

OKEECHOBEE UTILITY AUTHORITY
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
SEPTEMBER 30, 2020

OKEECHOBEE UTILITY AUTHORITY
 SEPTEMBER 30, 2020
 TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis (required supplementary information)	4 - 9
Basic Financial Statements:	
Statement of Net Position	10- 11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13-14
Statement of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position	16
Notes to Financial Statements	17-45
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Changes in Total OPEB Liability	46
Schedule of Changes in Net Pension Liability and Related Ratios	47
Schedule of Employer Contributions and Investment Returns	48
Notes to the Schedule of Contributions	49
OTHER REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General	52-54
Schedule of Expenditures of State Financial Assistance	55
Schedule of Findings and Questioned Costs	56-57
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	58-60
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	61



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INDEPENDENT AUDITOR'S REPORT

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

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Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary fund and aggregate remaining fund information of the Okeechobee Utility Authority as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Okeechobee Utility Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and the aggregate remaining fund information of the Okeechobee Utility Authority as of September 30, 2020, and the respective changes in 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.

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 46, and the pension schedules on pages 47 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Okeechobee Utility Authority's basic financial statements. The schedule of expenditures of state financial assistance on page 55 is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, 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
March 22, 2021

**Okeechobee Utility Authority
Management’s Discussion and Analysis
For the Fiscal Year Ended September 30, 2020**

Management’s Discussion and Analysis (MD&A) is intended to provide an objective analysis of the Okeechobee Utility Authority (the “Authority”) financial activities for fiscal year ended September 30, 2020. The analysis provides summary financial information for the Authority and should be read in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- The Authority’s assets exceeded its liabilities at September 30, 2020, by \$52 million (Net Position). Of this amount, approximately \$5.2 million is its unrestricted net position (Table 1).
- The Authority refunded the balance of its \$16.390 million of Capital Improvement Revenue Notes with a savings in interest expense of approximately \$480,000 over the next 10 years.
- The Authority’s operating and miscellaneous revenues decreased \$89,004 over FY2019 and operating expenses increased by \$280,434 or 2.87% from FY2019 (Table 2).
- Operating expenses were \$9.389 million, which was 8.6% less than budget.
- Subsequent to the end of the fiscal year, the Authority received \$13,250,000 in additional grants from the Florida Department of Environmental Protection to help pay for the Septic to Sewer project referred to as the Southwest Wastewater Service Area, expanding the wastewater collection system for Pine Ridge Park and Okee-Tantie Wastewater Improvements.
- The Authority’s total capital assets, before accumulated depreciation, increased by approximately \$0.7 million from FY2019 (Table 3).

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis (MD&A) is intended to serve as an introduction to the Authority’s 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 entities. The costs of providing goods or services are primarily recaptured primarily through user charges for water and wastewater services. 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. It provides information about the nature and amounts of investments in resources (assets) and the obligations to 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. These two statements help the reader understand the Authority's profitability and credit worthiness.

The third 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 sources of cash, uses of cash, and changes in cash balances during the reporting period may be found in the *Statement of Cash Flows*.

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 fiscal 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 and 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 \$2,105,724. The condensed analysis below focuses on the Authority's net position (Table 1) and changes in net position from fiscal year 2019 to fiscal year 2020.

Table 1
Net Position

	<u>FY2020</u>	<u>FY2019</u>	<u>Net Change</u>	
Net Capital Assets	\$ 62,839,322	\$ 59,932,088	\$ 2,907,234	4.85%
Restricted Assets	5,034,317	5,767,433	(733,116)	(12.71%)
Current and Other Assets	7,034,423	8,455,640	(1,421,217)	(16.81%)
Total assets	\$ 74,908,062	\$ 74,155,161	\$ 752,901	1.02%
Total deferred outflows	\$ 889,454	\$ 1,216,010	\$ (326,556)	(26.85%)
Noncurrent Liabilities	\$ 19,769,828	\$ 21,463,413	\$ (1,693,585)	(7.89%)
Liabilities Payable from Restricted Assets	590,071	586,370	3,701	0.63%
Current Liabilities	2,760,758	2,995,307	(234,549)	(7.83)%
Total liabilities	\$ 23,120,657	\$ 25,045,090	\$ (1,924,433)	(7.68%)
Total deferred inflows	\$ 571,809	\$ 326,755	\$ 245,054	75.00%
Net Investment in Capital Assets	\$ 42,498,667	\$ 38,353,565	\$ 4,145,102	10.81%
Restricted for Capital Projects	2,168,736	2,152,317	16,419	0.76%
Restricted for Debt Service	99,091	627,806	(528,715)	(84.22%)
Restricted for Rate Stabilization	1,890,225	2,400,940	(510,715)	(21.27%)
Restricted for Pension Benefits	286,195	-	286,195	
Unrestricted Net Position	5,162,136	6,464,698	(1,302,562)	(20.15%)
Total Net Position	\$ 52,105,050	\$ 49,999,326	\$ 2,105,724	4.21%

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

Table 2
Revenues and Expenses

	<u>FY2020</u>	<u>FY2019</u>	<u>Net Change</u>	
Revenue				
Water System Revenue	\$ 6,500,587	\$ 6,325,675	\$ 174,912	2.77%
Waste Water System Revenue	3,856,063	3,821,544	34,519	0.90%
Miscellaneous Revenue	172,391	223,864	(51,473)	(22.99%)
Non-Operating Revenue	199,322	446,284	(246,962)	(55.34%)
Total Revenue	<u>\$ 10,728,363</u>	<u>\$ 10,817,367</u>	<u>\$ (89,004)</u>	<u>(0.82%)</u>
Expenses				
Operating Expenses	\$ 9,389,095	\$ 9,044,398	\$ 344,697	3.81%
Non-Operating Expenses	668,593	732,856	(64,263)	(8.77%)
Total Expenses	<u>\$ 10,057,688</u>	<u>\$ 9,777,254</u>	<u>\$ 280,434</u>	<u>2.87%</u>
Excess Revenue over Expenses				
Before Capital Contributions	\$ 670,675	\$ 1,040,113	\$ (369,438)	(35.52%)
Capital Contributions	1,435,049	385,318	1,049,731	272.43%
Total change in net position	<u>\$ 2,105,724</u>	<u>\$ 1,425,431</u>	<u>\$ 680,293</u>	<u>47.73%</u>
Beginning Net Position	<u>49,999,326</u>	<u>48,573,895</u>	<u>1,425,431</u>	<u>2.93%</u>
Ending Net Position	<u>\$ 52,105,050</u>	<u>\$ 49,999,326</u>	<u>\$ 2,105,724</u>	<u>4.21%</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the Authority had \$62,839,322 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, equipment and construction in process.

The Authority's total capital assets increased after accumulated depreciation from last year by approximately \$2,900,000 as reflected in the following table (Table 3):

Table 3
Changes in Capital Assets

	<u>FY2020</u>	<u>FY2019</u>	<u>Net Change</u>
Land and Easements	\$ 2,743,323	\$ 2,497,428	\$ 245,895
Buildings	1,108,764	993,404	115,360
Equipment	4,142,602	4,158,844	(16,242)
Distribution & Collection System	94,222,095	93,826,246	395,849
	<u>\$ 102,216,784</u>	<u>\$ 101,475,922</u>	<u>\$ 740,862</u>
Less: Accumulated Depreciation	(46,536,468)	\$ (43,995,091)	\$ (2,541,377)
	<u>\$ 55,680,316</u>	<u>\$ 57,480,831</u>	<u>\$ (1,800,515)</u>
Construction in Process	7,159,006	2,451,257	4,707,749
	<u>\$ 62,839,322</u>	<u>\$ 59,932,088</u>	<u>\$ 2,907,234</u>

The Authority plans each year for capital improvement projects. Some projects are completed within the fiscal year, and other projects take longer than a year to complete. The surface water treatment plant's Storage Water Tank Project listed below is the construction of a three-million-gallon water tank at a cost of approximately \$5.7 million. The Storage Water Tank and the SE 8th Ave Water Main Replacement projects will be completed during fiscal year September 30, 2021.

Table 4 below reflects the major additions and costs incurred as of September 30, 2020.

Table 4
Capital Improvement Projects

Lakeview Estates Wastewater Facility	\$ 354,589
Pine Ridge Park Wastewater expansion	108,290
SE 8 th Ave Water Main Replacement	802,297
SW Wastewater Area Septic to Sewer	494,229
SWTP Storage Water Tank Project	5,156,345
Other Projects	243,256
Total Ongoing CIP Projects	<u><u>\$ 7,159,006</u></u>

See *Notes to the Financial Statements (Note 6)* for additional information related to capital assets.

Debt Management

On September 30, 2020, the Authority had State Revolving Loans and notes payable outstanding in the amount of \$21,023,842. The Authority refunded its notes payable on April 1, 2020 in the amount of \$16,390,000 reducing future interest expense by approximately \$480,000. The total principal repaid in FY2020 was \$1,287,391. See *Notes to the Financial Statements (Note 7)* for additional information related to State Revolving Loans and notes payable.

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 an annual basis. In the most recent fiscal year ended September 30, 2020, capital connection charge revenues for 53 water and 16 wastewater residential connections were received.

Florida's rural central areas do not experience the same rate of growth as both the Atlantic and Gulf coastal areas. Given current economic environment, a modest growth in the number of connections is anticipated to be realized from new construction on vacant sites in the existing developed sections of the Authority's service area rather than through planned new developments.

The City of Okeechobee is approximately forty-five minutes to one hour from the Atlantic coast. The main east and west access highways to the Atlantic coastal area 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.

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, which is greater than the existing customer base of approximately nine thousand five hundred sixty-nine (9,569) residential connections. The Authority's current wastewater treatment plant with three million gallons per day (3mgd) of total treatment capacity can accommodate approximately twelve thousand (12,000) additional wastewater customers, which is greater than the existing customer base of approximately four thousand four hundred fifty-three (4,453). In the near-term projection of five years, this available capacity is more than adequate to accommodate the projected level of customer growth.

This MD&A report is designed to provide a general overview of the Okeechobee Utility Authority's financial health for those interested in the Authority's financial condition. Questions concerning the information provided in this report or requests for additional information should be addressed to George Gall, Finance Director, 100 SW 5th Avenue, Okeechobee, Florida, 34974-4221. An audit of the 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, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,344,885
Investments	1,110,000
Interest receivable	8,489
Receivables:	
Grants	786,992
Accounts receivable, less allowance for uncollectible accounts of \$194,810	1,174,106
Inventories	535,740
Prepaid expenses	74,211
Total current assets	7,034,423

NONCURRENT ASSETS

Restricted assets:	
Cash and cash equivalents	4,358,122
Investments	390,000
Net pension asset	286,195
Capital assets:	
Land	2,743,323
Utility plants	99,473,461
	102,216,784
Less accumulated depreciation	(46,536,468)
	55,680,316
Construction in progress	7,159,006
Total capital assets	62,839,322
Total noncurrent assets	67,873,639

TOTAL ASSETS	74,908,062
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DEFERRED OUTFLOWS OF RESOURCES

Pension related items	206,267
Deferred loss on bond refunding, net	683,187
	889,454

TOTAL DEFERRED OUTFLOWS OF RESOURCES	889,454
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 529,423
Accrued expenses	104,277
Due to other governments	30,787
Bonds payable (current)	2,028,143
Accrued compensated absences (current)	76,754
Payable from restricted assets:	
Accrued interest	4,143
Customer deposits	585,928
Total current liabilities	<u>3,359,455</u>

NONCURRENT LIABILITIES

Long-term portion of bonds payable	18,995,699
Long-term portion of compensated absences	179,092
Accrued OPEB payable	50,665
Unearned revenues:	
Connection fees	71,111
Developer fees	464,635
Total noncurrent liabilities	<u>19,761,202</u>

TOTAL LIABILITIES 23,120,657

DEFERRED INFLOWS OF RESOURCES

Pension related items	<u>571,809</u>
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NET POSITION

Net investment in capital assets	42,498,667
Restricted for capital projects	2,168,736
Restricted for debt service	99,091
Restricted for rate stabilization	1,890,225
Restricted for pension benefits	286,195
Unrestricted	5,162,136
TOTAL NET POSITION	<u>\$ 52,105,050</u>

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, 2020

OPERATING REVENUE	
Water system charges for services	\$ 6,500,587
Wastewater system charges for services	3,856,063
Penalties and late charges	82,542
Miscellaneous	89,849
Total operating revenues	<u>10,529,041</u>
OPERATING EXPENSES	
Water services	1,368,926
Wastewater services	1,007,380
Maintenance	1,972,099
Meter reader	214,529
Administrative and general	2,079,687
Depreciation and amortization	2,746,474
Total operating expenses	<u>9,389,095</u>
OPERATING INCOME	<u>1,139,946</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	157,694
Interest expense	(613,093)
Debt issuance costs	(55,500)
Operating grants	41,628
Total nonoperating revenues (expenses)	<u>(469,271)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>670,675</u>
CAPITAL CONTRIBUTIONS	
Capital grants	1,113,337
Water capital connection fees	22,321
Wastewater capital connection fees	74,961
Developer contributions for capital projects	224,430
Total capital contributions	<u>1,435,049</u>
INCREASE IN NET POSITION	2,105,724
NET POSITION, BEGINNING OF PERIOD	<u>49,999,326</u>
NET POSITION, END OF PERIOD	<u><u>\$ 52,105,050</u></u>

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 10,553,928
Payments to suppliers	(3,694,656)
Payments to employees	(2,527,539)
Payments for employee benefits	<u>(941,133)</u>
Net cash provided (used) by operating activities	<u>3,390,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(5,318,609)
Note and loan principal payments	(17,677,391)
Note and loan interest paid	(482,065)
Note issuance costs and prepayment penalty on refunding	(137,450)
Note Proceeds	16,390,000
Capital connection fees received	145,483
Capital grants	<u>752,460</u>
Net cash (used) by capital and related financing activities	<u>(6,327,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,500,000)
Proceeds from investments	3,330,935
Interest on investments	<u>174,175</u>
Net cash provided by investing activities	<u>2,005,110</u>
Net increase (decrease) in cash and cash equivalents	(931,862)
Cash and cash equivalents at beginning of year	<u>8,634,869</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,703,007</u></u>

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows - Proprietary Fund (continued)
For the Fiscal Year Ended September 30, 2020

CASH AND CASH EQUIVALENTS CLASSIFIED AS:

Current assets	\$ 3,344,885
Restricted assets	4,358,122
Total	\$ 7,703,007

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

Operating Income	\$ 1,139,946
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in net pension liability and related deferred amount:	(38,390)
Operating grants	757
Depreciation and amortization	2,746,474
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	19,983
(Increase) decrease in inventory	(2,676)
(Increase) decrease in prepaid expenses	(64,978)
Increase (decrease) in accounts payable	(394,791)
Increase (decrease) in accrued liabilities	17,271
Increase (decrease) in compensated absences	(16,668)
Increase (decrease) in OPEB	(20,694)
Increase (decrease) in deposits	4,147
Increase (decrease) in due to other governments	219
Total adjustments	2,250,654
Net cash provided (used) by operating activities	\$ 3,390,600
Noncash investing, capital and financing activities	
Developer contributions of lines and equipment	\$ 181,436

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Fiduciary Net Position
Pension Trust Fund
September 30, 2020

ASSETS	
Cash and cash equivalents	\$ 173,684
Contributions receivable	
Employee	10,045
Employer	23,774
Investments: (at fair value)	
Mutual funds- fixed income	3,458,015
Mutial funds - international equity	923,851
Mutial funds - domestic equity	5,594,002
Total investments	<u>9,975,868</u>
TOTAL ASSETS	<u>10,183,371</u>
LIABILITIES	
Accounts payable	7,137
Due to brokers	<u>33,819</u>
TOTAL LIABILITIES	<u>40,956</u>
FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 10,142,415</u></u>

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, 2020

ADDITIONS	
Contributions	
Employer	\$ 317,039
Plan members	133,961
Total contributions	<u>451,000</u>
Investment income	
Net appreciation in fair value of investments	846,594
Interest and dividends	240,729
	<u>1,087,323</u>
Less: investment expenses	(20,250)
Net investment income	<u>1,067,073</u>
TOTAL ADDITIONS	<u><u>1,518,073</u></u>
DEDUCTIONS	
Benefits paid to participants	307,190
Refunds due on terminations	21,411
Administrative expenses	52,827
	<u>381,428</u>
TOTAL DEDUCTIONS	<u><u>381,428</u></u>
NET INCREASE	1,136,645
FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS	
Beginning of year	9,005,770
End of year	<u><u>\$ 10,142,415</u></u>

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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 Employees’ Pension Trust Fund.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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.

The Employees' Pension Trust Funds also uses the accrual basis of accounting and the economic resources measurement focus.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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, 2020 on September 9, 2019.

Deposits and Investments

Cash and cash equivalents include amounts on deposit in demand accounts, money market accounts, and money market mutual funds. 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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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	15-25 years
Equipment	3-10 years

Unearned Revenues

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

OKEECHOBEE UTILITY AUTHORITY

Notes to Financial Statements

September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position reports 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 reports 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, 2020, are reflected in the accounts of the Authority for vested (not contingent on an employee's future services) vacation and sick leave benefits.

OKEECHOBEE UTILITY AUTHORITY

Notes to Financial Statements

September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the net position consists of constraints placed on the net position by 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.

OKEECHOBEE UTILITY AUTHORITY

Notes to Financial Statements

September 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS

Authority Deposits

As of September 30, 2020, the carrying amount of the Authority’s book balance for deposits in “Qualified Public Depositories” was \$8,088,505 and the bank balance was \$7,700,257. The Authority also had \$2,750 in petty cash for a total carrying amount of \$7,703,007.

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 money market and savings accounts, certificates of deposits, money market funds, bonds, notes, bills 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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Authority Investments (Continued)

The Authority had the following investments as of September 30, 2020:

	<u>Maturity (Days)</u>	<u>S&P Rating</u>	<u>Fair Value</u>
US Treasury Notes	15	AA+	\$ 500,000
US Treasury Notes	76	AA+	1,000,000

The U.S. Treasury Notes are categorized as Level 1 of the fair value hierarchy.

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, 2020:

Cash on hand	\$ 2,750
Deposits held by public depositories	7,700,257
US Treasury Notes	<u>1,500,000</u>
Total cash and cash equivalents and investments	<u>\$ 9,203,007</u>

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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, 2020, as follows:

Current cash and cash equivalents	\$ 3,344,885
Current investments	1,110,000
Restricted cash and cash equivalents	4,358,122
Restricted investments	<u>390,000</u>
Total cash and cash equivalents and investments	<u>\$ 9,203,007</u>

General Employees' 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.

OKEECHOBEE UTILITY AUTHORITY

Notes to Financial Statements

September 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employees' 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, 2020.

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.

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.

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. The gain or loss on financial instruments is recognized in the changes in net position as part of investment income.

OKEECHOBEE UTILITY AUTHORITY

Notes to Financial Statements

September 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employees’ Pension Trust Fund (Continued)

The following is a list of the Plan’s investments by categories of risk as of September 30, 2020:

	2020	
	Historical Cost	Fair Value
Money Market Mutual Funds	\$ 173,684	\$ 173,684
Mutual Funds – Domestic Equity	3,263,501	3,458,015
Mutual Funds – International Equity	770,082	923,851
Mutual Funds - Fixed Income	3,706,647	5,594,002
	<u>\$ 7,913,914</u>	<u>\$ 10,149,552</u>

The money market mutual funds consist of investments with financial institutions in open end, institutional, money market funds complying with Securities and Exchange Commission (SEC) Rule 2a7. Rule 2a7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, and requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. Money market mutual funds are exempt from the GASB 72 fair value hierarchy disclosures and are recorded as cash and cash equivalents on the Statement of Fiduciary Net Position.

Investment Measurement at Fair Value

The Plan 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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Employees’ 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. 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 fair value measurements as of September 30, 2020:

	Fair Value Measurement			
Balance	Level 1	Level 2	Level 3	
Investments by fair value level				
Mutual Funds – Domestic Equity	\$ 5,594,002	\$ 5,594,002	\$	\$
Mutual Funds – International Equity	923,851	923,851		
Mutual Funds - Fixed Income	3,458,015		3,458,015	
	\$ 9,975,868	\$ 6,517,853	\$ 3,458,015	\$

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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Employees’ Pension Trust Fund (Continued)

Investment Measurement at Fair Value (Continued)

Credit risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Credit risk does not apply to the Plan’s investments at this time.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risks.

At September 30, 2020, the fixed income mutual fund was invested 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 4.8 years of September 30, 2020.

Concentrations of credit risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. Not more than five (5) percent of the Plan’s assets shall be invested in the common stock or capital stock of any one issuing company.

Investing in Foreign Markets – Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

NOTE 3 – INVENTORY

Inventory was comprised of the following at September 30, 2020:

Chemicals	\$ 17,380
Parts and supplies	<u>518,360</u>
Total inventory	<u>\$ 535,740</u>

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of the following accounts as of September 30, 2020:

Renewal, replacement & improvement	\$ 521,440
Capital connection water	480,424
Capital connection wastewater and treatment plant	960,353
Fire hydrant	<u>206,519</u>
Total restricted for capital projects	2,168,736
Debt service	103,233
Rate stabilization	1,890,225
Customer deposits	<u>585,928</u>
 Total restricted assets	 <u>\$ 4,748,122</u>

NOTE 5 – UNRESTRICTED NET POSITION

Unrestricted net position consists of the following as of September 30, 2020:

Designated:	
Capital improvement project	\$ 383,677
Operating reserve	1,899,567
Emergency funding	<u>631,300</u>
Total designated	2,914,544
Undesignated	<u>2,247,592</u>
Total unrestricted net position	<u>\$ 5,162,136</u>

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 6 – CAPITAL ASSETS

Capital assets are summarized as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital assets, not being depreciated</u>				
Land	\$ 2,497,428	\$ 252,195	\$ (6,300)	\$ 2,743,323
Construction in progress	<u>2,451,257</u>	<u>5,003,565</u>	<u>(295,816)</u>	<u>7,159,006</u>
Total capital assets not being depreciated	<u>4,948,685</u>	<u>5,255,760</u>	<u>(302,116)</u>	<u>9,902,329</u>
<u>Capital assets being depreciated</u>				
Buildings	993,404	115,360		1,108,764
Equipment	4,158,844	35,191	(51,433)	4,142,602
Distribution and collection plant	<u>93,826,246</u>	<u>395,849</u>	<u> </u>	<u>94,222,095</u>
Total capital assets being depreciated	<u>98,978,494</u>	<u>546,400</u>	<u>(51,433)</u>	<u>99,473,461</u>
<u>Less accumulated depreciation for</u>				
Buildings	(579,022)	(36,652)		(615,674)
Equipment	(3,248,701)	(183,671)	51,433	(3,380,939)
Distribution and collection Plant	<u>(40,167,368)</u>	<u>(2,372,487)</u>	<u> </u>	<u>(42,539,855)</u>
Total accumulated depreciation	<u>(43,995,091)</u>	<u>(2,592,810)</u>	<u>51,433</u>	<u>(46,536,468)</u>
Total capital assets being depreciated, net	<u>54,983,403</u>	<u>(2,046,410)</u>	<u> </u>	<u>52,936,993</u>
Total capital assets, net	<u>\$59,932,088</u>	<u>\$ 3,209,350</u>	<u>\$ (302,116)</u>	<u>\$62,839,322</u>

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 7 – LONG-TERM LIABILITIES

Loans Payable from Direct Borrowings and Direct Placements

Pledged Revenues

All rates, fees, charges, or other income, received by the Authority excluding (1) Pledged Capital Connection Charges, (2) Unpledged Capital Connection Charges, (3) Special Assessments, (4) capital contributions, and (5) earnings and investment income derived from moneys described in clauses (1) through (3) are pledged for the payment of the Capital Improvement Refunding Revenue Notes, Series 2020 and the Loan Agreement WW615100.

Current Refunding

The Utility System Capital Improvement Refunding Revenue Note, Series 2020A was issued to current refund the Capital Improvement Refunding Revenue Note, Series 2017A. The reacquisition price exceeded the net carrying amount of the old debt by \$213,617. This amount is reported as a deferred outflow of resources in the statement of net position and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The debt service requirements on the new debt are \$35,509 less than the debt service requirements on the retired debt. The economic gain on the current refunding transaction was \$60,157. The Series 2017A bonds were called and paid in full April 1, 2020.

The Utility System Capital Improvement Refunding Revenue Note, Series 2020B was issued to current refund the Capital Improvement Refunding Revenue Note, Series 20170B. The reacquisition price exceeded the net carrying amount of the old debt by \$539,267. This amount is reported as a deferred outflow of resources in the statement of net position and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The debt service requirements on the new debt are \$449,185 less than the debt service requirements on the retired debt. The economic gain on the current refunding transaction was \$420,558. The Series 2017B bonds were called and paid in full April 1, 2020.

Capital Improvement Refunding Revenue Notes, Series 2020

On April 1, 2020, the Authority issued \$16,390,000 Capital Improvement Refunding Revenue Notes, Series 2020 with Truist Bank (the Senior Debt). The notes were issued to provide funds to refund the Capital Improvement Refunding Revenue Note, Series 2017.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Loans Payable from Direct Borrowings and Direct Placements (Continued)

Capital Improvement Refunding Revenue Notes, Series 2020 (Continued)

The Series 2020 Notes are comprised of \$7,340,000 Series 2020A and \$9,050,000 Series 2020B as follows:

<u>Series</u>	<u>Original Face Amount</u>	<u>Interest Rate</u>	<u>Mandatory Redemption Beginning October 1</u>	<u>Maturity</u>
2020A	\$7,340,000	1.79%	2020	October 1, 2025
2020B	9,050,000	2.05%	2020	October 1, 2030

Principal and interest is to be paid semiannually on each April 1 and October 1, through October 1, 2030. As of September 30, 2020, the balance due on Series 2020A and 2020B is \$6,703,000 and \$8,975,000, respectively.

The Authority is to maintain a Debt Service Account that is funded monthly to fund semi-annual Debt Service Payments, and maintain a Renewal Replacement and Improvement Account of 5% of Gross Revenues of the preceding fiscal year. In the event of default in the payment of interest or principal of any of the bonds or any other event of default and such default shall continue for a period of sixty days, any Holder shall be entitled to the appointment of a receiver to manage the System in an appropriate judicial proceeding.

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 (the Department) under the State Revolving Fund Loan Program (The Junior Debt). The amount outstanding as of September 30, 2020, was \$5,345,842. 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 2020A and Capital Improvement Refunding Revenue Note, Series 2020B.

The Authority is to 1) establish rates and collect fees to provide Net Revenues of at least 1.15 times the Annual Debt Service Requirement for the Notes, 2) maintain a Debt Service Account that is funded monthly to fund semi-annual Debt Service Payments, and 3) satisfy the debt service coverage requirements of the Senior Debt. Any amount due and not paid when due shall bear interest rate at a default rate equal to 3.86%.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Loans Payable from Direct Borrowings and Direct Placements (Continued)

Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues the Department may (1) apply to a court of competent jurisdiction, cause to appoint a receiver to manage the System, or (2) may accelerating the repayment schedule or increase the interest rate on the unpaid principal of the loan.

Debt service requirements to amortize long term debt at September 30, 2020 are as follows:

Year Ended	Principal	Interest	Total
2021	\$ 2,028,143	\$ 394,168	\$ 2,422,311
2022	2,073,096	356,854	2,429,950
2023	2,113,253	318,753	2,432,006
2024	2,153,619	279,859	2,433,478
2025	2,212,198	240,170	2,452,368
2025-2030	10,443,533	554,654	10,998,187
	<u>\$ 21,023,842</u>	<u>\$ 2,144,458</u>	<u>\$ 23,168,300</u>

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	\$22,311,233	\$ 16,390,000	\$ (17,677,391)	\$21,023,842	\$ 2,028,143
Compensated absences	272,513	145,804	(162,472)	255,845	76,754
Net pension liability (1)	274,282		(274,282)		
OPEB liability	71,359		(20,694)	50,665	
Total long-term liabilities	<u>\$22,929,387</u>	<u>\$ 16,535,804</u>	<u>\$ (18,134,839)</u>	<u>\$21,330,352</u>	<u>\$ 2,104,897</u>

(1) At September 30, 2020, the Authority had a net pension asset of \$286,195.

Interest Expense

Interest expense for the year ended September 30, 2020 was \$613,093, which consisted of \$131,474 amortization of deferred costs from the issuance of bonds in prior years and interest costs incurred of \$481,619. Total interest paid during the year was \$482,065.

OKEECHOBEE UTILITY AUTHORITY

Notes to Financial Statements

September 30, 2020

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. The early retirement reduction factor is 2% per year.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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, 2020:

Retired Plan Members or Beneficiaries	
currently receiving benefits	21
Inactive Plan Members entitled to but	
not yet receiving benefits	4
Drop Participants	-
Active Plan Members	<u>50</u>
Total	<u>75</u>

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 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.

OKEECHOBEE UTILITY AUTHORITY

Notes to Financial Statements

September 30, 2020

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Contributions (Continued)

The Utility Authority was to fund the pension plan at the rate of 14.20% of covered payroll for plan participants based on the 2018 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, 2019 updated to September 30, 2020 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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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, 2020, 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	<u>100%</u>	

*Net of long-term inflation assumption of 2.5%

Rate of Return.

For the year ended September 30, 2020, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 6.24 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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

The components of the net pension liability at September 30, 2020, were as follows:

Description	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2019	\$ 9,280,052	\$ 9,005,770	\$ 274,282
Changes due to:			
Service cost	285,901		285,901
Interest	655,548		655,548
Differences between expected and actual experience	(36,680)		(36,680)
Change of Assumptions			
Employer contributions		317,039	(317,039)
Employee contributions		133,961	(133,961)
Benefit payments and refunds	(328,601)	(328,601)	
Net investment income		1,067,073	(1,067,073)
Administrative expenses		(52,827)	52,827
Total changes	<u>576,168</u>	<u>1,136,645</u>	<u>(560,477)</u>
Balances at September 30, 2020	<u>\$ 9,856,220</u>	<u>\$ 10,142,415</u>	<u>\$ (286,195)</u>

The Plan fiduciary net position was 102.90% of the total pension liability as of September 30, 2020.

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	<u>\$ 1,025,006</u>	<u>\$ (286,195)</u>	<u>\$ (1,375,593)</u>

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Pension expense and deferred outflows and inflows of resources

For the fiscal year ended September 30, 2020, the Authority recognized pension expense of \$278,649. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 110,397	\$ 301,916
Change of assumptions	95,870	
Net difference between projected and actual earnings on plan investments		<u>269,893</u>
Total	<u>\$ 206,267</u>	<u>\$ 571,809</u>

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:

<u>Year ended September 30:</u>	<u>Amount</u>
2020	\$ (82,341)
2021	(56,123)
2022	(45,767)
2023	(125,401)
2024	(50,226)
Thereafter	<u>(5,684)</u>
	<u>\$ (365,542)</u>

Payables to the Pension Plan

At September 30, 2020, the Authority did not have a payable for outstanding contributions to the Pension Plan for the fiscal year ended September 30, 2020.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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, 2020, the following employees were covered by benefit terms:

Participants	
Active employees	51
Inactive employees currently receiving benefits	3
Inactive employees entitled to but not receiving benefits	<u>-</u>
Total	<u>54</u>

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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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

Total OPEB Liability

The Authority's total OPEB liability of \$50,665 was measured as of September 30, 2020 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, 2020
Discount Rate:	2.37% per annum
Average Retirement Age	63
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:	13%
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 2.37%.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2019	\$ 71,359
Changes for the Year:	
Service Cost	4,304
Interest Cost	2,436
Changes of Assumptions and Other Inputs	4,176
Differences Between Expected and Actual Experience	(31,610)
Benefit Payments	
Net Change in Total OPEB Liability	(20,694)
Balance at September 30, 2020	\$ 50,665

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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

Changes in Assumptions

The discount rate was 3.22% at 10/1/19 and 2.37% at 9/30/20.

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 or 1-percentage-point higher than the current discount rate:

	1.0% Decrease (1.37%)	Discount Rate (2.37%)	1.0% Increase (3.37%)
Total OPEB Liability	\$ 56,860	\$ 50,665	\$ 45,835

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	\$ 45,169	\$ 50,665	\$ 57,803

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

For the year ended September 30, 2020, the Authority recognized OPEB credit of \$20,694

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.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

NOTE 11 – COMMITMENTS

As of September 30, 2020, the Authority had commitments on outstanding engineering and construction contracts for improvements to the system of approximately \$2,294,544.

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 2020 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, 2020, 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 – CORONAVIRUS

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could be significantly adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2020

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 this statement 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, 2022.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Service cost	\$ 2,113	\$ 3,493	\$ 4,304
Interest on total OPEB liability	1,636	3,107	2,436
Effect of economic/demographic gains or losses	26,276	(22,138)	(31,610)
Effect of assumption changes	<u>(11,009)</u>	<u>4,796</u>	<u>4,176</u>
Net change in total OPEB Liability	19,016	(10,742)	(20,694)
Total OPEB liability - beginning	<u>63,085</u>	<u>82,101</u>	<u>71,359</u>
Total OPEB liability - ending	<u>\$ 82,101</u>	<u>\$ 71,359</u>	<u>\$ 50,665</u>
<u>Change of Assumptions</u>			
Discount rate	<u>3.63%</u>	<u>3.22%</u>	<u>2.37%</u>

At 10/1/17 the discount rate was 2.51%

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total pension liability:				
Service cost	\$ 285,610	\$ 282,926	\$ 269,093	\$ 285,901
Interest	723,860	595,025	616,927	655,548
Differences between expected and actual experience		181,813	(383,010)	(36,680)
Change of assumptions	109,828			
Benefit payments, including refunds of employee contributions	<u>(206,413)</u>	<u>(319,132)</u>	<u>(300,238)</u>	<u>(328,601)</u>
Net change in total pension liability	912,885	740,632	202,772	576,168
Total pension liability - beginning	<u>7,423,763</u>	<u>8,336,648</u>	<u>9,077,280</u>	<u>9,280,052</u>
Total pension liability - ending (a)	<u>\$ 8,336,648</u>	<u>\$ 9,077,280</u>	<u>\$ 9,280,052</u>	<u>\$ 9,856,220</u>
Plan fiduciary net position				
Contributions - employer	\$ 287,362	\$ 325,097	\$ 336,605	\$ 317,039
Contributions - employees	130,765	129,178	128,067	133,961
Net investment income	831,485	703,480	327,727	1,067,073
Benefit payments, including refunds of employee contributions	<u>(206,413)</u>	<u>(319,132)</u>	<u>(300,238)</u>	<u>(328,601)</u>
Administrative expenses	<u>(52,151)</u>	<u>(72,819)</u>	<u>(59,018)</u>	<u>(52,827)</u>
Net change in plan fiduciary net position	991,048	765,804	433,143	1,136,645
Plan fiduciary net position - beginning	<u>6,815,775</u>	<u>7,806,823</u>	<u>8,572,627</u>	<u>9,005,770</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,806,823</u>	<u>\$ 8,572,627</u>	<u>\$ 9,005,770</u>	<u>\$ 10,142,415</u>
Net pension liability (a) - (b)	<u>\$ 529,825</u>	<u>\$ 504,653</u>	<u>\$ 274,282</u>	<u>\$ (286,195)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>93.64%</u>	<u>94.44%</u>	<u>97.04%</u>	<u>102.90%</u>
Covered payroll	<u>\$ 2,179,417</u>	<u>\$ 2,152,963</u>	<u>\$ 2,134,469</u>	<u>\$ 2,232,670</u>
Net pension liability as a percentage of covered payroll	<u>24.31%</u>	<u>23.44%</u>	<u>12.85%</u>	<u>(12.82)%</u>

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

<u>Fiscal Year Ended September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Authority's Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2017	303,157	287,362 *	(15,795) *	2,179,417	13.19%
2018	302,922	325,097	22,175	2,152,963	15.10%
2019	335,965	336,605	640	2,134,469	15.77%
2020	317,039	317,039	-	2,232,670	14.20%

* 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

<u>Fiscal Year Ending September 30</u>	
2017	10.83%
2018	8.11%
2019	3.21%
2020	6.24%

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, 2020

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, 2018

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 BB



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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Okeechobee Utility Authority as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2021.

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) as a basis for designing 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 & Mimer, P.A.

West Palm Beach, Florida
March 22, 2021



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major State Project

We have audited the Okeechobee Utility Authority’s compliance with the types of compliance requirements described in the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on the Okeechobee Utility Authority’s major State project for the year ended September 30, 2020. The Okeechobee Utility Authority’s major State project is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects applicable to its State project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Okeechobee Utility Authority’s major State project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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. Those standards and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Okeechobee Utility Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance of the major State project. However, our audit does not provide a legal determination of the Okeechobee Utility Authority's compliance.

Opinion on Each Major State Project

In our opinion, the Okeechobee Utility Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State project for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the Okeechobee Utility Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Okeechobee Utility Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major State project as basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Okeechobee Utility Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 22, 2021

OKEECHOBEE UTILITY AUTHORITY
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2020

<u>State Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Contract Number</u>	<u>State Expenditures</u>
<u>Florida Department of Environmental Protection</u>			
<u>Statewide Water Quality Restoration Projects</u>	37.039		
		LP47012	\$ 361,639
		LP47021	56,784
		LPQ0008	586,624
		LPQ0017	108,290
			<u>1,113,337</u>
Total State Financial Assistance			<u>\$ 1,113,337</u>

NOTE 1 - BASIS OF PRESENTATION

The above schedule of expenditures of state financial assistance includes State grant activity of the Okeechobee Utility Authority and is presented in accordance with the requirements of the Florida Single Audit Act. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the Schedule presents only a portion of the operations of the Okeechobee Utility Authority it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Okeechobee Utility Authority.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Florida Department of Financial Services' State Projects Compliance Supplement, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Okeechobee Utility Authority did not have any loan programs.

NOTE 3 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Okeechobee Utility Authority for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable State laws and regulations.

OKEECHOBEE UTILITY AUTHORITY
Schedule of Findings and Questioned Costs
September 30, 2020

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified Opinion

Internal control over financial reporting:

- Material weakness identified? No
- Reportable condition identified that is not considered to be a material weakness? No

Noncompliance material to financial statements noted? No

State Financial Assistance

Internal control over major projects:

- Material weakness identified? No
- Reportable condition identified that is not considered to be a material weakness? None reported

Type of auditor’s report issued on compliance for major project: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General? No

Identification of Major State Project

<u>CSFA Number</u>	<u>Name of State Project</u>
37.039	Florida Department of Environmental Protection <ul style="list-style-type: none"> • Statewide Water Quality Restoration Projects

Dollar threshold used to distinguish between type A and type B programs: \$300,000

OKEECHOBEE UTILITY AUTHORITY
Schedule of Findings and Questioned Costs
September 30, 2020

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III— STATE PROJECTS FINDINGS AND QUESTIONED COSTS

Major State Project

Florida Department of Environmental Protection
Statewide Water Quality Restoration Projects – CSFA 37.069

None

SECTION IV— SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None



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

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

Report on the Financial Statements

We have audited the financial statements of the Okeechobee Utility Authority, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 22, 2021.

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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 and schedule, which are dated March 22, 2021, 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

Sections 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, 2020.

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 more than \$750,000 of state financial assistance for the fiscal year ended September 30, 2020, and was required to have 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 & Mimes, P.A.

West Palm Beach, Florida
March 22, 2021



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

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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, 2020. 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’s 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, 2020.

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
March 22, 2021