

**RETIREMENT PLAN FOR  
GENERAL EMPLOYEES OF THE  
CITY OF NORTH MIAMI BEACH**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

YEAR ENDED SEPTEMBER 30, 2016

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10-21
SUPPLEMENTARY INFORMATION	
Schedule of Administrative Expenses	23
Schedules of Contributions from Employer and Other Contributors	24
Schedule of Investment Returns	25
Schedules of Changes in the Employer's Net Pension Liability and Related Ratios	26
COMPLIANCE REPORT	
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	28-29

KABAT · SCHERTZER  
DE LA TORRE · TARABOULOS  
— & —  
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
Retirement Plan for General Employees of the City of North Miami Beach

We have audited the accompanying financial statements of the Retirement Plan for General Employees of the City of North Miami Beach, which comprise the statement of fiduciary net position as of September 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Plan'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 Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KABAT · SCHERTZER  
DE LA TORRE · TARABOULOS  
&  
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT** (Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement Plan for General Employees of the City of North Miami Beach as of September 30, 2016, and the changes in its fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Prior Year Comparative Information*

We have previously audited the Retirement Plan for General Employees of City of North Miami Beach's 2015 financial statements, and our report dated February 16, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in employer's net position liability and related ratios on pages 24-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KABAT · SCHERTZER  
DE LA TORRE · TARABOULOS  
&  
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT** (Continued)

**Other Matters** (Continued)

*Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2017, on our consideration of the Retirement Plan for General Employees of the City of North Miami Beach'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 Retirement Plan for the General Employees of the City of North Miami Beach's internal control over financial reporting and compliance.

*KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.*

Weston, Florida  
February 22, 2017

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management's Discussion and Analysis (MD&A) of the Retirement Plan for General Employees of the City of North Miami Beach's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2016. Please read it in conjunction with the Plan financial statements, which immediately follow.

### *Overview of the Financial Statements*

The financial section of this annual report consists of four parts: the MD&A, the basic financial statements, notes to the financial statements and other required supplementary information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the Statement of Changes in Fiduciary Net Position. All assets and liabilities associated with the operation of the Plan are included in the Statement of Fiduciary Net Position.

The Statement of Fiduciary Net Position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

### *Financial Highlights*

The Plan's net results from operations for the year ended September 30, 2016 reflected the following financial activities:

- Total fiduciary net position was \$76,555,716 which was 2% greater than 2015 total fiduciary net position.
- Total contributions were \$3,993,473, which was 4% lower than the 2015 contributions.
- Total interest and dividend earnings were \$1,819,228, which was 1% lower than the 2015 earnings.
- Net investment income was \$5,095,965, which was 1,999% greater than the 2015 loss.
- Benefits paid were \$5,819,494, which was 13% greater than the benefits paid during 2015.
- Employer and employee contributions for the year were \$3,993,473, which was 4% lower than the 2015 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were 7% of their compensation.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Fiduciary Net Position*

The following condensed comparative Statement of Fiduciary Net Position is a snap shot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Fiduciary net position at September 30, 2016 was \$76,555,716, a 2% increase from fiduciary net position at September 30, 2015.
- Total investments at September 30, 2016 were \$77,120,595, a 3% increase from the investments at September 30, 2015.

	2016	2015	% Change
Cash	\$ 16,653	\$ 4,549	266%
Receivables	109,967	241,737	(55%)
Investments, at fair value	77,120,595	74,624,019	3%
Total assets	77,247,215	74,870,305	3%
Accounts payable	120,476	99,803	21%
Total liabilities	691,499	99,803	593%
Net position restricted for pensions	\$ 76,555,716	\$ 74,770,502	2%

### *Statement of Changes in Fiduciary Net Position*

The Statement of Changes in Fiduciary Net Position presents the effect of Plan transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Plan benefits.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### *Statement of Changes in Fiduciary Net Position* (Continued)

- Revenues (additions to the fiduciary net position) for the Plan were \$9,103,217, which was made up of employer and employee contributions of \$3,993,473 plus net investment income of \$5,095,965 and other income of \$13,779.
- Expenses (deductions from the fiduciary net position) increased from \$7,019,618 during 2015 to \$7,318,003 during 2016.

	2016	2015	% Change
Total contributions	\$ 3,993,473	\$ 4,161,069	4%
Net investment income (loss)	5,095,965	(268,324)	1,999%
Other income	13,779	7,061	95%
Total additions	9,103,217	3,899,806	133%
Total deductions	7,318,003	7,019,618	4%
Net increase (decrease)	1,785,214	(3,119,812)	157%
Net position restricted for pensions - beginning	74,770,502	77,890,314	4%
Net position restricted for pensions - ending	\$ 76,555,716	\$ 74,770,502	2%

### *Asset Allocation*

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2016:

Type of Investment	Investment policy	Actual Allocation
Domestic equities	40%-60%	47%
International equities	5%-15%	11%
Hedge Funds	0%-10%	7%
Real Estate	0%-12.50%	8%
Fixed income	20%-25%	21%
Cash and cash equivalents	Minimal	6%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board of Trustees (the Board) recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt long-term investment perspective.

# **RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### ***Investment Activities***

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended in September 12, 2016.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

### ***Financial Analysis Summary***

The investment activities, for the fiscal year ended September 30, 2016 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

### ***Contacting the Plan's Financial Management***

This financial analysis is designed to provide the Board, Plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the Plan:

Martin Lebowitz  
c/o Retirement Plan for General Employees of the City of North Miami Beach  
17011 NE 19<sup>th</sup> Ave, Room #311  
North Miami Beach, FL 33162

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2016  
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CASH</b>	\$ 16,653	\$ 4,549
<b>RECEIVABLES:</b>		
Accrued investment income	109,967	146,441
Accounts receivable - employer contributions	-	20,668
Accounts receivable - sale of investments	-	74,628
<b>TOTAL RECEIVABLES</b>	<u>109,967</u>	<u>241,737</u>
<b>INVESTMENTS, AT FAIR VALUE:</b>		
Equity securities	44,581,813	42,847,349
Government securities	11,423,044	15,560,161
Corporate bonds	4,795,032	2,043,583
Real estate	5,866,905	5,470,422
Hedge funds	5,542,610	7,272,331
Money market funds	4,911,191	1,430,173
<b>TOTAL INVESTMENTS, AT FAIR VALUE</b>	<u>77,120,595</u>	<u>74,624,019</u>
<b>TOTAL ASSETS</b>	<u>77,247,215</u>	<u>74,870,305</u>
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE</b>	120,476	99,803
<b>ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS</b>	<u>571,023</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>691,499</u>	<u>99,803</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
<b>NET POSITION RESTRICTED FOR PENSIONS:</b>		
Net position held in trust for defined benefits	74,821,065	72,530,341
Net position held in trust for DROP benefits	<u>1,734,651</u>	<u>2,240,161</u>
<b>TOTAL NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 76,555,716</u>	<u>\$ 74,770,502</u>

The accompanying notes are an integral part of these financial statements

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

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

	<u>2016</u>	<u>2015</u>
<b>ADDITIONS:</b>		
Contributions:		
Employer	\$ 3,285,155	\$ 3,528,201
Employee	<u>708,318</u>	<u>632,868</u>
Total contributions	<u>3,993,473</u>	<u>4,161,069</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	3,714,774	(1,711,621)
Interest and dividend income	<u>1,819,228</u>	<u>1,839,293</u>
Total investment income	5,534,002	127,672
Less: investment expenses	<u>438,037</u>	<u>395,996</u>
Net investment income (loss)	<u>5,095,965</u>	<u>(268,324)</u>
Other income	<u>13,779</u>	<u>7,061</u>
TOTAL ADDITIONS	<u>9,103,217</u>	<u>3,899,806</u>
<b>DEDUCTIONS:</b>		
Benefit payments	5,819,494	5,133,596
DROP distributions	1,317,761	1,726,122
Administrative expenses	<u>180,748</u>	<u>159,900</u>
TOTAL DEDUCTIONS	<u>7,318,003</u>	<u>7,019,618</u>
<b>NET INCREASE (DECREASE) IN NET POSITION RESTRICTED FOR PENSIONS</b>	1,785,214	(3,119,812)
<b>NET POSITION RESTRICTED FOR PENSIONS - BEGINNING</b>	<u>74,770,502</u>	<u>77,890,314</u>
<b>NET POSITION RESTRICTED FOR PENSIONS - ENDING</b>	<u>\$ 76,555,716</u>	<u>\$ 74,770,502</u>

The accompanying notes are an integral part of these financial statements

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Investment Valuation and Income Recognition*

Investments are reported at fair value (see Note 3). 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. (See Note 4 for discussion of fair value measurements).

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

#### *Basis of Accounting and Use of Estimates*

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### NOTE 2. DESCRIPTION OF THE PLAN

The following description of the Retirement Plan for General Employees of the City of North Miami Beach (the Plan) provides only general information. Participants should refer to the City of North Miami Beach, Florida's (the City) ordinance for more complete information.

The Plan is a single-employer defined benefit plan covering each employee of the City who fulfills the prescribed eligibility requirements. The Plan was established by the City in accordance with the City ordinances and state statutes.

#### *General*

Management of the Plan is vested in the Board, which consists of five members. Three individuals appointed by the Mayor and ratified by the City Council, at least two of whom shall be elected officials, and two members from employees participating in the Plan elected by a majority, unless otherwise prohibited by law.

#### *Plan Participation*

Inactive Plan participants and retirees currently receiving benefits	290
Active Plan participants	<u>188</u>
Total	<u>478</u>

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

#### *Eligibility*

After two years of credited service, each permanent full-time regular employee or contract employee of the City is eligible to participate in the Plan, except for City Councilmen and the City Attorney.

#### *Benefits*

The Plan provides normal retirement, early retirement, deferred retirement, disability retirement and death benefits. The benefit provisions are established and may be amended under the authority of City Ordinance. The Plan provides that a cost-of-living adjustment of 2.25% shall be payable each year to each participant.

#### *Normal Retirement*

Any participant who has attained the age of 62, or age 55 with 20 years of credited service, may retire with a normal retirement benefit. The normal retirement date for participants in the International Union of Police Associations, Local 6005, AFL-CIO (IUPA) bargaining unit who are employed and not participating in the Deferred Retirement Option Plan (DROP) on December 31, 2013 and who on that date have not attained age 62 or age 55 with 20 or more years of credited service, shall be age 66 with 6 or more years of credited service, or age 59 with 30 or more years of credited service; provided, such participants may retire upon reaching age 62 or age 55 with 20 or more years of credited service and terminating City employment, and upon such retirement shall be eligible to receive the benefit based on their credited service prior to January 1, 2014; and such participants shall be eligible to receive the benefit based on their credited service on and after December 31, 2013 upon attaining age 66 with 6 or more years of credited service, or age 59 with 30 or more years of credited service, and terminating City employment. The normal retirement date for participants in the IUPA bargaining unit hired on or after January 1, 2014 shall be age 66 with 6 or more years of credited service, or age 59 with 30 or more years of credited service.

Upon retirement, a participant will receive a monthly benefit of 3% of the Final Monthly Compensation (FMC) times credited service through December 31, 2013. For credited service earned by participants in the IUPA bargaining unit on and after January 1, 2014: 2.00% of FMC multiplied by years and completed calendar months of credited service; provided, the monthly amount of retirement income payable to each such participant who is employed and not participating in the DROP on December 31, 2013 and who on that date has attained age 62 or age 55 with 20 years of credited service shall be an amount equal to 3.00% of FMC multiplied by years and completed calendar months of credited service.

There shall be no cost of living adjustment applied to benefits earned by participants in the IUPA bargaining unit for credited service on and after January 1, 2014. The City Council may from time to time grant an ad hoc cost of living adjustment to be applied to the benefits earned by communication officers, other than those who are eligible for an automatic cost of living adjustment, for credited service after the effective date of this Ordinance, whenever the cumulative net actuarial gain is sufficient to fund the adjustment and the funded ratio of the Plan (actuarial value of assets divided by actuarial accrued liability) is 100% or more.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

#### *Normal Retirement* (Continued)

FMC is the average monthly rate of basic compensation during the best 60 successive calendar months out of the last 120 calendar months preceding date of retirement or prior termination. Basic compensation is defined as compensation actually paid to a participant excluding commissions, bonuses, overtime, expense allowances and all other extraordinary compensation.

The normal retirement date for participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit who are employed and not participating in the DROP on September 30, 2013, and who on that date have not attained age 62 or age 55 with 20 or more years of credited service, shall be age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service. Participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit who are employed and not participating in the DROP on September 30, 2013, and who on that date have not attained age 62 or age 55 with 20 or more years of credited service, may retire upon reaching age 62 or age 55 with 20 or more years of credited service and terminating City employment or entering the DROP, and upon such retirement shall be eligible to receive the benefit based on their credited service prior to October 1, 2013; and such participants shall be eligible to receive the benefit based on their credited service on and after October 1, 2013 upon attaining age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service and terminating City employment or entering the DROP. The normal retirement date for participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit hired on or after October 1, 2013 shall be age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service.

For credited service earned by participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit on and after October 1, 2013: 2.50% (.0250) of FMC multiplied by years and completed calendar months of credited service; provided, the monthly amount of retirement income payable to each such participant who is employed and not participating in the DROP on September 30, 2013 and who on that date has attained age 62 or age 55 with 20 years of credited service shall be an amount equal to 3.00% of FMC multiplied by years and completed calendar months of credited service.

The cost of living adjustment applied to the benefits earned by participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit for credited service on and after October 1, 2013 shall be 0.75% annually with the first adjustment applied on October 1 after three years following termination of employment

#### *Early Retirement*

A participant who has attained age 55 and completed 15 years of credited service or completion of 20 years of service, regardless of age, may retire with an early retirement benefit.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

#### *Early Retirement* (Continued)

Upon early retirement, a participant will receive a monthly benefit accrued to the date of retirement, actuarially reduced to reflect commencement of benefit at an earlier age.

For credited service earned by participants in the IUPA bargaining unit on and after January 1, 2014: 2.00% of FMC multiplied by years and completed calendar months of credited service; provided, the monthly amount of retirement income payable to each such participant who is employed and not participating in the DROP on December 31, 2013 and who on that date has attained age 62 or age 55 with 20 years of credited service shall be an amount equal to 3.00% of FMC multiplied by years and completed calendar months of credited service.

For credited service earned by participants in the AFSCME bargaining unit and participants who are not included in any bargaining unit on and after October 1, 2013: 2.50% of FMC multiplied by years and completed calendar months of credited service; provided, the monthly amount of retirement income payable to each such participant who is employed and not participating in the DROP on September 30, 2013 and who on that date has attained age 62 or age 55 with 20 years of credited service shall be an amount equal to 3.00% of FMC multiplied by years and completed calendar months of credited service. This amount is multiplied by the actuarial reduction factor to reflect the early retirement age.

#### *Deferred Retirement Option Plan*

The Plan provides for a deferred retirement option plan (DROP). A participant shall become eligible for participation in the DROP on the earlier of attainment of age 55 and completion of 20 years of service, or attainment of age 62.

The DROP account is a bookkeeping account within the Plan. The money that is credited to a participant's DROP account will be commingled with all other monies of the Plan. Each participant's DROP account will be credited with interest at the rate of 6.5% compounded monthly. Effective July 1, 2013 the new compounded monthly interest rate will be 3.0%.

The Plan allows for cost of living (COLA) adjustments. COLA payments commence until October 1st coincident with or next following one year after the DROP participant's actual separation from service with the City.

The election to participate in the DROP is irrevocable and allows participants to continue employment with the City for up to five years.

For employees in the IUPA bargaining unit, the DROP shall be closed to new participants on December 1, 2013, and any such employee who has not attained age 62 or age 55 with 20 or more years of credited service prior to January 1, 2014 shall not thereafter be eligible to participate in the DROP.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

#### *Deferred Retirement Option Plan* (Continued)

For employees in the AFSCME bargaining unit and employees who are not included in any bargaining unit who are employed on September 30, 2013 and have not attained age 62 or age 55 with 20 or more years of credited service on that date, shall be eligible to enter the DROP upon attaining age 62 or age 55 with 20 or more years of credited service, and upon DROP entry shall be eligible to receive the benefit based on their credited service prior to October 1, 2013: and such participants shall be eligible to receive the benefit based on their credited service on and after October 1, 2013 upon attaining age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service. Employees in the AFSCME bargaining unit and employees who are not included in any bargaining unit who are hired on or after October 1, 2013 shall be eligible to enter the DROP upon attaining age 62 with 10 or more years of credited service, or age 60 with 25 or more years of credited service.

#### *Disability Retirement*

Any participant who becomes totally and permanently disabled prior to retirement age for six months as certified by medical examination may retire on a non-service incurred disability retirement. Such a participant may retire on a service incurred disability retirement benefit if disabled as a result of the performance of duty, without regard to the credited service at the time of disability.

The monthly disability retirement benefit is the greater of A minus B, where A is 60% of FMC at the date of disability and B is 64% of the monthly Social Security disability benefit to which the participant is entitled or the participants accrued benefit as of the date of disability.

#### *Death Benefit*

Upon the death of any participant prior to retirement, his or her beneficiary will receive a 10 year certain annuity determined as the greater of the single-sum value of the accrued deferred benefit at the date of death or the lesser of (i) and (ii), where (i) is 24 times the monthly rate of pay on October 1 preceding the date of death and (ii) is 100 times anticipated normal retirement benefit.

If death occurs subsequent to normal retirement date, the benefit payable to the beneficiary is payable for ten years certain and life thereafter, which can be supported by the single sum value of the accrued benefit as of the date of death.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 2. DESCRIPTION OF THE PLAN (Continued)

#### *Funding*

All participants are required to contribute 7% of pretax earnings. The City is required to contribute an actuarially determined amount. Contribution requirements of the Plan participant and City are established and may be amended by City Ordinance.

#### *Rate of Return*

For the year ended September 30, 2016, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 6.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The investment policy statement was last amended on September 12, 2016. The following was the Board's adopted asset allocation policy as of September 30, 2016:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	40%-60%
International equities	5%-15%
Fixed income	20%-25%
Hedge funds	0%-10%
Real estate	0%-12.50%
Cash and cash equivalents	Minimal

During the year ended September 30, 2016 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$3,714,774 (reported as net appreciation in fair value of investments in the accompanying Statement of Changes in Fiduciary Net Position) as follows:

Common stocks	\$ 3,258,516
Government securities	75,401
Hedge funds	34,292
Real estate	291,557
Corporate bonds	55,008
Total	\$ 3,714,774

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 3. INVESTMENTS (Continued)

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in corporate bonds and government securities had maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 4,795,032	\$ -	\$ 667,167	\$ 4,127,865	\$ -
U.S. agencies	9,720,675	2,108,123	2,945,093	3,002,798	1,664,661
U.S. treasuries	1,702,369	-	-	1,702,369	-
Totals	<u>\$ 16,218,076</u>	<u>\$ 2,108,123</u>	<u>\$ 3,612,260</u>	<u>\$ 8,833,032</u>	<u>\$ 1,664,661</u>

The fixed income portfolio must be comprised of securities rated within the top four grades by Moody's or Standard & Poor's ratings services. The Plan's corporate bonds were rated by Moody's Investors Services as follows:

<u>Rating</u>	<u>Fair Value</u>
Aaa	\$ 5,471,861
Aa2	152,403
A1	177,226
A2	667,167
A3	3,798,235
Unrated Government Securities	5,951,184
Total	<u>\$ 16,218,076</u>

The Plan limits investment in the securities of any one issuer, other than the US Government and its agencies, to no more than 5% of Net Fiduciary Position. The Plan had none at September 30, 2016.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns participation in international equity funds as well as individual securities.

The investment policy limits the foreign investments to no more than 15% of any manager's total Plan portfolio. As of September 30, 2016, the foreign investments were 11% of total investments; however all are self-directed investments.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

(Continued)

### NOTE 4. FAIR VALUE MEASUREMENTS

Fair value is defined as 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 Plan categorizes its fair value measurements within the fair value hierarchy as established by generally accepted accounting principles. The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

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

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

Following is a description of the valuation methodologies used for asset measured at fair value.

Common stock: Valued at the closing price reported on the New York Stock Exchange.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yield of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.

Hedge Funds: Valued based on the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investment.

Real estate: Valued at the net asset value of shares held by the Plan at year end. The Plan has investment in a private market real estate investment for which no liquid public market exists.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2016:

		Fair Value Measurement Using		
	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 44,581,813	\$ 44,581,813	\$ -	\$ -
Total equity securities	<u>44,581,813</u>	<u>44,581,813</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	1,702,369	1,702,369	-	-
U.S. agency securities	9,720,675	-	9,720,675	-
Corporate bonds	<u>4,795,032</u>	<u>-</u>	<u>4,795,032</u>	<u>-</u>
Total debt securities	<u>16,218,076</u>	<u>1,702,369</u>	<u>14,515,707</u>	<u>-</u>
Total assets at fair value	<u>60,799,889</u>	<u>\$ 46,284,182</u>	<u>\$ 14,515,707</u>	<u>\$ -</u>
<u>Investments measured at the net asset value (NAV) <sup>(a)</sup></u>				
Real estate	5,866,905			
Hedge funds	<u>5,542,610</u>			
Total investment measured at the NAV	<u>11,409,515</u>			
Money market funds (exempt)	<u>4,911,191</u>			
Total investments	<u>\$ 77,120,595</u>			

(a) As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the Statement of Fiduciary Net Position.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes investment for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

<u>Investments Measured at the NAV</u>	Redemption			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Frequency (if Currently Eligible</u>	<u>Redemption Notice Period</u>
Real estate fund <sup>(1)</sup>	\$ 5,866,905	\$ -	Quarterly	65 Days
Hedge fund <sup>(2)</sup>	3,668,786	-	Quarterly	95 Days
Hedge fund <sup>(3)</sup>	1,873,824	-	Semi-Annual	95 Days
Total investments measured at the NAV	<u>\$ 11,409,515</u>	<u>\$ -</u>		

(1) Real estate fund: The fund is an open-end core real estate fund with a diversified portfolio of income producing properties throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 65 days prior to quarter end.

(2) Hedge fund: The fund is a diversified portfolio of relative value and event driven hedge funds with a focus on credit strategies. The fund seeks to invest with managers that demonstrate limited exposure to eight key sources of risk, including market risks (equities, interest rates, currencies, commodities, unsecured credit) and trading risks (excessive leverage, asset/liability mismatch, high concentration). The investment is valued at NAV.

(3) Hedge fund: The fund is a diversified commingled fund, seeking to produce long-term, risk-adjusted returns through investments utilizing venture capital, buyout, distressed debt, long/short equity, low volatility multi-strategy, and similar partnership strategies. The investment is valued at NAV.

### NOTE 5. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

### NOTE 6. NET PENSION LIABILITY OF THE PLAN

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

Total pension liability	\$ 106,569,038
Plan fiduciary net position	<u>76,555,716</u>
City's net pension liability	<u>\$ 30,013,322</u>
Plan fiduciary net position as a percentage of the total pension liability	71.84%

The total pension liability was determined by an actuarial valuation as of September 30, 2016 using certain actuarial assumptions, the most significant of which were 7.75% for the investment rate of return, 4.25% to 8.00% for projected salary increases and 3.25% for inflation.

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Participant Table for Males or Females, as appropriate, with mortality improvements projected to each future decrement date with Scale AA.

The long-term expected rate of return on 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 Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2016 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Large Cap Value Equity	6.17%
Large Cap Growth Equity	6.20%
Small Cap Value Equity	6.45%
Mid Cap Growth Equity	6.40%
International Value Equity	5.92%
International Growth Equity	5.30%
Hedge Fund of Funds	2.47%
Core Private Real Estate	2.72%
Core Fixed Income	2.35%

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016  
(Continued)

**NOTE 6. NET PENSION LIABILITY OF THE PLAN (Continued)**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total Plan liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 7.75%. It was also calculated using a discount rate that was 1-percentage-point lower (6.75%) and 1-percentage-point higher (8.75%) and the different computations were compared as follows:

	1% decrease (6.75%)	Current discount rate (7.75%)	1% increase (8.75%)
Net pension liability	\$41,848,757	\$30,013,322	\$20,077,402

**NOTE 7. INCOME TAXES**

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

On February 11, 2013, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a), and therefore, no provision for federal income taxes has been made.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**RETIREMENT PLAN FOR GENERAL EMPLOYEES  
OF THE CITY OF NORTH MIAMI BEACH**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2016

**RETIREMENT PLAN FOR GENERAL EMPLOYEES  
OF THE CITY OF NORTH MIAMI BEACH**

SCHEDULE OF ADMINISTRATIVE EXPENSES

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

	<u>2016</u>	<u>2015</u>
<b>ADMINISTRATIVE EXPENSES:</b>		
Actuarial	\$ 41,554	\$ 30,743
Employee benefits	2,820	2,957
Insurance	14,087	11,827
Legal fees	27,035	24,200
Payroll taxes	4,421	5,467
Salaries	55,921	53,625
Accounting	8,270	7,658
Travel	15,314	13,663
Miscellaneous	11,326	9,760
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u>\$ 180,748</u>	<u>\$ 159,900</u>

The accompanying independent auditor's report should be read with this supplementary schedule.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined employer contribution	\$ 3,285,155	\$ 3,528,201	\$ 3,545,108	\$ 3,220,136	\$ 2,677,804
Actual employer contribution	<u>3,285,155</u>	<u>3,528,201</u>	<u>3,545,108</u>	<u>3,381,418</u>	<u>2,927,951</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (161,282)</u>	<u>\$ (250,147)</u>
Covered-employee payroll *	<u>\$ 7,937,439</u>	<u>\$ 8,438,765</u>	<u>\$ 8,935,213</u>	<u>\$ 10,612,185</u>	<u>\$ 11,326,066</u>
Actual contributions as a percentage of covered-employee payroll	41.39%	41.81%	39.68%	31.86%	25.85%

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined employer contribution	\$ 2,812,799	\$ 2,649,170	\$ 2,126,565	\$ 2,271,608	\$ 2,114,806
Actual employer contribution	<u>2,812,799</u>	<u>2,649,170</u>	<u>2,122,612</u>	<u>2,333,440</u>	<u>2,133,251</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,953</u>	<u>\$ (61,832)</u>	<u>\$ (18,445)</u>
Covered-employee payroll *	<u>\$ 12,754,334</u>	<u>\$ 12,953,446</u>	<u>\$ 13,029,957</u>	<u>\$ 13,111,784</u>	<u>\$ 12,852,968</u>
Actual contributions as a percentage of covered-employee payroll	22.05%	20.45%	16.29%	17.80%	16.60%

\* Covered-employee payroll was projected prior to year ended September 30, 2014.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	30 years
Asset valuation method	Smoothed Market Value
Inflation:	3.25%
Salary increases	4.25%-8.00%
Investment rate of return	7.75%
Mortality	RP-2000 Combined Health Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

The accompanying independent auditor's report should be read with this supplementary schedule.

**RETIREMENT PLAN FOR GENERAL EMPLOYEES  
OF THE CITY OF NORTH MIAMI BEACH**

SCHEDULE OF INVESTMENT RETURNS  
(UNAUDITED)

Year Ended <u>September 30</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2016	6.86%
2015	(0.39%)
2014	10.46%
2013	11.61%
2012	18.56%
2011	0.12%
2010	10.24%
2009	5.79%
2008	(13.90%)
2007	13.58%

The accompanying independent auditor's report should be read with this supplementary schedule.

# RETIREMENT PLAN FOR GENERAL EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH

## SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY:</b>			
Service Cost	\$ 1,156,065	\$ 1,151,136	\$ 1,258,325
Interest	7,928,162	7,805,702	7,539,274
Difference between actual and expected experience	(350,213)	867,625	515,726
Benefit Payments	<u>(7,137,255)</u>	<u>(6,859,718)</u>	<u>(5,377,791)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,596,759	2,964,745	3,935,534
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<u>104,972,279</u>	<u>102,007,534</u>	<u>98,072,000</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<u>106,569,038</u>	<u>104,972,279</u>	<u>102,007,534</u>
<b>PLAN FIDUCIARY NET POSITION:</b>			
Contributions - City	3,285,155	3,528,201	3,545,108
Contributions - Participants	708,318	632,868	643,099
Net investment income (loss)	5,109,744	(261,263)	7,469,081
Benefit payments	(7,137,255)	(6,859,718)	(5,377,791)
Administrative expenses	<u>(180,748)</u>	<u>(159,900)</u>	<u>(165,534)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,785,214	(3,119,812)	6,113,963
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<u>74,770,502</u>	<u>77,890,314</u>	<u>71,776,351</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<u>76,555,716</u>	<u>74,770,502</u>	<u>77,890,314</u>
<b>NET PENSION LIABILITY - ENDING</b>	<u>\$ 30,013,322</u>	<u>\$ 30,201,777</u>	<u>\$ 24,117,220</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	71.84%	71.23%	76.36%
<b>COVERED EMPLOYEE PAYROLL</b>	\$ 7,937,439	\$ 8,438,765	\$ 8,935,213
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	378.12%	357.89%	269.91%

*This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.*

**RETIREMENT PLAN FOR GENERAL EMPLOYEES  
OF THE CITY OF NORTH MIAMI BEACH**

COMPLIANCE REPORT

SEPTEMBER 30, 2016

KABAT · SCHERTZER  
DE LA TORRE · TARABOULOS  
&  
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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 Board of Trustees of the  
Retirement Plan for General Employees of the City of North Miami Beach

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 Retirement Plan for General Employees of the City of North Miami Beach, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Retirement Plan for General Employees of the City of North Miami Beach's basic financial statements, and have issued our report thereon dated February 22, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Retirement Plan for General Employees of the City of North Miami Beach'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 Retirement Plan for General Employees of the City of North Miami Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Retirement Plan for General Employees of the City of North Miami Beach's internal control.

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

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

KABAT · SCHERTZER  
DE LA TORRE · TARABOULOS  
&  
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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** (Continued)

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement Plan for General Employees of the City of North Miami Beach'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 Retirement Plan for General Employees of the City of North Miami Beach's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.*

Weston, Florida  
February 22, 2017