OKEECHOBEE UTILITY AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

SEPTEMBER 30, 2018

OKEECHOBEE UTILITY AUTHORITY
SEPTEMBER 30, 2018
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary fund of the Okeechobee Utility Authority as of and for the year ended September 30, 2018, and the related notes to the financial statements, which together with the aggregate remaining fund information, collectively comprise the Okeechobee Utility Authority's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Okeechobee Utility Authority Employees' Retirement System, which comprises 100% of the aggregate remaining fund information of the Okeechobee Utility Authority.

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 Okeechobee Utility Authority Employees' Retirement System, which comprises 100% of the aggregate remaining fund information of the Okeechobee Utility Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Okeechobee Utility Authority Employees' Retirement System, is based solely on the report of 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 opinion.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary fund and the aggregate remaining fund information of the Okeechobee Utility Authority as of September 30, 2018, and the changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the Authority implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* during the fiscal year ended September 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the schedule of changes in the total OPEB liability on page 45, and the pension schedules on pages 46 through 49 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 May 28, 2019, 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.

Nowlen, Holt + Miner, P.A.

West Palm Beach, Florida
May 28, 2019

Okeechobee Utility Authority
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2018

Management's discussion and analysis is intended to provide an objective analysis of the Okeechobee Utility Authority (the "Authority") financial activities for fiscal year ended September 30, 2018. The analysis provides summary financial information for the Authority and should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities at September 30, 2018, by $49 million (net position). Of this amount, approximately $9.6 million is its unrestricted net position (Table 1).

- The Authority's total assets increased by approximately $0.6 million or 0.8% from FY2017.

- The Authority's operating and miscellaneous revenues were approximately the same as FY2017 and operating expenses increased by $131,049 or 1.49% from FY2017 (Table 2).

- Operating expenses were $8.9 million, which was 7.4% less than budget.

- The Authority sold three parcels of land for a gain of approximately $749,800.

- The Authority received $637,982 in community development block grant funds that helped pay part of the approximate cost of $1.0 million for the Whispering Pines water system project.

- The Authority's total capital assets, before accumulated depreciation, increased by approximately $1.0 million from FY2017 (Table 3).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is a special district involved solely in the provision of water and wastewater services within the service area of the utility system, its operations are accounted for in a Proprietary Fund, specifically an Enterprise Fund. Enterprise Funds are used to report business-type functions, which recover all or a significant portion of their costs through user fees and charges. 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

The Okeechobee Utility Authority Employees' Retirement System is a component unit of the Authority as it is fiscally dependent on and imposes a specific financial burden. It is reported in the Authority's financial statements as a Fiduciary Fund, the General Employee's Pension Trust Fund. Fiduciary Funds are not included in the government-wide financial statements because the Authority cannot use these assets to finance its operations. Therefore, there are no government-wide financial statements, as they would be redundant to the fund financial statements.

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 full 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 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 evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. 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 results of the Authority's operations over the past year and may be used to determine whether the Authority is efficiently recovering all its costs through its user fees and other charges. This statement helps the reader understand 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 operating, 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 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 reflects 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 the net position. Viewing the Authority's net position helps one to evaluate 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 $2,224,616. The 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

		FY2018		FY2017		Net Change	
Net Capital Assets	$	59,643,431	$	61,224,975	$	(1,581,544)	(2.58%)
Restricted Assets		6,143,834		5,081,695		1,062,139	20.90%
Current and Other Assets		11,088,790		9,977,377		1,111,413	11.14%
Total assets	**$**	**76,876,055**	**$**	**76,284,047**	**$**	**592,008**	**0.78%**
Total deferred outflows	**$**	**1,221,108**	**$**	**1,640,765**	**$**	**(419,657)**	**(25.58%)**
Noncurrent Liabilities	$	26,282,796	$	28,382,442	$	(2,099,646)	(7.99%)
Liabilities Payable from Restricted Assets		558,558		541,424		17,134	3.16%
Current Liabilities		2,681,816		2,441,404		240,412	8.96%
Total liabilities	**$**	**29,523,170**	**$**	**31,365,270**	**$**	**(1,842,100)**	**(5.87%)**
Total deferred inflows	**$**	**98**	**$**	**210,263**	**$**	**(210,165)**	**(99.95%)**
Net Investment in Capital Assets	$	33,396,938	$	33,077,487	$	319,451	0.97%
Restricted for Capital Projects		2,424,861		2,382,408		42,453	(1.78%
Restricted for Debt Service		907,122		204,570		702,552	343.43%
Restricted for Rate Stabilization		2,253,293		1,953,293		300,000	15.36%
Unrestricted Net Position		9,591,681		8,731,521		860,160	9.85%
Total Net Position	**$**	**48,573,895**	**$**	**46,349,279**	**$**	**2,224,616**	**4.80%**

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

Table 2
Income

	FY2018	FY2017	Net Change	
Revenue				
Charges for Services	$ 9,845,263	$ 9,890,272	$ (45,009)	(0.46%)
Miscellaneous Revenue	210,731	158,210	52,521	33.20%
Non-Operating Revenue	950,323	79,378	870,945	1,097%
Total Revenue	**$ 11,006,317**	**$ 10,127,860**	**$ 878,457**	**6.35%**
Expenses				
Operating Expenses	$ 8,897,807	$ 8,766,758	$ 131,049	1.49%
Non-Operating Expenses	795,037	890,173	(95,136)	(10.69%)
Total Expenses	**$ 9,692,844**	**$ 9,656,931**	**$ 35,913**	**0.37%**
Excess Revenue over Expenses				
Before Capital Contributions	$ 1,313,473	$ 470,929	$ 842,544	178.91%
Capital Contributions	911,143	887,174	23,969	2.70%
Total change in net position	**$ 2,224,616**	**$ 1,358,103**	**$ 866,513**	**63.80%**
Beginning Net Position	**$ 46,349,279**	**$ 44,991,176**	**$ 1,358,103**	**3.02%**
Ending Net Position	**$ 48,573,895**	**$ 46,349,279**	**$ 2,224,616**	**4.80%**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the Authority had $59,643,431 after accumulated depreciation 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, force mains and equipment.

The Authority's total capital assets decreased after accumulated depreciation from last year by approximately $1.6 million as reflected in the following table (Table 3):

Table 3
Changes in Capital Assets

	FY2018	FY2017	Net Change
Land and Easements	$ 2,497,428	$ 2,897,455	$ (400,027)
Buildings	993,404	985,404	8,000
Equipment	4,003,354	3,875,023	128,331
Distribution & Collection System	92,445,077	91,167,277	1,277,800
	$ 99,939,263	**$ 98,925,159**	**$ 1,014,104**
Less: Accumulated Depreciation	(41,452,305)	(38,855,213)	(2,597,092)
	$ 58,486,958	**$ 60,069,946**	**$ (1,582,988)**
Construction in Progress	1,156,473	1,155,029	1,444
	$ 59,643,431	**$ 61,224,975**	**$ (1,581,544)**

The Authority plans each year for capital improvement projects; some projects may be completed within the fiscal year and some projects that extend over a longer period. The SWTP Storage Water Tank Project listed below is the construction of a 3 million-gallon water tank at a cost of approximately $5.6 million.

Table 4 below reflects the major additions and costs incurred as of September 30, 2018.

Table 4
Capital Improvement Projects Ongoing
(Dollars in Thousands)

Whispering Pines Water System	$ 815,524
SWTP Storage Water Tank Project	310,738
Other Projects	30,211
Total Ongoing CIP Projects	**$ 1,156,473**

Damage from Hurricane Irma is estimated at $550,000; a substantial portion of this cost is expected to be recovered from FEMA and insurance proceeds. See *Notes to the Financial Statements (Note 6)* for additional information related to capital assets.

Debt Administration

On September 30, 2018, the Authority had State Revolving Loans and notes payable outstanding in the amount of $27,113,470. Debt service principal payments totaled $2,045,840 in FY2018. See *Notes to the Financial Statements (Note 7)* for additional information related to State Revolving Loans and notes payable.

CURRENT ECONOMIC FACTORS AND ASSESSMENT OF GROWTH

The Authority began operations in 1995. Since 1995, the net increase in new customer accounts has been modest on annual basis. In the most recent fiscal year ended September 30, 2018, capital connection charge revenue for 51 water and 18 wastewater equivalent residential connections (ERC's) was received. Given the current economic environment, a modest growth in the number of connections is expected to be realized from general infill in the existing developed sections of the Authority's service area rather than through previously planned 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 approximately one hour from the Atlantic coast. The main east / west access highways are 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 its life style. 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 east coast. Developments that were originally planned continue to be on hold until a more favorable economic environment emerges.

The Authority's current water treatment plants with a total treatment capacity of six million gallons per day (6mgd) can accommodate approximately twenty-four thousand (24,000) residential water connections, well over the existing customer base of approximately nine thousand two hundred sixty-four (9,264) residential connections. The Authority's expanded wastewater treatment plant with three million gallons per day (3mgd) of total treatment capacity can accommodate approximately twelve thousand (12,000) additional wastewater customers, well over the existing customer base of approximately four thousand three hundred eighty-four (4,384). 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 those interested 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 Authority may be obtained at the Main Office of the Authority.

OKEECHOBEE UTILITY AUTHORITY
Statement of Net Position - Proprietary Fund
September 30, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 6,401,707
Investments	2,468,591
Interest receivable	25,299
Receivables:	
Grants	306,255
Accounts receivable, less allowance for uncollectible accounts of $265,420	1,233,483
Inventories	461,370
Prepaid expenses	28,822
Total current assets	10,925,527
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents	6,143,834
Capital assets:	
Land	2,497,428
Utility plants	97,441,835
	99,939,263
Less accumulated depreciation	(41,452,305)
	58,486,958
Construction in progress	1,156,473
Total capital assets	59,643,431
Other noncurrent assets:	
Unamortized organizational costs, net	163,263
Total noncurrent assets	65,950,528
TOTAL ASSETS	76,876,055
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	354,131
Deferred loss on bond refunding, net	866,977
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,221,108

LIABILITIES

CURRENT LIABILITIES	
Accounts payable	$ 415,885
Accrued expenses	78,534
Due to other governments	29,227
Bonds payable (current)	2,096,900
Accrued compensated absences (current)	61,270
Payable from restricted assets:	
Accrued interest	7,861
Customer deposits	550,697
Total current liabilities	3,240,374
NONCURRENT LIABILITIES	
Long-term portion of bonds payable	25,016,570
Long-term portion of compensated absences	183,814
Net pension liability	504,653
Accrued OPEB payable	82,101
Unearned revenues:	
Connection fees	71,256
Developer fees	424,402
Total noncurrent liabilities	26,282,796
TOTAL LIABILITIES	29,523,170
DEFERRED INFLOWS OF RESOURCES	
Pension related items	98
NET POSITION	
Net investment in capital assets	33,396,938
Restricted for capital projects	2,424,861
Restricted for debt service	907,122
Restricted for rate stabilization	2,253,293
Unrestricted	9,591,681
TOTAL NET POSITION	$ 48,573,895

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Fiscal Year Ended September 30, 2018

OPERATING REVENUE	
Charges for services	$ 9,845,263
Miscellaneous	210,731
Total operating revenues	10,055,994
OPERATING EXPENSES	
Water services	1,273,650
Wastewater services	931,890
Maintenance	1,936,986
Meter reader	221,496
Administrative and general	1,853,456
Depreciation and amortization	2,680,329
Total operating expenses	8,897,807
OPERATING INCOME	1,158,187
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	94,268
Interest expense	(795,037)
Gain (loss) on sale of fixed assets	749,799
Operating grants	106,256
Total nonoperating revenues (expenses)	155,286
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,313,473
CAPITAL CONTRIBUTIONS	
Capital grants	637,892
Capital connection fees	198,821
Developer contributions for capital projects	74,430
Total capital contributions	911,143
INCREASE IN NET POSITION	2,224,616
NET POSITION, BEGINNING OF PERIOD	46,349,279
NET POSITION, END OF PERIOD	$ 48,573,895

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 10,014,841
Payments to suppliers	(2,814,958)
Payments to employees	(2,267,284)
Payments for employee benefits	(842,257)
Net cash provided (used) by operating activities	4,090,342
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,454,159)
Proceeds from sale of property, plant, & equipment	1,878,424
Bond and loan principal payments	(2,045,840)
Bond and loan interest paid	(687,251)
Capital connection fees received	285,291
Captial grants	437,893
Net cash (used) by capital and related financing activities	(1,585,642)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(2,468,591)
Proceeds from investments	1,025,330
Interest on investments	77,475
Net cash provided by investing activities	(1,365,786)
Net increase (decrease) in cash and cash equivalents	1,138,914
Cash and cash equivalents at beginning of year	11,406,627
Cash and cash equivalents at end of year	$ 12,545,541

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows - Proprietary Fund (continued)
For the Fiscal Year Ended September 30, 2018

CASH AND CASH EQUIVALENTS CLASSIFIED AS:	
Current assets	$ 6,401,707
Restricted assets	6,143,834
Total	$ 12,545,541
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 1,158,187
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in net pension liability and related deferred amounts	39,475
Depreciation and amortization	2,680,329
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(27,432)
(Increase) decrease in inventory	(4,319)
(Increase) decrease in prepaid expenses	26,565
Increase (decrease) in accounts payable	159,313
Increase (decrease) in accrued liabilities	21,758
Increase (decrease) in compensated absences	31,460
Increase (decrease) in OPEB	19,016
Increase (decrease) in deposits	17,799
Increase (decrease) in unearned fees	(31,520)
Increase (decrease) in due to other governments	(289)
Total adjustments	2,932,155
Net cash provided (used) by operating activities	$ 4,090,342

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Fiduciary Net Position
Pension Trust Fund
September 30, 2018

ASSETS		
Contributions receivable		
Employee	$	9,882
Employer		24,869
Prepaid expenes		2,644
Investments: (at fair value)		
Cash equivalents		77,113
Investment funds- fixed income		2,942,141
Investment funds - equity		5,521,039
Total investments		8,540,293
TOTAL ASSETS		8,577,688
LIABILITIES		
Accounts payable		5,063
FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS	$	8,572,625

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Changes in Fiduciary Net Position
Pension Trust Fund
For the Fiscal Year Ended September 30, 2018

ADDITIONS	
Contributions	
Employer	$ 325,097
Plan members	129,178
Total contributions	454,275
Investment income	
Net appreciation in fair value of investments	479,542
Interest and dividends	244,188
	723,730
Less: investment expenses	(20,250)
Net investment income	703,480
TOTAL ADDITIONS	1,157,755
DEDUCTIONS	
Benefits paid to participants	220,531
Refunds due on terminations	98,601
Administrative expenses	72,823
TOTAL DEDUCTIONS	391,955
NET INCREASE	765,800
FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS	
Beginning of year	7,806,825
End of year	$ 8,572,625

See notes to the financial statements.

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, the Authority has determined that there is one legally separate entity to consider as a component unit. The Okeechobee Utility Authority Employees' Retirement System is a component unit as it is fiscally dependent on and imposes a specific financial burden on the Authority. It is reported in the Authority's financial statements as a Fiduciary Fund, the Employee's Pension Trust Fund.

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.

Measurement Focus and Basis of Accounting

These financial statements are prepared using the economic resources measurement focus and 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.

Pension trust funds also use the accrual basis of accounting and the economic resources measurement focus.

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, 2018 on September 11, 2017.

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.

Investments are reported at fair value as required by generally accepted accounting principles. The fair value of an investment is the amount that the Authority could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. The Authority categorizes its investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on observable and unobservable inputs used in establishing the fair value of a financial asset or liability. Purchases and sales of investments are recorded on the trade date.

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. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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.

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, 2018, are reflected in the accounts of the Authority for vested (not contingent on an employee's future services) vacation and sick leave benefits.

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 position 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, deferred inflows and outflows, 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Authority Deposits

As of September 30, 2018, the carrying amount of the Authority's book balance for deposits in "Qualified Public Depositories" was $14,319,380 and the bank balance was $14,422,432. Included in deposits are $1,776,589 of certificates of deposit with an original maturity greater than three months that are reported as an investment on the financial statements, the Authority also had $2,750 in petty cash for a total carrying amount of $12,545,541.

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.

Authority Investments

The Authority categorizes its investments according to the fair value hierarchy established GASB *Statement No. 72, Fair Value Measurement and Application*. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs.

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, 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Authority Investments (Continued)

The Authority had the following investments as of September 30, 2018:

	Weighted Average Maturity (Days)	S&P Rating	Fair Value
Certificates of Deposit	4	N/A	$ 1,776,589
US Treasury Bills	182	AA+	692,002

The US Treasury Bills are categorized as Level 1 of the fair value hierarchy and the Certificates of Deposit are not subject to categorization.

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 and investments were comprised of the following as of September 30, 2018:

Cash on hand	$ 2,750
Deposits held by public depositories	14,319,380
US Treasury Bills	692,002
Total cash and cash equivalents and investments	$ 15,014,132

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Authority Investments (Continued)

Cash and cash equivalents and investments are presented in the balance sheet as of September 30, 2018, as follows:

Current cash and cash equivalents	$ 6,401,707
Investments	2,468,591
Restricted cash and cash equivalents	6,143,834
Total cash and cash equivalents and investments	$ 15,014,132

General Employee's Pension Trust Fund

Salem Trust Company periodically holds uninvested cash in its capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities and for the payments of benefits and expenses. The pension plan's policy for the allocation of invested assets is established by the Plan's Board of Trustees which pursues an investment strategy that reduces risk through a prudent diversification of the portfolio across a selection of distinct asset classes. The policy discourages the use of cash equivalents, except for liquidity purposes and refrains from shifting asset class allocations over short time spans. Investment management fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed, where applicable. The plan uses mutual funds as the investment vehicle for fixed income, international equity and additional domestic equity investments for further diversification. These investments are recommended and monitored by the investment monitor.

The plan follows the investment guidelines as established within the ordinance and Florida Statute 112.661. The Pension Trust Fund is authorized to invest in the local government surplus funds trust fund, obligations of the U.S. Government or agencies thereof, banking institution within the state and other such institutions within the guidelines of the state statutes which are insured by the Federal Deposit Insurance Corporation, investment agreements, direct and general long-term obligations of any state with proper credit rating and full faith and credit pledge, municipal obligations with proper credit rating, annuity and life insurance contracts, bonds issued by the State of Israel, foreign stocks or bonds, and stocks, bonds, and commingled funds administered by National or State banks or evidences 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 fund on a cost basis or 70% of the market value of plan assets. Foreign investments are not to exceed 25% of the market value of the assets. Temporary investment funds held by the custodian in a money market fund are classified as cash equivalents within the investment account.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employee's Pension Trust Fund (Continued)

The Plan carried no particular security investment that individually represented 5% or more of the Plan's net assets available for benefits as of September 30, 2018.

Investments not evidenced by securities that exist in physical or book-entry form include investments in mutual funds, domestic investment funds or a commingled pooled trust fund.

The Plan's independently managed investments are segregated into a separate account. The investment manager is monitored by the Board of Trustees and an investment performance monitor, when applicable.

The Plan's investments are uninsured and unregistered and are held in the custodian's accounts in the Plan's name as described above.

The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No. 53, Accounting and Financial Reporting for Derivative Instruments during the current year.

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan are guaranteed by federally sponsored agencies such as the Government National Mortgage Association. These investments are inside of the fixed income open-end mutual fund that the plan holds.

All of the Plan's financial investments are carried at fair value on the Statement of Fiduciary Net Position included in investments. The gain or loss on financial instruments is recognized and recorded on the Statement of Changes in Fiduciary Net Position as part of investment income.

The Plan invests in a variety of investment vehicles. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the statement of fiduciary net position.

For a more detailed and comprehensive list of available investments, the Investment Policy Statement, as approved by the Board of Trustees, should be referenced. All of the Plan's financial investments are carried at fair value on the statement of fiduciary net position. The gain or loss on financial instruments is recognized in the changes in net position as part of investment income.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employee's Pension Trust Fund (Continued)

The following is a list of the Plan's investments by categories of risk as of September 30, 2018:

	2018	
	Historical Cost	Fair Value
Cash Equivalents	$ 77,113	$ 77,113
Investment Funds - Equity	4,184,641	5,521,039
Investment Funds - Fixed Income	3,046,005	2,942,141
	$ 7,307,759	$ 8,540,293

Investment Measurement at Fair Value

The accounting standards break down the fair value hierarchy into three levels based on how observable inputs are valued. The most observable inputs are classified as Level 1 where as the most unobservable inputs are classified as Level 3.

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. As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) 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.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Employee's Pension Trust Fund (Continued)

Investment Measurement at Fair Value (Continued)

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV is also used to value Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2018:

- Debt securities - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.
- Investment mutual funds - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- Fixed income funds - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- Equity funds - Valued at market prices for similar assets in active markets.
- Common stock - Valued at quoted market prices for identical assets in active markets

The Plan categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Employee's Pension Trust Fund (Continued)

Investment Measurement at Fair Value (Continued)

The Plan has the following recurring fair value measurement as of September 30, 2018:

		Fair Value Measurement		
	Balance	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
Cash equivalents -temporary investments	$ 77,113	$ 77,113	$	$
Domestic investment fund - equity	5,521,039	5,521,039		
Domestic investment fund - fixed income	2,942,141		2,942,141	
Investments by fair value level	$ 8,540,293	$ 5,598,152	$ 2,942,141	$

Risk Level

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. Nationally recognized statistical rating organizations ("NSROs"), such as Moody's, Fitch or Standard and Poor's, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. Fixed income securities considered investment grade are those rated at least Baa by Moody's and BBB by Standard and Poor's. A minimum rating of investment grade or higher is required for at least 85% of the fixed income investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of fixed income securities. Effective duration, a commonly used measure of interest rate risk, incorporates a security's yield, coupon, final maturity, call features and other imbedded options into one number expressed in years that indicates how price-sensitive a security or portfolio of securities is to changes in interest rates. The effective duration of a security or portfolio indicates the approximate percentage change in fair value expected for a one percent change in interest rates. The longer the duration, the more sensitive the security or portfolio is to changes in interest rates.

Concentration of credit risk is an increased risk of loss which occurs as more investments are acquired from one issuer (i.e. lack of diversification). Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, an entity may be unable to recover deposits, or collateral securities, that are in the possession of an outside party.

At September 30, 2018, the fixed income fund was invested in a mutual fund primarily in high quality bonds and other fixed income securities including U.S. Government obligations, mortgage and asset-backed securities, corporate and municipal bonds, collateralized mortgage obligations, short-term instruments, and the other investments A rated by Standard & Poor's, Moody's Investor Services or Fitch. To a lesser extent the fund may also invest in fixed income securities rated Baa or lower. This fund had an effective duration of 4.3 years and effective maturity of 8.1 years as of September 30, 2018.

NOTE 3 – INVENTORY

Inventory was comprised of the following at September 30, 2018:

Chemicals	$ 20,920
Parts and supplies	440,450
Total inventory	$ 461,370

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of the following accounts as of September 30, 2018:

Renewal, replacement & improvement	$ 503,777
Capital connection water	930,141
Capital connection wastewater and treatment plant	887,736
Fire hydrant	103,207
Total restricted for capital projects	2,424,861
Debt service	914,983
Rate stabilization	2,253,293
Customer deposits	550,697
Total restricted assets	$ 6,143,834

NOTE 5 – UNRESTRICTED NET POSITION

Unrestricted net position consists of the following as of September 30, 2018:

Designated:	
Capital improvement project	$ 1,520,907
Operating reserve	1,739,093
Emergency funding	574,529
Total designated	3,834,529
Undesignated	5,757,152
Total unrestricted net position	$ 9,591,681

NOTE 6 – CAPITAL ASSETS

Capital assets are summarized as follows.

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,897,455	$	$ (400,027)	$ 2,497,428
Construction in progress	1,155,029	1,139,606	(1,138,162)	1,156,473
Total capital assets not being depreciated	4,052,484	1,139,606	(1,538,189)	3,653,901
Capital assets being depreciated				
Buildings	985,404	8,000		993,404
Equipment	3,875,023	203,309	(74,978)	4,003,354
Distribution and collection plant	91,167,277	1,277,800		92,445,077
Total capital assets being depreciated	96,027,704	1,489,109	(74,978)	97,441,835
Less accumulated depreciation for				
Buildings	(518,729)	(30,013)		(548,742)
Equipment	(3,047,167)	(169,971)	73,637	(3,143,501)
Distribution and collection Plant	(35,289,317)	(2,470,745)		(37,760,062)
Total accumulated depreciation	(38,855,213)	(2,670,729)	73,637	(41,452,305)
Total capital assets being depreciated, net	57,172,491	(1,181,620)	(1,341)	55,989,530
Total capital assets, net	$61,224,975	$ (42,014)	$ (1,539,530)	$59,643,431

NOTE 7 – LONG-TERM LIABILITIES

Capital Improvement Refunding Revenue Notes, Series 2017

On March 29, 2017, the Authority issued $19,425,000 Capital Improvement Refunding Revenue Notes, Series 2017 with Branch Banking and Trust Company. The notes were issued to provide funds to refund the Capital Improvement Refunding Revenue Note, Series 2010.

The Series 2017 Notes are comprised of $10,000,000 Series 2017A and $9,425,000 Series 2017B as follows:

Series	Original Face Amount	Interest Rate	Mandatory Redemption Beginning October 1	Maturity
2017A	$10,000,000	2.4%	2017	October 1, 2025
2017B	9,425,000	2.83%	2017	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, 2017 through October 1, 2030. As of September 30, 2018, the balance due on Series 2017A and 2017B is $8,465,000 and $9,205,000, 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, 2018, was $6,486,069. 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 2017A and Capital Improvement Refunding Revenue Note, Series 2017B.

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, 2018, was $2,957,401. 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 2017A and Capital Improvement Refunding Revenue Note, Series 2017B.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Debt service requirements to amortize long term debt at September 30, 2018 are as follows:

Year Ended	Principal	Interest	Total
2019	$ 2,096,900	$ 643,352	$ 2,740,252
2020	2,143,286	595,455	2,738,741
2021	2,190,004	546,498	2,736,502
2022	2,242,061	496,411	2,738,472
2023	2,294,463	445,190	2,739,653
2024-2028	12,305,960	1,391,756	13,697,716
2029-2030	3,840,796	127,703	3,968,499
	$ 27,113,470	$ 4,246,365	$ 31,359,835

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Notes payable	$29,159,310	$	$ (2,045,840)	$27,113,470	$ 2,096,900
Compensated absences	213,624	186,949	(155,489)	245,084	61,270
Net pension liability	529,825		(25,172)	504,653	
OPEB liability	63,085	19,016		82,101	
Total long-term liabilities	$29,965,844	$ 205,965	$ (2,226,501)	$27,945,308	$ 2,158,170

Interest Expense

Interest expense for the year ended September 30, 2018 was $795,037, which consisted of $144,844 amortization of deferred costs from the issuance of bonds in prior years and interest costs incurred of $686,586 less $36,393 of capitalized interest. Total interest paid during the year was $687,251.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

General Information

The Employees' Retirement System of the Okeechobee Utility Authority (the System) is a single-employer, defined benefit contributory pension trust established by the Authority in Resolution 2016-03 for the benefit of the Authority employees. The System is under the supervision of a five-member local independent board of trustees, two of whom shall be a legal resident within the Authority's jurisdictional boundaries, who shall be appointed by the Okeechobee Utility Authority Board; two of whom shall be Employee Members employed by the Authority and elected by Member employees; and one of whom shall be the Executive Director of the Authority or his designee. Any changes to the plan requires approval by the Board of the Authority.

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.

Basis of Accounting

The retirement system is reported on the accrual basis of accounting. Plan members contributions are recognized as revenues in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms the plan. The plan's fiduciary net position has been determined on the same basis used by the pension plan. Investments are reported at fair value

Plan Description

The pension plan provides retirement, death and disability benefits for its participants. Each person employed by the Authority as a full-time employee becomes a member of the Plan as a condition of their employment except that the Executive Director of the Utility Authority, may opt out of the Plan within 60 days of employment. All employees are eligible to participate on the date of employment following attainment of age 18. Participation is mandatory. Normal retirement is provided for at age 65 and 5 years of service, or at 30 years of service regardless of age. The benefit is calculated at 2.1% of average monthly earnings times years of continuous service with the employer. Benefits are payable by monthly annuity for 10 years certain and life thereafter with other options available. Early retirement is provided for at age 55 and 10 years of participation. Death and disability benefits are also available through the plans. Early retirement reduction factor is 2% per year.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Plan Description (Continued)

Upon termination of employment, with less than 5 years of service, the plan refunds accumulated employee contributions. After 5 years of service, the pension benefit is accrued to date of termination and payable at normal retirement age if employee contributions are left in the fund.

The Plan contains a deferred retirement option plan (DROP) whereupon the employee could retire from the pension plan but continue employment with the Utility Authority for an additional maximum period of up to five years. The retirement benefit is immediately calculated and the monthly benefit is allocated to the DROP account. An election is made to either earn interest at the rate of 6.5% per annum or credited or debited with an investment return or loss approximating the other assets in the fund. Once a participant elects this option, he is no longer eligible for disability or pre-retirement benefits. The Plan's guidelines for the DROP are designed to adhere to IRS regulations. Additional information about the DROP can be obtained from the ordinance.

The Plan is administered by its Board of Trustees. Any changes to benefit provisions requires approval by the Board of the Authority.

Members of the plan consisted of the following at September 30, 2018:

Retired Plan Members or Beneficiaries currently receiving benefits	18
Inactive Plan Members entitled to but not yet receiving benefits	7
Drop Participants	-
Active Plan Members	50
Total	75

Contributions

Contributions are made in accordance with applicable Florida Statutes and meeting the actuarially determined contribution requirements as based on the benefit structure established within the Plan as approved by the plan sponsor. The employer is required to contribute an amount equal to the difference between the normal cost, as calculated for the plan year from the applicable actuarial valuation, less the member contributions for the current year. The October 1, 2016 actuarial valuation determined there were no prepaid contributions to the Plan from the Authority. The Authority is required to fund the plan according to any contribution deficit as determined by actuarial valuation for the plan beyond the contributions by employees and the regular employer contributions by the Okeechobee Utility Authority. After applying the allocable prepaid contribution from the beginning of the year, the employer contribution was sufficient to meet the required annual contribution, prepaid employer contributions.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Contributions (Continued)

The Utility Authority was to fund the pension plan at the rate of 15.10% of covered payroll for plan participants based on the 2016 actuarial valuation. Employee contributions are at the rate of 6% of payroll.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation. The funding policy for the Plan is to make an actuarially determined pension contribution in an amount, such that when combined with the participants' contributions, all participants' benefits will be fully provided for by the time they attain retirement age.

Investments Concentrations. The plan did not hold investments in any one organization that represents 5 percent or more of the Pension Plan's fiduciary net position.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions.

Inflation	2.5 %
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 or DROP entry
Mortality	RP 2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years using Scale BB. For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment.

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.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

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, 2018, are summarized in the following table:

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

*Net of long-term inflation assumption of 2.5%

Rate of Return.

For the year ended September 30, 2018, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.11 percent The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 plans' 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.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

The components of the net pension liability at September 30, 2018, were as follows:

Description	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	$ 8,336,648	$ 7,806,823	$ 529,825
Changes due to:			
Service cost	282,926		282,926
Interest	595,025		595,025
Differences between expected and actual experience	181,813		181,813
Change of Assumptions			
Employer contributions		325,097	(325,097)
Employee contributions		129,178	(129,178)
Benefit payments and refunds	(319,132)	(319,132)	
Net investment income		703,480	(703,480)
Administrative expenses		(72,819)	72,819
Total changes	740,632	765,804	(25,172)
Balances at September 30, 2018	$ 9,077,280	$ 8,572,627	$ 504,653

The Plan fiduciary net position was 94.44% of the total pension liability as of September 30, 2018.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following represents the Authority's net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's 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%	Current Rate 7%	1% Increase 8%
Net pension liability	$ 1,793,024	$ 504,653	$ (572,858)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Pension expense and deferred outflows and inflows of resources

For the fiscal year ended September 30, 2018, the Authority recognized pension expense of $364,572. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 171,869	$ 98
Change of assumptions	170,368	
Net difference between projected and actual earnings on plan investments	11,894	
Total	$ 354,131	$ 98

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year ended September 30:	Amount
2018	$ 91,640
2019	144,302
2020	10,788
2021	37,006
2022	47,361
Thereafter	22,936
	$ 354,033

Payables to the Pension Plan

At September 30, 2018, the Authority did not have a payable for outstanding contributions to the Pension Plan for the fiscal year ended September 30, 2018.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Effective October 1, 2017, the Authority implemented Governmental Accounting Standards Board Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Retirees of the Authority pay an amount equal to the actual premium for health insurance charged by the carrier. The premium charged includes an implied subsidy, as the amount charged for all participants (active employee or retiree) is the same, regardless of age. Under GASB 75, an implied subsidy is considered other post-employment benefits (OPEB).

The following describes the Authority's OPEB Provisions:

Plan Description

The Authority provides a single employer defined benefit health care plan to all of its employees and the plan is administered by the Authority. The plan has no assets and does not issue a separate financial report.

Benefits Provided

The plan allows its employees and their beneficiaries, to continue to obtain health and dental benefits upon retirement. Normal retirement is provided for at age 65 and 5 years of service, or at 30 years of service regardless of age. 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.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by benefit terms:

Participants	
Active employees	49
Inactive employees currently receiving benefits	3
Inactive employees entitled to but not receiving benefits	-
Total	52

Contribution Requirements: The Authority does not make direct contributions to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group health rates as active employees. 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 annual age-adjusted costs paid by the Authority, or its active employees, for coverage of the retirees and their dependents net of the retiree's own payments for the year.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

The Authority's total OPEB liability of $82,101 was measured as of September 30, 2018 and was determined by the actuarial valuation as of that date.

Actuarial Assumptions and Methods

The total OPEB liability was determined using the following actuarial assumptions and other methods:

Valuation Date:	September 30, 2018
Discount Rate:	3.63% per annum
Salary Increase Rate:	1.76
Age adjustment factor	2.375431
Health Care Trend Rate:	Medical – 4.60% initially trending to 4.70% in 10 years Pharmacy – 7.60% initially trending to 4.70% in 10 years Dental – 3.50% initially trending to 3.00% in 10 years Vision – 3.00%
Actuarial Cost Method:	Entry Age Normal
Plan Participation Percentage:	16%
Mortality Rates:	RP2000 Mortality Table for Males and Females Projected 18 years

Discount Rate

The Authority does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate is a yield or index rate for 20-year, tax-exempt municipal bonds. As a result, the calculation used a rate of 3.63%.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2017	$ 63,085
Changes for the Year:	
Service Cost	2,113
Interest Cost	1,636
Changes of Assumptions and Other Inputs	(11,009)
Differences Between Expected and Actual Experience	26,276
Benefit Payments	
Net Change in Total OPEB Liability	19,016
Balance at September 30, 2018	$ 82,101

NOTE 9 – OTHERPOST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in Assumptions

The discount rate was 2.51% at 10/1/17 and 3.63% at 9/30/18.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63%) or 1-percentage-point higher (4.63%) then the current discount rate:

	1.0% Decrease (2.63%)	Discount Rate (3.63%)	1.0% Increase (4.63%)
Total OPEB Liability	$ 91,789	$ 82,101	$ 74,348

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trends that are 1-percentage-point lower or 1-percentage-point higher (then the current healthcare cost trend rates:

	1.0% Decrease	Healthcare cost Trend Rates	1.0% Increase
Total OPEB Liability	$ 72,932	$ 82,101	$ 93,747

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Authority recognized OPEB expense of $3,749

NOTE 10 – 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 11 – COMMITMENTS

As of September 30, 2018, the Authority had commitments on outstanding construction contracts for improvements to the system of approximately $286,912.

NOTE 12 – 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 2018 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 attaches 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, 2018, 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.

NOTE 13– CHANGE IN ACCOUNTING PRINCIPLE

Implementation of GASB Statements: The Authority implemented the following GASB Statement during the fiscal year ended September 30, 2018:

GASB 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. The cumulative effect of applying this statement was not significant and the beginning net position was not restated.

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.

GASB Statement No. 87, *Leases.* This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. This Statement is effective for the fiscal year ending September 30, 2021.

OKEECHOBEE UTILITY AUTHORITY
Required Supplemental Information
Schedule of Changes in the Total OPEB Liability
Last Ten Fiscal Years

	2018
Service cost	$ 2,113
Interest on total OPEB liability	1,636
Effect of economic/demographic gains or losses	26,276
Effect of assumption changes	(11,009)
Net change in total OPEB Liability	19,016
Total OPEB liability - beginning	63,085
Total OPEB liability - ending	$ 82,101

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.

Change of Assumptions

For 2018 the discount rate was 2.51% at 10/1/17 and 3.63% at 9/30/18.

OKEECHOBEE UTILITY AUTHORITY
Required Supplemental Information
Employees' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years

	2017	2018
Total pension liability:		
Service cost	$ 285,610	$ 282,926
Interest	723,860	595,025
Differences between expected and actual experience		181,813
Change of assumptions	109,828	
Benefit payments, including refunds of employee contributions	(206,413)	(319,132)
Net change in total pension liability	912,885	740,632
Total pension liability - beginning	7,423,763	8,336,648
Total pension liability - ending (a)	$ 8,336,648	$ 9,077,280
Plan fiduciary net position		
Contributions - employer	$ 287,362	$ 325,097
Contributions - employees	130,765	129,178
Net investment income	831,485	703,480
Benefit payments, including refunds of employee contributions	(206,413)	(319,132)
Administrative expenses	(52,151)	(72,819)
Net change in plan fiduciary net position	991,048	765,804
Plan fiduciary net position - beginning	6,815,775	7,806,823
Plan fiduciary net position - ending (b)	$ 7,806,823	$ 8,572,627
Net pension liability (a) - (b)	$ 529,825	$ 504,653
Plan fiduciary net position as a percentage of the total pension liability	93.64%	94.44%
Covered payroll	$ 2,179,417	$ 2,152,963
Net pension liability as a percentage of covered payroll	24.31%	23.44%

NOTE: Prior to October 1, 2016, the Authority participated in the City of Okeechobee and Okeechobee Utility Authority Employees' Retirement System, a cost-sharing multiple-employer defined benefit plan. Effective October 1, 2016, the Authority withdrew from that plan and started the Okeechobee Utility Authority Employees' Retirement System, a single-employer defined benefit plan with the same contribution and benefit provisions as the prior plan.

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.

Change of Assumptions

For the year ending September 30, 2017, the assumed rates of mortality were changed.

OKEECHOBEE UTILITY AUTHORITY
Required Supplemental Information

Last Ten Fiscal Years

Schedule of Employer Contributions

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution		Contribution Excess (Deficiency)		Authority's Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2017	303,157	287,362	*	(15,795)	*	2,179,417	13.19%
2018	302,922	325,097		22,175		2,152,963	15.10%

* Excess contributions from previous years totaling $15,795 were applied to satisfy the full contribution requirement.

Schedule of Annual Money-Weighted Rate of Return, Net of Investment Expense

Fiscal Year Ending September 30	
2017	10.83%
2018	8.11%

NOTE: Prior to October 1, 2016, the Authority participated in the City of Okeechobee and Okeechobee Utility Authority' Employees' Retirement System, a cost-sharing multiple-employer defined benefit plan. Effective October 1, 2016, the Authority withdrew from that plan and started the Okeechobee Utility Authority Employees' Retirement System, a single-employer defined benefit plan with the same contribution and benefit provisions as the prior plan.

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
Notes to the Schedule of Contributions

September 30, 2018

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation Date	October 1, 2016

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Aggregate
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	4-year smoothed market
Inflation	2.50%
Salary Increases	6.00%
Cost of Living Adjustments	None
Investment Rate of Return	7.00%
Retirement age	100% when first eligible for normal retirement or DROP entry
Mortality	RP-2000 Combined Healthy Participant Mortality Table with mortality improvement projected to all future years using Scale

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INDEPENDENT AUDITOR'S 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 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, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2019.

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
May 28, 2019

NOWLEN, HOLT & MINER, P.A.
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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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, 2018, and have issued our report thereon dated May 28, 2019.

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 Auditor General.

Other Reporting Requirements

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 Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 28, 2019, 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 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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Okeechobee Utility Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the 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, 2018.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. 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 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.

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

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Single Audits

The Okeechobee Utility Authority expended less than $750,000 of federal awards and less than $750,000 of state financial assistance for the fiscal year ended September 30, 2018, and was not required to have a federal single audit or a state single audit.

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, and applicable management, 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
May 28, 2019

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NOWLEN, HOLT & MINER, P.A.

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

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, 2018. Management of the Okeechobee Utility Authority is responsible for Okeechobee Utility Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Okeechobee Utility Authority compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Okeechobee Utility Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Okeechobee Utility Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Okeechobee Utility Authority's compliance with the specified requirements.

In our opinion, the Okeechobee Utility Authority complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, 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
May 28, 2018