



City Of Okeechobee, Florida

FINANCIAL STATEMENTS

For Year Ended September 30, 2014



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRlcpa.com | blog.cricpa.com

City of Okeechobee, Florida
Table of Contents
For the year ended September 30, 2014

Introductory Section

Title Page	1
Table of Contents	2
City Officials	3

Financial Section

Independent Auditors' Report	5
Management's Discussion and Analysis	9

Basic Financial Statements

Government-wide Financial Statements	
• Statement of Net Position - Governmental Activities	19
• Statement of Activities - Governmental Activities	20

Fund Financial Statements

Governmental Funds	
• Balance Sheet	21
• Statement of Revenues, Expenditures and Changes in Fund Balances	22
• Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Fiduciary Funds (Component Units that are Fiduciary in Nature)	
• Statement of Fiduciary Net Position - Pension Trust Funds	24
• Statement of Changes in Fiduciary Net Position - Pension Trust Funds	25


Notes to Financial Statements	27
-------------------------------	----

Required Supplementary Information Other Than Management's Discussion and Analysis

• Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	51
• Required Pension Supplementary Information - Schedule of Funding Progress	52
• Required Other Postemployment Benefits Supplementary Information - Schedule of Funding Progress	53
• Notes to Required Supplementary Information	54

Reports on Internal Control and Compliance Matters

• 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 <i>Government Auditing Standards</i>	55
• Independent Auditors' Management Letter	57
• Independent Accountants' Report on Compliance with Local Government Investment Policies	59
• Affidavit of Impact Fee Compliance	61



**City of Okeechobee, Florida
City Officials
For the year ended September 30, 2014**

James E. Kirk
Mayor, Chairman

Devin R Maxwell
Dowling R. Watford, Jr.
Clayton Williams
Mike O'Connor
Council Members

John R. Cook
City Attorney

Brian Whitehall
City Administrator

Lane Gamiotea
City Clerk

India Riedel
Finance Director

Herbert Smith
Chief of Fire

Denny Davis
Chief of Police

David Allen
Director of Public Works

THIS PAGE IS INTENTIONALLY LEFT BLANK.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Officers' and Firefighters' Pension Trust Funds and the City of Okeechobee and Okeechobee Utilities Authority Employees' Retirement System, which represent 100% of the assets, net position and additions of the pension trust fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the Police Officers' and Firefighters' Pension Trust Funds and the City of Okeechobee and Okeechobee Utilities Authority Employees' Retirement System is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Okeechobee, Florida, as of September 30, 2014, 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.

Change in Accounting Principle

As discussed in Note 1 E. to the financial statements, the City implemented the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

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 51), and the pension and other postemployment benefits information (pages 52 through 54) 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 26, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Okeechobee, Florida's internal control over financial reporting and compliance.

Carr Riggs & Ingram, LLC

Melbourne, Florida

May 26, 2015

THIS PAGE IS INTENTIONALLY LEFT BLANK.

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, 2014. 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, 2014:

- The City's total assets exceeded its liabilities at September 30, 2014 by \$18,764,230.
- The City's total revenues were \$6,121,830 for the year ended September 30, 2014, compared to total expenses of \$6,328,282, which resulted in a \$206,452 decrease in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

A. Government-Wide Financial Statements

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

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

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

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

B. Fund Financial Statements

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

B. Fund Financial Statements (Continued)

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

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

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

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

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

C. Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 27 through 47 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

	2014	2013
Current and other assets	\$ 12,409,848	\$ 12,643,327
Capital assets	7,940,985	7,670,339
Total assets	20,350,833	20,313,666
Current liabilities	355,696	* 320,408
Noncurrent liabilities	1,184,820	980,919
Total liabilities	1,540,516	1,301,327
Deferred inflows	46,087	* 41,657
Net position:		
Net investment in capital assets	7,940,985	7,670,339
Restricted	750,171	860,740
Unrestricted	10,073,074	10,439,603
Total net position	\$ 18,764,230	\$ 18,970,682

Governmental Activities

Total net position decreased by \$206,452 primarily as a result of a \$37,167 increase in total assets, and a \$243,619 increase of total liabilities and deferred inflows. The increase in total assets was primarily due to a \$270,646 increase in capital assets offset by a \$233,479 decrease in current and other assets. The increase in total liabilities was due to a \$203,901 increase of noncurrent liabilities due mainly to increases in the net OPEB obligation. The net change in current and noncurrent liabilities was \$239,189 as current liabilities increased by \$35,288 related to the timing of payables.

*Reclassified to be consistent with 2014 presentation.

City of Okeechobee, Florida
Management's Discussion and Analysis

The following table shows condensed revenue and expense data:

City of Okeechobee, Florida		2014	2013
<u>Statement of Activities</u>			
REVENUES:			
Program revenues:			
Charges for services	\$	586,335	\$ 609,205
Operating grants and contributions		742,240	729,829
Capital grants and contributions		474,276	565,863
General revenues:			
Property taxes		1,771,380	1,786,371
Public utility taxes		775,701	776,493
Franchise fees		515,186	476,697
Shared revenues		1,194,111	1,121,364
Investment income and other		62,601	43,651
Total revenues		6,121,830	6,109,473
EXPENSES:			
General government		1,188,276	1,107,412
Public safety		3,450,010	3,302,097
Transportation		656,722	632,237
Physical environment		1,021,989	1,447,161
Economic development		11,285	-
Total expenses		6,328,282	6,488,907
Change in net position		(206,452)	(379,434)
Net position, beginning		18,970,682	19,350,116
Net position, ending	\$	18,764,230	\$ 18,970,682

The City experienced an increase of less than 1% in total revenues – a \$12,357 increase to \$6.12 million. The increase is primarily due to a \$114,403 increase in general revenues and is offset by a \$91,587 decrease in capital grants funded by the Small Cities Community Development Block Grant Program. A decrease in the assessed taxable values was the contributory factor in the reduction of property tax revenue of \$14,991. Franchise Fee revenues increased \$38,489 based on higher consumer paid utilities. The Shared Revenue for the State of Florida (SRS) increased approximately \$72,747. The \$18,950 increase in investment income is due primarily to an increase in the value of the State Board Account investment accounts. Total expenses decreased \$160,625 due primarily to the reduction and the end of the rehabilitation grant and the economic grant and was offset by higher public safety costs, transportation costs, economic development costs and general services.

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 \$11,432,851, a decrease of \$253,348 in comparison with the prior year. Approximately 79.6% of this total amount \$9,102,069, constitutes unassigned fund balance, which is available for spending at the government's discretion. Assigned fund balances include \$1,110,541 for subsequent year's expenditures, \$373,162 for future capital projects and \$63,514 for future qualified impact fee expenditures. Public Facilities fund balance of \$745,060 plus law enforcement \$5,111 are restricted funds based on their specific stipulated purpose. The remainder of fund balance is non-spendable inventory of \$32,764.

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 \$10,673,115 while total fund balance was \$11,450,939. 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 177% and 190% respectively of total general fund expenditures.

The community development and appropriations grant capital project funds, both major funds, had no fund balance. Revenues from grants were used in the construction of infrastructure and other improvements in the City.

The FDOT grant capital project fund, a major fund, recorded a year-end fund balance deficit of \$86,713. Additional information on the fund equity can be found in Note 1.D. on pages 33 and 34 of this report. Revenues from the FDOT grant were used in the construction of infrastructure and other improvements to roadways, rights-of-way and medians in the City.

General Fund Budgetary Highlights

The amount appropriated for expenditures in the original 13/14 budget decreased from \$6,788,857 to \$6,155,152 in the final 13/14 budget, a decrease of \$633,705. The decrease in general government expenses, fire and police public safety expenses, physical environment expenses and transportation expenses 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, 2014, amounted to \$7,940,985 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress. During the year, the City's net capital asset balance increased \$270,646.

The City's major additions of \$1,092,390 to capital assets during the current fiscal year included the following:

- Replacement computers for (4)-Police Department, and (1) tablet for administration use
- Replacement windows of Police Department and Chamber buildings
- Renovations related to upgrading the City Hall kitchen
- Replaced 13 police vehicles including equipment
- Replacement bunker gear for firefighters
- Various equipment for Public Works and the Fire Department
- Replacement trucks within the Public Works Department
- Mobile vehicle radio for Public Works
- 12 trash receptacles
- Various infrastructure improvements including the SR70 roadway improvement, Taylor Creek Canal (stormwater retrofit) and sidewalk improvements
- Construction in progress – Highway 441/SR70 crosswalks

These additions were offset by depreciation expense of \$542,457, and disposals with a net book value of \$279,287, which largely relates to the sale of 13 police vehicles.

City of Okeechobee, Florida
Management's Discussion and Analysis

City's Capital Assets
(net of depreciation)

	2014	2013
Land	\$ 1,378,744	\$ 1,378,744
Construction in progress	72,114	-
Buildings	1,145,751	1,158,562
Improvements other than buildings	4,285,758	4,023,525
Equipment	1,058,618	1,109,508
Total	\$ 7,940,985	\$ 7,670,339

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

Long-term Liabilities

City's Outstanding Debt
Long-term Liabilities

	2014	2013
Net OPEB obligation	\$ 811,717	\$ 628,643
Compensated absences	373,103	352,276
Total	\$ 1,184,820	\$ 980,919

The City's long-term liabilities increased by \$203,901 during the current fiscal year. The largest contributing factor is the additional liability for the OPEB liability of \$183,074. This is the fourth year of implementation of GASB 45, which caused the increase in Net OPEB liability.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted a millage rate 7.7432 for budget year 2015. The adopted millage rate is less than 1% of the roll-back rate. A \$10,495 increase in budgeted ad valorem revenue for the new year is due to new construction added to this years assessed tax rolls.

Revenues for the fiscal year 2015 adopted budget for all funds of the City total approximately \$6,030,625, a decrease from the prior year budget of approximately \$20,400. 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 decrease in grant funds provided for economic development.



City of Okeechobee, Florida Management's Discussion and Analysis

Expenditures for the fiscal year 2015 adopted budget for all funds of the City total approximately \$8,001,540, an increase of less than 2%, \$195,463 from the prior year budget. The increase in expenditures is based mostly on the increase in grant 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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

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

September 30, 2014

ASSETS

Cash and cash equivalents	\$ 11,283,562
Accounts receivable	100,506
Due from other governments	417,802
Inventory	32,764
Overfunded pension costs	575,214
Capital assets:	
Nondepreciable	
Land	1,378,744
Construction in progress	72,114
Depreciable, net of accumulated depreciation	
Buildings	1,145,751
Improvements other than buildings	4,285,758
Equipment	1,058,618
Total assets	20,350,833

LIABILITIES

Accounts payable	166,228
Accrued expenses	189,468
Noncurrent liabilities:	
Due within one year	155,500
Due in more than one year	1,029,320
Total liabilities	1,540,516

DEFERRED INFLOWS OF RESOURCES

Deferred revenue - business tax revenue	46,087
Total deferred inflows of resources	46,087

NET POSITION

Net investment in capital assets	7,940,985
Restricted for:	
Law enforcement	5,111
Public facilities	745,060
Unrestricted	10,073,074
Total net position	\$ 18,764,230

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, 2014</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	\$ 1,188,276	\$ 548,093	\$ 120,874	\$ 248,500	\$ (270,809)
Public safety	3,450,010	18,626	1,886	-	(3,429,498)
Transportation	656,722	19,616	619,480	-	(17,626)
Physical environment	1,021,989	-	-	225,776	(796,213)
Economic environment	11,285	-	-	-	(11,285)
Total governmental activities	\$ 6,328,282	\$ 586,335	\$ 742,240	\$ 474,276	(4,525,431)
General revenues:					
					1,771,380
					775,701
					515,186
					1,194,111
					6,844
					55,757
					4,318,979
					(206,452)
					18,970,682
					\$ 18,764,230

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

City of Okeechobee, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2014</i>	General	Community Development Capital Project	Appropriations Grant Capital Project	FDOT Grant Capital Project	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 11,046,122	\$ 150,528	\$ -	\$ 18,287	\$ 68,625	\$ 11,283,562
Accounts receivable	100,506	-	-	-	-	100,506
Due from other funds	504,028	-	-	-	-	504,028
Due from other governments	169,302	-	248,500	-	-	417,802
Inventory	32,764	-	-	-	-	32,764
Total assets	\$ 11,852,722	\$ 150,528	\$ 248,500	\$ 18,287	\$ 68,625	\$ 12,338,662
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 166,228	\$ -	\$ -	\$ -	\$ -	\$ 166,228
Accrued expenses	189,468	-	-	-	-	189,468
Due to other funds	-	150,528	248,500	105,000	-	504,028
Total liabilities	355,696	150,528	248,500	105,000	-	859,724
Deferred inflows of resources:						
Deferred revenue - business tax revenue	46,087	-	-	-	-	46,087
Fund balances:						
Nonspendable for:						
Inventory	32,764	-	-	-	-	32,764
Restricted for:						
Public facilities	745,060	-	-	-	-	745,060
Law enforcement	-	-	-	-	5,111	5,111
Assigned for:						
Subsequent year's expenditures	1,110,541	-	-	-	-	1,110,541
Future capital projects	373,162	-	-	-	-	373,162
Impact fees	-	-	-	-	63,514	63,514
Unassigned	9,189,412	-	-	(86,713)	-	9,102,699
Total fund balances (deficit)	11,450,939	-	-	(86,713)	68,625	11,432,851
Total liabilities, deferred inflows of resources and fund balances	\$ 11,852,722	\$ 150,528	\$ 248,500	\$ 18,287	\$ 68,625	
Amounts reported for governmental activities in the statement of net position are different because:						
Negative net pension obligation resulting from overfunding of the police officers' and firefighters' pension plans.						575,214
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						7,940,985
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.						(1,184,820)
Net position of governmental activities						\$ 18,764,230

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, 2014</i>	General	Community Development Capital Project	Appropriations Grant Capital Project	FDOT Grant Capital Project	Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,493,500	\$ -	\$ -	\$ -	\$ -	\$ 2,493,500
Intergovernmental	2,091,319	225,776	248,500	-	-	2,565,595
Charges for services	398,759	-	-	-	-	398,759
Permits and fees	579,075	-	-	-	-	579,075
Fines and forfeitures	19,493	-	-	-	2,750	22,243
Miscellaneous	55,682	-	-	-	57	55,739
Total revenues	5,637,828	225,776	248,500	-	2,807	6,114,911
Expenditures						
Current:						
General government	1,072,242	-	-	-	-	1,072,242
Public safety	3,124,312	-	-	-	873	3,125,185
Transportation	1,000,849	-	-	-	-	1,000,849
Physical environment	204,786	17,913	11,285	104,213	-	338,197
Capital outlay	629,491	211,865	248,500	-	2,534	1,092,390
Total expenditures	6,031,680	229,778	259,785	104,213	3,407	6,628,863
Deficiency of revenues under expenditures	(393,852)	(4,002)	(11,285)	(104,213)	(600)	(513,952)
Other financing sources (uses)						
Transfers in	57	-	11,285	17,500	-	28,842
Transfers out	(28,785)	-	-	-	(57)	(28,842)
Proceeds from sale of capital assets	260,604	-	-	-	-	260,604
Total other financing sources (uses)	231,876	-	11,285	17,500	(57)	260,604
Net change in fund balances	(161,976)	(4,002)	-	(86,713)	(657)	(253,348)
Fund balances, beginning of year	11,612,915	4,002	-	-	69,282	11,686,199
Fund balances (deficit), end of year	\$11,450,939	\$ -	\$ -	\$ (86,713)	\$ 68,625	\$ 11,432,851

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, 2014

Net change in fund balances - total governmental funds	\$ (253,348)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	549,933
<p>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.</p>	(279,287)
<p>The net effect of overfunded pension contributions that are reported as expenditures in the fund financial statements and are recorded as a net pension asset on the statement of net position.</p>	(19,849)
<p>Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.</p>	(183,074)
<p>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 amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.</p>	(20,827)
Change in net position of governmental activities	\$ (206,452)

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, 2014</i>	Pension Trust Funds
ASSETS	
Cash equivalents	\$ 463,780
Investments:	
Mutual funds	13,714,063
Common equity securities	6,770,251
Receivables	167,322
Accrued interest and dividends	11,916
Total assets	21,127,332
LIABILITIES	
Accounts payable	15,317
Total liabilities	15,317
NET POSITION	
Held in trust for pension benefits	\$ 21,112,015

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, 2014</i>	Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 120,874
City	661,675
Employees	243,732
Total contributions	1,026,281
Investment earnings:	
Net appreciation in the fair value of investments	1,675,028
Interest and dividends	416,062
Total investment earnings	2,091,090
Less investment expenses	(111,153)
Net investment earnings	1,979,937
Total additions	3,006,218
DEDUCTIONS	
Benefits paid to participants	579,755
Refunds on termination	58,072
DROP payment	57,353
Administrative expenses	51,069
Total deductions	746,249
Change in net position	2,259,969
Net position held in trust for pension benefits, beginning of year	18,852,046
Net position held in trust for pension benefits, end of year	\$ 21,112,015

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

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 blended 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 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 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 City of Okeechobee and Okeechobee Utility Authority Employees’ Retirement System – 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 and the Okeechobee Utility Authority employees. The City and the Utility Authority fund the plan. The fund was presented as a discretely presented component unit in the 2013 basic financial statements. It is accounted for in the Pension Trust funds in 2014 as the City does have fiduciary responsibility.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 financial resources related to the construction of infrastructure and other improvements in the City.

The *appropriations grant capital project 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.

The *FDOT grant capital project fund* accounts for the financial resources related to the construction of infrastructure and other improvements to roadways, right-of-way of roads and/or medians of roads in the City.

The City reports the following nonmajor governmental funds:

The *impact fees capital project fund* accounts for the City's collection and expenditure of impact fees, which are restricted to be spent on capital projects related to law enforcement, fire protection and transportation.

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

Additionally, the City reports the following fund types:

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and investments

The investment of municipal funds is authorized by local ordinance and Florida Statutes, which allow 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. On September 30, 2008, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restriction on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" (formerly "LPIG") and "Fund B"). In fiscal year 2014 the SBA distributed the principal Fund B balances in full to each Fund B participant, and the weighted average life of the fund's assets is effectively zero and is considered closed.

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The City's investment in the Florida PRIME is reported at amortized cost. The fair value of the City's position in the pool is equal to the value of pooled shares.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and investments (continued)

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.

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

2. Receivables and payables

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

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

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. During a Special Session in June, 2007, the Florida Legislature adopted HB1B which limits municipal property tax rates beginning in the 2008 fiscal year. This legislation established reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years. The Legislature did authorize local governments to use the rolled back millage rate if approved by a super majority vote of the governing body. The Okeechobee City Council levy for the fiscal year ended September 30, 2014 was 7.7432 mills, which is 5.84% less 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

All property taxes remaining unpaid at May 30 are subject to a tax certificate sale by the Tax Collector.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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).

4. Capital assets

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

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

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

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

5. Compensated absences

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

6. Deferred inflows of resources

Resources received before time requirements were met, which were previously reported as unearned revenue liabilities in the governmental funds, are now classified as deferred inflows of resources due to the implementation of GASB Statement No. 65.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund equity (continued)

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.

Fund Deficit – The FDOT grant capital project fund had a deficit of \$86,713 at September 30, 2014. This deficit is due to expenditures exceeding revenues. The City intends to cover this deficit in 2015 with future years' anticipated reimbursement funds from the Florida Department of Transportation through the Florida Highway Beautification Council (FHBC) Grant.

E. ACCOUNTING CHANGES

The City has implemented GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*, which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The Statement requires governments to either properly classify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources, or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

Implementation requires the City to analyze items previously reported as "deferred." The City reclassified unavailable revenues in governmental funds and resources received before time requirements were met to deferred revenues in the deferred inflows of resources category.

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 a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states that "long-term liabilities, including the net OPEB obligation and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(1,184,820) difference are as follows:

Net OPEB obligation	\$	(811,717)
Compensated absences		(373,103)
<hr/>		
Net adjustment to reduce fund balance - total governmental funds to arrive at net position-governmental activities	\$	(1,184,820)
<hr/> <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 \$549,933 difference are as follows:

Capital outlay	\$	1,092,390
Depreciation expense		(542,457)
<hr/>		
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	549,933
<hr/> <hr/>		

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2014, the City's carrying amount of deposits was \$11,283,188 and the bank balance was \$11,365,732. In addition, the City maintained \$324 of petty cash. As of September 30, 2014, \$250,000 of the City's bank balances are 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 September 30, 2014, the City had the following investments:

Investment type	Fair Value	Investment Maturities (in years)				Rating	Agency
		Less than 1	1 - 5	6 - 10	More than 10		
Primary government:							
SBA (Florida Prime)	\$ 50	\$ 50	\$ -	\$ -	\$ -	AAAm	S&P
Pension trust funds:							
Money market fund	\$ 463,780	\$ 463,780	\$ -	\$ -	\$ -	Not rated	-
Mutual funds	13,714,063	-	-	13,714,063	-	BBB - AA	S&P
Common equity securities-domestic	6,567,536	6,567,536	-	-	-	Not rated	-
Common equity securities-foreign	202,715	202,715	-	-	-	Not rated	-
	<u>\$ 20,948,094</u>	<u>\$ 7,234,031</u>	<u>\$ -</u>	<u>\$ 13,714,063</u>	<u>\$ -</u>		

Credit risk

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

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, 2014 are as follows:

	General Fund	Municipal Police Officers' Pension Trust	Municipal Firefighters' Pension Trust	General Employees Pension Trust
Franchise/Utility taxes	\$ 99,847	\$ -	\$ -	\$ -
Contributions	-	65,194	28,119	74,009
Other	659	-	-	-
Receivables, net	\$ 100,506	\$ 65,194	\$ 28,119	\$ 74,009

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, 2014 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	-	72,114	-	72,114
Total capital assets, not being depreciated	1,378,744	72,114	-	1,450,858
Capital assets, being depreciated:				
Buildings	1,919,585	49,882	-	1,969,467
Improvements other than buildings	6,332,055	547,785	-	6,879,840
Equipment	2,592,696	422,609	(359,607)	2,655,698
Total capital assets, being depreciated	10,844,336	1,020,276	(359,607)	11,505,005
Less accumulated depreciation for:				
Buildings	(761,023)	(62,693)	-	(823,716)
Improvements other than buildings	(2,308,530)	(285,552)	-	(2,594,082)
Equipment	(1,483,188)	(194,212)	80,320	(1,597,080)
Total accumulated depreciation	(4,552,741)	(542,457)	80,320	(5,014,878)
Total capital assets, being depreciated, net	6,291,595	477,819	(279,287)	6,490,127
Governmental activities capital assets, net	\$ 7,670,339	\$ 549,933	\$ (279,287)	\$ 7,940,985

The current year increase in capital assets does not include any donated capital assets.

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

Governmental activities:	
General government	\$ 58,806
Public safety	160,310
Physical environment	323,341
Total depreciation expense - governmental activities	\$ 542,457

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund loans of \$504,028 for short term operating purposes resulted in a due to the General fund from the Community Development Capital Project fund of \$150,528, Appropriations Grant Capital Project fund of \$248,500, and the FDOT Grant Capital Project fund of \$105,000. All amounts are expected to be repaid within one year.

During the year ended September 30, 2014, the Impact Fee Capital Project fund (a nonmajor fund) transferred \$57 to the General fund. The transfer represented administrative fees that were earned from collecting impact fees for the County, School Board and the City, and was transferred for the purpose of removing all balances and activity unrelated to the collection and expenditure of impact fees.

During the year ended September 30, 2014, the General fund transferred \$11,285 to the Appropriations Grant Capital Project fund and \$17,500 to the FDOT Grant Capital Project fund for a total of \$28,785. The transfers represented engineering costs for the respective partially grant funded capital projects.

E. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net OPEB obligation	\$ 628,643	\$ 183,074	\$ -	\$ 811,717	\$ -
Compensated absences	352,276	150,279	(129,452)	373,103	155,500
Long-term liabilities	<u>\$ 980,919</u>	<u>\$ 333,353</u>	<u>\$ (129,452)</u>	<u>\$ 1,184,820</u>	<u>\$ 155,500</u>

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

NOTE 5: OTHER INFORMATION

A. RISK MANAGEMENT

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

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 21.97% for the Police Officers’ plan and 15.69% 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 \$67,639 and \$53,235, respectively. These contributions are funded by an excise tax upon certain casualty insurance companies on their gross receipts of premiums from policy holders.

Annual Pension Cost – The annual required pension contributions for the Plans were determined as part of the October 1, 2014 actuarial valuations using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses) for both the Police Officers’ Trust and Firefighters’ Trust and (b) projected salary and cost-of-living increases of 6% and 7% for the Police Officers’ Trust and Firefighters’ Trust, respectively. Assumption (b) included an inflation component of 2.75% for the Police Officers’ Trust and Firefighters’ Trust. The actuarial value of assets was determined using a method which recognizes actual investment return in excess of the assumed return evenly over a four year period.

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

Trend information for each of the City’s defined benefit plans:

	Year Ended	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation (Asset)
Municipal Police Officers'	9/30/12	\$ 220,605	95%	\$ (274,642)
	9/30/13	249,342	95%	(263,654)
	9/30/14	280,303	96%	(251,200)
Municipal Firefighters'	9/30/12	\$ 103,865	94%	\$ (338,013)
	9/30/13	110,519	94%	(331,409)
	9/30/14	122,212	94%	(324,014)

Funding Status and Funding Progress – The funded status of the Plans as of October 1, 2014, the most recent actuarial valuation date, is shown below:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) –Entry Age * (b)	Overfunded (Assets in excess of) AAL (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
Police Officers':					
\$ 7,075,831	\$ 6,930,931	\$ (144,900)	102.1%	\$ 911,189	-15.9%
Firefighters':					
\$ 3,062,097	\$ 3,006,957	\$ (55,140)	101.8%	\$ 523,119	-10.5%

* For purposes of this schedule, the AAL for the Plan is determined using the entry age actuarial cost method. Note that the ARC for the Plan is calculated using the aggregate actuarial cost method.

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)

The City of Okeechobee and Okeechobee Utility Authority Employees' Retirement System

Plan Description - The City contributes to the City of Okeechobee and Okeechobee Utility Authority Employees' Retirement System (the "System"), a cost-sharing multiple employer defined benefit pension plan administered by the System's Board of Trustees. Substantially all of the City's general employees and the employees of the Okeechobee Utility Authority 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.

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 12.10% of covered payroll. The City's contributions for the years ended September 30, 2014, 2013 and 2012 were \$379,407 \$361,172 and \$359,298, respectively and were equal to the required contributions for each year.

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, 2014 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ASSETS				
Cash equivalents	\$ 69,744	\$ 145,118	\$ 248,918	\$ 463,780
Investments:				
Mutual funds	2,197,448	5,167,789	6,348,826	13,714,063
Common equity securities	959,249	2,329,340	3,481,662	6,770,251
Receivables	28,119	65,194	74,009	167,322
Accrued interest and dividends	1,717	4,242	5,957	11,916
Total assets	3,256,277	7,711,683	10,159,372	21,127,332
LIABILITIES				
Accounts payable	3,018	5,021	7,278	15,317
Total liabilities	3,018	5,021	7,278	15,317
NET POSITION				
Held in trust for pension benefits	\$ 3,253,259	\$ 7,706,662	\$ 10,152,094	\$ 21,112,015

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, 2014 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ADDITIONS				
Contributions				
State	\$ 53,235	\$ 67,639	\$ -	\$ 120,874
City	82,058	200,210	379,407	661,675
Employees	23,854	43,135	176,743	243,732
Total contributions	159,147	310,984	556,150	1,026,281
Investment earnings:				
Net appreciation in the fair value of investments	281,981	587,391	805,656	1,675,028
Interest and dividends	64,467	150,509	201,086	416,062
Total investment earnings	346,448	737,900	1,006,742	2,091,090
Less investment expenses	(27,822)	(37,211)	(46,120)	(111,153)
Net investment earnings	318,626	700,689	960,622	1,979,937
Total additions	477,773	1,011,673	1,516,772	3,006,218
DEDUCTIONS				
Benefits paid to participants	85,100	201,398	293,257	579,755
Refunds on termination	-	26,954	31,118	58,072
DROP payment	57,353	-	-	57,353
Administrative expenses	16,157	18,098	16,814	51,069
Total deductions	158,610	246,450	341,189	746,249
Change in net position	319,163	765,223	1,175,583	2,259,969
Net position held in trust for pension benefits, beginning of year	2,934,096	6,941,439	8,976,511	18,852,046
Net position held in trust for pension benefits, end of year	\$ 3,253,259	\$ 7,706,662	\$ 10,152,094	\$ 21,112,015

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

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

Employees and their dependents may elect to remain in the Plan upon retirement up to age 65. After age 65 the City's insurance coverage becomes secondary to the retiree's Medicare insurance. The Plan has 2 retirees receiving benefits and has a total of 68 active participants and dependents.

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

For the year ended September 30, 2014, the City’s contribution is \$34,935, which represents an estimate of the implied subsidy described above. Contributions of plan members totaled approximately \$22,382 for the year ended September 30, 2014.

Annual OPEB cost and net OPEB obligation. The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount determined using the Alternative Measurement Method, permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year ended September 30, 2014, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation to the Plan:

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Annual required contribution	\$ 219,521
Interest on net OPEB obligation	18,859
Adjustment to annual required contribution	(20,371)
<u>Annual OPEB cost (expense)</u>	<u>218,009</u>
Contributions made	(34,935)
<u>Increase in net OPEB obligation</u>	<u>183,074</u>
<u>Net OPEB obligation – beginning of year</u>	<u>628,643</u>
<u>Net OPEB obligation – end of year</u>	<u>\$ 811,717</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending September 30, 2014 was as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	\$ 218,009	16%	\$ 811,717
9/30/2013	211,120	18%	628,643
9/30/2012	164,841	6%	456,060

Funded status and funding progress. Because the Plan has fewer than 200 members, the City is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of September 30, 2013. Accordingly, the City will be required to obtain a subsequent actuarial valuation within three years of that date. As of September 30, 2013, the actuarial accrued liability for benefits was \$1,255,666, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,345,956, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 54%.

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

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because fiscal year 2010 was the year of implementation of GASB Statement No 45 and the City elected to apply the statement prospectively, only two actuarial valuations are presented in the schedule at this time. In future years, required trend data will be presented.

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

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

In the September 30, 2013 valuation, the entry age normal cost method was used. The assumptions included a discount rate of 3.0%, a general inflation rate of 2.8%, and an annual healthcare cost trend rate of 10% initially, increased to an ultimate rate of 20% after nine years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis over a period of 30 years. As authorized by GASB Statement No. 45, the Alternative Measurement Method with its simplifications of certain assumptions was employed in measuring actuarial accrued liabilities and the ARC.

D. CONCENTRATION – COLLECTIVE BARGAINING UNIT

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

NOTE 6: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2015. The statements address:

- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations

The City is currently evaluating the effects that these statements will have on its 2015 financial statements.

NOTE 7: SUBSEQUENT EVENT

During November 2014, the City awarded the annual police vehicle purchase bid to an unrelated vendor for 12 police vehicles in the amount of approximately \$263,000.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

City of Okeechobee, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund

<i>Year ended September 30, 2014</i>	Original Budget	Final Budget	Actual (on Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,342,468	\$ 2,467,416	\$ 2,493,500	\$ 26,084
Intergovernmental	1,916,634	1,975,863	2,091,319	115,456
Charges for services	402,130	394,083	398,759	4,676
Permits and fees	495,156	557,739	579,075	21,336
Fines and forfeitures	21,500	14,867	19,493	4,626
Investment earnings	7,100	6,984	-	(6,984)
Miscellaneous	3,000	4,226	55,682	51,456
Total revenues	5,187,988	5,421,178	5,637,828	216,650
Expenditures				
Current:				
General government:				
Legislative	137,627	112,059	111,229	830
Executive	179,816	172,037	169,827	2,210
City clerk	200,355	188,550	184,874	3,676
Financial services	251,123	236,962	229,550	7,412
Legal council	72,253	71,975	70,031	1,944
General services	327,111	325,244	321,327	3,917
Total general government	1,168,285	1,106,827	1,086,838	19,989
Public safety:				
Fire	1,370,181	1,306,642	1,275,385	31,257
Police	2,007,082	1,887,279	1,856,427	30,852
Total public safety	3,377,263	3,193,921	3,131,812	62,109
Transportation	1,075,459	1,015,757	993,049	22,708
Physical environment	675,500	434,218	428,497	5,721
Capital outlay	492,350	404,429	387,200	17,229
Total expenditures	6,788,857	6,155,152	6,027,396	127,756
Deficiency of revenues under expenditures	(1,600,869)	(733,974)	(389,568)	344,406
Other financing sources (uses)				
Operating transfers in	500	55	57	2
Operating transfers out	-	-	(28,785)	(28,785)
Sale of capital assets	257,400	260,940	260,604	(336)
Net other financing sources (uses)	257,900	260,995	231,876	(29,119)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(1,342,969)	(472,979)	(157,692)	315,287
Fund balances, beginning of year	11,612,915	11,612,915	11,612,915	-
Fund balances, end of year	\$10,269,946	\$11,139,936	11,455,223	\$ 315,287
Reconciliation of budgetary to GAAP basis				
Current year encumbrances			15,329	
Prior year encumbrances			(19,613)	
Fund balance on GAAP basis			\$ 11,450,939	

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

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Funding Progress
Last Six Fiscal Years

Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL* Entry Age (b)	Unfunded (Assets in excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2014	\$ 7,075,831	\$ 6,930,931	\$ (144,900)	102.1%	\$ 911,189	-15.9%
2013	6,534,588	6,631,287	96,699	98.5%	928,602	10.4%
2012	6,044,391	6,187,990	143,599	97.7%	928,285	15.5%
2011	5,712,560	5,886,480	173,920	97.0%	936,580	18.6%
2010	5,666,207	5,546,001	(120,206)	102.2%	959,376	-12.5%
2009	5,424,146	5,201,828	(222,318)	104.3%	1,001,123	-22.2%

Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL* Entry Age (b)	Overfunded (Assets in excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2014	\$ 3,062,097	\$ 3,006,957	\$ (55,140)	101.8%	\$ 523,119	-10.5%
2013	2,795,908	2,749,620	(46,288)	101.7%	473,939	-9.8%
2012	2,595,508	2,556,559	(38,949)	101.5%	429,008	-9.1%
2011	2,428,618	2,318,524	(110,094)	104.7%	457,776	-24.0%
2010	2,416,595	2,215,619	(200,976)	109.1%	461,752	-43.5%
2009	2,330,746	2,104,641	(226,105)	110.7%	459,952	-49.2%

*The annual required contribution (ARC) is calculated using the aggregate actuarial cost method. Information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the Plan.

City of Okeechobee, Florida

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL a % of Covered Payroll ((b-a)/c)
9/30/2013	\$ -	\$ 1,255,666	\$ 1,255,666	0.0%	\$ 2,345,956	53.5%
8/1/2010	\$ -	\$ 776,235	\$ 776,235	0.0%	\$ 2,515,729	30.9%

Note: Because fiscal year 2010 was the first year of implementation of GASB Statement No. 45 and the City elected to apply the statement prospectively, only two actuarial valuations are presented in the schedule at this time. In future years, required trend data will be presented.

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.

B. ADDITIONAL ACTUARIAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Firefighters' Pension Plan	Police Officers' Pension Plan
Actuarial valuation date	10/01/14	10/01/14
Actuarial cost method	Entry age	Entry age
Amortization method	N/A	N/A
Remaining amortization period	N/A	N/A
Asset valuation method	Four year smoothed Market	Four year smoothed Market
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Salary increases	7.0%, including inflation	6.0%, including inflation
Inflation	2.75%	2.75%
Retirement age	100% when first eligible for normal retirement or DROP entry	100% when first eligible for normal retirement or DROP entry

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, 2014, 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 26, 2015. Other auditors audited the financial statements of the Police Officers' and Firefighters' Pension Trust Funds and the City of Okeechobee and Okeechobee Utilities Authority Employees' Retirement System, as described in our report on the City of Okeechobee, Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Okeechobee, Florida's financial statements are free of 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, LLC

Melbourne, Florida
May 26, 2015

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, 2014, and have issued our report thereon dated May 26, 2015.

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.

Other Reports

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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated May 26, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

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

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Okeechobee, Florida has met one or more of the

conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Okeechobee, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Okeechobee, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Carr Riggs & Ingram, LLC

Melbourne, Florida
May 26, 2015

**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's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the City of Okeechobee's compliance with those requirements. Our responsibility is to express an opinion on the City of Okeechobee's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Okeechobee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Okeechobee's compliance with specified requirements.

In our opinion, the City of Okeechobee complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Carr Riggs & Ingram, LLC

Melbourne, Florida
May 26, 2015

THIS PAGE IS INTENTIONALLY LEFT BLANK.



City of Okeechobee

AFFIDAVIT OF IMPACT FEE COMPLIANCE


The City of Okeechobee, Florida has complied with Section 163.31801 of Florida Statute regarding accounting and reporting of impact fee collections and expenditures for Fiscal Year 2014.



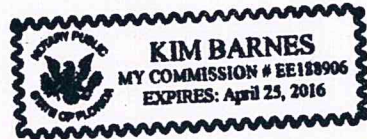
Brian Whitehall
City Administrator

Sworn to and subscribed before me this 6 of March, 2015.


I hereby state Brian Whitehall personally know to me or provided
_____ as personal identification hereby signed the above document.



Notary Public signature




Print, Type of Stamp, Name of Notary Public



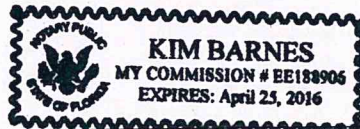
India Riedel
Finance Director

Sworn to and subscribed before me this 6 of March, 2015.

I hereby state India Riedel personally know to me or provided
_____ as personal identification hereby signed the above document.



Notary Public signature



Print, Type of Stamp, Name of Notary Public