



City of Opa-locka, Florida

Annual Financial Report

For The Fiscal Year Ended
September 30, 2016





The City of Opa-locka

Mission Statement

The Mission of the City of Opa-locka is to enhance the quality of life, environment, and safety of our customers and employees in an atmosphere of courtesy, integrity, and quality service.

CITY OF OPA-LOCKA, FLORIDA

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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CITY OF OPA-LOCKA, FLORIDA

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SEPTEMBER 30, 2016

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March 15, 2019

To the Citizens, the Honorable Mayor, Vice Mayor, City Commissioners, City Manager and Assistant City Managers of the City of Opa-locka:

It is my pleasure to submit the Audited Financial Report for the City of Opa-locka, Florida, for the fiscal year ended September 30, 2016, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida and the City Charter. The financial statements included in this report conform to accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board (GASB). This report is published to fulfill that requirement for the fiscal year ended September 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

The financial statements have been audited by Anthony Brunson P.A., a firm of licensed certified public accountants. The independent auditors have disclaimed an opinion on the City's financial statements for the year ended September 30, 2016. The independent auditors' report is located at the front of the financial section of the report.

The Management's Discussion and Analysis (MD&A) segment immediately follows the independent auditor's report and provides narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Opa-locka was incorporated in 1926 and operates under the Commission/City Manager form of government. The City Commission is comprised of the Mayor, Vice Mayor and three Commissioners, who are responsible for enacting ordinances, resolutions and regulations governing the City and appointing the members of various advisory boards. Additionally, the City Commission appoints the City Manager, the City Attorney and the City Clerk. As Chief Administrative Officer, the City Manager is responsible for the enforcement of laws and ordinances and the appointment and supervision of the City's Department heads.

The City provides a full range of services including police, construction and maintenance of highways and streets and other infrastructure, recreational and cultural activities, water and waste water, storm water, sanitation, planning and zoning and general administrative services.

For additional services concerning our City, please visit our website at www.opalockafl.gov.

The financial reporting entity under which the financial statements are prepared includes all activities and functions for which the City is financially accountable.

The City is required to prepare, approve, adopt and execute an annual budget. This annual budget serves as the foundation for the City's financial planning and control. Budgetary control is maintained at the departmental and fund level, with the finance department providing support to departments in the administration of their budgets. Budget to actual comparisons are provided in this report for all of the City's funds that have an appropriated annual budget.

Local Economy

The City of Opa-locka comprises approximately 4.5 square miles and has a population of approximately 16,000 residents. It is located in the northern portion of Miami-Dade County. The City is a mix of residential, commercial and industrial zones including the Opa-locka Airport, which is owned and operated by Miami-Dade County. The City of Opa-locka community is served by two elementary schools.

Major Initiatives

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency, and to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503 (1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor, Rick Scott.

Acknowledgements

The Finance Department, City Manager, Assistant City Manager, Directors and Staff Members all contributed to the preparation of this report. We would also like to express our appreciation for the leadership of the Mayor, Vice Mayor and Commissioners.

Respectfully,



Newall J. Daughtry
City Manager



CITY OF OPA-LOCKA, FLORIDA

LIST OF PRINCIPAL OFFICIALS

CITY COMMISSION



Joseph L. Kelley
Commissioner



Myra L. Taylor
Mayor



Timothy Holmes
Vice-Mayor



John Riley
Commissioner



Luis B. Santiago
Commissioner

CITY EXECUTIVE MANAGEMENT

Yvette Harrell
City Manager

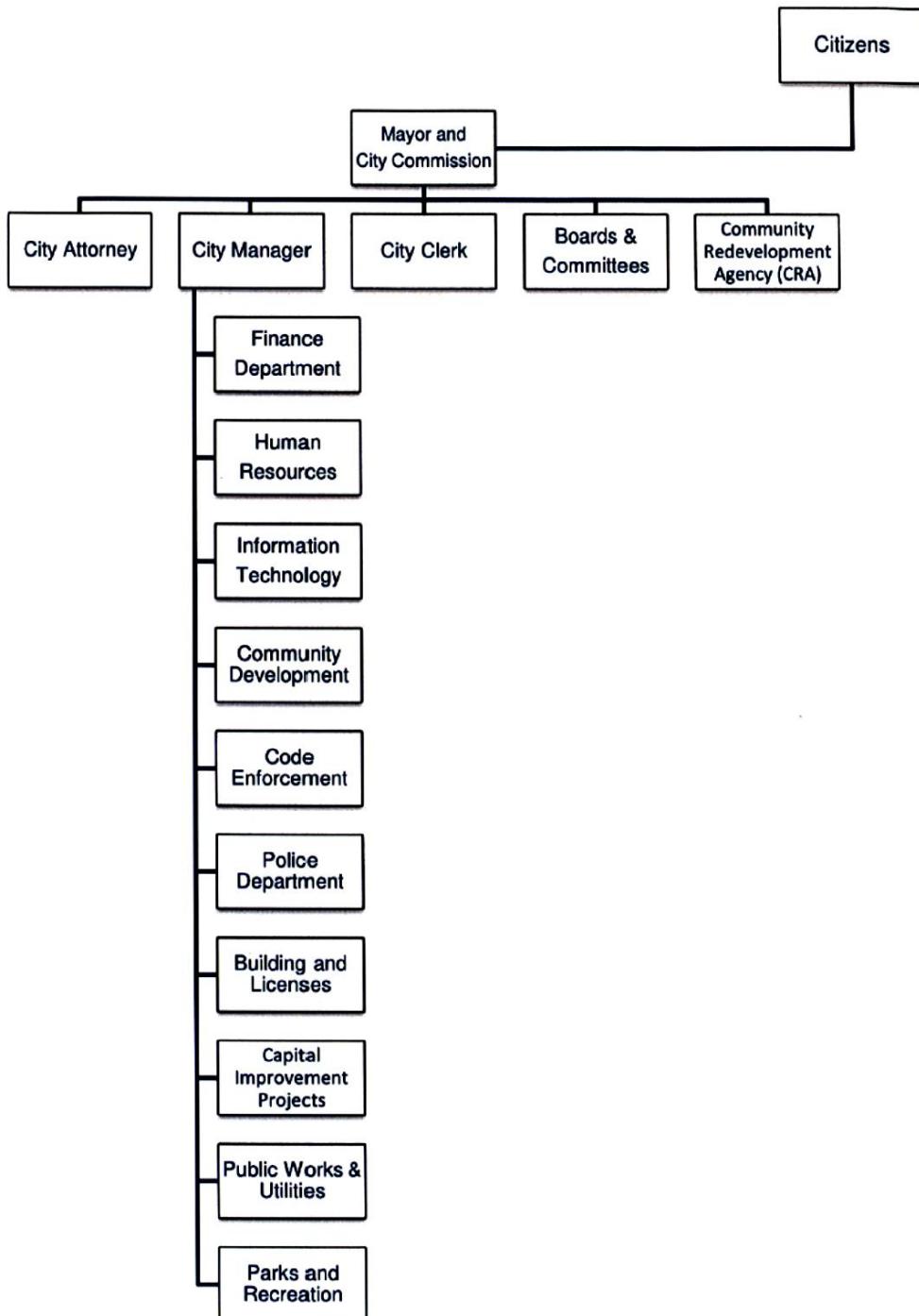
Joanna Flores
City Clerk

Vincent Brown
City Attorney



CITY OF OPA-LOCKA, FLORIDA

ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Opa-locka, Florida

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Opa-locka, 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 City'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 presentation of the financial statements.

As a result of the matters described in the "Basis for Disclaimer of Opinion on these Financial Statements" paragraph, we believe that the audit evidence we have obtained is not sufficient and appropriate to provide a basis for unmodified audit opinions.



Basis for Disclaimer of Opinion on these Financial Statements

As discussed in Note 1, we were unable to obtain sufficient appropriate audit evidence on the City's capital asset balances, accounts payable balances or fair market valuation of receivables.

The amounts by which sufficient appropriate audit evidence could not be obtained would affect the assets, liabilities, net position, and revenues of the government activities, business-type activities, general fund, each major fund and the remaining fund information of the City has not been determined.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on these Financial Statements" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the basic financial statements of the City of Opa-locka, Florida. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and budgetary comparison information on pages 64 through 68 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.

Other Information

Our audit engagement was for the purpose of forming opinions on the financial statements that collectively comprise the City of Opa-locka, Florida basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Rules of the Florida Auditor General*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from, and relate 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, except for these effects on the Supplementary Information of the disclaimer opinion on the financial statements as explained in the "Basis for Disclaimer of Opinion on these Financial Statements" paragraph the combining and individual nonmajor fund financial statements, the budgetary comparison schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory sections 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, on our consideration of the City'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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "H. J. T. A." followed by a stylized signature of the initials "H. J. T.".

March 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Opa-locka's Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide a broad overview on short-term and long-term analyses of the City's activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

FINANCIAL HIGHLIGHTS

1. The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$8.0 million (*net position*).
2. The City's total net position increased \$223,646 or 3% resulting from current City operations.
3. The City's governmental-type activities reported net position of \$4.9 million which is an \$1 million or 26% increase, in comparison to the prior year net position of \$3.9 million.
4. The City's business-type activities reported net position of \$3.1 million, which is a \$775,989 decrease, or 20%, in comparison to the prior year net position of \$3.8 million.
5. At the end of the fiscal year, the Governmental Fund reported a fund balance of \$1.3 million, or 8.4% of the Governmental Fund expenditures, of this balance a negative (\$3.0) million is unassigned general fund.
6. The City's total debt outstanding for governmental activities increased by approximately \$4.7 million, or 18% during the current fiscal year. This increase is attributed to an increase in FRS pension liability, compensated absences and legal commitments.
7. The total debt outstanding for business-type activities decreased \$851,319, or 5%. This reduction is mostly attributable to a decrease in accounts payable and its related expenditures.

Overview of the Financial Statements

GASB Statement 34 represented a monumental change from the way in which government financial statements are recorded and presented. It provided for the first time a concise "entity-wide" Statement of Net Position and Statement of Activities, providing the user of the financial statements a combined overview of the City's financial position and result of operations, eliminating interfund activities and "other people's money" such as pension funds, which can mislead users when incorporated in a combined manner. The Government-Wide Financial Statements also differentiate between Governmental and Business-Type Activities, further assisting the reader in their evaluation.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

The reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources—budgeted resources) at the individual fund level. This was an important change in governmental accounting. The impact of long-term financial decisions is accurately matched to the period in which the expense or revenue is attributed. A good example of this is the recording of compensated absences such as vacation time. Previously, this time was “expensed” as paid, not when earned. As a result, employees could accrue hundreds or thousands of hours in the past without that expense being attributed to the taxpayers who benefited from those employees’ services. Once the employees separate from the City it is future taxpayers who will bear the financial liability, but would not benefit from those employees’ services. This is but one of many examples of “expenses” that have traditionally not been matched to the period of benefit.

Users interested in “budgetary performance” will find that information available in the required supplementary information and other financial information following the notes to the financial statements. An overview discussion of the different sections of this reporting model follows.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide* financial statements consist of a Statement of Net Position and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between governmental and business-type activities. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenues are earned and the expenses attributed.

The *Statement of Net Position* (the “Unrestricted Net Position”) is designed to be similar to a bottom line for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations. It presents information on all the City’s assets and deferred outflows of resources, on one hand; liabilities and deferred inflows of resources on the other hand; the difference between them, 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 City is improving or deteriorating.

The *Statement of Activities* is focused on both the gross and net cost of various activities (including governmental, business-type and component unit), which are provided by the government’s general tax and program revenues. This is intended to summarize and simplify the user’s analysis of the cost of various governmental services and the local taxing efforts necessary to sustain each of those activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, charges for services, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, cultural and recreational. The business-type activities include water and sewer, solid waste and stormwater, where the fee for service typically covers all or most of the cost of operations and depreciation.

The government-wide financial statements can be found on pages 16 -17 of this report.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

FUND FINANCIAL STATEMENTS

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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 the 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 the governmental funds with similar information presented for the 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.

The City maintains 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 balance for the General Fund, which is considered to be a major fund. The CIP Bonds 2011 and 2015 Fund were established to account for the proceeds of the 2011 and 2015 debt issuance and are part of the Debt Service Fund and presented as a major fund. The City presents data from all other governmental funds in a single column (non-major funds). Individual fund data for each of these non-major governmental funds are included in the combining statements.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided for all the governmental funds to demonstrate compliance with the funds' budgets.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

PROPRIETARY FUNDS

Proprietary fund financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds.

The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has three Enterprise Funds; the Water and Sewer Fund, Solid Waste and Stormwater Fund. A statement of cash flows is presented at the fund financial statement level for proprietary funds.

The basic propriety fund financial statements can be found on pages 22 - 24 of this report.

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

When evaluating the financial position and short-term financial performance of the City, two tools are particularly valuable: The Statement of Net Position and the Statement of Activities. It is useful for the user to compare the current year with the prior year. This aids in spotting trends and other areas of concern or interest. For ease of relative comparisons, we include the percent change from one year to another (See below).

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 62 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. This section also includes a comparison between the City's General Fund adopted and final budget and actual financial results. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The City also adopts an annual appropriated budget for each of its other governmental funds which are presented as supplementary information.

Combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Required Supplemental Information.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following schedule is a summary of the fiscal year 2016 Statement of Net Position with comparative information for fiscal year 2015.

Net Position - Government-Wide

	Governmental Activities			Business-type Activities			Total		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Current and other assets	\$ 4,978,533	\$ 2,419,522	106%	\$ 5,749,609	\$ 7,168,527	-20%	\$ 10,728,142	\$ 9,588,049	12%
Capital assets, net	<u>27,008,147</u>	<u>26,673,899</u>	1%	<u>12,516,799</u>	<u>13,113,658</u>	-5%	<u>39,524,946</u>	<u>39,787,557</u>	-1%
Total assets	<u>31,986,680</u>	<u>29,093,421</u>	10%	<u>18,266,408</u>	<u>20,282,185</u>	-9.9%	<u>50,253,088</u>	<u>49,375,606</u>	2%
Deferred outflow of resources	<u>5,822,004</u>	<u>1,998,872</u>	191%	<u>793,909</u>	<u>272,573</u>	191%	<u>6,615,913</u>	<u>2,271,445</u>	191%
Current and other liabilities	4,486,348	4,958,001	-10%	9,502,593	12,056,959	-21%	13,988,941	17,014,960	-18%
Long-term liabilities	<u>26,376,945</u>	<u>21,162,883</u>	25%	<u>6,168,197</u>	<u>4,465,150</u>	38%	<u>32,545,141</u>	<u>25,628,033</u>	27%
Total liabilities	<u>30,863,292</u>	<u>26,120,884</u>	18%	<u>15,670,790</u>	<u>16,522,109</u>	-5%	<u>46,534,082</u>	<u>42,642,993</u>	9%
Deferred inflow of resources	<u>2,039,273</u>	<u>1,064,925</u>	91%	<u>278,083</u>	<u>145,217</u>	91%	<u>2,317,356</u>	<u>1,210,142</u>	91%
Net assets:									
Invested in capital assets, net of related debt	12,894,007	11,799,598	9%	7,703,308	8,893,775	-13%	20,597,315	20,693,373	0%
Restricted	3,298,639	2,262,701	46%	-	-	0%	3,298,639	2,262,701	46%
Unrestricted	<u>(11,286,527)</u>	<u>(10,155,815)</u>	11%	<u>(4,591,865)</u>	<u>(5,006,343)</u>	-8%	<u>(15,878,392)</u>	<u>(15,162,158)</u>	5%
Total net assets	<u>\$ 4,906,119</u>	<u>\$ 3,906,484</u>	26%	<u>\$ 3,111,443</u>	<u>\$ 3,887,432</u>	-20%	<u>\$ 8,017,562</u>	<u>\$ 7,793,916</u>	3%

STATEMENT OF NET POSITION

The overall net position of the City increased in fiscal year 2016, from the prior year net position, by approximately \$223,646 or 3%. From \$7.8 million in 2015 to \$8.0 million in 2016. Changes in net position over time can be one of the best and most useful indicators of financial health. This change in net position is the result of increased revenues of 4.9 million less increased expenditures of \$2.2 million.

The governmental activities of the City's current and other assets increased 106% while the current liability of those activities decreased by 10%. The decrease is due to both a decrease in outstanding current liabilities and liabilities due to other Governments during the current fiscal year from the general and capital project funds. The business-type activities of the City's current and other assets decreased by 20% while the current liability of those activities also decreased by 21%. The decrease in current liabilities is due a decrease in accounts payable and overdrawn cash account.

CITY OF OPA-LOCKA, FLORIDA

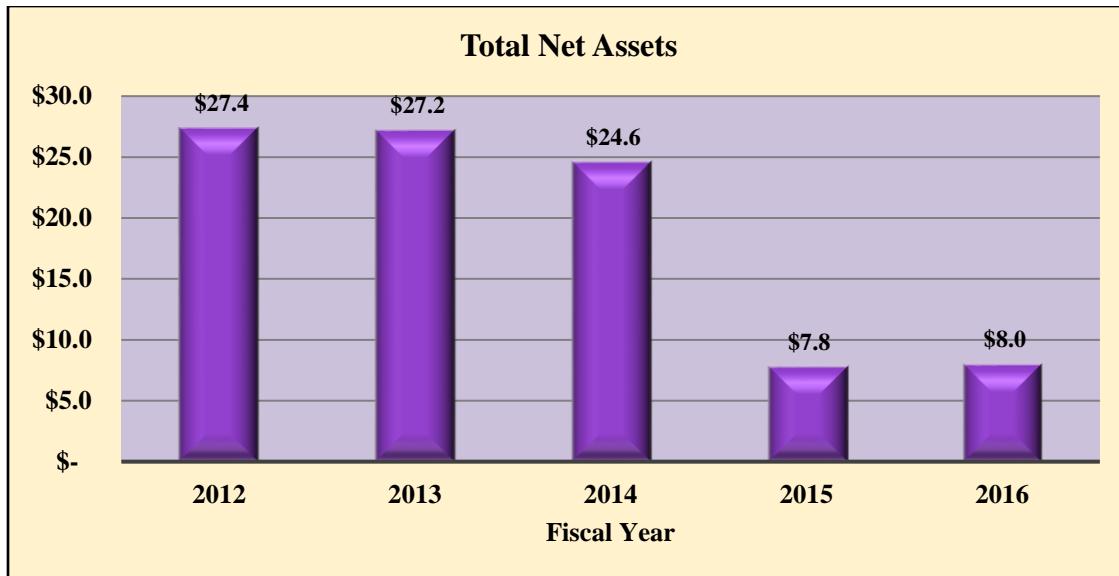
MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2016

The governmental activities invested in capital assets increased by \$1.09 million or 9% from the previous year and unrestricted net position now stands at (\$11.3) million, an increase of \$1.1 million or 11% from the previous year.

The business-type activities invested in capital assets decreased by \$1.19 million or 13% and unrestricted net position now stands at a (\$4.5) million, compared to (\$5.0) million in the prior year. This represents an 8% decrease in unrestricted assets and is due to decreases in outstanding liabilities and overall expenditures.

Five Years Total Net Assets

(in millions)



By far the largest portion of the City's net position is investment in capital assets (e.g., land, buildings and building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2016

STATEMENT OF ACTIVITIES

The following schedule is a summary of the fiscal year 2016 Statement of Activities with comparative information to fiscal year 2015:

	Governmental Activities			Business-type Activities			Total		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Revenues:									
Program revenues:									
Charges for services	\$ 1,985,270	\$ 1,136,618	75%	\$ 10,279,968	\$ 10,075,350	2%	\$ 12,265,238	\$ 11,211,968	9%
Operating/capital grants and cont.	1,406,302	838,658	68%	447,916	1,021,115	-56%	1,854,218	1,859,773	0%
General revenues:									
Property taxes	6,336,736	5,266,813	20%	-	-	-	6,336,736	5,266,813	20%
Other taxes	2,191,444	2,132,908	3%	-	-	-	2,191,444	2,132,908	3%
Franchise fees	1,130,688	1,326,953	-15%	-	-	-	1,130,688	1,326,953	-15%
Intergovernmental, unrestricted	2,338,805	2,625,406	-11%	-	-	-	2,338,805	2,625,406	-11%
Unrestricted interest earnings	277	527	-47%	-	-	-	277	527	-47%
Miscellaneous	2,145,867	1,481,667	45%	-	-	-	2,145,867	1,481,667	45%
Transfers-in	<u>2,830,858</u>	<u>-</u>	100%	<u>-</u>	<u>235,332</u>	-100%	<u>2,830,858</u>	<u>235,332</u>	1103%
Total revenues	<u>20,366,247</u>	<u>14,809,550</u>	38%	<u>10,727,884</u>	<u>11,331,797</u>	-5%	<u>31,094,131</u>	<u>26,141,347</u>	19%
Expenses and transfers									
General government	8,009,213	6,336,788	26%	-	-	-	8,009,213	6,336,788	26%
Public safety	5,557,570	6,689,004	-17%	-	-	-	5,557,570	6,689,004	-17%
Transportation	1,732,933	2,564,325	-32%	-	-	-	1,732,933	2,564,325	-32%
Culture and recreation	1,406,397	1,332,265	6%	-	-	-	1,406,397	1,332,265	6%
Interest and fiscal charges	485,047	348,305	39%	-	-	-	485,047	348,305	39%
Water and sewer	-	-		10,596,650	10,667,280	-1%	10,596,650	10,667,280	-1%
Stormwater	-	-		512,133	1,213,511	-58%	512,133	1,213,511	-58%
Solid waste	-	-		996,874	915,456	9%	996,874	915,456	9%
Transfers-out	<u>3,058,301</u>	<u>235,332</u>	1200%	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,058,301</u>	<u>235,332</u>	1200%
Total Expenses	<u>20,249,461</u>	<u>17,506,019</u>	16%	<u>12,105,657</u>	<u>12,796,247</u>	-5%	<u>32,355,118</u>	<u>30,302,266</u>	7%
Increase (decrease) in net positions	<u>116,787</u>	<u>(2,696,468)</u>	-104%	<u>(1,377,775)</u>	<u>(1,464,449)</u>	-6%	<u>(1,260,985)</u>	<u>(4,160,919)</u>	-70%
Net positions, beginning as previously stated	3,906,484	9,476,317	-59%	3,887,432	8,148,709	-52%	7,793,922	17,625,026	-56%
Prior period adjustment	882,847	(2,873,367)	-131%	601,786	(2,796,828)	-122%	1,484,625	(5,670,195)	-126%
Net position, beginning as restated	<u>4,789,331</u>	<u>6,602,950</u>	-27%	<u>4,489,218</u>	<u>5,351,881</u>	-16%	<u>9,278,547</u>	<u>11,954,831</u>	-22%
Net positions, ending	<u>\$ 4,906,119</u>	<u>\$ 3,906,483</u>	26%	<u>\$ 3,111,443</u>	<u>\$ 3,887,433</u>	-20%	<u>\$ 8,017,562</u>	<u>\$ 7,793,912</u>	3%

Activities in the City reflected a 19% increase in overall revenues compared to the prior year and total City expenses reflected a 7% increase.

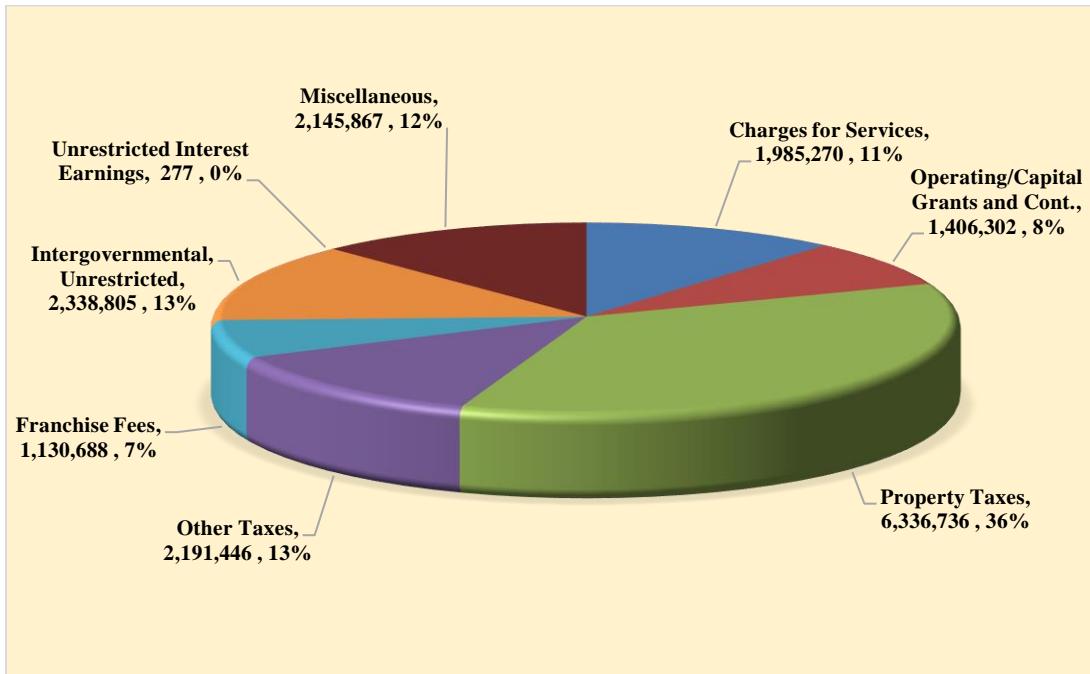
The governmental activities represent the most significant activity within the City. Program revenues charges for services increased by 38% in governmental activities due to an increase in general government services activities.

The business-type activities are water and sewer, solid waste and storm water operations of the City which included a decrease of \$603,913 or 5% in program revenues. The decrease is due to a reduction in grants, contributions for services and transfer-in.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2016

Sources of Revenue for Fiscal Year 2016



BUSINESS-TYPE ACTIVITIES

The Business-type Activities are comprised of the Water and Sewer, Solid Waste and Stormwater Fund.

- The operating loss for the Water and Sewer is \$1.7 million which is a slight decrease from the prior year of \$1.8 or 5%. The slight decrease was primarily the result of decreased costs associated with salaries and benefits. Additionally, depreciation expense and internal administrative charges has contributed to the decrease in operating income in this fund.
- The Solid Waste Fund had operating income of \$208,356 in the current fiscal year and prior year of \$290,999, this a decrease of \$82,643 or 28%.
- The Stormwater Fund had operating income of \$175,359 which is an increase of \$617,862 from the prior year operating loss of \$442,504. Total operating revenue increased by \$214,539 or 45% and expenses decreased by \$403,323 or 44%.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2016

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of fiscal year 2016, the City's governmental funds reported combined ending fund balances of \$1.3 million compared to \$62,758 in the prior year, an increase of \$1.3 million in fund balance compared to the prior year. Most of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed or restricted to 1) pay debt service \$2.2 million, 2) pay transportation \$1.1 million 3) pay public safety \$488,154 related debt.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the total fund balance equals a negative 3.0 million, an increase of 86,984 or 3% from the prior year.

Total revenues for the general fund decreased by \$2.8 million, a 14% decrease in revenue is related to a reduction in other financing sources and franchise fees.

Revenue in the general fund is shown in the following schedule:

General Fund Revenues	2016 Amount	Percent of Total	2015 Amount	Percent of Total	Increase (Decrease) From 2015	Percent of Increase (Decrease)
Property	\$ 6,336,736	36%	\$ 5,266,813	26%	\$ 1,069,923	20%
Utility service taxes	1,240,925	7%	1,215,998	6%	24,927	2%
Communication service taxes	417,951	2%	450,384	2%	(32,433)	-7%
Local option, use and fuel taxes	294,891	2%	294,220	1%	671	0%
Franchise fees	1,130,688	6%	1,326,953	7%	(196,265)	-15%
Local business taxes	237,679	1%	172,306	1%	65,373	38%
Grants and contributions	1,406,300	8%	838,658	4%	567,642	68%
Permits and fees	934,436	5%	501,896	2%	432,540	86%
Intergovernmental	467,281	3%	461,775	2%	5,506	1%
Charges for services	1,985,270	11%	129,745	1%	1,855,525	1430%
Fines and forfeitures	937,088	5%	458,528	2%	478,560	104%
Interest	277	0%	443	0%	(166)	0%
Other revenue	2,145,867	12%	1,481,667	7%	664,200	45%
Other financing sources	<u>-</u>	0%	<u>8,600,000</u>	42%	<u>(8,600,000)</u>	-100%
Total Revenues	<u>\$ 17,535,389</u>	100%	<u>\$ 20,360,728</u>	100%	<u>\$ (2,825,339)</u>	-14%

Total expenditures for the general fund decreased by \$2.6 million, a 16% decrease in expenditures related to significant decreases in the following; general government, public safety, transportation, culture and recreation.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2016

Expenditures in the general fund are shown in the following schedule:

General Fund Expenditures	2016 Amount	Percent of Total	2015 Amount	Percent of Total	Increase (Decrease) From 2015	Percent of Increase (Decrease)
General government	\$ 5,480,670	38%	\$ 5,732,661	34%	\$ (251,991)	-4%
Public safety	5,557,570	39%	6,689,004	40%	(1,131,434)	-17%
Transportation	1,732,933	12%	2,564,325	15%	(831,392)	-32%
Culture and recreation	794,473	6%	1,332,265	8%	(537,792)	-40%
Debt service	485,047	3%	348,305	2%	136,742	39%
Transfers	227,443	2%	235,332	1%	(7,889)	0%
Total expenditures	\$ 14,278,136	100%	\$ 16,901,892	100%	\$ (2,623,756)	-16%

Proprietary Funds

- The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position (deficit) of the water and sewer, storm water, and solid waste funds at the end of the current fiscal year amounted to (\$3.1) million. The total decrease in net position for all enterprise funds was \$546,703 which is primarily attributed to losses incurred in the water and sewer fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were no adjustments to the appropriations between the original and final amended budget. However, the General Fund actual expenditures amounted to \$13.6 million which represents a decrease of \$350,493 over the original and final budget.

The following department significantly exceeded its budget;

- General government, \$297,917

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounted to \$20.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and buildings improvements, machinery and equipment, park facilities, roads and utility systems infrastructure. There was no significant decrease or increase in the City's investment in capital assets for the current fiscal year.

Major capital assets additions during the current fiscal year included the following:

- Construction in progress for Cairo Lane and Historic City Hall
- Installation of side walk, storm water drainage and resurfacing of the roadway (Alexandria Drive)

City of Opa-locka's Capital Assets

(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3,042,475	\$ 3,042,475	\$ 14,762	\$ 14,762	\$ 3,057,237	\$ 3,057,237
Construction in progress	2,114,914	889,349	3,138,035	2,454,201	3,343,550	5,252,948
Buildings and building improvements	15,990,916	16,271,257	-	-	16,271,257	15,990,916
Furniture and equipment	138,447	332,341	771,906	772,675	1,105,016	910,353
Infrastructure	<u>5,721,365</u>	<u>6,138,477</u>	<u>8,592,105</u>	<u>9,872,020</u>	<u>16,010,497</u>	<u>14,313,470</u>
Total	<u>\$ 27,008,116</u>	<u>\$ 26,673,899</u>	<u>\$ 12,516,808</u>	<u>\$ 13,113,658</u>	<u>\$ 39,787,557</u>	<u>\$ 39,524,924</u>

Additional information on the City's capital assets can be found in Note 7 of this report.

Debt Administration

At the end of the current fiscal year the City had total debt outstanding of \$33.7 million, an increase of 16% from prior year. Additional information on the City's long-term debt can be found on Note 9 of this report.

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$ 14,043,437	\$ 14,692,439	\$ -	\$ -	\$ 14,043,437	\$ 14,692,439
Capital Leases	70,703	181,860	114,317	598,350	185,020	780,210
Loans	-	-	4,699,173	3,621,542	4,699,173	3,621,542
OPEB Obligation	500,720	413,600	68,280	56,400	569,000	470,000
Compensated Absences	1,455,939	1,346,483	168,826	151,679	1,624,765	1,498,162
Legal Liability	800,000	300,000	-	-	800,000	300,000
GASB 68 Liability	<u>10,382,088</u>	<u>6,829,740</u>	<u>1,415,740</u>	<u>931,328</u>	<u>11,797,828</u>	<u>7,761,068</u>
Total	<u>\$ 27,252,887</u>	<u>\$ 23,764,122</u>	<u>\$ 6,466,336</u>	<u>\$ 5,359,299</u>	<u>\$ 33,719,223</u>	<u>\$ 29,123,421</u>

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During fiscal year 2017, the City will be looking at the following programs/initiatives:

- On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott. In 2017, the City will be looking to improve and enhance its operational and financial controls.
- Continue upgrades to bring all of the City's pump stations out of moratorium and other improvements to the utility system that will increase the opportunities for economic development and compliance to the City's consent agreement with Department of Environmental Management (DERM).
- Continue to develop the Community Redevelopment Agency (CRA) program in the Magnolia North and Downtown Opa-locka areas. The CRA seeks to improve the physical environment of the City and also bring economic development and empowerment to residents.
- Expand our online services to allow residents to access an e-commerce platform.
- Develop a destination plan to attract more visitors to the City.
- Complete the annexing of unincorporated areas adjacent to the City.
- Milling and resurfacing of the road ways, estimated at approximately \$300,000 per annum, and will be a priority until all the streets are addressed in the City.
- Continue the Historic City Hall restorations for completion.

These factors were considered in preparing the City of Opa-locka's budget for the 2017 fiscal year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The City of Opa-locka, Finance Department, 780 Fisherman Street 4th Floor, Opa-locka, Florida 33054. A copy of this report will also be available on the City's website, www.opalockafl.gov.

BASIC FINANCIAL STATEMENTS

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	Governmental Activities	Proprietary Activities	Total
ASSETS			
Cash and equity in pooled cash	\$ 1,012,810	\$ 3,475,165	\$ 4,487,975
Receivables, net	482,281	1,808,003	2,290,284
Internal balances	1,361,358	(1,361,358)	-
Due from other Governments	856,992	380,549	1,237,541
Inventories	23,195	-	23,195
Other assets	6,000	-	6,000
Restricted cash and cash equivalents	1,235,897	1,447,250	2,683,147
Capital assets, not being depreciated	5,157,419	3,152,797	8,310,216
Capital assets, being depreciated net	<u>21,850,728</u>	<u>9,364,002</u>	<u>31,214,730</u>
Total assets	<u>31,986,680</u>	<u>18,266,408</u>	<u>50,253,088</u>
DEFERRED OUTFLOW OF RESOURCES			
Pensions (Note 10)	<u>5,822,004</u>	<u>793,909</u>	<u>6,615,913</u>
Total deferred outflows of resources	<u>5,822,004</u>	<u>793,909</u>	<u>6,615,913</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,835,013	1,547,885	3,382,897
Due to other governments	1,775,396	5,390,453	7,165,849
Customers' deposits	-	2,266,119	2,266,119
Noncurrent liabilities:			
Due within one year			
Compensated absences	145,594	16,881	162,474
Long-term debt	730,345	281,257	1,011,602
Due in more than one year			
Compensated absences	1,310,342	151,943	1,462,284
OPEB obligations	500,720	68,280	569,000
Contingency	800,000	-	800,000
Long-term debt- Pension Liability	10,382,088	1,415,740	11,797,828
Long-term debt	<u>13,383,795</u>	<u>4,532,234</u>	<u>17,916,029</u>
Total liabilities	<u>30,863,292</u>	<u>15,670,791</u>	<u>46,534,082</u>
DEFERRED INFLOW OF RESOURCES			
Pensions (Note 10)	<u>2,039,273</u>	<u>278,083</u>	<u>2,317,356</u>
Total deferred inflows of resources	<u>2,039,273</u>	<u>278,083</u>	<u>2,317,356</u>
NET POSITION			
Invested in capital assets, net of related debt	12,894,007	7,703,308	20,597,315
Restricted for:			
Debt service	3,298,639	-	3,298,639
Unrestricted	<u>(11,286,527)</u>	<u>(4,591,865)</u>	<u>(15,878,392)</u>
Total Net Position	<u>\$ 4,906,119</u>	<u>\$ 3,111,443</u>	<u>\$ 8,017,562</u>

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Proprietary Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 8,009,213	\$ 1,011,344	\$ -	\$ -	\$ (6,997,869)	\$ -	\$ (6,997,869)
Public safety	5,557,570	937,088	214,475	-	(4,406,007)	-	(4,406,007)
Transportation	1,732,933	-	-	-	(1,732,933)	-	(1,732,933)
Culture and recreation	1,406,397	36,838	-	1,191,827	(177,732)	-	(177,732)
Interest on long-term debt	485,047	-	-	-	(485,047)	-	(485,047)
Total governmental activities	<u>17,191,160</u>	<u>1,985,270</u>	<u>214,475</u>	<u>1,191,827</u>	<u>(13,799,588)</u>	<u>-</u>	<u>(13,799,588)</u>
Business-type activities:							
Water and sewer	10,596,652	8,431,684	-	447,916	-	(1,717,052)	(1,717,050)
Solid waste	996,874	1,205,230	-	-	-	208,356	208,356
Stormwater	512,133	643,054	-	-	-	130,921	130,921
Total proprietary activities	<u>12,105,659</u>	<u>10,279,968</u>	<u>-</u>	<u>447,916</u>	<u>-</u>	<u>(1,377,775)</u>	<u>(1,377,773)</u>
Total	<u>\$ 29,296,817</u>	<u>\$ 12,265,238</u>	<u>\$ 214,475</u>	<u>\$ 1,639,743</u>	<u>(13,799,588)</u>	<u>(1,377,775)</u>	<u>(15,177,361)</u>
General revenues:							
Property taxes				6,336,736	-	6,336,736	
Franchise fees				1,130,688	-	1,130,688	
Utility taxes				1,240,925	-	1,240,925	
Communication services tax				417,951	-	417,951	
Local option, use and fuel taxes				294,891	-	294,891	
Local business tax				237,679	-	237,679	
Intergovernmental revenue (unrestricted)				2,338,805	-	2,338,805	
Unrestricted interest earnings				277	-	277	
Miscellaneous				2,145,867	-	2,145,867	
Transfers in				2,830,858	-	2,830,858	
Transfers out				(3,058,301)	-	(3,058,301)	
Total general revenues and transfers				<u>13,916,376</u>	<u>-</u>	<u>13,916,376</u>	
Change in net position				<u>116,788</u>	<u>(1,377,775)</u>	<u>(1,260,987)</u>	
Net position, beginning as previously stated				3,906,484	3,887,432	7,793,916	
Prior period adjustment				882,847	601,786	1,484,633	
Net position, beginning as restated (Note 17)				4,789,331	4,489,218	9,278,549	
Net position, ending				<u>\$ 4,906,119</u>	<u>\$ 3,111,443</u>	<u>\$ 8,017,562</u>	

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

BALANCE SHEET — GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>People's Transportation Tax</u>	<u>Capital Projects Improvement Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and equity in pooled cash	\$ 351,645	\$ 504,592	\$ -	\$ 156,573	\$ 1,012,810
Receivables, net	259,539	-	222,742	-	482,281
Other Government account receivables	135,163	75,000	-	646,829	856,992
Due from other funds	6,124,100	1,552,400	4,838,531	1,601,368	14,116,399
Inventories	23,198	-	-	-	23,198
Prepaid items	6,000	-	-	-	6,000
Restricted cash and cash equivalents	<u>223,116</u>	<u>-</u>	<u>945,263</u>	<u>67,518</u>	<u>1,235,897</u>
Total Assets	<u>\$ 7,122,761</u>	<u>\$ 2,131,992</u>	<u>\$ 6,006,536</u>	<u>\$ 2,472,288</u>	<u>\$ 17,733,577</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,186,177	\$ 229	\$ 33,564	\$ 615,046	\$ 1,835,016
Due to other funds	7,187,816	704,131	2,674,333	2,188,761	12,755,041
Other government account payables	<u>1,774,391</u>	<u>-</u>	<u>-</u>	<u>1,005</u>	<u>1,775,396</u>
Total liabilities	<u>10,148,387</u>	<u>704,360</u>	<u>2,707,897</u>	<u>2,804,812</u>	<u>16,365,453</u>
Fund Balance:					
Nonspendable:					
Inventories	23,198	-	-	-	23,198
Prepaid items	6,000	-	-	-	6,000
Restricted for:					
Debt service	-	-	3,298,639	-	3,298,639
Committed for:					
Public safety	-	-	-	488,154	488,154
Transportation	-	1,135,601	-	-	1,135,601
Unassigned:					
General fund	<u>(3,054,821)</u>	<u>292,031</u>	<u>-</u>	<u>(820,678)</u>	<u>(3,583,468)</u>
Total fund balances	<u>(3,025,626)</u>	<u>1,427,631</u>	<u>3,298,639</u>	<u>(332,524)</u>	<u>1,368,124</u>
Total Liabilities and Fund Balances	<u>\$ 7,122,761</u>	<u>\$ 2,131,992</u>	<u>\$ 6,006,536</u>	<u>\$ 2,472,288</u>	<u>\$ 17,733,577</u>

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

Fund balances - total governmental funds	\$ 1,368,124
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Amounts reported for governmental activities in the statement
of net assets are different because:

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

Capital assets net of accumulated depreciation	\$ 27,008,146
Debt	(14,114,140)
Pension liability	(6,599,356)
Compensated absences	(1,455,935)
Other post-employment benefits	(500,720)
Accrued legal settlement	<u>(800,000)</u>
Net adjustment	<u>3,537,995</u>
Net position of governmental activities	\$ <u>4,906,119</u>

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	<u>General</u>	<u>Peoples' Transportation Tax</u>	<u>Capital Improvement Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes:					
Property taxes	\$ 6,309,640	\$ -	\$ -	\$ 27,096	\$ 6,336,736
Utility taxes	65,550	- -	1,175,375	-	1,240,925
Communications service taxes	-	- -	417,951	-	417,951
Local option, use and fuel taxes	-	294,891	- -	-	294,891
Local business taxes	237,679	- -	- -	-	237,679
Franchise fees	1,130,688	- -	- -	-	1,130,688
Permits and fees	934,436	- -	- -	-	934,436
Intergovernmental	283,009	186,207	1,935,864	1,340,031	3,745,111
Charges for services	113,746	- -	- -	-	113,746
Fines and forfeitures	899,015	- -	- -	38,073	937,088
Interest	59	- -	2	216	277
Other	<u>2,145,867</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>2,145,868</u>
Total revenues	<u>12,119,689</u>	<u>481,098</u>	<u>3,529,192</u>	<u>1,405,416</u>	<u>17,535,396</u>
EXPENDITURES:					
Current:					
General government	5,443,770	- -	- -	36,900	5,480,670
Public safety	5,557,570	- -	- -	-	5,557,570
Transportation	1,543,865	189,068	- -	-	1,732,933
Culture and recreation	794,473	- -	- -	-	794,473
Debt service:					
Principal	296,509	- -	648,733	- -	945,242
Interest	- -	- -	485,047	- -	485,047
Capital outlay	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>1,225,596</u>	<u>1,225,596</u>
Total expenditures	<u>13,636,187</u>	<u>189,068</u>	<u>1,133,780</u>	<u>1,262,496</u>	<u>16,221,531</u>
Excess (deficiency) of revenues over expenditures	(1,516,498)	292,030	2,395,412	142,920	1,313,864
OTHER FINANCING SOURCES (USES):					
Transfers in	1,981,444	- -	849,414	- -	2,830,858
Transfers out	<u>(849,414)</u>	<u>- -</u>	<u>(2,208,887)</u>	<u>- -</u>	<u>(3,058,301)</u>
Total other financing sources (uses)	<u>1,132,030</u>	<u>- -</u>	<u>(1,359,473)</u>	<u>- -</u>	<u>(227,443)</u>
Net change in fund balances	(384,468)	292,030	1,035,939	142,920	1,086,421
Fund balances, beginning	(2,938,642)	1,135,601	2,262,701	(396,902)	62,758
Prior period adjustment	<u>297,484</u>	<u>- -</u>	<u>- -</u>	<u>(78,539)</u>	<u>218,945</u>
Adjusted beginning balance	<u>(2,641,158)</u>	<u>1,135,601</u>	<u>2,262,701</u>	<u>(475,441)</u>	<u>281,703</u>
Fund balances, ending	<u>\$ (3,025,626)</u>	<u>\$ 1,427,631</u>	<u>\$ 3,298,640</u>	<u>\$ (332,521)</u>	<u>\$ 1,368,124</u>

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION —GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

Change in net position of governmental activities	\$ 1,086,421
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	1,225,592
Less current depreciation	(891,347)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt of governmental funds. Neither transaction, however, has any effect on net assets. 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 activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments of debt	649,002
Principal payments of capital leases	111,157

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These activities consist of:

Change in pension	(1,367,470)
Change in legal accrual	(500,000)
Change in other post-employment benefits	(87,120)
Change in compensated absences	<u>(109,451)</u>

Change in net position of governmental activities	\$ <u>116,788</u>
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See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF NET POSITION — PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste	Other Nonmajor Enterprise Funds		Total
			Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and equity in pooled cash	\$ 2,669,482	\$ -	\$ 805,683	\$ 3,475,165	
Receivables, net	1,721,727	-	-	1,721,727	
Estimated unbilled services	-	-	86,276	86,276	
Due from other governments	336,111	-	44,438	380,549	
Due from other funds	823,351	250,191	423,668	1,497,210	
Total current assets	<u>5,550,671</u>	<u>250,191</u>	<u>1,360,065</u>	<u>7,160,927</u>	
Noncurrent assets:					
Restricted cash and cash equivalents	1,337,250	-	110,000	1,447,250	
Non depreciable capital assets	2,863,741	-	289,056	3,152,797	
Capital assets, net	9,260,437	-	103,565	9,364,002	
Total noncurrent assets	<u>13,461,428</u>	<u>-</u>	<u>502,621</u>	<u>13,964,049</u>	
Total assets	<u>19,012,099</u>	<u>250,191</u>	<u>1,862,686</u>	<u>21,124,976</u>	
DEFERRED OUTFLOW OF RESOURCES					
Pension (Note 10)	793,909	-	-	793,909	
Total deferred outflow of resources	<u>793,909</u>	<u>-</u>	<u>-</u>	<u>793,909</u>	
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,431,430	72,909	43,546	1,547,884	
Due to other funds	1,858,002	417,630	582,934	2,858,566	
Due to other governments	4,754,017	-	636,436	5,390,453	
Deposits	2,198,768	67,351	-	2,266,119	
Current portion of long term debt	234,963	-	46,294	281,257	
Total current liabilities	<u>10,477,180</u>	<u>557,890</u>	<u>1,309,210</u>	<u>12,344,280</u>	
Noncurrent liabilities:					
Compensated absences	155,891	-	12,934	168,825	
OPEB	62,590	-	5,690	68,280	
Long -term debt - Pension Liability	1,415,740	-	-	1,415,740	
Long term debt	4,512,412	-	19,822	4,532,234	
Total noncurrent liabilities	<u>6,146,633</u>	<u>-</u>	<u>38,446</u>	<u>6,185,079</u>	
Total liabilities	<u>16,623,813</u>	<u>557,890</u>	<u>1,347,656</u>	<u>18,529,359</u>	
DEFERRED INFLOW OF RESOURCES					
Pension (Note 10)	278,083	-	-	278,083	
Total deferred inflow of resources	<u>278,083</u>	<u>-</u>	<u>-</u>	<u>278,083</u>	
NET POSITION					
Invested in capital assets, net of related debt	7,376,803	-	326,505	7,703,308	
Unrestricted	(4,472,691)	(307,699)	188,525	(4,591,865)	
Total net position	<u>\$ 2,904,112</u>	<u>\$ (307,699)</u>	<u>\$ 515,030</u>	<u>\$ 3,111,443</u>	

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND POSITION —PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	Business-Type Activities-Enterprise Funds			
	Water and Sewer	Solid Waste	Other Nonmajor Enterprise Funds	Total
Operating revenues:				
Charges for services	\$ 7,824,324	\$ 1,205,230	\$ 643,054	\$ 9,672,608
Other revenues	<u>1,010,838</u>	—	44,438	<u>1,055,276</u>
Total operating revenues	<u>8,835,162</u>	<u>1,205,230</u>	<u>687,492</u>	<u>10,727,884</u>
Operating expenses:				
Operating, administrative and maintenance	9,063,339	996,874	512,133	10,572,346
Bad debts and other	228,319	—	—	228,319
Depreciation	<u>1,305,113</u>	—	—	<u>1,305,113</u>
Total operating expenses	<u>10,596,771</u>	<u>996,874</u>	<u>512,133</u>	<u>12,105,778</u>
Operating income (loss)	(1,761,609)	208,356	175,359	(1,377,894)
Non-operating revenues (expenses):				
Interest and fiscal charges	<u>119</u>	—	—	<u>119</u>
Total non-operating revenues (expenses)	<u>119</u>	—	—	<u>119</u>
Income before transfers	<u>(1,761,490)</u>	<u>208,356</u>	<u>175,359</u>	<u>(1,377,775)</u>
Change in net position	(1,761,490)	208,356	175,359	(1,377,775)
Net position, beginning as previously stated	4,299,046	(516,124)	104,510	3,887,432
Prior period adjustment	<u>366,556</u>	<u>69</u>	<u>235,161</u>	<u>601,786</u>
Net position, beginning restated (Note 17)	<u>4,665,602</u>	<u>(516,055)</u>	<u>339,671</u>	<u>4,489,218</u>
Net position, ending	<u>\$ 2,904,112</u>	<u>\$ (307,699)</u>	<u>\$ 515,030</u>	<u>\$ 3,111,443</u>

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	Business-Type Activities- Enterprise Funds			
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 7,518,825	\$ 1,205,025	\$ 615,652	\$ 9,339,502
Cash paid to vendors	(5,600,955)	(536,564)	(741,640)	(6,879,159)
Cash paid to employees	(1,250,556)	-	-	(1,250,556)
Internal activity payments from (to) other funds, net	1,296,078	(617,998)	404,103	1,082,183
Net cash provided by operating activities	<u>1,963,392</u>	<u>50,463</u>	<u>278,115</u>	<u>2,291,970</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,326,378)	(126,706)	(28,949)	(2,482,033)
Proceeds from compensated absences and OPEB	-	76,244	-	76,244
Interest paid on long term debt	119	-	-	119
Proceeds from debt	576,543	-	-	576,543
Principal paid on debt	(1,188,915)	-	6,726	(1,182,189)
Net cash used in capital and related financing activities	<u>(2,938,631)</u>	<u>(50,463)</u>	<u>(22,223)</u>	<u>(3,011,317)</u>
Cash flows from investing activities:				
Interest income	(119)	-	-	(119)
Net cash provided by investing activities	<u>(119)</u>	<u>-</u>	<u>-</u>	<u>(119)</u>
Net increase (decrease) in cash	(975,358)	-	255,892	(719,466)
Cash, beginning	3,644,840	-	549,791	4,194,631
Cash, ending	<u>2,669,482</u>	<u>-</u>	<u>805,683</u>	<u>3,475,165</u>
Display as:				
Unrestricted	2,669,482	-	805,683	3,475,165
Restricted	1,337,250	-	110,000	1,447,250
Total	<u>4,006,732</u>	<u>-</u>	<u>915,683</u>	<u>4,922,415</u>
Reconciliation of operating income to cash provided by operating activities:				
Operating income (loss)	(1,761,609)	208,356	175,359	(1,377,894)
Adjustment to reconciled operating income to net cash provided by (used in) operating activities:				
Depreciation expenses	1,305,113	-	-	1,305,113
(Increase) decrease in:				
Cash drawn in excess of bank	808,263	-	-	808,263
Accounts receivable	(1,721,727)	(205)	(27,402)	(1,749,334)
Due from other governments	203,848	(250,191)	(44,438)	(90,781)
Due from other funds	(823,351)	-	(423,668)	(1,247,019)
Other current assets	(109,511)	-	-	(109,511)
Increase (decrease) in:				
Accounts payable and accrued liabilities	1,392,581	392,959	684,693	2,470,233
Customer deposits	311,053	-	-	311,053
Compensated absences	15,088	-	-	15,088
Other liabilities	40,473	67,351	-	107,824
Bad debt others	228,319	-	-	228,319
Due to other funds	1,296,078	(367,807)	(86,429)	841,842
Pension liability	(3,663,916)	-	-	(3,663,916)
Due to other governments	4,442,690	-	-	4,442,690
Net Cash Provided by Operating Activities	<u>\$ 1,963,392</u>	<u>\$ 50,463</u>	<u>\$ 278,115</u>	<u>\$ 2,291,970</u>

See notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Opa-locka, Florida (the “City”) in Miami-Dade County, Florida (the “County”) was incorporated in 1926 by the Laws of Florida Chapter 13187. The City comprises approximately 4.5 square miles of land and operates under a Commission/City Manager form of government and provides municipal services to its residents, including general government, public safety, transportation, and parks and recreation. The City also operates water, sewer, storm water, and sanitation enterprises.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems, and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 and 61, which establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of the City, organizations for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City is financially accountable for a component unit if it appoints a voting majority of the organization’s governing board and it is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the City. Based on these criteria, entities were evaluated for inclusion in the City’s reporting entity with the following results:

The City passed ordinances in prior years establishing various neighborhood improvement districts. The following neighborhood improvement districts, which are considered to be component units of the City, have not been included in the financial statements because there has been no financial activity for several years and the funds have no assets, liabilities, or fund balances.

- 1) East-West Neighborhood Improvement District
- 2) Ali-Baba Neighborhood Improvement District
- 3) Niles Garden Neighborhood Improvement District

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (cont'd)

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described and whose government body is the same, or substantially the same and 1) there is a financial benefit or burden relationship between the primary government and the component unit or 2) management below the level of the governing board of the primary government has operational responsibility for a component unit.

The Opa-locka Community Redevelopment Agency (CRA) is a dependent special district established by the City Commission in 2011 and approved by Miami-Dade County in 2013 under the authority granted by Florida Statute 163, section III. The CRA is a legal subsidiary governed by a seven member board appointed by the City Commission, the Miami-Dade County, District One Commissioner, and the Office of the Governor. The Board currently comprises of the Mayor, Vice-mayor, and three City Commissioners, and an appointee from the Miami-Dade County Commissioner and the Florida Governor's Office. Its sole purpose is to finance the redevelopment of the City's designated redevelopment areas through Tax Increment Financing (TIF). The CRA can provide services and financial benefits/assistance to imposed financial burdens on the City.

The CRA was in a limited-active phase of operation for FY 2015-2016 due to limited tax increment funds produced by ad valorem taxes. There were no revenues other than transfers from the General Fund. Although the CRA activities did not meet the major fund criteria, the CRA's financial data is presented within the City's major governmental funds in order to comply with the audit requirements of F.S. 163.387(8). No separate financial statements are issued.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. *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 function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (cont'd)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund 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 are recognized as revenues in the year for which they are levied. 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*. 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 City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period, with the exception of expenditure driven (reimbursements) grants, for which the availability period is one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The financial transactions of the City are recorded in individual funds. The operations of each fund are accounted for using a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, revenue and expenditure or expenses. Fund accounting is designed to demonstrate legal compliances and to aid financial management by segregating transactions related to certain government functions or activities. Accounting principles generally accepted in the United States of America set forth minimum criteria for determination of major funds based on the percentage of the applicable category balances. The non-major funds are presented in one column in the respective fund financial statements.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

The City reports the following major governmental funds:

The **General Fund** is the general operation fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Peoples Transportation Tax Fund** accounts for the City's prorated share of the Charter County Transit System Surtax proceeds used toward projects and programs such as public transportation operations.

The **Capital Improvement Debt Service Fund** is used to account for the sinking fund requirements of the Series 2011 A and B Capital Improvement Revenue Bonds.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** is used to account for the operation and maintenance of the City's water and sewer system.

The **Solid Waste Fund** is used to account for the operations of the City's activities associated with refuses, yard trash, cleaning debris, white goods, special waste, refuse or other discarded materials.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste and storm water enterprise funds, are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

D. Basis for Disclaimer Opinion

Our objective is to obtain sufficient appropriate audit evidence about whether account balances are fairly stated. The city was not able to provide adequate audit evidence to support significant account balances including cash accounts. Additionally, a significant number of transactions were not recorded in the general ledger and we were unable to perform adequate audit procedures to determine the completeness of account balances.

Capital Assets

GASB No. 34 requires, that all government entities use accrual accounting and depreciate their capital assets. Infrastructure assets should also be captured (i.e. roads, signs, lighting, sewer systems, etc.) in the City's capital assets listing.

We were unable to obtain evidence that a physical inventory of capital assets had occurred in fiscal year 2016 or any three (3) year period during that timeline. Additionally, we were not able to obtain sufficient audit evidence to determine the existence of significant capital assets included in the City's capital assets listing.

Receivables, Net

The City maintains a detail listing of customer receivables of approximately \$2 million. The report shows that utility bills are not generated timely and a vast majority of the utility account balance over 365 days.

We were unable to obtain sufficient appropriate evidence of the Fair Value of accounts receivables as of September 30, 2016.

Accounts payable

As of September 30, 2016, the City could not provide an accurate itemized listing of accounts payable as well as documentation to support the year-end balances.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity

1. Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to serve that portion of the applicable appropriation, is employed in the General and Capital Projects Funds. Encumbrances outstanding at the balance sheet date are canceled.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change in the near term relate to:

- 1) The determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, and inflation rates, etc.; and
- 2) The actuarially determined liability for post-employment benefits other than pensions. Although these estimates (as well as all estimates) are based on management's knowledge of current events and actions in the future, they may ultimately differ from actual results.

3. Deposits and Investments

The City considers cash on hand, cash with fiscal agents, demand deposits, and certificates of deposit with an original maturity of (90) ninety days or less to be cash and cash equivalents.

For purposes of the statement of cash flows for proprietary fund types fund, all highly liquid investments (including restricted assets) with maturity of three months or less when purchased are considered to be cash equivalents.

For purposes of the statement of cash flows for proprietary fund types fund, all highly liquid investments (including restricted assets) with maturity of three months or less when purchased are considered to be cash equivalents.

Investments, consisting of U.S. Government securities, and certificates of deposit with financial institutions, are stated at cost plus accrued interest.

4. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The City calculates its allowance for uncollectible using historical collection data, specific account analysis, and management's judgment. Major receivables balances for the governmental activities include franchise fees and utility taxes, and amounts due from other governments. Business-type activities report utility billings as major receivables.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (cont'd)

5. Inventories

Inventories are valued at cost, which approximates market, using the first-in, and first-out method. Inventories in the General and Enterprise Funds consist of fuel and expendable supplies held for consumption. The costs of Governmental Fund type inventories are recorded as expenditures when consumed rather than when purchased. In the governmental funds, reported inventories are offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

6. Restricted Assets

Restricted assets include cash and cash equivalents of the governmental and enterprise funds that are legally restricted as to their use. Cash and cash equivalents are restricted for debt service, customers' deposits, revenue bond requirement, and sewer system improvements.

7. Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, improvements, infrastructure and equipment assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	10-50
Infrastructure Systems	30
Equipment	3-10
Vehicles	3-10

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (cont'd)

8. Inter-fund Transactions

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as “due to/from other funds” or “advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Non-current portions of long-term inter-fund loan receivables are reported as advances within the governmental funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involve organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund. Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds’ operating statements.

9. Deferred Outflows of Resources

The statement of net position includes a separate section, listed below Total Assets, for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will not be recognized as expenditures until the future period to which it applies. Items in this category include deferred items related to pension and the deferred charge on refunding reported on the Government-wide Statement of Net Position. A deferred charge is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

10. Unearned Revenues

Unearned revenue is recorded for governmental fund receivables that are measurable and available, but have not met the criteria for revenue recognition, such as donations or grants received for specific projects. These are recorded as unearned revenue in the government-wide and fund statements.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (cont'd)

11. Compensated Absences

It is the City's policy to permit employees to accumulate, with certain limits, earned but unused vacation time and sick leave hours for subsequent use or for payment upon termination, death or retirement. For government-wide statements and proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation and sick leave that is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

12. Long-Term Debt

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. Bonds payable are reported net of the applicable premium or discount. These premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are expensed in the year they are incurred.

13. Deferred Inflows of Resources

The Statement of Net Position includes a separate section, listed below Total Liabilities, for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. In the governmental funds, this category includes unavailable revenue, whereas in the government-wide and the proprietary fund Statements. It includes resources related to pension, which will be recognized as inflows of resources in the period that the amounts become available.

14. Net Position and Fund Balance

Net position in the government-wide and proprietary funds is categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets is the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets plus unspent bond proceeds.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (cont'd)

15. Net Position and Fund Balance (cont'd)

Restricted balances consists of net position with constraints placed on their use by external parties (creditors, grantors, contributors, laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted balances indicate the portion of net position that is available to fund future operations.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by constraints placed on the use of resources by (a) creditors, grantors, contributors, laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by City management based on Commission direction. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

16. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, allows them to defer a portion of their salary to future years. The City's direct involvement in the Plan is limited to remitting the amounts withheld from employees to the Plan's administrator. The deferred compensation plan is not included in the City's financial statements.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 2. DEFICIT FUND EQUITY

The City reported fund balance deficits of \$3.0 million for the General Fund, \$170,197 for the Opa-locka CRA, \$650,481 for the Safe Neighborhood Capital Projects Fund, these deficit balances are being addressed through a five year recovery plan beginning in FYE 2019. In accordance with Florida Statute, 218.503 (3)(h), the City is in the process of completing the Five Year Recovery Plan to submit to State of Florida Governor's office for approval of the plan and to resolve the financial emergency condition.

NOTE 3. PROPERTY TAXES

Property taxes are levied on the first of November each year, at which time taxes become an enforceable lien on property assessed as of the previous first of January. Tax bills are payable upon receipt with discounts rates of one to four percent allowed if paid prior to March 1 of the following calendar year. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by the sale of interest-bearing tax certificates and the seizure of personal property to satisfy unpaid property taxes. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The gross taxable value of property, as established by the Miami-Dade County Property Appraiser, at July 1, 2015 upon which the 2015-2016 levy, was approximately \$6.2 million. For the year ended September 30, 2016, the millage rate to finance general government services was 10% per \$1,000 of assessed taxable value).

No accrual for the property tax levy becoming due in November 2016 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2016, and such taxes are collected to finance expenditures of the fiscal year ending September 30, 2017.

NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2016, the City's cash are considered to be cash on hand, demand deposits.

Deposits

All deposits with financial institutions are fully insured or collateralized as required by the City Commission. The deposits are covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposits Act ("the Act"). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4. DEPOSITS AND INVESTMENTS (cont'd)

Investments

The City is authorized to make direct investments in U.S. government, federal agency, and instrumentality obligations at a price not to exceed the market price at the time of purchase. In addition, the City may invest in certificates of financial institutions insured by the United States government or agencies thereof and repurchase agreements.

As of September 30, 2016, the City has no investments.

NOTE 5. ACCOUNTS RECEIVABLE

Receivable balances as of September 30, 2016, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Agencies</u>	<u>Others</u>	<u>Allowance for Uncollectible</u>	<u>Net</u>
Governmental activities						
General	\$ -	\$ -	\$ -	\$ 51,500	\$ -	\$ 51,500
Capital projects and debt service	222,742	-	208,039	-	-	430,781
Nonmajor funds	-	-	-	-	-	-
Total governmental activities	<u>\$ 222,742</u>	<u>\$ -</u>	<u>\$ 208,039</u>	<u>\$ 51,500</u>	<u>\$ -</u>	<u>\$ 482,281</u>
Business-type activities:						
Water and sewer	\$ 2,142,629	\$ -	\$ -	\$ -	\$ (420,902)	\$ 1,721,727
Stormwater	103,540	-	-	-	(17,264)	86,276
Total business-type activities	<u>\$ 2,246,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (438,166)</u>	<u>\$ 1,808,003</u>

NOTE 6. INTERFUND BALANCES AND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These transfers are eliminated in the consolidation, by column, for the Governmental Activities. Inter-fund balances result from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Interfund balances as of September 30, 2016, consisted of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major governmental fund:		
General fund	\$ 6,124,100	\$ 7,187,818
Capital improvement debt service	4,838,531	2,674,333
People's Transportation	1,552,400	704,131
Nonmajor governmental funds	1,601,368	2,188,761
Major enterprise fund:		
Water and sewer	823,351	1,858,002
Solid waste	250,191	417,630
Non-major enterprise funds	423,668	582,934
Total	<u>\$ 15,613,609</u>	<u>\$ 15,613,609</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 6. INTERFUND BALANCES AND TRANSFERS (Continued)

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,981,444	\$ (849,414)
CIP debt service fund	<u>849,414</u>	<u>(2,208,887)</u>
Total	<u>\$ 2,830,858</u>	<u>\$ (3,058,301)</u>

The balance of certain pledged funds are available for use within the General Fund and are transferred back after debt services had been payments have been completed.

NOTE 7. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2016:

	<u>Balance at 9/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 9/30/2016</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,042,475	\$ -	\$ -	\$ 3,042,475
Construction in progress	<u>889,318</u>	<u>1,225,596</u>	<u>-</u>	<u>2,114,914</u>
Total assets not being depreciated	<u>3,931,793</u>	<u>1,225,596</u>	<u>-</u>	<u>5,157,389</u>
Capital assets being depreciated:				
Buildings and improvements	19,498,959	-	-	19,498,959
Furniture and equipment	4,706,309	-	-	4,706,309
Infrastructure	<u>21,648,028</u>	<u>-</u>	<u>-</u>	<u>21,648,028</u>
Total assets being depreciated	<u>45,853,296</u>	<u>-</u>	<u>-</u>	<u>45,853,296</u>
Less accumulated depreciation:				
Buildings and improvements	(3,227,701)	(280,343)	-	(3,508,044)
Furniture and equipment	(4,373,969)	(193,893)	-	(4,567,862)
Infrastructure	<u>(15,509,552)</u>	<u>(417,111)</u>	<u>-</u>	<u>(15,926,663)</u>
Total accumulated depreciation	<u>(23,111,222)</u>	<u>(891,347)</u>	<u>-</u>	<u>(24,002,569)</u>
Total capital assets being depreciated, net	<u>22,742,074</u>	<u>(891,347)</u>	<u>-</u>	<u>21,850,727</u>
Governmental activities capital assets, net	<u>\$ 26,673,867</u>	<u>\$ 334,249</u>	<u>\$ -</u>	<u>\$ 27,008,116</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 14,762	\$ -	\$ -	14,762
Construction in progress	<u>2,454,200</u>	<u>683,834</u>	<u>-</u>	<u>3,138,034</u>
Total assets not being depreciated	<u>2,468,962</u>	<u>683,834</u>	<u>-</u>	<u>3,152,796</u>
Capital assets being depreciated:				
Furniture and equipment	6,842,936	24,420	-	6,867,356
Infrastructure	<u>21,899,740</u>	<u>-</u>	<u>-</u>	<u>21,899,740</u>
Total assets being depreciated	<u>28,742,676</u>	<u>24,420</u>	<u>-</u>	<u>28,767,096</u>
Less accumulated depreciation:				
Furniture and equipment	(5,664,134)	(431,326)	-	(6,095,460)
Infrastructure	<u>(12,433,847)</u>	<u>(873,788)</u>	<u>-</u>	<u>(13,307,635)</u>
Total accumulated depreciation	<u>(18,097,981)</u>	<u>(1,305,114)</u>	<u>-</u>	<u>(19,403,095)</u>
Total capital assets being depreciated, net	<u>10,644,695</u>	<u>(1,280,694)</u>	<u>-</u>	<u>9,364,001</u>
Business-type activities capital assets, net	<u>\$ 13,113,657</u>	<u>\$ (596,859)</u>	<u>\$ -</u>	<u>\$ 12,516,797</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 7. CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 272,752
Public safety	180,943
Transportation	431,412
Parks and recreation	<u>6,240</u>
Total	<u>\$ 891,347</u>

Business-type activities:

Water and sewer	\$ 1,242,467
Storm water	<u>62,646</u>
Total	<u>\$ 1,305,113</u>

NOTE 8. LEASES

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of various vehicles. The City also financed the acquisition of water meter reading equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates. Future minimum payments under the lease agreements and the present value of minimum payments as of September 30, 2016, are as follows:

Governmental Activities:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2017	\$ 60,181	\$ 77,957	\$ 138,138
2018	12,383	39,971	52,354
Total minimum lease	72,564	117,928	190,492
Less: amount representing interest	<u>1,860</u>	<u>3,612</u>	<u>5,472</u>
Present value of minimum lease payments	<u>\$ 146,988</u>	<u>\$ 239,468</u>	<u>\$ 386,456</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 9. LONG-TERM DEBT

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

	Balance 9/30/2015	Additions	Reductions	Adjustments	Balance 9/30/2016	Balance Due in One year
Governmental activities						
Capital improvement Revenue Bond,						
Series 2011	\$ 6,146,000	\$ -	\$ (430,000)	\$ -	\$ 5,716,000	\$ 445,000
Citi National Bank	-	-	-	-	-	-
Series 2015	8,546,439	-	(219,002)	-	8,327,437	226,833
Construction Loan	-	-	-	-	-	-
Other liabilities:						
Capital leases obligation	181,860	-	(111,157)	-	70,703	58,512
	<u>14,874,299</u>	<u>-</u>	<u>(760,159)</u>	<u>-</u>	<u>14,114,140</u>	<u>730,345</u>
Compensated absences	1,346,483	109,456	-	-	1,455,939	-
OPEB	413,600	87,120	-	-	500,720	-
FRS Pension liability	6,829,740	3,552,348	-	-	10,382,088	-
Long Terms Liability Legal	<u>300,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>	<u>-</u>
	<u>8,889,823</u>	<u>4,248,924</u>	<u>-</u>	<u>-</u>	<u>13,138,747</u>	<u>-</u>
Total	<u><u>\$ 23,764,122</u></u>	<u><u>\$ 4,248,924</u></u>	<u><u>\$ (760,159)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,252,887</u></u>	<u><u>\$ 730,345</u></u>
Business-type activities:						
State Revolving Loan CS12080003P	\$ 709,551	\$ -	\$ (85,618)	\$ -	\$ 623,933	\$ 88,232
State Revolving Loan WW800050	1,521,175	-	(116,410)	-	1,404,765	118,198
State Revolving Loan DW130330	90,000	-	-	2,465	92,465	-
State Revolving Loan SW130320	172,304	-	-	4,081	176,385	-
State Revolving Loan WW130300 - See Note1 Below	166,168	69,028	-	258,788	493,984	-
State Revolving Loan WW130301 - See Note1 Below	<u>962,344</u>	<u>1,194,205</u>	<u>-</u>	<u>(248,908)</u>	<u>1,907,641</u>	<u>-</u>
Total loans payable	<u>3,621,542</u>	<u>1,263,233</u>	<u>(202,028)</u>	<u>16,427</u>	<u>4,699,173</u>	<u>206,430</u>
Other debt:						
Capital lease obligation	186,294	-	(71,978)	-	114,316	74,827
SunTrust capital lease obligation	<u>412,056</u>	<u>-</u>	<u>(412,056)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>598,350</u>	<u>-</u>	<u>(484,034)</u>	<u>-</u>	<u>114,316</u>	<u>74,827</u>
Compensated absences	151,679	17,147	-	-	168,826	-
OPEB	56,400	11,880	-	-	68,280	-
FRS Pension liability	<u>931,328</u>	<u>484,412</u>	<u>-</u>	<u>-</u>	<u>1,415,740</u>	<u>-</u>
	<u>1,139,407</u>	<u>513,439</u>	<u>-</u>	<u>-</u>	<u>1,652,846</u>	<u>-</u>
Total	<u><u>\$ 5,359,299</u></u>	<u><u>\$ 1,776,672</u></u>	<u><u>\$ (686,063)</u></u>	<u><u>\$ 16,427</u></u>	<u><u>\$ 6,466,335</u></u>	<u><u>\$ 281,257</u></u>

Note 1 - There was a reclassification of drawdown between SR Loans WW130300 and WW130301 in FYE2016.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 9. LONG-TERM DEBT (Continued)

For governmental activities, compensated absences are generally liquidated by the General Fund.

Long-Term Debt – Governmental Activities

Long-term debt of the City's governmental activities, excluding compensated absences and capital leases, include the:

- (a) Series 2011A&B Capital Improvement Revenue bonds, bearing annual interest rates on the Series A and Series B bonds range from approximately 3.31% to 3.89%, and are payable from a pledge of Grantee Entitlement Revenues which must be shared by the State of Florida, in annual principal installments ranging from \$445,000 in 2017 to \$670,000 through 2026.
- (b) Series 2015 Capital Improvement Revenue Note ("2015 Note") - for \$8,600,000, bearing interest at a rate of 2.65% to 4.25%, with a maturity date of July 1, 2025, and are payable by a lien on Pledge Revenues as defined by the terms of the Series 2015 Note agreement.

The Series 2014 Capital Improvement Revenue Note was paid off in May 2015 and replaced by the Series 2015 Bond for the purchase of Town Center One, the New City Hall.

Long-Term Debt - Business-Type Activities

Long-term debt of the City's business-type activities, excluding compensated absences, consists of the following:

- (a) State Revolving Loan Note Project No. CS12080003P as amended - for \$1.827 million, bearing interest at a rate of 2.56% and 1.54%, due in 40 semi-annual payments of \$53,240, including interest, from June 15, 2003 through December 15, 2022, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (b) State Revolving Loan Note Project No. WW800050 - for \$2.375 million, bearing interest at a rate of 1.53%, due in 40 semi-annual payments of \$71,143, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (c) Various Capital agreements with the Ford Motor Company in the original total amount of \$354,863 commencing March 15, 2013 and June 14, 2013. Interest payable at 3.79% and 4.00% respectively. Principal and interest payments due monthly in the amounts of approximately \$4,001 and \$3,119 through May and February 2018, respectively.
- (d) State Revolving Loan Note Project No. WW130300 – for \$512,806, bearing interest at a rate of 1.63%, due in 40 semi-annual payments of \$15,644, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 9. LONG-TERM DEBT (Continued)

Long-Term Debt - Business-Type Activities (cont'd)

- (e) State Revolving Loan Note Project No. SW130320 – for \$197,035, bearing interest at a rate of 1.63%, due in 40 semi-annual payments of \$6,011, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (f) State Revolving Loan Note Project No. DW130330 – for \$240,000, bearing interest at a rate of 2.53%, due in 40 semi-annual payments of \$6,011, including interest, secured by a lien on Pledge Revenues as defined by the State Revolving Fund loan agreement.
- (g) State Revolving Loan Note Project No. WW 130301- for \$16.895 million, interest-free, due in forty (40) semi-annual payments of \$430,845, from July 15, 2018 through June 15, 2032, including interest, secured by a lien on pledged revenues as defined by the State Revolving Fund loan agreement.

Annual debt service requirements to maturity for debt outstanding, other than the capital leases, are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 671,833	\$ 490,270	\$ 247,654	\$ 57,467
2018	744,958	465,933	544,095	85,721
2019	770,390	439,779	717,551	78,811
2020	797,140	412,707	724,609	71,753
2021-2026	4,423,005	1,608,055	4,114,474	291,018
Thereafter	<u>6,636,111</u>	<u>26,063</u>	<u>6,132,000</u>	<u>158,826</u>
	<u><u>\$ 14,043,437</u></u>	<u><u>\$ 3,442,807</u></u>	<u><u>\$ 12,480,383</u></u>	<u><u>\$ 743,596</u></u>

Summary of Debt Covenants

Series 2011A and Series 2011B Capital Improvement Revenue Bonds – Debt service is provided by a pledge of guaranteed state revenue sharing funds, local option gas tax revenues, and the half-cent sales tax. Reserves must be maintained equal to the maximum bond service requirement. At September 30, 2016, the City had on deposit with the trustee for these bonds, a reserve account insurance policy which unconditionally and irrevocably guarantees the full and complete payment required to be made by or on the behalf of the City.

On June 3, 2014 - as authorized by City Ordinance No. 13-40 - the City entered into an agreement with City National Bank of Florida for the issuance of the Series 2014 Capital Improvement Revenue Note for the purpose of acquiring, construction, installation and equipping an administration building. Debt service is provided by a pledge of guaranteed state communications services tax revenues, public service tax revenues and all investment income except for Rebate fund. In May 2015, this was rolled up into the Series 2015 Note.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 9. LONG-TERM DEBT (Continued)

Summary of Debt Covenants (cont'd)

Pledged Revenues - the City's agreement under the State of Florida Revolving Loan Fund Program requires the City to generate Pledged Revenues, as defined by the agreement, from the services furnished by its water and sewer systems equal to or exceeding 1.15 times the sum of the semiannual loan payments. As of September 30, 2016, the City is in compliance with this requirement.

The amount of long-term debt that can be incurred by the City is limited by the charter of the City. Total general obligation bond of the City outstanding in any one fiscal year can be no greater than 15% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2016, the amount of bonds outstanding and notes payable exclusively from the revenues of a municipal project was less than 5% of property assessments as of September 30, 2016.

Bonds payable exclusively from the revenue of a municipal project may be issued and outstanding without regard to the 15% limitation; however, such an issue would be subject to the limitations imposed by the City's charter with respect to restrictions on bonds parity with or junior to the Series 2011A and Series 2011B Capital Improvement Revenue Bonds.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Florida Retirement Systems Plans - The City participates in the State of Florida Retirement System (the "System"), a cost-sharing multiple-employer defined benefit plan or defined contribution retirement plan which covers substantially all of the City's full-time employees. The FRS was established in 1970, by consolidating several employee retirement systems. All eligible employees as defined by the State who were hired after 1970 and those employed prior to 1970 that elect to be enrolled, are covered by the System.

Benefit provisions and all other requirements are established by Chapter 121, Florida Statutes and any amendments thereto can be made only by an act of the Florida Legislature. Employees of the FRS may participate in either the Public Employee Optional Retirement Program (the "Investment Plan"), a defined contribution retirement program or in the defined benefit retirement plan (the "Pension Plan").

Chapter 112, Florida Statutes established the Health Insurance Subsidy Program (HIS), a cost-sharing multiple-employer defined benefit pension plan for retired members of any state-administered retirement system in paying the costs of health insurance.

Based on GASB Statement No. 67 – *Accounting and Reporting for Pensions – an Amendment of GASB Statement No. 27*, which sets forth the guidelines and a future implementation timetable for reporting and disclosure reflecting the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pension and paying benefits to plan members as they come due.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Effective July 1, 2011, employees participating in either the Investment Plan or the Pension Plan are required to make contributions to establish service credit for work performed in a regularly established position. The uniform rates for fiscal year 2015-2016 as it applies to the City are as follows:

Class	Employee Contribution Rate	Employer Contribution Rate*	Total Contribution Rate
Regular	3.00%	7.26%	10.26%
Special Risk (Police)	3.00%	22.04%	25.04%
City, Elected Officers	3.00%	45.80%	48.80%
Senior Management (SMSC)	3.00%	21.43%	24.43%

*These rates include the 1.66 percent contribution for the Retiree Health Insurance Subsidy, the fee of 0.04 percent for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.

Source: Florida Retirement System Employer Statutory Contribution Rates (2006-2016)

Eligible members enrolled in the Investment Plan are vested after one year of service and are directed to choose their investment product with a third party administrator selected by the State Board of Administration. The Florida Legislature established and may amend the contribution requirements and benefit terms of all FRS plans.

Employees participating in the Pension Plan have their benefits computed on the basis of age, average final compensation and service credit. Prior to July 1, 2011, benefits under the Pension Plan are vested after six years of service. Enrollees on or after July 1, 2011 are vested after eight years of creditable service. Employees who retire at or after age 62, with ten years of credited service, are entitled to an annual retirement benefit, payable monthly for life. A post-retirement health insurance subsidy is also provided to eligible retired employees through the FRS defined benefits retirement plan.

	2016	2015	2014
Covered payroll	\$7,395,338	\$9,269,820	\$8,628,421
Contributions	\$1,269,017	\$1,399,252	\$1,064,057
% of covered payroll	17.16%	15.09%	12.33%

The City is required to contribute amounts necessary to pay benefits when due as defined by State Statute. Such contribution requirements ranged between 10% and 25% of gross salaries during fiscal year 2016. For the fiscal years ended September 30, 2016, 2015, and 2014 the City contributed 100% of the required contributions. A copy of the System's annual report can be obtained by writing to the Florida Department of Management Services (DMS), Division of Retirement, Bureau of Research and Member Communications, PO Box 9000, Tallahassee, Florida 32315-9000, or at the Division's website (frs.myflorida.com).

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

The posted contribution rates include the employer contribution rate, the employee contribution rate, any applicable unfunded actuarial liability rates, an administrative fee, and the retiree health insurance subsidy (HIS) contribution rate (except for the IFAS Supplemental Plan). City and Employee contributions for the year ended September 30, 2016, were \$1,051,884 and \$217,133 respectively.

Actuarial Methods and Procedures

The Florida Retirement System (FRS) Annual Actuarial Valuation was based on data as of June 30, 2016. The data used consisted of financial information and records of age, service and income of active members, annuitants, and other inactive members entitled to future benefits. The total cost of FRS, overtime, will be equal to the benefits paid and expenses less investment earnings and is not affected directly by the actuarial cost method.

Changes to assets and liabilities between July 1, 2015 and July 1, 2016 are described in this section.

Assets

Changes in the smoothed Actuarial Value of Assets (AVA) during the plan year were due to:

	(in Billions)
Contributions received	\$ 3,204
Payment of benefits and administrative expenses	(10,698)
Assumed plan year investment returns	10,668
Investment plan year gain/(loss) experience	<u>(918)</u>
Total plan year Actuarial Value of Assets increase	<u>\$ 2,256</u>

The actual plan investment return on the AVA was 6.99% compared to the valuation's assumed return of 7.65%. On a market value basis, the assets earned .54%.

On a year-by-year basis, asset returns were as follows:

	Rates of Return*		
	2013/2014	2014/2015	2015/2016
Market Value	17.54%	3.76%	.54%
Actuarial Value	9.95%	8.62%	6.99%

*Assumes net cash flow occurs mid-year.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Liabilities

Changes in the Actuarial Liability during the plan year were due to:

(in Billions)

Expected increase, due to combined effects of Normal Cost plus interest-related growth in Actuarial Liability less benefit payments during plan year.	\$ 3.306
Change in plan provisions	0.040
Changes in assumptions	1.069

Liability Plan Year (Gain) / Loss Experience

Active member salary increase different than assumption	(0.552)
New active members	0.441
Other demographic sources not noted above	<u>0.522</u>
Liability plan year (gain) / loss experience	<u>0.411</u>

Total plan year Actuarial Liability increase \$ 4.826

¹ Reflects the combined effects of all other liability (gain)/loss sources for actuarial experience compared to assumptions used in the July 1 2016 actuarial valuation. These include individual member salary increases different than assumption, the effects of inactive members returning to active status and actual experience compared to assumed on all other demographic assumptions used to calculate July 1, 2016 actuarial valuation results.

Unfunded Liability

The net change in the UAL of the FRS was an increase of \$2.570 billion, from \$22,353 billion to \$24,923 billion. The net increase is attributable to the following:

Change due to:

(in Billions)

Expected increase, based on the net combined effect of plan contributions received, interest, and assumed investment demographic experience	\$ 0.132
Change in plan provisions	0.040
Change in assumptions	1.06
Investment plan year (gain)/loss experience	.918
Liability plan year (gain)/loss experience	<u>0.411</u>

Total plan year increase/(decrease) in UAL \$ 2.570

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Florida Retirement System (FRS)

Plan Description: The Pension Plan is a cost-sharing multiple-employer defined pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided: Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited services or 30 years of services regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest ears of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correction officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of services regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited services.

Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited services.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers’ class members, and to age 60 or 3 years of service regardless of age for Specified Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

Contributions: Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular – 7.37% and 7.26%; Special Risk Administrative Support— 42.07% and 32.95%; Special Risk –19.82% and 22.04%; Senior Management Service –21.14% and 21.43%; Elected Officers’ – 43.24% and 42.27%; and DROP participants –12.28% and 12.88%.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Florida Retirement System (FRS) (cont'd)

These employer contribution rates include 1.26% and 1.66% HIS Plan subsidiary for the periods October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the City reported a liability of \$8,653,259 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on its share of the City's 2015-2016 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating employees. At June 30, 2016, the City's proportionate share was 0.034270224%, which was a decrease of 4% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$1,428,446. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 662,560	\$ 80,568
Change of Assumptions	523,496	-
Net difference between projected and actual earnings on Pension Plan investments	3,980,819	1,744,057
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	541,266	168,941
Pension Plan contributions subsequent to the measurement date	<u>147,778</u>	<u>-</u>
Total	<u>\$ 5,855,919</u>	<u>\$ 1,993,566</u>

The deferred outflows of resources related to the Pension Plan, totaling \$147,778 for the City, resulting from contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>For the Year Ending September 30,</u>	<u>Deferred Outflows/(Inflows) Net</u>
2017	\$ 61,992
2018	61,992
2019	61,992
2020	61,992
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 247,968</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Florida Retirement System (FRS) (cont'd)

Actuarial Assumptions – The total pension liability in the June 30, 2016, actuarial value was determined using the following actuarial assumptions:

Inflation	2.6%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.60%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Project Scale BB tables. Actuarially determined contribution rates for a given plan year are calculated in the valuation conducted as of the beginning of the preceding plan year.

The long-term expected rate of return on Pension Plan investments was not based on historical returns but, instead, is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed Income	18.00%	4.70%	4.60%	4.60%
Global Equity	53.00%	8.10%	6.80%	17.20%
Real Estate (Property)	10.00%	6.40%	5.80%	12.00%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	11.10%
Total	100.00%			
Assumed Inflation Mean:		2.6%		1.9%

*As outlined in the Pension Plan's investment policy.

Discounted Rate – The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City's proportionate share of the net pension liability calculating using the discount rate of 7.60%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Florida Retirement System (FRS) (cont'd)

Sensitivity Liability FRS				
1% Decrease	6.60%	\$188,268,024,512	75.3080%	\$141,780,920,515
Current	7.60%	\$167,030,999,000	84.8829%	\$141,780,920,515
1% Increase	8.60%	\$149,353,979,968	94.9294%	\$141,780,920,515

Pension Plan Fiduciary Net Position – Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payable to the Pension Plan – At September 30, 2016, the City is unable to determine if there was a payable.

Retiree Health Insurance Subsidy Program (HIS)

Plan Description: The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of state administered retirement systems in paying health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided: For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a state administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions: The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contribution for the period October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016 was 1.26% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years.

HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriate. In the event legislative appropriate or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Retiree Health Insurance Subsidy Program (HIS) (cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the City reported a liability of \$3,144,569 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on its share of the City's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating employees. At June 30, 2016, the City's proportionate share was 0.030896999%, which was an increase of 7.31% from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$216,534. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 493,463	\$ 7,162
Change of Assumptions	1,590	-
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	241,934	316,628
Pension Plan contributions subsequent to the measurement date	<u>23,007</u>	-
Total	<u>\$ 759,994</u>	<u>\$ 323,790</u>

The deferred outflows of resources related to the HIS Plan, totaling \$23,007 for the City, resulting from contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>For the Year Ending September 30,</u>	<u>Deferred Outflows/(Inflows) Net</u>
2017	\$ 51,069
2018	51,069
2019	51,069
2020	51,069
2021	51,069
Thereafter	<u>61,283</u>
Total	<u>\$ 316,628</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Retiree Health Insurance Subsidy Program (HIS) (cont'd)

Actuarial Assumptions – The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6%
Salary Increases	3.25% average, including inflation

Mortality rates were based on the Generational RP-2000 with Project Scale BB tables. The actuarial assumptions that determine the pension liability as of June 30, 2016 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discounted Rate – The discount rate used to measure the total pension liability at June 30, 2016 was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City's proportionate share of the net pension liability of the HIS calculated using the discount rate of 2.85%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate.

Sensitivity Liability HIS				
1% Decrease	1.85%	\$13,484,316,752	0.8443813%	\$ 113,859,055
Current	2.85%	\$11,768,444,801	1.1006868%	\$ 113,859,055
1% Increase	3.85%	\$10,344,364,746	0.9674945%	\$113,859,055

Pension Plan Fiduciary Net Position – Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Investment Plan (cont'd)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participate in DROP are not eligible to participate in the Investment Plan. Employers and employee contributions, including amounts contributed to individual member's accounts are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of .04% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-2016 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

NOTE 11. RELATIONSHIP WITH THE COUNTY

In 1955, the Florida Legislature approved and submitted to a general election a constitutional amendment designed to give a new form of government to the County of Miami-Dade. The County is, in effect, a municipality with governmental powers effective upon more than 29 cities, including the City, and the unincorporated areas. It has not displaced or replaced the cities, but supplements them. The County can take over particular activities of the City's operations if (1) the services fall below minimum standards set by the County Commission, or (2) with the consent of the governing body of the City.

Since its inception, the County has assumed responsibility for a number of functions, including county-wide police services, complementing county-wide fire protection; consolidated two-tier court system; creation of the various surface transportation programs; installation of a central traffic control computer system; merging all public transportation systems into a county system; and centralization of the property appraiser and tax collector functions.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Water Supply and Sewer Services Contract

In February 1985, the City entered into an agreement with Miami-Dade Water and Sewer Authority (the "Authority") for the purpose of providing to the City all of its potable water supply and sewer services for a period of thirty (30) years subject to termination at any time by operation of law or by mutual consent of the City and the Authority. For the year ended September 30, 2016 and 2015, the City purchased water and sewer services totaling \$3,655,778 and \$3,108,224 respectively, from the Authority under the terms of this agreement.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Various other claims and lawsuits, which arose in the normal course of operations, are pending against the City and are summarized below:

Azarcon Constantine & Rachelle Mary vs. Sergio Perez, et al: This case arose out of an alleged incident that happened on April 2, 2013 when Opa-locka Police Officer Sergio Perez attempted to stop a motor vehicle and ultimately pursued the vehicle. During the pursuit, the vehicle entered I-95 northbound via the southbound ramp. Ultimately, there was a head-on collision which resulted in four fatalities. Each of the estates has filed lawsuits naming the City of Opa-locka as a Defendant. On December 15, 2017, the Plaintiff filed a motion to dismiss Defendant's non-final appeal. The litigation costs associated with this matter are covered under the City's general liability insurance policy with the Florida League of Cities. The City is being represented by the law firm of Johnson, Anselmo, Murdoch, Burke, Piper and Hochman. The financial impact of this case is unknown as of the audit period.

Universal Waste Services of FL vs. City of Opa-Locka: The Plaintiff is alleging breach of contract for the collection and disposal of solid waste for the city. This City filed a Motion to Dismiss Plaintiff's Amended Complaint on December 14, 2017. The Plaintiff amended its complaint on May 9, 2018 and again on June 8, 2018. On August 3, 2018, the City's Counsel filed a Motion to Disqualify Michael Pizzi, Esq. as Plaintiff's Counsel. The City is being represented by outside counsel Holland & Knight, LLP pursuant to its retainer agreement. The financial impact of this case is unknown as of the audit period.

George Suarez, et al vs. City of Opa-Locka: The Plaintiff's Complaint is a punitive class action brought on behalf of current residents and businesses of Opa-Locka ("City") who obtain water from the City: Breach of Contract (Count I); Civil Theft (Count II); and Request for Preliminary and Permanent Injunction (Count III). The Plaintiffs filed their initial complaint on April 7, 2017. The Plaintiffs filed an Amended Complaint and electronically served the Defendant on October 9, 2017. The Defendant renewed its Motion to Dismiss on October 31, 2017. The parties jointly agreed that this case would benefit from an early mediation which was completed on December 28, 2017. Plaintiff's Motion for Class Certification is set for October 18, 2018. The City is being represented by Detra Shaw-Wilder, Esq. of Kozyak Tropin, et al., on this case and Opa Locka Warehouse Condominium Association, Inc. v. City of Opa-Locka with which it has been consolidated. The financial impact of this case is unknown as of the audit period.

THREATENED LITIGATION, CLAIMS AND ASSESSMENTS.

The City is involved in other litigation and additional claims have been asserted against the City which are not being handled by the City Attorney's office. Some of these cases are listed, however, others are not. In such cases, the City expects that the City's insurance carrier will cover the cost of litigation and damages. Please consult with the City's Risk Manager for further information regarding such claim various other claims and lawsuits, which arose in the normal course of operations, are pending against the City. In the opinion of management, based on the advice of the City's Attorney, the outcome of these actions is not anticipated to have a material effect on the financial position and results of operations of the City.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

The City participates in a number of Federal and State grant programs in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133 and the State of Florida Single Audit Act. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. These programs may be subjected to financial and compliance audits by the grantors or their representatives. The possible disallowance of any item charged to the program or request for the return of already collected funds may be disallowed by the grantor agency. In the opinion of management, future disallowances, if any, of grant program expenditures would not have a material adverse effect on the financial condition of the City.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.081, 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 retiree that is no greater than the cost at which coverage is available for active employees. The City does not provide retirees with any subsidy for this benefit.

The City elected to establish an irrevocable other post-employment benefit ("OPEB") trust and began funding the obligation during fiscal year 2009, leaving no unfunded obligation.

Plan Description: On September 17, 2008, the City established the OPEB Trust, a single employer defined benefit health care plan to all of its employees except for part-time employees and full-time employees who either resign or are terminated. The City is authorized to establish and amend benefit levels, subject to minimum requirements set forth by Florida Statutes, and to approve the actuarial assumptions used in the determination of contribution levels. The plan does not issue a separate financial report.

Based on GASB Statement 45 which sets forth the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits ("OPEB"), the City had an actuary calculate future funding requirements for fiscal year 2016. The actuary's estimate, using the projected unit credit cost method, included other actuarial assumptions as classified below. The City elected to implement the provisions of GASB 45 prospectively.

Actuarial Methods and Assumptions

The actuarial valuation of the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the City has not contributed assets to the plan at this time and has elected to fund the plan on a pay-as-you go method.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (cont'd)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

<i>Actuarial valuation date</i>	October 1, 2016
<i>Actuarial cost method</i>	Projected unit credit
<i>Amortization method</i>	Level-dollar payment
<i>Remaining amortization period</i>	15-year, open period; level-dollar payment
<i>Investment return</i>	4.00% per annum (Includes 2.75% inflation)
<i>Healthcare cost trend rate(s)</i>	<i>Insurance Premiums</i>
<i>Select rates</i>	8.0% for 2015/16 graded to 5.50% for 2020/21
<i>Ultimate rate</i>	5.00% per annum

Funding Policy

The City does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the City for active employees by its healthcare provider. However, the City's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the City or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

Annual OPEB Cost and Net OPEB Obligation

The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed twenty years.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (cont'd)

Required Contribution Rates:

Employer	Pay-as-you-go
Plan Member	N/A
Annual Required Contribution (ARC)	\$ 132,000
Interest on net OPEB obligation	19,000
Adjustment to the ARC	<u>(42,000)</u>
Annual OPEB cost	109,000
Employer contributions	<u>(10,000)</u>
Increase in net OPEB obligation (asset)	99,000
Net OPEB obligation (asset) - beginning of the year	<u>470,000</u>
Net OPEB obligation	<u><u>\$ 569,000</u></u>

The \$10,000 represents an actuarial estimate only and does not represent a physical contribution.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Two year information (three year is not available) for fiscal years ended September 30, is presented as follows:

Fiscal Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2015	\$ 105,000	10%	\$ 470,000
2016	\$ 109,000	10%	\$ 569,000

Funded Status and Funding Progress: The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. An analysis of funding progress (the last plan year valuation date) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
1-Oct-15	\$0	\$627,000	\$627,000	0%	\$6,020,000	10.0%

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 14. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the “Plan”), which is administered by two administrators. The portion of the plan administered by the International City Management Association Retirement Corporation (“ICMA”) was created in accordance with Internal Revenue Code Section 457 (a qualified plan). The other portion constitutes a nonqualified plan benefit and is administered by the Equitable Life Assurance Society (“Equitable”). The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in this plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All assets and income of the Plan are held in trust for the exclusive benefits of the participants. The City makes no investment decisions and has no fiduciary responsibilities regarding the Plan; therefore, the assets and liabilities of the Plan are not included in the City’s financial statements as September 30, 2016.

NOTE 15. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City has not had a significant reduction in insurance coverage from coverage in the prior year by major categories of risk, and settled claims have not exceeded the City’s retention and excess coverage in force for each of the past three years.

NOTE 16. REQUIRED SUPPLEMENTARY INFORMATION

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City adopts annual operating budgets for the general fund and all special revenue funds. Budget and actual comparison for the General Fund is presented in the Required Supplementary Information section of the report. Budget and actual comparisons for other funds are reflected in the Combining Statements section.

NOTE 17. RESTATEMENT - PRIOR PERIOD ADJUSTMENTS

Restatement of Net Position for Adjustments to Capital Assets

Government Activities – The beginning net position of Government Activities as of September 30, 2014, was restated for prior period adjustments. The net position decreased by \$882,847 resulting from net adjustments to due /from other funds related to prior years.

Business-Type Activities – The beginning net position of Business Type-Activities as of September 30, 2014, was restated for prior period adjustments. The net position increased by \$601,786 for accounts due to and from other funds for error related to prior years.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 17. RESTATEMENT - PRIOR PERIOD ADJUSTMENTS (Continued)

The beginning net position of Government Activities and Business-type Activities were restated. The net position of the Governmental Activities and Business-type Activities increased by \$882,847 and 601,778, respectively, resulting from net adjustments to due to/ due from and cash.

	Restatement of Net Position		
	Governmental Activities	Business-type Activities	Total
Net position, September 30, 2015, previously stated	\$ 3,906,484	\$ 3,887,438	\$ 7,793,922
Prior period adjustment	<u>882,847</u>	<u>601,786</u>	<u>1,484,633</u>
Net position, September 30, 2015, restated	<u>\$ 4,789,331</u>	<u>\$ 4,489,224</u>	<u>\$ 9,278,555</u>

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED

Accounting Pronouncements Adopted

During fiscal year 2015, the City adopted the following new statements for accounting and financial reporting issued by the GASB.

- (a) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*
- (b) Statement No. 69, *Government Combinations and Disposals of Government Operations*
- (c) Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*
- (d) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, improves accounting and financial reporting by state and local governments for pensions. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, addressed an issue regarding application of the transition provisions of Statement No. 68. The issue relate to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The adoption of GASB Statements No. 68 and 71 is reflected in the government-wide financial statements, in Note 17, Restatement – Prior Period Adjustments, as well as the Required Supplementary Information Sections.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The adoption resulted in no financial impact to the City.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

Accounting Pronouncements Adopted (cont'd)

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, addresses amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Accounting Pronouncements Not Yet Adopted

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates in the future that may impact future financial presentations. Management has not currently determined what, if any, effect implementation of the following statements may have on the financial statements of the City.

- (a) Statement No. 72, *Fair Value Measurement and Application*
- (b) 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 67, and 68*
- (c) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- (d) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- (e) Statement No. 76. *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- (f) Statement No. 77, *Tax Abatement Disclosures*
- (g) Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- (h) Statement No. 79, *Certain External Investment Pools and Pool Participants*
- (i) Statement No. 80, *Blending Requirements for Certain Component Units*
- (j) Statement No. 81, *Irrevocable Split-Interest Agreements*

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

Accounting Pronouncements Not Yet Adopted (cont'd)

- (k) Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*
- (l) Statement No. 83, *Certain Asset Retirement Obligations*
- (m) Statement No. 84, *Fiduciary Activities*
- (n) Statement No. 85, *Omnibus 2017*

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued February 2015. The Statement addresses accounting and financial reporting issues related to fair value measurements. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2016.

GASB 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 Statement 67 and 68*, was issued June 2015. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued June 2015. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, was issued June 2015. This Statement improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions of this Statement will be effective for the City beginning with year ending September 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2015. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP). The provisions of this Statement will be effective for the City beginning with year ending September 30, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued August 2015. This Statement requires certain financial reporting disclosures when a government enters into tax abatement agreements. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2017.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

Accounting Pronouncements Not Yet Adopted (cont'd)

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued December 2015. This Statement amends the scope and applicability of Statement 68 and establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was issued December 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The provision of this Statement will be effective for the City beginning with its year ending September 30, 2016, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions will be effective for the City beginning with year ending September 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, was issued January 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The provisions of the Statement will be effective for the City beginning with year ending September 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued in March 2016. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement is effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, was issued in March 2016. This Statement was issued to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, (and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued in November 2016 to establish recognition and measurement guidance for assets not covered by existing GASB standards by requiring the measurement and recognition of a legally enforceable liability for retirement of an asset. This Statement applies to all state and local governments and is effective for reporting periods beginning after June 15, 2018. Early application is encouraged.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

Accounting Pronouncements Not Yet Adopted (cont'd)

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017, to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The effective date is for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, was issued in March 2017, this Statement addresses a variety of accounting and financial reporting issues identified during the implementation and application of GASB pronouncements; issues related to blending component units, goodwill, fair value measurement, pensions and other postemployment benefits (OPEB) are among them. The provisions of Statement 85 are effective for periods beginning after June 15, 2017. Early adoption is encouraged.

The City has not elected early implementation and, therefore, has not determined the financial statement impact, if any, of these new pronouncements.

NOTE 19. SUBSEQUENT EVENTS

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

The City is a defendant in several other lawsuits as of September 30, 2016, the outcomes of which are uncertain at this time (See Note 12). However, in the opinion of management, and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

NOTE 20. MANAGEMENT'S REVIEW

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 15, 2019, the date the financial statements were available to be issued. There were no other significant events that management believed require disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)**

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
				<u>Positive (Negative)</u>	
Revenues:					
Taxes:					
Property taxes	\$ 5,948,725	\$ 5,948,725	\$ 6,309,640	\$ 360,915	
Utility taxes	36,900	36,900	65,550	28,650	
Local business taxes	-	-	237,679	237,679	
Franchise fees	1,616,600	1,616,600	1,130,688	(485,912)	
Permits and fees	869,600	869,600	934,436	64,836	
Intergovernmental	323,850	323,850	283,009	(40,841)	
Charges for services	580,050	580,050	113,746	(466,304)	
Fines and forfeitures	644,050	644,050	899,015	254,965	
Interest	1,000	1,000	59	(941)	
Other	<u>4,333,505</u>	<u>4,333,505</u>	<u>2,145,867</u>	<u>(2,187,638)</u>	
Total revenues	<u>14,354,280</u>	<u>14,354,280</u>	<u>12,119,689</u>	<u>(2,234,591)</u>	
Expenditures:					
General government:					
City commission	175,175	175,175	162,755	(12,420)	
City manager	730,135	730,135	770,386	40,251	
City clerk	327,545	327,545	280,631	(46,914)	
City attorney	330,000	330,000	1,514,858	1,184,858	
Finance/utility billing	600,785	600,785	496,834	(103,951)	
Town Center	500,000	500,000	183,367	(316,633)	
Information technology	281,850	281,850	275,387	(6,463)	
Human resources	811,375	811,375	408,506	(402,869)	
Building licenses	283,795	283,795	303,905	20,110	
Community development	<u>328,310</u>	<u>328,310</u>	<u>270,258</u>	<u>(58,052)</u>	
Total general government	<u>4,368,970</u>	<u>4,368,970</u>	<u>4,666,887</u>	<u>297,917</u>	
Public safety:					
Police	5,634,597	5,634,597	5,455,628	(178,969)	
Code enforcement	<u>247,418</u>	<u>247,418</u>	<u>237,916</u>	<u>(9,502)</u>	
Total public safety	<u>5,882,015</u>	<u>5,882,015</u>	<u>5,693,544</u>	<u>(188,471)</u>	
Public works:					
Administration	242,025	242,025	330,494	88,469	
Street maintenance	391,675	391,675	503,878	112,203	
Building maintenance	164,975	164,975	184,337	19,362	
Vehicle maintenance	<u>793,870</u>	<u>793,870</u>	<u>535,239</u>	<u>(258,631)</u>	
Total public works	<u>1,592,545</u>	<u>1,592,545</u>	<u>1,553,948</u>	<u>(38,597)</u>	
Parks and recreation:					
Parks	947,120	947,120	730,128	(216,992)	
Special events	<u>102,000</u>	<u>102,000</u>	<u>64,343</u>	<u>(37,657)</u>	
Total parks and recreation	<u>1,049,120</u>	<u>1,049,120</u>	<u>794,471</u>	<u>(254,649)</u>	
Non-departmental					
Total non-departmental	<u>1,461,630</u>	<u>1,461,630</u>	<u>927,337</u>	<u>(534,293)</u>	
Total expenditures	<u>14,354,280</u>	<u>14,354,280</u>	<u>13,636,187</u>	<u>(718,093)</u>	
Excess of revenues over expenditures	-	-	(1,516,498)	(1,516,498)	
Other financing sources (uses):					
Transfers in	-	-	1,981,444	1,981,444	
Transfers out	<u>-</u>	<u>-</u>	<u>(849,414)</u>	<u>(849,414)</u>	
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(384,468)</u>	<u>-</u>	
Fund balance, beginning			(2,938,642)		
Prior period adjustment			297,484		
Fund balance, ending			<u>\$ (3,025,626)</u>		

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE PEOPLE'S TRANSPORTATION TAX FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:				
Intergovernmental	\$ 938,870	\$ 938,870	\$ 481,098	\$ (457,772)
Total revenues	<u>938,870</u>	<u>938,870</u>	<u>481,098</u>	<u>(457,771)</u>
Expenditures:				
Current:				
General government:				
Public works:				
Street maintenance	938,870	938,870	189,068	749,802
Total public works	<u>938,870</u>	<u>938,870</u>	<u>189,068</u>	<u>749,802</u>
Total expenditures	<u>938,870</u>	<u>938,870</u>	<u>189,068</u>	<u>749,802</u>
Excess of revenues over expenditures	-	-	292,030	292,030
Other financing sources (uses):				
Transfers in	2,253,330	2,253,330	-	(2,253,330)
Net change in fund balance	2,253,330	2,253,330	292,030	
Fund balance, beginning			1,135,602	
Fund balance, ending			<u>\$ 1,427,632</u>	

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CAPITAL IMPROVEMENT DEBT SERVICE

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ -	\$ -	\$ 1,593,326	\$ 1,593,326
Intergovernmental	<u>3,449,360</u>	<u>3,449,360</u>	<u>1,935,864</u>	<u>(1,513,496)</u>
Total revenues	<u>3,449,360</u>	<u>3,449,360</u>	<u>3,529,190</u>	<u>79,830</u>
Expenditures:				
Current:				
General government:				
Debt service:				
Principal	430,000	430,000	648,733	(218,733)
Interest	<u>107,928</u>	<u>107,928</u>	<u>485,045</u>	<u>(377,117)</u>
Total debt service	<u>537,928</u>	<u>537,928</u>	<u>1,133,778</u>	<u>(595,850)</u>
Total expenditures	<u>537,928</u>	<u>537,928</u>	<u>1,133,778</u>	<u>(595,850)</u>
Excess of revenues over expenditures	2,911,432	2,911,432	2,395,412	(516,020)
Other financing sources (uses):				
Transfers in	-	-	849,414	849,414
Transfers out	<u>2,286,440</u>	<u>2,286,440</u>	<u>2,208,887</u>	<u>(77,553)</u>
Net change in fund balance	5,197,872	5,197,872	1,035,939	
Fund balance, beginning			<u>2,262,701</u>	
Fund balance, ending			<u>\$ 3,298,640</u>	

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO THE BUDGETARY COMPARISON SCHEDULES

SEPTEMBER 30, 2016

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Chapter 166, Florida Statutes, requires that all municipalities prepare, approve, adopt and execute an annual budget for funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budgets control the levy and the expenditure of money for City purposes in the ensuing fiscal year. The budgeting process is based on estimates of revenues and expenditures. The City budgets are prepared on a modified-accrual basis or accrual basis of accounting in accordance with generally accepted accounting principles.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the departmental and fund level, with finance department providing support to departments in the administration of their budgets. In accordance with the City's budget transfer policy, the City Manager is authorized to transfer budgeted amounts within any fund or functions; however, any supplemental appropriations or revisions that amend the total expenditure of any fund must be approved by the City Commission. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at the balance sheet date are canceled.
5. Annual operating budgets are legally adopted for the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds. All budgets are on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the department level. This is the level at which expenditures may not exceed appropriations.
6. All annual appropriations lapse at fiscal year-end.

NOTE 2. BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended September 30, 2016, the general government exceeded its appropriations by \$297,917 most of this over-expenditure was attributed to the City Attorney expenditures. In the same fiscal period expenditures did not exceed appropriations in, public safety, public works and parks and recreation of the general fund. Overall, General Fund did not exceed its budget there was a positive variance of approximately \$350,000.

For the year ended September 30, 2016, expenditures did not exceed appropriations in the People Transportation Tax fund, there was a positive variance with the final budget by approximately \$292,000. This was attributed to reduced street, side-walk, and other transportation related projects.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO THE BUDGETARY COMPARISON SCHEDULES

SEPTEMBER 30, 2016

NOTE 2. BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS (cont'd)

Other Post-Employment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
1-Oct-16	\$0	\$627,000	\$627,000	0%	\$6,020,000	10.0%

Schedule of Employers Contributions

Fiscal Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2015	\$105,000	10%	\$470,000
2016	\$109,000	10%	\$569,000

OTHER SUPPLEMENTARY INFORMATION

CITY OF OPA-LOCKA, FLORIDA

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	<u>Special Law Enforcement</u>	<u>Comm Redev. Agency</u>	<u>Safe Neighborhood Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and equity in pooled cash	\$ 156,573	\$ -	\$ -	\$ 156,573
Other government account receivables	-	-	646,829	646,829
Due from other funds	331,731	372,069	897,568	1,601,368
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>67,518</u>	<u>67,518</u>
Total Assets	\$ 488,304	\$ 372,069	\$ 1,611,915	\$ 2,472,288
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 1,376	\$ 613,670	\$ 615,046
Due to other funds	150	540,890	1,647,721	2,188,761
Other government account payables	<u>-</u>	<u>-</u>	<u>1,005</u>	<u>1,005</u>
Total liabilities	<u>150</u>	<u>542,266</u>	<u>2,262,396</u>	<u>2,804,812</u>
Fund Balances				
Reserved for:				
Public safety	488,154	-	-	488,154
Unreserved	<u>-</u>	<u>(170,197)</u>	<u>(650,481)</u>	<u>(820,678)</u>
Total fund balances	<u>488,154</u>	<u>(170,197)</u>	<u>(650,481)</u>	<u>(332,524)</u>
Total Liabilities and Fund Balances	<u>\$ 488,304</u>	<u>\$ 372,069</u>	<u>\$ 1,611,915</u>	<u>\$ 2,472,288</u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Special Law Enforcement</u>	<u>Comm Redev. Agency</u>	<u>Safe Neighborhood Capital Projects</u>	<u>Total</u>
Revenues:				
Property taxes	\$ -	\$ 27,096	\$ -	\$ 27,096
Intergovernmental	146,472	-	1,193,555	1,340,027
Fines and forfeitures	38,073	-	-	38,073
Interest	-	-	216	216
Total revenues	<u>184,545</u>	<u>27,096</u>	<u>1,193,771</u>	<u>1,405,412</u>
Expenditures:				
Current:				
General government	-	36,900	-	36,900
Human services	-	-	611,924	611,924
Debt service:				
Capital outlay	-	-	613,668	613,668
Total expenditures	<u>-</u>	<u>36,900</u>	<u>1,225,592</u>	<u>1,262,492</u>
Excess (deficiency) of revenues over expenditures	<u>184,545</u>	<u>(9,804)</u>	<u>(31,821)</u>	<u>142,920</u>
Net change in fund balance	184,545	(9,804)	(31,821)	142,920
Fund balance - beginning	303,609	(160,393)	(721,160)	(577,944)
Prior period adjustment	-	-	102,500	102,500
Fund balance - beginning	<u>303,609</u>	<u>(160,393)</u>	<u>(618,660)</u>	<u>(475,444)</u>
Fund balance - ending	<u>\$ 488,154</u>	<u>\$ (170,197)</u>	<u>\$ (650,481)</u>	<u>\$ (332,524)</u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF NET POSITION BALANCES NON-MAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2016

	<u>Stormwater</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and equity in pooled cash	\$ 805,683	\$ 805,683
Estimated unbilled services	86,276	86,276
Due from other governments	44,438	44,438
Restricted cash and cash equivalents	110,000	110,000
Due from other funds	<u>423,668</u>	<u>423,668</u>
Total current assets	<u>1,470,065</u>	<u>1,470,065</u>
Noncurrent assets:		
Net depreciable capital assets	289,056	289,056
Capital assets, net	<u>103,565</u>	<u>103,565</u>
Total noncurrent assets	<u>392,621</u>	<u>392,621</u>
Total assets	<u><u>\$ 1,862,686</u></u>	<u><u>\$ 1,862,686</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 43,546	\$ 43,546
Due to other funds	582,934	582,934
Due to other governments	636,436	636,436
Current portion of long term debt	<u>46,294</u>	<u>46,294</u>
Total current liabilities	<u>1,309,210</u>	<u>1,309,210</u>
Long term debt:		
Compensated absences	12,934	12,934
OPEB Obligation	5,690	5,690
Notes and capital leases payable	<u>19,822</u>	<u>19,822</u>
Total long-term debt	<u>38,446</u>	<u>38,446</u>
Total liabilities	<u>1,347,656</u>	<u>1,347,656</u>
NET POSITION		
Invested in capital assets, net of related debt	326,505	326,505
Unrestricted	<u>188,524</u>	<u>188,524</u>
Total net position	<u><u>\$ 515,030</u></u>	<u><u>\$ 515,030</u></u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—NON-MAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Stormwater</u>	<u>Total</u>
Operating revenues:		
Charges for services	\$ 643,054	\$ 643,054
Other revenues	<u>44,438</u>	<u>44,438</u>
Total operating revenues	<u>687,492</u>	<u>687,492</u>
Operating expenses:		
Operating, administrative and maintenance	<u>512,133</u>	<u>512,133</u>
Total operating expenses	<u>512,133</u>	<u>512,133</u>
Change in net position	175,359	175,359
Net position, beginning	104,510	104,510
Prior period adjustment	<u>235,161</u>	<u>235,161</u>
Net position, beginning	<u>339,671</u>	<u>339,671</u>
Net position, ending	<u>\$ 515,030</u>	<u>\$ 515,030</u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF CASH FLOWS NON-MAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Stormwater</u>	<u>Total</u>
Cash flows from operating activities:		
Cash received from customers	\$ 615,652	\$ 615,652
Cash paid to vendors	(741,640)	(741,640)
Payments from (to) other funds, net	<u>404,103</u>	<u>404,103</u>
Net cash provided by operating activities	<u>278,115</u>	<u>278,115</u>
Cash flows from capital and related financing activities:		
Acquisition on construction of capital assets	(28,949)	(28,949)
Payments made on debt	<u>6,726</u>	<u>6,726</u>
Net cash used in capital and related financing activities	<u>(22,223)</u>	<u>(22,223)</u>
Net decrease in cash	255,892	255,892
Cash, beginning	<u>549,791</u>	<u>549,791</u>
Cash, ending	<u>805,683</u>	<u>805,683</u>
Display as:		
Unrestricted	805,683	805,683
Restricted	<u>110,000</u>	<u>110,000</u>
Total	<u>\$ 915,683</u>	<u>\$ 915,683</u>
Reconciliation of operating income to cash provided by operating activities:		
Operating (loss)	\$ 175,359	\$ 175,359
Adjustment to reconciled operating income to net cash provided by (used in) operating activities:		
Accounts receivable	(27,402)	(27,402)
Due from other governments	(44,438)	-
Due from other funds	(423,668)	(423,668)
Increase (decrease) in:		
Accounts payable and accrued liabilities	684,693	684,693
Due to other funds	<u>(86,429)</u>	<u>(86,429)</u>
Net cash provided by operating activities	<u>\$ 278,115</u>	<u>\$ 278,115</u>

COMPLIANCE SECTION



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

To the Honorable Mayor and Members of the City Council
City of Opa-locka, Florida

We were engaged to audit, 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, each major fund, and the aggregate remaining fund information of The City of Opa-locka, ("Opa-locka") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Opa-locka's basic financial statements and have issued our report thereon dated March 15, 2019. Our report disclaims an opinion on such financial statements because as discussed in Note 1, we were unable to obtain sufficient appropriate audit evidence on the City's opening account balances, capital asset balances, accounts payable balances or fair market valuation of receivables.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of Opa-locka, we considered Opa-locka's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Opa-locka's internal control. Accordingly, we do not express an opinion on the effectiveness of Opa-locka'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. **2015-01, 2015-03, and 2014-03.**

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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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. **2015-02, 2015-04, 2015-05, 2015-06, and 2015-07.**

Compliance and Other Matters

In connection with our engagement to audit the financial statements of Opa-locka, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-05, 2014-02. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

City of Opa-locka's Response to Findings

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

Purpose of this Report

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

March 15, 2019



ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Opa-locka, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Opa-locka's (the "City"), Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on:

CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds
CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds

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As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with **CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds and CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds as described in finding Nos 2015-06 and 2015-08** for Reporting and Cash Management; consequently we were unable to determine whether the City complied with those requirements applicable to those programs.

Qualified Opinion on:

CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds
CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the above referenced Federal programs for the year ended September 30, 2016.

Other Matters

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items **2016-01**, **2016-02**, **2015-06**, and **2015-08** that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



March 15, 2019

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued	Disclaimer	
Internal control over financial reporting:		
• Material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Significant deficiency identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Non-compliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported

Type of Auditors' Report Issued on Compliance for Major Program: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200 of OMB Compliance Supplement?

Yes No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between

Type A and **Type B** programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Current Year Findings and Questioned Costs

There were no new findings for the current year; however, all prior year findings still existed during the current year. See prior year finding for updates.

Section III – Prior Year - Financial Statement Findings and Status

Material weakness

2015-01 Timeliness of Recording Individual Transactions

Criteria

Prudent accounting practices include policies, procedures and controls over the recording, processing and reporting of accounting events and transactions.

Condition

We believe that the City of Opa-locka does not maintain adequate financial records. Certain transactions are not summarized in a general ledger, nor all transactions recorded on the books in a timely manner. Such a system does not permit the preparation of accurate and reliable financial statements.

Recommendation

We recommend that a designated member of management performs periodic analysis of significant accounts to determine the completeness of account balances and investigate and resolve any issues identified. This practice serves to enforce checks and balances necessary for strong internal controls and accurate financial reporting.

Current Year Status

Similar condition noted in the current year audit.

View of Responsible Officials and Planned Corrective Actions

The City is assessing and reviewing the internal accounting policies, procedures and controls over the recording, processing and reporting of its accounting events and transactions to develop policies and procedures. The City is actively reconciling accounts timely to produce relevant and accurate data. Additionally, the City is in the process of recruiting and engaging professional consultants to continually monitor and review the departments reporting system and will develop and implement any needed improvements to be made to the Finance Department system.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Prior Year - Financial Statement Findings and Status (Continued)

Significant Deficiency

2015-2 Upgrade the Accounting System

Criteria

The financial accounting and reporting system should provide the information management needs to monitor the City's financial condition and make appropriate decisions in a timely basis.

Condition

The software programs used to perform the financial functions and related activity does not have the capability of producing reports that are necessary for management to accurately report on the City's financial position. Example, during our audit we noted that the City was not able to provide accounts payable aging report or an alternate report to support account payable balance in the general ledger system.

Recommendation

We recommend that the City conduct an evaluation of the existing financial system and an analysis of projected needs. This evaluation should focus on ensuring that the City's financial systems maximize the productivity of its staff and meet the financial reporting needs of management.

Current Year Status

Similar condition noted in the current year audit.

View of Responsible Officials and Planned Corrective Actions

The City has determined that the existing financial accounting and reporting system does not meet all of its needs, however in assessing and evaluating the operational and financial needs of the City, any modifications and or change to the existing financial accounting and reporting system will occur in the future when budgetary and operational circumstances have improved.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Prior Year - Financial Statement Findings and Status (Continued)

2015-03 – Financial Reporting Policies and Procedures Manual and Reconciliation General Ledger Accounts to Supporting Documents

Criteria

Prudent financial reporting requires accurate and timely reconciliation of general ledger accounts. The existence of a formal policy and procedures manual could assist with the timeliness of reconciling account balances.

Condition

During the audit, we noted that significant general ledger accounts were not properly reconciled. A formal accounting policies and procedures manual would facilitate continuity in the necessary procedures.

Recommendation

We recommend that the City develop a formal financial reporting policies and procedures manual which include the reconciliation of general ledger accounts on a monthly basis among other process and procedures. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a specific period, which makes it easier to perform future reconciliations. Also, formal documentation can be used to reinforce established policies and procedures and serve as a training tool.

Current Year Status

Similar condition noted in the current year audit.

View of Responsible Officials and Planned Corrective Actions

The City is developing financial reporting policies and procedures to be implemented periodically to monitor the monthly general ledger reconciliation process. Additionally, the City is recruiting professional consultants to assist with the continual monitoring and reviewing of the department reporting system and will develop and implement any needed improvements to be made to the Finance Department.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Prior Year - Financial Statement Findings and Status (Continued)

Significant Deficiency

2015-04 Journal Entries

Criteria

Adjusting journal entries should be approved by a designated member of management and include clear descriptions and supporting documentation. This allows for a complete audit trail of journal entries posted.

Condition

During our audit procedures, we noted the journal entries lacked proper approval by a responsible official. We also noted that many of the entries lacked adequate supporting documentation. All journal entries should be accompanied by full explanations and reference to adequate supporting data and proper approval.

Recommendation

We recommend that a designated member of management review and approve all journal entries and initial the support for the entries to document their approval. This process would improve controls over adjustments to the general ledger.

Current Year Status

Similar condition noted in the current year audit.

View of Responsible Officials and Planned Corrective Actions

The City has developed management review and internal control processes to review and approve journal entries posted in the general ledger system.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Prior Year - Financial Statement Findings and Status (Continued)

Significant Deficiency

2015-05 Deficit Cash Balances

Criteria

The City utilizes separate pooled cash for governmental and enterprise funds, cash transactions should be accurately recorded in the respective funds.

Condition

During our audit we noted that the Safe Neighborhood fund and the Solidwaste fund had deficit GL cash account balances of \$201,610 and \$5,106,392, respectively. The City has not been able to determine the reason for the deficit cash balances.

Recommendation

We recommend that the City perform a thorough analysis of the deficit cash balances and determine the necessary actions to cure the deficit position.

Current Year Status

The city cleared the deficit cash balances.

View of Responsible Officials and Planned Corrective Actions

The City has addressed the issue of the deficit cash and has made the necessary journal entries to correct the balances of understated cash balances for the prior period. The City has developed management review and internal control processes to review and approve journal entries posted in the general ledger system.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Prior Year - Financial Statement Findings and Status (Continued)

2014-01 Checks Outstanding for Over 12 Months

Condition

Stale checks dating to the prior fiscal year are still being tracked in monthly bank reconciliations.

Criteria

While performing its monthly bank reconciliations, the City should monitor old outstanding checks as required by the City's policies and procedures.

Cause

The City did not perform complete monthly bank reconciliation.

Effect

Cash balances are not accurately stated to reflect the true cash balance at the reported date.

Recommendation

We recommend the City to research stale checks dating over a year and follow the City's policies and procedures regarding stale checks.

Current year status

Similar finding noted during fiscal year 2016.

View of Responsible Officials and Planned Corrective Actions

The City has reviewed this issue and voided all stale checks through FYE 2016. The City has developed management review and internal control processes to review and approve journal entries posted in the general ledger system for voided and stale checks.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Prior Year - Financial Statement Findings and Status (Continued)

2014-02 Budgets (Repeat finding from FY2013)

Condition

Budgets are not being adhered to, properly balanced or being utilized by management as they should be.

Criteria

The budget is an important legal requirement for the City and is a public document. City management and officials are held accountable for any budget overages or amendments, since the budget demonstrates how the City is going to spend its tax payers' money.

Cause

Staff is not being held accountable for the budget and there is no monitoring from budget to actual expenditures.

Effect

The City may be out of compliance with the Florida Statutes if expenditures exceed budgeted amounts and poor decisions may be made if budgets are not being followed correctly which could place the City in financial difficulty.

Recommendation

We recommend that the City appoint someone within the finance department to take responsibility for the budget and to track budget to actual expenditures on a monthly basis in order to make informed financial decisions as well as any necessary budget amendments.

Current year status

The condition continued during fiscal 2016.

View of Responsible Officials and Planned Corrective Actions

The City is currently recruiting for a Budget Administrator who will have the responsibility of maintaining the budget, preparing budget amendments and ensuring that line items do not exceed approved budgeted amounts.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Prior Year - Financial Statement Findings and Status (Continued)

2014-03 Deteriorating Financial Condition (Repeat finding from FY2013)

Condition

There has been a lack of information for timely reporting

Criteria

The City needs to be able to keep the revenues in line with expenditures and not rely on revenues from utility funds.

Cause

There have been significant staff turnovers at the highest level, which has disrupted continuity and has caused ineffective training for finance staff as well as a general lack of experience with specific matters related to the City. Property values continue to decline which causes a loss in property tax assessments and a reduction of a significant revenue stream. Unemployment levels remain very high at 17.5% and household incomes are not increasing.

Effect

If financial conditions continue to deteriorate, the City may require state assistance which would then be deemed a financial emergency pursuant to Section 218.503(1), Florida Statutes.

Current Year Status

The condition is ongoing.

Recommendation

We recommend that management develop a five year plan to address its financial condition and stabilize the City before financial emergency conditions could potentially take effect.

View of Responsible Officials and Planned Corrective Actions

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

The City is in process of preparing its Five Year Recovery Plan in accordance with Florida Statute, 218.503 (3)(h).

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section IV - Current Year Findings - Federal Award and State Project - Major Programs

66-458 -Capitalization Grants for Clean Water State Revolving Funds

All prior year findings still existed during the current year. See prior year finding for updates.

Internal Control and Compliance

66-468 -Capitalization Grants for Drinking Water State Revolving Funds

2016-01 Insufficient Supporting Documentation

Condition

During our Cash Management audit procedures; we noted that City did not maintain sufficient records to support reimbursements requested from the grantor

Criteria

The Uniform guidance require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Cause

Failure to implement adequate internal controls over the grant program resulted in insufficient record keeping.

Effect

Continued weaknesses in internal control over Federal awards can negatively impact the City's ability to obtain funding from Federal as well as non-Federal agencies.

Recommendation

We recommend that the City creates a formal document that outlines internal control policies and procedures over grant programs to ensure compliance.

View of Responsible Officials and Planned Corrective Actions

The City has made improvements to the grant administration, management and compliance process to comply with Federal, State and Local requirements. The City is in the process of developing a grant manual that improves internal control policies and procedures over grant programs to ensure meeting compliance requirements.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section IV - Current Year Findings - Federal Award and State Project - Major Programs (cont'd)

Compliance

2016-02 Non Submission of Federal Financial Report

Criteria

Based on the grant agreements, the SF-425 - Federal Financial Report should be prepared and submitted to the grantor quarterly.

Condition

During our reporting audit procedures, we noted that the City failed to prepare and submit the required report.

Cause

Failure to implement adequate internal controls over the grant program resulted in non-compliance with the grant agreement.

Effect

Noncompliance with grant program requirements may prevent the City from obtaining future funding from Federal as well as non-Federal sources.

Recommendation

We recommend that the City implement policies and procedures that will ensure compliance with grant program requirements.

View of Responsible Officials and Planned Corrective Actions

The City has made improvements to the grant administration, management and compliance process to comply with Federal, State and Local requirements by evaluating its internal grant management process and development needs, through additional internal support with a Grant Coordinator and the hiring of a grant consultant to assist with building internal control policies and procedures that ensure compliance.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section V – Prior Year Findings - Federal Award and State Project - Major Programs

CFDA 66-458– Capitalization Grants for Clean Water State Revolving Fund

CFDA 66-202 – Congressionally Mandated Projects

Internal Control and Compliance

2015-06 Insufficient Supporting Documentation

Condition

During our Cash Management audit procedures; we noted that for both Federal award programs; the City did not maintain sufficient records to support reimbursements requested from the grantor.

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Cause

Failure to implement adequate internal controls over the grant program resulted in Insufficient record keeping

Effect

Continued weaknesses in internal control over Federal awards can negatively impact the City's ability to obtain funding from Federal as well as non-Federal agencies.

Recommendation

We recommend that the City creates a formal document that outlines internal control policies and procedures over grant programs to ensure compliance A-102 Common Rule and OMB Circular A-110 (2 CFR part 215). The 2015 audit is being done in FY 2018 as such the policies and procedures manual should be in compliance with the Uniform Guidance.

View of Responsible Officials and Planned Corrective Actions

The City has made improvements to the grant administration, management and compliance process to comply with Federal, State and Local requirements. The City is in the process of developing a grant manual that improves internal control policies and procedures over grant programs to ensure meeting compliance requirements.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section VI – Prior Year Findings - Federal Award and State Project - Major Programs (Continued)

CFDA 66-458– Capitalization Grants for Clean Water State Revolving Fund

CFDA 66-202 – Congressionally Mandated Projects

Compliance

2015-07 Non Submission of Federal Financial Report

Criteria

Based on the grant agreements, the SF-425 - Federal Financial Report should be prepared and submitted to the grantor quarterly.

Condition

During our reporting audit procedures, we noted that for both Federal award programs; the City failed to prepare and submit the required report.

Cause

Failure to implement adequate internal controls over the grant program resulted in non-compliance with the grant agreement.

Effect

Noncompliance with grant program requirements may prevent the City from obtaining future funding from Federal as well as non- Federal sources.

Recommendation

We recommend that the City implement policies and procedures that will ensure compliance program requirements.

View of Responsible Officials and Planned Corrective Actions

The City has made improvements to the grant administration, management and compliance process to comply with Federal, State and Local requirements by evaluating its internal grant management process and development needs, through additional internal support with a Grant Coordinator and the hiring of a grant consultant to assist with building internal control policies and procedures that ensure compliance.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section VI – Prior Year Findings - Federal Award and State Project - Major Programs (Continued)

CSFA 37-077 – Wastewater Treatment Facility Construction

CSFA 37-039 – Statewide Surface Water Restoration and Wastewater Projects

Internal Control and Compliance

2015-08 Lack of Supporting Documentation

Condition

During our cash management audit procedures; for both State projects we noted that the City did not maintain sufficient document to support drawdown/reimbursement request from the State agency.

Criteria

Under the Florida single audit act non state entities are required to implement adequate controls to provide reasonable assurance of compliance with the provision of laws, regulations and other rules pertaining to State awards.

Cause

Failure to implement adequate internal controls over the grant program resulted in insufficient record keeping.

Effect

Lack of adequate controls over State awards can negatively impact the City's ability to obtain future funding under State award programs.

Recommendation

We recommend that the City review the Internal Control requirements as documented in the Florida Single Audit Act and implement procedures that will ensure compliance with program requirements.

View of Responsible Officials and Planned Corrective Actions

The City has made improvements to the grant administration, management and compliance process to comply with Federal, State and Local requirements by evaluating its internal grant management process and development needs, through additional internal support with a Grant Coordinator and the hiring of a grant consultant to assist with building internal control policies and procedures that ensure compliance.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Federal Grantor /Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Identifying Number</u>	<u>Total Expenditures</u>
<i>Department of Justice</i>			
Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0070	\$ 104,963
<i>Department of Transportation</i>			
Passed-through:			
South Florida Regional Transportation Authority (SFRTA)			
Job Access and Reverse Commute Program	20.516	FL37X082-00	89,430
Job Access and Reverse Commute Program	20.516	FL37X065-00	20,081
<i>Environmental Protection Agency</i>			
Congressionally Mandated Projects	66.202	XP-954-90212	298,939
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF00D321150	29,445
<i>Environmental Protection Agency</i>			
Passed-through:			
Florida Department of Environmental Protection			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-12000114-0	822,111
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS984522-140	<u>144,756</u>
<i>Total Environmental Protection Agency</i>			
<i>Total Expenditures of Federal Awards</i>			
			<u>\$ 1,509,725</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the City of Opa-locka, Florida (the “City”). The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the City and agencies and departments of the federal government and pass-through agencies, as applicable. The City did not transfer awards to sub recipients during the fiscal year ended September 30, 2016.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.



ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and Member of the City Council
City of Opa-locka, Florida

Report on the Financial Statements

We were engaged to audit the financial statements of the City of Opa-locka, Florida, as of and for the fiscal year ended September 30, 2016, and have issued a disclaimer of opinion thereon dated, March 15, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' 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*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project; Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 Florida Auditor General. Disclosures in those reports and schedule, which are dated, March 15, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report *except as noted in the Schedule of Findings and Questioned Costs*.

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. The name or official title and legal authority of the Primary government are disclosed in the notes to the financial statements.

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Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

On June 1, 2016, the City of Opa-locka City Commission adopted a Resolution to request a declaration that the City is in a state of financial emergency to seek the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes. The State of Florida, Office of the Governor, issued Executive Order 16-135, signed by Florida Governor Rick Scott.

The City is in process of preparing its Five Year Recovery Plan in accordance with Florida Statute, 218.503 (3)(h).

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. As a result of the completion of our audit, an amended annual report will be filed with the Auditor General.

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. Recommendations are included in the accompanying Schedule of Findings and Questioned Costs Section 10.554(1)(i)3., Rules of the Florida 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.

Matters to be disclosed pursuant to the Rules of the Auditor General Section 10.554(1)(i)3 are reported in the accompanying Schedule of Findings and Questioned Costs.

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 members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



March 15, 2019



ANTHONY BRUNSON P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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

To the Honorable Mayor and Member of the City Council
City of Opa-locka, Florida

We were engaged to examine the City of Opa-locka's (the City) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies for the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

The City failed to provide written investment policy that is consistent with the requirements of the applicable Florida Statutes; as such were not able to test compliance with policy requirements. Additionally, the City's books and records were not adequately maintained, hence we were not able to perform sufficient procedures to determine the status of any surplus funds that the City may have.

Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the City complied with the specified requirements of Section 218.415, Florida Statutes for the year ended September 30, 2016.

March 15, 2019

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