

OKEECHOBEE UTILITY AUTHORITY
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
SEPTEMBER 30, 2016

OKEECHOBEE UTILITY AUTHORITY
SEPTEMBER 30, 2016
TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (required supplementary information)	3 - 7
Financial Statements:	
Statement of Net Position	8 - 9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11-12
Notes to Financial Statements	13-35
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Funding Progress - Other Postemployment Benefits	36
Schedule of Proportionate Share of Net Pension Liability	37
Schedule of Employer Contributions	38
OTHER REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance And on Other Matters Based on an Audit of Financial Statements Performed in Accordance with government Auditing Standards	39-40
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	41-43
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	44



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

KATHLEEN A. MINER, CPA
MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
TIMOTHY H. SCHMEDES, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members of the
Okeechobee Utility Authority Board
Okeechobee, Florida

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

Report on the Financial Statements

We have audited the accompanying financial statements of the Okeechobee Utility Authority as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the Okeechobee Utility Authority'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 an opinion on these financial statements based on our audit. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Okeechobee Utility Authority as of September 30, 2016, and the changes in its financial position, and its cash flows for the year then ended in accordance 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 on pages 3 through 7, the schedule of funding progress on page 36, and the pension schedules on pages 37 and 38 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the Okeechobee Utility Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Okeechobee Utility Authority's internal control over financial reporting and compliance.

West Palm Beach, Florida
January 31, 2017

Nowlen, Holt & Mimer, P.A.

**Okeechobee Utility Authority
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2016**

Management's discussion and analysis is intended to provide an objective analysis of Okeechobee Utility Authority's (the "Authority") financial activities for fiscal year ended September 30, 2016. The analysis provides summary financial information for the Authority and should be read in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities at September 30, 2016, by \$45 million (net position). Of this amount, approximately \$7.1 million are unrestricted net position (Table 1).
- The Authority's total assets decreased by approximately \$1.1 million or 1.45% from FY2015 (Table 1).
- The Authority's operating revenues increased by approximately \$0.2 million or 2.24% and operating expenses increased by approximately \$0.6 million or 7.15% from FY2015 (Table 2).
- Contributed capital revenue decreased to approximately \$18 thousand; a 84.52% decrease from FY2015 (Table 2).
- The Authority's net utility plant (less accumulated depreciation) decreased by approximately 1.2 million and construction in progress increased by \$0.7 million from FY2015 (Table 3).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund even though it provides both water and wastewater services. Over time, significant changes in the Authority's net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any entity, the reader must also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private business enterprises; mainly, costs of providing goods or services are financed or recovered primarily through user charges. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges. This statement also measures the Authority's profitability and credit worthiness.

The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. Answers to questions regarding source of cash, use of cash, and changes in cash balances during the reporting period may be found in this report.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* report information about the Authority's activities in a way that will reflect whether the Authority is improving or deteriorating as a result of the year's activities. These two statements report the net position of the Authority and changes in them. Viewing the Authority's net position helps one to determine the financial health or financial position of the Authority. Net position is the difference between assets and deferred outflows of resources (what is owned) and liabilities and deferred inflows of resources (what is owed).

The Authority's total net position increased \$364,006. Our condensed analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1
Net Positions

	<u>FY2016</u>	<u>FY2015</u>	<u>Net Change</u>	
Capital Assets	\$ 61,523,966	\$ 62,732,263	\$ (1,208,297)	(1.93%)
Restricted Assets	6,833,605	6,606,258	227,347	3.44%
Current and Other Assets	8,442,757	8,588,198	(145,441)	(1.69%)
Total assets	\$ 76,800,328	\$ 77,926,719	\$ (1,126,391)	(1.45%)
Total deferred outflows	\$ 2,144,160	\$ 1,492,407	\$ 651,753	43.67%
Other Liabilities	\$ 30,842,797	\$ 31,921,659	\$ (1,078,862)	(3.38%)
Liabilities Payable from Restricted Assets	577,641	565,288	12,353	2.19%
Current Liabilities	2,361,316	2,123,693	237,623	11.19%
Total liabilities	\$ 33,781,754	\$ 34,610,640	\$ (828,886)	(2.39%)
Total deferred inflows	\$ 171,558	\$ 181,316	\$ (9,758)	(5.38%)
Net Investment in Capital Assets	\$ 31,595,225	\$ 31,340,591	\$ 254,634	0.81%
Restricted for Capital Projects	3,535,535	3,398,808	136,727	4.02%
Restricted for Debt Service	338,549	336,470	2,079	0.62%
Restricted for Rate Stabilization	2,381,591	2,305,898	75,693	3.28%
Unrestricted Net Position	7,140,276	7,245,403	(105,127)	(1.45%)
Total Net Position	\$ 44,991,176	\$ 44,627,170	\$ 364,006	0.82%

A comparison of the Authority's income (loss) is as follows (Table 2):

Table 2				
Income				
	<u>FY2016</u>	<u>FY2015</u>	<u>Net Change</u>	
Revenue				
Charges for Services	\$ 9,785,526	\$ 9,593,864	\$ 191,662	2.00%
Miscellaneous Revenue	86,995	62,191	24,804	39.88%
Non Operating Revenue	416,661	380,067	36,594	9.63%
Total Revenue	\$ <u>10,289,182</u>	\$ <u>10,036,122</u>	\$ <u>253,060</u>	2.52%
Expenses				
Operating Expenses	\$ 8,913,147	\$ 8,318,235	\$ 594,912	7.15%
Non Operating Expenses	1,030,282	1,098,628	(68,346)	(6.22%)
Total Expenses	\$ <u>9,943,429</u>	\$ <u>9,416,863</u>	\$ <u>526,566</u>	5.59%
Excess Revenue over Expenses				
Before Capital Contributions	\$ 345,753	\$ 619,259	\$ (273,506)	(44.17%)
Capital Contributions	18,253	117,905	(99,652)	(84.52%)
Total change in net position	\$ <u>364,006</u>	\$ <u>737,164</u>	\$ <u>(373,158)</u>	(50.62%)
Beginning Net Position	\$ <u>44,627,170</u>	\$ <u>43,890,006</u>	\$ <u>737,164</u>	1.68%
Ending Net Position	\$ <u>44,991,176</u>	\$ <u>44,627,170</u>	\$ <u>364,006</u>	0.82%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the Authority had \$61,523,966 invested in a broad range of utility capital assets including land, ground water plant, surface water plant, water main system, wastewater plant, lift stations, sanitary sewer system, and force mains.

The Authority's total capital assets decreased from last year by approximately \$2 million as reflected in the following table (Table 3):

Table 3			
Changes in Capital Assets			
	<u>FY2016</u>	<u>FY2015</u>	<u>Net Change</u>
Land and Easements	\$ 2,897,455	\$ 2,897,455	\$
Buildings	948,904	788,452	160,452
Equipment	3,647,756	3,511,307	136,449
Distribution and Collection Plant	89,000,640	88,756,527	244,113
	\$ <u>96,494,755</u>	\$ <u>95,953,741</u>	\$ <u>541,014</u>
Less: Accumulated Depreciation	(36,182,765)	(33,712,361)	(2,470,404)
	\$ <u>60,311,990</u>	\$ <u>62,241,380</u>	\$ <u>(1,929,390)</u>
Construction in Progress	1,211,976	490,883	721,093
	\$ <u>61,523,966</u>	\$ <u>62,732,263</u>	\$ <u>(1,208,297)</u>

The Authority plans each year for capital improvement projects; some that may be completed within the fiscal year and some projects that extend over a longer period of time.

Table 4 below reflects the major additions that are ongoing as of September 30, 2016.

Table 4
Capital Improvement Projects Ongoing
(Dollars in Thousands)

PRP Water Improvement	\$ 230,604
PRP Wastewater Improvement	144,431
Whispering Pines Water System	60,397
Bet-Her Acres WM	523,897
441/70 WM Relocation	32,845
BHR FH and WM Installation	183,369
Misc. WM Installation	36,433
Total Ongoing CIP Projects	<u><u>\$ 1,211,976</u></u>

Since many of the projects rehabilitate deteriorating lines in the older sections of the Authority's service area, the impact on operating and maintenance expenses is expected to be favorable. See *Notes to the Financial Statements (Note 7)* for additional information related to capital assets.

Debt Administration

On September 30, 2016, the Authority had State Revolving Loans and notes payable outstanding in the amount of \$30,984,409. During fiscal year 2016, debt service payments totaled \$2,818,337. See *Notes to the Financial Statements (Note 8)* for additional information related to revenue bonds and notes payable.

CURRENT ECONOMIC FACTORS AND ASSESSMENT OF GROWTH

Since the creation of the Authority in 1994, the net increase in new customer accounts had been steadily averaging approximately 1.5% per year. In the most recent fiscal year ended September 30, 2016, capital connection charge revenue for 44 water and 48 wastewater equivalent residential connections (ERC's) was received. In the FY 2017 annual budget, the Authority has projected a net growth rate at of 0.25%. Given the challenges of the current economic environment, this modest growth rate is expected to be realized from general infill in the existing developed sections of the Authority's service area rather than through previously planed new developments.

During the most recent real estate expansion period that affected both Atlantic and Gulf coastal Florida areas, rural central areas did not experience the same rate of growth. Additionally, since those coastal areas are approaching their maximum build out levels, future growth, when the housing market stabilizes, is anticipated to have a higher impact on more central underdeveloped rural areas such as Okeechobee.

The City of Okeechobee is sixty miles from the Atlantic coast and is on a main east / west access highway, State Road 70 and State Road 710. As such, the Okeechobee Utility Authority's service area is within a commutable range of the Atlantic coast and all that is offered there. Many developers who, historically had focused their activities in the Atlantic coastal areas of Palm Beach and Saint Lucie Counties, have purchased property within the Authority's service area with the intention of creating future developments similar to or more modest than those which they have developed on the coast. Developments that were originally planned continue to be on hold until a more favorable economic environment emerges.

The Authority's current water treatment plant with six million gallon per day (6mgd) of total treatment capacity can accommodate approximately fifteen thousand (15,000) additional residential water customers over its existing customer base of approximately nine thousand three hundred (9,400). The Authority's expanded wastewater treatment plant with three million gallons per day (3mgd) of total treatment capacity is able to accommodate approximately eight thousand (8,000) additional wastewater customers over its existing customer base of approximately four thousand four hundred (4,450). In the near-term projection of five years, this available capacity is more than adequate to accommodate the projected level of customer growth.

This financial report is designed to provide a general overview of the Okeechobee Utility Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Finance Director, 100 SW 5th Avenue, Okeechobee, Florida, 34974-4221. Complete financial statements for the OUA may be obtained at the Main Office of the Authority.

OKEECHOBEE UTILITY AUTHORITY
Statement of Net Position
September 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,559,649
Investments	2,807,938
Interest receivable	2,797
Receivables:	
Accounts receivable, less allowance for uncollectible accounts of \$208,400	1,158,645
Developer and TCI receivable, less allowance for uncollectible accounts of \$95,000	134,089
Inventories	406,433
Prepaid expenses	463,486
Total current assets	<u>7,533,037</u>

NONCURRENT ASSETS

Restricted assets:	
Cash and cash equivalents	6,826,360
Interest receivable	7,245
Capital assets:	
Land	2,897,455
Utility plants	93,597,300
	<u>96,494,755</u>
Less accumulated depreciation	(36,182,765)
	<u>60,311,990</u>
Construction in progress	1,211,976
Total capital assets	<u>61,523,966</u>
Other noncurrent assets:	
Non-operating land	727,257
Unamortized organizational costs, net	182,463
	<u>911,720</u>
Total noncurrent assets	<u>69,267,291</u>

TOTAL ASSETS	<u>76,800,328</u>
---------------------	--------------------------

DEFERRED OUTFLOWS OF RESOURCES

Pension related items	1,088,492
Deferred loss on bond refunding, net	1,055,668
	<u>2,144,160</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,144,160</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 265,516
Accrued expenses	63,948
Due to other governments	29,053
Bonds payable (current)	1,950,099
Accrued compensated absences (current)	52,700
Payable from restricted assets:	
Accrued interest	10,756
Customer deposits	566,885
Total current liabilities	<u>2,938,957</u>

NONCURRENT LIABILITIES

Long-term portion of bonds payable	29,034,310
Long-term portion of compensated absences	180,007
Net pension liability	1,021,321
Accrued OPEB payable	93,236
Unearned revenues:	
Connection fees	67,520
Land lease	31,625
Developer and TCI agreements	414,778
Total noncurrent liabilities	<u>30,842,797</u>

TOTAL LIABILITIES	<u>33,781,754</u>
-------------------	-------------------

DEFERRED INFLOWS OF RESOURCES

Pension related items	<u>171,558</u>
-----------------------	----------------

NET POSITION

Net investment in capital assets	31,595,225
Restricted for capital projects	3,535,535
Restricted for debt service	338,549
Restricted for rate stabilization	2,381,591
Unrestricted	7,140,276
TOTAL NET POSITION	<u>\$ 44,991,176</u>

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended September 30, 2016

OPERATING REVENUE	
Charges for services	\$ 9,785,526
Miscellaneous	86,995
Total operating revenues	<u>9,872,521</u>
OPERATING EXPENSES	
Water services	1,266,401
Sewer services	889,912
Maintenance	1,879,957
Meter reader	196,914
Administrative and general	2,071,890
Depreciation and amortization	2,608,073
Total operating expenses	<u>8,913,147</u>
OPERATING INCOME	<u>959,374</u>
NONOPERATING REVENUES (EXPENSES)	
Capital connection fees	360,922
Interest revenue	55,739
Interest expense	(1,030,282)
Total nonoperating revenues (expenses)	<u>(613,621)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>345,753</u>
CAPITAL CONTRIBUTIONS	
Developer contributions for capital projects	18,253
Total capital contributions	<u>18,253</u>
INCREASE IN NET POSITION	364,006
NET POSITION, BEGINNING OF PERIOD	<u>44,627,170</u>
NET POSITION, END OF PERIOD	<u><u>\$ 44,991,176</u></u>

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 9,702,215
Payments to suppliers	(2,902,401)
Payments to employees	(2,375,991)
Payments for employee benefits	<u>(866,086)</u>

Net cash provided (used) by operating activities	<u>3,557,737</u>
--	------------------

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(1,359,329)
Bond and loan principal payments	(1,899,670)
Bond and loan interest paid	(918,667)
Capital connection fees received	<u>400,381</u>

Net cash (used) by capital and related financing activities	<u>(3,777,285)</u>
---	--------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	1,737,333
Proceeds from investments	(1,765,843)
Interest on investments	<u>60,737</u>

Net cash provided by investing activities	<u>32,227</u>
---	---------------

Net increase (decrease) in cash and cash equivalents	(187,321)
--	-----------

Cash and cash equivalents at beginning of year	<u>9,573,330</u>
--	------------------

Cash and cash equivalents at end of year	<u><u>\$ 9,386,009</u></u>
--	----------------------------

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows (continued)
For the Fiscal Year Ended September 30, 2016

CASH AND CASH EQUIVALENTS CLASSIFIED AS:

Current assets	\$ 2,559,649
Restricted assets	<u>6,826,360</u>
Total	<u><u>\$ 9,386,009</u></u>

ADJUSTMENTS TO RECONCILE OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 959,374
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in net pension liability and related deferred amounts	65,237
Depreciation and amortization	2,608,073
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(181,954)
(Increase) decrease in inventory	(16,560)
(Increase) decrease in prepaid expenses	(63,762)
Increase (decrease) in accounts payable	165,033
Increase (decrease) in accrued liabilities	3,096
Increase (decrease) in compensated absences	3,643
Increase (decrease) in OPEB	3,144
Increase (decrease) in deposits	12,336
Increase (decrease) in unearned fees	(688)
Increase (decrease) in due to other governments	<u>765</u>
Total adjustments	<u>2,598,363</u>
Net cash provided (used) by operating activities	<u><u>\$ 3,557,737</u></u>

See notes to the financial statements.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Okeechobee Utility Authority (the “Authority”) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority’s significant accounting policies are described below.

Reporting Entity

The Okeechobee Utility Authority is an independent special district created pursuant to an Interlocal Agreement (the “Agreement”), dated November 10, 1994, between the City of Okeechobee (the “City”) and the County of Okeechobee (the “County”) in accordance with the provisions of Chapters 163 and 189, Florida Statutes.

As required by generally accepted accounting principles, these financial statements include the Authority (the primary government) and its component units. Component units are legally separate entities for which the Authority is financially accountable. The Authority is financially accountable if:

- a) the Authority appoints a voting majority of the organization’s governing board and (1) the Authority is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Authority, or
- b) the organization is fiscally dependent on the Authority and (1) there is a potential for the organization to provide specific financial benefits to the Authority or (2) impose specific financial burdens on the Authority.

Organizations for which the Authority is not financially accountable are also included when doing so is necessary in order to prevent the Authority’s financial statements from being misleading.

Based upon application of the above criteria, management of the Authority has determined that no component units exist which would require inclusion in this report. Further, the Authority is not aware of any entity that would consider the Authority to be a component unit.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

The Authority was created in order to regionalize the water and wastewater services being provided to the residents and customers within the service area of the utility system and to assist in addressing environmental issues concerning the quality and supply of water for Lake Okeechobee and South Florida. The Authority has broad powers with respect to the operation and maintenance of the utility system.

The Authority services both residential and commercial customers and its service area includes the City and County of Okeechobee and extends into part of the unincorporated section of Glades County.

The Authority began operations on September 28, 1995, and is governed by a Board of Directors comprised of five (5) members and three (3) alternates. The Board of Directors has financial accountability and control over all activities relating to the operations of the Authority.

Basis of Presentation

The Authority is accounted for as a proprietary type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises. Enterprise funds are used in the following situations: 1) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; 2) laws or regulations require that all costs of providing services, including capital costs, be recovered from fees and charges; or 3) fees and charges are designed to recover the costs of the activity, including capital costs.

Basis of Accounting

These financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned; expenses are recognized when incurred. The assets, deferred outflows, liabilities, deferred inflows, and net position of the Authority are reported in a self-balancing set of accounts, which include restricted and unrestricted resources, representing funds available for support of the Authority's operations.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its system, including administrative expenses and depreciation of capital assets. All other revenues and expenses not meeting the definition above are reported as non-operating revenues and expenses.

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

Budget Process

Pursuant to the interlocal agreement, the Authority is required to adopt a budget and provide a copy to the City of Okeechobee and the Okeechobee County Board of County Commissioners. The Authority adopted its final budget relating to the fiscal year ended September 30, 2016 on September 22, 2015.

Deposits and Investments

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts. For the purposes of the statement of cash flows, the Authority considers all highly liquid investments and certificates of deposit with an original maturity of three months or less when purchased to be cash equivalents.

The Authority's investment policy authorizes investments in savings accounts, certificates of deposits, money market funds, bonds, notes or other obligations of the U.S. Government, repurchase agreements, securities issued or guaranteed by certain federal agencies and instrumentalities, Local Government Surplus Trust Fund or any intergovernmental investment fund authorized pursuant to the Florida Interlocal Cooperation Act, commercial paper, securities issued by the Authority, any guaranteed investment contract within the limitations established by Florida Statutes, tax certificates issued by Okeechobee County, Florida on lands on which the Authority has placed a Special Assessment thereon in accordance with the terms described in the Standard Developer's Agreement, and any other investment vehicle authorized by Florida law and determined by the investment officer and the Board of Directors to be a prudent investment.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of both billed and unbilled receivables. Unbilled receivables represent the estimated amount of accounts receivable for services that have not been billed as of the statement of financial position date. The amounts are a result of a timing difference between the Authority's fiscal year end and the date the various utility cycles are subsequently billed.

Inventories

Inventories are recorded at cost using the first-in, first-out method.

Utility Plant

Property, plant, and equipment are stated at cost for items constructed or purchased. Contributed assets are recorded at estimated fair value on the date the contribution is received.

Depreciation of exhaustible utility fixed assets, including those acquired through intergovernmental grants externally restricted to capital acquisition, is charged as an expense against operations. Depreciation of the various assets is computed over the assets' estimated useful lives using the straight-line method. The estimated useful lives range as follows:

Distribution and collection plants	10-60 years
Buildings	20-25 years
Equipment	5-25 years

Capitalized Interest

Interest costs are capitalized and included in the cost of capital assets when debt proceeds are used to finance the construction of assets.

Unearned Revenues

Unearned revenues primarily represent water and wastewater capital connection and inspection fees and service payments that are paid in advance by customers. These fees will be recognized as income in subsequent years as the services are performed.

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for Deferred Outflows of Resources. Deferred Outflows of Resources represent the usage of net position applicable to future periods and will not be recognized as an expense until the future period to which it applies. The Authority has two items that qualify for reporting in this category. The first is the deferred amount on bond refunding. The deferred loss on current and advance refunding of bonds is being charged to operations through the year 2030 based on the effective interest method. The second is deferred pension items in connection with its pension plan. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability or (b) amortized in a systematic and rational method as pension expense in future periods.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for Deferred Inflows of Resources. Deferred Inflows of Resources represent the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. The Authority currently reports deferred pension items in connection with its pension plan. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability or (b) amortized in a systematic and rational method as pension expense in future periods.

Compensated Absences

The Authority's policy is to allow each employee eligible for vacation leave to accumulate up to thirty (30) days. Employees are paid unused vacation leave at current hourly rates upon retirement or at termination. Employees of the Authority, with ten (10) years or more of continuous service, receive payment for unused sick leave at a rate of fifty percent (50%) of current hourly rates upon retirement or at termination. This also applies to employees at normal retirement, regardless of length of service.

Accrued liabilities, based on hourly salary rates at September 30, 2016, are reflected in the accounts of the Authority for vested (not contingent on an employee's future services) vacation and sick leave benefits.

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization Expense

Organizational costs related to the start-up of operations are amortized over forty (40) years. Organizational costs are recorded as other assets.

Net Position

Net position is the result of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is classified in three components:

Net investment in capital assets

This category consists of the Authority's capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or notes that are attributable to the acquisition, construction, or improvements of those assets.

Restricted

This category of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted

This category represents all other Authority net position that do not meet the definition of net investment in capital assets, restricted for capital projects, or restricted for debt service as defined earlier.

Use of Estimates

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

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Developer Agreements

Developers planning their projects are required to reserve future wastewater treatment capacity for their developments prior to beginning the project. In connection with those reservations, the Authority offered a payment plan for the related capital connection charges and fees when the program was implemented. The Developers were required to pay a ten percent deposit/down payment upon execution of a Standard Developer's Agreement in fiscal year 2007. The remainder of the payments is due over several years and the terms for payments vary between each Developer. At September 30, 2016, there are three developers under a Standard Developer's Agreement.

The required annual payments under the agreement can be paid by the Developer at any time during the year and if received by the Authority before September 15, the Developer will not incur the additional collection cost that is levied by the Tax Collector. As an additional security for the payment of the above amounts, if the current years' payment is not received by the Authority by September 15, the amount due will be added to the Developers' consolidated property tax bill as a non-ad valorem assessment. The tax bill is typically issued in November and is payable by March 31st. As payments are made by the Developer to the Tax Collector, the Tax Collector forwards the amount to the Authority. Any unpaid tax bill including the assessment becomes delinquent on April 1st each year and from that date through June 1st; the Tax Collector will hold a tax certificate sale. Proceeds from the tax certificate sale will then be distributed to the taxing and assessing agencies due their payments.

Taylor Creek Isles (TCI) Receivables

Property owners in the Taylor Creek Isles community (an enforcement area) who are currently on a private septic system will be required to connect to the Authority sewer collection system whenever their current septic system ceases to be functional. Twenty-three residential property owners, one commercial property owner and one mobile home park owner have not yet connected to the Authority system but became legally obligated to pay sewer connection charges and monthly base facility/GRC's on or about June 2006. As such, a receivable from these property owners has been recognized and is annually increased by the base facility/GRC's applicable for that fiscal year. Furthermore, liens for the accumulated amount due the Authority have been placed and recorded on each property involved. As the ownership of any of these properties changes hands or the septic system fails and no permit to repair the system is allowed, the balance due the Authority will be paid off.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2016, the carrying amount of the Authority's book balance for deposits in "Qualified Public Depositories" was \$12,191,997 and the bank balance was \$12,727,473. Included in deposits are \$2,807,938 of certificates of deposits with an original maturity greater than three months that are reported as an investment on the financial statements, the Authority also had \$1,950 in petty cash for a total carrying amount of \$12,193,947.

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Authority's deposits at year end are considered insured for custodial credit risk purposes.

Investments

The Authority's investment policy authorizes investments in savings accounts, certificates of deposits, money market funds, bonds, notes or other obligations of the U.S. Government, repurchase agreements, securities issued or guaranteed by certain federal agencies and instrumentalities, Local Government Surplus Trust Fund or any intergovernmental investment fund authorized pursuant to the Florida Interlocal Cooperation Act, commercial paper, securities issued by the Authority, any guaranteed investment contract within the limitations established by Florida Statutes, tax certificates issued by Okeechobee County, Florida on lands on which the Authority has placed a Special Assessment thereon in accordance with the terms described in the Standard Developer's Agreement, and any other investment vehicle authorized by Florida law and determined by the investment officer and the Board of Directors to be a prudent investment.

The Authority had the following investments as of September 30, 2016:

	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Certificates of deposit	482	<u>\$ 2,807,938</u>

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Authority's investment policies limit its investments to high quality investments to control credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Cash and cash equivalents were comprised of the following as of September 30, 2016:

Cash on hand	\$ 1,950
Deposits held by public depositories	<u>12,191,997</u>
Total cash and cash equivalents	<u><u>\$ 12,193,947</u></u>

Cash and cash equivalents are presented in the balance sheet as of September 30, 2016, as follows:

Current cash and cash equivalents	\$ 5,367,587
Restricted cash and cash equivalents	<u>6,826,360</u>
Total cash and cash equivalents	<u><u>\$ 12,193,947</u></u>

NOTE 3 – INVENTORY

Inventory was comprised of the following at September 30, 2016:

Chemicals	\$ 20,920
Parts and supplies	<u>385,513</u>
Total inventory	<u><u>\$ 406,433</u></u>

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of the following accounts as of September 30, 2016:

Capital projects and improvements	\$ 3,535,535
Debt service	349,305
Rate stabilization	2,381,591
Customer deposits	<u>567,174</u>
 Total restricted assets	 <u>\$ 6,833,605</u>

NOTE 5 – UNRESTRICTED NET POSITION

Unrestricted net position consists of the following as of September 30, 2016:

Designated:	
Operations	\$ 1,749,951
Emergency funding	567,633
Undesignated	<u>4,822,692</u>
 Total unrestricted net position	 <u>\$ 7,140,276</u>

NOTE 6 – NON-OPERATING LAND

In 2014, the Authority acquired land from Land Ventures of America, LLC (LVA) through a tax deed sale. LVA entered a Standard Developer's Agreement in 2007 with the Authority. When LVA did not pay their tax bill the Authority purchased tax certificates to protect their interest. The net carrying amount of the tax certificates at the time of acquisition was \$445,485, which the Authority believes was the fair market value.

In 2015, the Authority acquired land from Freshwater Development Company (Freshwater) through a tax deed sale. Freshwater entered a Standard Developer's Agreement in 2007 with the Authority. When Freshwater did not pay their tax bill the Authority purchased tax certificates to protect their interest. The net carrying amount of the tax certificates at the time of acquisition plus additional funds needed to acquire the property was \$281,772, which the Authority believes was the fair market value.

This land is not considered to be an investment under GASB Statement No. 72, *Fair Value Measurement and Application*, however, it is not used in the operations of the Authority and is therefore classified separately on the Statement of Net Position.

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7 – CAPITAL ASSETS

Capital assets are summarized as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital assets, not being depreciated</u>				
Land	\$ 2,897,455	\$	\$	\$ 2,897,455
Construction in progress	<u>490,883</u>	<u>1,125,658</u>	<u>(404,565)</u>	<u>1,211,976</u>
Total capital assets not being depreciated	<u>3,388,338</u>	<u>1,125,658</u>	<u>(404,565)</u>	<u>4,109,431</u>
<u>Capital assets being depreciated</u>				
Buildings	788,452	160,452		948,904
Equipment	3,511,307	264,518	(128,069)	3,647,756
Distribution and collection plant	<u>88,756,527</u>	<u>244,113</u>		<u>89,000,640</u>
Total capital assets being depreciated	<u>93,056,286</u>	<u>669,083</u>	<u>(128,069)</u>	<u>93,597,300</u>
<u>Less accumulated depreciation for</u>				
Buildings	(446,191)	(37,106)		(483,297)
Equipment	(2,835,528)	(155,209)	128,069	(2,862,668)
Distribution and collection Plant	<u>(30,430,642)</u>	<u>(2,406,158)</u>		<u>(32,836,800)</u>
Total accumulated depreciation	<u>(33,712,361)</u>	<u>(2,598,473)</u>	<u>128,069</u>	<u>(36,182,765)</u>
Total capital assets being depreciated, net	<u>59,343,925</u>	<u>(1,929,390)</u>		<u>57,414,535</u>
Total capital assets, net	<u>\$62,732,263</u>	<u>\$ (803,732)</u>	<u>\$ (404,565)</u>	<u>\$61,523,966</u>

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 8 – LONG-TERM LIABILITIES

Capital Improvement Revenue Refunding Notes, Series 2010

In November 19, 2010, the Authority issued \$26,205,000 Capital Improvement Refunding Revenue Notes, Series 2010 with Bank and Trust Company. The notes were issued to provide funds to current-refund the Capital Improvement and Refunding Revenue Bonds, Series 1999 and to advance-refund the Capital Improvement Revenue Bonds, Series 2002.

The Series 2010 Notes are comprised of \$16,160,000 Series 2010A and \$10,045,000 Series 2010B as follows:

<u>Series</u>	<u>Original Face Amount</u>	<u>Interest Rate</u>	<u>Mandatory Redemption Beginning October 1</u>	<u>Maturity</u>
2010A	\$16,160,000	2.90%	2011	October 1, 2025
2010B	10,045,000	3.69%	2011	October 1, 2030

Interest is to be paid semiannually on each April 1 and October 1. Principal is to be paid annually commencing October 1, 2011 through October 1, 2030. As of September 30, 2016, the balance due on Series 2010A and 2010B is \$10,530,000 and \$9,425,000, respectively.

Loan Agreement WW615100

The Authority was approved for a construction loan of \$10,000,000, with an interest rate of 1.86%, by the Florida Department of Environmental Protection under the State Revolving Fund Loan Program. The amount outstanding as of September 30, 2016, was \$7,584,847. According to the loan agreement, 40 semi-annual payments of principal and interest commence on September 15, 2009, in the amount of \$341,431. This loan is junior, inferior, and subordinate in all regards in right of payment and security to the Capital Improvement Refunding Revenue Note, Series 2010A and Capital Improvement Refunding Revenue Note, Series 2010B.

Loan Agreement WW615101

The Authority was approved for a construction loan of \$13,056,266, with an interest rate of 2.23%, by the Florida Department of Environmental Protection under the State Revolving Fund Loan Program. The amount outstanding as of September 30, 2016, was \$3,444,562. According to the loan agreement, 40 semi-annual payments of principal and interest commence on September 15, 2009, in the amount of \$411,026. The Authority paid off \$6,422,932 of principal on the March 2014 semi-annual payment, reducing the future semi-annual payments to \$159,322. This loan is junior, inferior, and subordinate in all regards in right of payment and security to the Capital Improvement Refunding Revenue Note, Series 2010A and Capital Improvement Refunding Revenue Note, Series 2010B.

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Debt service requirements to amortize long term debt at September 30, 2016 are as follows:

<u>Year ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,950,099	\$ 872,297	\$ 2,822,396
2018	1,995,840	821,847	2,817,687
2019	2,051,900	770,209	2,822,109
2020	2,103,286	717,048	2,820,334
2021	2,155,004	662,501	2,817,505
2022-2026	11,657,892	2,441,976	14,099,868
2027-2030	9,070,388	707,551	9,777,939
	<u>\$ 30,984,409</u>	<u>\$ 6,993,429</u>	<u>\$ 37,977,838</u>

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Notes payable	\$32,884,079	\$	\$ (1,899,670)	\$30,984,409	\$ 1,950,099
Compensated absences	229,064	165,580	(161,937)	232,707	52,700
Net pension liability	152,128	869,193		1,021,321	
OPEB liability	90,092	3,144		93,236	
Total long-term liabilities	<u>\$33,355,363</u>	<u>\$ 1,037,917</u>	<u>\$ (2,061,607)</u>	<u>\$32,331,673</u>	<u>\$ 2,002,799</u>

Interest Expense

Total interest costs incurred during the year ended September 30, 2016, was \$918,681. Of this amount, \$30,847 was capitalized as part of the cost of construction in progress. Total interest paid during the year was \$918,667.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLAN

General Information

The City of Okeechobee Municipal General Employees' Pension Trust Fund was amended to include the Okeechobee Utility Authority employees and re-designated as the City of Okeechobee and Okeechobee Utility Authority Employees' Retirement System (the "System"). The System was adopted by the Okeechobee Utility Authority effective September 29, 1995.

The System is a cost sharing multiple employer defined benefit plan to provide retirement and survivor benefits to participating public employees. The System covers general employees of the City of Okeechobee and Okeechobee Utility Authority. A general employee is any actively employed person in the regular full-time service of the City of Okeechobee or Okeechobee Utility Authority, including elected officials, but does not include certified firefighters employed by the City. Except for the City Administrator or Administrative Assistant and the Executive Director of the Okeechobee Utility Authority, participation in the System is a condition of employment.

The System issues a publicly available financial report that includes financial statements, ten year historical trend information, and other required supplementary information. That report may be obtained by writing to the attention of Janet McKinley, Okeechobee Utility Authority, 100 SW. 5th Avenue, Okeechobee, FL 34974-4221.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deduction from the Pension Plan net position have been determined on the same basis as they are reported by Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The System provides retirement benefits to retired individuals. An employee qualifies for normal retirement by reaching the age of 65 and providing 5 years of continuous service or by providing 30 years of continuous service, regardless of age. The retirement benefit is equal to 2.10% of the average final compensation times years and completed months of continuous service with the Authority. An employee can qualify for early retirement by attaining the age of 55 and providing 10 years of service to the Authority. The early retirement benefit is the same as the normal retirement benefit reduced by 2% per year the retiree is under the age of 65.

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9 – PENSION PLAN (Continued)

Plan Description (Continued)

Benefit provisions can be established or amended by the Board of Directors of the Authority and the City of Okeechobee Council members.

Contributions

The contribution rate is determined by the Board of Directors of the Authority and the City of Okeechobee Council members. The Authority funded the pension plan at the rate of 15.68% of regular payroll for fiscal year ended September 30, 2016, and 12.91% of regular payroll for fiscal year ended September 30, 2015. which was the actuarially determined contribution rate. Employee contributions are at the rate of 6% of regular payroll.

The Authority's contributions to the plan for the fiscal years ended September 30, 2016 and 2015 were \$335,737 and \$272,974, respectively, which were 100% of the required contribution.

Pension Liabilities and Pension Expense

At September 30, 2016, the Authority reported a liability of \$1,021,321 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 Authority's proportionate share of the net pension liability was based on the Authority's contributions relative to the contributions of all participating members. At September 30, 2015, the Authority's proportionate share was 87.96%, which was approximately the same as its proportionate share measured as of September 30, 2014.

For the fiscal year ended September 30, 2016, the Authority recognized pension expense of \$383,741 related to the Plan.

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9 – PENSION PLAN (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$ 26,894	\$ 167
Change of assumptions	146,497	
Net difference between projected and actual earnings on Pension Plan investments	579,364	171,391
Authority Pension Plan contributions subsequent to the measurement date	335,737	
Total	<u>\$ 1,088,492</u>	<u>\$ 171,558</u>

The deferred outflows of resources related to the Pension Plan, totaling \$335,737 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2017	\$ 115,647
2018	115,647
2019	115,649
2020	172,778
2021	27,937
Thereafter	33,539
	<u>\$ 581,197</u>

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9 – PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.75 %
Salary increases	6.00%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement Age	100% when first eligible for normal retirement

Mortality rates were based on the RP-2000 Combined Healthy Participant Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

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 the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return*</u>
Domestic Equity	50%	7.5%
International Equity	10%	8.5%
Fixed Income	40%	2.5%
Cash Equivalents	0%	0.0%
Total	<u>100%</u>	

*Net of long-term inflation assumption of 2.5%

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for the calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability	<u>\$ 2,367,620</u>	<u>\$ 1,021,321</u>	<u>\$ (114,393)</u>

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the Systems separately issued Report.

Payables to the Pension Plan

At September 30, 2016, the Authority reported a payable in the amount of \$6,667 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – PENSION PLAN

On June 14, 2016, the Authority adopted resolution 2016-03 withdrawing from participation in the City of Okeechobee and Okeechobee Utility Authority Employees' Retirement System and adopting the Okeechobee Utility Authority Employees' Retirement System (the System).

All contributions, benefits, assets and liabilities of the City of Okeechobee and Okeechobee Utility Authority Employees' Retirement System attributable to current and former Okeechobee Utility Authority employees and their beneficiaries on September 30, 2016, will be transferred to and become contributions, benefits, assets and liabilities of the System on October 1, 2016, or as soon thereafter as administratively possible. There will be no lapse in plan membership or credited service and no change in the accrued benefits of current and former Okeechobee Utility Authority employees and their beneficiaries under the City of Okeechobee and Okeechobee Utility Authority Employees' Retirement System due to the adoption of the System or the transfer between the retirement systems.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Authority implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective October 1, 2009. Retirees of the Authority pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

Plan Description

The Authority provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy

The Authority does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Authority for active employees by its healthcare provider. However, the Authority's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Authority or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total 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 liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation for the Authority for the current year and the related information is as follows:

Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Annual Required Contribution (ARC)	\$ 35,972
Interest on Net Unfunded OPEB Obligation	2,261
Adjustment to Annual Required Contribution	<u>(5,227)</u>
Annual OPEB cost	33,006
Age Adjusted Contributions made	<u>(29,862)</u>
Increase in net OPEB obligation	3,144
Net OPEB obligation October 1, 2015	<u>90,092</u>
Net OPEB obligation September 30, 2016	<u>\$ 93,236</u>

Trend Information

Three-Year Trend Information			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/14	\$ 21,666	74.20%	\$ 66,665
09/30/15	\$ 32,267	40.18%	\$ 90,092
09/30/16	\$ 33,006	90.47%	\$ 93,236

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	09/30/16
Actuarial accrued liability	\$ 316,064
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 316,064
Funded ratio	0.0%
Covered payroll	\$2,384,900
UAAL as a percentage of covered payroll	13.34%

Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Authority has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	9/30/16
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll
Amortization period	19 years
Asset valuation method	Unfunded
Actual assumptions:	
Payroll growth rate	1.5%
Investment rate of return	2.51%
Healthcare cost trend	8% for 2016 decreasing to 4.7% in 2026

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 11 – CONTINGENCIES

The Authority is involved in various litigations and claims arising in the course of operations. It is the opinion of legal counsel that the likelihood of unfavorable outcomes and the amounts of potential losses cannot be reasonably determined at this time. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

In the opinion of management, no present claims exist that would, in the event of an adverse resolution, result in liabilities in excess of the Authority's insurance coverage.

NOTE 12 – COMMITMENTS

As of September 30, 2016, the Authority had commitments on outstanding construction contracts for improvements to the system of approximately \$1,036,458.

NOTE 13 – RISK MANAGEMENT

The Okeechobee Utility Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 2016 fiscal year, coverage was maintained via membership renewal with Preferred Governmental Insurance Trust ("PGIT"), a public entity risk pool. The Okeechobee Utility Authority pays an annual premium to PGIT for the following coverage: property and inland marine, general liability, automobile, crime, public official's liability, employment practices liability, and worker's compensation. The PGIT purchases excess of loss insurance policies. The excess of loss insurance policies attach at \$100,000 per occurrence except for property insurance which is \$25,000 per occurrence. Since the PGIT purchases excess of loss insurance, the pool has not billed and does not plan to bill members for additional assessments.

As of September 30, 2016, the Authority's management is of the opinion that the PGIT is able to pay claims incurred to date and that the Authority will not be liable to pay any submitted claims.

The Okeechobee Utility Authority continues to carry commercial insurance for the following risks: pollution liability, health, life, and disability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Florida Statutes limit the Authority's maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

**OKEECHOBEE UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 14– NEW ACCOUNTING STANDARDS

Below is a brief description and effective date of new accounting standards that could have a significant impact on the Authority's financial statements. Management is currently evaluating the impact of the adoption of these statements on the Authority's financial statements.

In June 2015 the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

OKEECHOBEE UTILITY AUTHORITY
Required Supplemental Information
Schedule of Funding Progress
Other Postemployment Benefits (OPEB)
September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/14	\$	\$ 232,541	\$ 232,541	0.0%	\$ 2,217,263	10.49%
09/30/15		297,306	297,306	0.0%	2,310,279	12.87%
09/30/16		318,064	318,064	0.0%	2,384,900	13.34%

The schedule of funding progress presented above presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Authority has not contributed assets to the plan at this time.

OKEECHOBEE UTILITY AUTHORITY
Required Supplemental Information
Schedule of Proportionate Share of Net Pension Liability
Last Ten Fiscal Years

<u>Fiscal Year Ended September 30</u>	<u>Authority's Proportion of the Net Pension Liability</u>	<u>Authority's Proportionate Share of the Net Pension Liability</u>	<u>Authority's Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability As a Percent of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a Percent of the Total Pension Liability</u>
2015	89.00%	\$ 152,128	\$ 2,050,785	7.42%	97.90%
2016	87.96%	1,021,321	2,114,450	48.30%	89.81%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

OKEECHOBEE UTILITY AUTHORITY
Required Supplemental Information
Schedule of Employer Contributions
Last Ten Fiscal Years

<u>Fiscal Year Ended September 30</u>	<u>Contractually Required Contribution</u>	<u>Contributions In Relation to the Contractually Required Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Authority's Covered Payroll</u>	<u>Contributions As a Percent of Covered Payroll</u>
2015	\$ 272,974	\$ 272,974	\$ -	\$ 2,114,450	12.91%
2016	335,737	335,737	-	2,141,175	15.68%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

KATHLEEN A. MINER, CPA
MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
TIMOTHY H. SCHMEDES, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Honorable Chairman and Members of the
Okeechobee Utility Authority Board
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 basic financial statements of the Okeechobee Utility Authority as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Okeechobee Utility Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Okeechobee Utility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Okeechobee Utility Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Okeechobee Utility Authority's financial statements are free of material misstatement, we performed tests of the 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 results 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.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
January 31, 2017



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

KATHLEEN A. MINER, CPA
MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
TIMOTHY H. SCHMEDES, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Honorable Chairman and Members of the
Okeechobee Utility Authority Board
Okeechobee, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Okeechobee Utility Authority, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 31, 2017.

Auditor's 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 Florida Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 31, 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. There were no findings or recommendations in the prior year that required corrective actions.

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. This information is disclosed in Note 1 to the financial statements.

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 Okeechobee Utility Authority 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 Okeechobee Utility Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2016.

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 Okeechobee Utility Authority'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. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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 Okeechobee Utility Authority 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.

Special District Component Units

Sections 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Okeechobee Utility Authority.

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
January 31, 2017



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

KATHLEEN A. MINER, CPA
MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
TIMOTHY H. SCHMEDES, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Honorable Chairman and Members of the
Okeechobee Utility Authority Board
Okeechobee, Florida

We have examined the Okeechobee Utility Authority's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for the Okeechobee Utility Authority's compliance with those requirements. Our responsibility is to express an opinion on the Okeechobee Utility Authority'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 Okeechobee Utility Authority'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 Okeechobee Utility Authority's compliance with specified requirements.

In our opinion, the Okeechobee Utility Authority 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 the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, the Florida Auditor General, applicable management, and the Okeechobee Utility Authority Board, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
January 31, 2017