

OKEECHOBEE UTILITY AUTHORITY
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
SEPTEMBER 30, 2023

OKEECHOBEE UTILITY AUTHORITY
SEPTEMBER 30, 2023
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INDEPENDENT AUDITOR'S REPORT

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

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Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the proprietary fund and aggregate remaining fund information of the Okeechobee Utility Authority, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Okeechobee Utility Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Okeechobee Utility Authority, as of September 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Okeechobee Utility Authority 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 opinions.

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 Okeechobee Utility Authority'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.

Auditor's 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 auditor's report that includes our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Okeechobee Utility Authority'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 Okeechobee Utility Authority'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 management's discussion and analysis on pages 4 through 9 the schedule of changes in the total OPEB liability on page 45, and the pension schedules on pages 46 through 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Okeechobee Utility Authority’s basic financial statements. The accompanying schedule of expenditures of state financial assistance, presented as required by Chapter 10.550, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The schedule of revenues and expenses on page 50 is presented for purposes of additional analysis, and the information on pages 51 and 52 is presented for compliance with Section 218.39(3)(c), Florida Statutes and Section 10.554(1)(i)6, Rules of the Auditor but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, on our consideration of the Okeechobee Utility Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Okeechobee Utility Authority’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 Okeechobee Utility Authority’s internal control over financial reporting and compliance.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida

June 4, 2024

**Okeechobee Utility Authority
Management’s Discussion and Analysis
For the Fiscal Year Ended September 30, 2023**

Management’s Discussion and Analysis (MD&A) is intended to provide an objective analysis of the Okeechobee Utility Authority (the “Authority”) financial activities for fiscal year ended September 30, 2023. The analysis provides summary financial information for the Authority and should be read in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- § The Authority’s assets exceeded its liabilities at September 30, 2023, by \$71.6 million (Net Position). Of this amount, approximately \$11.5 million is its unrestricted net position (Table 1).
- § The Authority’s operating revenues increased \$947,966 over FY2022 and operating expenses increased by \$884,512 from FY2022 (Table 2).
- § Operating expenses were \$661,366 less than budget.
- § The Authority received \$8,369,570 in capital grant funding from the Florida Department of Environmental Protection to help pay for the 1) Septic to Sewer project referred to as the Southwest Wastewater Service Area, and 2) expanding the wastewater collection system for Pine Ridge Park community.
- § The Authority’s total capital assets, before accumulated depreciation, increased by approximately \$2.3 million from FY2022 (Table 3).

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis (MD&A) is intended to serve as an introduction to the Authority’s financial statements. Since the Authority is a special district involved solely in the provision of water and wastewater services within the service area of the utility system, its operations are accounted for in a Proprietary Fund, specifically an Enterprise Fund. Enterprise Funds are used to report business-type functions, which recover all or a significant portion of their costs through user fees and charges. Over time, significant changes in the Authority’s net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any entity, the reader must also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

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

REQUIRED FINANCIAL STATEMENTS

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

The *Statement of Net Position* includes the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. The current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and may be used to determine whether the Authority is efficiently recovering all its costs through its user fees and other charges. These two statements help the reader understand the Authority's profitability and credit worthiness.

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

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

The Authority's total net position increased \$11,109,592. The condensed analysis below focuses on the Authority's net position (Table 1) and changes in net position from fiscal year 2022 to fiscal year 2023.

| Net Position | | | | |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------|
| | <u>FY2023</u> | <u>FY2022</u> | <u>Net Change</u> | <u>Percent</u> |
| Net Capital Assets | \$ 71,898,816 | \$ 64,217,117 | \$ 7,681,699 | 11.96% |
| Restricted Assets | 3,914,591 | 4,123,270 | (208,679) | -5.06% |
| Current and Other Assets | <u>13,801,154</u> | <u>10,937,477</u> | <u>2,863,677</u> | 26.18% |
| Total Assets | <u>89,614,561</u> | <u>79,277,864</u> | <u>10,336,697</u> | 13.04% |
| Total Deferred Outflows | 1,348,649 | 2,231,783 | (883,134) | -39.57% |
| Noncurrent Liabilities | 14,173,731 | 16,508,708 | (2,334,977) | -14.14% |
| Liabilities Payable from | | | | |
| Restricted Assets | 649,424 | 727,474 | (78,050) | -10.73% |
| Current Liabilities | <u>4,113,187</u> | <u>3,203,036</u> | <u>910,151</u> | 28.42% |
| Total Liabilities | <u>18,936,342</u> | <u>20,439,218</u> | <u>(1,502,876)</u> | -7.35% |
| Total Deferred Inflows | 426,765 | 579,918 | (153,153) | -26.41% |
| Net Investment in Capital Assets | 56,144,496 | 47,732,477 | 8,412,019 | 17.62% |
| Restricted for Capital Projects | 2,380,369 | 2,284,179 | 96,190 | 4.21% |
| Restricted for Debt Service | 192,139 | 496,506 | (304,367) | -61.30% |
| Restricted for Rate Stabilization | 1,339,359 | 1,339,359 | - | 0.00% |
| Unrestricted Net Position | <u>11,543,740</u> | <u>8,637,990</u> | <u>2,905,750</u> | 33.64% |
| Total Net Position | <u>\$ 71,600,103</u> | <u>\$ 60,490,511</u> | <u>\$ 11,109,592</u> | 18.37% |

A comparison of the Authority's revenues and expenses for the fiscal years ended September 30, 2023 and September 30, 2022 is as follows (Table 2):

Table 2
Revenues and Expenses

| | <u>FY2023</u> | <u>FY2022</u> | <u>Net Change</u> | <u>Percent</u> |
|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|-----------------------|
| Revenue | | | | |
| Water System Revenue | \$ 7,711,973 | \$ 7,285,294 | \$ 426,679 | 5.86% |
| Wastewater System Revenue | 4,726,216 | 4,306,134 | 420,082 | 9.76% |
| Miscellaneous Revenue | 354,829 | 253,624 | 101,205 | 39.90% |
| Non-Operating Revenue | 440,180 | 74,475 | 365,705 | 491.04% |
| Total Revenue | <u>13,233,198</u> | <u>11,919,527</u> | <u>1,313,671</u> | 11.02% |
| Expenses | | | | |
| Operating Expenses | 10,848,939 | 9,964,427 | 884,512 | 8.88% |
| Non-Operating Expenses | 420,187 | 472,215 | (52,028) | -11.02% |
| Total Expenses | <u>11,269,126</u> | <u>10,436,642</u> | <u>832,484</u> | 7.98% |
| Excess Revenue over Expenses | | | | |
| Before Capital Contributions | 1,964,072 | 1,482,885 | 481,187 | 32.45% |
| Capital Contributions | 9,145,520 | 2,855,345 | 6,290,175 | 220.29% |
| Total Change in Net Position | <u>11,109,592</u> | <u>4,338,230</u> | <u>6,771,362</u> | 156.09% |
| Beginning Net Position | <u>60,490,511</u> | <u>56,152,281</u> | <u>4,338,230</u> | 7.73% |
| Ending Net Position | <u><u>\$ 71,600,103</u></u> | <u><u>\$ 60,490,511</u></u> | <u><u>\$ 11,109,592</u></u> | 18.37% |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the Authority had \$71,898,816 after accumulated depreciation invested in a broad range of utility capital assets including land, ground water plant, surface water plant, water main system, wastewater plant, lift stations, sanitary sewer system, force mains, equipment and construction in process.

The Authority's total capital assets increased after accumulated depreciation from last year by approximately \$7,681,699 as reflected in the following table (Table 3):

Table 3
Changes in Capital Assets

| | <u>FY2023</u> | <u>FY2022</u> | <u>Net Change</u> |
|----------------------------------|----------------------|----------------------|---------------------|
| Land and Easements | \$ 2,906,861 | \$ 2,906,861 | \$ - |
| Buildings | 1,108,764 | 1,108,764 | - |
| Equipment | 4,558,090 | 4,398,318 | 159,772 |
| Distribution & Collection System | 104,175,164 | 102,080,440 | 2,094,724 |
| | 112,748,879 | 110,494,383 | 2,254,496 |
| Lease Accumulated Depreciation | (54,157,837) | (51,571,917) | (2,585,920) |
| | 58,591,042 | 58,922,466 | (331,424) |
| Construction in Process | 13,307,774 | 5,294,651 | 8,013,123 |
| | \$ 71,898,816 | \$ 64,217,117 | \$ 7,681,699 |

The Authority plans each year for capital improvement projects. Some projects are completed within the fiscal year, and other projects take longer than a year to complete. In fiscal year ended September 30, 2023 Lakeview and Orange Loop wastewater projects were completed.

Table 4 below reflects future major additions and the costs incurred as of September 30, 2023.

Table 4
Capital Improvement Projects

| | |
|--------------------------------------|----------------------------|
| SW Wastewater Area Septic to Sewer | \$ 9,206,981 |
| Treasure Island | 198,812 |
| Pine Ridge Park Wastewater expansion | 3,307,001 |
| SW 5th Ave WW collection Study | 231,193 |
| SWSA Okee-Tantie Project III | 337,296 |
| Other Projects | 26,491 |
| Total Ongoing CIP Projects | <u>\$13,307,774</u> |

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

Debt Management

On September 30, 2023, the Authority had State Revolving Loans and notes payable outstanding in the amount of \$14,809,351. The total principal repaid in FY2023 was \$2,113,253. See *Notes to the Financial Statements (Note 7)* for additional information related to State Revolving Loans and notes payable.

ECONOMIC FACTORS AND ASSESSMENT OF GROWTH

The Authority began operations in 1995. Since 1995, the net increase in new customer accounts has been modest on an annual basis. In the most recent fiscal year ended September 30, 2023, capital connection charge revenues for 65 water and 38 wastewater residential connections were received.

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

The City of Okeechobee is approximately forty-five minutes to one hour from the Atlantic coast. The main east and west access highways to the Atlantic coastal area are State Road 70 and State Road 710. As such, the Okeechobee Utility Authority's service area is within a commutable range of the Atlantic coast and its life style.

The Authority's current water treatment plants with a total treatment capacity of six million gallons per day (6mgd) can accommodate approximately twenty-four thousand (24,000) residential water connections, which is greater than the existing customer base of approximately nine thousand eight hundred fifty-seven (9,857) residential connections. The Authority's current wastewater treatment plant with three million gallons per day (3mgd) of total treatment capacity can accommodate approximately twelve thousand (12,000) additional wastewater customers, which is greater than the existing customer base of approximately four thousand six hundred seventeen (4,617). In the near-term projection of five years, this available capacity is more than adequate to accommodate the projected level of customer growth.

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

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OKEECHOBEE UTILITY AUTHORITY
Statement of Net Position - Proprietary Fund
September 30, 2023

ASSETS

CURRENT ASSETS

| | |
|---|-------------------|
| Cash and cash equivalents | \$ 6,677,160 |
| Restricted assets: | |
| Cash and cash equivalents - customer deposits | 649,424 |
| Receivables: | |
| Grants | 4,193,186 |
| Accounts receivable, less allowance for uncollectible accounts of \$102,005 | 1,605,332 |
| Inventories | 618,503 |
| Prepaid expenses | 57,549 |
| Total current assets | <u>13,801,154</u> |

NONCURRENT ASSETS

| | |
|-------------------------------|---------------------|
| Restricted assets: | |
| Cash and cash equivalents | 3,914,591 |
| Capital assets: | |
| Land | 2,906,861 |
| Utility plants | 109,842,018 |
| | <u>112,748,879</u> |
| Less accumulated depreciation | <u>(54,157,837)</u> |
| | 58,591,042 |
| Construction in progress | 13,307,774 |
| Total capital assets | <u>71,898,816</u> |
| Total noncurrent assets | <u>75,813,407</u> |

| | |
|--------------|-------------------|
| TOTAL ASSETS | <u>89,614,561</u> |
|--------------|-------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|------------------|
| Pension related items | 1,012,621 |
| Deferred loss on bond refunding, net | 336,028 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,348,649</u> |

LIABILITIES

CURRENT LIABILITIES

| | |
|--|------------------|
| Accounts payable | \$ 336,585 |
| Construction and retainage payable | 1,241,463 |
| Accrued expenses | 182,935 |
| Bonds payable (current) | 2,153,620 |
| Accrued compensated absences (current) | 99,137 |
| Unearned connection fees | 96,723 |
| Payable from restricted assets: | |
| Accrued interest | 2,724 |
| Customer deposits | 649,424 |
| Total current liabilities | <u>4,762,611</u> |

NONCURRENT LIABILITIES

| | |
|---|-------------------|
| Long-term portion of bonds payable | 12,655,731 |
| Long-term portion of compensated absences | 231,320 |
| Net pension liability | 629,748 |
| Total OPEB liability | 232,530 |
| Unearned revenues: | |
| Developer fees | 424,402 |
| Total noncurrent liabilities | <u>14,173,731</u> |

| | |
|-------------------|-------------------|
| TOTAL LIABILITIES | <u>18,936,342</u> |
|-------------------|-------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-----------------------|----------------|
| Pension related items | <u>426,765</u> |
|-----------------------|----------------|

NET POSITION

| | |
|-----------------------------------|----------------------|
| Net investment in capital assets | 56,144,496 |
| Restricted for capital projects | 2,380,369 |
| Restricted for debt service | 192,139 |
| Restricted for rate stabilization | 1,339,359 |
| Unrestricted | 11,543,740 |
| TOTAL NET POSITION | <u>\$ 71,600,103</u> |

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Fund
For the Fiscal Year Ended September 30, 2023

| | |
|--|-----------------------------|
| OPERATING REVENUE | |
| Water system charges for services | \$ 7,711,973 |
| Wastewater system charges for services | 4,726,216 |
| Penalties and late charges | 120,236 |
| Miscellaneous | 234,593 |
| Total operating revenues | <u>12,793,018</u> |
| OPERATING EXPENSES | |
| Water services | 1,945,537 |
| Wastewater services | 1,265,071 |
| Maintenance | 2,487,015 |
| Meter reader | 283,605 |
| Administrative and general | 2,166,390 |
| Depreciation and amortization | 2,701,321 |
| Total operating expenses | <u>10,848,939</u> |
| OPERATING INCOME | <u>1,944,079</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest revenue | 350,097 |
| Interest expense | (420,187) |
| Operating grants | 90,083 |
| Total nonoperating revenues (expenses) | <u>19,993</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | <u>1,964,072</u> |
| CAPITAL CONTRIBUTIONS | |
| Capital grants | 8,369,570 |
| Water capital connection fees | 98,855 |
| Wastewater capital connection fees | 184,628 |
| Developer contributions for capital projects | 492,467 |
| Total capital contributions | <u>9,145,520</u> |
| INCREASE IN NET POSITION | 11,109,592 |
| NET POSITION, BEGINNING OF PERIOD | <u>60,490,511</u> |
| NET POSITION, END OF PERIOD | <u><u>\$ 71,600,103</u></u> |

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended September 30, 2023

| | |
|---|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 12,622,722 |
| Payments to suppliers | (4,397,872) |
| Payments to employees | (3,024,460) |
| Payments for employee benefits | <u>(651,730)</u> |
| Net cash provided (used) by operating activities | <u>4,548,660</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (8,649,090) |
| Note and loan principal payments | (2,113,253) |
| Note and loan interest paid | (318,753) |
| Capital connection fees received | 302,107 |
| Capital grants | <u>5,569,038</u> |
| Net cash (used) by capital and related financing activities | <u>(5,209,951)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>350,097</u> |
| Net cash provided by investing activities | <u>350,097</u> |
| Net increase (decrease) in cash and cash equivalents | (311,194) |
| Cash and cash equivalents at beginning of year | <u>11,552,369</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 11,241,175</u></u> |

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Cash Flows - Proprietary Fund (continued)
For the Fiscal Year Ended September 30, 2023

CASH AND CASH EQUIVALENTS CLASSIFIED AS:

| | |
|-------------------|---------------|
| Current assets | \$ 6,677,160 |
| Restricted assets | 4,564,015 |
| Total | \$ 11,241,175 |

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

| | |
|--|--------------|
| Operating Income | \$ 1,944,079 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Change in net pension asset/liability and related deferred amounts | 382,034 |
| Change in total OPEB liability | 14,355 |
| Operating grants | 90,083 |
| Depreciation and amortization | 2,701,321 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (185,555) |
| (Increase) decrease in inventory | (951) |
| (Increase) decrease in prepaid expenses | 20,846 |
| Increase (decrease) in accounts payable | (336,045) |
| Increase (decrease) in accrued liabilities | (45,413) |
| Increase (decrease) in compensated absences | 71,856 |
| Increase (decrease) in deposits | (74,824) |
| Increase (decrease) in due to other governments | (33,126) |

| | |
|-------------------|-----------|
| Total adjustments | 2,604,581 |
|-------------------|-----------|

| | |
|--|--------------|
| Net cash provided (used) by operating activities | \$ 4,548,660 |
|--|--------------|

Noncash investing, capital and financing activities

| | |
|--------------------------------|--------------|
| Developer contributions | \$ 492,467 |
| Construction contracts payable | \$ 1,241,463 |

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Fiduciary Net Position
Pension Trust Fund
September 30, 2023

| | |
|---|-----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 137,196 |
| Contributions receivable | |
| Employee | 17,757 |
| Prepays | 1,800 |
| Investments: (at fair value) | |
| Mutual funds- fixed income | 3,940,108 |
| Mutial funds - international equity | 958,533 |
| Mutial funds - domestic equity | 5,363,189 |
| Total investments | <u>10,261,830</u> |
| TOTAL ASSETS | <u>10,418,583</u> |
| LIABILITIES | |
| Accounts payable | <u>9,815</u> |
| TOTAL LIABILITIES | <u>9,815</u> |
| FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS | <u><u>\$ 10,408,768</u></u> |

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Statement of Changes in Fiduciary Net Position
Pension Trust Fund
For the Fiscal Year Ended September 30, 2023

| | |
|---|-----------------------------|
| ADDITIONS | |
| Contributions | |
| Plan members | <u>\$ 140,788</u> |
| Investment income | |
| Net appreciation in fair value of investments | 897,058 |
| Interest and dividends | <u>310,962</u> |
| | 1,208,020 |
| Less: investment expenses | <u>(22,000)</u> |
| Net investment income | <u>1,186,020</u> |
| TOTAL ADDITIONS | <u>1,326,808</u> |
| DEDUCTIONS | |
| Benefits paid to participants | 430,060 |
| Refunds due on terminations | 54,195 |
| Administrative expenses | <u>60,595</u> |
| TOTAL DEDUCTIONS | <u>544,850</u> |
| NET INCREASE | 781,958 |
| FIDUCIARY NET POSITION - RESTRICTED FOR PENSION BENEFITS | |
| Beginning of year | <u>9,626,810</u> |
| End of year | <u><u>\$ 10,408,768</u></u> |

See notes to the financial statements.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

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

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

Basis of Presentation

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

Measurement Focus and Basis of Accounting

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

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

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

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

Budget Process

Pursuant to the interlocal agreement, the Authority is required to adopt a budget and provide a copy to the City and the County. The Authority adopted its final budget relating to the fiscal year ended September 30, 2023 on September 15, 2022.

Deposits and Investments

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

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

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

Inventories

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

Utility Plant

Property, plant, and equipment are stated at cost for items constructed or purchased. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. The Authority capitalizes all land purchases. The capitalization policy for other assets is an initial useful life of more than one year and an individual cost of \$5,000.

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

| | |
|------------------------------------|-------------|
| Distribution and collection plants | 10-60 years |
| Buildings | 15-25 years |
| Equipment | 3-10 years |

Unearned Revenues

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow of Resources

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

Deferred Inflows of Resources

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

Compensated Absences

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

Accrued liabilities, based on hourly salary rates at September 30, 2023, are reflected in the accounts of the Authority for vested (not contingent on an employee's future services) vacation and sick leave benefits.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Net investment in capital assets

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

Restricted

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

Unrestricted

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

Use of Estimates

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

Authority Deposits

As of September 30, 2023, the amount of deposits in “Qualified Public Depositories” was \$11,336,242 and the book balance was \$11,238,425. The Authority also had \$2,750 in petty cash for a total carrying amount of \$11,241,175.

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

Authority Investments

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

The Authority’s investment policy authorizes investments in money market and savings accounts, certificates of deposits, money market funds; bonds, notes, bills and other obligations of the U.S. Government; repurchase agreements; securities issued or guaranteed by certain federal agencies and instrumentalities, Local Government Surplus Trust Fund or any intergovernmental investment fund authorized pursuant to the Florida Interlocal Cooperation Act, commercial paper, securities issued by the Authority, any guaranteed investment contract within the limitations established by Florida Statutes, and any other investment vehicle authorized by Florida law and determined by the investment officer and the Board of Directors to be a prudent investment.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Authority Investments (Continued)

The Authority did not have any investments as of September 30, 2023.

Credit Risk

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

Interest Rate Risk

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

Cash and cash equivalents are presented in the balance sheet as of September 30, 2023, as follows:

| | |
|---|----------------------|
| Current cash and cash equivalents | \$ 6,677,160 |
| Current restricted cash and cash equivalents | 649,424 |
| Restricted cash and cash equivalents | <u>3,914,591</u> |
| Total cash and cash equivalents and investments | <u>\$ 11,241,175</u> |

General Employees' Pension Trust Fund

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employees' Pension Trust Fund (Continued)

The Plan's Investment Policy allows the following investments:

1. Annuity and life insurance contracts with life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the Members in the Plan shall be entitled under the provisions of the Plan and pay the initial and subsequent premium thereon.
2. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund or a savings/building and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
3. Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States or by an agency of the government of the United States.
4. Stocks, commingled or mutual funds, bonds or other evidences of indebtedness, provided that:
 - (a) Except as provided in subparagraph (b), all individually held securities and all securities in a commingled or mutual fund must be issued or guaranteed by a corporation organized under the laws of the United States, and state or organized territory of the United States, or the District of Columbia.
 - (b) Up to 25% of the assets of the Fund may be invested in foreign securities.
 - (c) The BOT shall not invest more than 5% of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of that company.
5. Equities:
 - (a) Must be traded on a national exchange or electronic network; and
 - (b) Not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company; and
 - (c) All individually held securities, except foreign securities which are limited to 15% of the market value of the assets, and all securities in a commingled or mutual fund must be issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.
 - (d) Commingled funds issued by national or state banks.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employees' Pension Trust Fund (Continued)

6. Fixed Income:
 - (a) 85% of the fixed income investments shall have a minimum rating of investment grade or higher as reported by a major credit rating service such as Standard and Poor's with a rating of AAA to BBB-; and
 - (b) The value of bonds issued by any single corporation shall not exceed 3% of the total fund; and

7. Money Market:
 - (a) The money market fund or STIF options provided by the Plan's Custodian; and
 - (b) Have a minimum rating of A1/P1, or its equivalent, by a major credit rating service such as Standard and Poor's.

8. Pooled Funds:

Investments made by the Board may include pooled funds. For purposes of this policy pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, and real estate limited partnerships. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by the Plan into a pooled fund, the prospectus or governing policy of that pooled fund, as updated from time to time, shall be treated as an addendum to this Investment Policy Statement. The Investment Consultant shall periodically review with the Board any material changes in the prospectus or governing policy of a pooled fund.

Investments in corporate common stock and convertible bonds shall not exceed 70% of the market value of plan assets. Foreign investments are not to exceed 15% of the market value of the assets. No investments are permitted in illiquid investments as described in Chapter 215.47, F.S. nor any direct investment in "Scrutinized Companies" identified in the periodic publication by the State Board of Administration.

Temporary investment funds held by the custodian in a money market fund are classified as cash equivalents within the investment account.

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. Investments not evidenced by securities that exist in physical or book-entry form include investments in mutual funds, domestic investment funds or a commingled pooled trust fund. The Plan's independently managed investments are segregated into a separate account. The investment manager is monitored by the Board of Trustees and an investment performance monitor. The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No. 53, Accounting and Financial Reporting for Derivative Instruments during the current year.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employees’ Pension Trust Fund (Continued)

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

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

For a more detailed and comprehensive list of available investments, the Investment Policy Statement, as approved by the Board of Trustees, should be referenced. The gain or loss on financial instruments is recognized in the changes in net position as part of investment income.

The following the historical cost and fair value as of September 30, 2023:

| | 2023 | |
|-------------------------------------|--------------------|---------------|
| | Historical Cost | Fair Value |
| Money Market Mutual Funds | \$ 137,196 | \$ 137,196 |
| Mutual Funds – Domestic Equity | 5,363,189 | 3,333,666 |
| Mutual Funds – International Equity | 958,533 | 931,140 |
| Mutual Funds - Fixed Income | 3,940,108 | 4,617,038 |
| | \$ 10,399,026 | \$ 9,019,040 |

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employees’ Pension Trust Fund (Continued)

Investment Measurement at Fair Value

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

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following fair value measurements as of September 30, 2023:

| | Fair Value Measurement | | | |
|-------------------------------------|-------------------------------|----------------------|----------------|----------------|
| | Balance | Level 1 | Level 2 | Level 3 |
| Investments by fair value level | | | | |
| Mutual Funds – Domestic Equity | \$ 5,363,189 | \$ 5,363,189 | \$ | \$ |
| Mutual Funds – International Equity | 958,533 | 958,533 | | |
| Mutual Funds - Fixed Income | 3,940,108 | 3,940,108 | | |
| | \$ 10,261,830 | \$ 10,261,830 | \$ | \$ |

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

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

At September 30, 2023, the fixed income mutual fund was invested in high quality bonds and other fixed income securities including U.S. Government obligations, mortgage and asset-backed securities, corporate and municipal bonds, collateralized mortgage obligations, short-term instruments, and the other investments A rated by Standard & Poor’s, Moody’s Investor Services or Fitch. To a lesser extent the fund may also invest in fixed income securities rated Baa or lower.

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

General Employees’ Pension Trust Fund (Continued)

Investment Measurement at Fair Value (Continued)

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

NOTE 3 – INVENTORY

Inventory was comprised of the following at September 30, 2023:

| | |
|--------------------|-------------------|
| Chemicals | \$ 66,122 |
| Parts and supplies | <u>552,381</u> |
| Total inventory | <u>\$ 618,503</u> |

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of the following accounts as of September 30, 2023:

| | |
|---|---------------------|
| Renewal, replacement & improvement | \$ 593,477 |
| Capital connection water | 628,657 |
| Capital connection wastewater and treatment plant | 764,539 |
| Fire hydrant | <u>393,696</u> |
| Total restricted for capital projects | 2,380,369 |
| Debt service | 194,863 |
| Rate stabilization | 1,339,359 |
| Customer deposits | <u>649,424</u> |
| Total restricted assets | <u>\$ 4,564,015</u> |

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 5 – UNRESTRICTED NET POSITION

Unrestricted net position consists of the following as of September 30, 2023:

Designated:

| | |
|---------------------------------|----------------------|
| Capital improvement project | \$ 1,736,677 |
| Operating reserve | 1,449,189 |
| Emergency funding | <u>682,569</u> |
| Total designated | 3,868,435 |
| Undesignated | <u>7,675,305</u> |
| Total unrestricted net position | <u>\$ 11,543,740</u> |

NOTE 6 – CAPITAL ASSETS

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|----------------------|---------------------------|
| <u>Capital assets not being depreciated</u> | | | | |
| Land | \$ 2,906,861 | \$ | \$ | \$ 2,906,861 |
| Construction in progress | <u>5,294,651</u> | <u>9,534,839</u> | <u>(1,521,716)</u> | <u>13,307,774</u> |
| Total capital assets not being depreciated | <u>8,201,512</u> | <u>9,534,839</u> | <u>(1,521,716)</u> | <u>16,214,635</u> |
| <u>Capital assets being depreciated</u> | | | | |
| Buildings | 1,108,764 | | | 1,108,764 |
| Equipment | 4,398,318 | 275,173 | (115,402) | 4,558,089 |
| Land lease | 481,605 | | | 481,605 |
| Distribution and collection plant | <u>101,598,836</u> | <u>2,094,724</u> | | <u>103,693,560</u> |
| Total capital assets being depreciated | <u>107,587,523</u> | <u>2,369,897</u> | <u>(115,402)</u> | <u>109,842,018</u> |
| <u>Less accumulated depreciation</u> | | | | |
| Buildings | (696,669) | (40,498) | | (737,167) |
| Equipment | (3,693,466) | (181,053) | 115,402 | (3,759,117) |
| Land lease | (341,804) | (12,600) | | (354,404) |
| Distribution and collection plan | <u>(46,839,979)</u> | <u>(2,467,170)</u> | | <u>(49,307,149)</u> |
| Total accumulated depreciation | <u>(51,571,918)</u> | <u>(2,701,321)</u> | <u>115,402</u> | <u>(54,157,837)</u> |
| Total capital assets being depreciated, net | <u>56,015,605</u> | <u>(331,424)</u> | | <u>55,684,181</u> |
| Total capital assets, net | <u>\$ 64,217,117</u> | <u>\$ 9,203,415</u> | <u>\$(1,521,716)</u> | <u>\$ 71,898,816</u> |

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM LIABILITIES

Loans Payable from Direct Borrowings and Direct Placements

Pledged Revenues

Net Revenues from operating the System, Pledged Capital Connection Charges, Special Assessments, and earnings and investment income are pledged for the payment of the Capital Improvement Refunding Revenue Notes, Series 2020 and the Loan Agreement WW615100.

Capital Improvement Refunding Revenue Notes, Series 2020

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

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

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

Principal and interest is to be paid semiannually on each April 1 and October 1, through October 1, 2030. As of September 30, 2023, the balance due on Series 2020A and 2020B is \$2,755,000 and \$8,500,000, respectively.

The Authority is to 1) establish rates and collect fees to provide Net Revenues of at least 1.10 times the Annual Debt Service Requirement for the Notes, 2) maintain a Debt Service Account that is funded monthly to fund semi-annual Debt Service Payments, and 3) maintain a Renewal Replacement and Improvement Account of 5% of Gross Revenues of the preceding fiscal year. In the event of default in the payment of interest or principal of any of the bonds or any other event of default and such default is not cured in sixty days, any Holder shall be entitled to the appointment of a receiver to manage the System in an appropriate judicial proceeding.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Loans Payable from Direct Borrowings and Direct Placements (Continued)

Loan Agreement WW615100

The Authority was approved for a construction loan of \$10,210,183, with an interest rate of 1.86%, by the Florida Department of Environmental Protection (the Department) under the State Revolving Fund Loan Program (The Junior Debt). The amount outstanding as of September 30, 2023, was \$3,554,351. According to the loan agreement, 40 semi-annual payments of principal and interest commenced on September 15, 2009, in the amount of \$341,431. This loan is junior, inferior, and subordinate in all regards in right of payment and security to the Capital Improvement Refunding Revenue Note, Series 2020A and Capital Improvement Refunding Revenue Note, Series 2020B.

The Authority is to 1) establish rates and collect fees to provide Net Revenues of at least 1.15 times the Annual Debt Service Requirement for the Notes, 2) maintain a Debt Service Account that is funded monthly to fund semi-annual Debt Service Payments, and 3) satisfy the debt service coverage requirements of the Senior Debt.

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

Debt service requirements to amortize long term debt at September 30, 2023 are as follows:

| <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|----------------------|---------------------|----------------------|
| 2024 | \$ 2,153,620 | \$ 279,859 | \$ 2,433,479 |
| 2025 | 2,212,198 | 240,170 | 2,452,368 |
| 2026 | 2,182,993 | 198,899 | 2,381,892 |
| 2027 | 2,235,008 | 155,108 | 2,390,116 |
| 2028 | 2,302,247 | 110,171 | 2,412,418 |
| 2029-2030 | <u>3,723,285</u> | <u>90,476</u> | <u>3,813,761</u> |
| Total | <u>\$ 14,809,351</u> | <u>\$ 1,074,683</u> | <u>\$ 15,884,034</u> |

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One year |
|-----------------------------|----------------------|-------------------|-----------------------|---------------------|------------------------|
| Notes payable | \$ 16,922,604 | \$ | \$ (2,113,253) | \$14,809,351 | \$ 2,153,620 |
| Compensated absences | 258,601 | 227,387 | (155,531) | 330,457 | 99,137 |
| Net pension liability | 875,759 | | (246,011) | 629,748 | |
| Total OPEB liability | 218,175 | 14,355 | | 232,530 | |
| Total long-term liabilities | <u>\$ 18,275,139</u> | <u>\$ 241,742</u> | <u>\$ (2,514,795)</u> | <u>\$16,002,086</u> | <u>\$ 2,252,757</u> |

Interest Expense

Interest expense for the year ended September 30, 2023 was \$420,187, which consisted of \$101,936 amortization of deferred costs from the issuance of bonds in prior years and interest costs incurred of \$318,251. Total interest paid during the year was \$318,753.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

General Information

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

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Basis of Accounting

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

Plan Description

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

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

The Plan contains a deferred retirement option plan (DROP) whereupon the employee could retire from the pension plan but continue employment with the Utility Authority for an additional maximum period of up to five years. The retirement benefit is immediately calculated and the monthly benefit is allocated to the DROP account. An election is made to either earn interest at the rate of 6.5% per annum or credited or debited with an investment return or loss approximating the other assets in the fund. Once a participant elects this option, he is no longer eligible for disability or pre-retirement benefits. At September 30, 2023, there was \$176,079 in the DROP, this amount is included in both the Total Pension Liability and the Plan Fiduciary Net Position. The Plan's guidelines for the DROP are designed to adhere to IRS regulations. Additional information about the DROP can be obtained from the ordinance.

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Members of the plan consisted of the following at September 30, 2022:

| | |
|---------------------------------------|-----------|
| Retired Plan Members or Beneficiaries | |
| currently receiving benefits | 28 |
| Inactive Plan Members entitled to but | |
| not yet receiving benefits | 3 |
| Drop Participants | - |
| Active Plan Members | <u>50</u> |
| Total | <u>81</u> |

Contributions

Contributions are made in accordance with applicable Florida Statutes and meeting the actuarially determined contribution requirements as based on the benefit structure established within the Plan as approved by the plan sponsor. The employer is required to contribute an amount equal to the difference between the normal cost, as calculated for the plan year from the applicable actuarial valuation, less the member contributions for the current year. The Authority is required to fund the plan according to any contribution deficit as determined by actuarial valuation for the plan beyond the contributions by employees and the regular employer contributions by the Okeechobee Utility Authority. After applying the allocable prepaid contribution from the beginning of the year, the employer contribution was sufficient to meet the required annual contribution, prepaid employer contributions.

Based on the October 1, 2021 actuarial valuation the required contribution was 5.6% of covered payroll. Employee contributions are at the rate of 6% of payroll and there was no required employer contribution.

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

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

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2022 updated to September 30, 2023, using the following actuarial assumptions.

| | |
|------------------|--|
| Inflation | 2.5 % |
| Salary increases | From 7.5% to 4.25%, based on the age of the employee |
| Retirement rate | 100% at 30 years of service; 80% when eligible for early retirement, 60% one year later, 100% two years later; participants eligible for early retirement are assumed to retire at the rate of 5% per year. |
| Withdrawal rate | From 20% to 5%, based on the age of the employee |
| Mortality | For healthy participants 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 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 |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included the pension plan’s target asset allocation as of September 30, 2023, are summarized in the following table:

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

*Net of long-term inflation assumption of 2.5%

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

Rate of Return.

For the year ended September 30, 2023, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 11.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The components of the net pension liability at September 30, 2023, were as follows:

| Description | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|---|--------------------------------------|-------------------------------------|--|
| Balances at September 30, 2022 | \$ 10,502,569 | \$ 9,626,810 | \$ 875,759 |
| Changes due to: | | | |
| Service cost | 222,802 | | 222,802 |
| Interest | 713,303 | | 713,303 |
| Differences between expected and actual experience | 84,097 | | 84,097 |
| Change of Assumptions | | | |
| Employer contributions | | | |
| Employee contributions | | 140,788 | (140,788) |
| Benefit payments and refunds | (484,255) | (484,255) | |
| Net investment income | | 1,186,020 | (1,186,020) |
| Administrative expenses | | (60,595) | 60,595 |
| Total changes | <u>535,947</u> | <u>781,958</u> | <u>(246,011)</u> |
| Balances at September 30, 2023 | <u>\$ 11,038,516</u> | <u>\$ 10,408,768</u> | <u>\$ 629,748</u> |

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

The change in assumptions was due to updating investment return, salary increase factors, withdrawal rates and retirement rates.

The Plan fiduciary net position was 94.29% of the total pension liability as of September 30, 2023.

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

The following represents the Authority’s net pension liability calculated using the discount rate of 6.75%, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease <u>5.75%</u> | Current Rate <u>6.75%</u> | 1% Increase <u>7.75%</u> |
|-----------------------|-----------------------------|------------------------------|-----------------------------|
| Net pension liability | <u>\$ 2,039,067</u> | <u>\$ 629,748</u> | <u>\$ (533,413)</u> |

Pension expense and deferred outflows and inflows of resources

For the fiscal year ended September 30, 2023, the Authority recognized a pension expense of \$382,034. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 176,597 | \$ 145,323 |
| Change of assumptions | 1,545 | 281,442 |
| Net difference between projected and actual earnings on plan investments | <u>834,479</u> | |
| Total | <u>\$ 1,012,621</u> | <u>\$ 426,765</u> |

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM (Continued)

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

| Year ended September 30: | Amount |
|--------------------------|------------|
| 2024 | \$ 82,661 |
| 2025 | 157,834 |
| 2026 | 460,548 |
| 2027 | (121,414) |
| 2028 | 6,227 |
| Thereafter | |
| | \$ 585,856 |

Payables to the Pension Plan

At September 30, 2023, the Authority had a payable of \$17,757 for outstanding employee contributions to the Pension Plan for the fiscal year ended September 30, 2023.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

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

The following describes the Authority’s OPEB Provisions:

Plan Description

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

Benefits Provided

The plan allows its employees and their beneficiaries, to continue to obtain health and dental benefits upon retirement. Normal retirement is provided for at age 65 and 5 years of service, or at 30 years of service regardless of age. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

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

Employees Covered by Benefit Terms

At September 30, 2023, the following employees were covered by benefit terms:

| | |
|---|-----------|
| Participants | |
| Active employees | 57 |
| Inactive employees currently receiving benefits | 5 |
| Inactive employees entitled to but not receiving benefits | - |
| Total | <u>62</u> |

Contribution Requirements: The Authority does not make direct contributions to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group health rates as active employees. However, the Authority’s actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an employer contribution, based upon an implicit rate subsidy. This offset equals the total annual age-adjusted costs paid by the Authority, or its active employees, for coverage of the retirees and their dependents net of the retiree’s own payments for the year.

Total OPEB Liability

The Authority’s total OPEB liability of \$232,530 was measured as of September 30, 2023, and was determined by the actuarial valuation as of that date.

Actuarial Assumptions and Methods

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

| | |
|-------------------------|---|
| Valuation Date: | September 30, 2023 |
| Discount Rate: | 4.45% per annum |
| Average Retirement Age | 62 |
| Age adjustment factor | 2.120737 |
| Health Care Trend Rate: | Medical – 10.0% initially trending to 4.20% in 10 years Pharmacy – 5.20% initially trending to 4.20% in 10 years Dental – 3.50% initially trending to 3.00% in 10 years Vision – 3.00% |

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

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

Actuarial Assumptions and Methods (Continued)

| | |
|--------------------------------|--|
| Actuarial Cost Method: | Entry Age Normal |
| Plan Participation Percentage: | 20% |
| Mortality Rates: | Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years. |

The valuation was prepared using the Alternate Method in accordance with GASB 75.

Discount Rate

The Authority does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate is a yield or index rate for 20-year, tax-exempt municipal bonds. As a result, the calculation used a rate of 2.27%.

| <u>Changes in the Total OPEB Liability</u> | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Balance at September 30, 2022 | \$ 218,175 |
| Changes for the Year: | |
| Service Cost | 2,384 |
| Interest Cost | 7,394 |
| Changes of Assumptions and Other Inputs | (20,994) |
| Differences Between Expected and Actual Experience | 25,571 |
| Benefit Payments | |
| Net Change in Total OPEB Liability | <u>14,355</u> |
| Balance at September 30, 2023 | <u>\$ 232,530</u> |

Changes in Assumptions

The discount rate was 3.35% at 9/30/22 and 4.45% at 9/30/23

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

The following presents the total OPEB liability of the Authority, and the Authority's total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher (versus the current discount rate):

| | <u>1.0% Decrease (3.45%)</u> | <u>Discount Rate (4.45%)</u> | <u>1.0% Increase (4.45%)</u> |
|----------------------|----------------------------------|----------------------------------|----------------------------------|
| Total OPEB Liability | <u>\$ 251,476</u> | <u>\$ 232,530</u> | <u>\$ 216,032</u> |

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

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

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

The following presents the total OPEB liability of the Authority, and the Authority’s total OPEB liability if it were calculated using healthcare cost trends that are 1-percentage-point lower or 1-percentage-point higher (versus the current healthcare cost trend rates):

| | 1.0% Decrease | Healthcare cost Trend Rates | 1.0% Increase |
|----------------------|---------------|--------------------------------|---------------|
| Total OPEB Liability | \$ 211,481 | \$ 232,530 | \$ 256,823 |

OPEB Expense

For the year ended September 30, 2023, the Authority recognized OPEB expense of \$14,355.

NOTE 10 – CONTINGENCIES

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

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

NOTE 11 – COMMITMENTS

As at September 30, 2023, the Authority had commitments on outstanding engineering and construction contracts for improvements to the system of approximately \$24,335,600.

Subsequent to September 30, 2023, the Authority established an interim finance agreement (bridge finance) with South State Bank (SSB) for the sum of \$7,508,000 for the financing of South West Service Area Sceptic to Sewer Improvement Project. Upon exhaustion of the interim finance (SSB), the United States Department of Agriculture (USDA) will assume liability and issuing OUA a 40-year loan facility.

NOTE 12 – RISK MANAGEMENT

The Okeechobee Utility Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 2023 fiscal year, coverage was maintained via membership renewal with Preferred Governmental Insurance Trust (“PGIT”), a public entity risk pool.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 12 – RISK MANAGEMENT (Continued)

As of September 30, 2023, the Authority’s management is of the opinion that the PGIT is able to pay claims incurred to date and that the Authority will not be liable to pay any submitted claims.

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

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

NOTE 13– NEW ACCOUNTING STANDARDS

The Authority implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2023:

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement did not have a significant impact for the fiscal year ending September 30, 2023.

Recently Issued Accounting Pronouncements

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

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years ending September 30, 2024, and all reporting periods thereafter.

OKEECHOBEE UTILITY AUTHORITY
Notes to Financial Statements
September 30, 2023

NOTE 13 – NEW ACCOUNTING STANDARDS (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The requirements of this Statement are effective for fiscal years ending September 30, 2025, and all reporting periods thereafter.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this Statement are effective for fiscal years ending September 30, 2025, and all reporting periods thereafter.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost | \$ 2,113 | \$ 3,493 | \$ 4,304 | \$ 1,959 | \$ 1,938 |
| Interest on total OPEB liability | 1,636 | 3,107 | 2,436 | 1,247 | 1,077 |
| Effect of economic/demographic gains or losses | 26,276 | (22,138) | (31,610) | (8,767) | (21,630) |
| Effect of assumption changes | (11,009) | 4,796 | 4,176 | 419 | 191,267 |
| Net change in total OPEB Liability | 19,016 | (10,742) | (20,694) | (5,142) | 172,652 |
| Total OPEB liability - beginning | 63,085 | 82,101 | 71,359 | 50,665 | 45,523 |
| Total OPEB liability - ending | <u>\$ 82,101</u> | <u>\$ 71,359</u> | <u>\$ 50,665</u> | <u>\$ 45,523</u> | <u>\$ 218,175</u> |
| Covered employee payroll | <u>\$ 2,339,518</u> | <u>\$ 2,384,400</u> | <u>\$ 2,565,609</u> | <u>\$ 2,653,458</u> | <u>\$ 2,721,351</u> |
| Total OPEB liability as a percentage of covered employee payroll | <u>3.51%</u> | <u>2.99%</u> | <u>1.97%</u> | <u>1.72%</u> | <u>8.02%</u> |
| Change of Assumptions | | | | | |
| Discount rate (2.51% at 10/1/17) | <u>3.63%</u> | <u>3.22%</u> | <u>2.37%</u> | <u>2.27%</u> | <u>3.35%</u> |
| In 2022 the average retirement age went from 62 to 65 and the plan participation percentage went from 18% to 20%. | | | | | |
| | <u>2023</u> | | | | |
| Service cost | \$ 2,384 | | | | |
| Interest on total OPEB liability | 7,394 | | | | |
| Effect of economic/demographic gains or losses | 25,571 | | | | |
| Effect of assumption changes | (20,994) | | | | |
| Net change in total OPEB Liability | 14,355 | | | | |
| Total OPEB liability - beginning | 218,175 | | | | |
| Total OPEB liability - ending | <u>\$ 232,530</u> | | | | |
| Covered employee payroll | <u>\$ 3,013,686</u> | | | | |
| Total OPEB liability as a percentage of covered employee payroll | <u>7.72%</u> | | | | |
| Change of Assumptions | | | | | |
| Discount rate | <u>4.45%</u> | | | | |

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

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

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

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|---------------------|---------------------|---------------------|----------------------|-----------------------|
| Total pension liability: | | | | | |
| Service cost | \$ 285,610 | \$ 282,926 | \$ 269,093 | \$ 285,901 | \$ 296,197 |
| Interest | 723,860 | 595,025 | 616,927 | 655,548 | 682,179 |
| Differences between expected and actual experience | | 181,813 | (383,010) | (36,680) | (51,853) |
| Change of assumptions | 109,828 | | | | (171,663) |
| Benefit payments, including refunds of employee contributions | <u>(206,413)</u> | <u>(319,132)</u> | <u>(300,238)</u> | <u>(328,601)</u> | <u>(366,966)</u> |
| Net change in total pension liability | 912,885 | 740,632 | 202,772 | 576,168 | 387,894 |
| Total pension liability - beginning | <u>7,423,763</u> | <u>8,336,648</u> | <u>9,077,280</u> | <u>9,280,052</u> | <u>9,856,220</u> |
| Total pension liability - ending (a) | <u>\$ 8,336,648</u> | <u>\$ 9,077,280</u> | <u>\$ 9,280,052</u> | <u>\$ 9,856,220</u> | <u>\$ 10,244,114</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 287,362 | \$ 325,097 | \$ 336,605 | \$ 317,039 | \$ 286,486 |
| Contributions - employees | 130,765 | 129,178 | 128,067 | 133,961 | 138,622 |
| Net investment income | 831,485 | 703,480 | 327,727 | 1,067,073 | 1,998,482 |
| Benefit payments, including refunds of employee contributions | (206,413) | (319,132) | (300,238) | (328,601) | (366,966) |
| Administrative expenses | <u>(52,151)</u> | <u>(72,819)</u> | <u>(59,018)</u> | <u>(52,827)</u> | <u>(50,818)</u> |
| Net change in plan fiduciary net position | 991,048 | 765,804 | 433,143 | 1,136,645 | 2,005,806 |
| Plan fiduciary net position - beginning | <u>6,815,775</u> | <u>7,806,823</u> | <u>8,572,627</u> | <u>9,005,770</u> | <u>10,142,415</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 7,806,823</u> | <u>\$ 8,572,627</u> | <u>\$ 9,005,770</u> | <u>\$ 10,142,415</u> | <u>\$ 12,148,221</u> |
| Net pension liability (asset) (a) - (b) | <u>\$ 529,825</u> | <u>\$ 504,653</u> | <u>\$ 274,282</u> | <u>\$ (286,195)</u> | <u>\$ (1,904,107)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>93.64%</u> | <u>94.44%</u> | <u>97.04%</u> | <u>102.90%</u> | <u>118.59%</u> |
| Covered payroll | <u>\$ 2,179,417</u> | <u>\$ 2,152,963</u> | <u>\$ 2,134,469</u> | <u>\$ 2,232,670</u> | <u>\$ 2,310,371</u> |
| Net pension liability (asset) as a percentage of covered payroll | <u>24.31%</u> | <u>23.44%</u> | <u>12.85%</u> | <u>(12.82)%</u> | <u>(82.42)%</u> |

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

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

Change of Assumptions

For the year ending 9/30/17, the assumed rates of mortality were changed.

For the year ending 9/30/21, the assumed rates of mortality were changed.

| <u>2022</u> | <u>2023</u> |
|---------------------|---------------------|
| \$ 208,256 | \$ 222,802 |
| 678,774 | 713,303 |
| 139,219 | 84,097 |
| (303,559) | |
| <u>(464,235)</u> | <u>(484,255)</u> |
| 258,455 | 535,947 |
| <u>10,244,114</u> | <u>10,502,569</u> |
| <u>\$10,502,569</u> | <u>\$11,038,516</u> |
| | |
| \$ 191,107 | |
| 126,005 | 140,788 |
| (2,314,490) | 1,186,020 |
| (464,235) | (484,255) |
| <u>(59,798)</u> | <u>(60,595)</u> |
| (2,521,411) | 781,958 |
| <u>12,148,221</u> | <u>9,626,810</u> |
| <u>\$ 9,626,810</u> | <u>\$10,408,768</u> |
| | |
| <u>\$ 875,759</u> | <u>\$ 629,748</u> |
| | |
| <u>91.66%</u> | <u>94.29%</u> |
| | |
| <u>\$ 2,100,081</u> | <u>\$ 2,346,467</u> |
| | |
| <u>41.70%</u> | <u>26.84%</u> |

Change of Assumptions

For the year ending 9/30/22, the investment return, salary increase factors, withdrawal rates and retirement rates were changed.

OKEECHOBEE UTILITY AUTHORITY
Required Supplemental Information

Last Ten Fiscal Years

Schedule of Employer Contributions

| Fiscal Year Ended September 30 | Actuarially Determined Contribution | Actual Contribution | Contribution Excess (Deficiency) | Authority's Covered Payroll | Actual Contribution as a Percentage of Covered Payroll |
|--------------------------------------|---|------------------------|--|-----------------------------------|--|
| 2017 | \$ 303,157 | \$ 287,362 | * \$ (15,795) * | \$ 2,179,417 | 13.19% |
| 2018 | 302,922 | 325,097 | 22,175 | 2,152,963 | 15.10% |
| 2019 | 335,965 | 336,605 | 640 | 2,134,469 | 15.77% |
| 2020 | 317,039 | 317,039 | - | 2,232,670 | 14.20% |
| 2021 | 286,486 | 286,486 | - | 2,310,371 | 12.40% |
| 2022 | 191,107 | 191,107 | - | 2,100,081 | 9.10% |
| 2023 | - | - | - | 2,346,467 | N/A |

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

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

| Fiscal Year Ending September 30 | |
|---------------------------------------|----------|
| 2017 | 10.83% |
| 2018 | 8.11% |
| 2019 | 3.21% |
| 2020 | 11.53% |
| 2021 | 18.77% |
| 2022 | (19.73%) |
| 2023 | 11.97% |

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

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

OKEECHOBEE UTILITY AUTHORITY
Notes to the Schedule of Contributions

September 30, 2023

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The contributions for the fiscal year ended September 30, 2023, were determined by the actuarial valuation as of October 1, 2021 using the methods and assumptions below.

| | |
|-------------------------------|---|
| Valuation Date | October 1, 2021 |
| Actuarial Cost Method | Aggregate |
| Amortization Method | N/A |
| Remaining Amortization Period | N/A |
| Asset Valuation Method | 4-year smoothed market |
| Inflation | 2.50% |
| Salary Increases | 6.00% |
| Cost of Living Adjustments | None |
| Investment Rate of Return | 7.00% |
| Retirement age | 100% when first eligible for normal retirement or DROP entry |
| Mortality | For healthy participants during employment, RP 2000 Combined Healthy Participant Mortality Tables, with 50% White Collar / 50% Blue Collar Adjustment for males and 100% White Collar for females. Fully generational mortality improvements projected to each future decrement date with Scale BB. |

OKEECHOBEE UTILITY AUTHORITY
Schedule of Revenues and Expenses
For the Fiscal Year Ended September 30, 2023
Unaudited

| | <u>Water</u> | <u>Wastewater</u> | <u>Unallocated</u> | <u>Total</u> |
|--|---------------------|---------------------|-----------------------|---------------------|
| OPERATING REVENUE | | | | |
| Water system charges for services | \$ 7,711,973 | \$ | \$ | \$ 7,711,973 |
| Wastewater system charges for services | | 4,726,216 | | 4,726,216 |
| Penalties and late charges | | | 120,236 | 120,236 |
| Miscellaneous | | | 234,593 | 234,593 |
| Total operating revenues | <u>7,711,973</u> | <u>4,726,216</u> | <u>354,829</u> | <u>12,793,018</u> |
| OPERATING EXPENSES | | | | |
| Personnel Costs | 641,828 | 599,444 | 2,931,210 | 4,172,482 |
| Electricity | 246,310 | 190,565 | 154,481 | 591,356 |
| General Repair and Maintenance Expenses | 260,839 | 214,438 | 612,737 | 1,088,014 |
| Repair & Maintenance Expenses Equipment | 104,092 | | 23,480 | 127,572 |
| Monitoring and Testing | 17,750 | 30,818 | | 48,568 |
| Residual Disposal | | 107,085 | | 107,085 |
| Chemicals | 648,527 | 114,019 | 132,839 | 895,385 |
| Maintenance Supplies | 18,524 | 6,166 | 52,349 | 77,039 |
| Office Supplies | 2,338 | 834 | 13,458 | 16,630 |
| Miscellaneous | 5,329 | 1,702 | 7,367 | 14,398 |
| Administrative Costs | | | 393,672 | 393,672 |
| Accounting and Audit Fees | | | 22,000 | 22,000 |
| Legal Fees | | | 84,649 | 84,649 |
| Property, Liability and Casualty Insurance | | | 397,226 | 397,226 |
| Professional Services | | | 111,542 | 111,542 |
| Depreciation and amortization | 1,674,883 | 1,026,438 | | 2,701,321 |
| Total operating expenses | <u>3,620,420</u> | <u>2,291,509</u> | <u>4,937,010</u> | <u>10,848,939</u> |
| OPERATING INCOME | <u>4,091,553</u> | <u>2,434,707</u> | <u>(4,582,181)</u> | <u>1,944,079</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | | | 350,097 | 350,097 |
| Interest expense | | | (420,187) | (420,187) |
| Operating grants | | | 90,083 | 90,083 |
| Total nonoperating revenues (expenses) | | | <u>19,993</u> | <u>19,993</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | <u>\$ 4,091,553</u> | <u>\$ 2,434,707</u> | <u>\$ (4,562,188)</u> | <u>\$ 1,964,072</u> |

OKEECHOBEE UTILITY AUTHORITY
Information Required by Section 218.39(3)(c), Florida Statutes
For the Fiscal Year Ended September 30, 2023
Unaudited

As required by Section 218.39(3)(c), Florida Statutes, the Authority reported:

| Required Information | | Reported |
|---|---------------|-----------------|
| The total number of district employees compensated in the last pay period of the District's fiscal year 2023: | | 56 |
| The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year 2023: | | Not Applicable |
| All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency for fiscal year 2023: | | \$ 3,013,686 |
| All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency for fiscal year 2023: | | Not Applicable |
| Each construction project with a total cost of at least \$65,000 approved by the District that was scheduled to begin on or after October 1 of the fiscal year 2023, together with the total expenditures for such project: | | |
| Project | Budget | Expenditures |
| Treasure Island Septic to Sewer Project | \$ 33,180,385 | \$ 198,812 |
| | | |
| | | |
| | | |
| | | |
| | | |
| A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year 2023 being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes: | | See Page 52 |
| The millage rate of ad valorem taxes imposed by the District for fiscal year 2023: | | Not Applicable |
| The rate of non-ad valorem special assessments imposed by the District for fiscal year 2023: | | Not Applicable |

OKEECHOBEE UTILITY AUTHORITY
Budgetary Schedule
For the Fiscal Year Ended September 30, 2023
Unaudited

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|----------------------|---|
| OPERATING REVENUE | | | | |
| Water system charges for services | \$ 7,429,780 | \$ 7,429,780 | \$ 7,711,973 | \$ 282,193 |
| Wastewater system charges for services | 4,425,602 | 4,425,602 | 4,726,216 | 300,614 |
| Penalties and late charges | 124,619 | 124,619 | 120,236 | (4,383) |
| Miscellaneous | 75,931 | 75,931 | 234,593 | 158,662 |
| Total operating revenues | <u>12,055,932</u> | <u>12,055,932</u> | <u>12,793,018</u> | <u>737,086</u> |
| OPERATING EXPENSES | | | | |
| Water services - labor | 642,482 | 642,482 | 641,828 | 654 |
| Water services - O & M | 1,459,025 | 1,459,025 | 1,303,709 | 155,316 |
| Wastewater services - labor | 609,265 | 609,265 | 599,444 | 9,821 |
| Wastewater services - O & M | 742,500 | 742,500 | 665,627 | 76,873 |
| Maintenance - labor | 1,384,916 | 1,384,916 | 1,546,072 | (161,156) |
| Maintenance - O & M | 1,156,406 | 1,156,406 | 940,943 | 215,463 |
| Meter reader - labor | 245,989 | 245,989 | 256,318 | (10,329) |
| Meter reader - O & M | 49,950 | 49,950 | 27,287 | 22,663 |
| Administrative and general - labor | 1,212,132 | 1,212,132 | 1,128,820 | 83,312 |
| Administrative and general - O & M | 1,295,040 | 1,295,040 | 1,037,570 | 257,470 |
| Depreciation and amortization | 2,712,600 | 2,712,600 | 2,701,321 | 11,279 |
| Total operating expenses | <u>11,510,305</u> | <u>11,510,305</u> | <u>10,848,939</u> | <u>661,366</u> |
| OPERATING INCOME | <u>545,627</u> | <u>545,627</u> | <u>1,944,079</u> | <u>1,398,452</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | 32,432 | 32,432 | 350,097 | 317,665 |
| Interest expense | (318,753) | (318,753) | (420,187) | (101,434) |
| Operating grants | | | 90,083 | 90,083 |
| Total nonoperating revenues (expenses) | <u>(286,321)</u> | <u>(286,321)</u> | <u>19,993</u> | <u>306,314</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | <u>259,306</u> | <u>259,306</u> | <u>1,964,072</u> | <u>1,704,766</u> |
| CAPITAL CONTRIBUTIONS | | | | |
| Capital grants | | | 8,369,570 | 8,369,570 |
| Water capital connection fees | 10,775 | 10,775 | 98,855 | 88,080 |
| Wastewater capital connection fees | 10,056 | 10,056 | 184,628 | 174,572 |
| Developer contributions for capital projects | | | 492,467 | 492,467 |
| Total capital contributions | <u>20,831</u> | <u>20,831</u> | <u>9,145,520</u> | <u>9,124,689</u> |
| INCREASE IN NET POSITION | <u>\$ 280,137</u> | <u>\$ 280,137</u> | <u>\$ 11,109,592</u> | <u>\$ 10,829,455</u> |



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the proprietary fund and aggregate remaining fund information of the Okeechobee Utility Authority as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Okeechobee Utility Authority's basic financial statements, and have issued our report thereon dated June 4, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Okeechobee Utility Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Okeechobee Utility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Okeechobee Utility Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Okeechobee Utility Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 4, 2024



NOWLEN, HOLT & MINER, P.A.

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

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

Report on Compliance for the Major State Project

Opinion on the Major State Project

We have audited Okeechobee Utility Authority's compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Okeechobee Utility Authority's major State Project for the year ended September 30, 2023. The Okeechobee Utility Authority's major State Project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Okeechobee Utility Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State Project for the year ended September 30, 2023.

Basis for Opinion on the Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and the Chapter 10.550, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Okeechobee Utility Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major State Project. Our audit does not provide a legal determination of the Okeechobee Utility Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Okeechobee Utility Authority's State Project.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Okeechobee Utility Authority's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Okeechobee Utility Authority's compliance with the requirements of the major State Project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Okeechobee Utility Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Okeechobee Utility Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Okeechobee Utility Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

West Palm Beach, Florida
June 4, 2024

Nowlen, Holt & Mimer, P.A.

OKEECHOBEE UTILITY AUTHORITY
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2023

| <u>State Grantor/Program Title</u> | <u>CSFA Number</u> | <u>Contract Number</u> | <u>State Expenditures</u> |
|--|------------------------|----------------------------|-------------------------------|
| <u>Florida Department of Environmental Protection</u> | | | |
| <u>Statewide Water Quality Restoration Projects</u> | 37.039 | | |
| | | LP47012 | \$ 145,155 |
| | | LPQ0008 | 5,100,289 |
| | | LPQ0017 | 2,714,495 |
| | | | <u>7,959,939</u> |
| Total State Financial Assistance | | | <u>\$ 7,959,939</u> |

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - CONTINGENCIES

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

OKEECHOBEE UTILITY AUTHORITY
Schedule of Findings and Questioned Costs
September 30, 2023

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

State Financial Assistance

Internal control over major projects:

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

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

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

Identification of Major State Project

| <u>CSFA Number</u> | <u>Name of State Project</u> |
|--------------------|--|
| 37.039 | Florida Department of Environmental Protection · Statewide Water Quality Restoration Projects |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

OKEECHOBEE UTILITY AUTHORITY
Schedule of Findings and Questioned Costs
September 30, 2023

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III— STATE PROJECTS FINDINGS AND QUESTIONED COSTS

Major State Project

Florida Department of Environmental Protection
Statewide Water Quality Restoration Projects – CSFA 37.039

None

SECTION IV— SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None



NOWLEN, HOLT & MINER, P.A.

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

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333 S.E. 2nd STREET
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FAX (561) 996-6248

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

Report on the Financial Statements

We have audited the financial statements of the Okeechobee Utility Authority, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 4, 2024.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for the Major State Project and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 4, 2024, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations in the prior year that required corrective actions.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Okeechobee Utility Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Okeechobee Utility Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2023.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. It is management's responsibility to monitor the Okeechobee Utility Authority's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

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

Additional Matters

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

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Authority reported the required information in the Other Information Section on pages 51 and 52.

Single Audits

The Okeechobee Utility Authority expended less than \$750,000 of federal awards and more than \$750,000 of state financial assistance for the fiscal year ended September 30, 2023 and was required to have a state single audit.

Purpose of this Letter

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

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
June 4, 2024



NOWLEN, HOLT & MINER, P.A.

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

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

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

We have examined the Okeechobee Utility Authority’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2023. Management of the Okeechobee Utility Authority is responsible for the Okeechobee Utility Authority’s compliance with the specified requirements. Our responsibility is to express an opinion on the Okeechobee Utility Authority’s compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

In our opinion, the Okeechobee Utility Authority complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2023.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, applicable management, and the Board of Supervisors, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 4, 2024