



# City Of Okeechobee, Florida

## FINANCIAL STATEMENTS

For Year Ended September 30, 2016



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**City of Okeechobee, Florida**  
**Table of Contents**  
**For the year ended September 30, 2016**

**Introductory Section**

Title Page	1
Table of Contents	2
City Officials	4

**Financial Section**

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

**Basic Financial Statements**

Government-wide Financial Statements

- Statement of Net Position - Governmental Activities 19
- Statement of Activities - Governmental Activities 20

Fund Financial Statements

Governmental Funds

- Balance Sheet 21
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 22
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 23

Fiduciary Funds (Component Units that are Fiduciary in Nature)

- Statement of Fiduciary Net Position - Pension Trust Funds 24
- Statement of Changes in Fiduciary Net Position - Pension Trust Funds 25

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

**Required Supplementary Information Other Than Management's Discussion and Analysis**


- Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund 57
- Required Pension Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios – Last Three Fiscal Years 58
- Required Pension Supplementary Information – Schedule of Investment Returns – Last Three Years 61
- Required Pension Supplementary Information – Schedule of Proportionate Share of the Net Pension Liability General Employees – Last Three Fiscal Years 62
- Required Pension Supplementary Information – Schedule of Contributions General Employees – Last Three Fiscal Years 63
- Required Other Postemployment Benefits Supplementary Information - Schedule of Funding Progress 64
- Notes to Required Supplementary Information 65



**City of Okeechobee, Florida**  
**Table of Contents**  
**For the year ended September 30, 2016**

**Reports on Internal Control and Compliance Matters**

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 67
- Independent Auditors' Management Letter 69
- Independent Accountants' Report on Compliance with Local Government Investment Policies 71



**City of Okeechobee, Florida  
City Officials  
For the year ended September 30, 2016**

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



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Okeechobee, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Okeechobee, Florida's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Okeechobee, Florida, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 9 through 16), the budgetary comparison information (page 57 and page 65), and the pension and other postemployment benefits information (pages 58 through 64 and page 66) 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 15, 2017 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.

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida

June 15, 2017

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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, 2016. 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, 2016:

- The City's total assets exceeded its liabilities at September 30, 2016 by \$18,531,230.
- The City's total revenues were \$6,256,191 for the year ended September 30, 2016, compared to total expenses of \$6,765,017, which resulted in a \$508,826 decrease in net position.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### A. Government-Wide Financial Statements

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

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

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

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

#### B. Fund Financial Statements

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

## B. Fund Financial Statements (Continued)

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

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

The basic governmental fund financial statements can be found on pages 21 through 22 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 53 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

	2016	2015
Current and other assets	\$ 12,237,358	\$ 12,949,325
Capital assets	7,885,166	7,766,652
Total assets	<b>20,122,524</b>	20,715,977
Deferred outflows	<b>1,314,534</b>	391,077
Current liabilities	<b>390,514</b>	274,525
Noncurrent liabilities	<b>2,059,487</b>	1,459,335
Total liabilities	<b>2,450,001</b>	1,733,860
Deferred inflows	<b>455,827</b>	333,138
<b>Net position:</b>		
Net investment in capital assets	<b>7,885,166</b>	7,766,652
Restricted	<b>711,139</b>	728,588
Unrestricted	<b>9,934,925</b>	10,544,816
Total net position	<b>\$ 18,531,230</b>	\$ 19,040,056

**Governmental Activities**

Total net position decreased by \$508,826 primarily as a result of a \$593,453 decrease in total assets, increase in deferred outflows of \$923,457, a \$716,141 increase of total liabilities, and an increase in deferred inflows of \$122,689. The decrease in total assets was primarily due to a \$711,967 decrease in current and other assets, which was primarily due to the reduction of the net pension asset by \$634,330. This was offset by a \$118,514 increase in capital assets. The increase in total liabilities was due to a \$600,152 increase of noncurrent liabilities due mainly to increases in the net OPEB obligation of \$368,911 and an increase in pension liability of \$211,490. The net change in current and noncurrent liabilities was \$716,141 as current liabilities increased by \$115,989 related to timing of payables and non-current liabilities increased by \$600,152 resulting from an increase in the compensated absences, net pension liability and OPEB obligation.

**City of Okeechobee, Florida**  
**Management's Discussion and Analysis**

The following table shows condensed revenue and expense data:

City of Okeechobee, Florida		2016	2015
<u>Statement of Activities</u>			
<b>REVENUES:</b>			
Program revenues:			
Charges for services	\$	<b>709,589</b>	\$ 703,069
Operating grants and contributions		<b>662,766</b>	723,727
Capital grants and contributions		<b>304,742</b>	180,343
General revenues:			
Property taxes		<b>1,887,967</b>	1,783,988
Public utility taxes		<b>794,308</b>	773,012
Franchise fees		<b>532,036</b>	527,604
Shared revenues		<b>1,330,468</b>	1,281,187
Investment income and other		<b>34,315</b>	504,625
Total revenues		<b>6,256,191</b>	6,477,555
<b>EXPENSES:</b>			
General government		<b>1,353,464</b>	1,159,475
Public safety		<b>3,643,759</b>	3,050,938
Transportation		<b>844,397</b>	619,398
Physical environment		<b>907,791</b>	930,228
Economic development		<b>9,000</b>	4,500
Culture and recreation		<b>6,606</b>	35,665
Total expenses		<b>6,765,017</b>	5,800,204
Change in net position		<b>(508,826)</b>	677,351
Net position, beginning October 1,		<b>19,040,056</b>	18,764,230
Prior period adjustment for GASB 68		-	(401,525)
Net position, ending	\$	<b>18,531,230</b>	\$ 19,040,056

The City experienced a decrease of 3.4% in total revenues – a \$221,364 decrease to \$6.25 million. The decrease is primarily due to a \$291,322 decrease in general revenues and is offset by a \$63,438 increase in capital and operating grants. An increase in the assessed taxable values and increased mileage rate of .25 were the contributory factors in the increase of property tax revenue of \$103,979. Utility Tax revenues increased \$21,296 based on higher consumer paid utilities. The Shared Revenue for the State of Florida (SRS) increased \$49,281. The \$470,310 decrease in investment income and other income is due primarily to the previous year receipted funds from a litigation settlement. The City experienced an increase of 16.6% in total expenses – a \$964,813 increase to \$6.76 million. The increase is primarily due to a \$592,821 increase in expenses for public safety. The \$224,999 increase in transportation expense also was a large contributor to the overall expenditures for the year. The combined increase in expenses and decrease in revenues resulted in a decrease in net position of \$508,826.

## 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 \$11,804,455 a decrease of \$188,369 in comparison with the prior year. Approximately 80% of this total amount \$8,903,808, constitutes unassigned fund balance, which is available for spending at the government's discretion. Assigned fund balances include \$1,845,217 for subsequent year's expenditures, \$316,020 for future capital projects. Public Facilities fund balance of \$701,158 plus law enforcement \$9,981 are restricted funds based on their specific stipulated purpose. The remainder of fund balance is non-spendable inventory of \$28,271.

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 \$11,068,943 while total fund balance was \$11,798,372. 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 171% and 182% respectively of total general fund expenditures.

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

### **General Fund Budgetary Highlights**

The amount appropriated for expenditures in the original 15/16 budget decreased from \$7,556,659 to \$6,956,846 in the final 15/16 budget, a decrease of \$599,813. The decrease in general government expenses, fire and police public safety expenses, physical environment expenses, transportation expenses and capital outlay largely contributed to the overall decrease in expenditures.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

**Capital assets.** The City's investment in capital assets as of September 30, 2016, amounted to \$7,885,166, (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress. During the year, the City's net capital asset balance increased \$118,514.

The City's major additions of \$943,257 to capital assets during the current fiscal year included the following:

- Replacement computers for (1) Administration; (3)-Police Department, (1) Fire Department, and (1) Public Works
- Cameras (4) purchased for Police Department
- Replaced (12) police vehicles including equipment and (1) additional vehicle for Administration
- Equipment for Police Department including (1) Radar with remote and (1) Laser speed gun
- Carpet and baseboard replacement within the Police Department
- Communication system for Police Department and dispatch connectivity
- M7 Air-pack systems (2) and SCBA bottles (6) for the Fire Department
- (1) Thermal Imaging camera kit and (1) Spoke machine
- (1) Tractor loader with attachments for Public Works
- Various infrastructure improvements including the roadways and sidewalk improvements
- Storm water retrofit (canal improvements) and drainage projects completed

These additions were offset by depreciation expense of \$551,687, and disposals with a net book value of \$273,056, which largely relates to the sale of 12 police vehicles.

**City of Okeechobee, Florida**  
**Management's Discussion and Analysis**

**City's Capital Assets**  
(net of depreciation)

	<b>2016</b>	<b>2015</b>
Land	\$ 1,378,744	\$ 1,378,744
Construction in progress	31,021	1,248
Buildings	1,030,889	1,085,782
Improvements other than buildings	4,440,900	4,261,558
Equipment	1,003,612	1,039,320
<b>Total</b>	<b>\$ 7,885,166</b>	<b>\$ 7,766,652</b>

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

**Long-term Liabilities**

**City's Outstanding Debt**  
Long-term Liabilities

	<b>2016</b>	<b>2015</b>
Net OPEB obligation	\$ 1,375,989	\$ 1,007,078
Compensated absences	451,939	432,188
Net pension liability	231,559	20,669
<b>Total</b>	<b>\$ 2,059,487</b>	<b>\$ 1,459,335</b>

The City's long-term liabilities increased by \$600,152 during the current fiscal year. The largest contributing factor is the additional liability for the OPEB obligation of \$368,911. This is the sixth year of implementation of GASB 45, which caused the increase in Net OPEB liability. The net pension liability increase was significant with an increase of \$210,890. This is the second year of implementation of GASB 68.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City Council adopted a millage rate 7.9932 for budget year 2017. The adopted millage rate is more than 2.11% of the roll-back rate. A \$48,205 increase in budgeted ad valorem revenue is largely due to the increase in current taxable values and new construction added to this years assessed tax rolls.

Revenues for the fiscal year 2017 adopted budget for all funds of the City total approximately \$6,379,923, a decrease from the prior year original budget of approximately \$145,677. These revenues include the General, Public Facility, Capital Projects and Special Law Enforcement fund revenues. The change in revenue is based mostly on the expected decrease in grant funds provided for specific projects.



## City of Okeechobee, Florida Management's Discussion and Analysis

Expenditures for the fiscal year 2017 adopted budget for all funds of the City total approximately \$8,921,783, an increase of 1.7% or \$147,876 from the prior year original budget. The increase in expenditures is based mostly on the increase in capital expenditures.

### **REQUESTS FOR INFORMATION**

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



**BASIC FINANCIAL STATEMENTS**

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

*September 30, 2016*

**ASSETS**

Cash and cash equivalents	\$ 11,608,449
Accounts receivable	115,222
Due from other governments	485,416
Inventory	28,271
Capital assets:	
Nondepreciable	
Land	1,378,744
Construction in progress	31,021
Depreciable, net of accumulated depreciation	
Buildings	1,030,889
Improvements other than buildings	4,440,900
Equipment	1,003,612
<b>Total assets</b>	<b>20,122,524</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflow - pensions	1,314,534
<b>Total deferred outflows of resources</b>	<b>1,314,534</b>

**LIABILITIES**

Accounts payable	299,828
Accrued expenses	90,686
Noncurrent liabilities:	
Due within one year - compensated absences	20,220
Due in more than one year	
Compensated absences	431,719
Net pension liability	231,559
OPEB obligation	1,375,989
<b>Total liabilities</b>	<b>2,450,001</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflow - business tax revenue	42,389
Deferred inflow - pensions	413,438
<b>Total deferred inflows of resources</b>	<b>455,827</b>

**NET POSITION**

Net investment in capital assets	7,885,166
Restricted for:	
Law enforcement	9,981
Public facilities	701,158
Unrestricted	9,934,925
<b>Total net position</b>	<b>\$ 18,531,230</b>

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

**City of Okeechobee, Florida**  
**Statement of Activities - Governmental Activities**

<i>Year ended September 30, 2016</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	\$ 1,353,464	\$ 621,250	\$ -	\$ 300,000	\$ (432,214)
Public safety	3,643,759	33,388	1,791	3,494	(3,605,086)
Transportation	844,397	54,951	660,975	-	(128,471)
Physical environment	907,791	-	-	1,248	(906,543)
Economic environment	9,000	-	-	-	(9,000)
Culture & recreation	6,606	-	-	-	(6,606)
Total governmental activities	<b>\$ 6,765,017</b>	<b>\$ 709,589</b>	<b>\$ 662,766</b>	<b>\$ 304,742</b>	<b>(5,087,920)</b>

**General revenues:**

Property taxes	1,887,967
Public utility taxes	794,308
Franchise fees	532,036
Shared revenues not restricted to specific programs	1,330,468
Unrestricted investment earnings	3,503
Miscellaneous	30,812

<b>Total general revenues</b>	<b>4,579,094</b>
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Change in net position	(508,826)
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<b>Net position, beginning of year</b>	<b>19,040,056</b>
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<b>Net position, end of year</b>	<b>\$ 18,531,230</b>
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*The accompanying notes are an integral part of these financial statements.*

**City of Okeechobee, Florida**  
**Balance Sheet - Governmental Funds**

<i>September 30, 2016</i>	General	Appropriations Grant Capital Project	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,564,078	\$ -	\$ 44,371	\$ 11,608,449
Accounts receivable	115,222	-	-	115,222
Due from other funds	336,033	-	-	336,033
Due from other governments	185,416	300,000	-	485,416
Inventory	28,271	-	-	28,271
<b>Total assets</b>	<b>\$ 12,229,020</b>	<b>\$ 300,000</b>	<b>\$ 44,371</b>	<b>\$ 12,573,391</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 297,573	\$ -	\$ 2,255	\$ 299,828
Accrued expenses	90,686	-	-	90,686
Due to other funds	-	300,000	36,033	336,033
<b>Total liabilities</b>	<b>388,259</b>	<b>300,000</b>	<b>38,288</b>	<b>726,547</b>
Deferred inflows of resources:				
Deferred revenue - business tax revenue	42,389	-	-	42,389
Fund balances:				
Nonspendable for:				
Inventory	28,271	-	-	28,271
Restricted for:				
Public facilities	701,158	-	-	701,158
Law enforcement	-	-	9,981	9,981
Assigned for:				
Subsequent year's expenditures	1,845,217	-	-	1,845,217
Future capital projects	316,020	-	-	316,020
Unassigned	8,907,706	-	(3,898)	8,903,808
<b>Total fund balances</b>	<b>11,798,372</b>	<b>-</b>	<b>6,083</b>	<b>11,804,455</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 12,229,020</b>	<b>\$ 300,000</b>	<b>\$ 44,371</b>	

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

Net pension liability resulting from underfunding of the police officers' and firefighters' pension plan.	(91,790)
Deferred outflows of resources related to pension are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	1,314,534
Deferred inflows of resources related to pensions are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(413,438)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,885,166
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.	(1,967,697)
<b>Net position of governmental activities</b>	<b>\$ 18,531,230</b>

*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, 2016</i>	Appropriations			Total
	General	Capital Project	Grant Nonmajor Funds	Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,653,485	\$ -	\$ -	\$ 2,653,485
Intergovernmental	2,254,311	300,000	-	2,554,311
Charges for services	442,215	-	-	442,215
Permits and fees	652,246	-	-	652,246
Contributions and donations	5,997	-	-	5,997
Fines and forfeitures	34,534	-	4,192	38,726
Investment earnings	3,503	-	-	3,503
Miscellaneous	24,815	-	-	24,815
Total revenues	6,071,106	300,000	4,192	6,375,298
<b>Expenditures</b>				
Current:				
General government	1,168,946	-	-	1,168,946
Public safety	3,368,506	-	1,157	3,369,663
Transportation	1,065,204	-	-	1,065,204
Physical environment	217,890	9,000	33,843	260,733
Recreation	6,606	-	-	6,606
Capital outlay	638,515	300,000	-	938,515
Total expenditures	6,465,667	309,000	35,000	6,809,667
Deficit of revenues under expenditures	(394,561)	(9,000)	(30,808)	(434,369)
<b>Other financing sources (uses)</b>				
Transfers in	-	9,000	29,965	38,965
Transfers out	(38,965)	-	-	(38,965)
Proceeds from sale of capital assets	246,000	-	-	246,000
Total other financing sources	207,035	9,000	29,965	246,000
Net change in fund balances	(187,526)	-	(843)	(188,369)
Fund balances, beginning of year	11,985,898	-	6,926	11,992,824
Fund balances, end of year	\$ 11,798,372	\$ -	\$ 6,083	\$ 11,804,455

*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, 2016*

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Net change in fund balances - total governmental funds **\$ (188,369)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. **386,828**

Donation of capital assets increase net assets in the statement of activities but are not reported in the governmental funds because they are not financial resource **4,742**

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. **(273,056)**

Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decrease net position. **(50,309)**

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. **(368,911)**

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. **(19,751)**

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Change in net position of governmental activities **\$ (508,826)**

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*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>September 30, 2016</i>	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Cash equivalents	\$ 397,114
Investments:	
Mutual funds	15,424,894
Common equity securities	6,864,459
Receivables	238,746
Accrued interest and dividends	6,848
Due from other plans	5,884
<b>Total assets</b>	<b>22,937,945</b>
<b>LIABILITIES</b>	
Accounts payable	74,495
<b>Total liabilities</b>	<b>74,495</b>
<b>NET POSITION</b>	
Held in trust for pension benefits	\$ 22,863,450

*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, 2016</i>	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
State	\$ 123,849
City	695,165
Employees	253,544
Total contributions	1,072,558
Investment earnings:	
Net appreciation in the fair value of investments	1,199,071
Interest and dividends	584,780
Total investment earnings	1,783,851
Less investment expenses	(108,281)
Net investment earnings	1,675,570
Total additions	2,748,128
<b>DEDUCTIONS</b>	
Benefits paid to participants	649,666
Refunds on termination	43,270
DROP payments	252,832
Administrative expenses	126,457
Total deductions	1,072,225
Change in net position	1,675,903
Net position held in trust for pension benefits, beginning of year	21,187,547
Net position held in trust for pension benefits, end of year	\$ 22,863,450

*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 2016 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 *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 City reports the following nonmajor governmental 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 *community development capital project fund* accounts for the assets, liabilities, revenues and expenditures related to the construction of infrastructure and other improvements in the City not including grant funds that are instead included in the appropriations grant capital project fund.

The *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 an investment pool under GASB 79 to be reported at amortized cost. The fair value of the City's position in the pool is equal to the value of pooled shares. The funds can be withdrawn at any time, and there are no unfunded commitments.

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

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**1. Cash and investments (continued)**

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

**2. Receivables and payables**

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

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

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. During a Special Session in June, 2007, the Florida Legislature adopted HB1B which limits municipal property tax rates beginning in the 2008 fiscal year. This legislation established reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years. The Legislature did authorize local governments to use the rolled back millage rate if approved by a super majority vote of the governing body. The Okeechobee City Council levy for the fiscal year ended September 30, 2016 was 7.9932 mills, which is 0.04% more than the rolled back rate.

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

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

**3. Inventory**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**4. Capital assets**

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

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

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

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

**5. Compensated absences**

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

**6. Deferred inflows and outflows of resources**

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred inflows of resources related to pensions were \$413,438, and total deferred outflows were \$1,314,534 for the year ended September 30, 2016. Note 5-B includes a complete discussion of retirement commitments.

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



**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. CHANGE IN ACCOUNTING PRINCIPLE**

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72 *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial purposes and applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for annual reporting periods beginning after June 15, 2015. The City has implemented the disclosure requirements of this Statement for the year ended September 30, 2016. See Note 4-A.

**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 \$(1,967,697) difference are as follows:

Net OPEB obligation	\$ (1,375,989)
Compensated absences	(451,939)
Net pension liability	(139,769)
<hr/>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position-governmental activities	<u>\$ (1,967,697)</u>

**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 \$391,570 difference are as follows:

Capital outlay	\$	938,515
Depreciation expense		(551,687)
<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>	\$	386,828
<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, 2016, the City's carrying amount of deposits was \$11,608,073 and the bank balance was \$11,810,179. In addition, the City maintained \$324 of petty cash. As of September 30, 2016, \$250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

**NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

Fair Value

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

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

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

Level 2: Inputs to the valuation methodology include

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2016.

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

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

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

**City of Okeechobee, Florida**  
**Notes to Financial Statements**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

At September 30, 2016, the City had the following investments and effective duration presented in terms of years and levels:

Investment type	Fair Value	Investment Maturities (in years)				Rating	Agency	Level
		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	\$ 397,114	\$ 397,114	\$ -	\$ -	\$ -	Not rated	-	-
Mutual funds- equities	6,513,983	6,513,983	-	-	-	Not rated	-	L1
Mutual funds- fixed income	8,910,911	-	-	8,910,911	-	BBB - AA	S&P	L2
Common equity securities	6,864,459	6,864,459	-	-	-	Not rated	-	L1
	<u>\$ 22,686,467</u>	<u>\$ 13,775,556</u>	<u>\$ -</u>	<u>\$ 8,910,911</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, 2016 are as follows:

	General Fund	Municipal Police Officers' Pension Trust	Municipal Firefighters' Pension Trust	General Employees Pension Trust
Franchise/Utility taxes	\$ 99,739	\$ -	\$ -	\$ -
Contributions	-	\$ 117,355	\$ 29,888	\$ 91,503
Other	15,483	\$ -	\$ -	\$ -
<b>Receivables, net</b>	<b>\$ 115,222</b>	<b>\$ 117,355</b>	<b>\$ 29,888</b>	<b>\$ 91,503</b>

**C. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$1,378,744	\$ -	\$ -	\$ 1,378,744
Construction in progress	1,248	31,021	(1,248)	31,021
<b>Total capital assets, not being depreciated</b>	<b>1,379,992</b>	<b>31,021</b>	<b>(1,248) *</b>	<b>1,409,765</b>
Capital assets, being depreciated:				
Buildings	1,972,752	8,505	-	1,981,257
Improvements other than buildings	7,123,161	456,480	-	7,579,641
Equipment	2,771,792	447,251	(304,782)	2,914,261
<b>Total capital assets, being depreciated</b>	<b>11,867,705</b>	<b>912,236 **</b>	<b>(304,782)</b>	<b>12,475,159</b>
Less accumulated depreciation for:				
Buildings	(886,970)	(63,398)	-	(950,368)
Improvements other than buildings	(2,861,603)	(277,138)	-	(3,138,741)
Equipment	(1,732,472)	(211,151)	32,974	(1,910,649)
<b>Total accumulated depreciation</b>	<b>(5,481,045)</b>	<b>(551,687)</b>	<b>32,974</b>	<b>(5,999,758)</b>
<b>Total capital assets, being depreciated, net</b>	<b>6,386,660</b>	<b>360,549</b>	<b>(271,808)</b>	<b>6,475,401</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 7,766,652</b>	<b>\$ 391,570</b>	<b>\$ (273,056)</b>	<b>\$ 7,885,166</b>

\* Construction in progress was disposed of and not placed in service.

\*\* Includes \$4,742 of donated assets.

**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	\$ 76,059
Public safety	168,210
Physical environment	307,418
<u>Total depreciation expense - governmental activities</u>	<u>\$ 551,687</u>

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund loans of \$336,033 for short term operating purposes resulted in a due to the General fund from the Appropriations Grant Capital Project fund of \$300,000 and from the nonmajor Community Development Capital Project fund of \$36,033. All amounts are expected to be repaid within one year.

During the year ended September 30, 2016, the General fund transferred \$9,000 to the Appropriations Grant Capital Project fund, \$20 to the nonmajor FDOT Grant Capital Project fund, and \$29,945 to the nonmajor Community Development Capital Project fund for a total of \$38,965. 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, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 432,188	\$ 222,772	\$ (203,021)	\$ 451,939	\$ 20,220
Net OPEB obligation	1,007,078	385,151	(16,240)	1,375,989	-
Net pension liability	20,069	623,040	(411,550)	231,559	-
<u>Long-term liabilities</u>	<u>\$ 1,459,335</u>	<u>\$ 1,230,963</u>	<u>\$ (630,811)</u>	<u>\$ 2,059,487</u>	<u>\$ 20,220</u>

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

**NOTE 5: OTHER INFORMATION**

**A. RISK MANAGEMENT**

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

**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, 2016, 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 no terminated members with vested benefits, and has 3 DROP participants. There are 16 active current employees of which 11 are vested and 5 are non-vested.

At September 30, 2016, the Firefighters’ plan included 4 retirees receiving or entitled to receive benefits, including 1 beneficiary receiving benefits. The Plan also included 1 terminated vested members entitled to receive benefits. There are 12 active current employees of which 4 are vested and 8 are non-vested.

*Funding Policies* – The contribution requirements of plan members and the City are established and may be amended by City ordinance. Plan members are required to contribute 5% of their annual covered salary for the Police Officers’ and Firefighters’ Municipal Trust Funds. The City is required to contribute an amount equal to the difference in each year between the total aggregate member contributions for the year, plus state contributions for such year, and the normal cost for the year, as shown by the most recent actuarial valuation of the plan; the current contribution rate as a percentage of covered payroll is 16.62% for the Police Officers’ plan and 17.57% for the Firefighters’ plan.



**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

The City recognized as revenues and expenditures on-behalf payments relating to pension contributions for its public safety employees that the State of Florida paid to the Police Officers' and Firefighters' Plans in the amounts of \$73,960 and \$49,889, 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, 2016, are as follows:

		City		Employees
Police Officers'	\$	149,981	\$	43,958
Firefighters'	\$	92,919	\$	26,442

*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, 2016, and the current target and actual allocation of these investments at market, per the performance analysis report, is as follows as of September 30, 2016:

Police Officers		
	Actual	Target
Investments	Percent	Percent
Domestic Equity	44.9%	45.0%
International Equity	14.6%	15.0%
Fixed Income	39.4%	40.0%
Cash Equivalents	1.1%	0.0%
Total	100.00%	100.00%

Firefighters		
	Actual	Target
Investments	Percent	Percent
Domestic Equity	43.8%	45.0%
International Equity	14.7%	15.0%
Fixed Income	39.5%	40.0%
Cash Equivalents	2.0%	0.0%
Total	100.00%	100.0%

**City of Okeechobee, Florida**  
**Notes to Financial Statements**

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

*Money-Weighted Rate of Return* - For the year ended September 30, 2016, the annual money-weighted rate of return on the Police Officers' pension plan investments was (7.59%) and on the Firefighters' pension plan investments was (6.83%). 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.

*Net Pension Liability* – The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of September 30, 2016 for the Police Officers' and Firefighters pension plan.

<b>Total Pension Liability</b>	Police Officers'	Firefighters'
Service cost	\$ 247,353	\$ 144,773
Interest	506,147	213,154
Difference between actual & expected experience	(219,850)	(19,771)
Assumption changes	94,065	49,797
Benefit payments	(203,855)	(96,939)
Refunds	(321)	-
Net change in total pension liability	423,539	291,014
Total pension liability - beginning	7,334,873	2,991,119
<b>Total pension liability - ending (a)</b>	<b>\$ 7,758,412</b>	<b>\$ 3,282,133</b>

<b>Plan Fiduciary Net Position</b>	Police Officers'	Firefighters'
Contributions - employer (from City)	\$ 192,581	\$ 92,863
Contributions - employer (from State)	70,807	52,662
Contributions - members	47,740	26,324
Net investment income	(95,964)	(44,021)
Benefit payments	(203,855)	(96,939)
Refunds	(321)	-
Administrative expense	(30,198)	(27,132)
Other	3,886	-
Net change in plan fiduciary net position	(15,324)	3,757
Plan fiduciary net position - beginning	7,706,664	3,253,658
<b>Plan fiduciary net position - ending (b)</b>	<b>7,691,340</b>	<b>3,257,415</b>

<b>Net pension liability (asset) - Ending (a) - (b)</b>	<b>\$ 67,072</b>	<b>\$ 24,718</b>
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Plan fiduciary net position as a percentage or Total Pension Liability	99.14%	99.25%
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**City of Okeechobee, Florida**  
**Notes to Financial Statements**

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

For the year ending September 30, 2016, the City recognized a pension expense of \$253,175 for the Police Officers' Plan and \$164,953 for the Firefighters' Plan. On September 30, 2016 the Sponsor reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Police Officers'	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 180,371
Change in assumptions	76,962	-
Net difference between projected and actual earnings on pension plan investments	510,602	123,730
Contributions subsequent to the measurement date	147,312	-
<b>Total</b>	<b>\$ 734,876</b>	<b>\$ 304,101</b>

	Firefighters'	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 17,885
Change in assumptions	43,649	-
Net difference between projected and actual earnings on pension plan investments	218,759	67,975
Contributions subsequent to the measurement date	97,709	-
<b>Total</b>	<b>\$ 360,117</b>	<b>\$ 85,860</b>

Deferred outflows of \$245,021 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:

Police Officers'	
Year ended September 30:	
2017	\$ 63,392
2018	63,392
2019	63,394
2020	104,720
2021	(11,435)
<b>Total</b>	<b>\$ 283,463</b>

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

Firefighters'	
Year ended September 30:	
2017	\$ 35,646
2018	35,646
2019	35,645
2020	58,303
2021	3,614
Thereafter	7,694
Total	\$ 176,548

*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, 2016 are summarized as follows:

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

\*Net of long-term inflation assumptions 2.5%

Firefighters'		
Investments	Percent Target	Long-Term Rate of Return*
Domestic Equity	45.0%	7.5%
International Equity	15.0%	8.5%
Fixed Income	40.0%	2.5%
Cash Equivalents	0.0%	0.0%
Total	100.00%	

\*Net of long-term inflation assumptions 2.5%

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

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

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

	Police Officers		
	1% Decrease	Current Discount	1% Increase
	6.00%	7.00%	8.00%
Sponsor's net pension liability (asset)	\$ 1,005,029	\$ 67,072	\$ (711,898)

	Firefighters		
	1% Decrease	Current Discount	1% Increase
	6.00%	7.00%	8.00%
Sponsor's net pension liability (asset)	\$ 462,996	\$ 24,718	\$ (339,935)

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, 2016, the Plan included 30 retirees and/or beneficiaries currently receiving benefits plus 1 disability retiree and 6 terminated employees entitled to benefits but not yet receiving them, and 2 DROP participants. There are 75 active current employees (City – 25, OUA – 50) in the Plan, of which 44 are vested and 31 are non-vested.

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

*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 5.39% of covered payroll. The City elected to fund the plan based on the initially calculated higher rate of 12.75%. The City's contributions for the years ended September 30, 2016 and 2015 were \$116,529 and \$105,633, respectively and were equal to the required contributions for each year.

For the year ending September 30, 2016, the City reported a liability of \$139,769 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014. 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, 2016 the City's proportionate share was 12%.

*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 (7.78%) for the year ended September 30, 2016. 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, 2016 the City recognized a pension expense of \$53,240 for the General Employees' Retirement Plan. On September 30, 2016, the Sponsor reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

General	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 3,680	\$ 23
Change in assumptions	20,048	-
Net difference between projected and actual earnings on pension plan investments	79,284	23,454
Contributions subsequent to the measurement date	116,529	-
<b>Total</b>	<b>\$ 219,541</b>	<b>\$ 23,477</b>

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

Deferred outflows of \$116,529 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:	General	
2017	\$	15,826
2018		15,826
2019		15,826
2020		23,644
2021		3,824
Thereafter		4,589
<u>Total</u>	<u>\$</u>	<u>79,535</u>

*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.

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, 2016 are summarized in the following table:

<u>Investments</u>	<u>Percent</u> <u>Actual</u>	<u>Percent</u> <u>Target</u>	<u>Long-Term</u> <u>Rate of Return*</u>
Domestic Equity	49.8%	50.0%	7.5%
International Equity	9.6%	10.0%	8.5%
Fixed Income	39.5%	40.0%	2.5%
Cash Equivalents	1.1%	0.0%	0.0%
<u>Total</u>	<u>100.00%</u>	<u>100.00%</u>	<u>5.6%</u>

\*Net of long-term inflation assumptions 2.5%

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

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

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

	1% Decrease 6.00%	Rate Assumption 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability (asset)	\$ 324,002	\$ 139,769	\$ (15,654)

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation as of October 1, 2014 using the following actuarial assumptions applied to all measurement periods.

	Fire	Police	General
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation	2.75%	2.75%	2.75%
Salary Increases	7.00%	6.00%	6.00%
Investment Rate of Return	7.00%	7.00%	7.00%
Retirement Age	100% when first eligible for Normal Retirement or DROP entry	100% when first eligible for Normal Retirement or DROP entry	100% when first eligible for Normal Retirement or DROP entry
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.	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using scale AA.	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using scale AA.



**City of Okeechobee, Florida**  
**Notes to Financial Statements**

**NOTE 5: OTHER INFORMATION (Continued)**

**B. RETIREMENT COMMITMENTS – DEFINED BENEFIT PLANS (Continued)**

Pension trust funds fiduciary net position activity as of September 30, 2016 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
<b>ASSETS</b>				
Cash equivalents	\$ 68,282	\$ 90,342	\$ 238,490	\$ 397,114
Investments:				
Mutual funds	2,462,395	5,525,161	7,437,338	15,424,894
Common equity securities	990,500	2,316,057	3,557,902	6,864,459
Receivables	29,888	117,355	91,503	238,746
Accrued interest and dividends	975	2,315	3,558	6,848
Due from other plans	-	-	5,884	5,884
<b>Total assets</b>	<b>3,552,040</b>	<b>8,051,230</b>	<b>11,334,675</b>	<b>22,937,945</b>
<b>LIABILITIES</b>				
Accounts payable	15,582	15,501	43,412	74,495
<b>Total liabilities</b>	<b>15,582</b>	<b>15,501</b>	<b>43,412</b>	<b>74,495</b>
<b>NET POSITION</b>				
Held in trust for pension benefits	\$ 3,536,458	\$ 8,035,729	\$ 11,291,263	\$ 22,863,450

**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, 2016 was as follows:

	Firefighters' Pension	Police Officers' Pension	General Employees' Pension	Total Pension Trust Funds
<b>ADDITIONS</b>				
Contributions				
State	\$ 49,889	\$ 73,960	\$ -	\$ 123,849
City	92,919	149,981	452,265	695,165
Employees	26,442	43,958	183,144	253,544
Total contributions	169,250	267,899	635,409	1,072,558
Investment earnings:				
Net appreciation in the fair value of investments	181,913	429,524	587,634	1,199,071
Interest and dividends	90,171	212,746	281,863	584,780
Total investment earnings	272,084	642,270	869,497	1,783,851
Less investment expenses	(26,478)	(36,031)	(45,772)	(108,281)
Net investment earnings	245,606	606,239	823,725	1,675,570
Total additions	414,856	874,138	1,459,134	2,748,128
<b>DEDUCTIONS</b>				
Benefits paid to participants	102,590	215,862	331,214	649,666
Refunds on termination	-	25,003	18,267	43,270
DROP payment	-	252,832	-	252,832
Administrative expenses	33,221	36,050	57,186	126,457
Total deductions	135,811	529,747	406,667	1,072,225
<b>Change in net position</b>	279,045	344,391	1,052,467	1,675,903
<b>Net position held in trust for pension benefits, beginning of year</b>	3,257,413	7,691,338	10,238,796	21,187,547
<b>Net position held in trust for pension benefits, end of year</b>	\$ 3,536,458	\$ 8,035,729	\$ 11,291,263	\$ 22,863,450

**NOTE 5: OTHER INFORMATION (Continued)**

**C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

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

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

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

For the year ended September 30, 2016, the City’s contribution is \$16,240 which represents an estimate of the implied subsidy described above. Contributions of plan members totaled approximately \$6,507 for the year ended September 30, 2016.

**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, 2016, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation to the Plan:

Annual required contribution	\$	386,510
Interest on net OPEB obligation		38,964
Adjustment to annual required contribution		(40,323)
Annual OPEB cost (expense)		385,151
Contributions made		(16,240)
Increase in net OPEB obligation		368,911
Net OPEB obligation – beginning of year		1,007,078
Net OPEB obligation – end of year	\$	1,375,989

**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, 2016 was as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2016	\$ 385,151	4%	\$ 1,375,989
9/30/2015	225,128	13%	1,007,078
9/30/2014	218,009	16%	811,717

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

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

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

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

**NOTE 5: OTHER INFORMATION (Continued)**

**C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

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

**D. CONCENTRATION – COLLECTIVE BARGAINING UNIT**

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

**NOTE 6: FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued statements that will become effective in 2017. The statements address:

- Certain pension issues;
- Other postemployment benefit (OPEB) plans;
- Tax abatement disclosures; and
- Blending certain component units.

The City is currently evaluating the effects that these statements will have on its 2017 financial statements.

**NOTE 7: SUBSEQUENT EVENTS**

As of October 1, 2016, the Okeechobee Utility Authority Employees' Retirement System will be split out from the Pension Trust funds and will no longer be accounted for by the City in the Pension Trust funds.

In December 2016, the City purchased a Pierce Saver Pumper Engine Fire Truck for \$412,507.

In January 2017, the City entered into a grant agreement with Florida Department of Environmental Protection Agreement for a Water Quality Improvement Project for \$183,630.

In January 2017, The City entered into an agreement with the South Florida Water Management District for \$175,000.

In May 2017, the City entered into an agreement with Seminole Design Build for the Centennial Park Storm Water Improvements for \$547,318.

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

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

<i>Year ended September 30, 2016</i>	Original Budget	Final Budget	Actual (on Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 2,532,154	\$ 2,645,995	\$ 2,653,485	\$ 7,490
Intergovernmental	2,048,726	2,211,845	2,254,311	42,466
Charges for services	418,532	440,272	442,215	1,943
Permits and fees	546,650	648,869	652,246	3,377
Fines and forfeitures	14,300	25,357	34,534	9,177
Investment earnings	6,550	3,497	3,503	6
Miscellaneous	14,350	11,382	24,815	13,433
Contributions and donations	-	-	5,997	5,997
<b>Total revenues</b>	<b>5,581,262</b>	<b>5,987,217</b>	<b>6,071,106</b>	<b>83,889</b>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	130,284	141,471	121,248	20,223
Executive	181,003	182,639	179,763	2,876
City clerk	222,937	216,765	211,501	5,264
Financial services	268,723	284,738	276,709	8,029
Legal council	88,197	61,411	50,610	10,801
General services	378,974	336,696	328,694	8,002
<b>Total general government</b>	<b>1,270,118</b>	<b>1,223,720</b>	<b>1,168,525</b>	<b>55,195</b>
Public safety:				
Fire	1,463,483	1,400,851	1,385,107	15,744
Police	2,197,633	2,007,802	1,986,776	21,026
<b>Total public safety</b>	<b>3,661,116</b>	<b>3,408,653</b>	<b>3,371,883</b>	<b>36,770</b>
Transportation	1,177,475	1,077,156	1,065,204	11,952
Physical environment	704,800	649,035	483,544	165,491
Capital outlay	743,150	598,282	533,668	64,614
<b>Total expenditures</b>	<b>7,556,659</b>	<b>6,956,846</b>	<b>6,622,824</b>	<b>334,022</b>
<b>Deficiency of revenues under expenditures</b>	<b>(1,975,397)</b>	<b>(969,629)</b>	<b>(551,718)</b>	<b>417,911</b>
<b>Other financing sources (uses)</b>				
Operating transfers out	-	-	(38,965)	(38,965)
Sale of capital assets	237,600	246,000	246,000	-
<b>Net other financing sources (uses)</b>	<b>237,600</b>	<b>246,000</b>	<b>207,035</b>	<b>(38,965)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)</b>	<b>(1,737,797)</b>	<b>(723,629)</b>	<b>(344,683)</b>	<b>378,946</b>
<b>Fund balances, beginning of year</b>	<b>11,985,898</b>	<b>11,985,898</b>	<b>11,985,898</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$10,248,101</b>	<b>\$11,262,269</b>	<b>11,641,215</b>	<b>\$ 378,946</b>
<b>Reconciliation of budgetary to GAAP basis</b>				
Current year encumbrances			173,117	
Prior year encumbrances			(15,960)	
<b>Fund balance on GAAP basis</b>			<b>\$11,798,372</b>	

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

**City of Okeechobee, Florida**  
**Required Pension Supplementary Information –**  
**Schedule of Changes in Net Pension Liability and Related Ratios –**  
**Last Three Fiscal Years**

	Police Officers <sup>1</sup>		
	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 264,445	\$ 247,353	\$ 251,499
Interest	543,946	506,147	479,146
Difference between actual & expected experience	126,875	(219,850)	(784)
Assumption changes	-	94,065	-
Benefit payments	(468,694)	(203,855)	(201,397)
Refunds	(25,003)	(321)	(26,953)
Net change in total pension liability	441,569	423,539	501,511
Total pension liability - beginning	7,758,412	7,334,873	6,833,362
Total pension liability - ending (a)	8,199,981	7,758,412	7,334,873
<b>Plan Fiduciary Net Position</b>			
Contributions - employer (from City)	147,312	192,581	200,210
Contributions - employer (from State)	73,960	70,807	67,639
Contributions - members	45,554	47,740	43,135
Net investment income	607,763	(95,964)	694,790
Benefit payments	(468,694)	(203,855)	(201,397)
Refunds	(25,003)	(321)	(26,953)
Administrative expense	(32,120)	(30,198)	(18,097)
Other	(6)	3,886	-
Net change in plan fiduciary net position	348,766	(15,324)	759,327
Plan fiduciary net position - beginning	7,691,340	7,706,664	6,947,337
Plan fiduciary net position - ending (b)	8,040,106	7,691,340	7,706,664
<b>Net pension liability (asset) - Ending (a) - (b)</b>	<b>\$ 159,875</b>	<b>\$ 67,072</b>	<b>\$ (371,791)</b>
Plan fiduciary net position as a percentage or Total Pension Liability	98.05%	99.14%	105.07%
Covered employee payroll	\$ 970,646	\$ 911,189	\$ 862,700
Net pension liability as a percentage of covered employee payroll	16.47%	7.36%	-43.10%

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

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

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

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is 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 Three Fiscal Years (continued)**

Police Officers			
	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 219,093	\$ 263,240	\$ 267,849
Contributions in relation to the actuarially determined contributions	221,272	263,388	267,849
<b>Contribution deficiency (excess)</b>	<b>\$ (2,179)</b>	<b>\$ (148)</b>	<b>\$ -</b>
Covered payroll	\$ 970,646	\$ 911,189	\$ 862,700
Contributions as a percentage of covered employee payroll	22.80%	28.91%	31.05%
 Firefighters			
	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contributions	\$ 143,632	\$ 138,914	\$ 122,212
Contributions in relation to the actuarially determined contributions	147,598	145,525	135,293
<b>Contribution deficiency (excess)</b>	<b>\$ (3,966)</b>	<b>\$ (6,611)</b>	<b>\$ (13,081)</b>
Covered payroll	\$ 563,285	\$ 523,119	\$ 477,080
Contributions as a percentage of covered employee payroll	26.20%	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 Three Fiscal Years**

	Police Officers		
	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	7.59%	-1.65%	9.96%
	Fire Fighters		
	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return net of investment expense	6.83%	-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 Three Fiscal Years**

	2016	2015	2014
City's proportion of the net pension liability	12.03%	12.03%	11.00%
City's proportion share of the net pension liability	\$ 51,228	\$ 139,769	\$ 20,069
City's covered-employee payroll	\$ 911,233	\$ 822,133	\$ 812,766
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.62%	17.00%	2.47%
Plan fiduciary net position as a percentage of the total pension liability	96.37%	89.81%	98.23%

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

**City of Okeechobee, Florida**  
**Required Pension Supplementary Information – Schedule of Contributions**  
**General Employees - Last Three Fiscal Years**

	2016	2015	2014
Contractually required contribution	\$ 48,881	\$ 41,442	\$ 44,690
Contributions in relation to the contractually required contribution	116,529	106,136	104,684
Contribution deficiency (excess)	\$ (67,648)	\$ (64,694)	\$ (59,994)
City's covered-employee payroll	\$ 911,233	\$ 822,133	\$ 812,766
Contributions as a percentage of covered-employee payroll	12.79%	12.91%	12.88%

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

**City of Okeechobee, Florida**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL a % of Covered Payroll ((b-a)/c)
9/30/2016	\$ -	\$ 757,717	\$ 757,717	0.0%	\$ 2,639,843	28.7%
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%





**City of Okeechobee, Florida**  
**Notes to Required Supplementary Information**

**A. BUDGETARY INFORMATION**

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

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

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

**City of Okeechobee, Florida**  
**Notes to Required Supplementary Information**

**B. ADDITIONAL ACTUARIAL INFORMATION**

Valuation Date: 10/01/2014

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.

Methods and Assumptions Used to Determine Contributions Rates:

	Police Officers' Pension Plan	Firefighters Pension Plan	General Pension Plan
Actuarial Cost Method:	Aggregate	Aggregate	Aggregate
Amortization Method:	N/A	N/A	N/A
Remaining Amortization Period:	N/A	N/A	N/A
Asset Valuation Method:	4-year smoothed market	4-year smoothed market	4-year smoothed market
Salary Increases:	6.00%, including inflation	7.00%, including inflation	6.00%, including inflation
Investment Rate of Return:	7.00%	7.00%	7.00%
Retirement Age:	100% when first eligible for Normal Retirement or DROP entry	100% when first eligible for Normal Retirement or DROP entry.	100% when first eligible for Normal Retirement or DROP entry
Mortality:	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA. See Discussion of	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA. See Discussion of	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA. See Discussion of
Notes:	Valuation Results on Page 1 of the October 2014 Actuarial Valuation Report issued April 4, 2016 by Gabriel Roeder Smith & Company.	Valuation Results on Page 1 of the October 2014 Actuarial Valuation Report issued April 8, 2016 by Gabriel Roeder Smith & Company.	Valuation Results on Page 1 of the October 2014 Actuarial Valuation Report issued April 26, 2016 by Gabriel Roeder Smith & Company.

**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, 2016, and the related notes to the financial statements, which collectively comprise the City of Okeechobee, Florida's basic financial statements, and have issued our report thereon dated June 15, 2017. Other auditors audited the financial statements of the Police Officers' and Firefighters' Pension Trust Funds and the City of Okeechobee and Okeechobee Utilities Authority Employees' Retirement System, as described in our report on the City of Okeechobee, Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida

June 15, 2017

## 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, 2016, and have issued our report thereon dated June 15, 2017.

### 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on Compliance with Local Government Investment Policies. Disclosures in those reports, which are dated June 15, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

#### Prior Year Internal Control Findings

IC 2015-01 Revenue recognition

Corrected

### 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, 2016, 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, 2016. 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 15, 2017



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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, 2016. 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, 2016.

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 15, 2017