



City Of Okeechobee, Florida

FINANCIAL STATEMENTS

For Year Ended September 30, 2015



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For the year ended September 30, 2015

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**City of Okeechobee, Florida
City Officials
For the year ended September 30, 2015**

James E. Kirk
Mayor, Chairman

Gary Ritter
Noel A. Chandler
Dowling R. Watford, Jr.
Mike O'Connor
Council Members

John R. Cook
City Attorney

Marcos Montes De Oca
City Administrator

Lane Gamiotea
City Clerk

India Riedel
Finance Director

Herbert Smith
Chief of Fire

Denny Davis
Chief of Police

David Allen
Director of Public Works

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, 2015, 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, 2015, 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 68, *Accounting and Financial Reporting for Pensions*. 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 15), the budgetary comparison information (page 55), and the pension and other postemployment benefits information (pages 56 through 62) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Okeechobee, Florida's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 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, L.L.C.

Melbourne, Florida

June 17, 2016

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City of Okeechobee, Florida Management's Discussion and Analysis

Our discussion and analysis of the City of Okeechobee, Florida's (the City's) financial performance provides an overview of the City's financial activities for the year ended September 30, 2015. 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, 2015:

- The City's total assets exceeded its liabilities at September 30, 2015 by \$19,040,056.
- The City's total revenues were \$6,477,555 for the year ended September 30, 2015, compared to total expenses of \$5,800,204, which resulted in a \$677,351 increase in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

A. Government-Wide Financial Statements

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

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

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

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

B. Fund Financial Statements

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

B. Fund Financial Statements (Continued)

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

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

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

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

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

C. Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 27 through 52 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

	2015	2014:
Current and other assets	\$ 12,949,325	\$ 12,409,848
Capital assets	7,766,652	7,940,985
Total assets	20,715,977	20,350,833
Deferred outflows	391,077	-
Current liabilities	274,525	355,696
Noncurrent liabilities	1,459,335	1,184,820
Total liabilities	1,733,860	1,540,516
Deferred inflows	333,138	46,087
Net position:		
Net investment in capital assets	7,766,652	7,940,985
Restricted	728,588	750,171
Unrestricted	10,544,816	10,073,074
Total net position	\$ 19,040,056	\$ 18,764,230

Governmental Activities

Total net position increased by \$275,826 primarily as a result of a \$365,144 increase in total assets, and a \$193,344 increase of total liabilities. The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* created deferred outflows and inflows of \$391,077 and \$285,492, respectively. The increase in total assets was primarily due to a \$539,477 increase in current and other assets offset by a \$174,333 decrease in capital assets. The increase in total liabilities was due to a \$274,515 increase of noncurrent liabilities due mainly to increases in the net OPEB obligation and added net pension liability of \$20,069. The net change in current and noncurrent liabilities was \$193,344 as current liabilities decreased by \$81,171 related to the timing of payables.

City of Okeechobee, Florida
Management's Discussion and Analysis

The following table shows condensed revenue and expense data:

City of Okeechobee, Florida		
<u>Statement of Activities</u>		
	2015	2014
REVENUES:		
Program revenues:		
Charges for services	\$ 703,069	\$ 586,335
Operating grants and contributions	723,727	742,240
Capital grants and contributions	180,343	474,276
General revenues:		
Property taxes	1,783,988	1,771,380
Public utility taxes	773,012	775,701
Franchise fees	527,604	515,186
Shared revenues	1,281,187	1,194,111
Investment income and other	504,625	62,601
Total revenues	6,477,555	6,121,830
EXPENSES:		
General government	1,159,475	1,188,276
Public safety	3,050,938	3,450,010
Transportation	619,398	656,722
Physical environment	930,228	1,021,989
Economic development	4,500	11,285
Culture and recreation	35,665	-
Total expenses	5,800,204	6,328,282
Change in net position	677,351	(206,452)
Net position, beginning October 1,	18,764,230	18,970,682
Adjustment (See Note 1.E.) GASB 68	(401,525)	-
Net position, ending	\$ 19,040,056	\$ 18,764,230

The City experienced an increase of 5.8% in total revenues – a \$355,725 increase to \$6.48 million. The increase is primarily due to a \$551,437 increase in general revenues and is offset by a \$293,933 decrease in capital grants. An increase in the assessed taxable values was the contributory factor in the increase of property tax revenue of \$12,608. Franchise Fee revenues increased \$12,418 based on higher consumer paid utilities. The Shared Revenue for the State of Florida (SRS) increased \$87,076. The \$442,024 increase in investment income and other is due primarily to a settlement of funds through litigation.

City of Okeechobee, Florida Management's Discussion and Analysis

It appears that total governmental activities expenses decreased by \$528,078. That decrease is all due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which was implemented as of October 1, 2014 and shown prospectively.

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 \$11,992,824 an increase of \$559,973 in comparison with the prior year. Approximately 78% of this total amount \$9,360,039, constitutes unassigned fund balance, which is available for spending at the government's discretion. Assigned fund balances include \$1,490,251 for subsequent year's expenditures, \$382,162 for future capital projects. Public Facilities fund balance of \$721,642 plus law enforcement \$6,946 are restricted funds based on their specific stipulated purpose. The remainder of fund balance is non-spendable inventory of \$31,784.

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 \$11,232,472 while total fund balance was \$11,985,898. 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 183% and 195% respectively of total general fund expenditures.

The appropriation grant, economic grant and capital impact fee funds all non-major funds, have no fund balance. Revenues from grants and impact fees were used in the construction of infrastructure and other improvements in the City.

General Fund Budgetary Highlights

The amount appropriated for expenditures in the original 14/15 budget decreased from \$7,064,010 to \$6,365,688 in the final 14/15 budget, a decrease of \$698,322. 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, 2015, amounted to \$7,766,652 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress. During the year, the City's net capital asset balance decreased \$174,333.

The City's major additions of \$681,222 to capital assets during the current fiscal year included the following:

- Replacement computers for (2)-Police Department, (2) Fire Department, and (1) Finance Department
- 13 Tablets, scanners and printers for police vehicles
- Replaced 12 police vehicles including equipment
- Received a donation of (1) vehicle for Police Auxiliary
- Replacement bunker gear for firefighters
- Various equipment for Public Works and the Fire Department
- 12 trash receptacles
- Various infrastructure improvements including the roadway and sidewalk improvements
- Completion of – Highway 441/SR70 crosswalks

These additions were offset by depreciation expense of \$528,452, and disposals with a net book value of \$327,103, which largely relates to the sale of 12 police vehicles.

City's Capital Assets
(net of depreciation)

	2015	2014
Land	\$ 1,378,744	\$ 1,378,744
Construction in progress	1,248	72,114
Buildings	1,085,782	1,145,751
Improvements other than buildings	4,261,558	4,285,758
Equipment	1,039,320	1,058,618
Total	\$ 7,766,652	\$ 7,940,985

Additional information on the City's capital assets can be found in Note 4.C. on page 37 and 38 of this report.

City of Okeechobee, Florida
Management's Discussion and Analysis

Long-term Liabilities

City's Outstanding Debt
Long-term Liabilities

	2015	2014
Net OPEB obligation	\$ 1,007,078	\$ 811,717
Compensated absences	432,188	373,103
Pension liability	20,069	-
Total	\$ 1,459,335	\$ 1,184,820

The City's long-term liabilities increased by \$274,515 during the current fiscal year. The largest contributing factor is the additional liability for the OPEB liability of \$195,361. This is the fifth year of implementation of GASB 45, which caused the increase in Net OPEB liability. An additional contributing factor is the additional liability for the Pension liability of \$20,069. This is the first year of implementation of GASB 68.

Additional information on the City's long-term debt can be found in Note 4.F. on page 38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted a millage rate 7.9932 for budget year 2016. The adopted millage rate is more than 4.65% of the roll-back rate. A \$29,927 increase in budgeted ad valorem revenue is largely due to the increase in new construction added to this years assessed tax rolls.

Revenues for the fiscal year 2016 adopted budget for all funds of the City total approximately \$6,525,600, an increase from the prior year budget of approximately \$494,975. These revenues include the General, Public Facility, Capital Projects and Special Law Enforcement fund revenues. The change in revenue is based mostly on the expected increase in grant funds provided for economic development.

Expenditures for the fiscal year 2016 adopted budget for all funds of the City total approximately \$8,769,659, an increase 9.6%, \$768,119 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.

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BASIC FINANCIAL STATEMENTS

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

September 30, 2015

ASSETS

Cash and cash equivalents	\$ 12,006,995
Accounts receivable	96,191
Due from other governments	180,025
Inventory	31,784
Net pension asset	634,330
Capital assets:	
Nondepreciable	
Land	1,378,744
Construction in progress	1,248
Depreciable, net of accumulated depreciation	
Buildings	1,085,782
Improvements other than buildings	4,261,558
Equipment	1,039,320
Total assets	20,715,977

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow - pensions	391,077
Total deferred outflows of resources	391,077

LIABILITIES

Accounts payable	86,267
Accrued expenses	188,258
Noncurrent liabilities:	
Due within one year - compensated absences	137,207
Due in more than one year	
Compensated absences	294,981
Net pension liability	20,069
OPEB obligation	1,007,078
Total liabilities	1,733,860

DEFERRED INFLOWS OF RESOURCES

Deferred inflow - business tax revenue	47,646
Deferred inflow - pensions	285,492
Total deferred inflows of resources	333,138

NET POSITION

Net investment in capital assets	7,766,652
Restricted for:	
Law enforcement	6,946
Public facilities	721,642
Unrestricted	10,544,816
Total net position	\$ 19,040,056

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

City of Okeechobee, Florida
Balance Sheet - Governmental Funds

<i>Year ended September 30, 2015</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	\$ 1,159,475	\$ 601,108	\$ 2,595	\$ -	\$ (555,772)
Public safety	3,050,938	26,107	48,219	11,736	(2,964,876)
Transportation	619,398	75,854	672,913	96,493	225,862
Physical environment	930,228	-	-	72,114	(858,114)
Economic environment	4,500	-	-	-	(4,500)
Culture & recreation	35,665	-	-	-	(35,665)
Total governmental activities	\$ 5,800,204	\$ 703,069	\$ 723,727	\$ 180,343	(4,193,065)
General revenues:					
					1,783,988
					773,012
					527,604
					1,281,187
					5,037
					499,588
					4,870,416
					677,351
					18,764,230
					(401,525)
					18,362,705
					\$ 19,040,056

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

City of Okeechobee, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2015</i>	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,999,399	\$ 7,596	\$ 12,006,995
Accounts receivable	96,191	-	96,191
Due from other funds	520	-	520
Due from other governments	180,025	-	180,025
Inventory	31,784	-	31,784
Total assets	\$ 12,307,919	\$ 7,596	\$ 12,315,515
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 86,117	\$ 150	\$ 86,267
Accrued expenses	188,258	-	188,258
Due to other funds	-	520	520
Total liabilities	274,375	670	275,045
Deferred inflows of resources:			
Deferred revenue - business tax revenue	47,646	-	47,646
Fund balances:			
Nonspendable for:			
Inventory	31,784	-	31,784
Restricted for:			
Public facilities	721,642	-	721,642
Law enforcement	-	6,946	6,946
Assigned for:			
Subsequent year's expenditures	1,490,251	-	1,490,251
Future capital projects	382,162	-	382,162
Unassigned	9,360,059	(20)	9,360,039
Total fund balances	11,985,898	6,926	11,992,824
Total liabilities, deferred inflows of resources and fund balances	\$ 12,307,919	\$ 7,596	

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

Net pension asset resulting from overfunding of the police officers' and firefighters' pension plan.	634,330
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	391,077
Deferred inflow of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(285,492)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,766,652
Long-term liabilities, including the net OPEB obligation, net pension liability and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(1,459,335)
Net position of governmental activities	\$ 19,040,056

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, 2015</i>	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,531,522	\$ -	\$ 2,531,522
Intergovernmental	2,258,204	96,793	2,354,997
Charges for services	460,375	-	460,375
Permits and fees	632,492	-	632,492
Contributions and donations	67,258	-	67,258
Fines and forfeitures	27,083	3,785	30,868
Investment earnings	16,938	-	16,938
Miscellaneous	432,030	-	432,030
Total revenues	6,425,902	100,578	6,526,480
Expenditures			
Current:			
General government	1,113,022	-	1,113,022
Public safety	3,197,180	550	3,197,730
Transportation	1,031,337	-	1,031,337
Physical environment	215,036	14,800	229,836
Recreation	35,665	-	35,665
Capital outlay	532,866	64,506	597,372
Total expenditures	6,125,106	79,856	6,204,962
Excess of revenues over expenditures	300,796	20,722	321,518
Other financing sources (uses)			
Transfers in	708	5,000	5,708
Transfers out	(5,000)	(708)	(5,708)
Proceeds from sale of capital assets	238,455	-	238,455
Total other financing sources	234,163	4,292	238,455
Net change in fund balances	534,959	25,014	559,973
Fund balances (deficit), beginning of year	11,450,939	(18,088)	11,432,851
Fund balances, end of year	\$ 11,985,898	\$ 6,926	\$ 11,992,824

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, 2015

Net change in fund balances - total governmental funds	\$ 559,973
<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>	152,770
<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>	(327,103)
<p>Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decrease net position.</p>	546,157
<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>	(195,361)
<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>	(59,085)
Change in net position of governmental activities	\$ 677,351

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, 2015</i>	Pension Trust Funds
ASSETS	
Cash equivalents	\$ 477,481
Investments:	
Mutual funds	13,911,552
Common equity securities	6,650,981
Receivables	164,385
Accrued interest and dividends	8,040
Total assets	21,212,439
LIABILITIES	
Accounts payable	21,579
Prepaid city contributions	3,313
Total liabilities	24,892
NET POSITION	
Held in trust for pension benefits	\$ 21,187,547

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, 2015</i>	Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 123,469
City	667,938
Employees	250,258
Total contributions	1,041,665
Investment earnings:	
Net appreciation in the fair value of investments	(668,418)
Interest and dividends	528,916
Total investment earnings	(139,502)
Less investment expenses	(106,439)
Net investment earnings	(245,941)
Total additions	795,724
DEDUCTIONS	
Benefits paid to participants	602,591
Refunds on termination	27,330
Administrative expenses	90,271
Total deductions	720,192
Change in net position	75,532
Net position held in trust for pension benefits, beginning of year	21,112,015
Net position held in trust for pension benefits, end of year	\$ 21,187,547

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

The City reports the following component units:

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

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

The 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. It is accounted for in the Pension Trust funds in 2015 as the City does have fiduciary responsibility.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

The City reports the following nonmajor governmental funds:

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 *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.

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, 2015 was 7.7432 mills, which is 0.72% 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 and outflows of resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred inflows of resources related to pensions were \$516,917 for the year ended September 30, 2015. Note 5-B includes a complete discussion of retirement commitments.

Resources received before time requirements have been met, are now classified as deferred inflows of resources.

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.

E. ACCOUNTING CHANGES

During fiscal year 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement required the restatement of the September 30, 2014 net position in governmental activities. This change is in accordance with generally accepted accounting principles.

Net position, September 30, 2014 as previously reported	\$ 17,819,671
Cumulative effect from the initial application of GASB 68	401,525
Net position, September 30, 2014 as restated	\$ 18,221,196

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

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states that "long-term liabilities, including the net OPEB obligation and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(1,459,335) difference are as follows:

Net OPEB obligation	\$ (1,007,078)
Compensated absences	(432,188)
Net pension liability	(20,069)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position-governmental activities	\$ (1,459,335)

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

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 \$152,770 difference are as follows:

Capital outlay	\$	681,222
Depreciation expense		(528,452)
<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>	\$	152,770
<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, 2015, the City's carrying amount of deposits was \$12,006,619 and the bank balance was \$12,151,408. In addition, the City maintained \$324 of petty cash. As of September 30, 2015, \$250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

At September 30, 2015, the City had the following investments:

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (continued)

Investment type	Fair Value	Investment Maturities (in years)				Rating	Agency
		Less than 1	1 - 5	6 - 10	More than 10		
Primary government:							
SBA (Florida Prime)	\$ 52	\$ 52	\$ -	\$ -	\$ -	AAAm	S&P
Pension trust funds:							
Money market fund	\$ 477,481	\$ 477,481	\$ -	\$ -	\$ -	Not rated	-
Mutual funds	13,911,552	-	-	13,911,552	-	BBB - AA	S&P
Common equity securities-domestic	6,461,331	6,461,331	-	-	-	Not rated	-
Common equity securities-foreign	189,650	189,650	-	-	-	Not rated	-
	<u>\$ 21,040,014</u>	<u>\$ 7,128,462</u>	<u>\$ -</u>	<u>\$ 13,911,552</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.

Interest rate risk

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

Concentration of credit risk

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

Foreign currency risk

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

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

B. RECEIVABLES

Receivables as of September 30, 2015 are as follows:

	General Fund	Municipal Police Officers' Pension Trust	Municipal Firefighters' Pension Trust	General Employees Pension Trust
Franchise/Utility taxes	\$ 96,191	\$ -	\$ -	\$ -
Contributions	-	52,190	33,763	78,432
Receivables, net	<u>\$ 96,191</u>	<u>\$ 52,190</u>	<u>\$ 33,763</u>	<u>\$ 78,432</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 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	1,248	(72,114)	1,248
Total capital assets, not being depreciated	1,450,858	1,248	(72,114)	1,379,992
Capital assets, being depreciated:				
Buildings	1,969,467	3,285	-	1,972,752
Improvements other than buildings	6,879,840	243,321	-	7,123,161
Equipment	2,655,698	433,368	(317,274)	2,771,792
Total capital assets, being depreciated	11,505,005	679,974	(317,274)	11,867,705
Less accumulated depreciation for:				
Buildings	(823,716)	(63,254)	-	(886,970)
Improvements other than buildings	(2,594,082)	(267,521)	-	(2,861,603)
Equipment	(1,597,080)	(197,677)	62,285	(1,732,472)
Total accumulated depreciation	(5,014,878)	(528,452)	62,285	(5,481,045)
Total capital assets, being depreciated, net	6,490,127	151,522	(254,989)	6,386,660
Governmental activities capital assets, net	\$ 7,940,985	\$ 152,770	\$ (327,103)	\$ 7,766,652

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 69,052
Public safety	158,959
Physical environment	300,441
<u>Total depreciation expense - governmental activities</u>	<u>\$ 528,452</u>

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund loans of \$520 for short term operating purposes resulted in a due to the General fund from the nonmajor FDOT Grant Capital Project fund of \$520. All amounts are expected to be repaid within one year.

During the year ended September 30, 2015, the nonmajor Impact Fee Capital Project fund transferred \$708 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, 2015, the General fund transferred \$4,500 to the nonmajor Appropriations Grant Capital Project fund and \$500 to the nonmajor FDOT Grant Capital Project fund for a total of \$5,000. The transfers represented engineering costs for the respective partially grant funded capital projects.

F. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 373,103	\$ 191,634	\$ (132,549)	\$ 432,188	\$ 137,207
Long-term liabilities	\$ 373,103	\$ 191,634	\$ (132,549)	\$ 432,188	\$ 137,207

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.

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS

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

At September 30, 2015, the Police Officers’ plan included 12 retirees or beneficiaries either receiving or entitled to receive benefits, including 1 disability retiree and 2 survivor beneficiaries. The Police Officers’ plan also includes 1 terminated member with vested benefits, plus 3 DROP participants. There are 17 active current employees of which 7 are vested and 10 are non-vested.

At September 30, 2015, the Firefighters’ plan included 3 retirees receiving or entitled to receive benefits, including 1 beneficiary receiving benefits. The Plan also included 2 terminated vested members entitled to receive benefits. There are 12 active current employees of which 4 are vested and 9 are non-vested.

Funding Policies – The contribution requirements of plan members and the City are established and may be amended by City ordinance. Plan members are required to contribute 5% of their annual covered salary for the Police Officers’ and Firefighters’ Municipal Trust Funds. The City is required to contribute an amount equal to the difference in each year between the total aggregate member contributions for the year, plus state contributions for such year, and the normal cost for the year, as shown by the most recent actuarial valuation of the plan; the current contribution rate as a percentage of covered payroll is 20.58% for the Police Officers’ plan and 16.49% 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

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

Firefighters' Plans in the amounts of \$70,807 and \$52,662, respectively. These contributions are funded by an excise tax upon certain casualty insurance companies on their gross receipts of premiums from policy holders.

The City and employees contributions for the year ended September 30, 2015, are as follows:

	City	Employees
Police Officers'	\$ 196,467	\$ 47,740
Firefighters'	\$ 92,863	\$ 26,324

Plan Investment Policies and Allocation of Plan Investments - Florida statutes and the plan investment policy authorize the Trustees to invest funds in various investments. The general investment objective of the fund is to preserve the purchasing power of the fund's assets and earn a reasonable rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short term volatility of returns. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, and the current target and actual allocation of these investments at market, per the performance analysis report, is as follows as of September 30, 2015:

Police Officers	
Investments	Percent
Domestic Equity	44.1%
International Equity	13.3%
Fixed Income	40.1%
Cash Equivalents	2.5%
Total	100.00%
Firefighters	
Investments	Percent
Domestic Equity	43.7%
International Equity	13.7%
Fixed Income	40.2%
Cash Equivalents	2.4%
Total	100.00%

Money-Weighted Rate of Return - For the year ended September 30, 2015, the annual money-weighted rate of return on the Police Officers' pension plan investments was (1.65%) and on the Firefighters' pension plan investments was (2.19%). The money-weighted rate of return expresses investment performance, net of plan investment expenses, as adjusted for the changing amounts actually invested on a monthly basis.

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

Net Pension Liability – The City’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of September 30, 2015 for the Police Officers’ and Firefighters pension plan.

Total Pension Liability	Police Officers'	Firefighters'
Service cost	\$ 251,499	\$ 130,539
Interest	479,146	196,106
Difference between actual & expected experience	(784)	(741)
Assumption changes	-	-
Benefit payments	(201,397)	(142,060)
Refunds	(26,953)	-
Net change in total pension liability	501,511	183,844
Total pension liability - beginning	6,833,362	2,807,275
Total pension liability - ending (a)	7,334,873	2,991,119
Plan Fiduciary Net Position		
Contributions - employer (from City)	200,210	82,058
Contributions - employer (from State)	67,639	53,235
Contributions - members	43,135	23,854
Net investment income	694,790	318,708
Benefit payments	(201,397)	(142,060)
Refunds	(26,953)	-
Administrative expense	(18,097)	(16,233)
Other	-	-
Net change in plan fiduciary net position	759,327	319,562
Plan fiduciary net position - beginning	6,947,337	2,934,096
Plan fiduciary net position - ending (b)	7,706,664	3,253,658
Net pension liability (asset) - Ending (a) - (b)	\$ (371,791)	\$ (262,539)
Plan fiduciary net position as a percentage or Total Pension Liability	105.07%	108.78%

For the year ending September 30, 2015 the City recognized a pension expense of \$175,646 for the Police Officers’ Plan and \$90,856 for the Firefighters’ Plan. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

	Police Officers'	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 639
Net difference between projected and actual earnings on pension plan investments	-	164,974
Contributions subsequent to the measurement date	192,581	-
Total	\$ 192,581	\$ 165,613

	Firefighters'	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 648
Net difference between projected and actual earnings on pension plan investments	-	90,633
Contributions subsequent to the measurement date	92,863	-
Total	\$ 92,863	\$ 91,281

Deferred outflows of \$285,444 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year end September 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

Police Officers'		
Year ended September 30:		
2016	\$	41,389
2017		41,389
2018		41,389
2019		41,389
2020		57
Total		\$ 165,613

Firefighters'		
Year ended September 30:		
2016	\$	22,751
2017		22,751
2018		22,751
2019		22,751
2020		93
Thereafter		184
Total		\$ 91,281

Expected Long-Term Rate of Return - The long-term expected rate of return on pension investments was determined using a building-block method in which best estimate ranges of future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.5%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized as follows:

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

Police Officers		
	Percent	Long-Term
Investments	Target	Rate of Return*
Domestic Equity	45.0%	7.5%
International Equity	15.0%	8.5%
Fixed Income	40.0%	2.5%
Cash Equivalents	0.0%	0.0%
Total	100.00%	
*Net of long-term inflation assumptions 2.5%		
Firefighters		
	Percent	Long-Term
Investments	Target	Rate of Return*
Domestic Equity	45.0%	7.5%
International Equity	15.0%	8.5%
Fixed Income	40.0%	2.5%
Cash Equivalents	0.0%	0.0%
Total	100.00%	
*Net of long-term inflation assumptions 2.5%		

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

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

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

	Police Officers			Current Discount		1% Increase
	1% Decrease			7.00%		8.00%
	6.00%					
Sponsor's net pension liability (asset)	\$ 521,068	\$	(371,791)	\$	(1,116,015)	

	Firefighters			Current Discount		1% Increase
	1% Decrease			7.00%		8.00%
	6.00%					
Sponsor's net pension liability (asset)	\$ 130,630	\$	(262,539)	\$	(591,129)	

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.

At September 30, 2015, the Plan included 27 retirees and/or beneficiaries currently receiving benefits plus 1 disability retiree and 3 terminated employees entitled to benefits but not yet receiving them, and 2 DROP participants. There are 74 active current employees (City – 25, OUA – 49) in the Plan, of which 48 are vested and 26 are non-vested.

Funding Policy - The contribution requirements of the plan members and the City are established and may be amended by City ordinance. Plan members are required to contribute 6% of their covered annual salary. The City is required to contribute at an actuarially determined rate; the current rate is 12.10% of covered payroll. The City's contributions for the years ended September 30, 2015 and 2014 were \$378,608 and \$379,407, respectively and were equal to the required contributions for each year.

For the year ending September 30, 2015, the City reported a liability of \$20,069 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2013. The City's proportionate share of the net pension liability was based on the City's December 2, 2015 portion of the employer's total required contribution. At September 30, 2015 the City's proportionate share was 11%.

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

Investments	Percent
Domestic Equity	50.0%
International Equity	9.0%
Fixed Income	39.5%
Cash Equivalents	1.5%
Total	100.00%

Money-Weighted Rate of Return - The annual money-weighted rate of return on plan investments (calculated as the internal rate of return on plan investments, net of plan investment expense) was (1.38%) for the year ended September 30, 2015. The money-weighted rate of return expresses investment performance, net of plan investment expenses, as adjusted for the changing amounts actually invested on a monthly basis.

For the year ending September 30, 2015 the City recognized a pension expense of \$211,457 for the Employees' Retirement Plan. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 24
Net difference between projected and actual earnings on pension plan investments	-	28,574
Contributions subsequent to the measurement date	105,633	
Total	\$ 105,633	\$ 28,598

Deferred outflows of \$105,633 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 7,148
2017	7,148
2018	7,148
2019	7,146
2020	4
Thereafter	4
Total	\$ 28,598

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Salary Increases	6.00%
Investment Rate of Return	7.00%
Retirement Age	100% when first eligible for Normal Retirement or DROP entry
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using scale AA. The table was used with ages set forward one year for the October 1, 2013 actuarial valuations.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation and actual allocation as of September 30, 2015 are summarized in the following table:

	Percent	Percent	Long-Term
Investments	Actual	Target	Rate of Return*
Domestic Equity	50.0%	50.0%	7.5%
International Equity	9.0%	10.0%	8.5%
Fixed Income	39.5%	40.0%	2.5%
Cash Equivalents	1.5%	0.0%	0.0%
Total	100.00%	100.00%	5.6%
*Net of long-term inflation assumptions 2.5%			

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

City of Okeechobee, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (continued)

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

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability (asset)	\$ 174,049	\$ 20,069	\$ (109,915)

Pension trust funds fiduciary net position activity as of September 30, 2015 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ASSETS				
Cash equivalents	\$ 86,990	\$ 197,231	\$ 193,260	\$ 477,481
Investments:				
Mutual funds	2,189,267	5,151,363	6,570,922	13,911,552
Common equity securities	950,086	2,297,528	3,403,367	6,650,981
Receivables	33,763	52,190	78,432	164,385
Accrued interest and dividends	1,066	2,816	4,158	8,040
Total assets	3,261,172	7,701,128	10,250,139	21,212,439
LIABILITIES				
Accounts payable	3,759	6,673	11,147	21,579
Prepaid city contributions	-	3,117	196	3,313
Total liabilities	3,759	9,790	11,343	24,892
NET POSITION				
Held in trust for pension benefits	\$ 3,257,413	\$ 7,691,338	\$ 10,238,796	\$ 21,187,547

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, 2015 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
ADDITIONS				
Contributions				
State	\$ 52,662	\$ 70,807	\$ -	\$ 123,469
City	92,863	196,467	378,608	667,938
Employees	26,324	47,740	176,194	250,258
Total contributions	171,849	315,014	554,802	1,041,665
Investment earnings:				
Net appreciation in the fair value of investments	(99,426)	(252,122)	(316,870)	(668,418)
Interest and dividends	81,019	191,904	255,993	528,916
Total investment earnings	(18,407)	(60,218)	(60,877)	(139,502)
Less investment expenses	(25,615)	(35,750)	(45,074)	(106,439)
Net investment earnings	(44,022)	(95,968)	(105,951)	(245,941)
Total additions	127,827	219,046	448,851	795,724
DEDUCTIONS				
Benefits paid to participants	96,545	203,854	302,192	602,591
Refunds on termination	-	321	27,009	27,330
DROP payment	-	-	-	-
Administrative expenses	27,128	30,195	32,948	90,271
Total deductions	123,673	234,370	362,149	720,192
Change in net position	4,154	(15,324)	86,702	75,532
Net position held in trust for pension benefits, beginning of year	3,253,259	7,706,662	10,152,094	21,112,015
Net position held in trust for pension benefits, end of year	\$ 3,257,413	\$ 7,691,338	\$ 10,238,796	\$ 21,187,547

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, 2015, the City’s contribution is \$29,767 which represents an estimate of the implied subsidy described above. Contributions of plan members totaled approximately \$19,617 for the year ended September 30, 2015.

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, 2015, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation to the Plan:

Annual required contribution	\$	227,079
Interest on net OPEB obligation		24,352
Adjustment to annual required contribution		(26,303)
<hr/>		
Annual OPEB cost (expense)		225,128
Contributions made		(29,767)
<hr/>		
Increase in net OPEB obligation		195,361
Net OPEB obligation – beginning of year		811,717
<hr/>		
Net OPEB obligation – end of year	\$	1,007,078

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending September 30, 2015 was as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 227,079	13%	\$ 1,007,078
9/30/2014	218,009	16%	811,717
9/30/2013	211,120	18%	628,643

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.

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%, 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

NOTE 5: OTHER INFORMATION (Continued)

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (continued)

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 2016. The statements address:

- Fair value measurement and application; and
- GAAP hierarchy.

The City is currently evaluating the effects that these statements will have on its 2016 financial statements.

NOTE 7: SUBSEQUENT EVENT

During October 2015, the City awarded the annual police vehicle purchase bid to an unrelated vendor for 13 police vehicles in the amount of approximately \$283,000.

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

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City of Okeechobee, Florida

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

<i>Year ended September 30, 2015</i>	Original Budget	Final Budget	Actual (on Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,376,866	\$ 2,507,324	\$ 2,531,522	\$ 24,198
Intergovernmental	1,970,180	2,182,987	2,258,204	75,217
Charges for services	405,888	406,368	460,375	54,007
Permits and fees	498,683	614,469	632,492	18,023
Fines and forfeitures	14,070	21,741	27,083	5,342
Investment earnings	6,900	6,210	16,938	10,728
Miscellaneous	3,000	439,176	432,030	(7,146)
Contributions and donations	-	-	67,258	67,258
Total revenues	5,275,587	6,178,275	6,425,902	247,627
Expenditures				
Current:				
General government:				
Legislative	130,890	167,846	110,738	57,108
Executive	187,175	190,450	185,716	4,734
City clerk	213,429	207,695	201,503	6,192
Financial services	263,168	233,012	222,756	10,256
Legal council	86,213	61,712	55,437	6,275
General services	356,186	364,320	338,765	25,555
Total general government	1,237,061	1,225,035	1,114,915	110,120
Public safety:				
Fire	1,418,228	1,328,404	1,296,615	31,789
Police	2,112,019	1,999,882	1,947,922	51,960
Total public safety	3,530,247	3,328,286	3,244,537	83,749
Transportation	1,142,952	1,052,765	1,031,337	21,428
Physical environment	709,000	388,643	370,923	17,720
Capital outlay	444,750	370,959	364,025	6,934
Debt service:				
Principal	-	-	0	-
Interest	-	-	0	-
Total debt service	-	-	0	-
Total expenditures	7,064,010	6,365,688	6,125,737	239,951
Deficiency of revenues under expenditures	(1,788,423)	(187,413)	300,165	487,578
Other financing sources (uses)				
Operating transfers in	100	708	708	-
Operating transfers out	-	-	(5,000)	(5,000)
Capital lease proceeds	-	-	-	-
Sale of capital assets	237,600	237,600	238,455	855
Net other financing sources (uses)	237,700	238,308	234,163	(4,145)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)				
	(1,550,723)	50,895	534,328	483,433
Fund balances, beginning of year	11,450,939	11,450,939	11,450,939	-
Fund balances, end of year	\$ 9,900,216	\$ 11,501,834	11,985,267	\$ 483,433
Reconciliation of budgetary to GAAP basis				
Current year encumbrances			15,960	
Prior year encumbrances			(15,329)	
Fund balance on GAAP basis			<u><u>\$ 11,985,898</u></u>	

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Changes in Net Pension Liability and Related Ratios –
Last Two Fiscal Years (continued)

	Police Officers'	
	2015	2014
Total Pension Liability		
Service cost	\$ 247,353	\$ 251,499
Interest	506,147	479,146
Benefit changes	-	-
Difference between actual & expected experience	(219,850)	(784)
Assumption changes	94,065	-
Benefit payments	(203,855)	(201,397)
Refunds	(321)	(26,953)
Net change in total pension liability	423,539	501,511
Total pension liability - beginning	7,334,873	6,833,362
Total pension liability - ending (a)	7,758,412	7,334,873
Plan Fiduciary Net Position		
Contributions - employer (from City)	192,581	200,210
Contributions - employer (from State)	70,807	67,639
Contributions - members	47,740	43,135
Net investment income	(95,964)	694,790
Benefit payments	(203,855)	(201,397)
Refunds	(321)	(26,953)
Administrative expense	(30,198)	(18,097)
Other	3,886	-
Net change in plan fiduciary net position	(15,324)	759,327
Plan fiduciary net position - beginning	7,706,664	6,947,337
Plan fiduciary net position - ending (b)	7,691,340	7,706,664
Net pension liability (asset) - Ending (a) - (b)	\$ 67,072	\$ (371,791)
Plan fiduciary net position as a percentage or Total Pension Liability	99.14%	105.07%
Covered employee payroll	\$ 911,189	\$ 862,700
Net pension liability as a percentage of covered employee payroll	7.36%	-43.10%

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

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Changes in Net Pension Liability and Related Ratios –
Last Two Fiscal Years (continued)

Firefighters'	2015	2014
Total Pension Liability		
Service cost	\$ 144,773	\$ 130,539
Interest	213,154	196,106
Benefit changes	-	-
Difference between actual & expected experience	(19,771)	(741)
Assumption changes	49,797	-
Benefit payments	(96,939)	(142,060)
Refunds	-	-
Net change in total pension liability	291,014	183,844
Total pension liability - beginning	2,991,119	2,807,275
Total pension liability - ending (a)	3,282,133	2,991,119
Plan Fiduciary Net Position		
Contributions - employer (from City)	92,863	82,058
Contributions - employer (from State)	52,662	53,235
Contributions - members	26,324	23,854
Net investment income	(44,021)	318,708
Benefit payments	(96,939)	(142,060)
Refunds	-	-
Administrative expense	(27,132)	(16,233)
Other	-	-
Net change in plan fiduciary net position	3,757	319,562
Plan fiduciary net position - beginning	3,253,658	2,934,096
Plan fiduciary net position - ending (b)	3,257,415	3,253,658
Net pension liability (asset) - Ending (a) - (b)	\$ 24,718	\$ (262,539)
Plan fiduciary net position as a percentage		
or Total Pension Liability	99.25%	108.78%
Covered employee payroll	\$ 523,119	\$ 477,080
Net pension liability as a percentage		
of covered employee payroll	4.73%	-55.03%

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

City of Okeechobee, Florida
Required Pension Supplementary Information –
Schedule of Changes in Net Position Liability and Related Ratio –
Last Two Fiscal Years (continued)

Police Officers		
	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 263,240	\$ 267,849
Contributions in relation to the actuarially determined contributions	263,388	267,849
Contribution deficiency (excess)	\$ (148)	\$ -
Covered payroll	\$ 911,189	\$ 862,700
Contributions as a percentage of covered employee payroll	28.91%	31.05%
Firefighters		
	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 138,914	\$ 122,212
Contributions in relation to the actuarially determined contributions	145,525	135,293
Contribution deficiency (excess)	\$ (6,611)	\$ (13,081)
Covered payroll	\$ 523,119	\$ 477,080
Contributions as a percentage of covered employee payroll	27.82%	28.36%

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

City of Okeechobee, Florida

**Required Pension Supplementary Information – Schedule of Investment
Returns – Last Two Fiscal Years**

Police Officers		
	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	-1.65%	9.96%
Fire Fighters		
	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	-2.19%	10.43%

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

City of Okeechobee, Florida

**Required Pension Supplementary Information – Schedule of Proportionate
Share of the Net Pension Liability General Employees –
Last Two Fiscal Years**

	2015	2014
City's proportion of the net pension liability	12.03%	11.00%
City's proportion share of the net pension liability	\$ 139,769	\$ 20,069
City's covered-employee payroll	\$ 822,133	\$ 812,766
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	17.00%	2.47%
Plan fiduciary net position as a percentage of the total pension liability	89.81%	98.23%

City of Okeechobee, Florida

Required Pension Supplementary Information – Schedule of Contributions
General Employees - Last Two Fiscal Years

	2015	2014
Contractually required contribution	\$ 41,442	\$ 44,690
Contributions in relation to the contractually required contribution	106,136	104,684
Contribution deficiency (excess)	\$ (64,694)	\$ (59,994)
City's covered-employee payroll	\$ 822,133	\$ 812,766
Contributions as a percentage of covered-employee payroll	12.91%	12.88%

City of Okeechobee, Florida

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL a % of Covered Payroll ((b-a)/c)
9/30/2013	\$ -	\$ 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

Valuation Date: 10/01/2014

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

City of Okeechobee, Florida
Notes to Required Supplementary Information

B. ADDITIONAL ACTUARIAL INFORMATION (CONTINUED)

Methods and Assumptions Used to Determine Contributions Rates:

	Police Officers' Pension Plan	Firefighters Pension Plan
Actuarial Cost Method:	Aggregate	Aggregate
Amortization Method:	N/A	N/A
Remaining Amortization Period:	N/A	N/A
Asset Valuation Method:	4-year smoothed market	4-year smoothed market
Inflation:	2.75%	2.75%
Salary Increases:	6.00%, including inflation	7.00%, including inflation
Investment Rate of Return:	7.00%	7.00%
Retirement Age:	100% when first eligible for Normal Retirement or DROP entry RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA. The table was used with ages set ahead one year for the October 2013 actuarial valuation. See Discussion of Valuation Results on Page 1 of the October 2014 Actuarial Valuation Report issued April 9, 2015 by Gabriel Roeder Smith & Company. The age adjustment was eliminated for actuarial valuation as of October 1, 2014.	100% when first eligible for Normal Retirement or DROP entry. RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA. The table was used with ages set ahead one year for the October 2013 actuarial valuation. See Discussion of Valuation Results on Page 1 of the October 2014 Actuarial Valuation Report issued April 9, 2015 by Gabriel Roeder Smith & Company. The age adjustment was eliminated for actuarial valuation as of October 1, 2014.
Mortality:		
Notes:		

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, 2015, and the related notes to the financial statements, which collectively comprise the City of Okeechobee, Florida's basic financial statements, and have issued our report thereon dated June 17, 2016. 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. We did identify a certain deficiency in internal control we consider to be a significant deficiency, described below.

FINDINGS - FINANCIAL STATEMENTS AUDIT

IC 2015-01 REVENUE RECOGNITION

Criteria: Revenue should be recognized when it is earned and available.

Condition: During the fiscal year 2015, thirteen months of revenue for state revenue sharing was recognized instead of twelve.

Cause: The City recognized more revenue than earned during the fiscal year.

Effect: Revenue was overstated by approximately \$23,000 prior to an audit adjustment being recorded.

Recommendation: We recommend that, on an annual basis, the City review that only twelve months of revenue is recorded for each revenue item that is remitted from the State.

Management's Response: Year-end procedures will be adhered to, to ensure proper recording of receipted dollars in the appropriate year.

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, L.L.C.

Melbourne, Florida
June 17, 2016

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, 2015, and have issued our report thereon dated June 17, 2016.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other 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*. Disclosures in those reports, which are dated June 17, 2016, 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. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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 the City of Okeechobee, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Okeechobee, Florida for the fiscal year ended September 30, 2015, 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, 2015. 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.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida

June 17, 2016



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined the City of Okeechobee's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. 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, 2015.

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, L.L.C.

Melbourne, Florida
June 17, 2016