The authorized investments include direct U.S. treasury obligations, U.S. government agencies, corporate bonds, commercial paper, state or municipal obligations and cash held at investment institutions. These investments are insured, or registered, or the securities are held by its agent in the Agency's name.

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 rates.

Investments are made based on prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. If the yield of the portfolio can be improved by the sale of an investment, prior to maturity, with the reinvestment of the proceeds, then this provision is allowed. As a means of limiting its exposure to fair value losses, the Agency's investment policy limits maturity of its investments to seven years or less. At September 30, 2017, all of the Agency's investments had a maturity of 5 years or less.

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As of September 30, 2017, the Agency had the following investments and maturities:

	Fair Value	Investment Maturities (in years)	
		Less Than One	1-5
U.S. Treasury securities	\$ 83,196,236	\$ 78,883,155	\$ 4,313,081
FLCLASS Pool	256,407,996	256,407,996	-
	<u>\$ 339,604,232</u>	<u>\$ 335,291,151</u>	<u>\$ 4,313,081</u>

Credit Risk: This 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. State law limits investments in commercial paper and corporate bonds rated in one of the top two ratings issued by the Nationally Recognized Statistical Rating Organization ("NRSRO"). It is the Agency's policy to limit its investments in these investment types to the top rating issued by the NSRSO. As of September 30, 2017, the Agency had no investments in commercial paper or corporate bonds.

Obligations of the U.S. government or obligations explicitly or implicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

As of September 30, 2017, the Agency's investments were rated by Moody's Investors Service and Standard & Poor's as follow:

Investment Type	Issuer	Standard & Poor's	Moody's	Fair Value
US Govt Treasuries	U.S. Government	AA+	Aaa	\$ 83,196,236
FLCLASS	Local Govt. Investment Pool	AAAm	N/A	256,407,996
				<u>\$ 339,604,232</u>

Concentration of Credit Risk: The Agency's investment plan limits the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. The maximum portfolio allocation is 100% for both cash held at investment institutions and Treasury Securities as well as money market funds unless they are private money market mutual funds backed by "Full Faith and Credit" U.S. Government Securities in which case they cannot exceed 25%.

The Agency's cash and investments at September 30, 2017 are shown below:

	Carrying Amount	% of Portfolio
FLCLASS Pool	\$ 256,407,996	75.5%
Treasury securities	83,196,236	24.5%
	<u>\$ 339,604,232</u>	<u>100.0%</u>

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Custodial Credit Risk: The Agency's investment policy requires that securities be registered in the name of the Agency. All safekeeping receipts for investment instruments are held in accounts in the Agency's name and all securities are registered in the Agency's name. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Agency's investments in Treasury securities are held by a counterparty in the Agency's name.

Fair Value Measurement: In February 2015, GASB issued Statement No. 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB No. 72 defines fair value as the price that would be received to sell an asset. The Agency 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are based on other significant observable inputs such as indices for fixed income bonds and quoted prices similar assets in markets that are not active; Level 3 inputs are significant unobservable inputs.

The Agency has the following recurring fair value measurements as of September 30, 2017:

	<u>2017</u>	<u>Fair Value Measurements Using:</u>	
		<u>Level 1</u>	<u>Level 2</u>
Investments by fair value level			
Debt Securities			
U.S. Treasuries	\$ 83,196,236	\$ -	\$ 83,196,236
Total debt securities	<u>83,196,236</u>	<u>-</u>	<u>83,196,236</u>
Total investments by fair value	<u>83,196,236</u>	<u>\$ -</u>	<u>\$ 83,196,236</u>
Investments measures at the net asset value:			
FL CLASS	256,407,996		
Total investments	<u>\$ 339,604,232</u>		

Florida Cooperative Liquid Assets Securities System (FLCLASS) is an external local government investment pool created by interlocal agreement under F.S. 163.01. The pool is supervised by an appointed Board of Trustees comprised of eligible participants of the program. The Board acts as the liaison between the participants, the custodian, and the program administrator. The fund is an S&P AAAM rated money market product offering a fiscally conservative diversification option for Florida local governments. The objective of the fund is to provide investors with liquidity, stable share price and as high a level of current income as is consistent with preservation of principal and liquidity. The weighted average maturity is 56 days as of September 30, 2017.

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The City's cash and investments held at September 30, 2017 (including restricted cash and cash with paying agent) are shown below:

US Treasury	\$	83,196,236
FL Class		256,407,996
Total investments		<u>339,604,232</u>
Total cash and investments	\$	<u><u>339,604,232</u></u>

Cash and investments by fund:

General Fund	\$	71,188,220
Debt Service Fund		-
Capital Projects Fund		241,079,925
Parking Fund		16,804,612
Leasing Fund		10,531,475
Total cash and investments	\$	<u><u>339,604,232</u></u>

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Note 3 - Capital Assets

Capital asset activities for the year ended September 30, 2017 were as follows:

A. Governmental Activities

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,817,763	\$ -	\$ -	\$ 10,817,763
Construction in progress	56,429,294	86,147,721	3,608,799	138,968,216
Total capital assets not being depreciated	<u>67,247,057</u>	<u>86,147,721</u>	<u>3,608,799</u>	<u>149,785,979</u>
Capital assets, being depreciated:				
Buildings and structures	24,399,014	-	-	24,399,014
Streetscape improvements	39,507,961	3,321,854	-	42,829,815
Restoration/renovations	30,615,316	-	-	30,615,316
Vehicles	6,501	-	-	6,501
Machinery and equipment	442,974	14,346	872	456,448
Furniture and fixtures	634,981	219,406	-	854,387
Total capital assets being depreciated	<u>95,606,747</u>	<u>3,555,606</u>	<u>872</u>	<u>99,161,481</u>
Less accumulated depreciation for:				
Buildings and structures	3,787,200	458,260	-	4,245,460
Streetscape improvements	7,548,118	1,990,928	-	9,539,046
Restorations/renovations	5,383,985	1,022,448	-	6,406,433
Vehicles	6,501	-	-	6,501
Machinery and equipment	287,948	39,557	872	326,633
Furniture and fixtures	274,478	107,175	-	381,653
Total accumulated depreciation	<u>17,288,230</u>	<u>3,618,368</u>	<u>872</u>	<u>20,905,726</u>
Total capital assets, being depreciated, net	<u>78,318,517</u>	<u>(62,762)</u>	<u>-</u>	<u>78,255,755</u>
Governmental activities capital assets, net	<u>\$ 145,565,574</u>	<u>\$ 86,084,959</u>	<u>\$ 3,608,799</u>	<u>\$ 228,041,734</u>

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B. Business-Type Activities

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,003,282	\$ -	\$ -	\$ 3,003,282
Construction in progress	185,330	167,220	352,550	-
Total capital assets not being depreciated	<u>3,188,612</u>	<u>167,220</u>	<u>352,550</u>	<u>3,003,282</u>
Capital assets, being depreciated:				
Buildings and structures	30,770,814	52,445	-	30,823,259
Machinery and equipment	347,936	357,162	-	705,098
Total capital assets being depreciated	<u>31,118,750</u>	<u>409,607</u>	<u>-</u>	<u>31,528,357</u>
Less accumulated depreciation for:				
Buildings and structures	9,465,264	781,612	-	10,246,876
Machinery and equipment	294,229	30,207	-	324,436
Total accumulated depreciation	<u>9,759,493</u>	<u>811,819</u>	<u>-</u>	<u>10,571,312</u>
Total capital assets, being depreciated, net	<u>21,359,257</u>	<u>(402,212)</u>	<u>-</u>	<u>20,957,045</u>
Business-type activities capital assets, net	<u>\$ 24,547,869</u>	<u>\$ (234,992)</u>	<u>\$ 352,550</u>	<u>\$ 23,960,327</u>

Depreciation expense was charged to functions/programs of Agency as follows:

Governmental activities:

General government	\$ 411,453
Public safety	7,602
Physical environment	44,523
Transportation	1,596,243
Culture and recreation	1,558,547
Total depreciation expense - governmental activities	<u>\$ 3,618,368</u>

Business-type activities:

Parking	\$ 734,467
Leasing	77,352
Total depreciation expense - business-type activities	<u>\$ 811,819</u>

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Note 4 - Construction Commitments

The Agency had the following construction commitments as of September 30, 2017:

City Center Capital Projects	\$ 147,343,082
General Fund Activities	2,171,767
Anchor Garage	65,504
	<u>\$ 149,580,353</u>

Note 5 - Tenant Leases

The Agency serves as the lessor for the tenants leasing various retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2023. For leases that contain predetermined fixed escalations of the minimum rentals, the Agency recognizes the related rental revenue on the straight-line basis over the initial lease term. Future minimum lease payments to be received under the operating leases at September 30, 2017 are as follows:

Year ending September 30,	
2018	\$ 1,140,972
2019	1,035,289
2020	1,063,445
2021	936,651
2022	922,470
2023	845,503
	<u>\$ 5,944,330</u>

The following schedule provides an analysis of the Agency’s investment in property under operating leases and property held for lease by major classes as of September 30, 2017:

Parking facilities	\$ 4,889,763
Retail space	2,397,145
Recreational facilities	5,431,489
Less: Accumulated depreciation	(2,389,446)
	<u>\$ 10,328,951</u>

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Note 6 - Tax Increment Revenue Bonds

On December 15, 2015 the City issued \$286,245,000 in Series 2015A Tax Increment Revenue and Revenue Refunding Bonds to provide for the current refunding of all of the Agency's Tax Increment Revenue Refunding Bonds, Series 2005B; finance certain costs of acquiring and constructing renovations to the convention center and certain other improvements; and pay costs of issuance of the Series 2015A bonds. The Series 2015A bonds were issued with interest rates of 4.00% to 5.00% payable semiannually on February 1 and August 1.

On December 15, 2015 the City issued \$35,850,000 in taxable Series 2015B Tax Increment Revenue Refunding Bonds to provide for the advance refunding of all of the Agency's Tax Increment Revenue Refunding Bonds, Taxable Series 1998A; provide for the current refunding of all of the Agency's Tax Increment Revenue Refunding Bonds, Taxable Series 2005A; and pay costs of issuance of the Series 2015B bonds. The Series 2015B bonds were issued with interest rates of 1.93% to 3.69% payable semiannually on February 1 and August 1.

The principal and interest of the Series 2015A and 2015B Tax Increment Revenue Refunding Bonds are fully secured by the tax increment revenues derived from the Redevelopment area and received solely from the City and the County. Annual pledged revenues received by the Agency are required to be at least equal to 150% of the maximum annual debt service. For fiscal year ending September 30, 2017, the City received \$49,332,005 in pledged revenues. The maximum annual debt service is \$21,729,597 and will occur in fiscal year 2023. For fiscal year 2017, the Agency's ratio of pledged revenues to maximum annual debt service is 227%.

The aggregate maturities of tax increment revenue bonds at September 30, 2017 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,670,000	\$ 14,993,923	\$ 21,663,923
2019	6,880,000	14,790,654	21,670,654
2020	7,120,000	14,562,428	21,682,428
2021	7,395,000	14,310,985	21,705,985
2022	7,675,000	14,037,615	21,712,615
2023-2027	40,380,000	64,980,972	105,360,972
2028-2032	50,775,000	53,776,875	104,551,875
2033-2037	65,195,000	39,352,625	104,547,625
2038-2042	83,705,000	20,832,375	104,537,375
2043-2044	39,805,000	2,015,125	41,820,125
	<u>315,600,000</u>	<u>253,653,577</u>	<u>569,253,577</u>
Add net unarmortized bond premium	27,068,974	-	27,068,974
	<u>\$ 342,668,974</u>	<u>\$ 253,653,577</u>	<u>\$ 596,322,551</u>

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Note 7 - Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 322,095,000	\$ -	\$ (6,495,000)	\$ 315,600,000	\$ 6,670,000
Add: Series 2015 Premium	28,893,236	-	(1,824,262)	27,068,974	1,520,090
Less: Series 1998A Discount	(2,762)	-	2,762	-	-
Total bonds payable	<u>350,985,474</u>	<u>-</u>	<u>(8,316,500)</u>	<u>342,668,974</u>	<u>8,190,090</u>
Compensated absences	224,027	162,183	(109,984)	276,226	109,984
Net Pension Liability - MBERP	1,285,164	-	(16,321)	1,268,843	-
Net Pension Liability - MBF&P	8,116,815	-	(509,417)	7,607,398	-
Governmental activity long-term liabilities	<u>\$ 360,611,480</u>	<u>\$ 162,183</u>	<u>\$ (8,952,222)</u>	<u>\$ 351,821,441</u>	<u>\$ 8,300,074</u>
Business-type activities:					
Tenant deposits	\$ 216,322	\$ 3,040	\$ (2,680)	\$ 216,682	\$ 2,680
Business-type activity long-term liabilities	<u>\$ 216,322</u>	<u>\$ 3,040</u>	<u>\$ (2,680)</u>	<u>\$ 216,682</u>	<u>\$ 2,680</u>

Note 8 - Tax Increment Revenue

The Agency is primarily funded through tax-increment revenue. This revenue is computed by applying the operating tax for the City and Miami-Dade County, Florida, (the "County") multiplied by the increased value of property in the district over the base property value minus 5%. Both the City and the County are required to fund this amount annually without regard to tax collections or other obligations.

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Note 9 - Related-Party Transactions

The Agency obtains certain managerial and administrative services from the Primary Government in accordance with a management agreement. The Agency incurred \$1,837,986 of management-fee expense under this agreement for the year ended September 30, 2017. At September 30, 2017, there were no outstanding balances resulting from other transactions with the Primary Government.

Note 10 - Interfund Transfers

Interfund transfers for the year ended September 30, 2017 consisted of the following:

Government funds:		
Transfers from the general fund to:		
Debt service	\$	5,512,636
Primary government		<u>481,324</u>
Total transfers from the general fund	\$	<u><u>5,993,960</u></u>

Transfers are used to: (1) move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them, and (2) move receipts restricted for debt services from the funds collecting the receipts to the debt service fund.

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Note 11 - Receivables

Receivable at September 30, 2017 for the Agency's governmental and enterprise funds are as follows:

	Governmental Activities
	<u>General</u>
Receivables:	
Accounts	
Gross receivable	\$ 3,541
Less: Allowance for uncollectible	<u> (157)</u>
Net receivables	<u><u>\$ 3,384</u></u>
	Business-Type Activities
	<u>Leasing Funds</u>
Receivables:	
Rent	\$ 767,617
Accounts	<u> -</u>
Gross receivable	<u> 767,617</u>
Less allowance for uncollectible	<u> (707,941)</u>
Net receivables	<u><u>\$ 59,676</u></u>

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Note 12 - Governmental Fund – Fund Balance

Below is a table of fund balance categories and classifications at September 30, 2017 for the Agency’s governmental funds:

	<u>General Fund</u>	<u>Capital Projects</u>
Restricted:		
Economic environment	\$ 69,730,637	\$ 2,666,114
Culture and recreation	-	176,849,095
General public facility	-	24,931,638
Parks	-	3,601
Streets/sidwalks	-	8,218,095
Transit	-	1,016,756
	<hr/>	<hr/>
Total Fund Balance	\$ 69,730,637	\$ 213,685,299
	<hr/> <hr/>	<hr/> <hr/>

Note 13 - Contingencies

The Agency, in the normal course of operations, is a party to various other actions in which plaintiffs have alleged certain damages. In all cases, management does not believe the disposition of these matters will materially affect the financial position of the Agency.

Note 14 - Pension Plan

Miami Beach Employees’ Retirement System (“MBERP”)

Summary of Significant Accounting Principles

The Plan 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. Agency 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.

Investments are recorded at fair value in the Statement of Plan 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 Trust has entered into requires a range of techniques to determine fair value.

Unrealized gains and losses are presented as net appreciation 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 investments are recorded on a trade-date basis.

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

Plan Description

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Pursuant to Modification 29 of the Florida State Social Security Agreement effective January 1, 1955, the City of Miami Beach does not participate in the Federal Old-Age and Survivors Insurance System (OASI) embodied in the Social Security Act. 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 plan acts as a cost-sharing plan to the Agency. 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.

Members are full-time employees, classified and unclassified positions, who work more than 30 hours per week except for policemen and firemen and persons who elect to join the defined contribution retirement Plan sponsored by the City.

Substantially all full-time employees of the Agency are provided with pensions through the Miami Beach Employees' Retirement Plan (the Plan) – a single employer defined benefit pension plan administered by the City of Miami Beach, Florida. The Plan issues a publicly available financial report that can be obtained at <http://web.miamibeachfl.gov/mberp>.

The benefit provisions and all other requirements are established and may be amended by City ordinance.

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 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

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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.

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.

Deferred retirement option plan (DROP)

A DROP was enacted on January 28, 2009 by Ordinance 2009-3626. Under this Plan, 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 Plan 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 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 months, and have their monthly retirement benefits 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 Trust, but shall be borne by the participant. Upon termination of employment, a member may receive distributions in accordance with the Plan.

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. 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%. As of September 30, 2017, there were 129 members in the DROP and the value of DROP investment was \$16,100,212, which is included in the Plan's net

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position. The DROP also allows for member loans. At September 30, 2017, there were approximately \$244,000 in outstanding loans.

Funding Policy, Contributions Required and Contributions Made

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. 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. The City Commission has the authority to increase or decrease contributions.

For the fiscal year ended September 30, 2017, the Agency was required to make contributions of \$182,000 or 26.07% of covered payroll to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2015. For the year ended September 30, 2017, the employees contributed \$48,795.

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

For the year ended September 30, 2017, the Agency recognized a pension expense of \$49,436. At September 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 8,166	\$ 10,659
Agency contributions subsequent to measurement date	182,000	-
Net difference between projected and actual earnings on	64,829	-
Change in assumptions	92,104	-
Total	<u>\$ 347,099</u>	<u>\$ 10,659</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year ended September 30:	
2018	\$ 58,687
2019	52,006
2020	56,037
2021	(12,290)
Total	<u>\$ 154,440</u>

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The Plan uses the following actuarial valuations at the measurement date of September 30, 2016:

Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	4.5% to 7.0% depending on service, including inflation
Investment Rate of Return	7.70%
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.

Net Pension Liability of the Agency

The components of the net pension liability of the Agency at September 30, 2017 were as follows:

Total pension liability	\$ 4,709,473
Plan's fiduciary net position	(3,440,630)
Agency net pension liability	<u>\$ 1,268,843</u>

The above methods and assumptions were used to determine the total pension liability at the actuarial valuation date of October 1, 2015. The actuarial valuation was rolled forward to the September 30, 2016 measurement date.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Target Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	39%	4.67%
Fixed income	28	0.97
International equities	16	5.81
Real estate	10	3.72
Infrastructure	7	5.28
Total	<u>100%</u>	

Discount

A single discount rate of 7.70% was used to measure the total pension liability. This is a decrease of 0.15% from the discount rate of 7.85% used in the prior measurement. 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 the total actuarially determined

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contribution rates and the member rate. Based on these assumptions, the Pension 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 Pension Plan investments (7.70%) 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

The following present the Agency's net pension liability, calculated using a single discount rate of 7.70%, as well as what the Agency's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
1% Decrease 6.85%	Rate Assumption 7.85%	1% Increase 8.85%
\$ 1,769,431	\$ 1,285,164	\$ 878,947

Historical trend information is presented in the required supplementary information schedules following the notes to the financial statements to show the changes in the net pension liability and the contributions to the plan.

Retirement System for Firefighters and Police Officers (MBF&P)

Summary of Significant Accounting Principles

The Plan financial statements are prepared using the accrual basis of accounting. Employee 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. Share plan contributions are recognized as revenues in the period in which they are approved by the State. 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 rate.

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 Trust has entered into requires a range of techniques to determine fair value.

Unrealized gains and losses are presented as net appreciation 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 investments are recorded on a trade-date basis.

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

Plan Description

Pursuant to Modification 29 of the Florida State Social Security Agreement effective January 1, 1955 The City of Miami Beach does not participate in the Federal Old-Age and Survivors Insurance System (OASI) embodied in the Social Security Act. The plan is a single employer defined benefit plan established by the City of Miami Beach, Florida (The "City") and was created under Chapter 23414, Laws of Florida, Special Acts of 1945, as amended through October 14, 2015. The Plan's governing board is the Board of Trustees, which comprises nine members: three of which are elected by the fire department, three of which are elected by the police department, and three

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of which are appointed by the mayor. Members are substantially all police officers and firefighters employed by the City of Miami Beach, Florida. Members are further divided in the following three tiers:

Tier One members are those hired prior to July 14, 2010.

Tier Two members are those hired on or after July 14, 2010, but prior to September 30, 2013.

Tier Three members are those hired on or after September 30, 2013, but prior to June 8, 2016 and July 20, 2016 for Fire Department and Police Department members, respectively.

Tier Four members are those hired on or after June 8, 2016 and July 20, 2016 for Fire Department and Police Department members, respectively

Tier One members

Members who met eligibility to retire prior to September 30, 2013 may retire on a service retirement pension upon the attainment of age 50 or, if earlier, the date when age and length of creditable service equals to at least 70 years. Members eligible to retire on or after September 30, 2013 may retire on a service retirement pension upon the attainment of age 50 or, if earlier, the date when the member attains age 47 and length of creditable service equals to at least 70 years.

Upon retirement, a member who met eligibility to retire on or before September 30, 2013 will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 15 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 15 years, provided that the pension does not exceed 90% of the average monthly salary. Members who met eligibility to retire on or after to September 30, 2013 will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary. All retirees and beneficiaries receiving a monthly pension as of September 30, 2010 will receive a 2.5% increase in benefits on October 1st of each year. Members that retire on or after September 30, 2010 will receive a 2.5% increase in benefits annually on the anniversary date of the member's retirement.

Tier Two members

Any member may retire on a service retirement pension upon the attainment of age 50 and the completion of at least 5 years of credible pension service or, if earlier, the date when the member attains age 48 plus the length of creditable service equals to at least 70 years.

Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary. The average monthly salary of the employee is computed based on the salary for the three highest paid years prior to the date of retirement or the average of the last three paid years to the employee prior to the date of retirement, whichever produces the greater benefit after consideration of the overtime limitations. For limitation and detailed information, please see the pension plan statement. All retirees and beneficiaries will receive a 1.5% increase in benefits annually on the anniversary date of the member's retirement.

Tier Three members

Any member may retire on a service retirement pension upon the attainment of age 50 and the completion of at least 5 years of credible pension service or, if earlier, the date when the member attains age 48 plus the length of creditable service equals to at least 70 years.

Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary. The average monthly salary of the employee is computed based on

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(A Component Unit of the City of Miami Beach, Florida)
Notes to Financial Statements
September 30, 2017**

the salary for the five highest paid years prior to the date of retirement or the average of the last five paid years to the employee prior to the date of retirement, whichever produces the greater benefit after consideration of the overtime limitations. For limitation and detailed information, please see the pension plan statement. All retirees and beneficiaries will receive a 1.5% increase in benefits annually on the anniversary date of the member's retirement.

Tier Four members

Any member may retire on a service retirement pension upon the attainment of age 52 and the completion of at least 5 years of credible pension service or, if earlier, the date when the member attains age 48 plus the length of creditable service equals to at least 70 years.

Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary. The average monthly salary of the employee is computed based on the salary for the five highest paid years prior to the date of retirement or the average of the last five paid years to the employee prior to the date of retirement, whichever produces the greater benefit after consideration of the overtime limitations. For limitation and detailed information, please see the pension plan statement. All retirees and beneficiaries will receive a 1.5% increase in benefits annually on the anniversary date of the member's retirement

Any member of the plan who becomes totally and permanently disabled at any time as a result of illness or injury suffered in the line of duty may be retired on an accidental disability pension. For a service connected disability, the minimum pension payable is 85% of monthly salary of the employee at the time of disability retirement, less any offset for worker's compensation. Any member who becomes totally or permanently disabled after 5 years of creditable service as a result of illness or injury not suffered in the line of duty may be retired on an ordinary disability retirement pension. Upon disability retirement, a member received a monthly pension equal to their service retirement benefits. For a non-service connected disability, the pension is the accrued benefit after 5 years of creditable service. The plan also provides death benefits for beneficiaries or members for service connected and non-service connected death.

If a member resigns or is lawfully discharged before retirement, their contributions with 3% interest per annum are returned to them. The Plan also provides a special provision for vested benefits for members who terminate after 5 years of service.

In the alternative and in lieu of the normal form of benefit, the member may, at any time prior to retirement, elect to receive a lifetime retirement benefit with 120 monthly payments guaranteed. If the member should die before 120 monthly payments are made, benefits will continue to be paid to the member's designated beneficiary for the balance of the 120 month period. If the retired member is living after 120 monthly payments are made, the payments shall be continued for the member's remaining lifetime. In case of termination of the Plan, benefits accrued to members to the extent funded will be non-forfeitable.

Deferred retirement option plan

An active member of Tier One may enter into the DROP on the first day of any month after meeting eligibility to retire. Members who entered the DROP on or before September 30, 2015, shall be eligible to participate for a period not to exceed 72 months. Members who entered the DROP on or after October 1, 2015, shall be eligible to participate for a period not to exceed 96 months. All members shall receive a 2.5% COLA increase in benefits annually on the anniversary date of the member's entry into the DROP, in conjunction with a few annual exceptions.

An active member of Tier Two, Three or Four may enter into the DROP on the first day of any month after meeting eligibility to retire. Members who entered the DROP on or after October 1, 2015, shall be eligible to participate for a period not to exceed 96 months. All members shall receive a 1.5% COLA increase in benefits

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annually on the anniversary date of the member's entry into the DROP, in conjunction with a few annual exceptions.

Once a member enters the DROP, their monthly retirement benefit is fixed, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including earnings, is payable to them and they will begin to receive their normal retirement benefit.

At September 30, 2017, the total amount of the Deferred Retirement Option Plan payable, \$27,732,355, represents the balance of the self-directed participants as all of the participants are now in the self-directed DROP.

Funding Policy, Contributions Required and Contributions Made

The City (the "Employer") is required to contribute an actuarially determined amount that, when combined with members' contributions, will fully provide for all benefits as they become payable. All Tier One and Tier Two members are required to contribute 10% of their salary to the Plan, while all Tier Three members are required to contribute 10.5% of their salary to the Plan. The City Commission has the authority to increase or decrease contributions.

For the fiscal year ended September 30, 2017, the Agency was required to make contributions of \$900,919 or 68.68% of covered payroll to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2015. For the year ended September 30, 2017, the employees contributed \$90,091.

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

For the year ended September 30, 2017, the Agency recognized pension expense adjustment of \$67,172. At September 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>
Differences between expected and actual experience	\$ 524,486
Changes in assumptions	128,242
City contributions subsequent to measurement date	900,919
Net difference between projected and actual earnings on pension plan investments earnings on pension plan	494,017
Total	<u>\$ 2,047,664</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year ended September 30:	
2018	\$ 403,286
2019	371,309
2020	368,726
2021	3,424
Total	<u>\$ 1,146,745</u>

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
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September 30, 2017**

Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	0.70% - 10.7%
Cost-of-Living Increases	1.5%, 2.0%, or 2.5%
Investment Rate of Return	7.90%, compounded annually, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	For healthy participants, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with Blue Collar Adjustment and projected 15 years from valuation date for pre-retirement mortality and 7 years from valuation date for post-retirement mortality with projection Scale AA. For disabled participants, RP-2000 Disabled Mortality Tables, separate rates for males and females, without projection for future mortality improvement.

The above methods and assumptions were used to determine the total pension liability at the actuarial valuation date of October 1, 2015. The actuarial valuation was rolled forward to the September 30, 2016 measurement date.

Discount

A discount rate of 7.90% was used to measure the September 30, 2017 total pension liability; a decrease from the prior year rate of 7.95%. This discount rate was based on the expected rate of return on Fund investments of 7.90%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined current contribution rates and the member contribution rate. Based on these assumptions, the Fund's fiduciary net position was projected to be available to make all projected future expected benefit payments to current Fund members. Therefore, the long-term expected rate of return on Fund investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability of the Agency

The components of the net pension liability of the Agency at September 30, 2017 were as follows:

Total pension liability	\$	28,219,538
Plan's fiduciary net position		(20,612,140)
Agency net pension liability	\$	<u>7,607,398</u>

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Miami Beach Redevelopment Agency
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September 30, 2017

The target and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Target Asset Class	Assumed Asset Allocation
Domestic equities	50%
Fixed income	35
International equities	5
Real estate equity	5
Cash/short-term investments	5
Total	100%

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.50%
International equity	8.50
Domestic bonds	2.50
International bonds	3.50
Real estate	4.50
Alternative investments	6.24

The following present the Agency's net pension liability, calculated using a single discount rate of 7.90%, as well as what the Agency's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate		
Assumption		
1% Decrease	Rate Assumption	1% Increase
6.90%	7.90%	8.90%
\$ 11,102,749	\$ 7,607,398	\$ 4,727,313

Historical trend information is presented in the required supplementary information schedules following the notes to the financial statements to show the changes in the net pension liability and the contributions to the plan.

Financial Statements

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports. Each of the Retirement Systems are audited separately. Complete financial statements can be obtained at the following offices:

City of Miami Beach
Employee Retirement System
1700 Convention Center Drive
Miami Beach, Florida 33139

City of Miami Beach
Retirement System for Firefighters and Police Officers
1691 Michigan Ave. Suite 555
Miami Beach, Florida 33139

**Miami Beach Redevelopment Agency
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September 30, 2017**

Florida's Federal-State Social Security Agreement

Pursuant to Modification 29 of the Florida State Social Security Agreement effective January 1, 1955 The City of Miami Beach does not participate in the Federal Old-Age and Survivors Insurance System (OASI) embodied in the Social Security Act. Instead, it provides eligible employees a comprehensive defined benefit pension plan. Contributions to Social Security for fiscal year 2017 and 2016 would have been \$9,966,058 and \$9,640,754, respectively. The City of Miami Beach does participate in the hospital insurance tax, also known as Medicare, and withholds taxes accordingly.

Firemen's and Police Relief and Pension Funds

The City's firefighters and police officers are members of two separate non-contributory money purchase benefit plans established under the provisions of Florida Statutes, Chapters 175 and 185, respectively. These plans are funded solely from proceeds of certain excise taxes levied by the City and imposed upon property and casualty insurance coverage within City limits. This tax, which is collected from insurers by the State of Florida, is remitted to the Plans' Boards of Trustees. The City is under no obligation to make any further contributions to the plans. The excise taxes received from the State of Florida and remitted to the plans for the year ended September 30, 2017 was \$1,430,342 for firefighters and \$799,641 for police officers. These payments were recorded on the City's books as revenues and expenditures during the fiscal year.

Plan benefits are allocated to participants based upon their service during the year and the level of funding received during the year. Participants are fully vested after 10 years of service with no benefits vested prior to 10 years of service, except those prior to June 1983. All benefits are paid in a lump sum format, except for the Police Relief Funds, where participants may also elect not to withdraw or to partially withdraw, his or her retirement funds.

Defined Contribution Retirement Plan-401(A)

Effective October 18, 1992 City's Ordinance No. 92-2813 provided for the creation of a Defined Contribution Retirement Plan (the "Plan") under section 401(A) of the internal revenue code of 1986. The Plan provides retirement and other related benefits for eligible employees as an option over the other retirement systems sponsored by the City.

Any person employed on or after October 18, 1992, in the unclassified service of the City, has the right to select the Plan as an optional retirement plan to the Unclassified Employees and Elected Officials Retirement System. At the time of the Ordinance, employees of the City who were members of the Unclassified Employee and Elected Official Retirement System (the "System") had the irrevocable right to elect to transfer membership from the System to the Plan for a limited period of time. Effective March 19, 2006 the Plan is no longer offered to new employees of the City. Employees participating in the Plan prior to March 19, 2006 were given the option to transfer membership to the System.

The Plan is administered by a Board of Trustees, which has the general responsibility for the proper operation and management of the Plan. The Plan complies with the provisions of section 401(A) of the Internal Revenue Code of 1986 and may be amended by the City Commission of the City. The City has no fiduciary responsibility for the Plan, consequently, amounts accrued for benefits are not recorded in the fiduciary fund.

Employees in the Plan hired prior to February 21, 1994 are required to contribute 10% of their salary while those hired subsequent to February 21, 1994 are required to contribute 8% of their salary. The City matches the employee's contribution 100%. The Plan of each employee is the immediate property of the employee. Employees have Nationwide Retirement Solutions or IMCA-RC as their plan administrator. In addition, the employee is responsible for the investment of their funds amongst choices of investment vehicles offered by their selected plan administrator.

Plan information as of and for the fiscal year ended September 30, 2017 is as follows:

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Notes to Financial Statements
September 30, 2017**

Members in the Plan	30
City's contribution	\$ 142,594
Percentage of covered payroll	8.10%
Employees' contribution	142,558
Percentage of covered payroll	8.10%

Note 15 - Subsequent Events

Management is not aware of any significant subsequent events that would require disclosure.

Requests for Information

This financial report is designed to provide a general overview of the Miami Beach Redevelopment Agency's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Miami Beach Redevelopment Agency, Finance Department, 1700 Convention Center Drive, Miami Beach, Florida 33139.

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**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)
UNAUDITED**

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
SCHEDULE OF CONTRIBUTIONS
RETIREMENT SYSTEMS
(Unaudited)

***Miami Beach Employees Retirement Plan**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 182,000	\$ 165,000	\$ 191,385	\$ 185,204	\$ 141,360	\$ 117,122	\$ 96,416	\$ 114,152	\$ 85,686	\$ 92,665
Actual contribution	<u>182,000</u>	<u>165,000</u>	<u>191,385</u>	<u>185,204</u>	<u>141,360</u>	<u>117,122</u>	<u>96,416</u>	<u>114,152</u>	<u>85,686</u>	<u>92,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 698,244	\$ 588,000	\$ 595,782	\$ 552,405	\$ 539,894	\$ 605,689	\$ 434,359	\$ 488,855	\$ 461,911	\$ 91,366
Actual contribution as a % of covered payroll	26.07%	28.06%	32.12%	33.53%	26.18%	19.34%	22.20%	23.35%	18.55%	101.42%

City Pension for Firefighters and Police Officers

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 900,919	\$ 976,000	\$ 846,000	\$ 921,087	\$ 1,011,549	\$ 929,722	\$ 840,435	\$ 599,465	\$ 516,378	\$ 451,268
Actual contribution	<u>900,919</u>	<u>976,000</u>	<u>846,000</u>	<u>921,087</u>	<u>1,011,549</u>	<u>929,722</u>	<u>840,435</u>	<u>599,465</u>	<u>516,378</u>	<u>451,268</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
** Covered payroll	\$ 1,311,798	\$ 1,344,000	\$ 1,652,889	\$ 1,096,378	\$ 992,167	\$ 942,634	\$ 722,992	\$ 658,571	\$ 790,308	\$ 905,101
Actual contribution as a % of covered payroll	68.68%	72.62%	51.18%	84.01%	101.95%	98.63%	116.24%	91.03%	65.34%	49.86%

** Includes DROP members

Notes:

1. City Pension for Firefighters and Police Officers actual contributions include certain Chapter 175/185 non-employer contributions amounts. These amounts are from the State of Florida.

Miami Beach Redvelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
RETIREMENT SYSTEMS
(Unaudited)

MBERP*	2017	2016	2015
Agency's proportion of the net pension liability	0.62%	0.59%	0.72%
Agency's proportionate share of the net pension liability	\$ 1,268,843	\$ 1,285,164	\$ 1,209,020
Agency's covered payroll	\$ 588,000	\$ 595,782	\$ 552,405
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	215.79%	215.71%	218.86%
Plan fiduciary net position as a percentage of the total pension liability	73.06%	70.11%	75.55%
MBF&P*	2017	2016	2015
Agency's proportion of the net pension liability	2.56%	2.79%	2.56%
Agency's proportionate share of the net pension liability	\$ 7,607,398	\$ 8,116,815	\$ 5,691,617
Agency's covered payroll	\$ 1,344,000	\$ 1,652,889	\$ 1,096,378
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	566.03%	491.07%	519.13%
Plan fiduciary net position as a percentage of the total pension liability	73.04%	72.07%	77.59%

*Only three years of data is readily available. The years will be populated each year until 10 years are presented.

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
NOTES TO THE RETIREMENT SYSTEMS SCHEDULES
September 30, 2017**

The above schedules are ten year schedules, however, the information in the schedules are not required to be presented retroactively. Years will be added to these schedules in future periods until ten years of information is available.

Notes to the net pension liability - MBERP

Valuation Date	October 1, 2015
Measurement Date	September 30, 2016
Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	4.5% to 7.0% depending on service, including inflation
Investment Rate of Return	7.70%
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.
Assumption Changes	From fiscal year 2015 to 2016, the discount rate used to determine the net pension liability decreased from 8.00% to 7.85%. From fiscal year 2016 to 2017, the discount rate decreased from 7.85% to 7.70.

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**Miami Beach Redevelopment Agency
 (A Component Unit of the City of Miami Beach, Florida)
 NOTES TO THE RETIREMENT SYSTEMS SCHEDULES
 September 30, 2016**

Notes to the net pension liability – MBF&P

Valuation Date	October 1, 2015
Measurement Date	September 30, 2016
Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	0.70% to 10.71%
Investment Rate of Return	7.90%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	For healthy participants, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with Blue Collar Adjustment and projected 15 years from valuation date for pre-retirement mortality and 7 years from valuation date for post-retirement mortality with projection Scale AA. For disabled participants, RP-2000 Disabled Mortality Tables, separate rates for males and females, without projection for future mortality improvement.
Assumption Changes	From fiscal year 2015 to fiscal year 2016, the discount rate decreased from 8.00% to 7.95%. From fiscal year 2016 to fiscal year 2017, the discount rate decreased from 7.95% to 7.90%.

Each of the Retirement Systems are audited separately. Complete financial statements can be obtained at the following offices:

City of Miami Beach
 Employee Retirement System

 1700 Convention Center Drive
 Miami Beach, Florida 33139

City of Miami Beach
 Retirement System for Firefighters and Police Officers

 1691 Michigan Ave. Suite 555
 Miami Beach, Florida 33139

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Miami Beach Redevelopment Agency
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Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2017
(Unaudited)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Tax increment	\$ 51,861,000	\$ 51,861,000	\$ 51,843,091	\$ (17,909)
Interest	60,000	60,000	430,918	370,918
Total revenues	<u>51,921,000</u>	<u>51,921,000</u>	<u>52,274,009</u>	<u>353,009</u>
Expenditures:				
General government	20,759,000	19,656,440	6,061,344	13,595,096
Public safety	4,553,000	4,538,500	4,400,734	137,766
Economic environment	3,268,000	3,268,000	3,250,066	17,934
Culture and recreation	1,368,000	1,368,000	958,234	409,766
Capital outlay	-	1,117,060	1,117,060	-
Total expenditures	<u>29,948,000</u>	<u>29,948,000</u>	<u>15,787,438</u>	<u>14,160,562</u>
Excess of revenues over expenditures	<u>21,973,000</u>	<u>21,973,000</u>	<u>36,486,571</u>	<u>14,513,571</u>
Other financing sources (uses):				
Operating transfers out	(21,973,000)	(21,973,000)	(5,993,960)	15,979,040
Total other financing sources (uses)	<u>(21,973,000)</u>	<u>(21,973,000)</u>	<u>(5,993,960)</u>	<u>15,979,040</u>
Net change in fund balance	-	-	30,492,611	30,492,611
Fund balance, beginning	<u>39,238,026</u>	<u>39,238,026</u>	<u>39,238,026</u>	-
Fund balance, ending	<u>\$ 39,238,026</u>	<u>\$ 39,238,026</u>	<u>\$ 69,730,637</u>	<u>\$ 30,492,611</u>

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)**

**Notes to Budgetary Comparison Schedule
September 30, 2016 (Unaudited)**

Note 1. Budgetary Policy

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The Agency uses appropriations in the capital budget to authorize the expenditures of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

At least 65 days prior to the beginning of the fiscal year, the City Commission, which also serves as the Agency's Board of Directors, is presented with a proposed budget. The proposed budget includes anticipated expenditures and the means of financing them. After Commission review and public hearings, the budget is adopted prior to October 1st. The budget is approved by district and fund. Management may transfer amounts between line items within a fund as long as the transfer does not result in an increase in the fund's budget. Increases to fund budgets require Commission approval.

There were one (1) supplemental budgetary appropriations during fiscal year ended September 30, 2017.

Budgets are considered a management control and planning tool and as such are incorporated in the accounting system of the Agency. Budgets are adopted on the modified accrual basis of accounting with the inclusion of encumbrances as reductions in the budgetary amount available. All appropriations lapse at year-end.

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SUPPLEMENTARY INFORMATION

**Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)**

**Budgetary Comparison Schedule
Debt Service Fund
Year Ended September 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Expenditures:				
Debt Service:				
Principal	\$ 6,495,000	\$ 6,495,000	\$ 6,495,000	\$ -
Interest	15,183,000	15,182,246	15,170,579	11,667
Other	-	754	754	-
Total expenditures	<u>21,678,000</u>	<u>21,678,000</u>	<u>21,666,333</u>	<u>11,667</u>
Excess of revenues over expenditures	<u>(21,678,000)</u>	<u>(21,678,000)</u>	<u>(21,666,333)</u>	<u>11,667</u>
Other financing sources:				
Operating transfers in	21,678,000	21,678,000	5,512,636	(16,165,364)
Total other financing sources	<u>21,678,000</u>	<u>21,678,000</u>	<u>5,512,636</u>	<u>(16,165,364)</u>
Net change in fund balance	-	-	(16,153,697)	(16,153,697)
Fund balance, beginning	<u>16,153,697</u>	<u>16,153,697</u>	<u>16,153,697</u>	<u>-</u>
Fund balance, ending	<u>\$ 16,153,697</u>	<u>\$ 16,153,697</u>	<u>\$ -</u>	<u>\$ (16,153,697)</u>

OTHER REPORTS

INDEPENDENT AUDITOR'S 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

The Honorable Mayor and City Commissioners
City of 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 the governmental activities, the business-type activities and each major fund of the Miami Beach Redevelopment Agency (the "Agency") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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. 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 Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Miami, Florida
May 22, 2018

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

SCHEDULE OF FINDINGS

YEAR ENDED SEPTEMBER 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None reported
Noncompliance material to financial statements noted	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No items to report.

MIAMI BEACH REDEVELOPMENT AGENCY
(A Component Unit of the City of Miami Beach, Florida)

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2017

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

FINANCIAL STATEMENT FINDINGS

Material Weakness

2016-001 Bank reconciliations

Criteria: Policies and procedures should reasonably assure that bank accounts are reconciled in a timely manner.

Condition: We noted that there were several accounts which had not been reconciled within 30 days of the bank statement dates.

Current Year Status: Finding has been resolved.

Significant Deficiencies

2016-002 IT Controls

Criteria: Information Systems controls should reasonably assure that electronic information is not compromised by unauthorized access to systems and that access is granted only as needed for individuals within the entity to perform their assigned responsibilities while maintaining adequate segregation of duties.

Condition: We noted the following with respect to the City's information systems:

1. Management does not perform a periodic review of access to validate the appropriateness of each user with access to Munis.
2. Termination process – during our interim procedures, we noted that eight terminated user accounts were still active which could lead to unauthorized activity. During our year end procedures, we noted that the eight employees' accounts had been disabled.

Current Year Status: Finding has been resolved.

2016-003 Schedule of Expenditure of Federal Awards and State Financial Assistance

Criteria: Policies and procedures should reasonably assure that Federal award and State financial assistance expenditures be accurately reflected on the Schedule of Expenditure of Federal Awards and State Financial Assistance.

Condition: We noted that there was one Federal award and two State projects amounts that had to be adjusted on the final Schedule of Expenditure of Federal Awards and State Financial Assistance received from the City.

Current Year Status: Finding has been resolved.

To the Honorable Mayor and Members of the City Commission
City of Miami Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Miami Beach Redevelopment Agency (the “Agency”) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated May 22, 2018.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of The Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated May 22, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

There were no prior year findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the financial statements.

Additional Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Miami, Florida
May 22, 2018

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, *FLORIDA STATUTES*

To the Honorable Mayor and Members of the City Commission
City of Miami Beach, Florida

We have examined the Miami Beach Redevelopment Agency's (the "Agency") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public Agency's during the year ended September 30, 2017. Management of the Agency is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the requirements contained in Section 218.415, *Florida Statutes* for the year ended September 30, 2017.

The purpose of this report is solely to comply with Chapter 10.550, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Miami, Florida
May 22, 2018