



City Of Okeechobee, Florida

FINANCIAL STATEMENTS

For Year Ended September 30, 2019



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City of Okeechobee, Florida
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For the year ended September 30, 2019

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**City of Okeechobee, Florida
City Officials
For the year ended September 30, 2019**

Dowling R. Watford, Jr.
Mayor, Chairman

Wes Abney
Monica Clark
Bob Jarriel
Bobby Keefe
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, 2019, 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 City of Okeechobee, Florida Municipal Police Officers' Pension Trust Fund and City of Okeechobee, Florida Municipal Firefighters' Pension Trust Fund and the City of Okeechobee 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 City of Okeechobee, Florida Municipal Police Officers' Pension Trust Fund and City of Okeechobee, Florida Municipal Firefighters' Pension Trust Fund and the City of Okeechobee 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. The financial statements of the City of Okeechobee, Florida Municipal Police Officers' Pension Trust Fund, the City of Okeechobee, Florida Municipal Firefighters' Pension Trust Fund, and the City of Okeechobee Employees' Retirement System were not audited in accordance with *Government Auditing Standards*.

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, 2019, 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 63 and page 71), and the pension and other postemployment benefits information (pages 64 through 70 and pages 72 through 73) 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 May 22, 2020 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.

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida

May 22, 2020

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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, 2019. 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, 2019:

- The City's total assets exceeded its liabilities at September 30, 2019 by \$20,400,951.
- The City's total revenues were \$7,166,137 for the year ended September 30, 2019, compared to total expenses of \$6,942,746, which resulted in a \$223,391 increase 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 59 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

	2019	2018
Current assets	\$ 11,822,942	\$ 11,378,309
Capital assets	8,234,983	8,532,680
Noncurrent assets	1,764,508	1,226,289
Total assets	21,822,433	21,137,278
Deferred outflows	830,245	1,625,927
Current liabilities	281,767	299,389
Noncurrent liabilities	593,411	580,636
Total liabilities	875,178	880,025
Deferred inflows	1,376,549	1,705,620
Net position:		
Net investment in capital assets	8,235,624	8,532,680
Restricted	1,111,541	1,184,520
Unrestricted	11,054,427	10,460,360
Total net position	\$ 20,400,951	\$ 20,177,560

Governmental Activities

Total net position increased by \$223,391 primarily as a result of \$685,155 increase in total assets, and a \$4,847 decrease of total liabilities. Deferred outflows and inflows related to pensions decreased by \$795,682 and \$329,071, respectively. The increase in total assets was primarily due to a \$444,633 increase in current assets, a \$538,219 increase in noncurrent assets due to an increase in net pension asset, offset by a decrease in capital assets of \$297,697. The net change in current and noncurrent liabilities was \$4,847 as current liabilities decreased by \$17,622 related to timing of payables and non-current liabilities increased by \$12,775 resulting from a \$4,849 increase in the OPEB obligation with the total offset by an increase in compensated absences of \$7,926.

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>		
	2019	2018
REVENUES:		
Program revenues:		
Charges for services	\$ 785,739	\$ 635,293
Operating grants and contributions	672,476	692,885
Capital grants and contributions	183,630	246,375
General revenues:		
Property taxes	2,238,173	2,101,971
Public utility taxes	860,362	853,799
Franchise fees	568,062	553,565
Shared revenues	1,618,950	1,480,838
Investment income	222,420	154,650
Other income	16,325	99,508
Total revenues	7,166,137	6,818,884
EXPENSES:		
General government	1,415,324	938,034
Public safety	3,918,479	3,789,940
Transportation	732,470	496,943
Physical environment	869,723	873,418
Culture and recreation	6,750	9,407
Total expenses	6,942,746	6,107,742
Change in net position	223,391	711,142
Net position, beginning of year	20,177,560	19,466,418
Net position, ending September 30	\$ 20,400,951	\$ 20,177,560

City of Okeechobee, Florida Management's Discussion and Analysis

The City experienced an increase of 5.1% in total revenues – a \$347,253 increase to \$7.16 million. The increase is primarily due to a \$150,446 increase in charges for services and the shared revenues increase of \$138,112 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 \$136,202. Utility Tax and Franchise fee revenues increased \$6,563 and \$14,497 respectively, primarily based on higher consumer consumption. The City experienced an increase of 13.7% in total expenses – a \$835,004 increase to \$6.9 million. The increase is primarily due to a \$477,290 increase in expenses for general government. The \$235,527 increase in transportation expense and \$128,539 increase in public safety also were large contributors to the overall increase in expenditures for the year. The combined increase in expense and increase in revenues resulted in an increase in net position of \$223,391.

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 \$11,495,123 an increase of \$458,977 in comparison with the prior year. Approximately 73% of this total amount \$8,433,872, constitutes unassigned fund balance, which is available for spending at the government's discretion. Assigned fund balances include \$1,914,755 for subsequent year's expenditures. Public facilities fund balance of \$1,103,396 plus law enforcement \$8,145 are restricted funds based on their specific stipulated purpose. The remainder of fund balance is non-spendable inventory of \$34,955.

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 \$10,086,277 while total fund balance was \$11,224,628. 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 142% and 158% respectively of total general fund expenditures.

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

General Fund Budgetary Highlights

The amount appropriated for expenditures in the original 18/19 budget decreased from \$8,293,077 to \$7,278,303 in the final 18/19 budget, a decrease of \$1,014,774. 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, 2019, amounted to \$8,234,983, (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 decreased \$297,697.

The City's major additions of \$587,187 to capital assets during the current fiscal year included the following:

- Replacement computers for (4)-Police Department
- Replace (11) police vehicles including equipment for Police Department; (1) motorcycle; (1) Pickup for Public Works
- Roadside Radar (2) with trailers
- LED Solar blinking stop signs
- Mobile/Portable handheld radios (2) Fire Department; (4) Police Department
- Tasers (1) including harnesses, etc.; (1) Radar
- Replacement bunker gear
- Zero turn mower (finishing mower)
- 12 Grills for Centennial Park

City of Okeechobee, Florida
Management's Discussion and Analysis

City's Capital Assets
(net of depreciation)

	2019	2018
Land	\$ 1,378,744	\$ 1,378,744
Buildings	1,143,049	1,183,251
Improvements other than buildings	4,154,231	4,448,127
Equipment	1,558,959	1,522,558
Total	\$ 8,234,983	\$ 8,532,680

Additional information on the City's capital assets can be found in Note 4.C. on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted a millage rate of 7.6018 for budget year 2020. The adopted millage rate is the same as the of the roll-back rate of 7.6018. A \$40,515 increase in budgeted ad valorem revenue is largely due to the increase in new construction added to this year's assessed tax rolls.

Revenues for the fiscal year 2020 adopted budget for all funds of the City total approximately \$7,682,496, an increase from the prior year final budget of approximately \$532,385. 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.

Expenditures for the fiscal year 2020 adopted budget for all funds of the City total approximately \$9,622,593, an increase of 12.4% or \$1,058,016 from the prior year budget. The increase in expenditures is based mostly on the Increase general government and transportation related 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, 2019

ASSETS	
Cash and cash equivalents	\$ 2,952,579
Investments	8,470,359
Accounts receivable	167,811
Due from other governments	197,238
Inventory	34,955
Capital assets:	
Nondepreciable	
Land	1,378,744
Depreciable, net of accumulated depreciation	
Buildings	1,143,049
Improvements other than buildings	4,154,231
Equipment	1,558,959
Net pension asset	1,764,508
Total assets	21,822,433
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pensions	830,245
Total deferred outflows of resources	830,245
LIABILITIES	
Accounts payable	209,111
Accrued expenses	72,656
Noncurrent liabilities:	
Due within one year - compensated absences	43,516
Due in more than one year	
Compensated absences	391,936
OPEB liability	157,959
Total liabilities	875,178
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - business tax receipts	46,052
Deferred inflow - pensions	1,330,497
Total deferred inflows of resources	1,376,549
NET POSITION	
Net investment in capital assets	8,234,983
Restricted for:	
Law enforcement	8,145
Public facilities	1,103,396
Unrestricted	11,054,427
Total net position	\$ 20,400,951

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

City of Okeechobee, Florida
Statement of Activities - Governmental Activities

<i>Year ended September 30, 2019</i>		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
General government	\$ 1,415,324	\$ 727,775	\$ -	\$ -	\$ (687,549)
Public safety	3,918,479	30,540	-	-	(3,887,939)
Transportation	732,470	27,424	672,476	-	(32,570)
Physical environment	869,723	-	-	183,630	(686,093)
Culture & recreation	6,750	-	-	-	(6,750)
Total governmental activities	\$ 6,942,746	\$ 785,739	\$ 672,476	\$ 183,630	(5,300,901)
General revenues:					
					2,238,173
					860,362
					568,062
					1,618,950
					222,420
					16,325
					5,524,292
					223,391
					20,177,560
					\$ 20,400,951

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

City of Okeechobee, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2019</i>	General	Community Development Capital Project	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,673,781	\$ 261,757	\$ 17,041	\$ 2,952,579
Investments	8,470,359	-	-	8,470,359
Accounts receivable	167,811	-	-	167,811
Due from other funds	8,303	-	-	8,303
Due from other governments	197,238	-	-	197,238
Inventory	34,955	-	-	34,955
Total assets	\$ 11,552,447	\$ 261,757	\$ 17,041	\$ 11,831,245
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 209,111	\$ -	\$ -	\$ 209,111
Accrued expenses	72,656	-	-	72,656
Due to other funds	-	-	8,303	8,303
Total liabilities	281,767	-	8,303	290,070
Deferred inflows of resources:				
Deferred revenue - business tax revenue	46,052	-	-	46,052
Fund balances:				
Nonspendable for:				
Inventory	34,955	-	-	34,955
Restricted for:				
Public facilities	1,103,396	-	-	1,103,396
Law enforcement	-	-	8,145	8,145
Assigned for:				
Subsequent year's expenditures	1,914,755	-	-	1,914,755
Unassigned	8,171,522	261,757	593	8,433,872
Total fund balances	11,224,628	261,757	8,738	11,495,123
Total liabilities, deferred inflows of resources and fund balances	\$ 11,552,447	\$ 261,757	\$ 17,041	

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

Deferred outflows of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	830,245
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.	(1,330,497)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,234,983
Net pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,764,508
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.	(593,411)

Net position of governmental activities	\$ 20,400,951
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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, 2019</i>	General	Community Development Capital Project	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,097,423	\$ -	\$ -	\$ 3,097,423
Intergovernmental	2,528,480	183,630	-	2,712,110
Charges for services	420,181	-	-	420,181
Permits and fees	802,084	-	-	802,084
Fines and forfeitures	36,048	-	4,133	40,181
Investment earnings	222,420	-	-	222,420
Miscellaneous	14,692	-	-	14,692
Total revenues	7,121,328	183,630	4,133	7,309,091
Expenditures				
Current:				
General government	1,308,834	-	-	1,308,834
Public safety	3,862,256	-	356	3,862,612
Transportation	1,116,651	-	-	1,116,651
Physical environment	212,308	-	-	212,308
Recreation	6,750	-	-	6,750
Capital outlay	587,187	-	-	587,187
Total expenditures	7,093,986	-	356	7,094,342
Excess of revenues over expenditures	27,342	183,630	3,777	214,749
Other financing sources (uses)				
Proceeds from sale of capital assets	244,228	-	-	244,228
Total other financing sources (uses)	244,228	-	-	244,228
Net change in fund balances	271,570	183,630	3,777	458,977
Fund balances, beginning of year	10,953,058	78,127	4,961	11,036,146
Fund balances, end of year	\$ 11,224,628	\$ 261,757	\$ 8,738	\$ 11,495,123

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, 2019

Net change in fund balances - total governmental funds	\$ 458,977
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(49,626)
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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.	(248,071)
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Pension contributions are reported as expenditures in the fund financial statements and the change in net position asset and related outflows (inflows) are reported on the statement of activities.	74,886
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Other post employment benefits are reported as expenditures in the fund financial statements and the change in net position asset and related outflows (inflows) are reported on the statement of activities.	(4,849)
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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.	(7,926)
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Change in net position of governmental activities	\$ 223,391
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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, 2019</i>	Pension Trust Funds
ASSETS	
Cash equivalents	\$ 364,917
Investments:	
Mutual funds	18,721,021
Receivables	102,700
Prepaid expenses	1,318
Due from other plan	652
Total assets	19,190,608
LIABILITIES	
Accounts payable	120,859
Due to other plan	652
Total liabilities	121,511
NET POSITION	
Restricted for pension benefits	\$ 19,069,097

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, 2019</i>	Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 142,962
City	330,199
Employees	140,325
Total contributions	613,486
Investment earnings:	
Net appreciation in the fair value of investments	106,033
Interest and dividends	582,547
Total investment earnings	688,580
Less investment expenses	(61,629)
Net investment earnings	626,951
Total additions	1,240,437
DEDUCTIONS	
Benefits paid to participants	595,687
Refunds on termination	22,233
DROP payments	310,165
Administrative expenses	144,036
Total deductions	1,072,121
Change in net position	168,316
Net position, beginning of year	18,900,781
Net position, end of year	\$ 19,069,097

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

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 2019 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 expenditures 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.

The *appropriations grant capital projects fund* accounts for the financial resources related to the construction of infrastructure and other improvements in the City provided by specific grants and matching funds.

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. Therefore, general revenues include all taxes.

Expenditures 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 150: *Investments* 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. 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, 2019 was 7.9932 mills, which is 4.76% 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 acquisition 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 \$1,330,497, and total deferred outflows were \$830,245 for the year ended September 30, 2019. 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. Other post-employment benefits

The City participates in a single employer, defined benefit, other post-employment plan. The City does not have a trust for the plan, and there is no actuarially determined contribution. The OPEB liability is determined in accordance with GASBC P52: *Other Post-employment Benefits*.

11. 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.

City of Okeechobee, Florida
Notes to Financial Statements

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

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

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 \$(593,411) difference are as follows:

Net OPEB obligation	\$ (157,959)
Compensated absences	(435,452)
<hr/>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position-governmental activities	\$ (593,411)
<hr/>	

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 \$(49,626) difference are as follows:

Capital outlay	\$ 587,187
Depreciation expense	(636,813)
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (49,626)
<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

As of September 30, 2019, \$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.

At the close of the fiscal year, the City held investments in the Local Government Surplus Funds Trust Fund ("Florida PRIME") external investment pool. The Florida PRIME is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. Florida PRIME currently meets all of the necessary criteria set forth in Section 150: *Investment Pools (External)* of the GASB Codification to measure its investments at amortized cost; therefore, the City's account balance in the SBA is also reported at amortized cost.

Fair Value

GASBC 150: *Investments*, 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 GASBC 150 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.

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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, 2019.

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.

Mutual funds – equities are valued at quoted market prices.

Mutual funds – fixed income are valued using price models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.

At September 30, 2019, the City had the following investments and effective duration presented in terms of years and levels:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	Rating	Agency	Level
Primary government:								
SBA (Florida Prime)	8,470,359	\$ 8,470,359	\$ -	\$ -	\$ -	AAAm	S&P	-
Primary government total	\$ 8,470,359	\$ 8,470,359	\$ -	\$ -	\$ -			
Pension trust funds:								
Mutual funds- equities	12,116,431	-	-	12,116,431	-	Not rated	-	L1
Mutual funds- fixed income	6,604,590	-	-	6,604,590	-	BBB - AA	S&P	L2
	\$ 18,721,021	\$ -	\$ -	\$ 18,721,021	\$ -			
Cash Equivalents, at amortized cost								
Money Market Fund	364,917							
Total Cash Equivalents, at cost	364,917							
Pension trust fund total	\$ 19,085,938							

Credit risk

Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. The City's investment policy does not address credit risk; however, investments are limited to state sponsored investment pools, which are diversified in their underlying portfolios so that potential losses will be minimized. The investment policies for the firefighters', police officers' and general employees' pension trust funds limit investments to securities with specific ranking criteria.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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.

B. RECEIVABLES

Receivables as of September 30, 2019 are as follows:

	General Fund	Municipal Police Officers' Pension Trust	Municipal Firefighters' Pension Trust	General Employees Pension Trust
Franchise/Utility taxes	\$ 114,764	\$ -	\$ -	\$ -
Contributions	-	41,905	23,554	37,241
Other	53,047	-	-	-
Receivables, net	\$ 167,811	\$ 41,905	\$ 23,554	\$ 37,241

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 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	-	-	-	-
Total capital assets, not being depreciated	1,378,744	-	-	1,378,744
Capital assets, being depreciated:				
Buildings	2,267,258	35,865	-	2,303,123
Improvements other than buildings	8,155,303	32,200	(113,080)	8,074,423
Equipment	3,804,191	519,122	(484,111)	3,839,202
Total capital assets, being depreciated	14,226,752	587,187	(597,191)	14,216,748
Less accumulated depreciation for:				
Buildings	(1,084,007)	(76,067)	-	(1,160,074)
Improvements other than buildings	(3,707,176)	(326,096)	113,080	(3,920,192)
Equipment	(2,281,633)	(234,650)	236,040	(2,280,243)
Total accumulated depreciation	(7,072,816)	(636,813)	349,120	(7,360,509)
Total capital assets, being depreciated, net	7,153,936	(49,626)	(248,071)	6,856,239
Governmental activities capital assets, net	\$ 8,532,680	\$ (49,626)	\$ (248,071)	\$ 8,234,983

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

Governmental activities:	
General government	\$ 109,985
Public safety	226,438
Physical environment	300,390
Total depreciation expense - governmental activities	\$ 636,813

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund loans for short-term operating purposes resulted in a due to the General fund from the Law Enforcement Trust fund of \$8,303. All amounts are expected to be repaid within one year.

E. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 427,526	\$ 172,211	\$ (164,285)	\$ 435,452	\$ 43,516
Net OPEB liability	153,110	4,849	-	157,959	-
Long-term liabilities	\$ 580,636	\$ 177,060	\$ (164,285)	\$ 593,411	\$ 43,516

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

NOTE 5: OTHER INFORMATION (Continued)

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, 2019, the Police Officers’ plan included 10 retirees or beneficiaries either receiving or entitled to receive benefits, plus 4 survivor beneficiaries. The Police Officers’ plan also includes 1 terminated member with vested benefits, and has 3 DROP participants. There are 21 active current employees of which 9 are vested and 12 are non-vested.

At September 30, 2019, the Firefighters’ plan included 5 retirees receiving or entitled to receive benefits, plus 1 beneficiary receiving benefits. The Plan also included 2 DROP participants. There are 10 active current employees of which 5 are vested and 5 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 12.98% for the Police Officers’ plan and 17.72% 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 \$90,152 and \$52,810, 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, 2019, are as follows:

		City		Employees
Police Officers'	\$	130,887	\$	50,359
Firefighters'	\$	83,988	\$	23,945

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, 2019, and the current target and actual allocation of these investments at market, per the performance analysis report, is as follows as of September 30, 2019:

Police Officers'		
	Actual	Target
Investments	Percent	Percent
Domestic Equity	49.1%	45.0%
International Equity	14.9%	15.0%
Fixed Income	34.6%	40.0%
Cash Equivalents	1.4%	0.0%
Total	100.0%	100.0%

Firefighters'		
	Actual	Target
Investments	Percent	Percent
Domestic Equity	48.0%	45.0%
International Equity	14.1%	15.0%
Fixed Income	36.5%	40.0%
Cash Equivalents	1.4%	0.0%
Total	100.0%	100.0%

Money-Weighted Rate of Return - For the year ended September 30, 2019, the annual money-weighted rate of return on the Police Officers' pension plan investments was (3.1%) and on the Firefighters' pension plan investments was (2.39%). 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 (Asset) – The City’s net pension liability (asset) was measured as of September 30, 2018, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of September 30, 2019 for the Police Officers’ and Firefighters pension plan.

Total Pension Liability	Police Officers'	Firefighters'
Service cost	\$ 258,622	\$ 136,825
Interest	580,995	257,407
Difference between actual & expected experience	(276,621)	(162,443)
Benefit payments, including refunds	(281,028)	(123,132)
Other	72,669	19,828
Net change in total pension liability	354,637	128,485
Total pension liability - beginning	8,504,923	3,811,073
Total pension liability - ending (a)	\$ 8,859,560	\$ 3,939,558

Plan Fiduciary Net Position	Police Officers'	Firefighters'
Contributions - employer (from City)	\$ 151,492	\$ 115,253
Contributions - employer (from State)	81,690	52,793
Contributions - members	46,212	23,446
Net investment income	727,699	308,920
Benefit payments, including refunds	(281,028)	(123,132)
Administrative expense	(45,827)	(59,878)
Net change in plan fiduciary net position	680,238	317,402
Plan fiduciary net position - beginning	8,937,259	3,961,903
Plan fiduciary net position - ending (b)	9,617,497	4,279,305

Net pension liability (asset) - Ending (a) - (b)	\$ (757,937)	\$ (339,747)
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Plan fiduciary net position as a percentage or Total Pension Liability (Asset)	108.56%	108.62%
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For the year ending September 30, 2019, the City recognized a pension expense of \$166,229 for the Police Officers’ Plan and \$139,252 for the Firefighters’ Plan. On September 30, 2019, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Okeechobee, Florida
Notes to Financial Statements

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	\$ 53,678	\$ 441,000
Change in assumptions	38,570	-
Net difference between projected and actual earnings on pension plan investments	-	191,406
Contributions subsequent to the measurement date	221,039	-
Total	\$ 313,287	\$ 632,406

	Firefighters'	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 34,421	\$ 217,899
Change in assumptions	25,205	9,765
Net difference between projected and actual earnings on pension plan investments	-	70,593
Contributions subsequent to the measurement date	136,798	-
Total	\$ 196,424	\$ 298,257

Deferred outflows of \$357,837 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, 2019 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:	
2020	\$ (80,399)
2021	(196,553)
2022	(178,617)
2023	(73,948)
2024	(10,641)
Total	\$ (540,158)

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	Firefighters'	
Year ended September 30:		
2020	\$	(10,952)
2021		(65,642)
2022		(62,240)
2023		(30,999)
2024		(30,277)
Thereafter		(38,521)
<u>Total</u>	<u>\$</u>	<u>(238,631)</u>

Net Pension Liability of the City of Okeechobee – The components of the net pension liability of the City at September 30, 2019, 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, 2018 which is allowed by GASB Statement No. 68.

	Police		Fire	
<u>Total pension liability</u>	<u>\$</u>	<u>9,051,402</u>	<u>\$</u>	<u>4,073,426</u>
<u>Plan fiduciary net position</u>		<u>(9,656,318)</u>		<u>(4,386,834)</u>
<u>City's net pension asset</u>	<u>\$</u>	<u>(604,916)</u>	<u>\$</u>	<u>(313,408)</u>

Plan fiduciary net position as a percentage of total pension liability	106.68%	107.69%
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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 expenses. 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, 2019 are summarized as follows:

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	Police Officers'	
Investments	Percent Target	Long-Term Rate of Return*
Domestic Equity	45.0%	7.5%
International Equity	15.0%	8.5%
Fixed Income	40.0%	6.0%
Cash Equivalents	0.0%	0.0%
Total	100.0%	

*Net of long-term inflation assumption of 2.5%

	Firefighters'	
Investments	Percent Target	Long-Term Rate of Return*
Domestic Equity	45.0%	7.5%
International Equity	15.0%	8.5%
Fixed Income	40.0%	6.0%
Cash Equivalents	0.0%	0.0%
Total	100.0%	

*Net of long-term inflation assumption of 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:

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

C. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	Police Officers'		
	1% Decrease	Current Discount	1% Increase
	6.00%	7.00%	8.00%
Sponsor's net pension liability (asset)	\$ 497,161	\$ (604,916)	\$ (1,518,714)

	Firefighters'		
	1% Decrease	Current Discount	1% Increase
	6.00%	7.00%	8.00%
Sponsor's net pension liability (asset)	\$ 195,787	\$ (313,408)	\$ (737,059)

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, 2019, the Plan included 17 retirees and/or beneficiaries currently receiving benefits plus 4 terminated employees entitled to benefits but not yet receiving them, and 1 DROP participant. There are 31 active current employees in the Plan, of which 14 are vested and 17 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 10.44% of covered payroll. The City's contributions for the year ended September 30, 2019, was \$114,875, which was \$449 short of the actuarially required contribution for the year of \$115,324.

Net Pension Liability (Asset) - For the year ending September 30, 2019, the City reported an asset of \$(666,824) for the Pension Plan's net pension (asset). The net pension liability (asset) was measured as of September 30, 2018, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2019.

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

	General	
Total Pension Liability		
Service cost	\$	154,529
Interest		284,633
Difference between actual & expected experience		20,956
Benefit payments, including refunds		(180,781)
Net change in total pension liability		279,337
Total pension liability - beginning		4,057,820
Total pension liability - ending (a)		4,337,157
 Plan Fiduciary Net Position		
Contributions - employer (from City)		75,793
Contributions - members		60,312
Net investment income		394,042
Benefit payments, including refunds		(180,781)
Administrative expense		(46,328)
Net change in plan fiduciary net position		303,038
Plan fiduciary net position - beginning		4,700,943
Plan fiduciary net position - ending (b)		5,003,981
 Net pension liability (asset) - Ending (a) - (b)	 \$	 (666,824)
 Plan fiduciary net position as a percentage of Total Pension Liability (Asset)		 115.37%

The City and employees contributions for the year ended September 30, 2019, are as follows.

		City		Employees
General	\$	115,324	\$	66,021

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 2.23% for the year ended September 30, 2019. 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, 2019 the City recognized a pension expense of \$443,349 for the General Employees' Retirement Plan. On September 30, 2019, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General		Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$	33,242	\$	300,003
Change in assumptions		171,968		-
Net difference between projected and actual earnings on pension plan investments		-		99,831
Contributions subsequent to the measurement date		115,324		-
Total	\$	320,534	\$	399,834

Deferred outflows of \$115,324 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, 2019. 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:		
2020	\$	58,447
2021		(106,220)
2022		(85,910)
2023		(64,432)
2024		3,491
Total	\$	(194,624)

Net Pension Liability of the City of Okeechobee – The components of the net pension liability of the City at September 30, 2019, 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, 2018 which is allowed by GASB Statement No. 68.

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

		General
Total pension liability	\$	4,383,118
Plan fiduciary net position		(5,028,097)
City's net pension asset	\$	(644,979)

Plan fiduciary net position as a percentage of total pension liability 114.72%

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	54.7%	50.0%
International Equity	10.1%	10.0%
Fixed Income	33.6%	40.0%
Cash Equivalents	1.6%	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, 2019 are summarized in the following table:

	General	
	Percent Actual	Long-Term Rate of Return*
Investments		
Domestic Equity	54.7%	7.5%
International Equity	10.1%	8.5%
Fixed Income	33.6%	2.5%
Cash Equivalents	1.6%	0.0%
Total	100.0%	5.6%

*Net of long-term inflation assumption of 2.5%

City of Okeechobee, Florida
Notes to Financial Statements

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% 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%) or one percentage point higher (8%) than the current rate:

	General 1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Sponsor's net pension liability (asset)	\$ (145,707)	\$ (644,979)	\$ (1,065,575)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2019 using the following actuarial assumptions applied to all measurement periods.

	Fire	Police	General
Actuarial Cost Method	Aggregate	Aggregate	Aggregate
Inflation	2.50%	2.50%	2.50%
Salary Increases	7.00%	6.00%	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
Cost of Living	.05% every odd year	.05% every odd year	None

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>For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, with 90% Blue Collar Adjustment/10% White Collar Adjustment for males and 100% White Collar Adjustment for females. Fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, 60% RP-2000 Disabled Male Mortality Table setback four years/40% RP-2000 Annuitant Male Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements. For disabled female participants, 60% RP-2000 Disabled Female Mortality Table setforward two years/40% RP-2000 Annuitant Female Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements.</p>	<p>For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, with 90% Blue Collar Adjustment/10% White Collar Adjustment for males and 100% White Collar Adjustment for females. Fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, 60% RP-2000 Disabled Male Mortality Table setback four years/40% RP-2000 Annuitant Male Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements. For disabled female participants, 60% RP-2000 Disabled Female Mortality Table setforward two years/40% RP-2000 Annuitant Female Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements.</p>	<p>For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, with 50% White Collar/50% Blue Collar Adjustment for male and 100% White Collar for female. Fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy participants post employment, RP-2000 Annuitant Mortality Tables, with 50% Blue Collar Adjustment/50% White Collar Adjustment for males and 100% White Collar Adjustment for females. Fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, RP-2000 Disabled Male Mortality Table setback four years, without projected mortality improvements. For disabled female participants, RP-2000 Disabled Female Mortality Table setforward two years, without projected mortality improvements.</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, 2019 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ASSETS				
Cash equivalents	\$ 62,797	\$ 221,527	\$ 80,593	\$ 364,917
Investments:				
Mutual funds	4,313,546	9,491,828	4,915,647	18,721,021
Receivables	23,554	41,905	37,241	102,700
Due from other plan	652	-	-	652
Prepaid expenses	-	-	1,318	1,318
Total assets	4,400,549	9,755,260	5,034,799	19,190,608
LIABILITIES				
Accounts payable	13,062	101,095	6,702	120,859
Due to other plan	-	-	652	652
Total liabilities	13,062	101,095	7,354	121,511
NET POSITION				
Restricted for pension benefits	\$ 4,387,487	\$ 9,654,165	\$ 5,027,445	\$ 19,069,097

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, 2019 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ADDITIONS				
Contributions				
State	\$ 52,810	\$ 90,152	\$ -	\$ 142,962
City	83,988	130,887	115,324	330,199
Employees	23,945	50,359	66,021	140,325
Total contributions	160,743	271,398	181,345	613,486
Investment earnings:				
Net appreciation in the fair value of investments	29,736	56,246	20,051	106,033
Interest and dividends	132,159	295,110	155,278	582,547
Total investment earnings	161,895	351,356	175,329	688,580
Less investment expenses	(21,000)	(21,129)	(19,500)	(61,629)
Net investment earnings	140,895	330,227	155,829	626,951
Total additions	301,638	601,625	337,174	1,240,437
DEDUCTIONS				
Benefits paid to participants	141,381	276,697	177,609	595,687
Refunds on termination	8,400	12,835	998	22,233
DROP payments	-	228,310	81,855	310,165
Administrative expenses	43,675	47,115	53,246	144,036
Total deductions	193,456	564,957	313,708	1,072,121
Change in net position	108,182	36,668	23,466	168,316
Net position, beginning of year	4,279,305	9,617,497	5,003,979	18,900,781
Net position, end of year	\$ 4,387,487	\$ 9,654,165	\$ 5,027,445	\$ 19,069,097

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 1 retiree receiving benefits and has a total of 62 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.

Contributions of plan members for the year ended September 30, 2019 totaled \$1,672.

Plan membership. Plan membership as of September 30, 2018 (the measurement date) was:

	Number of covered individuals
Inactive members currently receiving benefits	1
Inactive members entitled to but not yet receiving benefits	-
Active members	62
Total	63

The OPEB liability was determined based on the following assumptions and information:

Employer’s reporting date:	September 30, 2019
Measurement date:	September 20, 2018
Valuation date:	September 20, 2017

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Actuarial assumptions and other inputs. On the September 30, 2018 measurement date, the actuarial assumptions and other inputs applied include the following:

Inflation	2.50 percent
Salary increases	6.00 percent
Discount rate	3.83 percent
Healthcare cost trend rates	9.00 percent for FY beginning 2018, 6.50 percent for FY beginning 2019 and then gradually decreasing to an ultimate trend of 4.25 percent
Mortality	RP-2000 Generational Combined Healthy Participant, projected from the year 2000 using Projection Scale AA
Changes	Include the change in the discount rate from 3.50% as of the beginning of the measurement period to 3.83% as of September 30, 2018.

Change in Total OPEB Liability

	<u>Increase (Decrease)</u>
	Total OPEB Liability
	(a)
Balance as of September 30, 2018	\$ 153,110
Changes for the year:	
Service cost	12,580
Interest	5,640
Changes in assumptions and other inputs	(4,290)
Benefit payments	(9,081)
Net changes	4,849
Balance as of September 30, 2019	\$ 157,959

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Sensitivity of the Total OPEB Liability – The following table represents the City’s total OPEB liability calculated using the discount rate of 3.83%, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.83%) or one percentage point higher (4.83%) than the current rate:

	1% Decrease (2.83%)	Current Discount Rate (3.83%)	1% Increase (4.83%)
Total OPEB Liability	\$ 170,095	\$ 157,959	\$ 144,392

The following table represents the City’s total OPEB liability calculated using the ultimate health care cost trend rate of 4.25%, as well as what the City’s total OPEB liability would be if it were calculated using a health care cost trend that is one percentage point lower (3.25%) or one percentage point higher (5.25%) than the current rate:

	1% Decrease (3.25%)	Ultimate Trend (4.25%)	1% Increase (5.25%)
Total OPEB Liability	\$ 133,470	\$ 157,959	\$ 187,948

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.

E. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and the normal operation of a long-lived asset. The City assesses asset retirement obligations on a periodic basis. If a reasonable estimate of fair value can be made, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred or a change in estimate occurs.

The City has an above ground fuel storage tank which is regulated by Florida Administrative Code (FAC) 62-762, and requires certain activities if use of the fuel storage tank is discontinued. The City has determined it cannot reasonably estimate the fair value of the liability for disposal of this item and, accordingly, has not recorded an asset retirement obligation for this matter.

NOTE 6: FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities* (“GASB 84”), seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

The City is evaluating the requirements of the above statements and the impact on reporting.

NOTE 7: SUBSEQUENT EVENTS

During October 2019, the City was awarded \$300,000 for the Southeast 4th Street Boat Ramp Project.

During November 2019, the City awarded the annual police vehicle purchase bid to an unrelated vendor for 12 police vehicles in the amount of approximately \$478,932.

During December 2019, the City approved an agreement with the Florida Department of Environmental Protection for \$400,000 for the Okeechobee Taylor Creek Southwest 4th Street Stormwater Conveyance.

In February 2020, the City awarded a bid to an unrelated party for the Centennial Park Restroom and Pavilion Improvements Project in the amount of \$175,562.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, broad domestic and international stock market indices have declined and the City's fair value of investments has declined similarly. Such declines in the fair value of investments held by the City may materially and adversely impact the City's ability to achieve its investment objectives and therefore, its operational objectives. In addition, the extent to which these events will affect the amounts reported in future financial statements remains uncertain.

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**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, 2019</i>	Original Budget	Final Budget	Actual (on Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,891,994	\$ 3,079,520	\$ 3,097,423	\$ 17,903
Intergovernmental	2,540,998	2,354,720	2,528,480	173,760
Charges for services	399,814	417,100	420,181	3,081
Permits and fees	574,550	769,750	802,084	32,334
Fines and forfeitures	9,775	20,720	36,048	15,328
Investment earnings	110,500	218,100	222,420	4,320
Miscellaneous	3,850	30,600	14,692	(15,908)
Total revenues	6,531,481	6,890,510	7,121,328	230,818
Expenditures				
Current:				
General government:				
Legislative	203,591	165,720	162,328	3,392
Executive	222,240	210,475	207,023	3,452
City clerk	239,384	225,183	220,211	4,972
Financial services	331,341	289,395	278,289	11,106
Legal council	116,260	79,370	77,192	2,178
General services	418,984	383,170	374,681	8,489
Total general government	1,531,800	1,353,313	1,319,724	33,589
Public safety:				
Fire	1,662,316	1,577,970	1,545,843	32,127
Police	2,522,208	2,374,070	2,342,507	31,563
Total public safety	4,184,524	3,952,040	3,888,350	63,690
Transportation	1,480,107	1,150,350	1,113,299	37,051
Physical environment	503,800	293,000	272,850	20,150
Capital outlay	592,846	529,600	511,154	18,446
Total expenditures	8,293,077	7,278,303	7,105,377	172,926
Excess (deficiency) of revenues under (over) expenditures	(1,761,596)	(387,793)	15,951	403,744
Other financing sources (uses)				
Sale of capital assets	225,000	225,000	244,228	19,228
Net other financing sources (uses)	225,000	225,000	244,228	19,228
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(1,536,596)	(162,793)	260,179	422,972
Fund balances, beginning of year	10,953,058	10,953,058	10,953,058	-
Fund balances, end of year	\$ 9,416,462	\$ 10,790,265	11,213,237	\$ 422,972
Reconciliation of budgetary to GAAP basis				
Current year encumbrances			136,773	
Prior year encumbrances			(125,382)	
Fund balance on GAAP basis			\$ 11,224,628	

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 Last Six Fiscal Years

	Police Officers ¹					
	2019	2018*	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 254,066	\$ 258,622	\$ 235,345	\$ 264,445	\$ 247,353	\$ 251,499
Interest	607,391	580,995	573,285	543,946	506,147	479,146
Difference between actual & expected experience	(153,927)	(276,621)	(270,100)	126,875	(219,850)	(784)
Assumption changes	-	-	22,143	-	94,065	-
Benefit payments	(502,852)	(281,028)	(255,731)	(468,694)	(203,855)	(201,397)
Refunds	(12,836)	72,669	-	(25,003)	(321)	(26,953)
Net change in total pension liability	191,842	354,637	304,942	441,569	423,539	501,511
Total pension liability - beginning	8,859,560	8,504,923	8,199,981	7,758,412	7,334,873	6,833,362
Total pension liability - ending (a)	9,051,402	8,859,560	8,504,923	8,199,981	7,758,412	7,334,873
Plan Fiduciary Net Position						
Contributions - employer (from City)	130,886	151,492	169,789	147,312	192,581	200,210
Contributions - employer (from State)	90,153	81,690	78,659	73,960	70,807	67,639
Contributions - members	50,359	46,212	45,863	45,554	47,740	43,135
Net investment income	330,227	727,699	903,712	607,763	(95,964)	694,790
Benefit payments	(502,852)	(281,028)	(255,731)	(468,694)	(203,855)	(201,397)
Refunds	(12,836)	-	-	(25,003)	(321)	(26,953)
Administrative expense	(47,116)	(45,827)	(41,855)	(32,120)	(30,198)	(18,097)
Other	-	-	(3,284)	(6)	3,886	-
Net change in plan fiduciary net position	38,821	680,238	897,153	348,766	(15,324)	759,327
Plan fiduciary net position - beginning	9,617,497	8,937,259	8,040,106	7,691,340	7,706,664	6,947,337
Plan fiduciary net position - ending (b)	9,656,318	9,617,497	8,937,259	8,040,106	7,691,340	7,706,664
Net pension liability (asset) - Ending (a) - (b)	\$ (604,916)	\$ (757,937)	\$ (432,336)	\$ 159,875	\$ 67,072	\$ (371,791)
Plan fiduciary net position as a percentage of Total Pension Liability	106.68%	108.56%	105.08%	98.05%	99.14%	105.07%
Covered payroll**	\$ 1,007,180	\$ 924,250	\$ 917,260	\$ 970,646	\$ 911,189	\$ 862,700
Net pension liability as a percentage of covered payroll	-60.06%	-82.01%	-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 complied, 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, 2018, 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 Last Six Fiscal Years

	Firefighters ¹					
	2019	2018*	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 145,856	\$ 136,825	\$ 156,989	\$ 156,107	\$ 144,773	\$ 130,539
Interest	271,341	257,407	255,218	235,684	213,154	196,106
Difference between actual & expected experience	(132,896)	(162,443)	(91,659)	56,393	(19,771)	(741)
Assumption changes	-	-	(13,449)	-	49,797	-
Benefit payments	(141,381)	(107,105)	(106,572)	(102,590)	(96,939)	(142,060)
Refund	(9,052)	(16,027)	(20,437)	-	-	-
Other	-	19,828	-	3,256	-	-
Net change in total pension liability	133,868	128,485	180,090	348,850	291,014	183,844
Total pension liability - beginning	3,939,558	3,811,073	3,630,983	3,282,133	2,991,119	2,807,275
Total pension liability - ending (a)	4,073,426	3,939,558	3,811,073	3,630,983	3,282,133	2,991,119
Plan Fiduciary Net Position						
Contributions - employer (from City)	83,988	115,253	107,123	97,709	92,863	82,058
Contributions - employer (from State)	52,810	52,793	50,589	49,889	52,662	53,235
Contributions - members	23,945	23,446	25,409	27,433	26,324	23,854
Net investment income	140,894	308,920	404,267	246,381	(44,021)	318,708
Benefit payments	(141,381)	(107,105)	(106,572)	(102,590)	(96,939)	(142,060)
Refunds	(9,052)	(16,027)	(20,437)	-	-	-
Administrative expense	(43,675)	(59,878)	(34,933)	(31,639)	(27,132)	(16,233)
Other	-	-	(6,375)	(1,766)	-	-
Net change in plan fiduciary net position	107,529	317,402	419,071	285,417	3,757	319,562
Plan fiduciary net position - beginning	4,279,305	3,961,903	3,542,832	3,257,415	3,253,658	2,934,096
Plan fiduciary net position - ending (b)	4,386,834	4,279,305	3,961,903	3,542,832	3,257,415	3,253,658
Net pension liability (asset) - Ending (a) - (b)	\$ (313,408)	\$ (339,747)	\$ (150,830)	\$ 88,151	\$ 24,718	\$ (262,539)
Plan fiduciary net position as a percentage						
of Total Pension Liability	107.69%	108.62%	103.96%	97.57%	99.25%	108.78%
Covered payroll**	478,900	\$ 468,920	\$ 508,180	\$ 563,285	\$ 523,119	\$ 477,080
Net pension liability as a percentage						
of covered payroll	-65.44%	-72.45%	-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, 2018, 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
Last Four Fiscal Years

	General Employees'			
	2019	2018*	2017	2016
Total Pension Liability				
Service cost	\$ 152,255	\$ 154,529	\$ 136,373	\$ 421,387
Interest	295,453	284,633	91,058	763,785
Difference between actual & expected experience	(141,938)	20,956	-	(524,849)
Assumption changes	-	-	133,790	-
Benefit payments	(259,463)	(164,189)	(336,740)	(331,215)
Refunds	(346)	(16,592)	(17,378)	(18,267)
Other ***	-	-	2,641,019	-
Net change in total pension liability	45,961	279,337	2,648,122	310,841
Total pension liability - beginning	4,337,157	4,057,820	1,409,698	11,400,112
Transfer of pension liability for Okeechobee Utility Authority *****	-	-	-	(10,301,255)
Total pension liability - ending (a)	4,383,118	4,337,157	4,057,820	1,409,698
Plan Fiduciary Net Position				
Contributions - employer	115,324	75,793	94,009	446,184
Contributions - members	66,020	60,312	56,405	183,145
Net investment income	155,830	394,042	477,649	825,935
Benefit payments	(259,463)	(164,189)	(336,740)	(331,215)
Refunds	(346)	(16,592)	(17,378)	(18,267)
Administrative expense	(53,249)	(46,328)	(48,490)	(57,186)
Other*****	-	-	3,117,018	(2,208)
Net change in plan fiduciary net position	24,116	303,038	3,342,473	1,046,388
Plan fiduciary net position - beginning	5,003,981	4,700,943	1,358,470	10,238,992
Transfer plan fiduciary net position to Okeechobee Utility Authority*****	-	-	-	(9,926,910)
Plan fiduciary net position - ending (b)	5,028,097	5,003,981	4,700,943	1,358,470
Net pension liability (asset) - Ending (a) - (b)	\$ (644,979)	\$ (666,824)	\$ (643,123)	\$ 51,228
Plan fiduciary net position as a percentage				
of Total Pension Liability	114.72%	115.37%	115.85%	96.37%
Covered payroll**	\$ 1,100,333	\$ 1,005,204	\$ 940,083	\$ 911,233
Net pension liability as a percentage				
of covered payroll	-58.62%	-66.34%	-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 Last Four Fiscal Years

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, 2018, 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.

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

City of Okeechobee, Florida Required Pension Supplementary Information

Police Officers						
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 204,611	\$ 212,571	\$ 251,591	\$ 219,093	\$ 263,240	\$ 267,849
Contributions in relation to the actuarially determined contributions	221,039	233,182	248,448	221,272	263,388	267,849
Contribution deficiency (excess)	\$ (16,428)	\$ (20,611)	\$ 3,143	\$ (2,179)	\$ (148)	\$ -
Covered payroll*	\$ 1,007,180	\$ 924,250	\$ 917,260	\$ 970,646	\$ 911,189	\$ 862,700
Contributions as a percentage of covered payroll	21.95%	25.23%	27.09%	22.80%	28.91%	31.05%
Firefighters						
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 139,143	\$ 167,871	\$ 170,269	\$ 143,632	\$ 138,914	\$ 122,212
Contributions in relation to the actuarially determined contributions	136,798	168,046	157,712	147,598	145,525	135,293
Contribution deficiency (excess)	\$ 2,345	\$ (175)	\$ 12,557	\$ (3,966)	\$ (6,611)	\$ (13,081)
Covered payroll*	\$ 478,900	\$ 468,920	\$ 508,180	\$ 563,285	\$ 523,119	\$ 477,080
Contributions as a percentage of covered payroll	28.57%	35.84%	31.03%	26.20%	27.82%	28.36%
General Employees						
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 114,875	\$ 75,793	\$ 42,774	\$ 49,115	\$ 379,111	\$ 379,099
Contributions in relation to the actuarially determined contributions	115,324	75,793	94,009	110,448	379,111	379,099
Contribution deficiency (excess)	\$ (449)	\$ -	\$ (51,235)	\$ (61,333)	\$ -	\$ -
Covered payroll	\$ 1,100,333	\$ 1,005,204	\$ 940,083	\$ 911,233	\$ 3,135,961	\$ 2,945,717
Contributions as a percentage of covered payroll	10.48%	7.54%	10.00%	12.12%	12.09%	12.87%

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 Last Six Fiscal Years

Police Officers'						
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	3.10%	8.73%	10.68%	7.59%	-1.65%	9.96%
Fire Fighters'						
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	2.39%	6.11%	10.76%	6.83%	-2.19%	10.43%
General Employees'						
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	2.23%	7.55%	9.78%	7.78%	-1.38%	10.60%

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.

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

City of Okeechobee, Florida
Schedule of Changes in Total OPEB Liability and Related Ratios

Year Ending September 30,	2019	2018
Total OPEB liability		
Service cost	\$ 12,580	\$ 13,441
Interest	5,640	4,977
Changes of assumptions or other inputs	(4,290)	(3,808)
Benefit payments	(9,081)	(17,198)
Net change in total OPEB liability	4,849	(2,588)
Total OPEB liability - beginning	153,110	155,698
Total OPEB liability - ending	\$ 157,959	\$ 153,110

Covered employee payroll	\$ 2,984,722	\$ 2,809,503
Total OPEB liability as a percentage of covered employee payroll	5.29%	5.45%

* GASB 75 requires an employer to disclose a 10-year history. full 10-year trend is compiled, information will be presented only years which information is available.

* The following discount rate was used in each period:

9/30/2017 - 3.50%
9/30/2018 - 3.50%
9/30/2019 - 3.83%

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: 10/01/2019

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%	6.00%
Inflation:	2.50%	2.50%	2.50%
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:	For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, with 90% Blue Collar Adjustment/10% White Collar Adjustment for males and 100% White Collar Adjustment for females. Fully generational mortality improvements projected to each future decrement date with Scale BB.	For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, with 90% Blue Collar Adjustment/10% White Collar Adjustment for males and 100% White Collar Adjustment for females. Fully generational mortality improvements projected to each future decrement date with Scale BB.	For healthy participants during employment, RP 2000 Combined Healthy Participant Mortality Table, with 50% White Collar/50% Blue Collar Adjustment for male and 100% White Collar for female. Fully generational mortality improvements projected to each future decrement date with Scale BB.

City of Okeechobee, Florida
Notes to Required Supplementary Information

	Police Officers' Pension Plan	Firefighters' Pension Plan	General Pension Plan
Mortality (Continued):	For disabled male participants, RP-2000 Disabled Male Mortality Table setback four years, without projected mortality improvements. For disabled female participants, RP-2000 Disabled Female Mortality Table, setforward two years, without projected mortality improvements.	For disabled male participants, RP-2000 Disabled Male Mortality Table setback four years, without projected mortality improvements. For disabled female participants, RP-2000 Disabled Female Mortality Table, setforward two years, without projected mortality improvements.	For disabled male participants, RP-2000 Disabled Male Mortality Table setback four years, without projected mortality improvements. For disabled female participants, RP-2000 Disabled Female Mortality Table, setforward two years, without projected mortality improvements.

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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, 2019, 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 May 22, 2020. Other auditors audited the financial statements of the City of Okeechobee, Florida Municipal Police Officers' Pension Trust Fund and City of Okeechobee, Florida Municipal Firefighters' Pension Trust Fund and the City of Okeechobee 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

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

Melbourne, Florida
May 22, 2020

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, 2019, and have issued our report thereon dated May 22, 2020.

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 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 May 22, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken to fully address the finding and recommendation made in the preceding annual financial audit report, as noted below:

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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 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.b. 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 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.

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.

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida
May 22, 2020



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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, 2019. 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, 2019.

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
May 22, 2020