Miami Beach Redevelopment Agency

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

Financial Report
Fiscal Year Ended September 30, 2016

PREPARED BY

THE FINANCE DEPARTMENT

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Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2016, 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 Miami Beach Redevelopment Agency, as of September 30, 2016, 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, 2016, 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.

In February 2015, the Governmental Accounting Standards Board issued Statement No. 72, “Fair Value Measurement and Application”. As disclosed in Note 1.10, Statement No. 72 is effective for the City’s fiscal year ending September 30, 2016. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. 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 14, page 57, page 58 to 60, and page 61 to 62, 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 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2017 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

Crowe Horwath LLP

Miami, Florida
May 23, 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, 2016. 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 the most recent fiscal year by $188.1 million (net position).

- The Agency's net position increased by $4.1 million. The governmental net position increased by $3.4 million and the business-type net position increased by $ 0.7 million.

- Business Type Activity revenue decreased by $32,177 and expenses increased by $198,000.

- Governmental activities revenue increased by $6.5 million and expenses increased by $12.8 million.

- At September 30, 2016 fund balance in the Agency's governmental funds was $352.0 million. This includes $39.2 million restricted fund balance in the general fund, $16.2 million of restricted fund balance in the debt service funds, and $296.6 million of restricted fund balance in the capital projects fund.

- The Agency's total long-term liabilities increased by $295.7 million or 519.2% during the current year. The increase is due to the Agency issuing the 2015A and 2015B series of Tax Increment Revenue Refunding Bonds during fiscal year 2016. See Note 6 and 7 for more information regarding the bonds.

- The Agency's assets increased by approximately $312.7 million or 123.9%. The increase is attributed to an increase in cash and investments $63.0 million or 120.7% and an increase in deferred outflows of $2.7 million or 221.7%.

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.

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 15 – 17 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 statement of activities reports 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.

The basic proprietary fund financial statements can be found on pages 22-24 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 25-56 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	
	2016	2015	**2016**	2015	**2016**	2015
Current and other assets	**$ 364,325**	$ 88,218	**$ 26,721**	$ 24,543	**$ 391,046**	$ 112,761
Capital assets	**145,566**	113,221	**24,548**	25,217	**170,114**	138,438
Deferred Outflows	**3,909**	1,215	**-**		**3,909**	1,215
Total assets and Deferred Outflows	**513,800**	202,654	**51,269**	49,760	**565,069**	252,414
Long-term liabilities	**352,448**	56,785	**166**	166	**352,614**	56,951
Other liabilities	**22,949**	10,519	**1,368**	591	**24,317**	11,110
Unearned revenue	**-**	-	**75**	58	**75**	58
Deferred Inflows	**-**	381	**-**		**-**	381
Total liabilities and Deferred Inflows	**375,397**	67,685	**1,609**	815	**377,006**	68,500
Net position:						
Net invesment in capital assets	**65,240**	112,439	**24,548**	25,217	**89,788**	137,656
Restricted for debt service	**16,154**	5,747	**-**	-	**16,154**	5,747
Restricted for economic development	**39,238**	-	**-**	-	**39,238**	-
Restricted for capital improvement	**43,414**	-	**-**	-	**43,414**	-
Unrestricted (deficit)	**(25,643)**	16,783	**25,112**	23,728	**(531)**	40,511
Total net position	**$ 138,403**	$ 134,969	**$ 49,660**	$ 48,945	**$ 188,063**	$ 183,914

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.

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 $188.1 million at September 30, 2016, an increase of $4.1 million or 2.3% from September 30, 2015.

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

During the fiscal year, the Agency's net position increased by $4.1 million. Governmental activities accounted for an increase of $3.4 million while Business-type accounted for an increase of $.7 million.

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.

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The table below summarizes the change in net position:

Summary of Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	**2016**	2015	**2016**	2015
Revenues:						
Program Revenues:						
Charges for services	**$ 28**	$ 128	**$ 5,391**	$ 5,365	**$ 5,419**	$ 5,493
General Revenues:						
Taxes:						
Property taxes	**44,176**	38,094	**-**	-	**44,176**	38,094
Investment earnings	**1,452**	949	**86**	80	**1,538**	1,029
Total revenues	**45,656**	39,171	**5,477**	5,445	**51,133**	44,616
Expenses:						
General government	**6,236**	6,341	**-**	-	**6,236**	6,341
Public safety	**4,852**	4,352	**-**	-	**4,852**	4,352
Physical environment	**45**	41	**-**	-	**45**	41
Transportation	**1,379**	1,785	**-**	-	**1,379**	1,785
Economic environment	**2,755**	3,730	**-**	-	**2,755**	3,730
Culture and recreation	**2,439**	2,508	**-**	-	**2,439**	2,508
Parking - Anchor & Penn. Garage	**-**	-	**4,261**	4,105	**4,261**	4,105
Leases - Anchor & Penn. Shops	**-**	-	**502**	460	**502**	460
Interest on long-term debt	**16,751**	2,931	**-**	-	**16,751**	2,931
Total expenses	**34,457**	21,688	**4,763**	4,565	**39,220**	**26,253**
Increase in net position before transfers and gain (loss) on sale of capital assets	**11,199**	17,483	**714**	880	**11,913**	18,363
Gain (loss) on sale of Capital Assets	**4**	3	**1**	-	**5**	3
Transfers	**(7,769)**	-	**-**	-	**(7,769)**	-
Increase in net position	**3,434**	17,486	**715**	880	**4,149**	18,366
Net position, beginning as restated	**134,969**	117,483	**48,945**	48,065	**183,914**	165,548
Net position, ending	**$ 138,403**	$ 134,969	**$ 49,660**	$ 48,945	**$ 188,063**	$ 183,914

Governmental activities increased the Agency's net position by $3.4 million.

Key elements of the net increase are as follows:

- Total expenses from governmental activities in fiscal 2016 totaled $34.5 million. This is an increase of $12.8 million or 58.9% from the prior year.

- Revenues from governmental activities in fiscal year 2016 totaled $45.7 million, an increase of $ 6.5 million from 2015. The increase is primarily due to the increase in tax increment revenue which increased by 6.1 million of 16.0% from the prior year.

Business-Type Activities

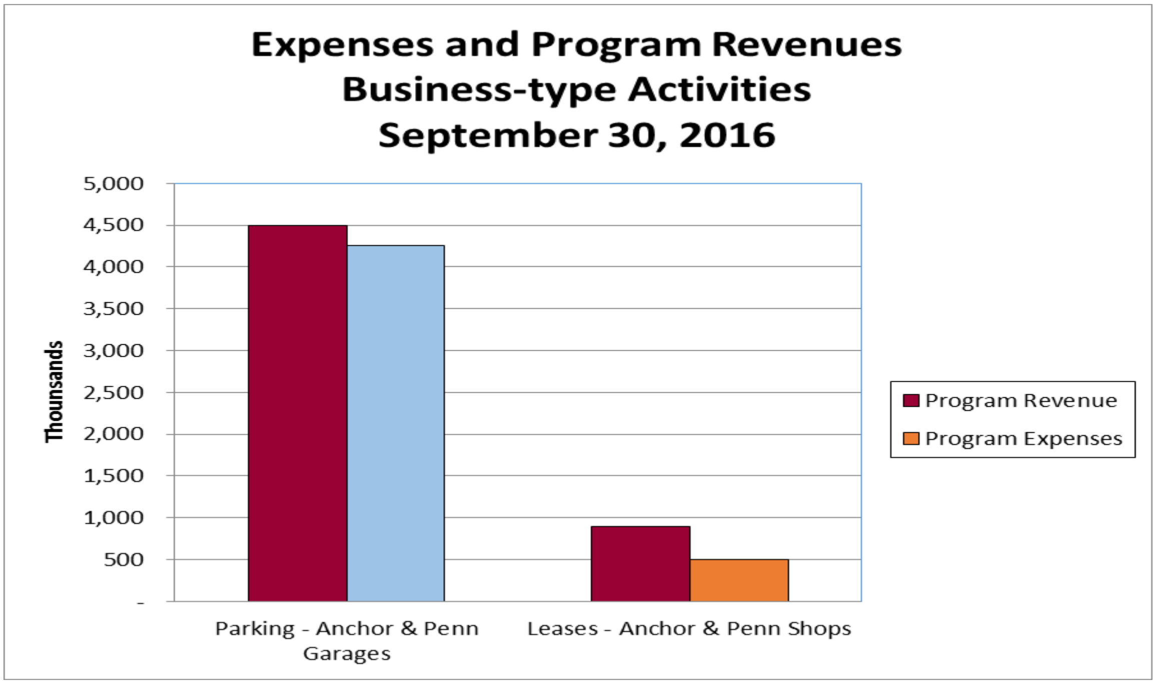
Business-type activities increased the Agency's net position by approximately $.7 million.

Key elements of this increase are as follows:

- The Parking Garages' net position increased by $.3 million or 0.8%. The garage funds have an increase in charges for service of $171,210 or 4.4%. Permits, rental and other decreased by 130,864 or 22.2%. Total operating expenses increased by $154,962 or 3.8%.

- The Leasing Shops' net position increased by $.4 million or 4.0%. Interest income increased by $2,880 or 9.5%. Operating expenses in the shops had a net increase of $42,840 or 9.3% over the prior year. Contractual service increased by $39,718 or 14% which includes payments for management and leasing fees. The shops had a decrease in administration fees of $48,000 or 72.7%; these fees represent charges to the general fund to pay for direct and indirect staff support for the agency.

The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2016:



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, 2015	$ 28,207	$ 5,747	$ 50,489	$ 84,443
Revenues	44,391	1	1,265	45,657
Expenditures	14,374	21,360	35,273	71,007
Other financing sources (uses)	(18,986)	31,766	280,154	292,934
Fund balance, September 30, 2016	$ 39,238	$ 16,154	$ 296,635	$ 352,027

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 $352.0 million at September 30, 2016. This is a total increase of $267.6 million or approximately 316.9%.

The general fund is the chief operating fund of the Agency. The fund balance of the Agency's general fund had a net increase of $11.0 million during the current fiscal year. The general fund's tax increment revenues increased by $6.1 million or 16.0%. 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 an increase in net position of $ 10.4 million. Principal and interest payments on the tax increment revenue bonds were $21.4 million. Tax increment revenue transferred from the general fund to pay the debt service was $28.4 million. The debt service fund also recognized 322.1 million in gross bond proceeds relating to the 2015A and 2015 B Tax Increment Revenue Refunding Bonds. Of the bond proceeds, $296.0 million was transferred to the capital projects' fund.

The agency's capital project fund had a net increase in fund balance of $246.1 million. This fund received $296.0 million from the debt service fund. Capital expenditures increased by $32.8 million or 1,386.9% compared to FY 2015.

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 the City of Miami Beach, and also from the issuance of Agency debt.

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 $.7 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.

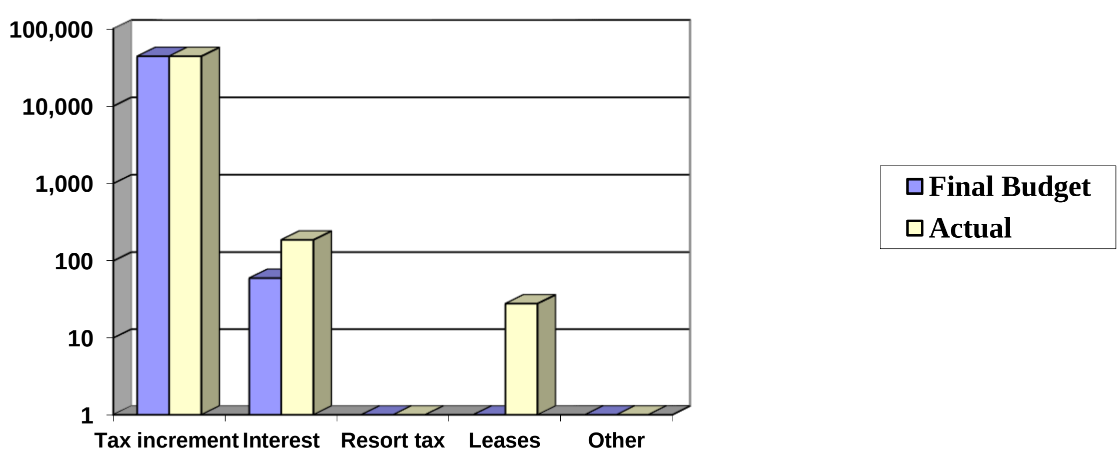
The major variance between the adopted/final budget and actual is the resort tax revenues collected. Fluctuations in resort tax revenues are completely based on the fluctuation in the sales of the above item and vary from one year to another based on the economy and tourism. Pursuant to Section 5.03 of the Miami Beach Code, fifty percent (50%) of the additional one percent (1%) Resort Tax collected on the rent of any hotel, motel, or apartment house is allocated to the Miami Beach Redevelopment Agency (RDA) for debt service related to bonds issued by the RDA.

Actual expenditures were $14.4 million; $0.7 million less than budgeted. The difference with budgeted amounts was mainly in the Culture and Recreation and Public Safety functions. These variances of the actual versus budgeted expenditures within these functions were due to the closing of the convention center during fiscal year 2016 for renovations.

General Fund Revenues

The following charts and tables summarize actual revenues by category for fiscal year 2016 and compares actual revenues with the Adopted/Final Budget:

General Fund Revenues
Fiscal Year 2016
(in thousands)

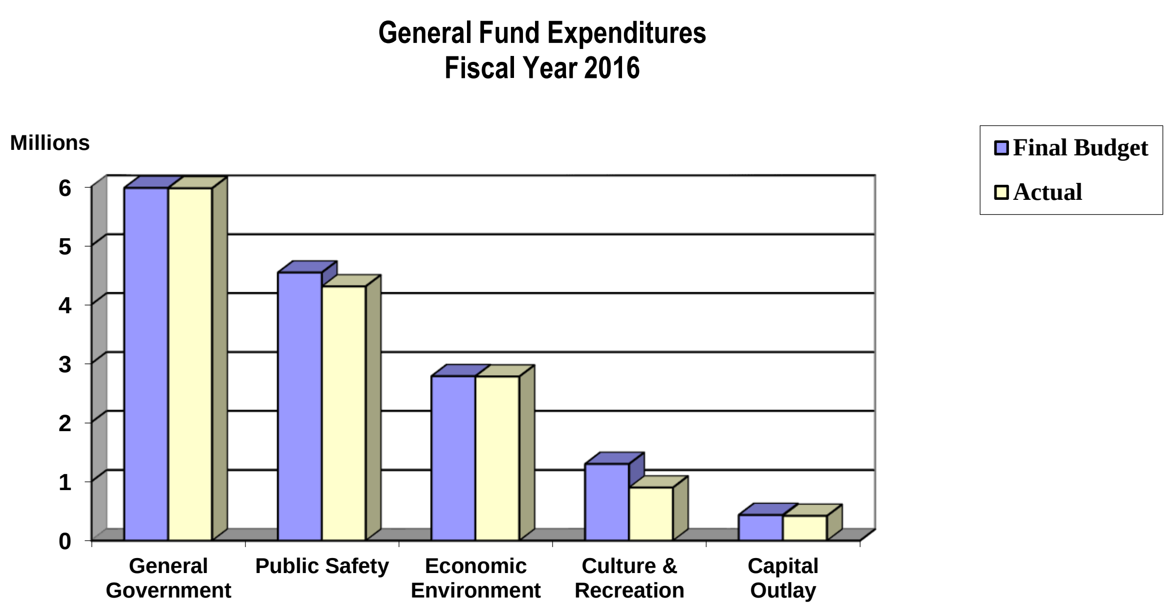


General Fund Revenues
Fiscal Year 2016
(in thousands)

	Final Adopted Budget	Actual Amounts
Revenues:		
Tax increment (property taxes)	$ 44,180	$ 44,175
Rents and leases	-	28
Interest income	60	187
Other	-	1
Total revenues	**$ 44,240**	**$ 44,391**

General Fund Expenditures

The following chart and table summarize actual expenditures by function/program for fiscal year 2016 and compare the actual expenditures with the Final Budget:



General Fund Expenditures
Fiscal Year 2016
(in thousands)

	Final Adopted Budget	Actual Amounts
Expenditures:		
General government	$ **5,981**	$ **5,974**
Public safety	**4,543**	**4,308**
Economic environment	**2,783**	**2,777**
Culture and recreation	**1,295**	**897**
Capital outlay	**433**	**418**
Total expenditures	$ **15,035**	$ **14,374**

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, 2016 amounts to $170.1 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):

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	**2016**	2015	**2016**	2015
Land and land improvements	$ **10,818**	$ 10,818	$ **3,003**	$ 3,003	$ **13,821**	$ 13,821
Buildings and structures	**20,612**	20,929	**21,306**	22,074	**41,918**	43,003
Machinery and equipment	**155**	194	**54**	71	**209**	265
Furniture and fixtures	**361**	450	**-**	-	**361**	450
Streetscape improvements	**31,960**	33,509	**-**	-	**31,960**	33,509
Restorations and renovations	**25,231**	26,257	**-**	-	**25,231**	26,257
Construction in progress	**56,429**	21,064	**185**	69	**56,614**	21,133
Totals	$ **145,566**	$113,221	$ **24,548**	$ 25,217	$ **170,114**	$ 138,438

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.

Outstanding Debt

At the end of the current fiscal year, the Agency had a total debt outstanding in the governmental activities of $351.0 million. The debt balance increased by $295.6 million during the year. This increase was due to the current year issuance of the 2015A and 2015B Tax Increment Bonds.

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

	Governmental Activities	
	2016	2015
Tax increment revenue bonds	**$ 350,985**	$ 55,367

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.

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Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Net Position
September 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	$ 89,644,899	$ 25,507,195	$ 115,152,094
Receivables (net):			
Accounts receivables	26,099	236,065	262,164
Interest	337,257	-	337,257
Due from primary government	3,617,898	685,260	4,303,158
Total current assets	93,626,153	26,428,520	120,054,673
Noncurrent assets:			
Restricted cash and investments	270,699,266	291,649	270,990,915
Capital assets not being depreciated:			
Land	10,817,763	3,003,282	13,821,045
Construction in progress	56,429,294	185,329	56,614,623
Capital assets net of accumulated depreciation:			
Buildings and structures	20,611,814	21,305,552	41,917,366
Streetscape improvements	31,959,843	-	31,959,843
Restorations and renovations	25,231,331	-	25,231,331
Machinery and equipment	155,026	53,706	208,732
Furniture and fixtures	360,503	-	360,503
Total noncurrent assets	416,264,840	24,839,518	441,104,358
Total assets	509,890,993	51,268,038	561,159,031
Deferred outflows of resources			
Uanmortized refunding costs	1,016,976	-	1,016,976
GASB 68 - Employees retirement plan	402,197	-	402,197
GASB 68 - Police & fire retirement plan	2,489,909	-	2,489,909
Total deferred outflows of resources	3,909,082	-	3,909,082
Total assets and deferred outflows of resources	$ 513,800,075	$ 51,268,038	$ 565,068,113

(Continued)

Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)
Statement of Net Position
September 30, 2016

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	$ 5,664,322	$ 413,208	$ 6,077,530
Retainage payable	1,056,381	-	1,056,381
Accrued expenses	2,553,153	121,993	2,675,146
Due to other governments	-	14,835	14,835
Due to primary government	5,311,541	766,639	6,078,180
Unearned Revenue	-	75,327	75,327
Deposits	-	50,311	50,311
Portion due or payable within one year:			
Environmental remediation	200,000	-	200,000
Accrued compensated absences	65,064	-	65,064
Bonds payable	8,097,708	-	8,097,708
Total current liabilities	22,948,169	1,442,313	24,390,482
Long-term liabilities:			
Net pension liability - MBERP	1,285,164	-	1,285,164
Net pension liability - MBF&P	8,116,815	-	8,116,815
Deposits	-	166,011	166,011
Portion due or payable after one year:			
Accrued compensated absences	158,963	-	158,963
Bonds payable	342,887,766	-	342,887,766
Total long-term liabilities	352,448,708	166,011	352,614,719
Total liabilities	375,396,877	1,608,324	377,005,201
Net position			
Net investment in capital assets	65,239,961	24,547,869	89,787,830
Restricted for:			
Debt service	16,153,697	-	16,153,697
Economic development	39,238,026	-	39,238,026
Capital improvement	43,413,953	-	43,413,953
Unrestricted	(25,642,439)	25,111,845	(530,594)
Total net position	138,403,198	49,659,714	188,062,912
Total liabilities, deferred inflows of resources and net position	$ 513,800,075	$ 51,268,038	$ 565,068,113

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, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	**Charges for Services**	**Capital Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Activities:							
Governmental:							
General government	$ 6,236,164	$ -	$ -	$ -	$ (6,236,164)	$ -	$ (6,236,164)
Public safety	4,852,277	-	-	-	(4,852,277)	-	(4,852,277)
Physical environment	44,522	-	-	-	(44,522)	-	(44,522)
Transportation	1,378,785	-	-	-	(1,378,785)	-	(1,378,785)
Economic environment	2,754,938	-	-	-	(2,754,938)	-	(2,754,938)
Culture and recreation	2,438,955	27,561	-	-	(2,411,394)	-	(2,411,394)
Interest on long-term debt	16,751,078	-	-	-	(16,751,078)	-	(16,751,078)
Total governmental activities	34,456,719	27,561	-	-	(34,429,158)	-	(34,429,158)
Business-type:							
Parking – Anchor & Penn. Garages	4,260,828	4,492,675	-	-	-	231,847	231,847
Leasing – Anchor & Penn. Shops	502,400	898,742	-	-	-	396,342	396,342
Total business-type activities	4,763,228	5,391,417	-	-	-	628,189	628,189
Total primary government	$ 39,219,947	$ 5,418,978	$ -	$ -	(34,429,158)	628,189	(33,800,969)
General revenues:							
Taxes:							
Tax increments for redevelopment districts					44,175,847	-	44,175,847
Gain on sale of capital assets					3,873	-	3,873
Investment income					1,451,919	86,227	1,538,146
Miscellaneous					540	-	540
Transfers					(7,769,415)	-	(7,769,415)
Total general revenues					37,862,764	86,227	37,948,991
Changes in net position					3,433,606	714,416	4,148,022
Net position, beginning					134,969,592	48,945,298	183,914,890
Net position, ending					$ 138,403,198	$ 49,659,714	$ 188,062,912

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, 2016

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and investments	$ 41,222,398	$ 16,153,697	$ 302,968,070	$ 360,344,165
Receivables:				
Accounts receivable	26,099	-	-	26,099
Interest	-	-	337,257	337,257
Due from primary government	3,602,678	-	15,220	3,617,898
Total assets	$ 44,851,175	$ 16,153,697	$ 303,320,547	$ 364,325,419
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 420,014	$ -	$ 5,244,308	$ 5,664,322
Retainage payable	395	-	1,055,986	1,056,381
Accrued expenses	66,422	-	-	66,422
Due to primary government	4,926,318	-	385,223	5,311,541
Environmental remediation	200,000			200,000
Total liabilities	5,613,149	-	6,685,517	12,298,666
Fund balances:				
Restricted	39,238,026	16,153,697	296,635,030	352,026,753
Total fund balances	39,238,026	16,153,697	296,635,030	352,026,753
Total liabilities and fund balances	$ 44,851,175	$ 16,153,697	$ 303,320,547	$ 364,325,419

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, 2016

Total fund balance – governmental funds		$ 352,026,753
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	56,429,294	
Buildings and structures, net	20,611,814	
Street improvements, net	31,959,843	
Restoration and renovations, net	25,231,331	
Machinery and equipment, net	155,026	
Furniture and fixtures, net	360,503	
Total capital assets, net		145,565,574
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, 2016 are:		
Accrued interest on bonds	(2,486,731)	
Bonds payable	(322,095,000)	
Premium on bonds payable	(28,890,474)	
Accrued compensated absences	(224,027)	
Net pension liability - MBERP	(1,285,164)	
Net pension liability - MBF&P	(8,116,815)	
Total long-term liabilities		(363,098,211)
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	1,016,976	
Deferred outflows of resources relating to MBERP	402,197	
Deferred outflows of resources relating to MBF&P	2,489,909	
Total deferred resources		3,909,082
Total net position of governmental acitivities		**$ 138,403,198**

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, 2016

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Tax increment	$ 44,175,847	$ -	$ -	$ 44,175,847
Resort tax	-	-	-	-
Rents and leases	27,561	-	-	27,561
Interest	187,045	230	1,264,644	1,451,919
Other	540	-	-	540
Total revenues	44,390,993	230	1,264,644	45,655,867
Expenditures				
Current				
General government	5,973,755	-	-	5,973,755
Public safety	4,307,779	-	-	4,307,779
Economic environment	2,777,234	-	-	2,777,234
Transportation	-	-	-	-
Culture and recreation	896,872	-	65,127	961,999
Capital outlay	418,073	-	35,208,115	35,626,188
Debt service:				
Principal	-	5,635,000	-	5,635,000
Interest and fiscal charges	-	15,724,506	-	15,724,506
Total expenditures	14,373,713	21,359,506	35,273,242	71,006,461
Excess of revenues over (under) expenditures	30,017,280	(21,359,276)	(34,008,598)	(25,350,594)
Other financing sources (uses):				
Sale of capital assets	3,873	-	-	3,873
Issuance of debt		322,095,000		322,095,000
Premium on refunding bonds issued		29,558,832		29,558,832
Payment to escrow agent		(50,954,074)		(50,954,074)
Transfers in	9,527,668	28,389,937	296,000,000	333,917,605
Transfers out	(28,517,937)	(297,323,846)	(15,845,237)	(341,687,020)
Total other financing sources (uses)	(18,986,396)	31,765,849	280,154,763	292,934,216
Net change in fund balances	11,030,884	10,406,573	246,146,165	267,583,622
Fund balances, beginning	28,207,142	5,747,124	50,488,865	84,443,131
Fund balances, ending	$ 39,238,026	$ 16,153,697	$ 296,635,030	$ 352,026,753

See Notes to Financial Statements.

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, 2016

Net change in fund balances - governmental funds		$ 267,583,622
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	35,626,188	
Adjustments for capital asset disposals	112,561	
Depreciation expense	(3,393,882)	
Excess of deletions and depreciation over capital outlay		32,344,867
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	463,602	
Principal - debt service	5,635,000	
Payment to escrow	50,954,074	
Issuance of debt	(322,095,000)	
Premium on bonds (included with interest expense)	(29,558,832)	
Total long-term debt retirement and related transactions		(294,601,156)
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	40,272	
Increase in accrued interest on bonds	(1,490,174)	
		(1,449,902)
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	190,865	
MBF&P	(634,690)	
Total pension costs		(443,825)
Change in net position of governmental activities		$ 3,433,606

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, 2016

	Business-Type Activities Enterprise Funds		
Assets	**Parking Fund**	**Leasing Fund**	**Total**
Current Assets:			
Cash and investments	$ 16,046,141	$ 9,461,054	$ 25,507,195
Receivables:			
Rent, net of allowance	6,306	229,759	236,065
Due from primary government	677,209	8,051	685,260
Total current assets	16,729,656	9,698,864	26,428,520
Noncurrent assets:			
Restricted cash and investments	82,687	208,962	291,649
Capital assets:			
Land	2,793,052	210,230	3,003,282
Buildings and structures	28,426,115	2,344,700	30,770,815
Machinery and equipment	338,532	9,404	347,936
Construction in progress	185,329	-	185,329
Less accumulated depreciation	(8,990,567)	(768,926)	(9,759,493)
Total capital assets (net of accumulated depreciation)	22,752,461	1,795,408	24,547,869
Total noncurrent assets	22,835,148	2,004,370	24,839,518
Total assets	39,564,804	11,703,234	51,268,038
Liabilities and Net Position			
Current liabilities:			
Accounts payable	401,739	11,469	413,208
Accrued expenses	121,993	-	121,993
Due to primary government	536,121	230,518	766,639
Due to other government	8,384	6,451	14,835
Deposits		50,311	50,311
Unearned revenue	75,327	-	75,327
Total current liabilities	1,143,564	298,749	1,442,313
Noncurrent liabilities:			
Deposits	7,360	158,651	166,011
Total noncurrent liabilities	7,360	158,651	166,011
Total liabilities	1,150,924	457,400	1,608,324
Net position			
Net investment in capital assets	22,752,461	1,795,408	24,547,869
Unrestricted	15,661,419	9,450,426	25,111,845
Total net position	$ 38,413,880	$ 11,245,834	$ 49,659,714

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, 2016

	Business-Type Activities Enterprise Funds		
	Parking Fund	**Leasing Fund**	**Total**
Operating revenues:			
Charges for services	$ 4,032,742	$ -	$ 4,032,742
Permits, rentals and other	459,933	898,742	1,358,675
Total operating revenues	4,492,675	898,742	5,391,417
Operating expenses:			
Contractual services	2,586,916	322,679	2,909,595
Utilities	149,635	24,008	173,643
Internal Charges	235,464	25,000	260,464
Administrative fees	425,004	18,000	443,004
Depreciation	721,711	72,460	794,171
Other	142,098	40,253	182,351
Total operating expenses	4,260,828	502,400	4,763,228
Operating income	231,847	396,342	628,189
Interest income	53,057	33,170	86,227
Total nonoperating revenues	53,057	33,170	86,227
Changes in net position	284,904	429,512	714,416
Total net position, beginning	38,128,976	10,816,322	48,945,298
Total net position, ending	$ 38,413,880	$ 11,245,834	$ 49,659,714

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, 2016

	Business-Type Activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Cash Flows From Operating Activities:			
Receipts received from customers	$ 4,186,992	$ (35,519)	$ 4,151,473
Payments to suppliers	(2,745,912)	(350,894)	(3,096,806)
Payments made for interfund services used	(747,583)	144,834	(602,749)
Receipts for other operating revenue	459,933	898,742	1,358,675
Net cash provided by operating activities	1,153,430	657,163	1,810,593
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(116,530)	(8,508)	(125,038)
Net cash used in capital and related financing activities	(116,530)	(8,508)	(125,038)
Cash Flows From Investing Activities:			
Interest on investments	53,057	33,170	86,227
Net cash provided by investing activities	53,057	33,170	86,227
Net increase in cash and investments	1,089,957	681,825	1,771,782
Cash and investments – beginning of year	15,038,871	8,988,191	24,027,062
Cash and investments – end of year	$ 16,128,828	$ 9,670,016	$ 25,798,844
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	$ 231,847	$ 396,342	$ 628,189
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	721,711	72,460	794,171
Provisions for uncollectible accounts	4,694	50,383	55,077
Changes in assets and liabilities:			
(Increase) decrease in receivables	131,134	(135,299)	(4,165)
(Increase) decrease in due from primary government	(484,444)	-	(484,444)
(Increase) decrease in prepaid expenses	-	27,917	27,917
Increase (decrease) in accounts payable	16,764	9,426	26,190
Increase (decrease) in accrued expenses	121,993	-	121,993
Increase (decrease) in due to other governments	(6,021)	(1,297)	(7,318)
Increase (Decrease) in due to primary government	397,329	187,834	585,163
Increase (decrease) in deposits	910	49,397	50,307
Increase (decrease) in unavailable other revenue	17,512	-	17,512
Total adjustments	921,582	260,821	1,182,403
Net cash provided by operating activities	$ 1,153,429	$ 657,163	$ 1,810,592

See Notes to Financial Statements.

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.

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, resort taxes, grants when all the eligibility requirements have been met, 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.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

3. Prepaid Items

Expenditures made for services that will benefit periods beyond September 30, 2016 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 government's intent to be used for specific purposes, but are neither restricted nor committed. This balance may also include amounts approved and committed by the City commission subsequent to September 30, 2016. The balance also includes encumbrances assigned for goods and services.

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.

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, 2016, the City charged the Agency $278,000 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 2016 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.

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, 2016 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 $132,644 to the OPEB Trust. At September 30, 2016, the Agency did not have a net OPEB obligation or a net OPEB asset. Readers should refer to Note 17 of the City's 2016 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.

10. *Recent accounting pronouncements adopted/implemented*

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This Statement requires a government to use valuation techniques which are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The adoption of this Statement is reflected in Note 3.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this statement are effective for the Agency's financial year ending September 30, 2016. There was no impact to the Agency.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for the Agency's financial year ending September 30, 2016, and should be applied retroactively. Earlier application is permitted. There was no impact to 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, 2016. There was no impact to the Agency.

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, 2016, all of the Agency's investments had a maturity of 5 years or less.

As of September 30, 2016, the Agency had the following investments and maturities:

		Investment Maturities (in years)	
	Fair Value	Less Than One	1-5
U.S. Treasury securities	$ 185,943,065	$ 122,499,409	$ 63,443,656
FLCLASS Pool	125,513,175	125,513,175	-
	$ 311,456,240	$ 248,012,584	$ 63,443,656

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, 2016, 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, 2016, 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 Gov't Treasuries	U.S. Government	AA+	Aaa	$ 185,943,065
FLCLASS	Local Govt. Investment Pool	AAAm	N/A	125,513,175
				$ 311,456,240

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, 2016 are shown below:

	Carrying Amount	% of Portfolio
FLCLASS Pool	$ 125,513,175	40.3%
Treasury securities	185,943,065	59.7%
	$ 311,456,240	100.0%

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, 2016:

		Fair Value Measurements Using	
	2016	Level 1	Level 2
Investments by fair value level			
Debt securities			
U.S. treasury securities	$ 185,943,065	$ -	$185,943,065
Total debt securities	185,943,065	-	185,943,065
Total investments by fair value level	185,943,065	$ -	$185,943,065
Investments measured at net asset value			
FLCLASS	125,513,175		
Total investments	$ 311,456,240		

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 54 days as of September 30, 2016.

The City's cash and investments held at September 30, 2016 (including restricted cash and cash with paying agent) are shown below:

Reconciliation to the financial statements:

	2016
U.S. Treasury	$ 185,943,065
FLCLASS Pool	125,513,175
	311,456,240
Demand deposit/Cash	74,686,769
	$ 386,143,009
General Fund	$ 41,222,398
Debt Service Fund	16,153,697
Capital Projects Fund	302,968,070
Parking Fund	16,128,828
Leasing Fund	9,670,016
Total Cash and investments	$ 386,143,009

Note 3 - Capital Assets

Capital asset activities for the year ended September 30, 2016 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	21,064,435	35,626,188	261,329	56,429,294
Total capital assets not being depreciated	31,882,198	35,626,188	261,329	67,247,057
Capital assets, being depreciated:				
Buildings and structures	24,399,014	-	-	24,399,014
Streetscape improvements	39,246,632	261,329	-	39,507,961
Restoration/renovations	30,615,316	-	-	30,615,316
Vehicles	29,831	-	23,330	6,501
Machinery and equipment	602,772	-	159,798	442,974
Furniture and fixtures	634,981	-	-	634,981
Total capital assets being depreciated	95,528,546	261,329	183,128	95,606,747
Less accumulated depreciation for:				
Buildings and structures	3,470,010	458,260	141,070	3,787,200
Streetscape improvements	5,738,205	1,784,631	(25,282)	7,548,118
Restorations/renovations	4,358,310	1,022,448	(3,227)	5,383,985
Vehicles	29,831	-	23,329	6,502
Machinery and equipment	408,531	39,215	159,799	287,947
Furniture and fixtures	185,150	89,328	-	274,478
Total accumulated depreciation	14,190,037	3,393,882	295,689	17,288,230
Total capital assets, being depreciated, net	81,338,509	(3,132,553)	(112,561)	78,318,517
Governmental activities capital assets, net	$ 113,220,707	$ 32,493,635	$ 148,768	$ 145,565,574

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	68,800	116,530	-	185,330
Total capital assets not being depreciated	3,072,082	116,530	-	3,188,612
Capital assets, being depreciated:				
Buildings and structures	30,762,306	8,508	-	30,770,814
Machinery and equipment	347,936	-	-	347,936
Total capital assets being depreciated	31,110,242	8,508	-	31,118,750
Less accumulated depreciation for:				
Buildings and structures	8,688,545	776,719	-	9,465,264
Machinery and equipment	276,777	17,452	-	294,229
Total accumulated depreciation	8,965,322	794,171	-	9,759,493
Total capital assets, being depreciated, net	22,144,920	(785,663)	-	21,359,257
Business-type activities capital assets, net	$ 25,217,002	$ (669,133)	$ -	$ 24,547,869

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

Governmental activities:	
General government	$ 410,321
Public safety	7,261
Physical environment	44,523
Transportation	1,378,785
Culture and recreation	1,552,993
Total depreciation expense - governmental activities	$ 3,393,883
Business-type activities:	
Parking	$ 721,711
Leasing	72,460
Total depreciation expense - business-type activities	$ 794,171

Note 4 - Construction Commitments

The Agency had the following construction commitments as of September 30, 2016:

City Center Capital Projects	$ 184,824,310
General Fund Activities	2,142,458
Anchor Garage	868,582
	$ 187,835,350

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, 2016 are as follows:

Year ending September 30,	
2017	$ 1,227,475
2018	1,140,972
2019	1,035,289
2020	1,063,445
2021	936,651
2022 and thereafter	1,767,974
	$ 7,171,806

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, 2016:

Parking facilities	$ 4,889,763
Retail space	2,344,700
Recreational facilities	5,431,489
Less: Accumulated depreciation	(2,201,756)
	$ 10,464,196

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 $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 of $15,365,000. The net proceeds of the refunding issue were placed in an irrevocable escrow deposit trust fund which, when invested in government obligations, will provide moneys sufficient to pay the principal of and interest on the refunded bonds. Principal in the amount of $15,365,000 was redeemed on January 19, 2016. The aggregate difference in debt service between the refunding debt and the refunded debt is $1,636,553, and the economic gain on the transaction was $1,567,591.

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.

On December 15, 2015 the City issued $35,850,000 in taxable Series 2015B Tax Increment Revenue Refunding Bonds in part to provide for the advance refunding of all of the Agency's Tax Increment Revenue Refunding Bonds, Taxable Series 1998A of $8,520,000 and provide for the current refunding of all of the Agency's Tax Increment Revenue Refunding Bonds, Taxable Series 2005A of $25,470,000. The net proceeds of the refunding issue were placed in an irrevocable escrow deposit trust fund which, when invested in government obligations, will provide moneys sufficient to pay the principal of and interest on the refunded bonds. At September 30, 2016, $8,520,000 of the Series 1998A and $0 of the Series 2005A refunded bonds remained outstanding. The aggregate difference in debt service between the refunding debt and the refunded debt is $955,872, and the economic gain on the transaction was $1,054,929.

The aggregate maturities of tax increment revenue bonds at September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	$ 6,495,000	$ 15,170,579	$ 21,665,579
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
2022-2023	287,535,000	194,995,587	482,530,587
	322,095,000	268,824,156	590,919,156
Add net unarmortized bond premium	28,890,474	-	28,890,474
	$ 350,985,474	$ 268,824,156	$ 619,809,630

Note 7 - Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Revenue Bonds	$ 54,990,000	$ 322,095,000	$ (54,990,000)	$ 322,095,000	$ 6,495,000
Add: Series 2015 Premium	381,302	29,558,832	(1,046,898)	28,893,236	1,603,708
Less: Series 1998A Discount	(3,960)		1,198	(2,762)	(1,000)
Total bonds payable	55,367,342	351,653,832	(56,035,700)	350,985,474	8,097,708
Compensated absences	264,299	105,305	(145,577)	224,027	65,064
Net Pension Liability - MBERP	1,209,020	76,144	-	1,285,164	-
Net Pension Liability - MBF&P	5,691,617	2,425,198	-	8,116,815	-
Governmental activity long-term liabilities	$ 62,532,278	$ 354,260,479	$ (56,181,277)	$ 360,611,480	$ 8,162,772
Business-type activities:					
Tenant deposits	$ 166,015	$ 95,628	$ (45,321)	$ 216,322	$ 50,311
Business-type activity long-term liabilities	$ 166,015	$ 95,628	$ (45,321)	$ 216,322	$ 50,311

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 $1,771,699 of management-fee expense under this agreement for the year ended September 30, 2016. Presented below are the Agency's balances outstanding at September 30, 2016, resulting from other transactions with the Primary Government. The majority of the balance due to the primary government represents sanitation and property management expenses incurred by the City on behalf of the Agency as well as community policing overtime due to the City. The majority of the balance due from the primary government represents the remaining resort tax proceeds due to the Agency for fiscal year 2016.

Related-party transactions for the year ended September 30, 2016 are as follows:

Governmental funds:		
Due from the primary government to:		
General fund	$	3,602,678
Capital Projects fund		15,220
	$	3,617,898
Due to the primary government from:		
General fund	$	4,926,318
Capital projects fund		385,223
	$	5,311,541
Business-type activities:		
Due from the primary government to:		
Enterprise funds – parking fund	$	677,209
Enterprise funds – leasing fund		8,051
	$	685,260
Due to the primary government from:		
Enterprise funds – parking fund	$	536,121
Enterprise funds – leasing fund		230,518
	$	766,639

Note 10 - Interfund Transfers

Interfund transfers for the year ended September 30, 2016 consisted of the following:

Government funds:		
Transfers from the general fund to:		
Debt service	$	28,389,937
Primary government		128,000
Total transfers from the general fund	$	28,517,937
Transfers from the debt service fund to:		
Capital projects	$	296,000,000
Primary government		1,323,846
Total transfers from the debt service fund	$	297,323,846
Transfers from the capital project fund to:		
Primary government	$	6,317,569
General Fund		9,527,668
Total transfers from the capital project fund	$	15,845,237

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, 2016 for the Agency's governmental and enterprise funds are as follows:

	Governmental Activities	
	General	Total
Receivables:		
Accounts		
Gross receivable	$ 26,256	$ 26,256
Less: Allowance for uncollectible	(157)	(157)
Net receivables	$ 26,099	$ 26,099

	Business-Type Activities		
	Parking Funds	Leasing Funds	Total
Receivables:			
Rent	$ -	$ 1,003,876	$ 1,003,876
Accounts	15,619	-	15,619
Gross receivable	15,619	1,003,876	1,019,495
Less allowance for uncollectible	(9,313)	(774,117)	(783,430)
Net receivables	$ 6,306	$ 229,759	$ 236,065

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Note 12 - Governmental Fund – Fund Balance

Below is a table of fund balance categories and classifications at September 30, 2016 for the Agency's governmental funds:

	General Fund	Debt Service	Capital Projects
Restricted:			
Debt service	$ -	$ 16,153,697	$ -
Economic environment	39,238,026		2,735,229
Culture and recreation			253,221,077
General public facility			26,124,043
Parks			3,601
Streets/sidwalks	-	-	13,534,324
Transit	-	-	1,016,756
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balance	$ 39,238,026	$ 16,153,697	$ 296,635,030

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

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, 1 993 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 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, 2016, there were 150 members in the DROP and the value of DROP investment was $13,860,376, which is included in the Plan's net position. The DROP also allows for member loans. $265,541 in loans was outstanding as of September 30, 2016.

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, 2016, the Agency was required to make contributions of $165,000 or 28.06% of covered payroll to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2014. For the year ended September 30, 2016, the employees contributed $40,166.

<u>Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.</u>

For the year ended September 30, 2016, the Agency recognized a pension expense adjustment of $190,865. At September 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows
Differences between expected and actual experience experience	$	14,934
Agency contributions subsequent to measurement date		165,000
Net difference between projected and actual earnings on pension plan investements earnings on pension plan investments		173,431
Change in assumptions		48,832
Total	$	402,197

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:		
2017	$	(61,468)
2018		(61,468)
2019		(55,067)
2020		(59,194)
2021		
Total	$	(237,197)

The Plan uses the following actuarial valuations at the measurement date of September 30, 2015:

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	7.85%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected after year 2000 to the year 2010 using Scale AA.

Net Pension Liability of the Agency

The components of the net pension liability of the Agency at September 30, 2016 were as follows:

Total pension liability	$	4,299,557
Plan's fiduciary net position		(3,014,393)
Agency net pension liability	$	1,285,164

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period of October 1, 2003 through September 30, 2009.

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:

Target Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities	43%	4.06%
Fixed income	31%	2.04%
International equities	16%	4.74%
Real estate	10%	3.32%
Total	100%	

Discount

A single discount rate of 7.85% was used to measure the total pension liability. This is a decrease of 0.15% from the discount rate of 8.00% used in the prior measurement. This single discount rate was based on the expected rate of return on Pension Plan investments of 7.85%. The projection of cash flows used to determine this single discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined 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 (7.85%) 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 7.85%, 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 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.

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 prior 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 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 or, if earlier, the date when the member attains age 48 and 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 or, if earlier, the date when the member attains age 48 and 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 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.

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 a DROP on the first day of any month after meeting eligibility to retire. Upon becoming eligible to participate in the DROP, a member may elect to enter that program for a period not to exceed 36 months. Members who enter the DROP on or after September 1, 2012 shall be eligible to participate for a period not to exceed 60 months. All members shall receive a 2.5% COLA increase in benefits annually on the anniversary date of the member's retirement. The exception is members who entered the DROP on or after September 1, 2012 and before September 30, 2013 shall receive a 0% COLA adjustment for the 3rd and 4th annual adjustment dates, regardless of whether the member remains in the DROP for the maximum 60 month period. Further, any member who exits the DROP within 6 months following the date of DROP entry shall be eligible to the 2.5% COLA adjustment.

An active member of Tier Two or Three may enter into the DROP on the first day of any month after attainment of age 50 or, if earlier, the date when the member attains age 48 and age and length of creditable service equals to at least 70 years. Upon becoming eligible to participate in the DROP, a member may elect to enter that program for a period not to exceed 60 months. All members shall receive a 1.5% COLA increase in benefits annually on the anniversary date of the member's retirement.

At September 30, 2016, $19,626,380 the total amount of the Deferred Retirement Option Plan payable 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, 2016, the Agency was required to make contributions of $976,000 or 72.62% of covered payroll to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2014. For the year ended September 30, 2016, the employees contributed $141,703.

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

For the year ended September 30, 2016, the Agency recognized pension expense of $634,689. At September 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows
Differences between expected and actual experience	$ 382,759
Changes in assumptions	122,629
City contributions subsequent to measurement date	972,636
Net difference between projected and actual earnings on pension plan investements earnings on pension plan	1,003,031
Change in proportionate share	8,854
Total	$ 2,489,909

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:	
2017	$ (397,872)
2018	(397,872)
2019	(362,956)
2020	(358,573)
2021	
Total	$ (1,517,273)

Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	0.70% - 10.71%
Cost-of-Living Increases	1.5%, 2.0%, or 2.5%
Investment Rate of Return	7.95%, 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 actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period of October 1, 2003 through September 30, 2009.

Discount

A discount rate of 7.95% was used to measure the September 30, 2015 total pension liability. This is a decrease of 0.05% from the discount rate of 8.00% used in the prior measurement. This discount rate was based on the expected rate of return on Fund investments of 7.95%. 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 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, 2016 were as follows:

Total pension liability	$	29,065,893
Plan's fiduciary net position		(20,949,078)
Agency net pension liability	$	8,116,815

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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
Cash equivalents	0.00%
Inter-term government bond	2.85
Corporate bonds	2.85
Large value stocks	7.88
Large growth stocks	7.88
Small value stocks	8.50
Small growth stocks	8.50
Mid cap stocks	8.25
Real estate	6.00
International stocks	8.00
Emerging equities	8.00
Convertible bond	1.80
Mortgage bonds	2.85
REITs	6.00
International bonds	6.20

The following present the Agency's net pension liability, calculated using a single discount rate of 7.95%, 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
6.95%	7.95%	8.95%
$ 11,740,890	$ 8,116,815	$ 5,131,575

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

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 2016 and 2015 would have been $9,640,754 and $8,279,495, 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, 2016 was $1,533,042 for firefighters and $741,513 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, 2016 is as follows:

Members in the Plan	30
City's contribution	$ 142,476
Percentage of covered payroll	8.14%
Employees' contribution	141,839
Percentage of covered payroll	8.14%

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**

	2016	2015	2014
Actuarially determined contribution	$ 165,000	$ 191,385	$ 185,204
Actual contribution	165,000	191,385	185,204
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 588,000	$ 595,782	$ 552,405
Actual contribution as a % of covered payroll	28.06%	32.12%	33.53%

*Information available for three years only

City Pension for Firefighters and Police Officers

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 976,000	$ 846,000	$ 921,087	$ 1,011,549	$ 929,722	$ 840,435	$ 599,465	$ 516,378	$ 451,268	$ 390,137
Actual contribution	976,000	846,000	921,087	1,011,549	929,722	840,435	599,465	516,378	451,268	390,137
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
**Covered-employee payroll	$ 1,344,000	$ 1,652,889	$ 1,473,972	$ 1,186,277	$ 1,259,868	$ 1,273,501	$ 1,322,605	$ 1,361,484	$ 1,026,098	$ 937,272
Actual contribution as a % of covered payroll	72.62%	51.18%	62.49%	85.27%	73.80%	65.99%	45.32%	37.93%	43.98%	41.62%

**Includes DROP members

Notes:

1. This is a ten year schedule. However the information displayed in this schedule is not required to be presented retroactively. Years will be added in future periods until ten years of information is available.

2. 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	**2016**
Agency's proportion of the net pension liability	0.59%
Agency's proportionate share of the net pension liability	$ 1,285,164
Agency's covered-employee payroll	$ 588,000
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	218.57%
Plan fiduciary net position as a percentage of the total pension liability	70.11%

MBF&P	**2016**
Agency's proportion of the net pension liability	2.79%
Agency's proportionate share of the net pension liability	$ 8,116,815
Agency's covered-employee payroll	$ 1,344,000
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	603.93%
Plan fiduciary net position as a percentage of the total pension liability	72.07%

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, 2014
Measurement Date	September 30, 2015
Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	4.5% to 7% depending on service, including inflation
Investment Rate of Return	7.85%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected after year 2000 to the year 2010 using Scale AA.
Assumption Changes	No significant changes were noted.

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Notes to the net pension liability – MBF&P

Valuation Date	October 1, 2014
Measurement Date	September 30, 2015
Actuarial Cost Method	Entry Age Normal
Inflation	3.0%
Salary Increases	2.87% to 9.87% depending on service, including inflation
Investment Rate of Return	7.95% 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.
Assumption Changes	Investment return assumption plan decreased from 8.00% to 7.85% in the current year

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

City of Miami Beach	City of Miami Beach
Employee Retirement System	Retirement System for Firefighters and Police Officers
1700 Convention Center Drive	1691 Michigan Ave. Suite 555
Miami Beach, Florida 33139	Miami Beach, Florida 33139

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

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2016
(Unaudited)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Tax increment	$ 44,180,000	$ 44,180,000	$ 44,175,847	$ (4,153)
Resort tax	-	-	-	-
Rents and leases	-	-	27,561	27,561
Interest	60,000	60,000	187,045	127,045
Other	-	-	540	540
Total revenues	44,240,000	44,240,000	44,390,993	150,993
Expenditures:				
General government	5,980,500	5,980,500	5,973,755	6,745
Public safety	4,558,000	4,543,000	4,307,779	235,221
Economic environment	2,783,000	2,783,000	2,777,234	5,766
Culture and recreation	1,295,500	1,295,500	896,872	398,628
Capital outlay	-	433,073	418,073	15,000
Total expenditures	14,617,000	15,035,073	14,373,713	661,360
Excess of revenues over expenditures	29,623,000	29,204,927	30,017,280	812,353
Other financing sources (uses):				
Sale of capital assets	-	-	3,873	3,873
Operating transfers in	-	-	9,527,668	9,527,668
Operating transfers out	(29,623,000)	(29,623,000)	(28,517,937)	1,105,063
Total other financing sources (uses)	(29,623,000)	(29,623,000)	(18,986,396)	10,636,604
Net change in fund balance	-	(418,073)	11,030,884	11,448,957
Fund balance, beginning	28,207,142	28,207,142	28,207,142	-
Fund balance, ending	$ 28,207,142	$ 27,789,069	$ 39,238,026	$ 11,448,957

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 two (2) supplemental budgetary appropriations during fiscal year ended September 30, 2016.

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.

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, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Interest	$ -	$ -	$ 230	$ 230
Total revenues	-	-	230	230
Expenditures:				
Debt Service:				
Principal	1,290,000	1,290,000	5,635,000	(4,345,000)
Interest	10,582,000	10,582,000	15,724,506	(5,142,506)
Total expenditures	11,872,000	11,872,000	21,359,506	(9,487,506)
Excess of revenues over expenditures	(11,872,000)	(11,872,000)	(21,359,276)	(9,487,276)
Other financing sources:				
Issuance of debt			322,095,000	322,095,000
Premium on refunding bonds issued			29,558,832	29,558,832
Payment to escrow agent			(50,954,074)	(50,954,074)
Operating transfers in	11,872,000	11,872,000	28,389,937	16,517,937
Operating transfers out	-	-	(297,323,846)	(297,323,846)
Total other financing sources	11,872,000	11,872,000	31,765,849	19,893,849
Net change in fund balance	-	-	10,406,573	10,406,573
Fund balance, beginning	5,747,124	5,747,124	5,747,124	-
Fund balance, ending	$ 5,747,124	$ 5,747,124	$ 16,153,697	$ 10,406,573

OTHER REPORTS

Crowe Horwath LLP
Independent Member Crowe Horwath International

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*

To the Honorable Mayor and Members of the City Commission
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, 2016, 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 23, 2017.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings as item 2016-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as item 2016-002 to be a significant deficiency.

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 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*.

The Agency's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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

Crowe Horwath LLP

Miami, Florida
May 23, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency identified not considered to be material weakness	Yes
Noncompliance material to financial statements noted	No

SECTION II - 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.

Context: During our review of bank reconciliations for the month ended September 30, 2016, we noted that 3 bank accounts out of 4 tested were not reconciled within 30 days of the bank statement date.

Cause: There is no written or formal policy being followed that bank reconciliations must be completed and reviewed for all bank accounts in a timely manner.

Effect: Banking errors and discrepancies could occur without being identified in a timely manner.

Recommendation: The Agency should implement a policy requiring bank accounts to be reconciled within 30 days of the bank statement date and that copies of the bank reconciliations be forwarded to the appropriate manager for review on a timely basis. The appropriate manager should review the work of the subordinates to ensure that it is being performed in a timely manner. Instituting a time deadline and requiring supervisory review should speed up the reconciliation of bank accounts and identify any discrepancies that might occur.

Management's Response: The existing bank reconciliation procedure was updated in April 2017. The procedure states that bank reconciliations shall be completed within 30 days from the close of the books for the month, which is typically 10 to 15 days after the bank statement date. To address timelines of the closing of the books, at the beginning of each fiscal year, a monthly closing memorandum is prepared by the Finance Department and distributed to all Finance staff. In addition, the Deputy Finance Director (DFD) has started monthly meetings to ensure that the underlying issues causing reconciling items are addressed and identified. Furthermore, the Bank Reconciliation procedure updated in April 2017 states that bank reconciliations are signed by the preparer and reviewed/signed and dated by a supervisor, manager, or Deputy Director.

Significant Deficiency

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 Agency'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.

Context: Not applicable

Cause: There is no written or formal policy being followed to ensure review that individuals might have inappropriate access levels to financially significant databases and terminated users may continue to have access to the system resulting in a lack of controls.

Effect: Individuals could access financially significant databases and perform functions that are not commensurate with their job responsibilities and terminated employees could continue to have access to the system after the termination date.

Recommendation: Our recommendations are as follows:

1. Management has not developed and implemented procedures to perform a periodic review (Quarterly) for the financially significant databases to ensure that access levels of users remains commensurate with job responsibilities. Such a review should capture changes to application security and functionality as a result of new updates, organizational changes that result from departmental role adjustments, and errors and omissions in the current user administration process. These reviews should be documented and conducted by an individual independent of the administrative functions on the application. If this is not possible, management should have two individuals conduct the review.

2. We recommend that terminated users be removed from the system within forty eight (48) hours from termination in order to avoid unauthorized activity.

Management's Response:

1. Management will develop and implement procedures to perform a periodic review (Quarterly) for the financially significant databases to ensure that access levels of users remains commensurate with job responsibilities. Such a review will capture changes to application security and functionality as a result of new updates, organizational changes that result from departmental role adjustments, and errors and omissions in the current user administration process. These reviews will be documented and conducted by an individual independent of the administrative functions on the application. If this is not possible, management will have two individuals conduct the review.

2. Terminated users will be removed from the system within forty eight (48) hours from termination in order to avoid unauthorized activity, providing IT is notified of such termination in a timely manner.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2016, and have issued our report thereon dated May 23, 2017.

Auditor's Responsibility

We conducted our audit in accordance with United States generally accepted auditing standards, and *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, the Schedule of Findings, and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 23, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

There were no prior year findings to report.

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.

Other 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

Crowe Horwath LLP

Miami, Florida
May 23, 2017

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

The Honorable Mayor and City of Commissioners
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 funds during the year ended September 30, 2016. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Fund's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Crowe Horwath LLP

Crowe Horwath LLP

Miami, Florida
May 23, 2017