

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM

Pension Trust Fund of the City of Okeechobee, Florida

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

September 30, 2023

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-3
Statement of Fiduciary Net Position	4
Statement of Changes in Fiduciary Net Position	5
Notes to Financial Statements.....	6-18
Supplementary Information.....	19-21
Schedules of Investment and Administrative Expenses.....	22
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	23-24

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
City of Okeechobee
Employees' Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Okeechobee Employees' Retirement System (a Pension Trust Fund of the City of Okeechobee, Florida) (the "Plan") which comprise the statement of fiduciary net position as of September 30, 2023, and the related statement of changes in fiduciary net position for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary net position of the Plan as of September 30, 2023, and the changes in its fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the city's net pension liability and related ratios, schedule of city contributions, and schedule of investment returns on pages 19-21 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

The Okeechobee Employees' Retirement System has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2024 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Plan's 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 Plan's internal control over financial reporting and compliance.



DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
January 19, 2024

CITY OF OKEECHOBEE, FLORIDA
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2023

ASSETS

Contributions Receivable	
Employer	\$ 3,156
Employee	6,109
Prepaid Expenses	1,478
Investments: (at fair value)	
Cash Equivalents	43,131
Mutual Funds - Equity	3,203,393
Mutual Funds - Fixed Income	2,159,354
TOTAL INVESTMENTS	<u>5,405,878</u>
 TOTAL ASSETS	 <u>5,416,621</u>

LIABILITIES

Accounts Payable	<u>8,237</u>
 TOTAL LIABILITIES	 <u>8,237</u>

FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 5,408,384</u></u>
---	-----------------------------------

Read accompanying notes to financial statements

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended September 30, 2023

ADDITIONS

Contributions:

Employee Contributions	\$ 67,655
Employer Contributions	34,955
Total Contributions	<u>102,610</u>

Investment Income:

Net Appreciation in Fair Value of Investments	460,665
Interest and Dividends	<u>161,920</u>
Gross Investment Income	622,585
Less: Investment Expenses	<u>(21,250)</u>
Net Investment Income	601,335

TOTAL ADDITIONS	<u>703,945</u>
-----------------	----------------

DEDUCTIONS

Benefits Paid to Participants	237,055
DROP Payments	35,204
Refunds on Termination	20,907
Administrative Expenses	<u>64,376</u>

TOTAL DEDUCTIONS	<u>357,542</u>
------------------	----------------

CHANGE IN FIDUCIARY NET POSITION	346,403
----------------------------------	---------

FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS

Beginning of Year	<u>5,061,981</u>
End of Year	<u><u>\$ 5,408,384</u></u>

-

Read accompanying notes to financial statements

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - REPORTING ENTITY

The Employees' Retirement System (Fund) of the City of Okeechobee, Florida (City) is a single-employer, defined benefit contributory pension trust established by a city ordinance in 1972 for the benefit of the City general employees and subsequently the Authority employees. The accounts of the Fund are included in the financial statements of the City of Okeechobee, Florida as a component unit in those financial statements. These financial statements are only for the Employees' Retirement System and are not intended to present the basic financial statements of the City of Okeechobee. The Fund is under the supervision of a five member local independent board of trustees. The trustees may make amendments to the plan after approval of the plan sponsor and within guidelines of applicable Florida statutes.

Prior to October 1, 2016 both the Okeechobee Utility Authority (OUA) and the general employees of the City of Okeechobee, Florida were covered by the City of Okeechobee and Okeechobee Utility Authority Employee Retirement System. The board of trustees are comprised of five members appointed by the City Council and members elected by plan participants. As of October 1, 2015, assets and liabilities were allocated to each group, and separate contributions were determined. Effective October 1, 2016, OUA members are covered by a separate Plan, the Okeechobee Utility Authority Employees' Retirement System. Historic information for October 1, 2014 and earlier reflects the combined group.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The Fund's accounting records and financial statements are prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues, which include contributions and investment income, are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. All administrative costs are financed through current income and investment earnings. Benefits paid to members and contribution refunds are recognized when due and payable in accordance with the terms of the Plan. Gains and losses from the sale or exchange of investments are recognized on the transaction date. An independent investment manager and custodial bank handles all investments and check writing duties.

The accompanying financial statements are presented in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for the defined benefit pensions established by a governmental employer. The requirements for GASB 67 require changes in presentation of the financial statements, notes to the financial statements,

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS (CONTINUED)

and required supplementary information. It is important to note that the disclosures related to GASB 67 are accounting measurements, not actuarial measurements of the funded status of the Plan, and are not used to develop employer contribution rates. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the enabling ordinance and the amendments thereto.

Valuation of Investments

Investments are reported at fair value. Short-term highly liquid investments are reported at cost, which approximates market value. Securities traded on a national exchange are valued at the last reported sales price. Shares of mutual funds, including proprietary funds and common & collective funds are valued at net asset value as reported based on the underlying investments.

There were no investments in, loans to, or leases with parties related to the pension plan as of or for the year ended September 30, 2023.

Custody of Assets

Custodial services for plan checking activities and investments are provided for the Plan under contract with a national trust company having trust powers in the State of Florida.

Federal Income Taxes

The Plan has not applied for a favorable determination letter from the Internal Revenue Service indicating that the Plan is qualified and exempt from Federal income taxes. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code. In 2013, the City Council approved amendments to the Plan to ensure they are in compliance with recent changes in the Internal Revenue Code which apply to tax qualified pension plans. The amendments include revisions to the limitations on benefit options and various distribution requirements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS (CONTINUED)

Risk and Uncertainties

Contributions to the Plan and the actuarial information included in the RSI are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is reasonably possible that changes in these assumptions may occur in the near term and could be material to the financial statements.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to September 30, 2023, to determine the need for any adjustments to and /or disclosures within the audited financial statements for the year ended September 30, 2023. Management has performed their analysis through January 19, 2024.

NOTE C - PLAN CONTRIBUTIONS AND OTHER INFORMATION

The City is the plan sponsor under a single employer public employee retirement system covering substantially all the regular employees of the City. The plan was previously treated as a cost sharing multiple- employer plan when combined with the Okeechobee Utility Authority. The Board of Trustees cannot amend the provisions of the plan without the approval of the City Council. The City's Water and Sewer Fund was transferred effective September 30, 1995 to the Okeechobee Utility Authority. Subsequent thereto, the Utility Authority and its employees continued to participate in the combined Plan until they split into their own plan October 1, 2016.

The required employer pension contributions to the General Employees' Pension Trust Fund for 2023 as calculated in the 2021 actuarial report were \$34,347.

Contributions were made in accordance with applicable Florida Statutes and meeting the actuarially determined contribution requirements as based on the benefit structure established within the Plan as approved by the plan sponsor. The employer is required to contribute an amount equal to the difference between the normal cost, as calculated for the plan year from the applicable actuarial valuation, less the member contributions for the current year. The October 1, 2022 actuarial valuation determined there was a credit of \$123,458 from the City as of September 30, 2022, which the City may use to apply to fully or in part offset the minimum required City contribution. The City 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.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE C - PLAN CONTRIBUTIONS AND OTHER INFORMATION (CONTINUED)

The City was to fund the pension plan at the rate of 3.1% of covered payroll for general plan participants based on the 2021 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.

The actuarial valuation for October 1, 2023 noted the net pension liability decreasing during the year and the plan fiduciary net position as a percentage of total pension liability increasing. The net pension liability as a percentage of covered payroll increased showing favorable trends.

The City employees' actual contributions for the year ended September 30, 2023 are as follows:

	<u>EMPLOYER</u>	<u>EMPLOYEE</u>
General Employees	<u>\$ 34,955</u>	<u>\$ 67,655</u>

At September 30, 2023, the Plan included 20 retirees and/or beneficiaries currently receiving benefits plus 5 terminated employees entitled to benefits but not yet receiving them, and 3 DROP participants. There are 30 active current employees in the Plan, of which 10 were vested and 20 were non-vested.

Principal actuarial assumptions used to measure the total pension liability in the valuation of October 1, 2023, are summarized as follows:

- Mortality- PUB-2010 Weighted General Below Median Employee Mortality Table.
- Investment valuation method – Four year market smoothing against target rate of return.
- Interest - 7% per year compounded annually, after paying investment management fees.
- Retirement age - 65 for all employees, immediately, if over assumed retirement age.
- Salary increases - 6% until the assumed retirement age.
- Cost method – Funding - Aggregate actuarial cost method for normal cost. Unit cost method for each individual vested or accrued benefit.
- Administrative expense (other than investment management fees) - actual from the preceding year.
- Inflation rate – 2.5%

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE C - PLAN CONTRIBUTIONS AND OTHER INFORMATION (CONTINUED)

Net Pension Liability of the Sponsor (GASB Statement No. 67):

	<u>9/30/2023</u>
Total Pension Liability	\$ 4,893,392
Plan Fiduciary Net Position	<u>5,406,391</u>
Sponsor's Net Pension Liability	\$ (512,999)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	110.48%

There is an immaterial difference in the fiduciary net position as calculated above when compared to the financial statements net position due to audit adjustments. Detailed information regarding the funding of the plan is contained in the Supplementary Information accompanying the financial statements beginning on page 19. The projection of benefits for the financial reporting process does not explicitly incorporate the potential effects of legal or contractual funding limitation. The plan is funded using the aggregate actuarial cost method. Under the aggregate actuarial cost method there is no unfunded actuarial accrued liability to be funded nor to be separately amortized. The State of Florida requires funding of pension contributions to be made based upon an actuarial valuation. The most recent actuarial valuation report is effective for October 1, 2023 and is included in the supplementary information. Unfunded actuarial accrued liabilities are considered when calculating the normal pension cost for the ensuing period.

NOTE D – PENSION BENEFITS

The pension plan provides retirement, death and disability benefits for its participants. Each person employed by the City as a full-time employee becomes a member of the Plan as a condition of his employment except that the City Administrator, City Administrative Assistant, or the City Council Members, may opt out of the Plan within 60 days of employment or taking office. City Council Members are not considered full-time employees, but will be allowed to participate in the Plan. 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 62 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 plan. Early retirement reduction factor is 2% per year.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE D – PENSION BENEFITS (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 instituted a deferred retirement option plan whereupon the employee could retire from the pension plan but continue employment with the City for an additional maximum period 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, they are 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 Board and ordinance.

NOTE E - CASH AND INVESTMENTS

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 Board 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. 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. 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.

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

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE E - CASH AND INVESTMENTS (CONTINUED)

The Plan uses mutual funds as the primary investment vehicle. These investments are recommended and monitored by the Board of Trustees and an investment performance monitor.

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, 2023.

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

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

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

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

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

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

The following is a list of the General Employees' Pension Trust Fund investments by categories of risk as of September 30, 2023:

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE E - CASH AND INVESTMENTS (CONTINUED)

	HISTORICAL COST	MARKET VALUE
Cash Equivalents	\$ 43,131	\$ 43,131
Investment Funds - Equity	2,544,731	3,203,393
Investment Funds - Fixed Income	2,716,772	2,159,354
	<u>\$ 5,304,634</u>	<u>\$ 5,405,878</u>

Investment Measurement at Fair Value

Fair Value Hierarchy

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

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

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

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

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

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

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE E - CASH AND INVESTMENTS (CONTINUED)

share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for 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 Fund has the following recurring fair value measurement as of September 30, 2023:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by fair value level		(Level 1)	(Level 2)	(Level 3)
Cash equivalents - temporary investments	\$ 43,131	\$ 43,131	\$ -	-
Domestic investment fund - equity	\$ 3,203,393	\$ 3,203,393	\$ -	-
Domestic investment fund - fixed income	\$ 2,159,354		\$ 2,159,354	-
Total investments by fair value level	\$ 5,405,878	\$ 3,246,524	\$ 2,159,354	-

Florida statutes and the plan investment policy authorize the Board of Trustees to invest funds in various investments. The general investment objective of the fund is to preserve the purchasing power of the fund's assets and earn a reasonable rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short term volatility of returns. The long term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.5%) to arrive at a 5.60% projected long term real rate of return net of investment expenses. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation and actual allocation as of September 30, 2023 are summarized in the following table:

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE E - CASH AND INVESTMENTS (CONTINUED)

<u>INVESTMENTS</u>	<u>PERCENT ACTUAL</u>	<u>PERCENT TARGET</u>	<u>LONG-TERM RATE OF RETURN*</u>
Domestic Equity	49.1%	50.0%	7.5%
International Equity	10.2%	10.0%	8.5%
Fixed Income	39.9%	40.0%	2.5%
Cash Equivalents	0.8%	0.0%	0.0%
Total	<u>100.0%</u>	<u>100.0%</u>	

*Net of long-term inflation assumption of 2.5%

The annual money-weighted rate of return on plan investments (calculated as the internal rate of return on plan investments, net of plan investment expense) was 12.37% for the year ended September 30, 2023. The money-weighted rate of return expresses investment performance, net of plan investment expenses, as adjusted for the changing amounts actually invested on a monthly basis.

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current rate:

	<u>1% Decrease (5.75)</u>	<u>Current Discount (6.75)</u>	<u>1% Increase (7.75)</u>
Net pension liability	\$16,001	(\$512,999)	(\$959,220)

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate of 7% was also the rate used for the previous year's calculation of net pension liability.

The general investment objective of the Fund is to preserve the purchasing power of the Fund's assets and earn a reasonable rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short-term volatility of returns.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE E - CASH AND INVESTMENTS (CONTINUED)

Risk Level

Fixed income securities have inherent financial risks, including credit risk and interest rate risk. Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. Nationally recognized statistical rating organizations ("NSROs"), such as Moody's and Standard and Poor's, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. Fixed income securities considered investment grade are those rated at least Baa by Moody's and BBB by Standard and Poor's. A minimum rating of investment grade or higher is required for at least 85% of the fixed income investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of fixed income securities. Effective duration, a commonly used measure of interest rate risk, incorporates a security's yield,

coupon, final maturity, call features and other imbedded options into one number expressed in years that indicates how price-sensitive a security or portfolio of securities is to changes in interest rates.

The effective duration of a security or portfolio indicates the approximate percentage change in fair value expected for a one percent change in interest rates. The longer the duration, the more sensitive the security or portfolio is to changes in interest rates.

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

At September 30, 2023, the fixed income fund was invested in a mutual fund primarily in high quality bonds and other fixed income securities including U.S. Government obligations, mortgage and asset-backed securities, corporate and municipal bonds, collateralized mortgage obligations, short-term instruments, and the other securities of investment grade. This fund had an effective duration of 5.7 years and effective maturity of 10.4 years as of September 30, 2023.

NOTE F – DESIGNATIONS

In past years, a portion of the plan's assets are designated for benefits that accrue in relation to the DROP account further described in Note D. Allocations and activity in the DROP account for the year ended September 30, 2023 are presented below as determined in the actuary's most recent accounting and valuation available for the fiscal year ended September 30, 2023.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE F – DESIGNATIONS (CONTINUED)

Assets at Beginning of Year	\$ 33,584
Allocated Contributions	45,076
Retirement Benefit Payments	(35,204)
Interest	<u>1,586</u>
Total Designated Plan Assets	45,042
Undesignated Plan Net Fiduciary Position	<u>5,363,342</u>
Total Plan Net Fiduciary Position	<u><u>\$ 5,408,384</u></u>

The assets shown are included in the net assets held in trust for pension benefits as reflected on the Statement of Fiduciary Net Position.

NOTE G – PLAN TERMINATION

Although it has not expressed an intention to do so, the City may terminate the Plan in accordance with the provisions for Florida Statutes and ordinance. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each participant in the Plan at the termination date would be non-forfeitable.

NOTE H – PLAN CHANGES

Effective October 1, 2021, valuation will use the mortality tables from the most recent FRS valuation as of 7/1/2023; Normal Retirement eligibility updated to earlier of 1) attainment of age sixty-two (62) and completion of five (5) years of Credited Service or 2) completion of thirty (30) years of Credited Service; Terminated vested benefits commence upon attainment of age sixty-two (62); Early retirement benefit reduction from age sixty-two (62).

Effective October 1, 2016, the mortality rates were changed from the RP-2000 Combined Healthy Participant Mortality Tables, using projection scale AA to the mortality rates used by the Florida Retirement System (FRS) for general employees, specifically the FRS RP2000 full generational mortality tables for non-risk employees. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the same mortality rates used in either of the last two actuarial valuation reports of FRS effective no later than 10/1/2016.

Effective October 1, 2015, separate actuarial valuations were prepared for both the City of Okeechobee and the Okeechobee Utility Authority as participating employers of the Plan.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE H – PLAN CHANGES (CONTINUED)

Effective October 1, 2014, the liabilities and assets were allocated and separate contribution rates were calculated for the City and for the Utility Authority. This process began with the calculation of liabilities for each group followed by splitting the assets and expenses between the two groups.

Effective August 20, 2013, the Plan was amended to change the definitions of Credited Service and Maximum Pension to comply with recent changes to the Internal Revenue Code. These changes in benefit calculations had no financial impact on the Plan.

Effective October 1, 2012, the Plan was amended to reflect a change in assumption. The assumptions were changed to update the mortality rates from the 1994 group annuity tables for males and females to the RP-2000 Combined Healthy Mortality Tables for males and females. This change will be phased in over a three-year period. The age adjustment change in mortality rates caused the employer required contribution to increase by approximately \$32,000.

**CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
GASB Statement No. 67**

Fiscal year ending September 30	2023	2022	2021	2020	2019	2018	2017	* 2016	2015	2014
Total pension liability										
Service Cost	\$ 162,179	\$ 185,154	\$ 207,835	\$ 184,223	\$ 152,255	\$ 154,529	\$ 136,373	\$ 421,387	\$ 423,417	\$ 398,575
Interest	318,751	333,968	333,141	315,828	295,453	284,633	91,058	763,785	742,720	673,663
Benefit Changes	-	-	-	90,157	-	-	-	-	-	-
Difference between actual & expected experience	(291,560)	(170,274)	242	2,277	(141,938)	20,956	-	(524,849)	35,507	(258)
Assumption Changes	49,002	-	-	(47,772)	-	-	133,790	-	194,412	0
Benefit Payments, including refunds of Member Contributions	(293,166)	(313,369)	(354,969)	(201,373)	(259,809)	(180,781)	(354,118)	(349,482)	(329,201)	(324,375)
Other*	-	-	-	-	-	-	2,641,019	-	-	-
Net Change in Total Pension Liability	(54,794)	35,479	186,249	343,340	45,961	279,337	2,648,122	310,841	1,066,855	747,605
Total Pension Liability -Beginning	4,948,186	4,912,707	4,726,458	4,383,118	4,337,157	4,057,820	1,409,698	11,400,112	10,334,257	9,586,652
Total Pension Liability -Ending (a)	4,893,392	4,948,186	4,912,707	4,726,458	4,383,118	4,337,157	4,057,820	11,710,953	11,401,112	10,334,257
Plan Fiduciary Net Position										
Contributions -Employer and State	\$ 34,276	\$ 85,670	\$ 114,175	\$ 118,781	\$ 115,324	\$ 75,793	\$ 94,009	\$ 446,184	\$ 379,111	\$ 379,099
Contributions -Member	66,341	69,461	73,581	76,693	66,020	60,312	56,405	183,145	176,195	176,743
Net Investment Income	601,336	(1,219,252)	1,108,894	603,919	155,830	394,042	477,649	825,935	(105,950)	960,622
Benefit Payments, including refunds of Member Contributions	(293,166)	(313,369)	(354,969)	(201,373)	(259,809)	(180,781)	(354,118)	(331,215)	(302,192)	(293,257)
Administrative Expense	(64,376)	(42,586)	(44,184)	(40,906)	(53,249)	(46,328)	(48,490)	(57,186)	(32,947)	(16,816)
Other**	-	-	-	(652)	-	-	3,117,018	(2,208)	-	-
Net Change in Plan Fiduciary Net Position	344,411	-1,420,076	897,497	556,462	24,116	303,038	3,342,473	1,046,388	87,208	1,175,273
Plan Fiduciary Net Position -Beginning	5,061,980	6,482,056	5,584,559	5,028,097	5,003,981	4,700,943	1,358,470	10,238,992	10,151,784	8,976,511
Plan Fiduciary Net Position -Ending (b)	\$5,406,391	\$5,061,980	\$6,482,056	\$5,584,559	\$5,028,097	\$5,003,981	\$4,700,943	\$11,285,380	\$10,238,992	\$10,151,784
Net Pension Liability -Ending (a) -(b)	(512,999)	(113,794)	(1,569,349)	(858,101)	(644,979)	(666,824)	(643,123)	425,573	1,162,120	182,473
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	110.48%	102.30%	131.94%	118.16%	114.72%	115.37%	115.85%	96.37%	89.81%	98.23%
Covered Employee Payroll ***	\$1,105,677	\$1,157,694	\$1,229,302	\$1,278,231	\$1,100,333	\$1,005,204	\$940,083	\$3,052,417	\$3,135,961	\$2,945,717
Net Pension Liability as a Percentage										
Of Covered Employee Payroll	(46.40%)	(9.83%)	(127.66%)	(67.13%)	(58.62%)	(66.34%)	(68.41%)	13.94%	37.03%	6.19%

* The Total Pension Liability, the System Fiduciary Net Position and the Net Pension Liability as of September 30, 2016 were allocated based on the portion of the Employer's Total Required Contribution (from October 1, 2015 Actuarial Valuation Reports dated April 25, 2016 and April 26, 2016 for the City and OUA, respectively). The October 1, 2015 Valuation determined the required employer contribution for the plan year end September 30, 2017.

** Due to change in nature of System, from a cost sharing to a single employer plan (effective October 1 2016). Also reflects \$59,910 post valuation adjustment to match audited financial statements.

*** Reported payroll used to determine contribution as provided under GASB statement Number 82.

GASB 67 was implemented in FYE 9/30/2014. Prior years information is not available.

Source: City of Okeechobee Employees' Retirement System GASB Statement No. 67 Year End (True-Up) dated January 19, 2024.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN
NET OF INVESTMENT EXPENSES

FISCAL YEAR <u>SEPTEMBER 30,</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
%	10.60	(1.38)	7.78	9.78	7.55	2.23	11.37	19.17	(19.81)	12.37

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Aggregate
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	4-year smoothed market
Inflation	2.5%
Salary Increases	6.00%
Investment Rate of Return	7.00%
Retirement Age	100% when first eligible for Normal Retirement or DROP entry
Mortality	For healthy participants during employment, PUB-2010 Headcount Weighted General Below Median Employee Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy participants post employment, PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table, separate rates for males and females, both set forward 3 years, without projected mortality improvements

Reported payroll used to determine contribution as provided under GASB Statement Number 82.

Other Information:

Notes See City of Okeechobee Employees' Retirement System GASB Statement No. 67 Year End True-Up dated January 19, 2024.

CITY OF OKEECHOBEE
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES
For the Year ended September 30, 2023

	INVESTMENT EXPENSES	ADMINISTRATIVE EXPENSES
Actuary Fees	\$ -	\$ 26,781
Administration	-	20,208
Audit Fees	-	4,700
Custodial Fees	4,000	-
Fiduciary Insurance	-	2,258
Legal Fees	-	5,210
Performance Monitor	17,250	-
Trustee Expenses - Conference	-	4,469
Membership Fees	-	750
Total Investment and Administrative Expenses	<u>\$ 21,250</u>	<u>\$ 64,376</u>
Percentage of Plan Net Assets	0.39%	1.19%

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
City of Okeechobee Employees' Retirement System Pension Trust Fund
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 City of Okeechobee Employees' Retirement System Pension Trust Fund (the "Plan"), as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 Plan'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 Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statement. 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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

January 19, 2024