



City of Opa-locka, Florida

Annual Financial Report

For the Fiscal Year Ended
September 30, 2017





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, 2017

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CITY OF OPA-LOCKA, FLORIDA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

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Office of the City Manager



Newall J. Daughtry
Acting City Manager

Telephone: (305) 953-2821
Email: njdaughtry@opalockafl.gov

September 25, 2019

To the Citizens, the Honorable Mayor, Vice Mayor, City Commissioners, City Manager and Assistant City Manager 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, 2017, 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, 2017.

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, 2017. 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 wastewater, 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,

A handwritten signature in blue ink, appearing to read "Newall J. Daughtrey".

Newall J. Daughtrey
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



Matthew Pigatt
Commissioner

CITY EXECUTIVE MANAGEMENT

Ed Brown
City Manager

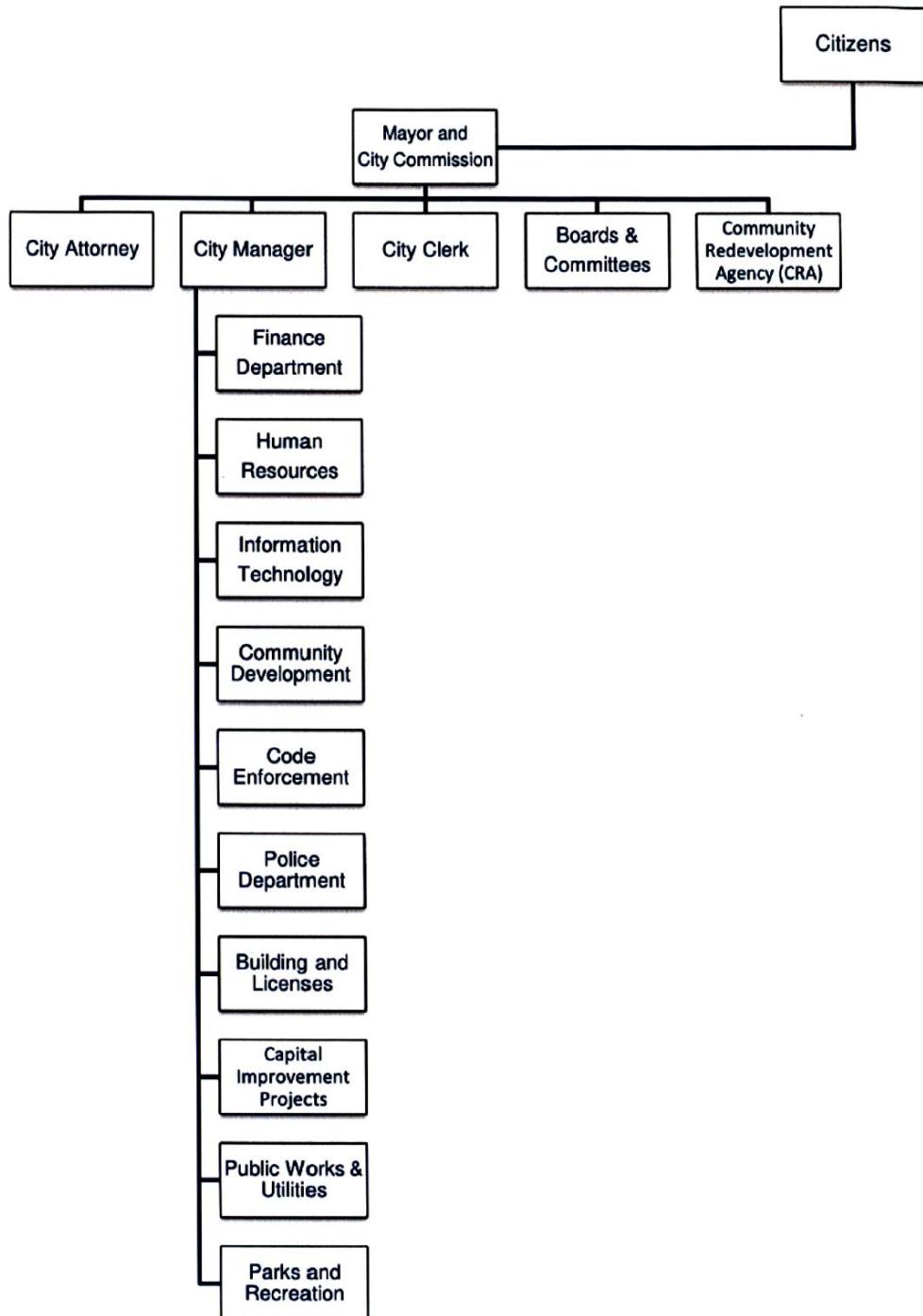
Joanna Flores
City Clerk

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 have audited 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, 2017, 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.

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.

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

Basis for Qualified Opinion on these Financial Statements

As discussed in Note 1, we were unable to obtain sufficient appropriate audit evidence on the City's physical existence of capital asset balances. Accounting principles generally accepted in the United States of America pertaining to capital assets requires evidence of their existence and that assets are reported at the proper amounts.



Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Unmodified
People's Transportation Tax	Unmodified
Capital Projects Improvement Debt Service	Unmodified
Water and Sewer Fund	Qualified
Solid Waste	Unmodified
Aggregate Remaining Enterprise Fund	Qualified
Aggregate Remaining Governmental Fund Information	Unmodified

The amounts by which sufficient appropriate audit evidence could not be obtained would affect the assets, and net position of the government activities, business-type activities and enterprise fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on these Financial Statements" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Opa-locka, Florida as of September 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, budgetary comparison information, schedules of the proportionate share of net pension liability, and schedules of employer contributions on pages 62 through 69 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 basic financial statements of the City of Opa-locka, Florida. 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 combining and individual nonmajor fund financial statements 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 qualified opinion on the financial statements as explained in the “Basis for Qualified Opinion on these Financial Statements” paragraph the combining and individual nonmajor fund financial statements, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory sections have 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 September 25, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s 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 "Amy T.A." followed by "T.A." in a smaller, stylized font.

September 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

(MD&A)

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 of information on the City's financial status.

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 \$8.1 million (*net position*).
2. The City's total net position increased \$124,830 or 1.6% resulting from current City operations.
3. The City's governmental-type activities reported net position of \$6.9 million represents a \$2 million or 41% increase, in comparison to the prior year net position of \$4.9 million.
4. The City's business-type activities reported net position of \$1.2 million, represents a \$1,893,355 decrease, or 60.9%, in comparison to the prior year net position of \$3.1 million.
5. At the end of the fiscal year, the Governmental Fund reported a fund balance of \$4.6 million, of this balance a negative (\$488,748) is unassigned general fund.
6. The City's total debt outstanding for governmental activities decreased by approximately \$1.03 million, or 3% during the current fiscal year. This decrease is attributed to a decrease in FRS pension liability, long term debt, compensated absences and accounts payable and accrued liabilities.
7. The total debt outstanding for the City's business-type activities increased by \$1.28 million, or 8%. This reduction is mostly attributable to an increase in long term debt, customer deposits and accounts payable and accrued liabilities.

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, 2017

The reporting model requires the use of accrual accounting (which focuses on economic resources) at the topmost 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, 2017

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, 2017

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 the 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 - 61 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, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following schedule is a summary of the fiscal year 2017 Statement of Net Position with comparative information for fiscal year 2016.

Net Position - Government-wide

	Governmental Activities			Business-type Activities			Total		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Current and other assets	\$ 8,844,497	\$ 4,978,533	78%	\$ 6,114,543	\$ 5,749,609	6%	\$ 14,959,040	\$ 10,728,142	39%
Capital assets, net	<u>26,109,456</u>	<u>27,008,147</u>	-3%	<u>11,809,514</u>	<u>12,516,799</u>	-6%	<u>37,918,970</u>	<u>39,524,946</u>	-4%
Total assets	<u>34,953,953</u>	<u>31,986,680</u>	9%	<u>17,924,057</u>	<u>18,266,408</u>	-1.9%	<u>52,878,010</u>	<u>50,253,088</u>	5%
Deferred outflow of resources	<u>3,840,956</u>	<u>5,822,004</u>	-34%	<u>523,767</u>	<u>793,909</u>	-34%	<u>4,364,723</u>	<u>6,615,913</u>	-34%
Current and other liabilities	5,110,294	4,486,348	14%	5,394,687	9,502,595	-43%	10,504,981	13,988,941	-25%
Long-term liabilities	<u>24,512,362</u>	<u>26,376,945</u>	-7%	<u>11,528,511</u>	<u>6,168,197</u>	87%	<u>36,040,873</u>	<u>32,545,141</u>	11%
Total liabilities	<u>29,622,656</u>	<u>30,863,293</u>	-4%	<u>16,923,197</u>	<u>15,670,790</u>	8%	<u>46,545,853</u>	<u>46,534,083</u>	0%
Deferred inflow of resources	<u>2,247,949</u>	<u>2,039,273</u>	10%	<u>306,539</u>	<u>278,083</u>	10%	<u>2,554,488</u>	<u>2,317,356</u>	10%
Net assets:									
Invested in capital assets, net of related debt	12,497,766	12,894,007	-3%	1,106,209	7,703,308	-86%	13,603,975	20,597,315	-34%
Restricted	3,298,639	3,298,639	0%	-	-	0.0%	3,298,639	3,298,639	0%
Unrestricted	<u>(8,872,101)</u>	<u>(11,286,527)</u>	21%	<u>111,879</u>	<u>(4,591,865)</u>	102%	<u>(8,760,222)</u>	<u>(15,878,392)</u>	45%
Total net assets	<u>\$ 6,924,304</u>	<u>\$ 4,906,119</u>	41%	<u>\$ 1,218,088</u>	<u>\$ 3,111,443</u>	-61%	<u>\$ 8,142,392</u>	<u>\$ 8,017,562</u>	2%

STATEMENT OF NET POSITION

The overall net position of the City increased in fiscal year 2017, from the prior year net position, by approximately \$124,830 or 1.6%. In 2016, net position was \$8.0 million and has increased to \$8.1 million in 2017, slight 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 improvement of the City's operations.

The governmental activities of the City's current and other assets increased by 78% while the current liability of those activities increased by 14%. The business-type activities of the City's current and other assets increased by 6% while the current liability of those activities decreased by 43%. The decrease is attributed to the reclassification of current liabilities to long-term debt related to monies due to Miami Dade County, Water and Sewer Department.

CITY OF OPA-LOCKA, FLORIDA

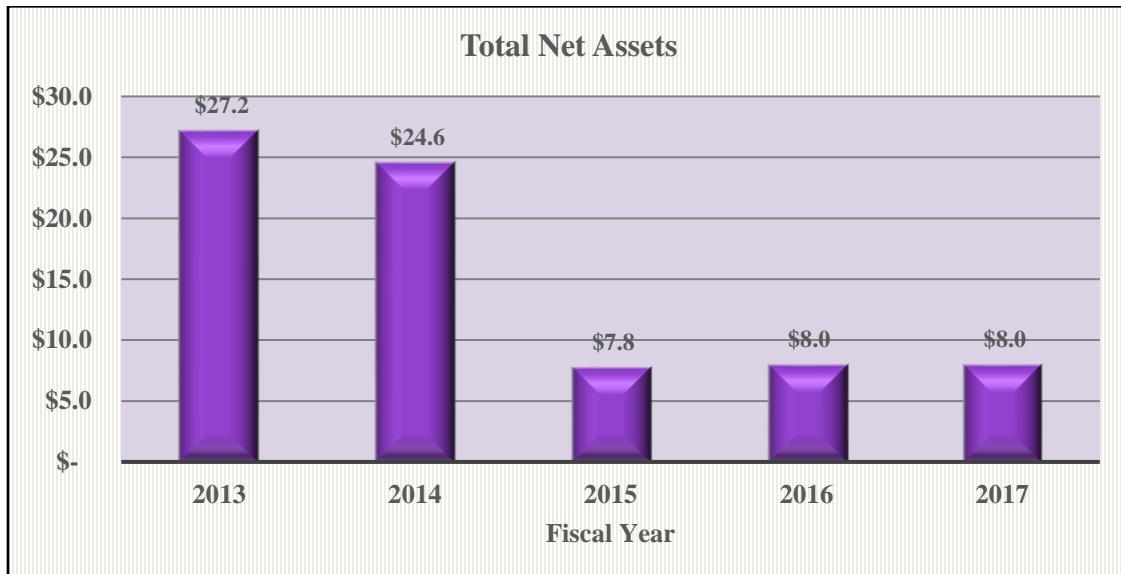
MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2017

The governmental activities invested in capital assets decreased by \$898,691 or 3.3% from the previous year and unrestricted net position now stands at (\$8.87) million, a decrease of \$2.4 million or 21% from the previous year.

The business-type activities invested in capital assets decreased by \$707,285 or 6% and unrestricted net position now stands at \$111,879, compared to (\$4.5) million in the prior year. This represents a 102% decrease in unrestricted assets.

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, 2017

STATEMENT OF ACTIVITIES

The following schedule is a summary of the fiscal year 2017 Statement of Activities with comparative information to fiscal year 2016:

	Changes in Net Assets									
	Governmental Activities			Business-type Activities			Total			
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	
Revenues:										
Program revenues:										
Charges for services	\$ 1,798,315	\$ 1,985,270	-9%	\$ 9,328,761	\$ 10,279,968	-9%	\$ 11,127,076	\$ 12,265,238	-9%	
Operating/capital grants and cont.	398,338	1,406,302	-72%	365,302	447,916	-18%	763,640	1,854,218	-59%	
General revenues:										
Property taxes	7,654,862	6,336,736	21%	-	-	0%	7,654,862	6,336,736	21%	
Other taxes	2,308,003	2,191,444	5%	-	-	0%	2,308,003	2,191,444	5%	
Franchise fees	1,355,702	1,130,688	20%	-	-	0%	1,355,702	1,130,688	20%	
Intergovernmental, unrestricted	1,891,134	2,338,805	-19%	-	-	0%	1,891,134	2,338,805	-19%	
Unrestricted interest earnings	587	277	112%	-	-	0%	587	277	112%	
Miscellaneous	1,739,788	2,145,867	-19%	-	-	0%	1,739,788	2,145,867	-19%	
Transfers	381,243	2,830,858	-87%	-	-	0%	381,243	2,830,858	-87%	
Debt proceeds	214,236	-	100%	-	-	0%	214,236	-	100%	
Total revenues	17,742,208	20,366,247	-13%	9,694,063	10,727,884	-10%	27,436,271	31,094,131	-12%	
Expenses and transfers:										
General government	6,751,876	8,009,213	-16%	-	-	0%	6,751,876	8,009,213	-16%	
Public safety	5,512,414	5,557,570	-1%	-	-	0%	5,512,414	5,557,570	-1%	
Transportation	1,780,407	1,732,933	3%	-	-	0%	1,780,407	1,732,933	3%	
Culture and recreation	537,294	1,406,397	-62%	-	-	0%	537,294	1,406,397	-62%	
Interest and fiscal charges	490,299	485,047	1%	-	-	0%	490,299	485,047	1%	
Water and sewer	-	-	0%	10,250,266	10,596,650	-3%	10,250,266	10,596,650	-3%	
Stormwater	-	-	0%	1,215,121	512,133	137%	1,215,121	512,133	137%	
Solid waste	-	-	0%	423,594	996,874	-58%	423,594	996,874	-58%	
Transfers	381,242	3,058,301	-88%	-	-	0%	381,242	3,058,301	-88%	
Total expenses	15,453,532	20,249,461	-24%	11,888,981	12,105,657	-2%	27,342,513	32,355,118	-15%	
Increase (decrease) in net positions	2,288,676	116,787	1860%	(2,194,918)	(1,377,772)	59%	93,758	(1,260,987)	-107%	
Net positions, beginning as previously stated	4,906,119	3,906,484	26%	3,111,443	3,887,432	-20%	8,017,562	7,793,916	3%	
Prior period adjustment	(270,492)	882,847	-131%	301,563	601,786	-50%	31,071	1,484,633	-98%	
Net position, beginning as restated	4,635,627	4,789,331	-3%	3,413,006	4,489,218	-24%	8,048,633	9,278,549	-13%	
Net positions, ending	\$ 6,924,303	\$ 4,906,119	41%	\$ 1,218,088	\$ 3,111,443	-61%	\$ 8,142,391	\$ 8,017,562	2%	

The Statement of Activities reflects a 11.8% decrease in overall revenues compared to the prior year and total expenses reflects a 15% decrease.

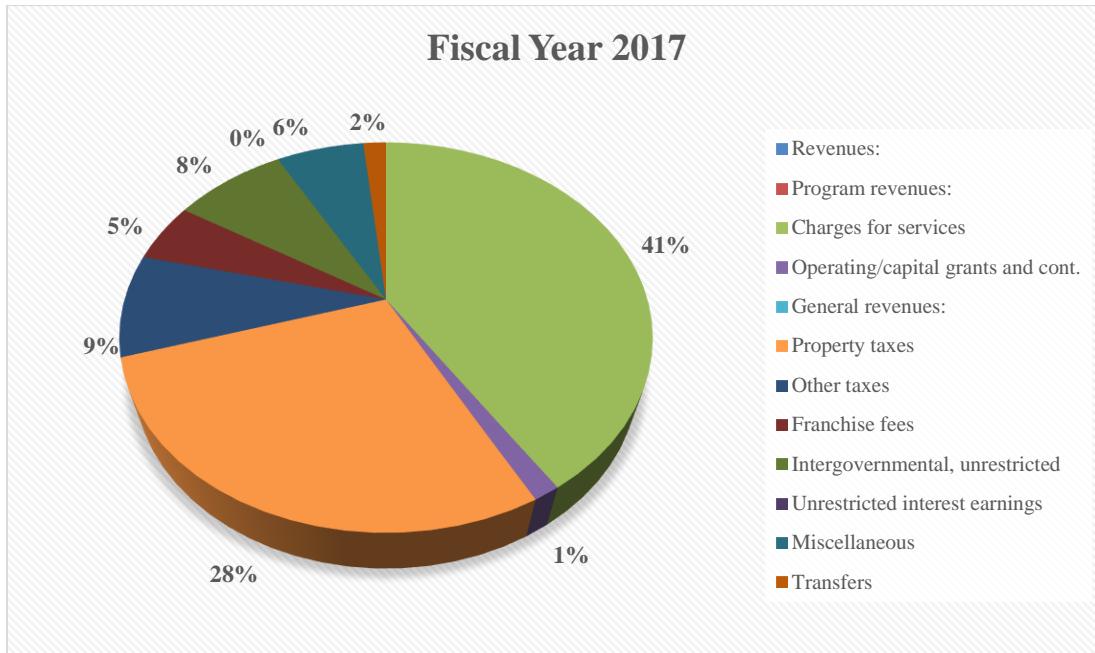
The governmental activities represent the most significant activity within the City, program revenues is more than \$17 million. Total overall decreased by 12.8% in governmental activities over the prior year due to a decrease in general government services activities such as charge for services, and other areas such as grants revenue, incoming transfers from the business type fund and other miscellaneous revenues as a result of the City's financial conditions.

The business-type activities are water and sewer, solid waste and storm water operations which included a decrease of \$1,033,821 or 9.6% in total revenues. The decrease is due to a reduction in charge for services, and grants.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2017

Sources of Revenue for Fiscal Year 2017



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 \$2.1 million which is a decrease from the prior year of \$1.37 or 59%. The decrease was primarily the result of decreases in revenue coupled with increases in costs associated with stormwater. Additionally, the business-type activities have not been able to pursue grants for infrastructure projects and as a result the cost associated with these projects has halted due to non-activity.
- The Solid Waste Fund activity is not being managed in house by the City.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2017

As of the end of fiscal year 2017, the City's governmental funds reported combined ending fund balance of \$4.6 million compared to \$1.3 million in the prior year, an increase of \$3.2 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 \$3.2 million, 2) pay transportation \$1.1 million 3) pay public safety \$597,402 related debt. In addition, there are restrictions to cash on hand being held as a result of the City's bonds with City National Bank.

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 \$1.6 million, a decrease of \$1.4 million or 46.7% from the prior year.

Total revenues for the general fund decreased by \$595,443, a 4.2% decrease in revenue related to a combination of decreases in permits and fees, intergovernmental, other financing sources and revenues, etc. A large source of state revenue sharing was withheld in both fiscal year ending September 30, 2016 and September 30, 2017, as a result these funds were not available to the City in accordance with Section 218.63(2), Florida Statutes.

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

General Fund Revenues	2017 Amount	Percent of Total	2016 Amount	Percent of Total	Increase (Decrease) From 2016	Percent of Increase (Decrease)
Property	\$ 7,438,862	55%	\$ 6,309,640	45%	\$ 1,129,222	18%
Utility service taxes	62,876	1%	65,550	0%	(2,674)	-4%
Communication service taxes	-	0%	-	0%	-	0%
Local option, use and fuel taxes	302,792	2%	-	0%	302,792	100%
Franchise fees	1,355,702	10%	1,130,688	8%	225,014	20%
Local business taxes	254,399	2%	237,679	2%	16,720	7%
Permits and fees	606,220	4%	934,436	7%	(328,216)	-35%
Intergovernmental	63,370	1%	283,009	2%	(219,639)	-77%
Charges for services	190,784	1%	113,746	1%	77,038	68%
Fines and forfeitures	1,001,311	7%	899,015	6%	102,296	11%
Interest	3	0%	59	0%	(56)	-94%
Other revenue	1,633,892	12%	2,145,867	15%	(511,975)	-24%
Other financing sources	595,479	5%	1,981,444	14%	(1,385,965)	-70%
Total Revenues	\$ 13,505,690	100%	\$ 14,101,133	100%	\$ (595,443)	4.2%

Total expenditures for the general fund decreased by \$2.5 million, a 17.4% decrease in expenditures related to significant decreases in the following; general government, public safety, transportation, debt service, culture and recreation, and reductions in transfer out. All major areas experienced a decrease in spending due to decreases in revenue.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2017

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

General Fund Expenditures	2017 <u>Amount</u>	Percent of Total	2016 <u>Amount</u>	Percent of Total	Increase (Decrease) From 2016	Percent of Increase (Decrease)
General government	\$ 4,375,967	36%	\$ 5,443,770	37%	\$ (1,067,803)	-20%
Public safety	5,511,828	45%	5,557,570	38%	(45,742)	-1%
Transportation	1,438,800	12%	1,543,865	10.7%	(105,065)	-17%
Culture and recreation	537,294	4%	794,473	5%	(257,179)	-32%
Debt service	154,186	1%	496,509	3.4%	(342,323)	-68%
Capital outlay	110,621	1%	-	0%	110,621	100%
Transfers	-	0%	849,414	5.9%	(849,114)	0%
Total expenditures	<u>\$ 12,128,696</u>	100%	<u>\$ 14,685,601</u>	100%	<u>\$ (2,556,605)</u>	-17.4%

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 prior year was (\$4,591,865), and has substantially improved in the current fiscal year, amounting to \$111,879, there is no longer a deficit. The total decrease in net position for the enterprise funds was \$2.1 million in the current year versus a decrease of \$1.3 in the prior year, which is primarily due to losses in operating the water and sewer fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were adjustments to the appropriations between the original and final amended budget. Overall, the City actual total revenues was less than budgeted while overall expenditures were reduced and did not exceed the budget, this created excess of revenues over expenditures of \$781,515.

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, 2017, amounted to \$37.9 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 a decrease in the City's investment in capital assets for the current fiscal year by \$2.3 million attributed to depreciation.

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

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

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2017

City of Opa-locka's Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,980,457	\$ 3,042,475	\$ 14,762	\$ 14,762	\$ 3,057,237	\$ 2,995,219
Construction in progress	2,114,914	2,114,914	3,796,056	3,138,035	5,252,948	5,910,970
Buildings and building improvements	15,602,268	15,990,916	-	-	15,990,916	15,602,268
Furniture and equipment	106,794	138,447	341,538	771,906	910,353	448,332
Infrastructure	<u>5,304,992</u>	<u>5,721,365</u>	<u>7,657,167</u>	<u>8,592,105</u>	<u>14,313,470</u>	<u>12,962,158</u>
Total	<u>\$ 26,109,425</u>	<u>\$ 27,008,117</u>	<u>\$ 11,809,523</u>	<u>\$ 12,516,808</u>	<u>\$ 39,524,924</u>	<u>\$ 37,918,947</u>

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

Debt Administration

At the end of the current fiscal year the City had total debt outstanding of \$49 million, inclusive of deferred inflow of resources, an increase of \$248,903, see Note 9 for long-term debt note disclosures.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ 13,371,604	\$ 14,043,437	\$ -	\$ -	\$ 13,371,604	\$ 14,043,437
Capital leases	25,850	70,703	39,490	114,317	65,340	185,020
Loans	-	-	5,307,753	4,699,173	5,307,753	4,699,173
GASB 68 liability	8,566,264	10,382,088	1,168,127	1,415,740	9,734,391	11,797,828
Liability to Miami-Dade	214,236	-	5,356,061	-	5,570,297	-
OPEB	582,852	500,720	81,149	68,280	664,001	569,000
Compensated absences	1,360,847	1,455,939	107,795	168,826	1,468,642	1,624,765
Legal	<u>1,297,602</u>	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>1,297,602</u>	<u>800,000</u>
Total	<u>\$ 25,419,255</u>	<u>\$ 27,252,887</u>	<u>\$ 12,060,375</u>	<u>\$ 6,466,336</u>	<u>\$ 37,479,630</u>	<u>\$ 33,719,223</u>

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.
- Completion of the external audit report for fiscal year 2016 and its submission to the appropriate authorities.
- Development of key audit schedules and documentation to begin the external audit work for fiscal year 2017. Additional temporary accounting and audit staff were engaged to assist with completion of this task.

CITY OF OPA-LOCKA, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

- Continue with upgrades to bring all of the City's 19 pump stations out of moratorium and other improvements to the utility system to increase the opportunities for economic development and compliance with the consent agreement with the Department of Environmental Management (DERM).
- Planning was prepared for the re-bidding of the Request for Proposal on the Ali Baba Cultural Arts Center project. Proposals will be requested for roof repairs, stripping down and painting the building, with all work done in accordance with ADA standards. Funding for this project was approved by Miami Dade County's Department of Public Housing and Community Development (PHCD).
- The City has identified a contractor to complete the final 25% of underground infrastructure work at Cairo Lane, from NW 135th Street to the canal, and from NW 127th Street to NW 32nd Avenue. This project has been re-scheduled for completion during the early part of fiscal year 2020.
- The City participates with Miami-Dade County's Infill Housing Project team members for development of the Magnolia Area of the City that is located within the boundaries of NW 22nd Avenue and Ali-Baba to NW 151st Street to the railroad tracks. Herein lies some 17 vacant properties slated for residential development and completion during fiscal year 2020. The Department of PHCD is working with recommendations from the City to develop these properties. The City also owns 9 vacant parcels in the Magnolia Area and is moving forward to develop them for residential and mixed uses.
- Work to expand the City's online services to allow residents to access an e-commerce platform, which is ongoing until fiscal year 2019. It is anticipated to be complete and released during fiscal year 2019.
- The development of a destination plan to attract more visitors to the City has been an ongoing project that is continuing through subsequent fiscal years. As the external audits are released for these fiscal years, it is anticipated that additional funds will be released to facilitate achievement of the destination plans to attract more visitors to the City.
- Plans for milling and resurfacing of the City's roadways were a continued priority during fiscal year 2018. There was approximately 10 miles of roadway that were in need of improvement, of which 7 miles were completed during fiscal year 2019 and 3 miles are pending completion. Due to the magnitude of trucking and other traffic throughout the City, this is an ongoing project.

These factors were considered in preparing the City of Opa-locka's budget for fiscal years 2018-2019 and 2019-2020.

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, 2017

	Governmental Activities	Proprietary Activities	Total
ASSETS			
Cash and equity in pooled cash	\$ 3,835,084	\$ 3,916,541	\$ 7,751,625
Receivables, net	918,213	1,460,367	2,378,580
Internal balance	1,169,521	(1,169,521)	-
Due from other governments	466,538	459,907	926,445
Inventories	23,195	379-	23,195
Other assets	75,007	-	75,007
Restricted cash and cash equivalents	2,356,939	1,447,249	3,804,188
Capital assets, not being depreciated	5,095,401	3,810,819	8,906,220
Capital assets, being depreciated net	<u>21,014,055</u>	<u>7,998,695</u>	<u>29,012,750</u>
Total assets	<u>34,953,953</u>	<u>17,924,057</u>	<u>52,878,010</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension (Note 10)	<u>3,840,956</u>	<u>523,767</u>	<u>4,364,723</u>
Total deferred outflow of resources	<u>3,840,956</u>	<u>523,767</u>	<u>4,364,723</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,664,998	2,441,705	4,106,703
Due to other governments	2,525,787	1,046	2,526,833
Customers' deposits	12,616	2,420,070	2,432,686
Noncurrent liabilities:			
Due within one year:			
Compensated absences	136,085	10,780	146,865
Long term debt	770,808	521,086	1,291,894
Due in more than one year:			
Compensated absences	1,224,762	97,016	1,321,778
OPEB obligation	582,852	81,149	664,001
Contingency	1,297,602	-	1,297,602
Long -term debt - Pension liability	8,566,264	1,168,127	9,734,391
Long -term debt	<u>12,840,882</u>	<u>10,182,219</u>	<u>23,023,101</u>
Total liabilities	<u>29,622,656</u>	<u>16,923,198</u>	<u>46,545,854</u>
DEFERRED INFLOW OF RESOURCES			
Pension (Note 10)	<u>2,247,949</u>	<u>306,539</u>	<u>2,554,488</u>
Total deferred inflow of resources	<u>2,247,949</u>	<u>306,539</u>	<u>2,554,488</u>
NET POSITION			
Invested in capital assets, net of related debt	12,497,766	1,106,209	13,603,975
Restricted for:			
Debt service	3,298,639	-	3,298,639
Unrestricted	<u>(8,872,101)</u>	<u>111,879</u>	<u>(8,760,222)</u>
Total Net Position	<u>\$ 6,924,304</u>	<u>\$ 1,218,088</u>	<u>\$ 8,142,392</u>

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

<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	\$ 6,751,876	\$ 719,144	\$ -	\$ -	\$ (6,032,732)	\$ -	\$ (6,032,732)
Public safety	5,512,414	1,057,312	13,191	-	(4,441,911)	-	(4,441,911)
Transportation	1,780,407	-	-	385,147	(1,395,260)	-	(1,395,260)
Culture and recreation	537,294	21,859	-	-	(515,435)	-	(515,435)
Interest on long term debt	490,299	-	-	-	(490,299)	-	(490,299)
Total governmental activities	<u>15,072,290</u>	<u>1,798,315</u>	<u>13,191</u>	<u>385,147</u>	<u>(12,875,637)</u>	<u>-</u>	<u>(12,875,637)</u>
Proprietary activities:							
Water and sewer	10,250,266	7,106,891	-	365,302	-	(2,778,073)	(2,778,073)
Solid waste	1,215,121	1,499,873	-	-	-	284,752	284,752
Stormwater	<u>423,594</u>	<u>721,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,403</u>	<u>298,403</u>
Total proprietary activities	<u>11,888,981</u>	<u>9,328,761</u>	<u>-</u>	<u>365,302</u>	<u>-</u>	<u>(2,194,918)</u>	<u>(2,194,918)</u>
Total	<u>\$ 26,961,271</u>	<u>\$ 11,127,076</u>	<u>\$ 13,191</u>	<u>\$ 750,449</u>	<u>(12,875,637)</u>	<u>(2,194,918)</u>	<u>(15,070,555)</u>
General revenues:							
Property taxes				7,654,862	-	7,654,862	
Franchise fees				1,355,702	-	1,355,702	
Utility taxes				1,341,754	-	1,341,754	
Communication services tax				409,058	-	409,058	
Local option, use and fuel taxes				302,792	-	302,792	
Local business tax				254,399	-	254,399	
Intergovernmental revenue - unrestricted				1,891,134	-	1,891,134	
Unrestricted interest earnings				587	-	587	
Miscellaneous				1,739,788	-	1,739,788	
Transfers in				381,243	-	381,243	
Transfers out				(381,242)	-	(381,242)	
Debt proceeds				214,236	-	214,236	
Total general revenues and transfers				<u>15,164,313</u>	<u>-</u>	<u>15,164,313</u>	
Change in net position				<u>2,288,676</u>	<u>(2,194,918)</u>	<u>93,758</u>	
Net position, beginning as previously stated				4,906,119	3,111,443	8,017,562	
Prior period adjustment (Note 17)				(270,492)	301,563	31,071	
Net position, beginning restated (Note 17)				4,635,627	3,413,006	8,048,633	
Net position, ending				<u>\$ 6,924,303</u>	<u>\$ 1,218,088</u>	<u>\$ 8,142,391</u>	

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

BALANCE SHEET — GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	<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	\$ 3,410,586	\$ 100	\$ -	\$ 424,398	\$ 3,835,084
Receivables, net	819,623	-	98,590	-	918,213
Other government account receivables	-	309,945	56,593	100,000	466,538
Due from other funds	10,872,396	1,687,400	5,695,233	1,836,591	20,091,620
Inventories	23,195	-	-	-	23,195
Prepaid items	75,007	-	-	-	75,007
Restricted cash and cash equivalents	<u>223,116</u>	<u>-</u>	<u>2,065,772</u>	<u>68,051</u>	<u>2,356,939</u>
Total assets	<u>\$ 15,423,923</u>	<u>\$ 1,997,445</u>	<u>\$ 7,916,188</u>	<u>\$ 2,429,040</u>	<u>\$ 27,766,596</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,409,116	\$ 39,767	\$ 31,066	\$ 185,049	\$ 1,664,998
Due to other funds	13,089,503	875,164	2,674,333	2,283,099	18,922,099
Customer deposits	12,616	-	-	-	12,616
Other government account payables	<u>2,524,782</u>	<u>-</u>	<u>-</u>	<u>1,005</u>	<u>2,525,787</u>
Total liabilities	<u>17,036,017</u>	<u>914,931</u>	<u>2,705,399</u>	<u>2,469,153</u>	<u>23,125,500</u>
FUND BALANCE					
Nonspendable:					
Inventories	23,195	-	-	-	23,195
Prepaid items	75,007	-	-	-	75,007
Restricted for:					
Debt service	-	-	3,298,639	-	3,298,639
Committed for:					
Public safety	-	-	-	597,402	597,402
Transportation	-	1,135,601	-	-	1,135,601
Unassigned:					
General fund	<u>(1,710,296)</u>	<u>(53,087)</u>	<u>1,912,150</u>	<u>(637,515)</u>	<u>(488,748)</u>
Total fund balances	<u>(1,612,094)</u>	<u>1,082,514</u>	<u>5,210,789</u>	<u>(40,113)</u>	<u>4,641,096</u>
Total Liabilities and Fund Balances	<u>\$ 15,423,923</u>	<u>\$ 1,997,445</u>	<u>\$ 7,916,188</u>	<u>\$ 2,429,040</u>	<u>\$ 27,766,596</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, 2017

Fund balances - total governmental funds	\$ 4,641,096
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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	\$ 26,109,456
Debt	(13,611,690)
Pension liability	(6,973,257)
Compensated absences	(1,360,847)
Other post-employment benefits	(582,852)
Accrued legal settlement	<u>(1,297,602)</u>
Net adjustment	<u>2,283,208</u>
Net position of governmental activities	<u>\$ 6,924,304</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, 2017

	<u>General</u>	<u>People's Transportation Tax</u>	<u>Capital Improvement Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes:					
Property taxes	\$ 7,438,862	\$ -	\$ -	\$ 216,000	\$ 7,654,862
Utility taxes	62,876	- -	1,278,878	-	1,341,754
Communications service taxes	-	- -	409,058	-	409,058
Local option, use and fuel taxes	302,792	- -	- -	-	302,792
Local business taxes	254,399	- -	- -	-	254,399
Franchise fees	1,355,702	- -	- -	-	1,355,702
Permits and fees	606,220	- -	- -	-	606,220
Intergovernmental	63,370	457,153	1,765,011	3,938	2,289,472
Charges for services	190,784	- -	- -	-	190,784
Fines and forfeitures	1,001,311	- -	- -	-	1,001,311
Interest	3	- -	51	533	587
Other	<u>1,633,892</u>	<u>- -</u>	<u>- -</u>	<u>105,896</u>	<u>1,739,788</u>
Total revenues	<u>12,910,211</u>	<u>457,153</u>	<u>3,452,998</u>	<u>326,367</u>	<u>17,146,729</u>
EXPENDITURES:					
Current:					
General government	4,375,967	- -	- -	15,187	4,391,154
Public Safety	5,511,828	- -	- -	586	5,512,414
Transportation	1,438,800	341,607	- -	-	1,780,407
Culture and recreation	537,294	- -	- -	-	537,294
Debt service:					
Principal	151,659	- -	671,833	-	823,492
Interest	2,527	- -	487,772	-	490,299
Capital outlay	<u>110,621</u>	<u>15,365</u>	<u>- -</u>	<u>156,457</u>	<u>282,443</u>
Total expenditures	<u>12,128,696</u>	<u>356,972</u>	<u>1,159,605</u>	<u>172,230</u>	<u>13,817,503</u>
Excess (deficiency) of revenues over expenditures	781,515	100,181	2,293,393	154,137	3,329,226
OTHER FINANCING SOURCES (USES):					
Debt proceeds	214,236	- -	- -	-	214,236
Transfers in	381,243	- -	- -	-	381,243
Transfers out	<u>-</u>	<u>-</u>	<u>(381,243)</u>	<u>-</u>	<u>(381,243)</u>
Total other financing sources (uses)	<u>595,479</u>	<u>-</u>	<u>(381,243)</u>	<u>-</u>	<u>214,236</u>
Net change in fund balances	1,376,994	100,181	1,912,150	154,137	3,543,462
Fund balances, beginning	(3,025,624)	1,427,631	3,298,640	(332,521)	1,368,126
Prior period adjustment (Note 17)	<u>36,533</u>	<u>(445,298)</u>	<u>-</u>	<u>138,273</u>	<u>(270,492)</u>
Fund balances, beginning restated (Note 17)	<u>(2,989,091)</u>	<u>982,333</u>	<u>3,298,640</u>	<u>(194,248)</u>	<u>1,097,634</u>
Fund balances, ending	<u>\$ (1,612,097)</u>	<u>\$ 1,082,514</u>	<u>\$ 5,210,790</u>	<u>\$ (40,111)</u>	<u>\$ 4,641,096</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, 2017

Change in fund balance governmental funds	\$ 3,543,462
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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	98,163
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Less current depreciation	(934,835)
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The effect of other transaction involving capital assets:

Sale of land	(62,018)
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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	671,833
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Principal payments of capital leases	44,853
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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 deferred out flow of resource	(373,900)
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Change in legal accrual	(497,602)
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Change in other post-employment benefits	(82,132)
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Change in compensated absences	95,088
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Change in long-term debt	<u>(214,236)</u>
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Change in net position of governmental activities	<u>\$ 2,288,676</u>
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See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF NET POSITION — PROPRIETARY FUNDS

SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds				Total	
	Water and Sewer	Solid Waste	Other Nonmajor Enterprise Funds	Business-type Activities - Enterprise Funds		
	Water and Sewer	Solid Waste	Other Nonmajor Enterprise Funds			
ASSETS						
Current assets:						
Cash and equity in pooled cash	\$ 2,830,321	\$ -	\$ 1,086,220	\$ 3,916,541		
Receivables, net	1,215,898	-	-	-	1,215,898	
Estimated unbilled services	-	-	244,469	244,469		
Due from other governments	415,467	-	44,438	459,905		
Due from other funds	<u>3,642,794</u>	<u>1,690,991</u>	<u>487,338</u>	<u>5,821,123</u>		
Total current assets	8,104,480	1,690,991	1,862,465	11,657,936		
Noncurrent assets:						
Restricted cash and cash equivalents	1,337,249	-	110,000	1,447,249		
Non depreciable capital assets	3,521,763	-	289,056	3,810,819		
Capital assets, net	<u>7,961,306</u>	<u>-</u>	<u>37,389</u>	<u>7,998,695</u>		
Total noncurrent assets	12,820,318	-	436,445	13,256,763		
Total assets	20,924,798	1,690,991	2,298,910	24,914,699		
DEFERRED OUTFLOW OF RESOURCES						
Pension (Note 10)	523,767	-	-	523,767		
Total deferred outflow of resources	<u>523,767</u>	<u>-</u>	<u>-</u>	<u>523,767</u>		
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	2,353,364	4,108	84,233	2,441,705		
Due to other funds	4,642,072	1,643,564	705,006	6,990,642		
Due to other governments	1,046	-	-	1,046		
Deposits	2,353,802	66,266	2	2,420,070		
Current portion of long term debt	<u>501,264</u>	<u>-</u>	<u>19,822</u>	<u>521,086</u>		
Total current liabilities	9,851,548	1,713,938	809,063	12,374,549		
Noncurrent liabilities:						
Compensated absences	74,980	-	32,815	107,795		
OPEB	73,985	-	7,164	81,149		
Long -term debt - Pension Liability	1,168,127	-	-	1,168,127		
Long term debt	<u>9,633,993</u>	<u>-</u>	<u>548,226</u>	<u>10,182,219</u>		
Total noncurrent liabilities	10,951,085	-	588,205	11,539,290		
Total liabilities	20,802,633	1,713,938	1,397,268	23,913,839		
DEFERRED INFLOW OF RESOURCES						
Pension (Note 10)	306,539	-	-	306,539		
Total deferred inflow of resources	<u>306,539</u>	<u>-</u>	<u>-</u>	<u>306,539</u>		
NET POSITION						
Invested in capital assets, net of related debt	1,347,812	-	(241,603)	1,106,209		
Unrestricted	<u>(1,008,419)</u>	<u>(22,947)</u>	<u>1,143,245</u>	<u>111,879</u>		
Total net position	\$ 339,393	\$ (22,947)	\$ 901,642	\$ 1,218,088		

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

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

SEPTEMBER 30, 2017

	Business-Type Activities-Enterprise Funds			
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 6,432,826	\$ 1,499,873	\$ 721,997	\$ 8,654,696
Other revenues	<u>1,039,367</u>	<u>-</u>	<u>-</u>	<u>1,039,367</u>
Total operating revenues	<u>7,472,193</u>	<u>1,499,873</u>	<u>721,997</u>	<u>9,694,063</u>
Operating expenses:				
Operating, administrative and maintenance	8,682,990	1,215,121	355,697	10,253,808
Bad debts and other	268,157	-	-	268,157
Depreciation	<u>1,299,131</u>	<u>-</u>	<u>66,176</u>	<u>1,365,307</u>
Total operating expenses	<u>10,250,278</u>	<u>1,215,121</u>	<u>421,873</u>	<u>11,887,272</u>
Operating income (loss)	(2,778,085)	284,752	300,124	(2,193,209)
Non-operating revenues (expenses)				
Interest and fiscal charges	<u>12</u>	<u>-</u>	<u>(1,721)</u>	<u>(1,709)</u>
Total non-operating revenues (expenses)	<u>12</u>	<u>-</u>	<u>(1,721)</u>	<u>(1,709)</u>
Income before transfers	(2,778,073)	284,752	298,403	(2,194,918)
Change in net position	(2,778,073)	284,752	298,403	(2,194,918)
Net position, beginning as previously stated	2,904,112	(307,699)	515,030	3,111,443
Prior period adjustment (Note 17)	<u>213,354</u>	<u>-</u>	<u>88,209</u>	<u>301,563</u>
Net position, beginning restated (Note 17)	<u>3,117,466</u>	<u>(307,699)</u>	<u>603,239</u>	<u>3,413,006</u>
Net position, ending	<u>\$ 339,393</u>	<u>\$ (22,947)</u>	<u>\$ 901,642</u>	<u>\$ 1,218,088</u>

See notes to basic financial statements.

CITY OF OPA-LOCKA, FLORIDA

STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS

SEPTEMBER 30, 2017

	Business-Type Activities- Enterprise Funds			
	Water and <u>Sewer</u>	Solid <u>Waste</u>	Other Nonmajor Enterprise Funds	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 7,978,022	\$ 1,440,800	\$ -	\$ 9,418,822
Cash paid to vendors and employees	(7,496,567)	(1,283,922)	-	(8,780,489)
Internal activity payments from (to) other funds, net	<u>422,065</u>	<u>(156,878)</u>	<u>282,258</u>	<u>547,445</u>
Net cash provided by operating activities	<u>903,520</u>	<u>-</u>	<u>282,258</u>	<u>1,185,778</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(658,022)	-	-	(658,022)
Capital grants and contributions	285,946	-	-	285,946
Proceeds from compensated absences and OPEB	(48,161)	-	-	(48,161)
Interest paid on long term debt	12	-	-	12
Principal paid on debt	<u>(322,445)</u>	<u>-</u>	<u>-</u>	<u>(322,445)</u>
Net cash used in capital and related financing activities	<u>(742,670)</u>	<u>-</u>	<u>-</u>	<u>(742,670)</u>
Cash flows from investing activities:				
Interest income	(12)	-	(1,721)	(1,733)
Net cash provided by investing activities	<u>(12)</u>	<u>-</u>	<u>(1,721)</u>	<u>(1,733)</u>
Net increase (decrease) in cash	160,838	-	280,537	441,375
Cash, beginning	<u>4,006,732</u>	<u>-</u>	<u>915,683</u>	<u>4,922,415</u>
Cash, ending	<u>4,167,570</u>	<u>-</u>	<u>1,196,220</u>	<u>5,363,790</u>
Display as:				
Unrestricted	2,830,321	-	1,086,220	3,916,541
Restricted	<u>1,337,249</u>	<u>-</u>	<u>110,000</u>	<u>1,447,249</u>
Total	<u>4,167,570</u>	<u>-</u>	<u>1,196,220</u>	<u>5,363,790</u>
Reconciliation of operating income to cash provided by operating activities:				
Operating income (loss)	(2,778,073)	284,752	298,403	(2,194,918)
Adjustment to reconciled operating income to net cash provided by (used in) operating activities:				
Depreciation expenses	1,299,131	-	66,176	1,365,307
(Increase) decrease in:				
Accounts receivable	505,829	-	-	505,829
Due from other governments	(79,356)	-	-	(79,356)
Due from other funds	(2,490,988)	(1,440,800)	(131,933)	(4,063,721)
Increase (decrease) in:				
Accounts payable and accrued liabilities	921,934	(68,801)	40,687	893,820
Customer deposits	155,034	(1,085)	2	153,951
Compensated absences	(80,911)	-	19,881	(61,030)
Bad debt others	268,157	-	-	268,157
Other liabilities and pension	5,151,664	-	503,406	5,655,070
Due to other funds	2,784,070	1,225,934	122,072	4,132,076
Due to other governments	<u>(4,752,971)</u>	<u>-</u>	<u>(636,436)</u>	<u>(5,389,407)</u>
Net Cash Provided by Operating Activities	<u>\$ 903,520</u>	<u>\$ -</u>	<u>\$ 282,258</u>	<u>\$ 1,185,778</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, 2017

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 reporting entity covered by this report includes the City and its component unit. The reporting entity has been defined in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Section 2100. The accompanying financial statements include those of the City (the primary government) and those of its component unit. Component units are legally separate organizations for which the primary government is financially accountable or organizations which should be included in the City’s financial statements because of the nature and significance of their relationship with the primary government. GASB Codification of Governmental Accounting and Financial Reporting Standards Section 2100 provides guidance for the inclusion of a legally separate entity as a component unit of an entity. The application of this guidance provides for identification of entities for which the City is financially accountable or organizations that the nature and significance of their relationship with the City are such that exclusions would cause the City’s basic financial statements to be misleading or incomplete.

Based upon the application of GASB Codification Section 2100, the component units listed below have been included in the City’s reporting entity as either blended or discretely presented component units.

Blended component units, although legally separate entities, are in substance part of the City’s operations. Accordingly, data from these component units are included with data of the primary government. Discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize that they are legally separate from the City. The financial balances and activities of the blended component unit are as of and for the year ended September 30, 2017.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 2016-2017 due to limited tax increment funds produced by ad valorem taxes. There was approximately \$216,000 in 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) and is part of nonmajor governmental funds. No separate financial statements are issued.

Special District

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, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 Qualified Opinion

GASB 34 requires governments to report and better understand the extent to which the City has invested in capital assets, including roads, bridges and other infrastructure assets. The City has not fully identified its infrastructure assets nor developed an asset management system that the City can document that its capital assets are being properly managed and preserved. Moreover, the City has not performed a physical inventory of its capital assets for several years.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Deposits and Investments

The City considers cash on hand, cash with fiscal agents, demand deposits, and certificates of deposit with 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.

3. 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.

4. 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.

5. 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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. 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 extended 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

7. 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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Inter-fund Transactions (cont'd)

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.

8. 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.

9. 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.

10. 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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. 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.

12. 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.

13. 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.

Restricted balances consist 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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

14. 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.

F. 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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 2. DEFICIT FUND EQUITY

The City reported fund balance deficits of \$1.6 million for the General Fund, \$22,947 for the Solid Waste Fund and \$683,319 for the Safe Neighborhood Capital Projects Fund. These deficit balances are being addressed through a five-year recovery plan beginning in fiscal year 2019. In accordance with Florida Statute, 218.503 (3)(h) that clarifies the determination of financial emergency, 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 its 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, 2016 upon which the 2016-2017 levy, was approximately \$7.6 million. For the year ended September 30, 2017, 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 2017 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2017, and such taxes are collected to finance expenditures of the fiscal year ending September 30, 2018.

NOTE 4. DEPOSITS AND INVESTMENTS

As of September 30, 2017, 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, 2017

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, 2017, the City has no investments.

NOTE 5. ACCOUNTS RECEIVABLE

Receivable balances as of September 30, 2017, 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	\$ -	\$ -	\$ -	\$ 819,624	\$ -	\$ 819,624
Capital projects and debt service	<u>98,589</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>98,589</u>
Total governmental activities	<u><u>98,589</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>\$ 819,624</u></u>	<u><u>—</u></u>	<u><u>\$ 918,213</u></u>
Business-type activities:						
Water and sewer	\$ 2,078,111	\$ -	\$ -	\$ -	\$ (862,213)	\$ 1,215,898
Stormwater	<u>261,733</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(17,264)</u>	<u>244,469</u>
Total business-type activities	<u><u>\$ 2,339,844</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (879,477)</u></u>	<u><u>\$ 1,460,367</u></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, 2017, consisted of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major governmental fund:		
General fund	\$ 10,872,396	\$ 13,089,503
Capital improvement debt service	5,695,233	2,674,333
People's Transportation	1,687,400	784,400
Non-major governmental funds	1,809,495	2,283,099
Major enterprise fund:		
Solid waste	1,690,991	1,643,564
Water and sewer	3,642,794	4,642,072
Non-major enterprise funds	423,668	705,006
Total	<u><u>\$ 25,821,977</u></u>	<u><u>\$ 25,821,977</u></u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 6. INTERFUND BALANCES AND TRANSFERS (Continued)

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 381,243	\$ -
CIP debt service fund	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	(381,243) <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total	<u>\$ 381,243</u>	<u>\$ (381,243)</u>

The balance of certain pledged funds are normally available for use within the General Fund and are transferred back after debt services payments have been completed. However, City National Bank has been restricted the use of these excess pledged funds after debt service payments have been made; as of September 30, 2017, approximately \$3.2 million is unavailable for City operations.

NOTE 7. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2017:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>09/30/16</u>			<u>09/30/17</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,042,475	\$ -	\$ (62,018)	\$ 2,980,457
Construction in progress	<u>2,114,914</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>2,114,914</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total assets not being depreciated	<u>5,157,389</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	(62,018) <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>5,095,371</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Capital assets being depreciated:				
Buildings and improvements	19,498,959	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	19,498,959 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Vehicles, furniture, and equipment	4,706,309	114,347	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	4,820,656 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Infrastructure	<u>21,648,028</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>21,648,028</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total assets being depreciated	<u>45,853,296</u>	<u>114,347</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>45,967,643</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Less accumulated depreciation:				
Buildings and improvements	(3,508,044)	(388,647)	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	(3,896,691) <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Vehicles, furniture, and equipment	(4,567,862)	(146,000)	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	(4,713,862) <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Infrastructure	<u>(15,926,663)</u>	<u>(416,373)</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>(16,343,036)</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total accumulated depreciation	<u>(24,002,569)</u>	<u>(951,020)</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>(24,953,589)</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total capital assets being depreciated, net	<u>21,850,727</u>	<u>(836,674)</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>21,014,054</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Governmental activities capital assets, net	<u>\$ 27,008,115</u>	<u>\$ (836,674)</u>	<u>\$ (62,018)</u>	<u>\$ 26,109,425</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 14,762	\$ -	\$ -	\$ 14,762
Construction in progress	<u>3,138,035</u>	<u>658,022</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>3,796,056</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total assets not being depreciated	<u>3,152,797</u>	<u>658,022</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>3,810,819</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Capital assets being depreciated:				
Vehicles, furniture, and equipment	6,867,366	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	6,867,366 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Infrastructure	<u>21,899,740</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>21,899,740</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total assets being depreciated	<u>28,767,106</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>28,767,106</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Less accumulated depreciation:				
Vehicles, furniture, and equipment	(6,095,460)	(430,368)	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	(6,525,828) <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Infrastructure	<u>(13,307,634)</u>	<u>(934,939)</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>(14,242,573)</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total accumulated depreciation	<u>(19,403,094)</u>	<u>(1,365,307)</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>(20,768,401)</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Total capital assets being depreciated, net	<u>9,364,011</u>	<u>(1,365,307)</u>	- <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<u>7,998,705</u> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
Business-type activities capital assets, net	<u>\$ 12,516,808</u>	<u>\$ (707,285)</u>	<u>\$ -</u>	<u>\$ 11,809,522</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 7. CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 291,011
Public safety	193,057
Transportation	460,294
Parks and recreation	<u>6,658</u>
Total	<u>\$ 951,020</u>

Business-type activities:

Water and sewer	\$ 1,299,131
Storm water	<u>66,176</u>
Total	<u>\$ 1,365,307</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, 2017, are as follows:

Governmental Activities:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2018	\$ 25,850	\$ 39,488	\$ 65,338
Total minimum lease	25,850	39,488	65,338
Less: amount representing interest	<u>331</u>	<u>483</u>	<u>814</u>
Present value of minimum lease payments	<u>\$ 25,519</u>	<u>\$ 39,005</u>	<u>\$ 64,524</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 9. LONG-TERM DEBT

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

	<u>Balance 9/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 9/30/17</u>	<u>Due in One Year</u>
Governmental Activities						
Capital Improvement Revenue Bond						
Series 2011 A&B	\$ 5,716,000	\$ -	\$ (445,000)	\$ -	\$ 5,271,000	\$ 510,000
Citi National Bank						
Series 2015	8,327,437	- -	(226,833)	- -	8,100,604	234,958
Other liabilities:						
Capital lease obligation	70,703	- -	(44,853)	- -	25,850	25,850
Total bond and leases	<u>14,114,140</u>	<u>- -</u>	<u>(716,686)</u>	<u>- -</u>	<u>13,397,454</u>	<u>770,808</u>
Compensated absences	1,455,939	- -	- -	(95,092)	1,360,847	- -
OPEB	500,720	82,132	- -	- -	582,852	- -
FRS Pension liability	10,382,088	- -	- -	(1,815,824)	8,566,264	- -
Miami Dade County debt	- -	214,236	- -	- -	214,236	- -
Long-term liability legal	800,000	497,602	- -	- -	1,297,602	- -
Total other long-term debt	<u>13,138,747</u>	<u>793,970</u>	<u>- -</u>	<u>(1,910,916)</u>	<u>12,021,800</u>	<u>- -</u>
Total Governmental Activities	<u><u>\$ 27,252,887</u></u>	<u><u>\$ 793,970</u></u>	<u><u>\$ (716,686)</u></u>	<u><u>\$ (1,910,916)</u></u>	<u><u>\$ 25,419,254</u></u>	<u><u>\$ 770,808</u></u>
Business Type Activities						
State Revolving Loan CS12080003P	\$ 623,933	\$ - -	\$ (88,232)	\$ - -	\$ 535,701	\$ 90,926
State Revolving Loan WW800050	1,404,765	- -	(118,198)	- -	1,286,567	120,013
State Revolving Loan DW130330	92,465	- -	(8,672)	- -	83,793	10,043
State Revolving Loan SW130320	176,385	- -	(9,184)	- -	167,201	8,867
State Revolving Loan WW130300	493,984	- -	(23,331)	- -	470,653	23,077
State Revolving Loan WW130301	1,907,641	669,307	- -	- -	2,576,948	166,545
State Revolving Loan DW130331	- -	130,280	- -	56,609	186,889	62,124
Total State Revolving Loans	<u>4,699,173</u>	<u>799,587</u>	<u>(247,617)</u>	<u>56,609</u>	<u>5,307,753</u>	<u>481,595</u>
Other debt:						
Capital lease obligation	114,316	- -	(74,828)	- -	39,488	39,488
Total leases	114,316	- -	(74,828)	- -	39,488	39,488
Compensated absences	168,826	- -	- -	(61,031)	107,795	- -
OPEB	68,280	12,868	- -	- -	81,148	- -
Long-term debt - MDC	- -	5,356,061	- -	- -	5,356,061	- -
FRS Pension liability	1,415,740	- -	- -	(247,613)	1,168,127	- -
Total other long-term debt	<u>1,652,846</u>	<u>5,368,929</u>	<u>- -</u>	<u>(308,644)</u>	<u>6,713,131</u>	<u>- -</u>
Total Business Type Activities	<u><u>\$ 6,466,335</u></u>	<u><u>\$ 6,168,516</u></u>	<u><u>\$ (322,445)</u></u>	<u><u>\$ (252,035)</u></u>	<u><u>\$ 12,060,372</u></u>	<u><u>\$ 521,083</u></u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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, 2017

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.
- (h) State Revolving Loan Note Project No. DW130331- for \$2,745,981 million, bearing interest at a rate of 1.21%, due in 40 semi-annual payments of \$79,075, from July 15, 2018 until all amounts have been fully paid, secured by a lien on pledged revenues as defined by the State Revolving Fund loan agreement.
- (i) In August 4, 2017, the City entered into an agreement with Miami-Dade County (“the County”) for (1) sewer disposal service, (2) administering the meter reading, billing and collection of water, sanitary sewage and stormwater utility charges, and (3) acknowledging delinquent charges and repay at a rate of three percent (3%) annual interest rate, in monthly payments for sixty (60) months to re-pay past due debt owed as of March 15, 2017. As of September 30, 2017, the total debt outstanding was \$5,570,297, with monthly payments of \$100,090.95.

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

Fiscal Year Ending September 30,	Governmental Activities		Business - Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 744,958	\$ 465,933	\$ 544,096	\$ 85,721
2019	770,390	439,780	890,096	106,446
2020	797,140	412,708	1,778,170	219,271
2021	825,221	384,676	1,817,423	180,019
2022	853,646	355,653	1,857,804	139,638
2023-2028	9,380,249	893,789	5,966,820	288,451
Thereafter	<u>—</u>	<u>—</u>	<u>4,948,569</u>	<u>114,334</u>
	<u><u>\$ 13,371,604</u></u>	<u><u>\$ 2,952,539</u></u>	<u><u>\$ 17,802,978</u></u>	<u><u>\$ 1,133,880</u></u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 9. LONG-TERM DEBT (Continued)

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, 2017, 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.

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, 2017, 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, 2017, 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, 2017.

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. RETIREMENT PLANS

All of the City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a Florida state agency, county government, district school board, state university, community college, or a participating city or special district. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established and may amend the contribution requirements and benefit terms of all FRS plans.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

The plan administrator for FRS prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of this report can be obtained from the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida 32315-9000; or at the Division's website (www.frs.myflorida.com).

A. Pension Plan - Florida Retirement System (FRS)

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

The general classes of membership for the City are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) - Members in senior management level positions
- Special Risk Class - Members who are employed as law enforcement officers

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, a 5.0% benefit reduction is imposed for each year prior to the normal retirement age.

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earn monthly interest equivalent to an annual rate of 1.30%. DROP participants with an effective DROP commencement date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50%.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

A. Pension Plan - Florida Retirement System (FRS) (cont'd)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value (Per Year of Service)</u>
Regular Class Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from Dec. 1, 1970 through Sept. 30, 1974	2.00%
Service on and after Oct. 1, 1974	3.00%
Senior Management Service Class	
	2.00%

The benefits received by retirees and beneficiaries are increased by a COLA each July based on their June benefit amount. For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor benefits). The COLA for retirements or DROP participation effective before August 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each Pension Plan member with an effective retirement date of August 1, 2011, or after will have an individual COLA factor for retirement. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

A. Pension Plan - Florida Retirement System (FRS) (cont'd)

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan 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 fiscal year 2016-2017 are as follows:

<u>Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate*</u>	<u>Total Contribution Rate</u>
Regular	3.00%	5.80%	8.80%
Senior Management	3.00%	20.05%	23.05%
Special Risk	3.00%	20.85%	23.85%
DROP	N/A	11.33%	11.33%

*These rates include the normal cost and unfunded actuarial liability contributions but do not include the 1.66 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.06 percent for administration of the FRS Investment Plan and provision of educational tools for both plans.

For the fiscal year ending September 30, 2017, contributions, including employee contributions, to the Pension Plan for the City totaled \$852,437.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2017, the City reported a liability of \$7,651,779 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on its share of the City's 2016-2017 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$1,177,526. 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	\$ 702,249	\$ (42,387)
Change of Assumptions	2,571,538	-
Net difference between projected and actual earnings on Pension Plan investments	-	(189,630)
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	400,973	(1,236,240)
Pension Plan contributions subsequent to the measurement date	<u>179,012</u>	<u>-</u>
Total	<u>\$ 3,853,772</u>	<u>\$ (1,468,257)</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

A. Pension Plan - Florida Retirement System (FRS) (cont'd)

The deferred outflows of resources related to the Pension Plan, totaling \$179,012 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 the 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>
2018	\$ 193,587
2019	551,832
2020	534,407
2021	(52,682)
2022	306,460
Thereafter	<u>672,899</u>
Total	<u>\$ 2,206,503</u>

Actuarial Assumptions – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

A. Pension Plan - Florida Retirement System (FRS) (cont'd)

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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	30%	3.0%	1.8%
Fixed Income	18.00%	4.5%	4.4%	4.2%
Global Equity	53.00%	7.8%	6.6%	17.0%
Real Estate (Property)	10.00%	6.6%	5.9%	12.8%
Private Equity	6.00%	11.5%	7.8%	30.0%
Strategic Investments	<u>12.00%</u>	6.1%	5.6%	9.7.1%
Total	<u>100.00%</u>			
Assumed Inflation – Mean		2.6%		1.9%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.10%. 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 calculated using the discount rate of 7.10%, 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 (6.10%) or one percentage point higher (8.10%) than the current rate:

	<u>1% Decrease 6.10%</u>	<u>Current Discount Rate 7.10%</u>	<u>1% Increase 8.10%</u>
City's proportionate share of the net pension liability	\$13,849,257	\$7,651,779	\$2,506,452

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.

Payables to the Pension Plan - At September 30, 2017, the City had no outstanding payables of to the Pension Plan for contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

B. 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, 2017, 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, 2017, the HIS contribution rate for the period October 1, 2016 through September 30, 2017, was 1.66% of payroll pursuant to section 112.363, Florida Statutes. 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 appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal year ending September 30, 2017, contributions to the HIS Plan for the City totaled \$129,528.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017, the City reported a liability of \$2,082,612 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based its share of the City's 2016-2017 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$128,338. In addition, the City reported deferred outflows of resources and deferred in flows 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	\$ 292,744	\$ (4,336)
Change of Assumptions	1,155	(180,086)
Changes in proportion and differences between Pension Plan contributions and proportionate share of contributions	190,604	(901,808)
Pension Plan contributions subsequent to the measurement date	<u>26,448</u>	<u>-</u>
Total	<u>\$ 510,951</u>	<u>\$ (1,086,230)</u>

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

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

The deferred outflows of resources related to the HIS Plan, totaling \$26,448 for the City, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>For the Year Ending September 30,</u>	<u>Deferred Outflows/(Inflows) Net</u>
2018	\$ (68,493)
2019	(68,711)
2020	(68,816)
2021	(77,277)
2022	(92,626)
Thereafter	<u>(225,804)</u>
Total	<u>\$ (601,727)</u>

Actuarial Assumptions – Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2016 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2017.

Liabilities originally calculated as of the actuarial valuation date have been recalculated as of a later GASB Measurement Date using standard actuarial roll forward procedures.

The total pension liability as of June 30, 2017 was determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.58%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions that determine the total pension liability as of June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 was 3.58. 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. The discount rate used in the 2017 valuation was updated from 2.85% to 3.58% reflecting the change in the Bond Buyer General Obligation 20-Bond municipal Bond Index as of June 30, 2017.

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 calculated using the discount rate of 3.58%, 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
City's proportionate share of the net pension liability	\$2,376,536	\$2,082,612	\$1,837,789

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.

C. 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer 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, as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and 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 0.04 percent of payroll and by forfeited benefits of plan members.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10. RETIREMENT PLANS (Continued)

C. Investment Plan (cont'd)

Allocations to the investment member's accounts during the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows:

<u>Membership Class</u>	<u>Percentage of Gross Compensation</u>
FRS Regular	6.30%
FRS Senior Manager Service	7.67%
FRS Special Risk	14.00%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over the account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or elect any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or the member may remain in the Investment Plan and rely upon that account balance for retirement income.

The Investment Plan pension expense for the City totaled \$121,925, for the fiscal year ended September 30, 2017.

At September 30, 2017, the City has no outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2017.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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, 2017 and 2016, the City purchased water and sewer services totaling \$4,078,651 and \$4,029,094 respectively, from the Authority under the terms of this agreement.

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

THREATENED LITIGATION, CLAIMS AND ASSESSMENTS

The City is involved in litigation and additional claims have been asserted against the City which are not being handled by the City Attorney's office and third party attorneys. A multiple number of cases remain outstanding assessing damages which range to as much as \$12 million. In City most cases the City anticipates that its insurance carrier will cover the damages. Please consult with the City's City Attorney and Risk Manager for further information regarding such 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 known. No provision for liability, if any, has been accrued 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, 2017

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 Uniform Guidance 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 2017. 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, 2017

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, 2015
<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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

Required Contribution Rates:

Employer	Pay-as-you-go
Plan Member	N/A
Annual Required Contribution (ARC)	\$ 138,000
Interest on net OPEB obligation	23,000
Adjustment to the ARC	<u>(49,000)</u>
Annual OPEB cost	112,000
Employer contributions	<u>(17,000)</u>
Increase in net OPEB obligation (asset)	95,000
Net OPEB obligation (asset) - beginning of the year	<u>569,000</u>
Net OPEB obligation	<u><u>\$ 664,000</u></u>

The \$17,000 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)
2016	\$ 109,000	9%	\$ 569,000
2017	\$ 112,000	15%	\$ 664,000

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	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
1-Apr-14	\$0	\$766,000	\$766,000	0%	\$9,139,000	8.4%
1-Oct-15	\$0	\$603,000	\$603,000	0%	\$6,020,000	10.0%

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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, 2017.

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

Government Activities – The City’s net position of Government Activities as of September 30, 2016, has been restated for prior period adjustments. The net position decreased by \$270,492 resulting from net adjustments to due /from other funds, cash, revenue, expenditures and other errors related to prior year.

Business-Type Activities – The City’s net position of Business Type-Activities as of September 30, 2016, has been restated for prior period adjustments. The net position increased by \$301,563 for accounts due to and from other funds, cash, revenue, expenditures and other errors related to prior year.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 decreased by \$270,492 while Business-type Activities increased by \$301,563, resulting from net adjustments to revenue, expenditures, cash and other.

	Restatement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Net position, September 30, 2016, previously stated and reported	\$ 4,906,119	\$ 3,111,443	\$ 8,017,562
Prior period adjustment:			
Correction of an error, effect of adjustment to revenue, expenditures and other	(270,492)	301,563	31,071
Net position, September 30, 2016, restated	<u>\$ 4,635,627</u>	<u>\$ 3,413,006</u>	<u>\$ 8,048,633</u>

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED

Accounting Pronouncements -- Adopted and Unadopted

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.

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.

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.

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, 2017.

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, 2017.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

Accounting Pronouncements -- Adopted and Unadopted (cont'd)

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, 2017.

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.

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, 2017, 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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

Accounting Pronouncements -- Adopted and Unadopted (cont'd)

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.

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.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS ISSUED (Continued)

Accounting Pronouncements -- Adopted and Unadopted (cont'd)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early adoption is encouraged.

GASB Statement No. 87, *Leases*, was issued in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued April 2018. The primary objective of this Statement is to Improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier adoption is encouraged.

CITY OF OPA-LOCKA, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 19. STATE AND LOCAL AGREEMENT

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.

On June 8, 2016, the City entered into a State and Local Agreement of Cooperation between the Governor as a result of being in a state of financial emergency. The State implemented measures to resolve the financial emergency, the City's cooperation with the Governor to resolve the financial emergency and the Governor to designate the Office of the Chief Inspector General ("Governor's Designee") to serve as the lead entity responsible for coordinating the Governor's efforts in providing intervention and assistance to 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 September 25, 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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:				
Property taxes	\$ 7,139,541	\$ 7,139,541	\$ 7,438,862	\$ 299,321
Utility taxes	47,621	47,621	62,876	15,255
Local option gas tax	-	-	302,792	302,792
Local business taxes	-	-	254,399	254,399
Franchise fees	1,396,928	1,396,928	1,355,702	(41,226)
Permits and fees	909,423	909,423	606,220	(303,203)
Intergovernmental	124,266	124,266	63,370	(60,896)
Charges for services	98,281	98,281	190,784	92,503
Fines and forfeitures	987,510	987,510	1,001,311	13,801
Interest	-	-	3	3
Other	4,271,270	4,271,270	1,633,892	(2,637,378)
Total revenues	<u>14,974,840</u>	<u>14,974,840</u>	<u>12,910,211</u>	<u>(2,064,629)</u>
Expenditures:				
General government:				
City commission	144,699	112,995	85,924	(27,071)
City manager	362,549	334,363	363,290	28,927
City clerk	317,913	302,687	285,841	(16,846)
City attorney	261,200	261,200	531,779	270,579
Finance	699,316	473,491	505,242	31,751
Town Center	429,073	425,073	719,779	294,706
Information technology	316,637	305,217	256,651	(48,566)
Human resources	941,125	875,941	517,144	(358,797)
Building licenses	376,800	302,955	294,134	(8,821)
Community development	285,390	220,671	207,835	(12,836)
Total general government	<u>4,134,702</u>	<u>3,614,593</u>	<u>3,767,619</u>	<u>153,026</u>
Public safety:				
Police	4,809,029	4,709,028	4,908,921	199,893
Code enforcement	267,637	261,928	239,026	(22,902)
Total public safety	<u>5,076,666</u>	<u>4,970,956</u>	<u>5,147,947</u>	<u>176,991</u>
Public works:				
Administration	337,689	309,148	251,926	(57,222)
Street maintenance	378,184	365,263	520,340	155,077
Building maintenance	162,971	74,298	239,863	165,565
Vehicle maintenance	539,748	385,366	437,812	52,446
Total public works	<u>1,418,592</u>	<u>1,134,075</u>	<u>1,449,941</u>	<u>315,866</u>
Parks and recreation:				
Parks	637,627	512,617	537,292	24,675
Total parks and recreation	<u>637,627</u>	<u>512,617</u>	<u>537,292</u>	<u>24,675</u>
Non-departmental				
3,368,883	3,410,978	1,225,897	(2,185,081)	
Total non-departmental	<u>3,368,883</u>	<u>3,410,978</u>	<u>1,225,897</u>	<u>(2,185,081)</u>
Total expenditures	<u>14,636,470</u>	<u>13,643,219</u>	<u>12,128,696</u>	<u>(1,514,523)</u>
Excess of revenues over expenditures	338,370	1,331,621	781,515	(550,106)
Other financing sources (uses):				
Loan/capital lease proceeds	-	-	214,236	214,236
Transfers in	-	-	381,243	381,243
Net change in fund balance	<u>338,370</u>	<u>1,331,621</u>	<u>1,376,994</u>	
Fund balance, beginning			(3,025,624)	
Prior period adjustment			36,533	
Fund balances, beginning restated			(2,989,091)	
Fund balance, ending			<u>\$ (1,612,097)</u>	

CITY OF OPA-LOCKA, FLORIDA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:				
Intergovernmental	\$ 1,031,251	\$ 1,031,251	\$ 457,153	\$ (574,098)
Total revenues	<u>1,031,251</u>	<u>1,031,251</u>	<u>457,153</u>	<u>(574,098)</u>
Expenditures:				
Current:				
General government:				
Public works:				
Street maintenance	1,031,251	1,031,251	341,607	689,644
Total public works	<u>1,031,251</u>	<u>1,031,251</u>	<u>341,607</u>	<u>689,644</u>
Total expenditures	<u>1,031,251</u>	<u>1,031,251</u>	<u>341,607</u>	<u>689,644</u>
Excess of revenues over expenditures	-	-	115,546	115,546
Other financing sources (uses):				
Capital acquisitions	-	-	(15,365)	(15,365)
Net change in fund balance	-	-	100,181	
Fund balance, beginning			1,427,631	
Prior period adjustment			(445,298)	
Fund balances, beginning restated			<u>982,333</u>	
Fund balance, ending			<u>\$ 1,082,514</u>	

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CAPITAL IMPROVEMENT DEBT SERVICE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:	\$ 1,513,406	\$ 1,513,406	\$ 1,687,936	\$ 174,530
Intergovernmental	2,078,276	2,078,276	1,765,011	(313,265)
Interest	<u>-</u>	<u>-</u>	<u>51</u>	<u>51</u>
Total revenues	<u>3,591,682</u>	<u>3,591,682</u>	<u>3,452,998</u>	<u>(138,684)</u>
Expenditures:				
Current:				
General government:				
Debt service:				
Principal	671,169	671,169	671,833	(664)
Interest	490,934	490,934	487,772	3,162
Total debt service	<u>1,162,103</u>	<u>1,162,103</u>	<u>1,159,605</u>	<u>2,498</u>
Total expenditures	<u>1,162,103</u>	<u>1,162,103</u>	<u>1,159,605</u>	<u>2,498</u>
Excess of revenues over expenditures	2,429,579	2,429,579	2,293,393	(136,186)
Other financing sources (uses):				
Transfers out	<u>(2,429,579)</u>	<u>(2,429,579)</u>	<u>381,243</u>	<u>2,810,822</u>
Net change in fund balance			1,912,150	
Fund balance, beginning			<u>3,298,640</u>	
Fund balance, ending			<u>\$ 5,210,790</u>	

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

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, 2017, expenditures did not exceed appropriations in, general government, 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 \$781,515.

For the year ended September 30, 2017, expenditures did not exceed appropriations in the People Transportation Tax fund, there was a positive variance with the final budget by approximately \$115,546. This was attributed to reduced street, side-walk, and other transportation related projects.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Opa-locka's proportion of the net pension liability	0.0259%	0.0343%	0.0357%	0.0325%
City of Opa-locka's proportionate share of the net pension liability	\$ 7,651,779	\$ 8,653,259	\$ 4,610,060	\$ 3,574,813
City of Opa-locka's covered-employee payroll	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820	\$ 8,850,709
City of Opa-locka's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	119.67%	117.01%	49.68%	40.39%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

Note: The amounts presented for each fiscal year were determined as of June 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 852,437	\$ 983,512	\$ 1,086,534	\$ 937,687
Contributions in relation to the contractually required contribution	\$ 852,437	\$ 983,512	\$ 1,086,534	\$ 937,687
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City of Opa-locka's covered-employee payroll	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820	\$ 8,850,709
Contributions as a percentage of covered-employee payroll	13.33%	13.30%	11.71%	10.59%

Note: The amounts presented for each fiscal year were determined as of September 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Opa-locka's proportion of the net pension liability (asset)	0.0195%	0.0270%	0.0309%	0.0288%
City of Opa-locka's proportionate share of the net pension liability (asset)	\$ 2,082,612	\$ 3,144,569	\$ 3,151,008	\$ 3,574,813
City of Opa-locka's covered-employee payroll	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820	\$ 8,850,709
City of Opa-locka's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.57%	42.52%	33.96%	40.39%
Plan fiduciary net position as a percentage of the total pension liability	1.6400%	0.9700%	0.5000%	0.9900%

Note: The amounts presented for each fiscal year were determined as of June 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF OPA-LOCKA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 129,528	\$ 161,304	\$ 156,110	\$ 129,092
Contributions in relation to the contractually required contribution	\$ 129,528	\$ 161,304	\$ 156,110	\$ 129,092
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City of Opa-locka's covered-employee payroll	\$ 6,394,032	\$ 7,395,338	\$ 9,279,820	\$ 8,850,709
Contributions as a percentage of covered-employee payroll	2.03%	2.18%	1.68%	1.46%

Note: The amounts presented for each fiscal year were determined as of September 30th.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OPA-LOCKA, FLORIDA

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	<u>Special Law Enforcement</u>	<u>Community Redevelopment Agency</u>	<u>Safe Neighborhood Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and equity in pooled cash	\$ 262,469	\$ -	\$ 161,929	\$ 424,398
Other government account receivables	- -	- -	100,000	100,000
Due from other funds	327,060	588,069	921,462	1,836,591
Restricted cash and cash equivalents	<u>- -</u>	<u>- -</u>	<u>68,051</u>	<u>68,051</u>
Total Assets	<u>\$ 589,529</u>	<u>\$ 588,069</u>	<u>\$ 1,251,442</u>	<u>\$ 2,429,040</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ 1,376	\$ 183,673	\$ 185,049
Due to other funds	(7,874)	540,890	1,750,083	2,283,099
Other government account payables	<u>- -</u>	<u>- -</u>	<u>1,005</u>	<u>1,005</u>
Deferred revenues	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total liabilities	<u>(7,874)</u>	<u>542,266</u>	<u>1,934,761</u>	<u>2,469,153</u>

Fund Balances:

Reserved for:

Public safety	597,402	- -	- -	597,402
Unreserved	<u>1</u>	<u>45,803</u>	<u>(683,319)</u>	<u>(637,515)</u>
Total fund balances	<u>597,403</u>	<u>45,803</u>	<u>(683,319)</u>	<u>(40,113)</u>
Total Liabilities and Fund Balances	<u>\$ 589,529</u>	<u>\$ 588,069</u>	<u>\$ 1,251,442</u>	<u>\$ 2,429,040</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, 2017

	<u>Special Law Enforcement</u>	<u>Community Redevelopment Agency</u>	<u>Safe Neighborhood Capital Projects</u>	<u>Total</u>
Revenues:				
Property taxes	\$ -	\$ 216,000	\$ -	\$ 216,000
Intergovernmental	3,938	-	-	3,938
Interest	-	-	533	533
Other	<u>105,896</u>	<u>-</u>	<u>-</u>	<u>105,896</u>
Total revenues	<u>109,834</u>	<u>216,000</u>	<u>533</u>	<u>326,367</u>
Expenditures:				
Current:				
General government	-	255	14,932	15,187
Public safety	586	-	-	586
Capital outlay	<u>-</u>	<u>-</u>	<u>156,457</u>	<u>156,457</u>
Total expenditures	<u>586</u>	<u>255</u>	<u>171,389</u>	<u>172,230</u>
Excess (deficiency) of revenues over expenditures	<u>109,248</u>	<u>215,745</u>	<u>(170,856)</u>	<u>154,137</u>
Net change in fund balance	109,248	215,745	(170,856)	154,137
Fund balance - beginning	488,154	(170,197)	(650,481)	(332,524)
Prior period adjustment	<u>-</u>	<u>255</u>	<u>138,018</u>	<u>138,273</u>
Fund balance - beginning restated	<u>488,154</u>	<u>(169,942)</u>	<u>(512,463)</u>	<u>(194,251)</u>
Fund balance - ending	<u>\$ 597,402</u>	<u>\$ 45,803</u>	<u>\$ (683,319)</u>	<u>\$ (40,114)</u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF NET POSITION BALANCES NON-MAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2017

	<u>Stormwater</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and equity in pooled cash	\$ 1,086,220	\$ 1,086,220
Estimated unbilled services	244,469	244,469
Due from other governments	44,438	44,438
Restricted cash and cash equivalents	110,000	110,000
Due from other funds	487,338	487,338
Total current assets	<u>1,972,465</u>	<u>1,972,465</u>
Non-current assets:		
Non-depreciable capital assets	289,056	289,056
Capital assets, net	<u>37,389</u>	<u>37,389</u>
Total non-current assets	<u>326,445</u>	<u>326,445</u>
Total Assets	<u>\$ 2,298,910</u>	<u>\$ 2,298,910</u>
 LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 84,233	\$ 84,233
Due to other funds	705,006	705,006
Customers' deposits	1	1
Current portion of long-term debt	<u>19,822</u>	<u>19,822</u>
Total current liabilities	<u>809,062</u>	<u>809,062</u>
Long term debt:		
Compensated absences	32,815	32,815
OPEB obligation	7,164	7,164
Long-term debt	<u>548,226</u>	<u>548,226</u>
Total long-term debt	<u>588,205</u>	<u>588,205</u>
Total Liabilities	<u>1,397,267</u>	<u>1,397,267</u>
 NET POSITION		
Invested in capital assets, net of related debt	(241,603)	(241,603)
Unrestricted	<u>1,143,246</u>	<u>1,143,246</u>
Total Net Position	<u>\$ 901,643</u>	<u>\$ 901,643</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, 2017

	<u>Stormwater</u>	<u>Total</u>
Operating revenues:		
Charges for services	<u>\$ 721,997</u>	<u>\$ 721,997</u>
Total operating revenues	<u>721,997</u>	<u>721,997</u>
Operating expenses:		
Operating, administrative and maintenance	<u>355,697</u>	<u>355,697</u>
Depreciation	<u>66,176</u>	<u>66,176</u>
Total operating expenses	<u>421,873</u>	<u>421,873</u>
Non-operating revenues (expenses):		
Interest and other debt costs	<u>1,721</u>	<u>1,721</u>
Total non-operating revenues (expenses)	<u>1,721</u>	<u>1,721</u>
Change in net position	<u>298,403</u>	<u>298,403</u>
Net position, beginning	<u>515,030</u>	<u>515,030</u>
Prior period adjustment	<u>88,209</u>	<u>88,209</u>
Net position, beginning restated	<u>603,239</u>	<u>603,239</u>
Net position, ending	<u>\$ 901,642</u>	<u>\$ 901,642</u>

CITY OF OPA-LOCKA, FLORIDA

COMBINING STATEMENT OF CASH FLOWS NON-MAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Stormwater</u>	<u>Total</u>
Cash flows from operating activities:		
Payments from (to) other funds, net	\$ 282,258	\$ 282,258
Net cash provided by operating activities	<u>282,258</u>	<u>282,258</u>
Cash flows from investing activities:		
Interest income	(1,721)	(1,721)
Net cash used in capital and related financing activities	<u>(1,721)</u>	<u>(1,2721)</u>
Net decrease in cash	280,537	280,537
Cash, beginning	915,683	915,683
Cash, ending	<u>1,196,220</u>	<u>1,196,220</u>
Display as:		
Unrestricted	1,086,220	1,086,220
Restricted	<u>110,000</u>	<u>110,000</u>
Total	<u>\$ 1,196,220</u>	<u>\$ 1,196,220</u>
Reconciliation of operating income to cash provided by operating activities:		
Operating (loss)	\$ 298,403	\$ 298,403
Adjustment to reconciled operating income to net cash provided by (used in) operating activities:		
Depreciation	66,176	66,176
Due from other funds	(131,933)	(131,933)
Increase (decrease) in:		
Accounts payable and accrued liabilities	40,687	40,687
Customer deposits	2	2
Compensated absences	19,881	19,881
Other liabilities and pension	503,406	503,406
Due to other governments	(636,436)	(636,436)
Due to other funds	<u>122,072</u>	<u>122,072</u>
Net cash provided by operating activities	<u>\$ 282,258</u>	<u>\$ 282,258</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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise Opa-locka's basic financial statements and have issued our report thereon dated September 25, 2019. Our report qualifies 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 capital asset balances.

Internal Control over Financial Reporting

In planning and performing our audit of 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. **2017-01, 2017-02, 2017-03, 2017-04, 2017-05, 2015-01, 2015-03, and 2014-03.**

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. **2017-06** and **2015-02**.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



September 25, 2019

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II - Financial Statement Current Year Findings and Questioned Costs

Material Weakness

2017-01 Florida Auditor General Report Findings

Criteria

Prudent accounting practices include policies, procedures, and controls over the safeguarding, recording, processing, and reporting of the City's financial Operations and transactions.

Condition

On May 23, 2019, the Auditor General of the State of Florida prepared a report on the City, pursuant to an operational audit conducted by the Agency. As a result of the audit, multiple findings and recommendations were submitted to City seeking actual or proposed corrective actions.

Recommendation

We recommend that the City designate a member of management take timely action to resolve issues identified or proposed action plans to formally address issues cited as soon as time permits.

View of Responsible Officials and Planned Corrective Actions

The City has provided responses regarding the corrective action and corresponding timelines associated with the findings to the Office of the Auditor General. The City will continue to address each finding and issue until resolved.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II - Financial Statement Current Year Findings and Questioned Costs (Continued)

Material Weakness

2017-02 Strengthen Staff Resources in the Finance and Accounting Department

Criteria

The City should have available finance and/or accounting staff members who understand and have experience in the accounting and financial reporting requirements of the governmental industry.

Condition

In performing the City's audits, we noted conditions of personnel turnover as well as a lack of full-time employee who possess the skills, knowledge and experience in the governmental industry.

Recommendation

We recommend the City assess the accounting department staffing needs as well as hire an experienced governmental accounting person or trained existing staff member to enhance their skill sets.

View of Responsible Officials and Planned Corrective Actions

The City is currently advertising the recruitment of an experienced governmental accounting professional to employ as the Finance Director. In addition, the City will assess and identify areas of weakness in the Finance Department to make corrective action, and provide the necessary resources and tools to further strengthen the department.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II - Financial Statement Current Year Findings and Questioned Costs (Continued)

Material Weakness

2017-03 There is No Physical Inventory of Infrastructure and Fixed Assets

Criteria

The implementation of GASB 34 established financial reporting standards for state and local governments. In connection therewith, the recognition of major general infrastructure assets is required to be capitalized and reported.

Condition

The City has not performed a physical inventory of infrastructure assets or other capital assets owned by the City.

Recommendation

We recommend that the City perform a physical inventory of its infrastructure and capital assets and soon as time permits.

View of Responsible Officials and Planned Corrective Actions

The City is assessing its financial needs and resources as it develops a 5-year financial recovery plan as a condition of the State and Local Cooperation Agreement between the Governor and the City to fund a citywide physical inventory. This process will also include a procurement plan to request information to assess the scope and cost of a physical inventory of infrastructure assets or other capital assets owned by the City.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II - Financial Statement Current Year Findings and Questioned Costs (Continued)

Material Weakness

2017-04 Reconciliation of Cash Accounts

Criteria

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

Condition

During review of cash accounts, we noted that the account reconciliation was not accurately completed. For governmental funds checks totaling \$35,560 that cleared the bank account prior to September 30, 2017 were included in reconciling listing of outstanding as of September 30, 2017. For the water and sewer fund checks totaling \$583,141 that cleared the bank prior to September 30, 2017 were included in the reconciling listing of outstanding checks as of September 30, 2017.

Cause

Failure of the City to perform timely reconciliation of cash accounts.

Effect

Material journal entries were proposed to correct errors and misstatements.

Recommendation

We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the someone with the appropriate skill-set identify significant discrepancies. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents.

View of Responsible Officials and Planned Corrective Actions

For multiple years, the City's Finance Department was functioning without the required resources, along with a rotation of Finance Director's, therefore the staffing capacity and competency suffered.

The City is currently advertising the recruitment of an experienced governmental accounting professional to employ as the Finance Director. In addition, the City will assess and identify areas of weakness within the Finance Department to make corrective action, and provide the necessary resources and tools to further strengthen the department.

As a result, the City was behind in past financial and compliance audits and day to day operations. Currently, the City is addressing past financial and compliance audits and day to day operational needs of the Finance Department. The City is enhancing its bank reconciliation process to be completed timely, to ensure accurate financial reporting and implement a proper review process.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II - Financial Statement Current Year Findings and Questioned Costs (Continued)

Material Weakness

2017-05 Internal Control Over Payroll Processing and Personnel File Maintenance

Criteria

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

Condition

During our review of payroll and personnel files we noted the following:

- There were discrepancies between the payrate documented on the Payroll register and the payrate documented personnel files
- Proper documentation to support pay rates were not available in all personnel files
- There was no evidence of proper approval on timesheets
- There was no evidence that payroll transactions including journal entries were properly reviewed and approved prior to posting to the general ledger

Cause

Failure to design and implement adequate internal controls over payroll and personnel file maintenance.

Effect of Condition

Unauthorized or fraudulent transactions could be posted, additionally lack of adequate reviews and approvals could result in financial statement misstatements.

Recommendation

We recommend that the City design and implement adequate internal controls and policies and procedures for payroll processing and personnel file maintenance.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II - Financial Statement Current Year Findings and Questioned Costs (Continued)

Material Weakness

2017-05 Internal Control Over Payroll Processing and Personnel File Maintenance (cont'd)

View of Responsible Officials and Planned Corrective Actions

The City has reviewed the internal control finding on discrepancies between the pay rate as documented in the Payroll System and the pay rate as documented on personnel files. We concur and will implement the following:

- On a monthly basis, and prior to the processing of the first payroll of the month, the City's Human Resources Director will be required to process a "Payroll Pay Rate Report" to monitor and review discrepancies and the completeness of personnel files.
- To ensure that there is clear evidence of proper approval on timesheets, the City has developed an electronic timesheet approval process within its ADP payroll system. This system includes an automatic cross reference mechanism that ties each employee's name to a specific supervisor. Should an attempt be made to approve an employee's time by an unauthorized supervisor, that employee's time will be rejected in the system, until the properly matched supervisor has approved the timesheet. An electronic timesheet approval process is currently in effect.
- The payroll register for each payroll period will be reviewed by the Finance Director or designated personnel to perform this supervisory function with a signature as evidence of review.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II - Financial Statement Current Year Findings and Questioned Costs (Continued)

Significant Deficiency

2017-06 Pension Plan Remittance

Criteria

The City participates in a deferred compensation plan as described in IRC section 457. Pursuant to the Department of Labor (DOL) regulations participants contributions received by an employer must be remitted to the Plan no later than the 15th business day of the month following the month in which the participant contribution are received by the employer.

Conditions

During our review of the 457 Pension plan payments we noted that for 5 months during fiscal year 2017 the City failed to remit funds in a timely manner as outlined in the DOL regulations.

Cause

Failure of the City design and implement adequate controls.

Effect

Non-compliance with specific regulations may cause the Plan to become ineligible for the tax benefits of Section 457.

Recommendation

We recommend that the City implement procedures that with ensure full compliance with the Plan documents.

View of Responsible Officials and Planned Corrective Actions

The City has addressed and corrected untimely remittance of 457 Pension plan payments by designating appropriate staff personnel to review and monitor routinely. There will be oversight and monitoring by both the Human Resources Director and staff within the Finance Department. In addition to the implementation of an electronically monitored payment process to ensure compliance with the plan documents as required.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 has assessed and reviewed the internal accounting policies, procedures and controls over the recording, processing and reporting of its accounting events and transactions. The City has also developed the necessary policies and accounting procedures to address this finding. The City is actively reconciling accounts on a timely basis to produce relevant and accurate data. Additionally, the City is in the process of recruiting a Finance Director to provide financial management, oversight, staff supervisory and to continually monitor and improve the Finance Department's financial reporting system.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 changes to the existing financial accounting and reporting system will occur when budgetary and operational circumstances permit. The City is developing its 5-year financial recovery plan as a condition of the State and Local Cooperation Agreement between the Governor and the City to fund a citywide physical inventory. This process will also include a procurement plan to request information, quote and/or proposal for a financial and reporting system.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 and updating its existing financial reporting policies and procedures and has implemented systems to continually monitor the monthly general ledger reconciliation process, including providing supporting documentation for accounting transactions (i.e. journal entries).

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Comment is no longer applicable.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 Solid waste 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

Comment is no longer applicable.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Comment is no longer applicable.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 taxpayers' 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 amendments 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

Comment is no longer applicable.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Comment is no longer applicable.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

Current Year Status

Progress has occurred but condition remains applicable.

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 has developed a draft grant manual to assist with improving the internal control policies and procedures over grant programs to ensure meeting compliance requirements.

In addition, sufficient documentation was provided to the external auditors for the audit period ended September 30, 2017.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 program requirements.

Current Year Status

Comment is not applicable for fiscal year ended 2017.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

Current Year Status

Comment is not applicable for fiscal year ended 2017.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

Current Year Status

Comment is not applicable for fiscal year ended 2017.

CITY OF OPA-LOCKA, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

Current Year Status

Comment is not applicable for fiscal year ended 2017.



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 have audited the financial statements of the City of Opa-locka, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report dated September 25, 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, and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Reports on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated September 25, 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.



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, 2017, 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, 2017. As a result of the completion of our audit, an amended annual report will be filed with the Auditor General.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

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.



September 25, 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, 2017. 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, 2017.

September 25, 2019

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CLIENT FOCUSED: SOLUTION DRIVEN

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