

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

Pension Trust Fund of the City of Okeechobee, Florida

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

September 30, 2023

C O N T E N T S

	<u>P A G E</u>
Independent Auditors' Report .....	1-3
Statement of Fiduciary Net Position .....	4
Statement of Changes in Fiduciary Net Position .....	5
Notes to Financial Statements .....	6-17
Supplementary Information.....	18-21
Schedule 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  
Municipal Police Officers' Pension Trust Fund

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of the City of Okeechobee Municipal Police Officers Pension Trust Fund (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 schedule of changes in the city's net pension liability and related ratios, schedule of city contributions, and schedule of investment returns on pages 18-20 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 City of Okeechobee, Florida Municipal Police Officers' Pension Trust Fund 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  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
STATEMENT OF FIDUCIARY NET POSITION  
September 30, 2023

**ASSETS**

Contributions Receivable	
Employee	\$ 6,195
Employer	3,717
State	103,937
Investments: (at fair value)	
Cash Equivalents	133,189
Investment Funds - Fixed Income	3,874,760
Investment Funds - Equity	<u>6,066,652</u>
TOTAL INVESTMENTS	<u>10,074,601</u>
 TOTAL ASSETS	 <u><u>\$ 10,188,450</u></u>

**LIABILITIES**

Accounts Payable	<u>8,970</u>
 TOTAL LIABILITIES	 <u>8,970</u>
 <b>FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	 <b><u><u>\$ 10,179,480</u></u></b>

Read Accompanying Notes to Financial Statements

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Year Ended September 30, 2023

**ADDITIONS**

**Contributions:**

State Contributions	\$ 103,937
City Contributions	38,602
Employee Contributions	63,770
Total Contributions	<u>206,309</u>

**Investment Income:**

Net Appreciation in Fair Value of Investments	877,786
Interest and Dividends	321,488
Gross Investment Income	<u>1,199,274</u>
Less: Investment Expenses	(23,150)
Net Investment Income	<u>1,176,124</u>

TOTAL ADDITIONS	<u>1,382,433</u>
-----------------	------------------

**DEDUCTIONS**

Benefits Paid to Participants	380,598
DROP Payment	233,034
Share Plan Distribution	16,920
Administrative Expenses	<u>58,674</u>

TOTAL DEDUCTIONS	<u>689,226</u>
------------------	----------------

NET INCREASE	693,207
--------------	---------

**FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS**

Beginning of Year	<u>9,486,273</u>
End of Year	<u><u>\$ 10,179,480</u></u>

Read Accompanying Notes to Financial Statements

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE A - REPORTING ENTITY**

The Municipal Police Officers' Pension Trust Fund (Fund) of the City of Okeechobee, Florida (the City), is a single employer, defined benefit contributory pension trust established by a city ordinance and the provisions of Florida Statutes, Chapter 185, for the benefit of the City's sworn police officers. The fund is under the supervision of a five-member local independent Board of Trustees, who are selected for office under the provisions of Chapter 185; two police officers, two City residents and a fifth member elected by the other four members constitute the pension board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The Board of Trustees may make amendments to the Plan after approval of the plan sponsor and within the guidelines of applicable Florida Statutes.

The accounts of the Fund are included in the financial statements of the City of Okeechobee, Florida, as an integral part of those financial statements.

**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 defined benefit pensions established by a governmental employer. 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.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

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

Valuation of Investments

Investments are reported at fair value. Short-term 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 quoted market prices which represent net asset value of 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.

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 insure 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

Risks 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.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE C - PLAN CONTRIBUTIONS AND OTHER INFORMATION**

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 State Insurance Premium Tax Contribution. The City had a required pension contribution of \$156,178 for the year ended September 30, 2023, as calculated in the 2022 actuarial valuation. The City funded the plan for \$38,602 for the year ended September 30, 2023. The City had a prepaid contribution of \$88,561 as determined by the 2022 actuarial valuation coming into the fiscal year. The plan covering the City's police officers is also funded by the State of Florida from a tax on casualty insurance premiums collected. State contributions to this plan totaled \$103,937 for the year ended September 30, 2023.

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. Plan members are required to contribute 5% of their annual covered payroll. The City 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 covered payroll for the current year, plus state contributions. Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on properties within the City of Okeechobee is collected by the State and is remitted to the Fund. For the current year, the City was contributing at the rate of 3% of covered payroll based on the 2021 actuarial valuation. The City's funding policy is to make an actuarially determined pension contribution to the Plan in an amount, such that when combined with the participants' contributions and the State insurance excise tax, all participants' benefits will be fully provided for by the time they attain retirement age. The plan established an additional plan component, the Share Plan, to provide special benefits in the form of supplemental retirement, termination, death and disability benefits in addition to the benefits provided previously under terms of the plan ordinances based on the availability of additional funding from the State insurance premium monies.

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

	<u>CITY</u>	<u>EMPLOYEES</u>
Police Dept.	<u>\$ 38,602</u>	<u>\$ 63,770</u>

At September 30, 2023, the Plan included 12 retirees receiving benefits, plus 3 survivor beneficiaries. The Plan has 2 terminated members with vested benefits and has 2 DROP participants. There are 21 active current employees of which 6 are vested and 15 are non-vested.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE C - PLAN CONTRIBUTIONS AND OTHER INFORMATION (CONTINUED)**

Principal actuarial assumptions used in the valuation of October 1, 2023, are summarized as follows:

Mortality- PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with scale MP-2018. See actuarial valuation report for more detailed mortality variations.

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 - 55 for police officers with 10 years of service, or 25 years of service regardless of age, or immediately, if over assumed retirement age.

Salary increases - 6% until the assumed retirement age.

Cost of living adjustments - .5% in odd-numbered years

Cost method - Aggregate actuarial cost method.

Administrative expense (other than investment management fees) - actual expenses incurred for the preceding plan year.

Inflation rate - 2.5%

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

Total pension liability	\$ 9,528,258
Fiduciary net position	10,176,710
Sponsors' fiduciary net pension liability	<u><u>\$ (648,452)</u></u>
 Fiduciary net position as a percentage of the total pension liability	  106.81%

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. The plan currently uses mortality tables that vary by age, gender, and health status. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Detailed information regarding funding is contained in the Supplementary Information accompanying the financial statements on pages 18 - 21 including the most recent actuarial valuation of October 1, 2023. The plan fiduciary net position as a percentage of the total pension liability increased in the current year and the net pension liability (underfunded) as a percentage of covered payroll decreased during the year, reflecting a favorable trend.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitation.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE C - PLAN CONTRIBUTIONS AND OTHER INFORMATION (CONTINUED)**

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

The following presents the pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount (7%)	1% Increase (8%)
Net pension liability	\$459,236	(\$648,452)	(\$1,573,792)

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.

**NOTE D – PENSION BENEFITS**

The pension plan provides retirement, death and disability benefits for its participants. Each person employed by the City Police Department as a full-time Police Officer become a member of the Plan as a condition of his employment. Participation is mandatory. Normal retirement is provided for at age 55 (previously 60) and 10 years of service, or at 25 years of service regardless of age. The benefit is calculated at 3% of average monthly earnings times years of continuous service with the City police department as a sworn officer. Benefits are payable by monthly annuity for 10 years certain and life thereafter with other options available. The plan allows for a cost of living adjustment of .5% in odd-numbered years after drawing benefits for a complete year.

Early retirement is provided for at age 50 and 10 years of participation. Death and disability benefits are also available through the plan. The early retirement reduction factor is 3% per year. The Police Officers' benefits are based on total compensation and the disability benefits are 42% and 25% of average final compensation for service and non-service connected liabilities.

The Plan refunds accumulated employee contributions upon termination of employment with less than 10 years of service. This amount has not been determined for September 30, 2023.

After 10 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.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE D – PENSION BENEFITS (CONTINUED)**

The Plan allows for a deferred retirement option plan whereupon the employee could retire from the pension plan but continue employment with the City for an additional five years. The retirement benefit is immediately calculated and the monthly benefit is deposited in 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. Additional information about the DROP can be obtained from the Board.

Members of the Fund also participate in a supplement Share Plan which is funded by insurance premium taxers received pursuant to Florida Statute 185. Florida Statutes define the Share Plan and the methodology for funding the plan. The Share Plan is in addition to any other benefits and nothing herein shall in any way affect any other benefits that now exist. The Board of Trustees administers all assets of the Share Plan. Membership of the Share Plan consists of all police in active service excluding retired members and people who have entered the DROP. Each year, as determined by the legally recognized collective bargaining unit, the premium tax monies are allocated to the share accounts maintained for each police, and the accounts earn interest over time. Upon retirement, members receive their share of the account balance. The balance of benefits allocable to the Share Plan at September 30, 2023, is \$40,243.

**NOTE E - 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 providing liquid resources for the payment of benefits and expenses. 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 institutions 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 of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, provided that the corporation is listed on a nationally recognized exchange and holds proper credit ratings as set forth by a major credit rating service. These equity investments are not to exceed 60% of the assets of the fund on a cost basis or 70% on market value. 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, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE E - INVESTMENTS (CONTINUED)**

The Plan uses mutual funds as the primary investment vehicle. These investments are recommended and monitored by the investment monitor.

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

The Plan 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 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 asset and 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 funds. 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.

The following is a list of the City of Okeechobee Municipal Police Officers' Pension Trust Fund investments by categories of risks as of September 30, 2023:

	<u>HISTORICAL COST</u>	<u>MARKET VALUE</u>
Cash Equivalents	\$ 133,189	\$ 133,189
Investment Funds - Equity	4,403,431	6,066,652
Investment Funds - Fixed Income	<u>4,558,662</u>	<u>3,874,760</u>
	<u>\$ 9,095,282</u>	<u>\$ 10,074,601</u>

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE E - INVESTMENTS (CONTINUED)**

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

**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 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 is available for Level 2 and 3 investments. As a matter of

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE E - INVESTMENTS (CONTINUED)**

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
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Cash equivalents - temporary investments	\$ 133,189	\$ 133,189	\$ -	-
Domestic investment fund - fixed income	\$ 3,874,760		\$ 3,874,760	-
Domestic investment fund - equity	\$ 6,066,652	\$ 6,066,652	\$ -	-
Total investments by fair value level	<u>\$ 10,074,601</u>	<u>\$ 6,199,841</u>	<u>\$ 3,874,760</u>	<u>\$ -</u>

Florida statutes and the plan investment policy authorize the Trustees to invest funds in various investments. The general investment objective of the fund is to preserve the purchasing power of the fund’s assets and earn a reasonable rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short term volatility of returns. The long-term expected rate of return on pension investments was determined using a building-block method in which best estimate ranges of future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.5%) to arrive at a 5.6% projected long-term real rate of return net of investment expenses.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE E - INVESTMENTS (CONTINUED)**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, and the current target and actual allocation of these investments at market, per the performance analysis report, is as follows as of September 30, 2023:

<u>INVESTMENTS</u>	<u>PERCENT ACTUAL</u>	<u>PERCENT TARGET</u>	<u>LONG-TERM REAL 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%
Real Estate	0.0%	0.0%	4.5%
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%

For the year ended September 30, 2023, the annual money-weighted rate of return on the pension plan investments was 12.69%. 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.

**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. 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 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 and 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.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
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 C. Allocations to 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.

Assets at Beginning of Year	\$297,784
Adjustment	(16,802)
Allocated Contributions	89,409
Retirement Benefit Payments	(233,034)
Interest	33,633
Total Designated Plan Assets	<u>170,990</u>
Undesignated Plan Assets	<u>10,008,490</u>
Total Fiduciary Net Position	<u><u>\$10,179,480</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 of Florida Statutes 185.37. 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 7/1/2021.

Effective October 1, 2016, the mortality assumption was changed from the RP-2000 Combined Healthy Participant Mortality Tables, using projection scale AA to the mortality assumption used by the Florida Retirement System (FRS) for Special Risk Class members in the actuarial valuation as of July 1, 2017, detailed in Florida House Bill 1309 (codified in F.S. Chapter 2015-157), 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.

Use of Insurance Premium Tax Revenue (IPTR) received from the State is subject to the default rules of Senate Bill 172 beginning with the IPTR received for the 2015 calendar year. Detailed calculations are included with the 2023 annual actuarial valuation.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023

**NOTE H – PLAN CHANGES (CONTINUED)**

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 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.

Effective April 12, 2012, the Plan was amended to reflect a change in benefit. For service earned after July 1, 2011, salary shall not include more than 300 hours of overtime per fiscal year and shall also not include payments for accrued unused sick or annual leave. Payments for overtime in excess of 300 hours per year or accrued unused sick or annual leave accrued as of July 1, 2011 and attributable to service earned prior to July 1, 2011, may still be included in pensionable salary, even if payment is made after July 1, 2011. With respect to unused sick leave and unused annual leave accrued prior to July 1, 2011, salary will include the lesser of the time accrued on July 1, 2011 or the actual amount of accrued time for which the retiree receives payment at the time of retirement, at the ten current rate of pay. The Actuarial equivalence assumptions are changed from 8% interest and 1983 Group Annuity Mortality Table to 7% interest and the 1994 Group Annuity Mortality Table.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF INVESTMENT RETURNS**

Average 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>
%	9.96	(1.65)	7.59	10.68	8.73	3.1	11.78	18.76	(20.10)	12.69

**CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
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
<b>Total pension liability</b>										
Service Cost	\$ 274,718	\$ 300,327	\$ 277,048	\$ 279,173	\$ 254,066	\$ 258,622	\$ 235,345	\$ 264,445	\$ 247,353	\$ 251,499
Interest	645,176	642,970	635,386	615,045	607,391	580,995	573,285	543,946	506,147	479,146
Benefit Changes	-	-	-	-	-	-	-	-	-	-
Difference between actual & expected experience	(589,604)	(69,960)	(48,536)	(76,855)	(153,927)	(276,621)	(270,100)	126,875	(219,850)	(784)
Assumption Changes	-	-	-	(211,356)	-	-	22,143	-	94,065	-
Benefit Payments, including Refunds of Member Contributions	(631,205)	(377,386)	(630,299)	(557,786)	(515,688)	(281,028)	(255,731)	(493,697)	(204,176)	(228,350)
Other	-	-	-	-	-	72,669	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>(300,915)</b>	<b>495,951</b>	<b>233,599</b>	<b>48,221</b>	<b>191,842</b>	<b>354,637</b>	<b>304,942</b>	<b>441,569</b>	<b>423,539</b>	<b>501,511</b>
<b>Total Pension Liability -Beginning</b>	<b>9,829,173</b>	<b>9,333,222</b>	<b>9,099,623</b>	<b>9,051,402</b>	<b>8,859,560</b>	<b>8,504,923</b>	<b>8,199,981</b>	<b>7,758,412</b>	<b>7,334,873</b>	<b>6,833,362</b>
<b>Total Pension Liability -Ending (a)</b>	<b>\$ 9,528,258</b>	<b>\$ 9,829,173</b>	<b>\$ 9,333,222</b>	<b>\$ 9,099,623</b>	<b>\$9,051,402</b>	<b>\$8,859,560</b>	<b>\$ 8,504,923</b>	<b>\$8,199,981</b>	<b>\$7,758,412</b>	<b>\$7,334,873</b>
<b>Plan Fiduciary Net Position</b>										
Contributions -Employer (from City & State)	\$ 141,745	\$ 160,339	\$ 187,174	\$ 217,461	\$ 221,039	\$ 233,182	\$ 248,448	\$ 221,272	\$ 263,388	\$ 267,849
Contributions -Member	62,446	54,837	56,261	53,051	50,359	46,212	45,863	45,554	47,740	43,135
Net Investment Income	1,176,125	(2,340,675)	1,980,592	1,170,587	330,227	727,699	903,712	607,763	(95,964)	694,790
Benefit Payments	(631,205)	(377,386)	(630,299)	(557,786)	(515,688)	(281,028)	(255,731)	(493,697)	(204,176)	(228,350)
Administrative Expense	(58,674)	(55,854)	(41,277)	(41,667)	(47,116)	(45,827)	(41,855)	(32,120)	(30,198)	(18,097)
Other	-	-	(3,248)	(2,155)	-	-	(3,284)	(6)	3,886	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>690,437</b>	<b>(2,558,739)</b>	<b>1,549,203</b>	<b>839,491</b>	<b>38,821</b>	<b>680,238</b>	<b>897,153</b>	<b>348,766</b>	<b>(15,324)</b>	<b>759,327</b>
<b>Plan Fiduciary Net Position -Beginning</b>	<b>9,486,273</b>	<b>12,045,012</b>	<b>10,495,809</b>	<b>9,656,318</b>	<b>9,617,497</b>	<b>8,937,259</b>	<b>8,040,106</b>	<b>7,691,340</b>	<b>7,706,664</b>	<b>6,947,337</b>
<b>Plan Fiduciary Net Position -Ending (b)</b>	<b>\$10,176,710</b>	<b>\$ 9,486,273</b>	<b>\$12,045,012</b>	<b>\$10,495,809</b>	<b>\$9,656,318</b>	<b>\$9,617,497</b>	<b>\$ 8,937,259</b>	<b>\$8,040,106</b>	<b>\$7,691,340</b>	<b>\$7,706,664</b>
<b>Net Pension Liability -Ending (a) -(b)</b>	<b>(648,452)</b>	<b>342,900</b>	<b>(2,711,790)</b>	<b>(1,396,186)</b>	<b>(604,916)</b>	<b>(757,937)</b>	<b>(432,336)</b>	<b>159,875</b>	<b>67,072</b>	<b>(371,791)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	106.81%	96.51%	129.06%	115.34%	106.68%	108.56%	105.08%	98.05%	99.14%	105.07%
<b>Covered Employee Payroll *</b>	<b>\$ 1,248,920</b>	<b>\$ 1,097,275</b>	<b>\$ 1,125,784</b>	<b>\$ 1,061,193</b>	<b>\$1,007,180</b>	<b>\$ 924,250</b>	<b>\$ 917,260</b>	<b>\$ 911,080</b>	<b>\$ 954,800</b>	<b>\$ 862,700</b>
<b>Net Pension Liability as a Percentage Of Covered Employee Payroll</b>	(51.92%)	31.25%	(240.88%)	(131.57%)	(60.06%)	(82.01%)	(47.13%)	17.55%	7.02%	(43.10%)

Source: Gabriel Roeder Smith & Company GASB 67 report dated January 19, 2024.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

GASB Statement No. 67

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll*</u>	<u>% OF COVERED PAYROLL</u>
2014	267,849	267,849	-	862,700	31.0
2015	263,240	263,388	(148)	954,800	27.6
2016	219,093	221,272	(2,179)	911,080	24.3
2017	251,591	248,448	3,143	917,260	27.1
2018	212,571	233,182	(20,611)	924,250	25.2
2019	204,611	221,039	(16,428)	1,007,180	21.9
2020	192,448	217,461	(25,013)	1,061,193	20.5
2021	185,025	187,174	(2,149)	1,125,784	16.6
2022	158,267	160,339	(2,072)	1,097,275	14.6
2023	121,936	141,745	(19,809)	1,248,920	11.3

\* Based on payroll provided for actuarial valuations.

\*\* Covered payroll was calculated by dividing the total member contributions for the fiscal year, net of any known buyback contributions, by the member contribution rate of 5%.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
REQUIRED SUPPLEMENTARY INFORMATION

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

GASB Statement No. 67

**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 Per	N/A
Asset Valuation Method	4-year smoothed market
Inflation	2.50%
Salary Increases	6.00%
Investment Rate of Return	7.00%
Retirement Age	100% when first eligible for Normal Retirement or DROP entry
Mortality	PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generation mortality improvements projected to each future decrement date w
Cost of Living Adjustment	0.5% every odd year

**Other Information:**

Notes See Okeechobee Police Officers' Retirement System  
GASB 67 Year End True-Up dated January 19, 2024.

CITY OF OKEECHOBEE, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND  
SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES  
Year Ended September 30, 2023

	INVESTMENT EXPENSES	ADMINISTRATIVE EXPENSES
Accounting Fees	\$ -	3,000
Actuary Fees	-	21,266
Administration	-	16,406
Audit Fees	-	4,500
Custodial fees	6,150	-
Fiduciary Insurance	-	2,594
Legal Fees	-	9,441
Performance Monitor	17,000	-
Seminars and Travel	-	1,466
	<hr/>	<hr/>
Total Investment and Administrative Expenses	<u>\$ 23,150</u>	<u>\$ 58,674</u>
 Percentage of Plan Net Assets	 0.23%	 0.58%

**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 Municipal Police Officers' 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 Municipal Police Officers 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