



City Of Okeechobee, Florida

FINANCIAL STATEMENTS

For Year Ended September 30, 2017



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City of Okeechobee, Florida
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For the year ended September 30, 2017

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**City of Okeechobee, Florida
City Officials
For the year ended September 30, 2017**

Dowling R. Watford, Jr.
Mayor, Chairman

Gary Ritter
Noel A. Chandler
Monica Clark
Mike O'Connor
Council Members

John R. Cook
City Attorney

Marcos Montes De Oca
City Administrator

Lane Gamiotea
City Clerk

India Riedel
Finance Director

Herbert Smith
Chief of Fire

Robert Peterson
Chief of Police

David Allen
Director of Public Works

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
of the City of Okeechobee, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Okeechobee, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Okeechobee, Florida'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 did not audit the financial statements of the Police Officers' and Firefighters' Pension Trust Funds and the City of Okeechobee and Okeechobee Utilities Authority Employees' Retirement System, which represent 100% of the assets, net position and additions of the pension trust fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the Police Officers' and Firefighters' Pension Trust Funds and the City of Okeechobee and Okeechobee Utilities Authority Employees' Retirement System is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Okeechobee, Florida, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity 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 (pages 9 through 16), the budgetary comparison information (page 59 and page 67), and the pension and other postemployment benefits information (pages 60 through 66 and pages 68 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Okeechobee, Florida's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018 on our consideration of the City of Okeechobee, Florida'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 of Okeechobee'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 of Okeechobee, Florida's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
June 8, 2018

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City of Okeechobee, Florida Management's Discussion and Analysis

Our discussion and analysis of the City of Okeechobee, Florida's ("the City's") financial performance provides an overview of the City's financial activities for the year ended September 30, 2017. Please read it in conjunction with the City's basic financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are highlights of financial activity for the year ended September 30, 2017:

- The City's total assets exceeded its liabilities at September 30, 2017 by \$18,166,670.
- The City's total revenues were \$6,172,735 for the year ended September 30, 2017, compared to total expenses of \$6,537,295, which resulted in a \$364,560 decrease in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements.

A. Government-Wide Financial Statements

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

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

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

The government-wide financial statements can be found on pages 19 and 20 of this report.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City's funds can be divided into two fund types: governmental funds and fiduciary funds.

B. Fund Financial Statements (Continued)

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

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

The basic governmental fund financial statements can be found on pages 21 through 23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

C. Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 27 through 56 of this report.

City of Okeechobee, Florida
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net position.

City of Okeechobee
Statement of Net Position

	2017	2016
Current and other assets	\$ 11,515,261	\$ 12,237,358
Capital assets	8,458,936	7,885,166
Total assets	19,974,197	20,122,524
Deferred outflows	1,420,835	1,314,534
Current liabilities	550,667	390,514
Noncurrent liabilities	2,151,797	2,059,487
Total liabilities	2,702,464	2,450,001
Deferred inflows	525,898	455,827
Net position:		
Net investment in capital assets	8,458,936	7,885,166
Restricted	928,976	711,139
Unrestricted	8,778,758	9,934,925
Total net position	\$ 18,166,670	\$ 18,531,230

Governmental Activities

Total net position decreased by \$364,560 primarily as a result of \$148,327 decrease in total assets, and a \$252,463 increase of total liabilities. Deferred outflows and inflows related to pensions increased by \$106,301 and \$71,393, respectively. The decrease in total assets was primarily due to a \$722,097 decrease in current and other assets offset by a \$573,770 increase in capital assets. The net change in current and noncurrent liabilities was \$252,463 as current liabilities increased by \$160,153 related to timing of payables and non-current liabilities increased by \$92,310 resulting from an increase in the compensated absences, net pension liability and OPEB obligation.

City of Okeechobee, Florida
Management's Discussion and Analysis

The following table shows condensed revenue and expense data:

City of Okeechobee, Florida		
<u>Statement of Activities</u>		
	2017	2016
REVENUES:		
Program revenues:		
Charges for services	\$ 621,683	\$ 709,589
Operating grants and contributions	677,458	662,766
Capital grants and contributions	84,045	304,742
General revenues:		
Property taxes	1,957,520	1,887,967
Public utility taxes	841,848	794,308
Franchise fees	548,286	532,036
Shared revenues	1,406,638	1,330,468
Investment income and other	35,257	34,315
Total revenues	6,172,735	6,256,191
EXPENSES:		
General government	1,326,989	1,353,464
Public safety	3,697,679	3,643,759
Transportation	728,367	844,397
Physical environment	784,260	907,791
Economic development	-	9,000
Culture and recreation	-	6,606
Total expenses	6,537,295	6,765,017
Change in net position	(364,560)	(508,826)
Net position, beginning October 1	18,531,230	19,040,056
Net position, ending September 30	\$ 18,166,670	\$ 18,531,230

The City experienced a decrease of 1.3% in total revenues – a \$83,456 decrease to \$6.17 million. The decrease is primarily due to a \$220,697 decrease in capital grants and is offset by a \$210,455 increase in general revenue. An increase in the assessed taxable values and continuing millage rate of 7.9932 were the contributory factors in the increase of property tax revenue of \$69,553. Utility Tax revenues increased \$47,540 based on higher consumer consumption. The Shared Revenue for the State of Florida (SRS) increased \$76,170. The City experienced a decrease of 3.4% in total expenses – a \$227,722 decrease to \$6.53 million. The decrease is primarily due to a \$123,531 decrease in expenses for physical environment. The \$116,030 decrease in transportation expense also was a large contributor to the overall expenditures for the year. The combined decreases in expense and revenues for grant funded capital expenditure resulted in a decrease in net position of \$364,560.

FUND FINANCIAL ANALYSIS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,923,527 a decrease of \$880,928 in comparison with the prior year. Approximately 80% of this total amount \$8,699,083, constitutes unassigned fund balance, which is available for spending at the government's discretion. Assigned fund balances include \$1,208,660 for subsequent year's expenditures and \$53,060 for future capital projects. Public facilities fund balance of \$917,356 plus law enforcement \$11,620 are restricted funds based on their specific stipulated purpose. The remainder of fund balance is non-spendable inventory of \$33,748.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$9,900,608 while total fund balance was \$10,851,712. As a measure of the general fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. The total assigned and unassigned fund balance and total fund balance represent approximately 138% and 151% respectively of total general fund expenditures.

Revenues from grants were used in the construction of infrastructure and other improvements in the City.

General Fund Budgetary Highlights

The amount appropriated for expenditures in the original 16/17 budget increased from \$8,254,811 to \$7,264,505 in the final 16/17 budget, a decrease of \$990,306. The decrease in general government expenses, fire and police public safety expenses, physical environment expenses, transportation expenses and capital outlay largely contributed to the overall decrease in expenditures.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital assets. The City's investment in capital assets as of September 30, 2017, amounted to \$8,458,936, (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress. During the year, the City's net capital asset balance increased \$573,770.

The City's major additions of \$ \$1,415,213 to capital assets including construction in progress of \$806,070 during the current fiscal year included the following:

- Replacement computers for (1) Finance; (2)-Police Department, (2) Fire Department, and (1) Public Works
- Replacement desk, credenzas, etc. within General Services
- Replaced 14 police vehicles including equipment for Police Department
- Spillman server upgrade for Police Department data system
- Portable handheld radios (2) Fire Department
- Fire station modifications – Replacement overhead door
- Office addition at Public Works facility
- Addition of oak trees within Flagler Park
- Centennial Park Project I (continuing)
- City Hall Renovations continuing during the fiscal year
- Various infrastructure improvements including the roadways and sidewalk improvements
- Citywide communication system

These additions were offset by depreciation expense of \$549,007, and disposals with a net book value of \$292,436, which largely relates to the sale of 12 police vehicles.

City of Okeechobee, Florida
Management's Discussion and Analysis

City's Capital Assets
(net of depreciation)

	2017	2016
Land	\$ 1,378,744	\$ 1,378,744
Construction in progress	810,796	31,021
Buildings	991,780	1,030,889
Improvements other than buildings	4,271,132	4,440,900
Equipment	1,006,484	1,003,612
Total	\$ 8,458,936	\$ 7,885,166

Additional information on the City's capital assets can be found in Note 4.C. on page 38 of this report.

Long-term Liabilities

City's Outstanding Debt
Long-term Liabilities

	2017	2016
Net OPEB obligation	\$ 1,455,446	\$ 1,375,989
Compensated absences	397,097	451,939
Pension liability	299,254	231,559
Total	\$ 2,151,797	\$ 2,059,487

The City's long-term liabilities increased by \$92,310 during the current fiscal year. The largest contributing factor is the additional liability for the OPEB obligation of \$79,457. The Pension liability increase was significant with an increase of \$67,695. These increases were offset by a \$54,842 reduction in compensated absences.

Additional information on the City's long-term debt can be found in Note 4.E. on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted a millage rate 7.9932 for budget year 2018. The adopted millage rate is more than 5.38% of the roll-back rate. A \$160,984 increase in budgeted ad valorem revenue is largely due to the increase in current taxable values and new construction added to this years assessed tax rolls.

Revenues for the fiscal year 2018 adopted budget for all funds of the City total approximately \$6,820,301, an increase from the prior year final budget of approximately \$311,898. These revenues include the General, Public Facility, Capital Projects and Special Law Enforcement fund revenues. The change in revenue is based mostly on the expected increase in Ad Valorem Tax revenue and Intergovernmental revenues.



City of Okeechobee, Florida Management's Discussion and Analysis

Expenditures for the fiscal year 2018 adopted budget for all funds of the City total approximately \$8,956,414, an increase of 1.2% or \$112,078 from the prior year budget. The decrease in expenditures is based mostly on the decrease in capital expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Okeechobee's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Okeechobee, 55 S.E. Third Avenue, Okeechobee, Florida 34974.

BASIC FINANCIAL STATEMENTS

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City of Okeechobee, Florida
Statement of Net Position - Governmental Activities

September 30, 2017

ASSETS	
Cash and cash equivalents	\$ 11,006,146
Accounts receivable	160,292
Due from other governments	315,075
Inventory	33,748
Capital assets:	
Nondepreciable	
Land	1,378,744
Construction in progress	810,796
Depreciable, net of accumulated depreciation	
Buildings	991,780
Improvements other than buildings	4,271,132
Equipment	1,006,484
Total assets	19,974,197
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pensions	1,420,835
Total deferred outflows of resources	1,420,835
LIABILITIES	
Accounts payable	368,281
Accrued expenses	182,386
Noncurrent liabilities:	
Due within one year - compensated absences	30,481
Due in more than one year	
Compensated absences	366,616
Net pension liability	299,254
OPEB obligation	1,455,446
Total liabilities	2,702,464
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - business tax revenue	41,067
Deferred inflow - pensions	484,831
Total deferred inflows of resources	525,898
NET POSITION	
Net investment in capital assets	8,458,936
Restricted for:	
Law enforcement	11,620
Public facilities	917,356
Unrestricted	8,778,758
Total net position	\$ 18,166,670

The accompanying notes are an integral part of these financial statements.

City of Okeechobee, Florida
Statement of Activities - Governmental Funds

Year ended September 30, 2017	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,326,989	\$ 577,074	\$ -	\$ 57,750	\$ (692,165)
Public safety	3,697,679	19,225	-	-	(3,678,454)
Transportation	728,367	25,384	677,458	-	(25,525)
Physical environment	784,260	-	-	26,295	(757,965)
Total governmental activities	\$ 6,537,295	\$ 621,683	\$ 677,458	\$ 84,045	(5,154,109)
General revenues:					
					1,957,520
					841,848
					548,286
					1,406,638
					6,208
					29,049
					4,789,549
					(364,560)
					18,531,230
					\$ 18,166,670

The accompanying notes are an integral part of these financial statements.

City of Okeechobee, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2017</i>	General	Community Development Capital Project	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,869,572	\$ 124,954	\$ 11,620	\$ 11,006,146
Accounts receivable	160,292	-	-	160,292
Due from other funds	38,205	-	-	38,205
Due from other governments	315,075	-	-	315,075
Inventory	33,748	-	-	33,748
Total assets	\$ 11,416,892	\$ 124,954	\$ 11,620	\$ 11,553,466
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 341,727	\$ 26,554	\$ -	\$ 368,281
Accrued expenses	182,386	-	-	182,386
Due to other funds	-	38,205	-	38,205
Total liabilities	524,113	64,759	-	588,872
Deferred inflows of resources:				
Deferred revenue - business tax revenue	41,067	-	-	41,067
Fund balances:				
Nonspendable for:				
Inventory	33,748	-	-	33,748
Restricted for:				
Public facilities	917,356	-	-	917,356
Law enforcement	-	-	11,620	11,620
Assigned for:				
Subsequent year's expenditures	1,208,660	-	-	1,208,660
Future capital projects	53,060	-	-	53,060
Unassigned	8,638,888	60,195	-	8,699,083
Total fund balances	10,851,712	60,195	11,620	10,923,527
Total liabilities, deferred inflows of resources and fund balances	\$ 11,416,892	\$ 124,954	\$ 11,620	

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

Deferred outflows of resources related to pension are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	1,420,835
Deferred inflows of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(484,831)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,458,936
Long-term liabilities, including the net OPEB obligation, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,151,797)
Net position of governmental activities	\$ 18,166,670

The accompanying notes are an integral part of these financial statements.

City of Okeechobee, Florida

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

<i>Year ended September 30, 2017</i>	General	Community Development Capital Project	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,761,955	\$ -	\$ -	\$ 2,761,955
Intergovernmental	2,411,932	-	-	2,411,932
Charges for services	412,784	-	-	412,784
Permits and fees	630,850	-	-	630,850
Contributions and donations	9,486	-	-	9,486
Fines and forfeitures	20,485	-	2,089	22,574
Investment earnings	6,208	-	-	6,208
Miscellaneous	19,564	1	-	19,565
Total revenues	6,273,264	1	2,089	6,275,354
Expenditures				
Current:				
General government	1,233,232	-	-	1,233,232
Public safety	3,542,560	-	450	3,543,010
Transportation	1,097,012	-	-	1,097,012
Physical environment	131,934	8,176	-	140,110
Capital outlay	1,161,186	227,732	-	1,388,918
Total expenditures	7,165,924	235,908	450	7,402,282
Excess (deficit) of revenues over (under) expenditures	(892,660)	(235,907)	1,639	(1,126,928)
Other financing sources (uses)				
Transfers in	-	300,000	-	300,000
Transfers out	(300,000)	-	-	(300,000)
Proceeds from sale of capital assets	246,000	-	-	246,000
Total other financing sources (uses)	(54,000)	300,000	-	246,000
Net change in fund balances	(946,660)	64,093	1,639	(880,928)
Fund balances, beginning of year	11,798,372	(3,898)	9,981	11,804,455
Fund balances, end of year	\$ 10,851,712	\$ 60,195	\$ 11,620	\$ 10,923,527

The accompanying notes are an integral part of these financial statements.

City of Okeechobee, Florida

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

Year ended September 30, 2017

Net change in fund balances - total governmental funds **\$ (880,928)**

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 allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. **839,911**

In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets. **(266,141)**

Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and, therefore, decrease net position. **(32,787)**

Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds. **(79,457)**

Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the net amount of compensated absences reported in the statement of activities in the prior year that have matured in the current year. **54,842**

Change in net position of governmental activities **\$ (364,560)**

The accompanying notes are an integral part of these financial statements.

City of Okeechobee, Florida
Statement of Fiduciary Net Position - Pension Trust Funds

<i>September 30, 2017</i>	Pension Trust Funds
ASSETS	
Cash equivalents	\$ 162,875
Investments:	
Mutual funds	17,176,894
Receivables	249,810
Due from broker	52,000
Total assets	17,641,579
LIABILITIES	
Accounts payable	34,813
Due to other plan	6,661
Total liabilities	41,474
NET POSITION	
Held in trust for pension benefits	\$ 17,600,105

The accompanying notes are an integral part of these financial statements.

City of Okeechobee, Florida

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

<i>Year ended September 30, 2017</i>	Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 129,248
City	372,015
Employees	127,677
Total contributions	628,940
Investment earnings:	
Net appreciation in the fair value of investments	1,467,567
Interest and dividends	385,110
Total investment earnings	1,852,677
Less investment expenses	(67,048)
Net investment earnings	1,785,629
Total additions	2,414,569
DEDUCTIONS	
Benefits paid to participants	513,382
Refunds on termination	37,815
DROP payments	169,985
Administrative expenses	125,276
Total deductions	846,458
Change in net position	1,568,111
Net position held in trust for pension benefits, beginning of year	22,863,450
Assets transferred to Okeechobee Utility Authority	(6,831,456)
Net position held in trust for pension benefits, end of year	\$ 17,600,105

The accompanying notes are an integral part of these financial statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Okeechobee (the “City”) was originally incorporated in 1915 and its present charter was adopted in 1919 under Chapter 8318 of Special Acts of 1919. The City operates under the council form of government and provides the following services: general government, public safety, transportation and physical environment.

These financial statements present the primary government and its component units. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. Discretely presented component units are entities that are legally separate from the City, but whose relationship with the City are such that the exclusion would cause the City’s financial statements to be misleading or incomplete. The City has no discretely presented component units.

The City reports the following component units:

Municipal Firefighters’ Pension Trust Fund – The fund is under the supervision of a five member local independent Board of Trustees who are selected for office under the provisions of Florida Statutes, Chapter 175. The Board of Trustees cannot amend the provisions of the plan without the approval of the City Council. This plan covers all full-time firefighters of the City. The City funds the plan, according to any contribution deficit as determined by an actuarial valuation for the plan, beyond the contributions by employees and the State Insurance Premium Tax Contribution. It is accounted for in the Pension Trust funds.

Municipal Police Officers’ Pension Trust Fund – The fund is under the supervision of a five member local independent Board of Trustees who are selected for office under the provisions of Florida Statutes, Chapter 185. The Board of Trustees cannot amend the provisions of the plan without the approval of the City Council. This plan covers all full-time sworn officers of the City. The City funds the plan, according to any contribution deficit as determined by an actuarial valuation for the plan, beyond the contributions by employees and the State Insurance Premium Tax Contribution. It is accounted for in the Pension Trust funds.

The Employees’ Retirement System of the City of Okeechobee, Florida – The fund is under the supervision of a five member local independent Board of Trustees. The Board of Trustees cannot amend the provisions of the plan without the approval of the City Council. This plan benefits the City general employees. The City funds the plan. It is accounted for in the Pension Trust funds in 2017 as the City does have fiduciary responsibility.

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 the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are those which normally are supported by taxes and intergovernmental revenues. Likewise the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes 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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, charges for services 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 government.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *community development capital project fund* accounts for the assets, liabilities, revenues and expenditures related to the construction of infrastructure and other improvements in the City not including grant funds that are instead included in the appropriations grant capital project fund.

The City reports the following nonmajor governmental funds:

The *law enforcement special revenue fund* accounts for the assets that are restricted to fund certain expenditures of the City's police department.

Additionally, the City reports the following fund types:

The *pension trust fund* account is used to account for assets held by the City in a fiduciary capacity for the general employees', police officers' and firefighters' pension plans. The funds are operated by carrying out specific terms of statutes, ordinances and other governing regulations.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Expenses for compensated absences are allocated based on the assigned function of the related employee.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY

1. *Cash and investments*

The investment of municipal funds is authorized by local ordinance and Florida Statutes. This allows the City to invest in the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury, commercial paper with certain ratings, pre-refunded municipal obligations, banker's acceptances maturing within one year, investment agreements, direct and general long-term and short-term obligations of any state with proper credit rating and full faith and credit pledge, municipal obligations with proper credit rating and repurchase agreements with maturities of 30 days or less with organizations with certain stipulations and requirements.

The City invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight.

The Florida PRIME has adopted operating procedures consistent with the requirements for an investment pool under GASB 79 to be reported at amortized cost. The fair value of the City's position in the pool is equal to the value of pooled shares. The funds can be withdrawn at any time, and there are no unfunded commitments.

The City pools the investments of its governmental funds. Investment earnings of the pool are allocated to the participating funds at the end of each month based on the ratio of each participant funds' investment to the total pooled investment.

Cash and cash equivalents include cash deposits, cash funds held in broker accounts and investments held in the Local Government Surplus Funds Trust Fund (Florida PRIME).

Within the firefighters', police officers' and general employees' pension trust funds, plan assets are managed by Bowen, Hanes and Company. The plans follow the investment guidelines as established within the ordinance. The pension trust funds are allowed to invest in the State Pool; obligations of the U.S. Government or agencies thereof; banking institutions within the state and other such institutions within the guidelines of the state statutes, which are insured by the Federal Deposit Insurance Corporation; investment agreements; direct and general long-term obligations of any state with proper credit rating and full faith and credit pledge; municipal obligations with proper credit rating; annuity and life insurance contracts; bonds issued by the State of Israel; and stocks, bonds, and commingled funds administered by National or State banks or evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, provided that the corporation is listed on a nationally recognized exchange and holds proper credit ratings as set forth by a major credit rating service. These equity investments are not to exceed 60% of the assets of the pension trust funds on a cost basis. Temporary investment funds held by the custodian in a money market fund are classified as cash equivalents within the investment account.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

1. Cash and investments (continued)

Pension trust fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Shares of mutual funds, including proprietary funds and common and collective funds are valued at quoted market prices, which represent the net asset value of shares held by the pension trust fund at year-end. Interest is recognized when earned. Gains and losses from the sale or exchange of investments are recognized on the transaction date. The difference between the excess of fair value over cost represents unrealized gains.

2. Receivables and payables

All trade and property tax receivables are considered to be fully collectible.

The City's property tax is levied annually on the real and personal property located in the City on January 1st of the prior year. Tax collections by the Okeechobee County tax collector begin in November of each year with a due date of March 31 of the following year. All property taxes remaining unpaid at May 30 are subject to a tax certificate sale.

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. During a Special Session in June, 2007, the Florida Legislature adopted HB1B, which limits municipal property tax rates beginning in the 2008 fiscal year. This legislation established reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years. The Legislature did authorize local governments to use the rolled back millage rate if approved by a super majority vote of the governing body. The Okeechobee City Council levy for the fiscal year ended September 30, 2017 was 7.9932 mills, which is 0.04% more than the rolled back rate.

The City Council determines the millage rates and adopts a tax levy by resolution prior to September 30 to fund the next ensuing fiscal year's budget. The assessment of all properties and collection of municipal taxes are provided by the County's Property Appraiser and Tax Collector. The ad valorem tax calendar is as follows:

Lien date	-	January 1
Levy date	-	Prior to September 30
Due date	-	November 1
Delinquent date	-	April 1

3. Inventory

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

4. Capital assets

Capital assets, which include: property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25-60
Building improvements	12-20
Vehicles	10
Equipment	5-15

5. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred inflows and outflows of resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred inflows of resources related to pensions were \$484,831, and total deferred outflows were \$1,420,835 for the year ended September 30, 2017. Note 5-B includes a complete discussion of retirement commitments.

Resources received before time requirements have been met, for example business tax revenues, are classified as deferred inflows of resources.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

7. Long-term obligations (continued)

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

8. Fund equity

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amounts of loans and notes receivables, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Council, the Council’s highest level of decision making authority. Commitments may be changed or lifted only by the council taking the same formal action (resolution) that imposed the constraint originally. The City had no committed fund balance at year end.

Assigned Fund Balance – Includes spendable fund balance amounts established by the City Administrator or the Council that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification 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. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City would typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Police Officers' and Firefighters' pension trust funds and the Florida Retirement System Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets, liabilities, deferred inflows and deferred outflows, the disclosure of contingent assets, liabilities, deferred inflows and deferred outflows at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation states that "long-term liabilities, including the net OPEB obligation and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(2,151,797) difference are as follows:

Net OPEB obligation	\$ (1,455,446)
Compensated absences	(397,097)
Net pension liability	(299,254)
<hr/>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position-governmental activities	<u>\$ (2,151,797)</u>

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures". However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this \$839,911 difference are as follows:

Capital outlay	1,388,918
Depreciation expense	(549,007)
<hr/>	
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 839,911
<hr/>	

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

As permitted by GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, the City has elected to disclose all budgetary information in the notes to the required supplementary information.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2017, the City's carrying amount of deposits was \$11,005,822 and the bank balance was \$11,116,920. In addition, the City maintained \$324 of petty cash. As of September 30, 2017, \$250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Fair Value

GASB 72, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017.

Level 1 investments noted in the following table are valued at quoted market prices.

Level 2 investments noted in the following table are valued at quoted prices for similar liabilities in active markets.

The money market fund is valued at amortized cost. They can be redeemed daily, and have no unfunded commitments.

At September 30, 2017, the City had the following investments and effective duration presented in terms of years and levels:

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	Rating	Agency	Level
Pension trust funds:								
Mutual funds- equities	10,785,484	-	-	10,785,484	-	Not rated	-	L1
Mutual funds- fixed income	6,391,410	-	-	6,391,410	-	BBB - AA	S&P	L2
	\$ 17,176,894	\$ -	\$ -	\$ 17,176,894	\$ -			
<hr/>								
Cash Equivalents, at cost								
Money Market Fund	162,875							
Total Cash Equivalents, at cost	162,875							
Total Investments	\$ 17,339,769							

Credit risk

Fixed income securities have inherent financial risks, including credit risk and interest rate risk. Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. The City's investment policy and the investment policies for the firefighters', police officers' and general employees' pension trust funds limit investments to securities with specific ranking criteria.

Interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with Florida Statute 218.415(6), the City's policy is to match investment maturities with known cash needs and anticipated cash flow requirements. The City's pension trust funds do not address interest rate risk.

Concentration of credit risk

Concentration of credit risk is an increased risk of loss that occurs as more investments are acquired from one issuer (i.e. lack of diversification). The City's investment policy and the investment policies for the firefighters', police officers' and general employees' pension trust funds do not specifically address concentration of credit risk.

Foreign currency risk

The City's firefighters', police officers', and general employees' pension trust funds contain investments in foreign corporate bonds; however, all of the investments are denominated in U.S. dollars and are not exposed to foreign currency risk.

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

B. RECEIVABLES

Receivables as of September 30, 2017 are as follows:

	General Fund	Municipal Police Officers' Pension Trust	Municipal Firefighters' Pension Trust	General Employees Pension Trust
Franchise/Utility taxes	\$ 150,647	\$ -	\$ -	\$ -
Contributions	-	133,391	79,230	37,189
Other	9,645	-	-	-
Receivables, net	\$ 160,292	\$ 133,391	\$ 79,230	\$ 37,189

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,378,744	\$ -	\$ -	\$ 1,378,744
Construction in progress	31,021	806,070	(26,295)	810,796
Total capital assets, not being depreciated	1,409,765	806,070	(26,295)	2,189,540
Capital assets, being depreciated:				
Buildings	1,981,257	24,573	-	2,005,830
Improvements other than buildings	7,579,641	110,971	-	7,690,612
Equipment	2,914,261	473,599	(297,736)	3,090,124
Total capital assets, being depreciated	12,475,159	609,143	(297,736)	12,786,566
Less accumulated depreciation for:				
Buildings	(950,368)	(63,682)	-	(1,014,050)
Improvements other than buildings	(3,138,741)	(280,739)	-	(3,419,480)
Equipment	(1,910,649)	(204,586)	31,595	(2,083,640)
Total accumulated depreciation	(5,999,758)	(549,007)	31,595	(6,517,170)
Total capital assets, being depreciated, net	6,475,401	60,136	(266,141)	6,269,396
Governmental activities capital assets, net	\$ 7,885,166	\$ 866,206	\$ (292,436)	\$ 8,458,936

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 63,314
Public safety	175,482
Physical environment	310,211
<u>Total depreciation expense - governmental activities</u>	<u>\$ 549,007</u>

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund loans for short-term operating purposes resulted in a due to the General fund from Community Development Capital Project fund of \$38,205. All amounts are expected to be repaid within one year.

During the year ended September 30, 2017, the General fund transferred \$300,000 to the Community Development Capital Project Fund. The transfers represented engineering costs for the respective partially grant funded capital projects.

E. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 451,939	\$ 119,939	\$ (174,781)	\$ 397,097	\$ 30,481
Net OPEB obligation	1,375,989	96,655	(17,198)	1,455,446	-
Net pension liability	231,559	567,864	(500,169)	299,254	-
<u>Long-term liabilities</u>	<u>\$ 2,059,487</u>	<u>\$ 784,458</u>	<u>\$ (692,148)</u>	<u>\$ 2,151,797</u>	<u>\$ 30,481</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 5: OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss, including, but not limited to theft, damage or destruction of its buildings, equipment, records and monetary assets, and liability for personal injury, property damage and consequences of employee and public official actions. The City participates in a non-assessable public risk pool to cover significant loss exposure and purchases commercial insurance for third party pollution liability coverage. The pool maintains a loss reserve and purchases specific

NOTE 5: OTHER INFORMATION (Continued)

A. RISK MANAGEMENT (Continued)

excess insurance, aggregate excess insurance and multiple loss coverage from commercial carriers and underwriters.

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS

Plan Descriptions – The City contributes to two single-employer defined benefit pension plans: City of Okeechobee Municipal Police Officers’ Pension Trust Fund and City of Okeechobee Municipal Firefighters’ Pension Trust Fund (the “Plans”). The Plans provide retirement, disability and death benefits to plan members and their beneficiaries. Chapters 185 and 175 of the Florida Statutes establish the minimum benefits and the minimum standards for the operation and funding of the Police Officers’ and the Firefighters’ Municipal Pension Trust Funds, respectively. Per City Ordinances Nos. 750 and 749, sole responsibility for administering the Plans is vested in the Board of Trustees of each plan. The Boards cannot amend the provisions of the plans without the approval of the City. The Plans issue publicly available financial reports that include financial statements and required supplementary information. The reports are available from the City of Okeechobee, Florida, 55 S.E. Third Avenue, Okeechobee, Florida 34974.

At September 30, 2017, the Police Officers’ plan included 9 retirees or beneficiaries either receiving or entitled to receive benefits, including 1 disability retiree and 3 survivor beneficiaries. The Police Officers’ plan also includes no terminated members with vested benefits, and has 3 DROP participants. There are 16 active current employees of which 11 are vested and 5 are non-vested.

At September 30, 2017, the Firefighters’ plan included 3 retirees receiving or entitled to receive benefits, including 1 beneficiary receiving benefits. The Plan also included 1 terminated vested members entitled to receive benefits. There are 12 active current employees of which 4 are vested and 8 are non-vested.

Funding Policies – The contribution requirements of plan members and the City are established and may be amended by City ordinance. Plan members are required to contribute 5% of their annual covered salary for the Police Officers’ and Firefighters’ Municipal Trust Funds. The City is required to contribute an amount equal to the difference in each year between the total aggregate member contributions for the year, plus state contributions for such year, and the normal cost for the year, as shown by the most recent actuarial valuation of the plan; the current contribution rate as a percentage of covered payroll is 18.63% for the Police Officers’ plan and 21.08% for the Firefighters’ plan.

The City recognized as revenues and expenditures on-behalf payments relating to pension contributions for its public safety employees that the State of Florida paid to the Police Officers’ and Firefighters’ Plans in the amounts of \$78,659 and \$50,589, respectively. These contributions are funded by an excise tax upon certain casualty insurance companies on their gross receipts of premiums from policy holders.

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

The City and employees contributions for the year ended September 30, 2017, are as follows:

	City	Employees
Police Officers'	\$ 170,883	\$ 45,863
Firefighters'	\$ 107,123	\$ 25,409

Plan Investment Policies and Allocation of Plan Investments - Florida statutes and the plan investment policy authorize the Trustees to invest funds in various investments. The general investment objective of the fund is to preserve the purchasing power of the fund's assets and earn a reasonable rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short-term volatility of returns. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, and the current target and actual allocation of these investments at market, per the performance analysis report, is as follows as of September 30, 2017:

Police Officers'		
	Actual	Target
Investments	Percent	Percent
Domestic Equity	44.9%	45.0%
International Equity	14.6%	15.0%
Fixed Income	39.4%	40.0%
Cash Equivalents	1.1%	0.0%
Total	100.0%	100.0%

Firefighters'		
	Actual	Target
Investments	Percent	Percent
Domestic Equity	46.3%	45.0%
International Equity	15.3%	15.0%
Fixed Income	36.5%	40.0%
Cash Equivalents	1.9%	0.0%
Total	100.0%	100.0%

Money-Weighted Rate of Return - For the year ended September 30, 2017, the annual money-weighted rate of return on the Police Officers' pension plan investments was (10.68%) and on the Firefighters' pension plan investments was (10.76%). The money-weighted rate of return expresses investment performance, net of plan investment expenses, as adjusted for the changing amounts actually invested on a monthly basis.

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

Net Pension Liability – The City’s net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of September 30, 2017 for the Police Officers’ and Firefighters pension plan.

Total Pension Liability	Police Officers'	Firefighters'
Service cost	\$ 264,445	\$ 156,107
Interest	543,946	235,684
Difference between actual & expected experience	126,875	56,393
Benefit payments	(468,694)	(102,590)
Refunds	(25,003)	-
Other	-	3,256
Net change in total pension liability	441,569	348,850
Total pension liability - beginning	7,758,412	3,282,133
Total pension liability - ending (a)	\$ 8,199,981	\$ 3,630,983
Plan Fiduciary Net Position		
	Police Officers'	Firefighters'
Contributions - employer (from City)	\$ 147,312	\$ 97,709
Contributions - employer (from State)	73,960	49,889
Contributions - members	45,554	27,433
Net investment income	607,763	246,381
Benefit payments	(468,694)	(102,590)
Refunds	(25,003)	-
Administrative expense	(32,120)	(31,639)
Other	(6)	(1,766)
Net change in plan fiduciary net position	348,766	285,417
Plan fiduciary net position - beginning	7,691,340	3,257,415
Plan fiduciary net position - ending (b)	8,040,106	3,542,832
Net pension liability (asset) - Ending (a) - (b)	\$ 159,875	\$ 88,151
 Plan fiduciary net position as a percentage or Total Pension Liability	 98.05%	 97.57%

For the year ending September 30, 2017, the City recognized a pension expense of \$337,738 for the Police Officers’ Plan and \$211,205 for the Firefighters’ Plan. On September 30, 2017, the Sponsor reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	Police Officers'	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 102,476	\$ 140,253
Change in assumptions	59,859	-
Net difference between projected and actual earnings on pension plan investments	382,951	145,233
Contributions subsequent to the measurement date	248,448	-
Total	\$ 793,734	\$ 285,486

	Firefighters'	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 49,069	\$ 15,351
Change in assumptions	37,501	-
Net difference between projected and actual earnings on pension plan investments	164,069	58,914
Contributions subsequent to the measurement date	157,712	-
Total	\$ 408,351	\$ 74,265

Deferred outflows of \$406,160 resulting from City and State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year end September 30, 2017 for both the Police and Firefighters pension plans. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Police Officers'	
Year ended September 30:	
2018	\$ 72,104
2019	72,106
2020	113,432
2021	(2,722)
2022	4,880
Total	\$ 259,800

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	Firefighters'	
Year ended September 30:		
2018	\$	39,571
2019		39,570
2020		62,228
2021		7,538
2022		10,941
Thereafter		16,526
<u>Total</u>	<u>\$</u>	<u>176,374</u>

Net Pension Liability of the City of Okeechobee – The components of the net pension liability of the City were measured as of September 30, 2017, as follows, is presented in accordance with GASB Statement No. 67, while the net pensions recognized by the City in the current financial statements represents the net pension liability measured as of September 30, 2016 which is allowed by GASB Statement No. 68.

	Police		Fire	
Total pension liability	\$	8,504,923	\$	3,811,073
Plan fiduciary net position		(8,937,259)		(3,961,903)
<u>City's net pension asset</u>	<u>\$</u>	<u>(432,336)</u>	<u>\$</u>	<u>(150,830)</u>

Plan fiduciary net position as a percentage of total pension liability	105.08%	103.96%
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Expected Long-Term Rate of Return - The long-term expected rate of return on pension investments was determined using a building-block method in which best estimate ranges of future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.5%) to arrive at a 5.65% projected long-term real rate of return net of investment expense. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized as follows:

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	Police Officers' Percent Target	Long-Term Rate of Return*
Investments	45.0%	7.5%
Domestic Equity	15.0%	8.5%
International Equity	40.0%	2.5%
Fixed Income	0.0%	0.0%
Cash Equivalents	0.0%	0.0%
Total	100.0%	

*Net of long-term inflation assumptions 2.5%

	Firefighters' Percent Target	Long-Term Rate of Return*
Investments	45.0%	7.5%
Domestic Equity	15.0%	8.5%
International Equity	40.0%	2.5%
Fixed Income	0.0%	0.0%
Cash Equivalents	0.0%	0.0%
Total	100.0%	

*Net of long-term inflation assumptions 2.5%

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

Sensitivity of the Net Pension Liability to Changes in Discount Rate - The following presents the pension liability of the City, calculated using the discount rate of 7%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	Police Officers		
	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Sponsor's net pension liability (asset)	\$ 611,543	\$ (432,336)	\$ (1,296,186)

	Firefighters		
	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Sponsor's net pension liability (asset)	\$ 355,311	\$ (150,830)	\$ (580,692)

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

The Employees' Retirement System (Fund) of the City of Okeechobee, Florida

Plan Description - Prior to October 1, 2016, both the Okeechobee Utility Authority (OUA) and the general employees of the City of Okeechobee, Florida were covered by the City of Okeechobee and Okeechobee Utility Authority Employee Retirement System. The plan was previously treated as a cost sharing multiple- employer plan when combined with the Okeechobee Utility Authority. Effective October 1, 2016, the City contributes to the Employees' Retirement System (Fund) of the City of Okeechobee, Florida (the "System"), a single employer, defined benefit contributory pension trust administered by the System's Board of Trustees. Substantially all of the City's regular employees participate in this public employee retirement system. The System was established by City Ordinance No. 655, as amended and restated by City Ordinance No. 686. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Board of Trustees is authorized by City Ordinance No. 686 to establish and amend all plan provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report is available from the City of Okeechobee, Florida, 55 S.E. Third Avenue, Okeechobee, Florida 34974.

At September 30, 2017, the Plan included 17 retirees and/or beneficiaries currently receiving benefits plus 3 terminated employees entitled to benefits but not yet receiving them, and 2 DROP participants. There are 27 active current employees in the Plan, of which 13 are vested and 14 are non-vested.

Funding Policy - The contribution requirements of the plan members and the City are established and may be amended by City ordinance. Plan members are required to contribute 6% of their covered annual salary. The City is required to contribute at an actuarially determined rate; the current rate is 4.55% of covered payroll. The City elected to fund the plan based on the initially calculated higher rate of 10%. The City's contributions for the year ended September 30, 2017, was \$94,009 and was equal to the required contribution for the year.

Net Pension Liability - For the year ending September 30, 2017, the City reported a liability of \$51,228 for the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015.

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	General	
Total Pension Liability		
Service cost	\$	421,387
Interest		763,785
Difference between actual & expected experience		(524,849)
Benefit payments		(331,215)
Refunds		(18,267)
<hr/>		
Net change in total pension liability		310,841
Total pension liability - beginning		11,400,112
Transfer of pension liability for Okeechobee		
Utility Authority *		(10,301,255)
<hr/>		
Total pension liability - ending (a)	\$	1,409,698
<hr/>		
Plan Fiduciary Net Position		
Contributions - employer (from City)	\$	446,184
Contributions - members		183,145
Net investment income		825,935
Benefit payments		(331,215)
Refunds		(18,267)
Administrative expense		(57,186)
Other		(2,208)
<hr/>		
Net change in plan fiduciary net position		1,046,388
Plan fiduciary net position - beginning		10,238,992
Transfer plan fiduciary net position to Okeechobee		
Utility Authority*		(9,926,910)
<hr/>		
Plan fiduciary net position - ending (b)		1,358,470
<hr/>		
Net pension liability (asset) - Ending (a) - (b)	\$	51,228
<hr/>		
Plan fiduciary net position as a percentage or Total Pension Liability		96.37%

* Due to the change in nature of the Plan, from a cost sharing to a single employer plan (effective October 1, 2016).

The City and employees contributions for the year ended September 30, 2017, are as follows.

		City		Employees
General	\$	94,009	\$	56,405

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

Money-Weighted Rate of Return - The annual money-weighted rate of return on plan investments (calculated as the internal rate of return on plan investments, net of plan investment expense) was (9.78%) for the year ended September 30, 2017. The money-weighted rate of return expresses investment performance, net of plan investment expenses, as adjusted for the changing amounts actually invested on a monthly basis.

For the year ending September 30, 2017 the City recognized a pension expense of \$75,529 for the General Employees' Retirement Plan. On September 30, 2017, the Sponsor reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	General		Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$	4,851	\$	85,143
Change in assumptions		26,428		-
Net difference between projected and actual earnings on pension plan investments		93,462		39,937
Contributions subsequent to the measurement date		94,009		-
Total	\$	218,750	\$	125,080

Deferred outflows of \$94,009 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	General	
Year ended September 30:		
2018	\$	6,849
2019		6,849
2020		19,137
2021		(12,017)
2022		(8,174)
Thereafter		(12,983)
Total	\$	(339)

Net Pension Liability of the City of Okeechobee – The components of the net pension liability of the City were measured as of September 30, 2017, as follows, is presented in accordance with GASB Statement No. 67, while the net pensions recognized by the City in the current financial statements represents the net pension liability measured as of September 30, 2016 which is allowed by GASB Statement No. 68.

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

		General
Total pension liability	\$	4,057,820
Plan fiduciary net position		(4,700,943)
City's net pension asset	\$	(643,123)

Plan fiduciary net position as a percentage of total pension liability		115.85%
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Plan Investment Policies and Allocation of Plan Investments - Florida statutes and the plan investment policy authorize the Trustees to invest funds in various investments. The general investment objective of the fund is to preserve the purchasing power of the fund's assets and earn reasonable rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short-term volatility of returns.

	General	
	Percent Actual	Percent Target
Investments		
Domestic Equity	49.8%	50.0%
International Equity	9.6%	10.0%
Fixed Income	39.5%	40.0%
Cash Equivalents	1.1%	0.0%
Total	100.0%	100.0%

Expected Long-Term Rate of Return - The long term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation and actual allocation as of September 30, 2017 are summarized in the following table:

	General Percent Actual	Long-Term Rate of Return*
Investments		
Domestic Equity	49.8%	7.5%
International Equity	9.6%	8.5%
Fixed Income	39.5%	2.5%
Cash Equivalents	1.1%	0.0%
Total	100.0%	5.6%

*Net of long-term inflation assumptions 2.5%

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in Discount Rate – The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as what the City's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	General 1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Sponsor's net pension liability (asset)	\$ (172,429)	\$ (643,123)	\$ (1,038,966)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2016 using the following actuarial assumptions applied to all measurement periods.

	Fire	Police	General
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation	2.75%	2.75%	2.50%
Salary Increases	7.00%	6.00%	6% per year
Investment Rate of Return	7.00%	7.00%	7%, net of investment expense
Retirement Age	100% when first eligible for Normal Retirement or DROP entry	100% when first eligible for Normal Retirement or DROP entry	100% when first eligible for Normal Retirement or DROP entry

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	Fire	Police	General
Mortality	<p>RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates currently in use for Special Risk Class members of the Florida Retirement System (FRS), as mandated by Florida House Bill 1309.</p>	<p>RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates currently in use for Special Risk Class members of the Florida Retirement System (FRS), as mandated by Florida House Bill 1309.</p>	<p>RP-2000 mortality tables with collar adjustments and generational projections using scale BB as used by the Florida Retirement System for the Regular Class members in the July 1, 2016 actuarial valuation.</p>

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

Pension trust funds fiduciary net position activity as of September 30, 2017 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ASSETS				
Cash equivalents	\$ 24,206	\$ 21,851	\$ 116,818	\$ 162,875
Investments:				
Mutual funds	3,834,395	8,788,637	4,553,862	17,176,894
Receivables	79,230	133,391	37,189	249,810
Due from broker	52,000	-	-	52,000
Total assets	3,989,831	8,943,879	4,707,869	17,641,579
LIABILITIES				
Accounts payable	22,393	5,492	6,928	34,813
Due to other plan	5,534	1,127	-	6,661
Total liabilities	27,927	6,619	6,928	41,474
NET POSITION				
Held in trust for pension benefits	\$ 3,961,904	\$ 8,937,260	\$ 4,700,941	\$ 17,600,105

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

Pension trust funds increase in fiduciary net position activity as of September 30, 2017 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ADDITIONS				
Contributions				
State	\$ 50,589	\$ 78,659	\$ -	\$ 129,248
City	107,123	170,883	94,009	372,015
Employees	25,409	45,863	56,405	127,677
Total contributions	183,121	295,405	150,414	628,940
Investment earnings:				
Net appreciation in the fair value of investments	341,866	730,503	395,198	1,467,567
Interest and dividends	86,078	195,869	103,163	385,110
Total investment earnings	427,944	926,372	498,361	1,852,677
Less investment expenses	(23,676)	(22,660)	(20,712)	(67,048)
Net investment earnings	404,268	903,712	477,649	1,785,629
Total additions	587,389	1,199,117	628,063	2,414,569
DEDUCTIONS				
Benefits paid to participants	106,573	255,731	151,078	513,382
Refunds on termination	20,437	-	17,378	37,815
DROP payments	-	-	169,985	169,985
Administrative expenses	34,933	41,855	48,488	125,276
Total deductions	161,943	297,586	386,929	846,458
Change in net position	425,446	901,531	241,134	1,568,111
Net position held in trust for				
pension benefits, beginning of year	3,536,458	8,035,729	11,291,263	22,863,450
Assets transferred to Okeechobee				
Utility Authority	-	-	(6,831,456)	(6,831,456)
Net position held in trust for				
pension benefits, end of year	\$ 3,961,904	\$ 8,937,260	\$ 4,700,941	\$ 17,600,105

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan description. The City of Okeechobee, Florida administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the City is required to provide eligible retirees (as defined in the City’s pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. Benefit provisions for the Plan were established by City Council on January 7, 1991 and may only be amended by City Council. The City has not established a trust or agency fund for the Plan. The City does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the City’s basic financial statements.

Employees and their dependents may elect to remain in the Plan upon retirement up to age 65. After age 65 the City’s insurance coverage becomes secondary to the retiree’s Medicare insurance. The Plan has 2 retirees receiving benefits and has a total of 59 active participants and dependents.

Funding policy. The City is funding the plan on a pay-as-you-go basis. Employees and their dependents are required to pay 100% of the insurance premiums charged by the carrier. There is an implied subsidy in the insurance premiums for these employees because the premium charged for retirees is the same as the premium charged for active employees, who are younger than retirees on average.

For the year ended September 30, 2017, the City’s contribution is \$17,198, which represents an estimate of the implied subsidy described above. Contributions of plan members totaled approximately \$2,166 for the year ended September 30, 2017.

Annual OPEB cost and net OPEB obligation. The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount determined using the Alternative Measurement Method, permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC 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 accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year ended September 30, 2017, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation to the Plan:

Annual required contribution	\$	98,094
Interest on net OPEB obligation		41,280
Adjustment to annual required contribution		(42,719)
<hr/>		
Annual OPEB cost (expense)		96,655
Contributions made		(17,198)
<hr/>		
Increase in net OPEB obligation		79,457
Net OPEB obligation – beginning of year		1,375,989
<hr/>		
Net OPEB obligation – end of year	\$	<u>1,455,446</u>

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending September 30, 2017 was as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2017	\$ 96,655	18%	\$ 1,455,446
9/30/2016	385,151	13%	1,375,989
9/30/2015	225,128	16%	1,007,078

Funded status and funding progress. Because the Plan has fewer than 200 members, the City is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of September 30, 2016. Accordingly, the City will be required to obtain a subsequent actuarial valuation within three years of that date. As of September 30, 2016, the actuarial accrued liability for benefits was \$757,717, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,639,843, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 29%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, future interest rates, mortality, medical cost inflation, Medicare coverage and changes in marital status. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

In the September 30, 2016 valuation, the entry age normal cost method was used. The assumptions included a discount rate of 3%, a general inflation rate of 2.8%, and an annual healthcare cost trend rate of 0%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis over a period of 30 years. As authorized by GASB Statement No. 45, the Alternative Measurement Method with its simplifications of certain assumptions was employed in measuring actuarial accrued liabilities and the ARC.

D. CONCENTRATION – COLLECTIVE BARGAINING UNIT

Members of the City's fire department are covered by a collective bargaining agreement. The agreement with the employees covered by the International Association of Firefighters (IAFF) extended through September 30, 2009 and has not been renewed as of the date of our report.

NOTE 6: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB – accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The City is currently evaluating the effects that these statements will have on its 2018 financial statements.

NOTE 7: SUBSEQUENT EVENTS

During November 2017, the City award the annual police vehicle purchase bid to an unrelated vendor for 12 police vehicles in the amount of approximately \$ 249,552.

During December 2017, the City entered into a grant agreement with the Florida Department of Transportation for the resurfacing of SE 3rd Avenue from SR 70 to SE 4th Street for \$123,531.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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City of Okeechobee, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – General Fund**

<i>Year ended September 30, 2017</i>	Original Budget	Final Budget	Actual (on Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,597,419	\$ 2,761,948	\$ 2,761,955	\$ 7
Intergovernmental	2,096,135	2,408,723	2,411,932	3,209
Charges for services	399,446	410,995	412,784	1,789
Permits and fees	592,795	630,850	630,850	-
Fines and forfeitures	15,270	20,482	20,485	3
Investment earnings	6,550	6,236	6,208	(28)
Miscellaneous	14,350	23,169	19,564	(3,605)
Contributions and donations	-	-	9,486	9,486
Total revenues	5,721,965	6,262,403	6,273,264	10,861
Expenditures				
Current:				
General government:				
Legislative	182,699	135,665	131,842	3,823
Executive	195,341	186,238	184,801	1,437
City clerk	216,170	190,847	188,037	2,810
Financial services	276,416	257,124	256,542	582
Legal council	75,710	165,882	155,178	10,704
General services	402,552	349,472	338,983	10,489
Total general government	1,348,888	1,285,228	1,255,383	29,845
Public safety:				
Fire	1,572,269	1,493,016	1,482,638	10,378
Police	2,267,018	2,083,551	2,064,258	19,293
Total public safety	3,839,287	3,576,567	3,546,896	29,671
Transportation	1,232,471	1,111,379	1,099,156	12,223
Physical environment	712,800	255,043	214,164	40,879
Capital outlay	1,121,365	1,036,288	1,031,545	4,743
Total expenditures	8,254,811	7,264,505	7,147,144	117,361
Deficiency of revenues under expenditures	(2,532,846)	(1,002,102)	(873,880)	128,222
Other financing sources (uses)				
Operating transfers out	-	-	(300,000)	(300,000)
Sale of capital assets	237,600	246,000	246,000	-
Net other financing sources (uses)	237,600	246,000	(54,000)	(300,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(2,295,246)	(756,102)	(927,880)	(171,778)
Fund balances, beginning of year	11,798,372	11,798,372	11,798,372	-
Fund balances, end of year	\$ 9,503,126	\$ 11,042,270	10,870,492	\$ (171,778)
Reconciliation of budgetary to GAAP basis				
Current year encumbrances			154,337	
Prior year encumbrances			(173,117)	
Fund balance on GAAP basis			\$ 10,851,712	

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Changes in Net Pension Liability and Related Ratios –
Years Information is Available

	Police Officers'			
	2017	2016*	2015	2014
Total Pension Liability				
Service cost	\$ 235,345	\$ 264,445	\$ 247,353	\$ 251,499
Interest	573,285	543,946	506,147	479,146
Difference between actual & expected experience	(270,100)	126,875	(219,850)	(784)
Assumption changes	22,143	-	94,065	-
Benefit payments	(255,731)	(468,694)	(203,855)	(201,397)
Refunds	-	(25,003)	(321)	(26,953)
Net change in total pension liability	304,942	441,569	423,539	501,511
Total pension liability - beginning	8,199,981	7,758,412	7,334,873	6,833,362
Total pension liability - ending (a)	8,504,923	8,199,981	7,758,412	7,334,873
Plan Fiduciary Net Position				
Contributions - employer (from City)	169,789	147,312	192,581	200,210
Contributions - employer (from State)	78,659	73,960	70,807	67,639
Contributions - members	45,863	45,554	47,740	43,135
Net investment income	903,712	607,763	(95,964)	694,790
Benefit payments	(255,731)	(468,694)	(203,855)	(201,397)
Refunds	-	(25,003)	(321)	(26,953)
Administrative expense	(41,855)	(32,120)	(30,198)	(18,097)
Other	(3,284)	(6)	3,886	-
Net change in plan fiduciary net position	897,153	348,766	(15,324)	759,327
Plan fiduciary net position - beginning	8,040,106	7,691,340	7,706,664	6,947,337
Plan fiduciary net position - ending (b)	8,937,259	8,040,106	7,691,340	7,706,664
Net pension liability (asset) - Ending (a) - (b)	\$ (432,336)	\$ 159,875	\$ 67,072	\$ (371,791)
Plan fiduciary net position as a percentage or Total Pension Liability	105.08%	98.05%	99.14%	105.07%
Covered payroll**	\$ 917,260	\$ 970,646	\$ 911,189	\$ 862,700
Net pension liability as a percentage of covered payroll	-47.13%	16.47%	7.36%	-43.10%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City presents information for those years for which information is available.

* -The net pension liability recognized by the City in the current year financial statements represents the net position liability as of September 30, 2016, which is allowed by GASB 68.

** Covered payroll was calculated by dividing the total member contributions for the fiscal year, net of any known buyback contributions, by the member contribution rate of 5%.

Assumption changes:

- Effective 10/1/2016, the mortality rates were changed from the RP-2000 Combined Healthy Participant Mortality Tables, using projection scale AA to the mortality rates used by the Florida Retirement System (FRS) for Special Risk Class members. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the same mortality rates used in either of the last two actuarial valuation reports of FRS effective no later than 10/1/2016.

- Use of Insurance Tax Premium Revenue (IPTR) received by the State is subject to the default rules of Senate Bill 172 (codified in Chapter 2015-39) beginning with the IPTR received for the 2015 calendar year.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Changes in Net Pension Liability and Related Ratios –
Years Information is Available

	Firefighters'			
	2017	2016*	2015	2014
Total Pension Liability				
Service cost	\$ 156,989	\$ 156,107	\$ 144,773	\$ 130,539
Interest	255,218	235,684	213,154	196,106
Difference between actual & expected experience	(91,659)	56,393	(19,771)	(741)
Assumption changes	(13,449)	-	49,797	-
Benefit payments	(106,572)	(102,590)	(96,939)	(142,060)
Refund	(20,437)	-	-	-
Other	-	3,256	-	-
Net change in total pension liability	180,090	348,850	291,014	183,844
Total pension liability - beginning	3,630,983	3,282,133	2,991,119	2,807,275
Total pension liability - ending (a)	3,811,073	3,630,983	3,282,133	2,991,119
Plan Fiduciary Net Position				
Contributions - employer (from City)	107,123	97,709	92,863	82,058
Contributions - employer (from State)	50,589	49,889	52,662	53,235
Contributions - members	25,409	27,433	26,324	23,854
Net investment income	404,268	246,381	(44,021)	318,708
Benefit payments	(106,572)	(102,590)	(96,939)	(142,060)
Refunds	(20,437)	-	-	-
Administrative expense	(34,934)	(31,639)	(27,132)	(16,233)
Other	(6,375)	(1,766)	-	-
Net change in plan fiduciary net position	419,071	285,417	3,757	319,562
Plan fiduciary net position - beginning	3,542,832	3,257,415	3,253,658	2,934,096
Plan fiduciary net position - ending (b)	3,961,903	3,542,832	3,257,415	3,253,658
Net pension liability (asset) - Ending (a) - (b)	\$ (150,830)	\$ 88,151	\$ 24,718	\$ (262,539)
Plan fiduciary net position as a percentage or Total Pension Liability	103.96%	97.57%	99.25%	108.78%
Covered payroll**	\$ 508,180	\$ 563,285	\$ 523,119	\$ 477,080
Net pension liability as a percentage of covered payroll	-29.68%	15.65%	4.73%	-55.03%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City presents information for those years for which information is available.

* -The net pension liability recognized by the City in the current year financial statements represents the net position liability as of September 30, 2016, which is allowed by GASB 68.

** Covered payroll was calculated by dividing the total member contributions for the fiscal year, net of any known buyback contributions, by the member contribution rate of 5%.

Assumption changes:

- Effective 10/1/2016, the mortality rates were changed from the RP-2000 Combined Healthy Participant Mortality Tables, using projection scale AA to the mortality rates used by the Florida Retirement System (FRS) for Special Risk Class members. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the same mortality rates used in either of the last two actuarial valuation reports of FRS effective no later than 10/1/2016.

- Use of Insurance Tax Premium Revenue (IPTR) received by the State is subject to the default rules of Senate Bill 172 (codified in Chapter 2015-39) beginning with the IPTR received for the 2015 calendar year.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Changes in Net Pension Liability and Related Ratios –
Years Information is Available

General Employees'	2017	2016*
Total Pension Liability		
Service cost	\$ 136,373	\$ 421,387
Interest	91,058	763,785
Benefit changes	-	-
Difference between actual & expected experience	-	(524,849)
Assumption changes	133,790	
Benefit payments	(336,740)	(331,215)
Refunds	(17,378)	(18,267)
Other ***	2,641,019	-
Net change in total pension liability	2,648,122	310,841
Total pension liability - beginning	1,409,698	11,400,112
Transfer of pension liability for Okeechobee Utility Authority *****	-	(10,301,255)
Total pension liability - ending (a)	4,057,820	1,409,698
Plan Fiduciary Net Position		
Contributions - employer	94,009	446,184
Contributions - members	56,405	183,145
Net investment income	477,649	825,935
Benefit payments	(336,740)	(331,215)
Refunds	(17,378)	(18,267)
Administrative expense	(48,490)	(57,186)
Other*****	3,117,018	(2,208)
Net change in plan fiduciary net position	3,342,473	1,046,388
Plan fiduciary net position - beginning	1,358,470	10,238,992
Transfer plan fiduciary net position to Okeechobee Utility Authority*****		(9,926,910)
Plan fiduciary net position - ending (b)	4,700,943	1,358,470
Net pension liability (asset) - Ending (a) - (b)	\$ (643,123)	\$ 51,228
Plan fiduciary net position as a percentage		
or Total Pension Liability	115.85%	96.37%
Covered payroll**	\$ 940,083	\$ 911,233
Net pension liability as a percentage		
of covered payroll	-68.41%	5.62%

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Changes in Net Pension Liability and Related Ratios –
Years Information is Available

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City presents information for those years for which information is available.

* -The net pension liability recognized by the City in the current year financial statements represents the net position liability as of September 30, 2016, which is allowed by GASB 68.

** Covered Payroll was calculated by dividing the total member contributions for the fiscal year by the member contribution rate of 6%.

*** The Total Pension Liability, the Plan Fiduciary Net Position, and the Net Pension Liability as of September 30, 2015 were allocated based on the portion of the Employer's Total Required Contribution (from October 1, 2015 Actuarial Valuation dated April 25, 2016). The October 1, 2015 Valuation determined the required employer contribution for the plan year end September 30, 2017.

**** Due to the change in nature of the Plan, from a cost sharing to a single employer plan (effective October 1, 2016). Also reflects \$59, 910 post-valuation adjustment to match audited financial statements.

***** Due to the change in nature of the Plan, from a cost sharing to a single employer plan (effective October 1, 2016).

Assumption changes:

- Effective 10/1/2016, the mortality rates were changed from the RP-2000 Combined Healthy Participant Mortality Tables, using projection scale AA to the mortality rates used by the Florida Retirement System (FRS) for Special Risk Class members. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the same mortality rates used in either of the last two actuarial valuation reports of FRS effective no later than 10/1/2016.

- Effective 10/1/2016, OUA employees are covered under a separately established Plan, the Okeechobee Utility Authority Employees' Retirement System, and are no longer covered under the City of Okeechobee General Employees' Retirement System.

City of Okeechobee, Florida
Required Pension Supplementary Information – Schedule of Contributions –
Years Information is Available

Police Officers'				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 251,591	\$ 219,093	\$ 263,240	\$ 267,849
Contributions in relation to the actuarially determined contributions	248,448	221,272	263,388	267,849
Contribution deficiency (excess)	\$ 3,143	\$ (2,179)	\$ (148)	\$ -
Covered payroll*	\$ 917,260	\$ 970,646	\$ 911,189	\$ 862,700
Contributions as a percentage of covered employee payroll	27.09%	22.80%	28.91%	31.05%
Firefighters'				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 170,269	\$ 143,632	\$ 138,914	\$ 122,212
Contributions in relation to the actuarially determined contributions	157,712	147,598	145,525	135,293
Contribution deficiency (excess)	\$ 12,557	\$ (3,966)	\$ (6,611)	\$ (13,081)
Covered payroll*	\$ 508,180	\$ 563,285	\$ 523,119	\$ 477,080
Contributions as a percentage of covered employee payroll	31.03%	26.20%	27.82%	28.36%
General Employees'				
	9/30/2017	9/30/2016		
Actuarially determined contributions	\$ 42,774	\$ 49,115		
Contributions in relation to the actuarially determined contributions	94,009	110,448		
Contribution deficiency (excess)	\$ (51,235)	\$ (61,333)		
Covered payroll	\$ 940,083	\$ 911,233		
Contributions as a percentage of covered employee payroll	10.00%	12.12%		

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City presents information for those years for which information is available.

* Based on payroll provided for actuarial valuations; Covered payroll was calculated by dividing the total member contributions for the fiscal year, net of any known buyback contributions, by the member contribution rate of 5%.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Okeechobee, Florida

**Required Pension Supplementary Information – Schedule of Investment
Returns – Years Information is Available**

Police Officers'				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	10.68%	7.59%	-1.65%	9.96%
Fire Fighters'				
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	10.76%	6.83%	-2.19%	10.43%
General Employees'				
	9/30/2017	9/30/2016		
Annual money-weighted rate of return net of investment expense	9.78%	7.78%		

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, the City presents information for those years for which information is available.

City of Okeechobee, Florida

**Required Other Postemployment Benefits Supplementary Information -
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL a % of Covered Payroll ((b-a)/c)
9/30/2016	\$ -	\$ 757,717	\$ 757,717	0.0%	\$ 2,639,843	29%
9/30/2013	-	1,255,666	1,255,666	0.0%	2,345,956	54%
8/1/2010	-	776,235	776,235	0.0%	2,515,729	31%



City of Okeechobee, Florida
Notes to Required Supplementary Information

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The City Administrator may make transfers of appropriations within a department as long as the total budget of the department is not increased. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made certain supplemental budgetary appropriations during the year.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

City of Okeechobee, Florida
Notes to Required Supplementary Information

B. ADDITIONAL ACTUARIAL INFORMATION

Valuation Date: 10/01/2015

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contributions Rates:

	Police Officers' Pension Plan	Firefighters' Pension Plan	General Pension Plan
Actuarial Cost Method:	Aggregate	Aggregate	Aggregate
Amortization Method:	N/A	N/A	N/A
Remaining Amortization Period:	N/A	N/A	N/A
Asset Valuation Method:	4-year smoothed market	4-year smoothed market	4-year smoothed market
Salary Increases:	6.00%	7.00%, including inflation	6.00%
Investment Rate of Return:	7.00%	7.00%	7.00%
Retirement Age:	100% when first eligible for Normal Retirement or DROP entry	100% when first eligible for Normal Retirement or DROP entry.	100% when first eligible for Normal Retirement or DROP entry
Mortality:	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA. The table was used with ages set ahead one year for the October 1, 2013 actuarial valuation.	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA.	RP-2000 Mortality Tables with collar adjustments and generational projections using scale BB as used by the Florida Retirement System for the Regular Class members in the July 1, 2016 actuarial valuation.

City of Okeechobee, Florida
Notes to Required Supplementary Information

	<u>Police Officers' Pension Plan</u>	<u>Firefighters' Pension Plan</u>	<u>General Pension Plan</u>
Notes:	See Discussion of Valuation Results on Page 1 of the October 1, 2015 Actuarial Valuation Report issued April 7, 2016 by Gabriel Roeder Smith & Company.	See Discussion of Valuation Results on Page 1 of the October 1, 2015 Actuarial Valuation Report issued April 8, 2016 by Gabriel Roeder Smith & Company.	See Discussion of Valuation Results on Page 1 of the October 1, 2016 Actuarial Valuation Report issued May 30, 2017 by Gabriel Roeder Smith & Company.

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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*

The Honorable Mayor and Members of the City Council
of the City of Okeechobee, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Okeechobee, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Okeechobee, Florida's basic financial statements, and have issued our report thereon dated June 15, 2017. Other auditors audited the financial statements of the Police Officers' and Firefighters' Pension Trust Funds and the City of Okeechobee and Okeechobee Utilities Authority Employees' Retirement System, as described in our report on the City of Okeechobee, Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Okeechobee, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Okeechobee, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Okeechobee, Florida's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 audit performed 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.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida

June 8, 2018

INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable Mayor and Members of the City Council
of the City of Okeechobee, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Okeechobee, Florida as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 7, 2018.

Auditors' 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 Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated June 8, 2018, 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. There were no findings or recommendations in the preceding annual financial audit report to correct.

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 legal authority of the City of Okeechobee, Florida and its component units are disclosed in the footnotes.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Okeechobee, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Okeechobee, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Okeechobee, Florida. It is management's responsibility to monitor the City of Okeechobee, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City of Okeechobee, Florida 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. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida
June 8, 2018



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

The Honorable Mayor and Members of the City Council
Of the City of Okeechobee, Florida

We have examined the City of Okeechobee, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management of the City of Okeechobee, Florida is responsible for the City of Okeechobee, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the City of Okeechobee, Florida's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City of Okeechobee, Florida's compliance with specified requirements.

In our opinion, the City of Okeechobee, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

This report is intended solely for the information and use of management and the State of Florida Auditor General, is not intended to be, and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
June 8, 2018