



Since 1967  
**Reedy Creek**  
IMPROVEMENT DISTRICT

Lake Buena Vista, Florida

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2017

**REEDY CREEK IMPROVEMENT DISTRICT  
(LOCATED IN ORANGE AND OSCEOLA COUNTIES)  
1900 HOTEL PLAZA BOULEVARD  
LAKE BUENA VISTA, FLORIDA**

**BOARD OF SUPERVISORS**

**DONALD R. GREER, PRESIDENT  
LAURENCE C. HAMES, VICE PRESIDENT  
WAYNE SCHOOLFIELD, TREASURER  
MAXIMIANO BRITO  
JANE ADAMS**

**DISTRICT ADMINISTRATOR**

**JOHN H. CLASSE, JR.**

**DEPUTY DISTRICT ADMINISTRATOR/COMPTROLLER**

**ANN G. BLAKESLEE**

**INDEPENDENT AUDITORS**

**Ernst & Young LLP  
Orlando, Florida**

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**REEDY CREEK IMPROVEMENT DISTRICT**

**ANNUAL FINANCIAL REPORT**

Year Ended September 30, 2017

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## Report of Independent Certified Public Accountants

District Administrator, Deputy District Administrator, and Board of Supervisors  
Reedy Creek Improvement District  
Lake Buena Vista, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Reedy Creek Improvement District (the District), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, Condition Rating of the District's Infrastructure and Comparison of Needed-to-Actual Maintenance Preservation, Pension Plan Schedule of District's Proportionate Share of Net Pension Liability and Schedule of Contributions, HIS Plan Schedule of District's Proportionate Share of Net Pension Liability and Schedule of Contributions, and Other Post-Employment Benefits Schedule of Funding Progress, on pages 4 – 11 and 58 – 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we also have issued our report dated February 12, 2018 on our consideration of the District'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 District'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 the District's internal control over financial reporting and compliance.

*Ernst + Young LLP*

February 12, 2018

## REEDY CREEK IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Reedy Creek Improvement District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

#### **Financial Highlights**

- The assets plus deferred outflows of resources of the District exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$329,462,228 (*net position*).
- The District's total net position increased during the year by \$62,113,028.
- The District's total noncurrent liabilities decreased by \$52,676,382 during the year.
- As of September 30, 2017, the District's governmental funds reported combined ending fund balances of \$171,936,019, a decrease of \$110,734,318 in comparison with the prior year. Approximately 19% of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At September 30, 2017, unassigned fund balance for the general fund was \$33,407,240, or 46% of total general fund expenditures, including transfers.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., arbitrage rebate owed but not due until a future year and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, public safety, physical environment and transportation. The business-type activities of the District include water, wastewater, reuse, gas, solid waste, chilled water, hot water and electric utility operations.

The government-wide financial statements can be found on pages 12 – 13 of this report.

## REEDY CREEK IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

***Fund Financial Statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds.

The District adopts an annual legally appropriated budget for its general fund and debt service fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14 – 18 of this report.

*Proprietary funds.* The District maintains one proprietary fund, the Utility Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses its enterprise fund to account for its eight utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 19 – 21 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 57 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$329,462,228 at September 30, 2017.

**REEDY CREEK IMPROVEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**District's Net Position**

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and noncurrent assets	\$ 219,698,392	\$ 307,484,813	\$ 129,331,563	\$ 123,078,905	\$ 349,029,955	\$ 430,563,718
Capital assets	687,921,606	566,632,551	261,447,864	255,582,918	949,369,470	822,215,469
Total assets	907,619,998	874,117,364	390,779,427	378,661,823	1,298,399,425	1,252,779,187
Deferred outflows of resources	22,700,638	20,393,903	5,617,179	10,463,797	28,317,817	30,857,700
Total deferred outflows of resources	22,700,638	20,393,903	5,617,179	10,463,797	28,317,817	30,857,700
Current liabilities *	89,455,310	57,361,263	59,995,091	61,706,447	149,450,401	119,067,710
Noncurrent liabilities	698,674,032	717,817,422	142,311,371	175,844,363	840,985,403	893,661,785
Total liabilities	788,129,342	775,178,685	202,306,462	237,550,810	990,435,804	1,012,729,495
Deferred inflows of resources	3,896,248	2,181,332	2,922,962	1,376,860	6,819,210	3,558,192
Total deferred inflows of resources	3,896,248	2,181,332	2,922,962	1,376,860	6,819,210	3,558,192
Net position:						
Net investment in capital assets	213,696,396	207,959,420	114,730,611	80,985,214	328,427,007	288,944,634
Restricted	7,979,786	9,011,624	4,805,217	4,762,726	12,785,003	13,774,350
Unrestricted (deficit)	(83,381,136)	(99,819,794)	71,631,354	64,450,010	(11,749,782)	(35,369,784)
Total net position	\$ 138,295,046	\$ 117,151,250	\$ 191,167,182	\$ 150,197,950	\$ 329,462,228	\$ 267,349,200

\* includes current liabilities payable from restricted assets

The District's net position includes: 1) net investment in capital assets (e.g., land, land improvements, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding and deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt. The District uses these capital assets to provide infrastructure and services to businesses operating within the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities; 2) net position restricted by contract or enabling legislation for non-operating uses such as capital and debt service, and 3) unrestricted net position (deficit). The net investment in capital assets continues to increase as the related debt is paid.

Governmental activities reflect negative unrestricted net position balances due to the financing, with long-term bonds of the District, of certain roadways that were subsequently donated to the State of Florida, long-term bonds issued in order to contribute to Osceola County's refinancing of their Transportation Improvement Bonds (Osceola Parkway), and recording of the District's net pension liability due to the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB No. 68) in fiscal year 2015. The donated roadways are not assets of the District, however the remaining debt associated with the roadways is a liability of the District amounting to approximately \$50 million. All of the bonds are Ad Valorem Tax bonds, secured by an irrevocable lien on the ad valorem taxes collected by the District.

# REEDY CREEK IMPROVEMENT DISTRICT

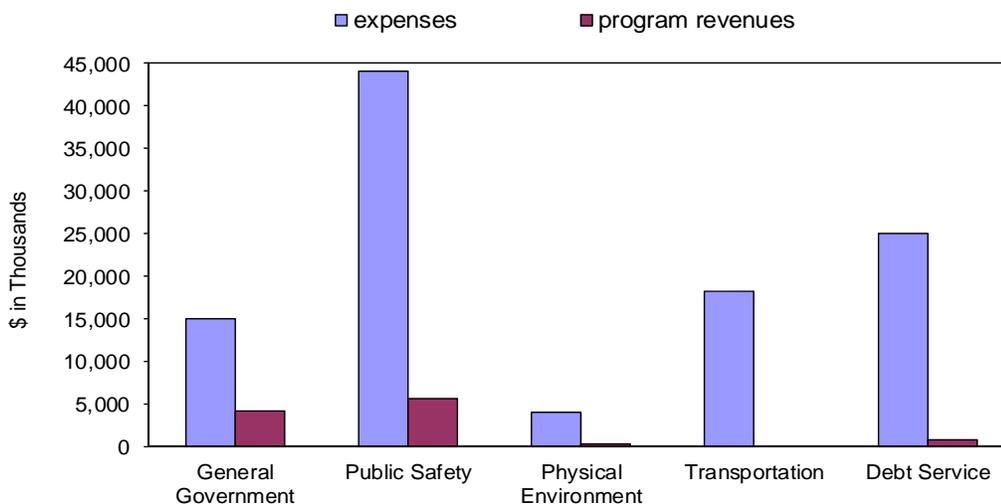
## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### District's Change in Net Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 6,021,097	\$ 4,316,953	\$ 169,120,306	\$ 169,336,027	\$ 175,141,403	\$ 173,652,980
Intergovernmental	4,680,245	3,616,705	-	-	4,680,245	3,616,705
Capital contributions	385,979	360,080	10,621,267	2,215,716	11,007,246	2,575,796
General revenues:						
Ad Valorem taxes-net	118,319,215	110,004,108	-	-	118,319,215	110,004,108
Interest income	1,960,465	823,549	422,493	292,473	2,382,958	1,116,022
Nonoperating revenues, net	2,821	5,622	312,943	-	315,764	5,622
Total revenues	131,369,822	119,127,017	180,477,009	171,844,216	311,846,831	290,971,233
Expenses:						
General Government	15,002,278	11,834,132	-	-	15,002,278	11,834,132
Public Safety	44,123,622	42,096,190	-	-	44,123,622	42,096,190
Physical Environment	3,957,678	4,292,089	-	-	3,957,678	4,292,089
Transportation	18,231,746	24,562,173	-	-	18,231,746	24,562,173
Utility operations	-	-	138,871,241	140,341,813	138,871,241	140,341,813
Interest on long-term debt	25,010,779	22,061,371	4,536,459	5,146,416	29,547,238	27,207,787
Total expenses	106,326,103	104,845,955	143,407,700	145,488,229	249,733,803	250,334,184
Increases in net position before transfers	25,043,719	14,281,062	37,069,309	26,355,987	62,113,028	40,637,049
Special Item	-	(4,768,246)	-	-	-	(4,768,246)
Transfers	(3,899,923)	(4,247,032)	3,899,923	4,247,032	-	-
Change in net position	21,143,796	5,265,784	40,969,232	30,603,019	62,113,028	35,868,803
Net position - beginning	117,151,250	111,885,466	150,197,950	119,594,931	267,349,200	231,480,397
Net position - ending	\$ 138,295,046	\$ 117,151,250	\$ 191,167,182	\$ 150,197,950	\$ 329,462,228	\$ 267,349,200

**Governmental activities.** Charges for services increased due to additional permits issued in 2017 associated with various transportation projects and expansions within certain theme parks, which will continue through 2019. Intergovernmental revenues increased due to an increase in tolls received by Osceola Parkway. The District budgeted the Ad Valorem Tax increase for FY2017. Transportation expenses increased with the addition of the Lime Garage at Disney Springs.

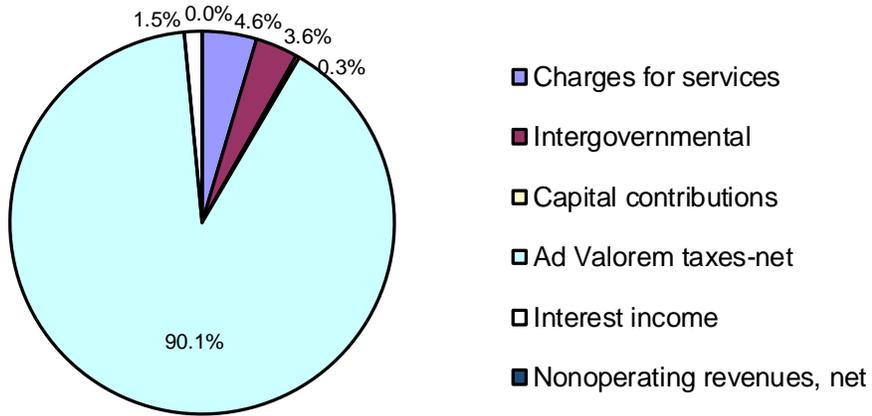
### Expenses and Program Revenues – Governmental Activities



**REEDY CREEK IMPROVEMENT DISTRICT**

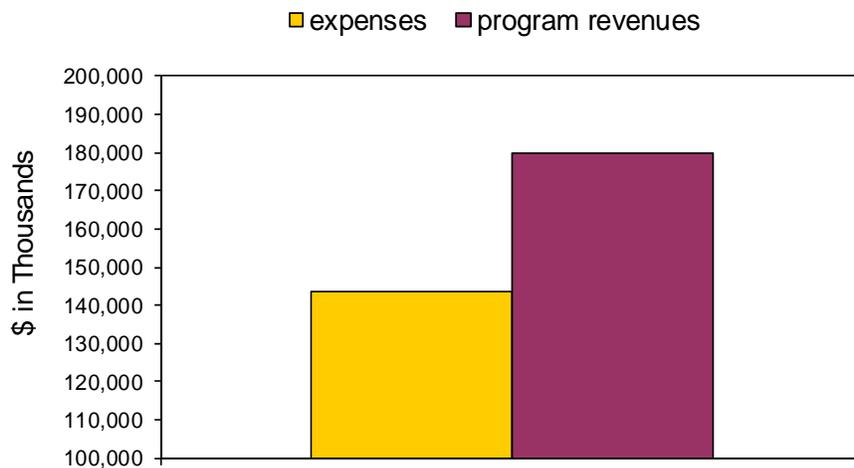
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Total Revenue by Source – Governmental Activities**



*Business-type activities.* Capital contributions increased as a result of ongoing construction projects throughout the District, accounting for 5.9% of total revenues, with the remainder being charges for services. Charges for services were slightly lower due to rate reductions resulting from lower fuel costs.

**Expenses and Program Revenues – Business-Type Activities**



## REEDY CREEK IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

#### **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2017, the District's governmental funds reported combined fund balances of \$171,936,019. Approximately 19% of this total amount constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or assigned. Restricted amounts are not available for general spending as those amounts have been reserved to pay for capital projects out of drainage impact fees or bond proceeds. Assigned amounts have been designated to cover the projected excess of expenditures over revenues in the fiscal year 2018 budget.

The general fund is the chief operating fund of the District. At September 30, 2017, unassigned fund balance of the general fund was \$33,407,240, while total fund balance reached \$48,096,404. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46% of the total general fund expenditures (including transfers), while total fund balance represents 66% of that same amount. During fiscal year 2017, the fund balance of the District's general fund increased by \$8,630,326. This increase was a result of additional revenues over what was originally budgeted related to building permits and the Osceola Parkway, and a budgeted increase in ad valorem tax revenues. In addition, overall expenditures were lower than originally budgeted.

The debt service fund has a total fund balance of \$3,195,461, a decrease of \$1,430,593 from the prior year. The decrease was due to additional debt service resulting from the issuance of additional ad valorem bonds in July 2016.

*Proprietary fund.* The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. At September 30, 2017 the unrestricted net position of the Utility Fund amounted to \$71,631,354, an increase of \$7,181,344 from prior year. The restricted net position amounted to \$4,805,217.

#### **General Fund Budgetary Highlights**

There were no amendments to the budget in fiscal year 2017. Minor transfers between activity budgets had no effect on total revenues or total expenses.

#### **Capital Asset and Debt Administration**

*Capital Assets.* The District's investment in capital assets for its governmental and business type activities as of September 30, 2017 amounted to \$949,369,470 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, improvements, machinery and equipment, roads, highways, drainage systems and bridges.

**REEDY CREEK IMPROVEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Additional information on the District's capital assets can be found in Note 5 of the financial statements.

**District's Capital Assets**

(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,740,642	\$ 2,740,642	\$ 6,907,829	\$ 6,907,829	\$ 9,648,471	\$ 9,648,471
Buildings and system	168,444,409	172,124,836	20,638,157	21,898,230	189,082,566	194,023,066
Improvements other than buildings	-	-	87,863,867	89,356,731	87,863,867	89,356,731
Machinery and equipment	6,726,054	7,739,526	115,042,223	116,436,506	121,768,277	124,176,032
Infrastructure	326,085,956	313,866,708	-	-	326,085,956	313,866,708
Construction in progress	183,924,545	70,160,839	30,995,788	20,983,622	214,920,333	91,144,461
<b>Total</b>	<b>\$ 687,921,606</b>	<b>\$ 566,632,551</b>	<b>\$ 261,447,864</b>	<b>\$ 255,582,918</b>	<b>\$ 949,369,470</b>	<b>\$ 822,215,469</b>

*Long-term debt.* At September 30, 2017, the District had total long-term bonded debt outstanding of \$818,283,254. Of this amount, \$643,896,883 comprised of debt backed by the full faith and credit of the District and \$174,386,371 is secured by the revenues generated by the District's utilities. During the year, the District's total long-term debt decreased by \$49,145,355 (6%) due to repayments. Long-term debt will increase in fiscal 2018 due to the issuance of the 2017A ad valorem bonds, which were issued in October, 2017.

The District has received ratings of "AA-" from Standard and Poor's, "AA-" from Fitch and "Aa3" from Moody's for the Ad Valorem Tax general obligation bonds and ratings of "A" from Standard and Poor's, "A" from Fitch and "A1" from Moody's for the Utility Revenue bonds. Additional information on the District's long-term debt can be found in Note 8 of the financial statements.

**District's Outstanding Long-term Debt**

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 643,896,883	\$ 660,559,246	-	-	\$ 643,896,883	\$ 660,559,246
Revenue bonds	-	-	\$ 174,386,371	\$ 206,869,363	174,386,371	206,869,363
<b>Total</b>	<b>\$ 643,896,883</b>	<b>\$ 660,559,246</b>	<b>\$ 174,386,371</b>	<b>\$ 206,869,363</b>	<b>\$ 818,283,254</b>	<b>\$ 867,428,609</b>

*Infrastructure Assets.* As demonstrated in the Required Supplementary Information on pages 58 – 61 of this report, there have been no significant changes in the assessed condition of the bridges, roads and water control structures that use the modified approach for infrastructure reporting. There is an ongoing program to repair the remaining water control structures considered in good condition. The current conditions of the remaining assets are within the established levels maintained by the District.

## REEDY CREEK IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

#### **Subsequent Event**

##### Issuance of Future Ad Valorem Tax Bonds

In October 2017, the District issued its 2017A Ad Valorem Tax Bonds in the amount of \$199,375,000. A portion of the proceeds were used to retire the outstanding Bond Anticipation Note of \$8,750,000. The bonds were issued pursuant to a resolution from August 2017, wherein the Board of Supervisors approved the issuance of additional ad valorem tax bonds not to exceed \$230,000,000 to fund additional roadway improvements and parking facilities.

##### Change in Federal Corporate Tax Rate

In December 2017, U.S. Congress passed H.R.1, which was signed into law on December 22, 2017, becoming the Tax Reform and Jobs Act of 2017. The bill's amendment to the Internal Revenue Code is effective for taxable years after December 31, 2017 and includes a reduction in the corporate tax rate from 35% to 21%. Three of the District's outstanding bonds, secured through private banks, contain language that require interest rate adjustments to maintain a taxable-equivalent yield. Those bonds have a combined outstanding principal balance of \$44,155,000 at September 30, 2017. The effective change in interest will increase debt service payments through 2025 by approximately \$1.3 million. The change is considered immaterial to total outstanding bonds payable.

#### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate of the Central Florida area is currently averaging 3.2%. This is less than both the state and national average unemployment rates of 3.6% and 4.1%, respectively.
- Fiscal year 2018 assessed values increased 9.1%.
- Inflationary trends in the region compare to national indices.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Reedy Creek Improvement District, Comptroller, 1900 Hotel Plaza Blvd., P.O. Box 10,170, Lake Buena Vista, Florida 32830.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
September 30, 2017

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,938,069	\$ 24,843,702	\$ 50,781,771
Cash and cash equivalents - restricted	125,943,952	27,646,987	153,590,939
Investments	15,633,433	-	15,633,433
Investments - restricted	46,149,786	41,216,069	87,365,855
Accounts receivable, net	4,158,901	22,805,481	26,964,382
Due from other governments	-	-	-
Internal balances	(177,574)	177,574	-
Inventories	-	11,998,199	11,998,199
Prepays	1,602,287	620,551	2,222,838
Deposits	30,000	-	30,000
Other assets	419,538	23,000	442,538
Capital assets not being depreciated	512,751,143	37,903,617	550,654,760
Capital assets, net of accumulated depreciation	175,170,463	223,544,247	398,714,710
<b>Total Assets</b>	<b>907,619,998</b>	<b>390,779,427</b>	<b>1,298,399,425</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated decrease in fair value of derivative instruments	-	4,859,575	4,859,575
Loss on defeased debt due to refundings	689,028	757,604	1,446,632
Deferred outflow of resources related to pensions	22,011,610	-	22,011,610
<b>Total Deferred Outflows of Resources</b>	<b>22,700,638</b>	<b>5,617,179</b>	<b>28,317,817</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	5,063,184	19,504,399	24,567,583
Accounts payable from restricted assets	42,221,215	1,021,210	43,242,425
Derivative fuel instruments	-	4,859,575	4,859,575
Due to other governments	-	-	-
Compensated absences	1,555,139	-	1,555,139
Self insurance liability	635,829	-	635,829
Capital leases	239,372	-	239,372
Bonds payable	30,135,000	32,075,000	62,210,000
Accrued interest payable	9,605,571	2,534,907	12,140,478
Noncurrent liabilities:			
Compensated absences	1,346,360	-	1,346,360
Self insurance liability	2,459,769	-	2,459,769
Deferred revenue	-	-	-
Capital leases	245,406	-	245,406
Net pension liability	50,203,614	-	50,203,614
Net OPEB obligation	30,657,000	-	30,657,000
Bonds payable	613,761,883	142,311,371	756,073,254
<b>Total Liabilities</b>	<b>788,129,342</b>	<b>202,306,462</b>	<b>990,435,804</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred fuel	-	2,922,962	2,922,962
Deferred inflow of resources related to pensions	3,896,248	-	3,896,248
<b>Total Deferred Inflows of Resources</b>	<b>3,896,248</b>	<b>2,922,962</b>	<b>6,819,210</b>
<b>NET POSITION</b>			
Net investment in capital assets	213,696,396	114,730,611	328,427,007
Restricted for:			
Capital projects	4,784,325	-	4,784,325
Debt service	3,195,461	-	3,195,461
Renewal and replacement	-	4,305,217	4,305,217
Emergency repairs	-	500,000	500,000
Unrestricted (deficit)	(83,381,136)	71,631,354	(11,749,782)
<b>Total Net Position</b>	<b>\$ 138,295,046</b>	<b>\$ 191,167,182</b>	<b>\$ 329,462,228</b>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Period Ended September 30, 2017

	<b>Business-type Activities</b>		<b>Total Governmental Activities</b>
	<b>Total</b>	<b>Utility</b>	
Expenses:			
Labor	\$ 79,554,714	\$ 33,277,851	\$ 46,276,863
Operating expenses	111,928,631	85,237,956	26,690,675
Depreciation	28,703,220	20,355,434	8,347,786
Interest on debt	29,547,238	4,536,459	25,010,779
Total expenses	<u>249,733,803</u>	<u>143,407,700</u>	<u>106,326,103</u>
Program revenues:			
Charges for services	175,141,403	169,120,306	6,021,097
Intergovernmental	4,680,245	-	4,680,245
Capital contributions	11,007,246	10,621,267	385,979
Total program revenues	<u>190,828,894</u>	<u>179,741,573</u>	<u>11,087,321</u>
Net program expense (revenue)	<u>58,904,909</u>	<u>(36,333,873)</u>	<u>95,238,782</u>
General revenues:			
Ad valorem taxes	118,319,215	-	118,319,215
Interest and investment income	2,382,958	422,493	1,960,465
Nonoperating revenues, net	315,764	312,943	2,821
Transfers in (out)	-	3,899,923	(3,899,923)
Total general revenues and transfers	<u>121,017,937</u>	<u>4,635,359</u>	<u>116,382,578</u>
Change in net position	62,113,028	40,969,232	21,143,796
Total net position - beginning	<u>267,349,200</u>	<u>150,197,950</u>	<u>117,151,250</u>
Total net position - ending	<u>\$ 329,462,228</u>	<u>\$ 191,167,182</u>	<u>\$ 138,295,046</u>

The accompanying notes are an integral part of these financial statements.

**Governmental Activities**

<b>General Government</b>	<b>Public Safety</b>	<b>Physical Environment</b>	<b>Transportation</b>	<b>Debt Service</b>
\$ 6,101,720	\$ 37,272,572	\$ 2,113,568	\$ 789,003	\$ -
8,130,926	4,088,700	1,756,990	12,714,059	-
769,632	2,762,350	87,120	4,728,684	-
-	-	-	-	25,010,779
<u>15,002,278</u>	<u>44,123,622</u>	<u>3,957,678</u>	<u>18,231,746</u>	<u>25,010,779</u>
372,604	5,648,493	-	-	-
3,861,473	-	-	-	818,772
-	-	385,979	-	-
<u>4,234,077</u>	<u>5,648,493</u>	<u>385,979</u>	<u>-</u>	<u>818,772</u>
<u>\$ 10,768,201</u>	<u>\$ 38,475,129</u>	<u>\$ 3,571,699</u>	<u>\$ 18,231,746</u>	<u>\$ 24,192,007</u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,929,247	\$ 2,004,949	\$ 118,947,825	\$ 151,882,021
Investments	17,426,580	1,201,924	43,154,715	61,783,219
Accounts receivable, net	165,469	-	3,993,432	4,158,901
Due from other funds	5,226,840	-	-	5,226,840
Prepays	1,602,287	-	-	1,602,287
Deposits	-	-	30,000	30,000
Total assets	<u>\$ 55,350,423</u>	<u>\$ 3,206,873</u>	<u>\$ 166,125,972</u>	<u>\$ 224,683,268</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable and accrued liabilities	\$ 7,121,620	\$ 11,412	\$ 40,209,803	\$ 47,342,835
Due to other funds	132,399	-	5,272,015	5,404,414
Total liabilities	<u>7,254,019</u>	<u>11,412</u>	<u>45,481,818</u>	<u>52,747,249</u>
Fund balances:				
Nonspendable:				
Prepays	1,602,287	-	-	1,602,287
Restricted:				
Capital projects	4,784,325	-	120,644,154	125,428,479
Debt service	-	3,195,461	-	3,195,461
Assigned:				
2018 budget shortfall	8,302,552	-	-	8,302,552
Unassigned	33,407,240	-	-	33,407,240
Total fund balances	<u>48,096,404</u>	<u>3,195,461</u>	<u>120,644,154</u>	<u>171,936,019</u>
Total liabilities and fund balances	<u>\$ 55,350,423</u>	<u>\$ 3,206,873</u>	<u>\$ 166,125,972</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Accrued interest payable on bonds not currently due is not reported in the funds. (9,605,571)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 687,921,606

Some liabilities, including bonds payable, pensions and other liabilities are not due and payable in the current period and therefore are not reported in the funds. (711,957,008)

Net position of governmental activities \$ 138,295,046

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Period Ended September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Ad valorem taxes	\$ 71,318,106	\$ 47,001,109	\$ -	\$ 118,319,215
Intergovernmental	3,861,473	818,772	-	4,680,245
Emergency services	306,355	-	-	306,355
Building permits and fees	5,342,138	-	-	5,342,138
Drainage fees	385,979	-	-	385,979
Interest and investment income	393,660	122,782	1,444,023	1,960,465
Other	388,460	-	-	388,460
Total revenues	<u>81,996,171</u>	<u>47,942,663</u>	<u>1,444,023</u>	<u>131,382,857</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,218,055	-	-	13,218,055
Public safety	36,284,675	-	-	36,284,675
Physical environment	3,601,342	-	-	3,601,342
Transportation	13,403,569	-	-	13,403,569
Capital outlay	1,880,885	-	128,005,197	129,886,082
Debt service:				
Principal	1,035,234	20,675,000	-	21,710,234
Interest and other charges	42,162	28,698,256	122,877	28,863,295
Total expenditures	<u>69,465,922</u>	<u>49,373,256</u>	<u>128,128,074</u>	<u>246,967,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,530,249</u>	<u>(1,430,593)</u>	<u>(126,684,051)</u>	<u>(115,584,395)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	8,750,000	8,750,000
Payments to escrow agents	-	-	-	-
Transfers (out)	(3,899,923)	-	-	(3,899,923)
Lease proceeds	-	-	-	-
Total other financing sources	<u>(3,899,923)</u>	<u>-</u>	<u>8,750,000</u>	<u>4,850,077</u>
Net changes in fund balances	8,630,326	(1,430,593)	(117,934,051)	(110,734,318)
<b>Fund Balances, beginning of year</b>	<u>39,466,078</u>	<u>4,626,054</u>	<u>238,578,205</u>	<u>282,670,337</u>
<b>Fund Balances, end of year</b>	<u>\$ 48,096,404</u>	<u>\$ 3,195,461</u>	<u>\$ 120,644,154</u>	<u>\$ 171,936,019</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances	\$ (110,734,318)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	121,538,296
The net effect of various miscellaneous transactions involving capital assets resulted in a decrease in net position.	(249,240)
Governmental funds report the payment of bond principal and interest when the current financial resources are available and payments are due and they report the payment of issuance costs, premiums, discounts, and similar items when debt is first issued. However, on the statement of activities, interest is accrued.	16,812,750
Increases in other liabilities reported as expenses in the statement of activities not requiring the use of current financial resources in governmental funds.	(6,223,692)
Change in net position of governmental activities	<u>\$ 21,143,796</u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Period Ended September 30, 2017

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 71,989,182	\$ 71,989,182	\$ 71,318,106	\$ (671,076)
Intergovernmental Revenue	2,000,000	2,000,000	3,861,473	1,861,473
Emergency Services	-	-	306,355	306,355
Building Permits and Fees	3,100,000	3,100,000	5,342,138	2,242,138
Drainage Fees	-	-	385,979	385,979
Interest Income	100,000	100,000	393,660	293,660
Other	200,000	200,000	388,460	188,460
<b>Total Revenues</b>	<b>77,389,182</b>	<b>77,389,182</b>	<b>81,996,171</b>	<b>4,606,989</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative:				
Labor	1,692,928	1,692,928	1,639,945	52,983
Operating	3,959,375	3,958,575	3,854,856	103,719
	<b>5,652,303</b>	<b>5,651,503</b>	<b>5,494,801</b>	<b>156,702</b>
Human Resources:				
Labor	514,374	689,659	654,031	35,628
Operating	519,100	519,100	189,651	329,449
	<b>1,033,474</b>	<b>1,208,759</b>	<b>843,682</b>	<b>365,077</b>
Information Systems & Technology:				
Labor	1,765,073	1,589,788	1,567,527	22,261
Operating	1,451,225	1,458,445	1,316,638	141,807
Capital outlay	2,469,000	2,019,000	707,095	1,311,905
	<b>5,685,298</b>	<b>5,067,233</b>	<b>3,591,260</b>	<b>1,475,973</b>
Property Management:				
Labor	549,000	549,000	530,138	18,862
Operating	1,562,080	1,962,523	2,467,242	(504,719)
Capital outlay	100,000	53,900	54,495	(595)
	<b>2,211,080</b>	<b>2,565,423</b>	<b>3,051,875</b>	<b>(486,452)</b>
Contracts & Risk Management:				
Labor	1,008,794	1,008,794	931,693	77,101
Operating	52,300	51,100	66,334	(15,234)
	<b>1,061,094</b>	<b>1,059,894</b>	<b>998,027</b>	<b>61,867</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>15,643,249</b>	<b>15,552,812</b>	<b>13,979,645</b>	<b>1,573,167</b>
<b>PUBLIC SAFETY</b>				
Building and Safety:				
Labor	3,898,068	4,071,059	3,558,856	512,203
Operating	478,850	478,850	371,489	107,361
Capital outlay	440,000	440,000	-	440,000
	<b>4,816,918</b>	<b>4,989,909</b>	<b>3,930,345</b>	<b>1,059,564</b>
Emergency Services:				
Labor	28,279,459	28,106,469	28,396,169	(289,700)
Operating	2,672,950	2,712,950	2,400,634	312,316
Capital outlay	1,856,604	1,816,604	936,003	880,601
	<b>32,809,013</b>	<b>32,636,023</b>	<b>31,732,806</b>	<b>903,217</b>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Period Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Property Management:				
Labor	243,602	243,602	240,950	2,652
Operating	2,103,238	1,686,238	1,316,577	369,661
Capital outlay	92,000	123,000	72,243	50,757
	<u>2,438,840</u>	<u>2,052,840</u>	<u>1,629,770</u>	<u>423,070</u>
TOTAL PUBLIC SAFETY	<u>40,064,771</u>	<u>39,678,772</u>	<u>37,292,921</u>	<u>2,385,851</u>
PHYSICAL ENVIRONMENT				
Water Control:				
Operating	1,075,000	1,075,000	988,384	86,616
	<u>1,075,000</u>	<u>1,075,000</u>	<u>988,384</u>	<u>86,616</u>
Planning & Engineering:				
Labor	1,939,615	1,939,615	1,844,352	95,263
Operating	1,029,400	1,031,000	685,351	345,649
Capital outlay	-	450,000	83,963	366,037
	<u>2,969,015</u>	<u>3,420,615</u>	<u>2,613,666</u>	<u>806,949</u>
Property Management:				
Operating	15,000	15,000	83,255	(68,255)
Capital outlay	-	27,100	27,086	14
	<u>15,000</u>	<u>42,100</u>	<u>110,341</u>	<u>(68,241)</u>
TOTAL PHYSICAL ENVIRONMENT	<u>4,059,015</u>	<u>4,537,715</u>	<u>3,712,391</u>	<u>825,324</u>
TRANSPORTATION				
Roadway maintenance:				
Labor	176,222	176,222	142,383	33,839
Operating	9,157,517	9,109,854	8,093,399	1,016,455
	<u>9,333,739</u>	<u>9,286,076</u>	<u>8,235,782</u>	<u>1,050,294</u>
Parking facilities:				
Labor	491,834	491,834	547,127	(55,293)
Operating	4,917,253	4,964,252	4,620,660	343,592
	<u>5,409,087</u>	<u>5,456,086</u>	<u>5,167,787</u>	<u>288,299</u>
TOTAL TRANSPORTATION	<u>14,742,826</u>	<u>14,742,162</u>	<u>13,403,569</u>	<u>1,338,593</u>
DEBT SERVICE				
Lease payments	1,035,234	1,035,234	1,035,234	-
Interest and other charges	42,162	42,162	42,162	-
TOTAL DEBT SERVICE	<u>1,077,396</u>	<u>1,077,396</u>	<u>1,077,396</u>	<u>-</u>
<b>Total Expenditures</b>	<u>75,587,257</u>	<u>75,588,857</u>	<u>69,465,922</u>	<u>6,122,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,801,925</u>	<u>1,800,325</u>	<u>12,530,249</u>	<u>10,729,924</u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Period Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>OTHER FINANCING SOURCES &amp; USES</b>				
Transfers out	(4,840,374)	(4,838,774)	(3,899,923)	938,851
<b>Total Other Financing Uses</b>	(4,840,374)	(4,838,774)	(3,899,923)	938,851
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	\$ (3,038,449)	\$ (3,038,449)	8,630,326	\$ 11,668,775
<b>Fund Balance, beginning of year</b>			39,466,078	
<b>Fund Balance, end of year</b>			\$ 48,096,404	

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF NET POSITION - UTILITY FUND**  
September 30, 2017

**ASSETS**

Current assets:

Cash and cash equivalents	\$	24,843,702
Accounts receivable, net		22,805,481
Due from other funds		710,057
Inventories		11,998,199
Prepays		620,551

Restricted Assets:

Cash and cash equivalents		27,646,987
Investments		26,105,765

Total current assets		114,730,742
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Noncurrent assets:

Restricted investments		15,110,304
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Capital assets:

Land		6,907,829
Buildings		65,760,245
Improvements other than buildings		229,970,510
Machinery and equipment		404,059,693
Less accumulated depreciation		(476,246,201)
Construction in progress		30,995,788

Total capital assets		261,447,864
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Other assets		23,000
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Total noncurrent assets		276,581,168
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**Total Assets**

391,311,910

**DEFERRED OUTFLOWS OF RESOURCES**

Accumulated decrease in the fair value of derivative instruments		4,859,575
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Loss on defeased debt due to refundings		757,604
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**Total Deferred Outflows of Resources**

5,617,179

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities		19,504,399
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Derivative fuel instruments		4,859,575
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Due to other funds		532,483
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Total current liabilities		24,896,457
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Current liabilities payable from restricted assets:

Bonds payable		32,075,000
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Accrued interest payable		2,534,907
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Contracts and retainage payable		1,021,210
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Total current liabilities payable from restricted assets		35,631,117
--	--	------------

Long-term liabilities:

Bonds payable		142,311,371
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**Total Liabilities**

202,838,945

**DEFERRED INFLOWS OF RESOURCES**

Deferred fuel		2,922,962
---------------	--	-----------

**NET POSITION**

Net investment in capital assets		114,730,611
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Restricted for renewal and replacement		4,305,217
--	--	-----------

Restricted for emergency repairs		500,000
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Unrestricted		71,631,354
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**Total Net Position**

\$ 191,167,182

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**UTILITY FUND**  
For the Period Ended September 30, 2017

<b>OPERATING REVENUES</b>	
Utility sales	\$ 169,120,306
Connection fees	0
Total operating revenues	<u>169,120,306</u>
<b>OPERATING EXPENSES</b>	
Purchased power and fuel	60,683,125
Labor support	33,277,851
Operating costs	14,941,754
Taxes	2,784,056
Repairs and maintenance	5,888,504
Insurance	940,517
Depreciation	20,355,434
Total operating expenses	<u>138,871,241</u>
 Operating income	 <u>30,249,065</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment income	422,493
Interest expense	(4,536,459)
Bond issue costs	-
Gain on retirement of plant assets and other inventory write-ups	312,943
Total nonoperating expenses, net	<u>(3,801,023)</u>
 Capital contributions	 10,621,267
Transfers in	<u>3,899,923</u>
 Increase in net position	 40,969,232
 Total net position - beginning	 <u>150,197,950</u>
Total net position - ending	<u><u>\$ 191,167,182</u></u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**UTILITY FUND**

For the Year Ended September 30, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 171,203,093
Payments to suppliers	(84,871,581)
Payments for labor contract and management service agreement	(30,018,765)
Payments to employees	(2,998,990)
Net cash provided by operating activities	53,313,757

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers in	3,899,923
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(25,626,772)
Proceeds from sale of capital assets	266,092
Principal paid on bonds	(31,025,000)
Interest paid on bonds	(6,018,640)
Capital contributions	7,486,400
Net cash used by capital and related financing activities	(54,917,920)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(25,131,051)
Proceeds from sales and maturities of investments	22,958,871
Investment income	416,046
Net cash used by investing activities	(1,756,134)
Net increase in cash and cash equivalents	539,626
Balances - end of the year	\$ 52,490,689

Unrestricted	\$ 24,843,702
Restricted	27,646,987
	\$ 52,490,689

**Reconciliation of operating income to net cash provided by operating activities**

Operating income	\$ 30,249,065
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	20,355,434
Gain on write-up of assets	147,715
Change in assets and liabilities:	
Accounts receivable	536,685
Inventories	(872,443)
Prepaid items	(114,016)
Accounts payable and accrued liabilities	980,640
Due from other funds	484,575
Unearned revenue	1,546,102
Net cash provided by operating activities	\$ 53,313,757

The accompanying notes are an integral part of these financial statements.

# REEDY CREEK IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Reedy Creek Improvement District (the "District") is a public corporation of the State of Florida created on May 12, 1967 by a special act of the legislature. The District includes approximately 25,000 acres of land in Orange and Osceola Counties. Walt Disney World Co. or other wholly owned subsidiaries of the Walt Disney Company own substantially all the land within the District. As outlined in Chapter 67-764 of the Laws of Florida, the District was organized to provide for the reclamation, drainage, and irrigation of land, to establish water, flood, and erosion control, to provide water and sewer systems and waste collection and disposal facilities, to provide for mosquito and other pest controls, to provide for public utilities, to create and maintain conservation areas, to provide streets, roads, bridges and street lighting facilities, and to adopt zoning and building codes and regulations. The governing body of the District is a five-member Board of Supervisors elected to office for four-year terms by landowners of the District.

The accompanying financial statements present the financial position and changes in financial position of the applicable fund types governed by the Board of Supervisors of the District in accordance with accounting principles generally accepted in the United States of America. Determination of the financial reporting entity of the District is founded upon the objective of accountability. Therefore, the financial statements include only the District (the primary government). There are no legally separate component units for which operational or financial responsibility rest with officials of the District or for which the nature and significance of their relationship to the District are such that exclusion would cause the financial statements to be misleading.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government. As required by generally accepted governmental accounting principles, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary, or enterprise fund. All governmental funds and the enterprise fund are considered to be major funds and are reported as separate columns in the fund financial statements.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are generally not measurable and available until the District receives cash.

The District reports the following major governmental funds:

General Fund – The District's primary operating fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – Accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – Accounts for the financial resources to be used for the acquisition or construction of major general government capital projects.

The District reports the following major proprietary fund:

Utility Fund – Accounts for activities of the following District systems: wastewater collection and treatment; potable water production, treatment, storage, pumping and distribution; reclaimed water distribution; electric generation and distribution; chilled water; hot water; natural gas distribution; and solid waste and recyclables collection and transfer.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# REEDY CREEK IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating contributions, and 3) capital contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes. Bad debt expense, if any, reduces revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue connection fees which are to recover the expense of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Property Taxes

Property taxes are billed and collected within the same fiscal period, and are reflected on the modified accrual basis. Ad Valorem taxes on property values have a lien and assessment date of January 1, with millage established during the preceding September. The fiscal year for which taxes are levied begins October 1. Taxes, which are billed in November, carry a maximum discount available through November 30, and become delinquent April 1. State Statutes permit the District to levy property taxes at a rate up to 30 mills. The millage rates assessed by the District for the fiscal year ended September 30, 2017 were 7.5000 for General Operating and 4.8993 for Debt Service.

#### E. Cash, Cash Equivalents and Investments

Cash balances from the majority of funds are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable balances maintained in the pool by each fund. Holdings in the pool, for purposes of these statements, are allocated to the participating funds based on their equity.

Cash and cash equivalents consist of demand accounts (interest and non-interest bearing), money market funds and investments with an original maturity of three months or less when purchased. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments are stated at fair value based upon quoted market prices or matrix pricing for certain fixed income securities. Investments are further explained in Notes 3 and 14, Deposits and Investments and Fair Value Measurements, respectively.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**F. Inventories**

Enterprise Fund inventories consist of materials, supplies and fuel. Materials and supplies inventories are only held for use and are valued at cost. Fuel oil inventories are accounted for at the lower of cost or market using the moving average cost method.

**G. Restricted Assets**

Certain assets in the Debt Service Fund, Capital Projects Fund and Enterprise Fund are restricted as to use by specific provisions of bond resolutions. Similarly, certain assets in the General Fund are also restricted by provisions of drainage resolutions. These assets are classified as restricted assets on the statement of net position.

**H. Capital Assets**

Infrastructure improvements such as roads, bridges, canals, curbs, gutters, sidewalks, drainage systems and lighting systems, are recorded as capital expenditures in the various governmental funds at the time of purchase. These assets are presented as capital assets in the government-wide statement of net position for governmental activities. Infrastructure assets are not depreciated and are accounted for using the modified approach, as further explained in the Required Supplementary Information. Condition assessments are periodically performed and preservation and maintenance costs are reflected as expenses in the government-wide statement of activities under transportation expenses.

Land, buildings, plants, machinery and equipment are carried on the statement of net position for governmental activities and business-type activities at cost, except for contributed assets, which are recorded at estimated fair value at the date of contribution. The District's capitalization threshold is \$5,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and land improvements	30-50 years
Improvements, including utility distribution and collection systems	30-50 years
Machinery and equipment	3-30 years

Repairs and maintenance are expensed when incurred. Additions, major renewals and replacements, which increase the useful lives of the assets, are capitalized. Net interest costs incurred during the construction or installation of property, plant and equipment are capitalized for business-type activities.

**I. Deferred Amount on Refunding**

For current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Deferred amounts are presented as a deferred outflow of resources in the Statement of Net Position.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### J. Compensated Absences

In the Government-wide financial statements, compensated absences are recorded as a liability when the benefits are earned. The current portion is the amount accrued during the year that would normally be liquidated with available, expendable resources in the next fiscal year and is reported in accounts payable. In the fund statements, expenditures are recognized when payments are due to the employee.

##### K. Fund Balances

In the Governmental Fund financial statements, fund balances are classified as follows:

Nonspendable – The portion of fund balance that includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact.

Restricted – Amounts that can only be used for specific purposes due to constraints that have been placed on them by external parties, constitutional provisions or enabling legislation.

Committed – Amounts that are constrained for specific purposes that are internally imposed through formal action of the Board of Supervisors and does not lapse at year end.

Assigned – Amounts constrained by the Board of Supervisors to be used for a specific purpose.

Unassigned – All amounts not included in other spendable classifications.

The District spends restricted amounts first when both restricted and unrestricted fund balance is available unless legally prohibited from doing so. When expenditures are incurred for payment from the unrestricted fund balances, assigned is used first, followed by unassigned fund balance. The District does not have a formal minimum fund balance policy.

##### L. Budgets and Budgetary Accounting

The following procedures are used to establish the budgetary data reflected in the financial statements:

- (1) The District Administrator submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing on October 1.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (4) Budgets are legally adopted for the General Fund, Debt Service Fund and the Enterprise Fund.
- (5) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (6) The District's charter does not require formal authorization for actual expenditures to exceed budgeted expenditures; however, the Board of Supervisors monitors the budget periodically during the year. The budgetary control is legally maintained at the fund level.
- (7) All appropriations and encumbrances, except those specifically approved by the Board of Supervisors, lapse at the close of the fiscal year to the extent not expended.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### M. Forward Contracts

The District enters into forward contracts as part of its normal purchases of power and fuel and accounts for such contracts as settled, as a component of the cost of its operations.

##### N. Derivative Instruments

Fuel related derivative transactions are executed in accordance with the District's established Energy Risk Management Policy ("Policy") which is controlling the level of price risk exposure involved in the normal course of the District's natural gas purchasing activities. The Policy establishes the Energy Risk Management Oversight Committee which enters into financial hedging agreements and contracts with third parties pursuant to enabling agreements approved by the Board of Supervisors. The Policy establishes the organizational structure of the committee and various volume and pricing limits. The fair value of these derivative fuel instruments is included in the Statement of Net Position with the accumulated changes in fair value reported as deferred outflows or deferred inflows of resources as they have been determined to qualify for hedge accounting. Related gains and/or losses are deferred and recognized in the specific period in which the derivative is settled and included as a part of fuel costs.

##### O. Pensions

The Florida Retirement System (FRS) is responsible for providing participating employers with total pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, as well as the District's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the FRS and additions to/deductions from the FRS's fiduciary net position have been determined on the same basis as they are reported by the FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### P. Implementation of New Accounting Standards

Effective October 1, 2016, the District implemented GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" (GASB No. 73) and GASB Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 68, No. 68 and No. 73" (GASB No. 82). GASB No. 73 impacted note disclosures related to pensions. GASB No. 82 had limited impact to the District but required supplementary information related to pensions have been updated for use of the term "covered employee payroll" where applicable.

The following accounting standards were also effective for the District's fiscal year 2017 but had no effect on the District's financial statements:

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### P. Implementation of New Accounting Standards – Continued

GASB 74 – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”

GASB 77 – “Tax Abatement Disclosures”

GASB 78 – “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”

GASB 79 – “Certain External Investment Pools and Pool Participants”

GASB 80 – “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14”

##### Q. Rates and Regulations

The District follows the accounting practices set forth in GASB No. 62, paragraphs 476-500, Regulated Operations. This standard allows utilities to capitalize or defer certain costs or revenues based on management’s ongoing assessment that it is probable these items will be recovered through the rate-making process. Regulatory liabilities consist of deferred fuel.

If the District no longer applied GASB No. 62 due to competition, regulatory changes, or other reasons, the District would make certain adjustments that would include the write-off of all or a portion of its regulatory assets and liabilities, the evaluation of utility plant, contracts and commitments, and the recognition, if necessary, of any losses to reflect market condition. Management believes that the District currently meets the criteria for continued application of GASB No. 62, but will continue to evaluate significant changes in the regulatory and competitive environment to assess the ability to continue to apply GASB No. 62.

##### R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates and differences could be material.

#### 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

##### A. Explanation of certain differences between the balance sheet – governmental funds and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. Further details of certain elements of that reconciliation are as follows:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. This amount represents the total capital assets of governmental activities of \$736,004,702, net of accumulated depreciation of \$48,083,096, or \$687,921,606.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued**

**A. Explanation of certain differences between the balance sheet – governmental funds and the government-wide statement of net position – Continued**

2. Some liabilities, including bonds payable, other long-term liabilities, and deferred outflows of resources and deferred inflows of resources, are not due and payable in the current period and therefore are not reported in the funds. The details of this difference are shown below:

Compensated absences payable	\$ 2,843,063
Self insurance liability	2,676,060
Capital leases	484,778
Bonds payable	643,896,883
Deferred outflows - losses on defeased debt	(689,028)
Net pension liability	50,203,614
Deferred outflows - pensions	(22,011,610)
Deferred inflows - pensions	3,896,248
Net OPEB obligation	<u>30,657,000</u>
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position of governmental activities	<u>\$ 711,957,008</u>

**B. Explanation of certain differences between the statement of revenues, expenditures and changes in fund balances – governmental funds and the government-wide statement of activities**

The statement of revenues, expenditures and changes in fund balances – governmental funds includes a reconciliation of the “net changes in fund balances – total governmental funds” and “change in net position of governmental activities” as reported in the government-wide statement of activities. Further details of certain elements of that reconciliation are as follows:

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is as follows:

Capital outlay expenditures:	
General fund	
General government	\$ 761,590
Public safety	1,008,246
Physical environment	111,049
Capital projects	128,005,197
Depreciation expense	<u>(8,347,786)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 121,538,296</u>

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued**

**B. Explanation of certain differences between the statement of revenues, expenditures and changes in fund balances – governmental funds and the government-wide statement of activities – Continued**

2. Governmental funds report the payment of the bond and capital lease principal and interest when the current financial resources are available and payments are due, and they report the payment of issuance costs, premiums, discounts, and similar items when debt is first issued. However, on the statement of activities interest is accrued and certain bond related costs are deferred and amortized. The details of the difference are as follows:

Net changes of deferred loss, bond costs, discount, and premium	\$ 4,421,607
Principal payments on bonds outstanding	20,675,000
Accrued interest payable	(569,091)
Principal payments on leases	1,035,234
Bond Proceeds	<u>(8,750,000)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 16,812,750</u>

3. Increases in other liabilities reported as expenses in the statement of activities not requiring the use of current financial resources in governmental funds. The details of the difference are as follows:

Compensated absences	\$ (241,940)
Workers compensation	(371,165)
Net OPEB obligation	(2,378,000)
Pensions	<u>(3,232,587)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (6,223,692)</u>

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**3. DEPOSITS AND INVESTMENTS**

The District is authorized to invest in securities as described in its investment policy and in its bond resolutions. As of September 30, 2017, the District held the following deposits and investments as categorized below:

	Fair Value	Investment Maturities (in years)		
		Less than 1	1 - 5	More than 10
Demand and certificate of deposits	\$ 7,624,859	\$ 7,521,348	\$ 103,511	\$ -
US Treasury Securities	69,833,609	18,072,778	51,349,506	411,325
US Government Agency Securities	28,516,669	-	28,516,669	-
Florida Prime, Money Market Fund	2	2	-	-
State and Local Government Securities	26,940,633	22,395,134	2,200,235	2,345,264
Money market mutual funds	174,456,226	174,456,226	-	-
<b>Totals</b>	<b>\$ 307,371,998</b>	<b>\$222,445,488</b>	<b>\$ 82,169,921</b>	<b>\$ 2,756,589</b>

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy for operating funds is structured to provide sufficient liquidity to pay obligations as they come due and (1) limits investments to not more than 7 year maturities (with the exception of bond proceeds, described below); (2) requires the portfolio have no more than 15% in securities maturing in or having an average life of more than 5 years; (3) requires the portfolio have no more than 40% in securities maturing in or having an average life of more than 3 years; and (4) requires no more than 25% of the investment portfolio shall be of a non-liquid nature. Bond proceeds and reserve funds are managed in accordance with bond covenants and funding needs which could result in maturities longer than 7 years.

*Credit Risk* - The District's investment policy limits credit risk by restricting authorized investments to the following: direct obligations of, or obligations guaranteed by, the U.S. Government; bonds and notes issued by various federal agencies; state and local government securities; Canadian public obligations; public improvement bonds; public utility obligations; public housing obligations; State Board of Education obligations; international development banks; certain government security money market mutual funds; repurchase agreements and reverse repurchase agreements. Securities that derive their value from underlying securities ("derivatives") are specifically prohibited except when separately approved by the District's Board of Supervisors.

*Custodial Credit Risk* - All demand deposits are entirely insured by federal depository insurance or by the multiple financial institution collateral pool pursuant to the Public Depository Security Act of the State of Florida.

The District's investment policy requires that all investments be held by a third party custodian and held in the District's name. As of September 30, 2017, all District investments are held in a bank's trust department in the District's name.

*Concentration of Credit Risk* - At September 30, 2017, there were no issuers with which the District held investments exceeding 5% of the total investment portfolio.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**3. DEPOSITS AND INVESTMENTS – Continued**

Statement of Net Position Classifications - In addition to demand accounts, the District classifies repurchase agreements, Florida Prime, money market mutual funds and investments with maturities of three months or less from the date of purchase as cash and cash equivalents on the statement of net position. As of September 30, 2017 the following is a summary of these amounts reflected on the statement of net position:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
Statement of Net Position Classifications:			
Cash and cash equivalents	\$ 50,781,771	\$ 153,590,939	\$ 204,372,710
Investments	15,633,433	87,365,855	102,999,288
	<u>\$ 66,415,204</u>	<u>\$ 240,956,794</u>	<u>\$ 307,371,998</u>

**4. VALUATION ALLOWANCES**

The District recognizes allowances for losses on accounts receivable and inventories. The allowance for receivables is based on an aging of receivables and includes accounts over 120 days. The Utility Fund recognized an allowance at September 30, 2017 in the amount of \$66,827. The expense associated with this allowance is recognized as an offset to utility revenues.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance October 1,	Increases	Decreases	Ending Balance September 30, 2017
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,740,642	\$ -	\$ -	\$ 2,740,642
Construction in progress	70,160,839	128,005,197	(14,241,491)	183,924,545
Infrastructure	313,866,708	12,219,248	-	326,085,956
Total capital assets, not being depreciated	<u>386,768,189</u>	<u>140,224,445</u>	<u>(14,241,491)</u>	<u>512,751,143</u>
Capital assets, being depreciated				
Buildings	189,884,523	2,022,243	(333,001)	191,573,765
Machinery and equipment	30,431,581	1,880,886	(632,673)	31,679,794
Total capital assets, being depreciated	<u>220,316,104</u>	<u>3,903,129</u>	<u>(965,674)</u>	<u>223,253,559</u>
Less accumulated depreciation for:				
Buildings	17,759,687	5,463,819	(94,150)	23,129,356
Machinery and equipment	22,692,055	2,883,967	(622,282)	24,953,740
Total accumulated depreciation	<u>40,451,742</u>	<u>8,347,786</u>	<u>(716,432)</u>	<u>48,083,096</u>
Total capital assets, being depreciated, net	<u>179,864,362</u>	<u>(4,444,657)</u>	<u>(249,242)</u>	<u>175,170,463</u>
Governmental activities capital assets, net	<u>\$ 566,632,551</u>	<u>\$ 135,779,788</u>	<u>\$ (14,490,733)</u>	<u>\$ 687,921,606</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,907,829	\$ -	\$ -	\$ 6,907,829
Construction in progress	20,983,622	23,879,132	(13,866,966)	30,995,788
Total capital assets, not being depreciated	<u>27,891,451</u>	<u>23,879,132</u>	<u>(13,866,966)</u>	<u>37,903,617</u>
Capital assets, being depreciated				
Buildings	65,459,912	300,333	-	65,760,245
Improvements other than buildings	226,444,233	3,526,277	-	229,970,510
Machinery and equipment	394,348,708	12,482,469	(2,771,484)	404,059,693
Total capital assets, being depreciated	<u>686,252,853</u>	<u>16,309,079</u>	<u>(2,771,484)</u>	<u>699,790,448</u>
Less accumulated depreciation for:				
Buildings	43,561,682	1,560,406	-	45,122,088
Improvements other than buildings	137,087,502	5,019,141	-	142,106,643
Machinery and equipment	277,912,202	13,775,887	(2,670,619)	289,017,470
Total accumulated depreciation	<u>458,561,386</u>	<u>20,355,434</u>	<u>(2,670,619)</u>	<u>476,246,201</u>
Total capital assets, being depreciated, net	<u>227,691,467</u>	<u>(4,046,355)</u>	<u>(100,865)</u>	<u>223,544,247</u>
Business-type activities capital assets, net	<u>\$ 255,582,918</u>	<u>\$ 19,832,777</u>	<u>\$ (13,967,831)</u>	<u>\$ 261,447,864</u>

During the year, the Enterprise Fund expensed interest costs totaling \$4,536,459. Interest incurred during the construction period relating to the construction of property, plant and equipment, net of interest earned on the investment of funds borrowed for construction, totaling \$449,516 was capitalized during fiscal year 2017.

The District regularly reviews the feasibility of ongoing capital projects and may write-off immaterial amounts as needed.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**6. LEASE OF ASSETS**

Capital leases – Governmental activities

In fiscal years 2015 and 2016, the District entered into leasing agreements for 911 emergency communications equipment. The terms of the lease are such that the District is capitalizing them. This year, \$810,805 was included in depreciation expense for 911 equipment.

The following is a schedule of future minimum lease payments of \$503,179 for 911 equipment assets capitalized under lease agreements, and the present value of the minimum lease payments as of September 30, 2017:

Fiscal Year Ending September 30	911 Equipment
2018	\$ 251,590
2019	251,589
Total Minimum Lease Payments	<u>503,179</u>
Less Amount Representing Interest	<u>18,401</u>
Present Value of Minimum Lease Payments	<u>\$ 484,778</u>

**7. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND TRANSFERS**

Interfund receivable and payable balances as of September 30, 2017 are as follows:

	Interfund Receivables (Due from)	Interfund Payables (Due to)
General	\$ 5,226,840	\$ 132,399
Capital Projects	-	5,272,015
Utility Fund	710,057	532,483
	<u>\$ 5,936,897</u>	<u>\$ 5,936,897</u>

Interfund transfers consisted of a transfer to the Utility Fund from the General Fund to subsidize the operations of Environmental Sciences. The transfers were as follows:

	Interfund Transfers In	Interfund Transfers Out
General	\$ -	\$ 3,899,923
Utility	3,899,923	-
	<u>\$ 3,899,923</u>	<u>\$ 3,899,923</u>

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**8. LONG – TERM DEBT**

**A. Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance October 1, 2016	Additions	Reductions	Ending Balance September 30, 2017	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds:					
2011A Ad Valorem Refunding	\$ 19,175,000	\$ -	\$ (6,220,000)	\$ 12,955,000	\$ 6,390,000
2013A Ad Valorem	344,960,000	-	-	344,960,000	-
2013B Ad Valorem Refunding	33,410,000	-	(3,645,000)	29,765,000	3,755,000
2015A Ad Valorem Refunding	43,345,000	-	(10,810,000)	32,535,000	11,240,000
2016A Ad Valorem	165,500,000	-	-	165,500,000	-
2017A Bond Anticipation Note	-	8,750,000	-	8,750,000	8,750,000
Deferred amounts:					
Discount/Premium	54,169,246	-	(4,737,363)	49,431,883	-
Total long-term bonds payable	<u>660,559,246</u>	<u>8,750,000</u>	<u>(25,412,363)</u>	<u>643,896,883</u>	<u>30,135,000</u>
Compensated absences	2,655,307	246,192	-	2,901,499	1,555,139
Capital leases	1,520,013	-	(1,035,235)	484,778	239,372
Self insurance liability	2,449,536	646,062	-	3,095,598	635,829
Net pension liability	46,063,452	28,618,372	(24,478,210)	50,203,614	-
Net OPEB obligation	28,279,000	2,378,000	-	30,657,000	-
Long-term liabilities	<u>\$ 741,526,554</u>	<u>\$ 40,638,626</u>	<u>\$ (50,925,808)</u>	<u>\$ 731,239,372</u>	<u>\$ 32,565,340</u>
<b>Business-type activities:</b>					
Revenue Bonds:					
2011-1 Utility Refunding	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000	\$ -
2011-2 Utility	30,000,000	-	-	30,000,000	-
2013-1 Utility Refunding	50,765,000	-	-	50,765,000	3,860,000
2013-2 Utility Refunding	67,385,000	-	(26,985,000)	40,400,000	27,495,000
2015-1 Utility	30,080,000	-	-	30,080,000	-
2015-2 Utility Refunding	20,300,000	-	(4,040,000)	16,260,000	720,000
Deferred amounts:					
Discount/Premium	7,139,363	-	(1,457,992)	5,681,371	-
Long-term liabilities	<u>\$ 206,869,363</u>	<u>\$ -</u>	<u>\$ (32,482,992)</u>	<u>\$ 174,386,371</u>	<u>\$ 32,075,000</u>

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**8. LONG – TERM DEBT – Continued**

**A. Changes in long-term liabilities – Continued**

General Obligation Bonds Payable

2011A Ad Valorem Tax Refunding Bonds – In April 2011, the District issued \$47,715,000 Ad Valorem Refunding Bonds at an interest rate of 2.75%. The proceeds were used for the advance refunding of the 2001A Ad Valorem Tax Bonds.

2013A Ad Valorem Tax Bonds – In September 2013, the District issued \$344,960,000 Ad Valorem Tax Bonds at interest rates of 4.5% to 5.25%. The proceeds will be used to finance the costs to design, construct, equip and improve roadways and parking facilities within and outside the District.

2013B Ad Valorem Tax Refunding Bonds – In September 2013, the District issued \$40,950,000 Ad Valorem Refunding Bonds at interest rates of 4.0% to 5.0%. The proceeds were used for the advance refunding of the 2004A and 2004B Ad Valorem Tax Bonds maturing on and after June 1, 2015.

2015A Ad Valorem Tax Refunding Bonds – In April 2015, the District issued \$50,925,000 Ad Valorem Refunding Bonds at interest rates of 2.0% to 5.0%. The proceeds were used for the current refunding of the 2005A and 2005B Ad Valorem Tax Bonds maturing on and after June 1, 2015.

2016A Ad Valorem Tax Bonds – In July 2016, the District issued \$165,500,000 Ad Valorem Tax Bonds at interest rates of 4.0% and 5.0%. The proceeds are being used to finance the costs to design, construct, equip and improve roadways and other facilities within and outside the District.

2017 Bond Anticipation Note – In February 2017, the District issued a \$175 million bond anticipation note through a line of credit. Proceeds (draws as of September 30, 2017) of \$8,750,000 were used to provide interim financing of transportation improvements for which Ad Valorem Tax Bonds have been authorized but not yet issued.

The major provisions of the District's Ad Valorem Tax Bond Resolutions authorizing its debt are as follows:

- (1) The Ad Valorem tax bond issues and related interest are collateralized by an irrevocable lien on the proceeds from Ad Valorem taxes levied by the District.
- (2) Additional bonds may be issued by the District provided (a) the maximum bond debt service requirement of the proposed and then outstanding bonds does not exceed 85% of the maximum annual collection from Ad Valorem Taxes calculated for the current year and (b) the principal amount of all bonds proposed and then outstanding not exceed 50% of the assessed value of the taxable property within the District.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**8. LONG – TERM DEBT – Continued**

**A. Changes in long-term liabilities – Continued**

Revenue Bonds Payable

2011-1 Utilities Revenue Refunding Bonds – In August 2011, the District issued \$1,200,000 Utilities Revenue Refunding Bonds at an interest rate of 2.93%. The proceeds were used for the advance refunding of the 1997-1 Utilities Revenue Bonds outstanding after October 1, 2010.

2011-2 Utilities Revenue Bonds – In December 2011, the District issued \$30,000,000 Utilities Revenue Bonds at an interest rate of 3.49%. The proceeds are being used to pay for construction and acquisition of improvements to the utility systems.

2013-1 Utilities Revenue Refunding Bonds – In July 2013, the District issued \$54,915,000 Utilities Revenue Refunding Bonds at interest rates of 2.5% to 5.0%. The proceeds were used to refund the 2003-1 and 2005-1 Utilities Revenue Bonds.

2013-2 Utilities Revenue Refunding Bonds – In July 2014, the District issued \$111,595,000 Utilities Revenue Refunding Bonds at an interest rate of 1.710%. The proceeds were used for the advance refunding of the 2003-2 Utilities Revenue Bonds.

2015-1 Utilities Revenue Bonds – In March 2015, the District issued \$30,080,000 Utilities Revenue Bonds at an interest rate of 1.83%. The proceeds are being used to pay for construction and acquisition of improvements to the utility systems.

2015-2 Utilities Revenue Refunding Bonds – In July 2015, the District issued \$20,300,000 Utilities Revenue Refunding Bonds at interest rates of 3.0% to 5.0%. The proceeds were used to refund the 2005-2 Utilities Revenue Refunding Bonds.

The major provisions of the Utility Fund's trust indentures securing its debt are as follows:

- (1) The debt obligation and related interest are collateralized by a pledge of the net revenues of the combined utility systems.
- (2) The District will establish rates that will provide sufficient net revenues (revenues less operating expenses (excluding depreciation and lease payments to WDWC)), to pay 110% of the annual debt service requirements due each year. Revenues are defined to mean all rates, fees, charges or other income (including certain investment earnings, impact fees and special assessments) generated by the Enterprise Fund.
- (3) The District will pay all current operating expenses.
- (4) The District will deposit into the Sinking Fund on a monthly basis an amount equal to one-sixth of the next semi-annual interest payment and one-twelfth of the next annual principal payment.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**8. LONG – TERM DEBT – Continued**

**A. Changes in long-term liabilities – Continued**

- (5) The District will maintain a renewal and replacement fund equal to 5% of the gross revenues (less expenses for purchased power and fuel) received in the prior year. Such amount may be and was reduced to 4% by certification from the District's consulting engineer.
- (6) The District will maintain on deposit in the emergency repair fund at least \$500,000.
- (7) The debt service reserve requirements are being provided by Debt Service Reserve accounts with the bond trustee.
- (8) Additional bonds may be issued if the net revenues (revenues of the system less operating expenses (excluding depreciation and lease payments to WDWC)) for twelve consecutive prior months are at least equal to 125% of the maximum annual debt service of the proposed and then outstanding bonds.

**B. Annual Debt Service Requirements**

The annual requirements to amortize the principal balance and interest of all bonds outstanding are as follows:

Year Ended September 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 30,135,000	\$ 28,631,291
2019	18,445,000	27,657,527
2020	19,180,000	26,922,040
2021	20,100,000	26,003,590
2022	21,085,000	25,016,140
2023-2027	121,970,000	108,538,935
2028-2032	155,360,000	75,149,163
2033-2037	180,865,000	32,230,450
2038	27,325,000	1,366,250
Total	\$ 594,465,000	\$ 351,515,386
Current portion	(30,135,000)	
Deferred amounts:		
Discount/Premium	49,431,883	
Long-term bonds payable	\$ 613,761,883	

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**8. LONG - TERM DEBT – Continued**

**B. Annual Debt Service Requirements – Continued**

Year Ended September 30,	Revenue Bonds	
	Principal	Interest
2018	\$ 32,075,000	\$ 5,322,604
2019	16,810,000	4,742,703
2020	21,150,000	4,022,312
2021	24,900,000	3,174,763
2022	25,630,000	2,457,741
2023-2026	48,140,000	4,363,990
<b>Total</b>	<b>\$ 168,705,000</b>	<b>\$ 24,084,113</b>
Current portion	(32,075,000)	
Deferred amounts:		
Discount/Premium	5,681,371	
Long-term bonds payable	<u>\$ 142,311,371</u>	

In July 2017, the Board of Supervisors approved a reimbursement agreement for the Utility Fund to utilize available resources to pre-fund capital improvements which will ultimately be paid for by a new bond issue anticipated to close in fiscal 2018. The amount of the new bond issue has not been formally approved but is anticipated to be approximately \$30 million.

**9. TRANSACTIONS WITH PRINCIPAL LANDOWNERS**

During fiscal 2017, Walt Disney World Co. and other wholly owned subsidiaries of The Walt Disney Company provided certain services to the District as follows:

Governmental Funds

- (1) Financial and other administrative services amounted to \$1,915,152.
- (2) The operation and maintenance of various District water control facilities amounted to \$596,846.
- (3) The maintenance of certain right of ways and District property within the District amounted to \$89,020.
- (4) Services provided to construction projects amounted to \$94,563.

At September 30, 2017, the General Fund included accounts payable of \$615,407 and accounts receivable of \$12,740, and the Capital Projects Fund included accounts payable of \$4,757 and accounts receivable of \$3,939,113, to Walt Disney World Co. and other wholly owned subsidiaries of the Walt Disney Company.

The District's primary source of revenue is ad valorem taxes. Walt Disney Co. comprised 85% of the total taxable assessed value within the District for the year ended September 30, 2017.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 9. TRANSACTIONS WITH PRINCIPAL LANDOWNERS – Continued

##### Enterprise Fund

- (1) Financial and other administrative services amounted to \$165,431.
- (2) The management and construction of various capital improvements amounted to \$370,794.
- (3) The District has a labor services agreement totaling \$30,050,536, which includes operation and maintenance of the utility system and planned work expenses. In addition, the District incurred \$1,571,748 for labor towards capital improvements.

At September 30, 2017 the Enterprise Fund had accounts receivable of \$16,901,072 and accounts payable of \$7,352,487 with Walt Disney World Co. and other wholly owned subsidiaries of The Walt Disney Company.

The District provides utility services to Walt Disney World Co. and other associated companies within its service area. Revenues from services provided to these companies were 81% of total utility revenues for the year ended September 30, 2017.

#### 10. RETIREMENT SYSTEM

General Information - All full-time employees of the District participate in the FRS, administered by the State of Florida (State). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Employees elect participation in either the Pension Plan or the defined contribution plan (“Investment Plan”), which is administered by the State Board of Administration (“SBA”). The FRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The latest available report may be obtained by writing to State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida, 32315-9000, or from the website: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**10. RETIREMENT SYSTEM – Continued**

**Pension Plan**

Benefits provided – Benefits under the Pension Plan are computed on the basis of age, average final compensation and service credit. Pension plan members are eligible for retirement as follows:

	Class			
	Regular	Senior Management	Special Risk	Special Risk Administrative Support
Enrolled prior to July 1, 2011				
Vested	6 years	6 years	6 years	6 years
Normal retirement age	earlier of 30 years of credited service or attainment of age 62	earlier of 30 years of credited service or attainment of age 62	earlier of 25 years of credited service or attainment of age 55	earlier of 25 years of credited service or attainment of age 55
Retirement benefit	1.6% of average final compensation for each year of credited service	2% of average final compensation for each year of credited service	3% of average final compensation for each year of credited service	1.6% of average final compensation for each year of credited service
Enrolled on or after July 1, 2011				
Vested	8 years	8 years	8 years	8 years
Normal retirement age	earlier of 33 years of credited service or attainment of age 65	earlier of 33 years of credited service or attainment of age 65	earlier of 30 years of credited service or attainment of age 60	earlier of 30 years of credited service or attainment of age 60
Retirement benefit	1.6% of average final compensation for each year of credited service	2% of average final compensation for each year of credited service	3% of average final compensation for each year of credited service	1.6% of average final compensation for each year of credited service

If the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment, which is determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement, multiplied by 3%. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

Early retirement may be taken anytime; however, there is a five percent benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Pension Plan Members eligible for retirement are given the option to enter the DROP (Deferred Retirement Option Program), which effectively allows them to work with a FRS employer for up to 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – The contribution requirements of the District are established and may be amended by FRS. Effective July 1, 2011 Florida Legislature required employees contribute 3% of their annual earnings on a pretax basis, with remaining contributions being the obligation of the District. The District contributed 14.20% of covered employee payroll during the year. The District's contributions to FRS for the year ended September 30, 2017 were \$4,027,501. Employee contributions to FRS for the year ended September 30, 2017 were \$799,963. Contributions made and accrued were equal to the required contributions for each year.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**10. RETIREMENT SYSTEM – Continued**

**Pension Plan – Continued**

The FRS has numerous classes of membership (of which District employees qualify in five classes) with descriptions and employer contribution rates in effect at September 30, 2017 as follows:

Regular Class - Members not qualifying for other classes (7.92%).

Special Risk Class - Members employed as law enforcement officers, firefighters, correctional officers or community-based correctional probation officers, and paramedics and EMTs who meet the criteria set to qualify for this class (23.27%).

Special Risk Administrative Support Class – Special risk employees who are transferred or reassigned to a non-special risk position (34.63%).

Senior Management Service Class - Qualifying member of senior management (22.71%).

Deferred Retirement Option Program (DROP) – Participating members of the program, not to exceed 60 months (13.26%).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017, the District reported a liability of \$40,967,776 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on historical employer contributions. At June 30, 2017, the District's proportionate share was .13850%, which was a decrease of .00386% from its proportionate share measured as of June 30, 2016.

For the year ended September 30, 2017, the District recognized pension expense of \$6,573,107. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,759,856	\$ 226,940
Change of assumptions	13,768,065	-
Net difference between projected and actual earnings on Pension Plan investments	-	1,015,284
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	1,636,747	1,798,697
District Pension Plan contributions subsequent to the measurement date	984,692	-
<b>Total</b>	<u>\$ 20,149,360</u>	<u>\$ 3,040,921</u>

The deferred outflows of resources related to the Pension Plan, totaling \$984,692 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in fiscal year 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**10. RETIREMENT SYSTEM – Continued**

**Pension Plan – Continued**

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 2,104,568
2019	5,593,779
2020	3,911,170
2021	799,141
2022	2,702,872
Thereafter	1,012,217

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary increases: 3.25% average, including inflation
- Investment rate of return: 7.10% net of pension plan investment expense and inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The long-term expected rate of return assumption of 7.10% consists of two building block components: 1) a real (in excess of inflation) return of 4.50%, consistent with the currently articulated real return target in the current Florida State Board of Administration’s investment policy, and 2) a long-term average annual inflation assumption of 2.60% as adopted by the FRS Actuarial Assumption Conference. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.50%	4.40%	4.20%
Global Equity	53.00%	7.80%	6.60%	17.00%
Real Estate	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	9.70%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.60%	1.90%

(1) As outlined in the Pension Plan's investment policy

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**10. RETIREMENT SYSTEM – Continued**

**Pension Plan – Continued**

Discount Rate - The discount rate used to measure the total pension liability was 7.10%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease <u>(6.10%)</u>	Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	\$ 74,149,201	\$ 40,967,776	\$ 13,419,592

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2017, the District reported a payable in the amount of \$516,297 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

**HIS Plan**

Plan Description – The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At September 30, 2017, the HIS contribution was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**10. RETIREMENT SYSTEM – Continued**

**HIS Plan – Continued**

The District's contributions to the HIS Plan totaled \$470,755 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the District reported a liability of \$9,235,838 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with the liabilities developed in that valuation rolled forward to the Measurement Date using standard actuarial roll-forward techniques. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was .08638%, which was a decrease of .00044% percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$784,985. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 19,231
Change of assumptions	1,298,241	798,633
Net difference between projected and actual earnings on HIS Plan investments	5,122	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	434,530	37,463
District HIS contributions subsequent to the measurement date	124,357	-
<b>Total</b>	<u>\$ 1,862,250</u>	<u>\$ 855,327</u>

The deferred outflows of resources related to the HIS Plan, totaling \$124,357 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in fiscal year 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 275,132
2019	273,370
2020	272,524
2021	204,315
2022	80,573
Thereafter	(223,347)

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

10. RETIREMENT SYSTEM – Continued

HIS Plan – Continued

Actuarial Assumptions – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary increases: 3.25% average, including inflation
- Municipal bond rate: 3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease <u>(2.58%)</u>	Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
District's proportionate share of the HIS pension liability	\$ 10,539,314	\$ 9,235,838	\$ 8,150,114

HIS Plan Fiduciary Net Position - Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the HIS Plan - At September 30, 2017, the District reported a payable in the amount of \$50,386 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 10. RETIREMENT SYSTEM – Continued

##### Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan description - The District provides postemployment healthcare benefits. State Statute requires the District to continue offering healthcare coverage to retirees at the District's cost; however, for employees hired prior to March 1, 2013, the District elected by policy to provide this coverage at no cost to retirees that have met certain requirements during employment with the District. To qualify for this benefit non-union employees must have 20 years of service with the District and be age 62 to obtain paid coverage for themselves and their eligible dependent, and union employees must have 20 years of service with the District and be age 55 to obtain paid coverage for themselves. For employees hired after March 1, 2013, retirees may elect to continue coverage for themselves and their eligible dependents at the full, unsubsidized cost to the District for the elected coverage.

Annual OPEB cost and net OPEB obligation - The actuary's estimate of the District's *accrued OPEB liability*, also known as the *actuarial accrued liability*, which approximates the present value of all future expected postemployment medical premiums, associated administrative costs and stipend payments (which are attributable to the past service of active and retired employees) was \$52.6 million at September 30, 2017 as valued on October 1, 2016. The District's annual OPEB cost is the District's OPEB expenses on an accrual basis. The annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost (current and future benefits earned) each year and to amortize any unfunded actuarial liabilities over a period of time not to exceed thirty years.

	2017
Annual required Contribution (ARC)	\$ 4,444,000
Interest on net OPEB Obligation	1,131,000
Adjustment to Annual Required Contribution	<u>(1,572,000)</u>
Annual OPEB Cost	4,003,000
Projected Pay-as-you-go Expense	<u>(1,625,000)</u>
Change in OPEB Obligation	2,378,000
Net OPEB Obligation - Beginning of Year	<u>28,279,000</u>
Net OPEB Obligation - End of Year	<u><u>\$ 30,657,000</u></u>

The District's estimated annual OPEB cost and ARC for fiscal year 2017 were approximately \$4.0 and \$4.4 million, respectively. The *net OPEB obligation* is the net amount for which the District would be obligated and is equivalent to the cumulative sum of the annual OPEB cost less estimated retiree claims, stipends and contributions to the plan paid by the District. The District's net OPEB obligation at September 30, 2017 was approximately \$30.7 million.

Fiscal Year	Annual OPEB Costs	% Costs Contributed	Net OPEB Obligation
2015	\$ 3,429,000	36%	\$ 26,071,774
2016	3,546,000	38%	28,279,000
2017	4,003,000	41%	30,657,000

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### **11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued**

Funding policy, status and progress – The District has not currently funded any portion of the net OPEB obligation, however during fiscal years 2010 through 2017, the Board of Supervisors designated \$10 million for the future funding of the liability. The Actuarial Accrued Liability (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2016 was \$52,575,000.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial evaluations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projected unit credit method was used in the September 30, 2017 actuarial valuation. Actuarial assumptions included a 30 year (open) amortization period, a 4% annual discount rate, an inflation rate of 3% per year and an annual healthcare cost trend rate of 7% / 6% for pre-65 / post-65 retirees, respectively, reduced by .5% decrements to an ultimate rate of 4.5%. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount.

Survivor Income Plan - The District also has a Survivor Income Plan for retirees that have met certain requirements during employment with the District. This benefit provides an equivalent of two times the participant's final annual base salary at retirement to their designated beneficiary upon their death. To qualify for this benefit they must have reached the position of manager, director or administrator and be age 62 with 10 years (7 years for directors and administrators) of service or 25 years of service with no age requirement. The District has purchased certain life insurance policies that can, but are not required to be used to fund these obligations. The District currently has three retirees that meet these eligibility requirements. Benefit payments of \$802,896 have been required to date.

#### **12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft, damage to and destruction of assets, torts, injuries to employees and natural disasters for which the District is self-insured and carries excess commercial insurance. The District retains risk up to a maximum of \$1,000,000 for each worker's compensation claim, \$250,000 for each liability claim, \$100,000 for most property damage claims, and \$50,000 for criminal acts. The District purchases commercial insurance for claims in excess of risk retained. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2015, 2016 and 2017.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**12. RISK MANAGEMENT – Continued**

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The self-insurance liability of \$3,095,598 at September 30, 2017 is based on an actuarial review of claims pending and past experience. Decreases in the claims liability have occurred due to the nullification of a large previously existing claim. Changes in the claims liability amount during fiscal years 2016 and 2017 are as follows:

	Year ended September 30	
	2017	2016
Self insurance liability beginning balance	\$ 2,449,536	\$ 2,064,326
Claims and changes in estimates	1,440,963	904,814
Claims payments	<u>(794,901)</u>	<u>(519,604)</u>
Self insurance liability ending balance	<u>\$ 3,095,598</u>	<u>\$ 2,449,536</u>

The District has established an Owner Controlled Insurance Program (OCIP) in connection with significant capital projects. The program will cease upon completion of the projects, estimated to be in 2020. The program provides associated General Liability and Workers Compensation coverage to eligible participants. The program is fully insured by purchased primary and excess liability insurance and is administered by a third party.

**13. DERIVATIVE FUEL INSTRUMENTS**

The District entered into derivative fuel instruments – cash flow hedges (commodity swaps, caps and collars) to financially hedge the cost of natural gas. The District’s fuel-related derivative transactions are recorded at fair value on the Statement of Net Position as either an asset or liability depending on their fair value, and the related unrealized gains and/or losses for effective hedges are deferred and reported as either deferred inflows or outflows of resources. Realized gains and losses on these transactions are recognized as fuel expense in the specific period in which the instrument is settled. During the year, a total of \$3,592,980 in settlement losses was recognized in fuel expense.

The following is a summary of the derivative fuel instruments of the Utility Fund as of September 30, 2017 which have been deemed effective and are recorded as deferred outflows.

Classification	Fair Value at September 30,			Notional	Maturity
	2016	Change in fair value	2017		
Deferred outflows	\$ 9,141,411	\$ (4,281,836)	\$ 4,859,575	19,006,126 MMBTUs	FY 2018 - 2021

*Credit Risk* – The District’s counterparties must have a minimum credit rating of BBB- issued by Standard and Poor’s or Fitch’s rating service or Baa3 issued by Moody’s Investor Services.

*Basis Risk* - All of the District’s transactions are based on the same reference rates, thus there is no basis risk.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

**13. DERIVATIVE FUEL INSTRUMENTS – Continued**

*Termination Risk* – The District’s Energy Risk Management Oversight Committee oversees the derivative instrument activity and of the counterparties who are required to maintain a minimum credit rating and present collateral at certain levels which mitigates the chance of a termination event. To date, no termination events have occurred.

**14. FAIR VALUE MEASUREMENTS**

GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For the District, this statement applies to certain investments and natural gas hedges.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

Level 1 - quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly

Level 3 – unobservable inputs for an asset or liability

Investments – The District’s investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments were valued using quoted prices for similar assets in active markets, which were based on S&P pricing for municipal securities. Money market mutual funds are recorded at net asset value (NAV). Cash and cash equivalents are carried at cost, which approximates fair value.

	2017			
	Total	Level 1	Level 2	Level 3
<b>Investments Measured at Fair Value</b>				
U.S. Treasury and Government Agency Securities	\$ 98,350,278	\$ 98,350,278	\$ -	\$ -
State and Local Government Securities	26,940,633	-	26,940,633	-
Total Investments at Fair Value	<u>\$ 125,290,911</u>	<u>\$ 98,350,278</u>	<u>\$ 26,940,633</u>	<u>\$ -</u>
<b>Investments Measured at NAV</b>				
Money Market Mutual Funds	\$ 174,456,228			
Total Investments Measured at Fair Value	<u>\$ 299,747,139</u>			
<b>Investments Measured at Cost</b>				
Demand and Certificates of Deposit	\$ 7,624,859			
Total Investments per Statement of Net Position	<u>\$ 307,371,998</u>			

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 14. FAIR VALUE MEASUREMENTS – Continued

Natural Gas Hedges - The District utilizes a derivative advisory and valuation service to value its portfolio of natural gas hedges, which are valued based on a discounted cash flows (DCF) proprietary model. Commodity cap valuations were produced by a similar DCF model that incorporates and adaptation of the Black-Scholes option pricing model. As market quotations are not available for identical commodity derivatives, indirect valuation techniques are required. The District's derivative instruments have been categorized as Level 2 inputs.

#### 15. NET POSITION AND FUND BALANCE REPORTING

The Statement of Net Position for Governmental activities reflects a negative unrestricted net position of \$83,381,136. A large portion of this amount is due to the financing, with long-term bonds of the District, certain roadways that were subsequently donated to the State of Florida, long-term bonds that were issued in order to contribute to Osceola County's refinancing of their Transportation Improvement Bonds (Osceola Parkway) and the District's net pension liability. The roadways are not assets of the District, however the remaining debt, amounting to \$49,716,547 at September 30, 2017, associated with the roadways is a liability of the District. All of the bonds are Ad Valorem Tax bonds secured by an irrevocable lien on the ad valorem taxes collected by the District.

##### **Governmental Fund Balances**

In the Balance Sheet – Governmental Funds, the District has classified fund balances into nonspendable, restricted, assigned and unassigned amounts. Restricted amounts represent the following:

- General Fund - Funds restricted for capital projects by contracts with developers of property, outside of the District, for ongoing maintenance of the District's drainage system.
- Capital Projects Fund – Bond funds restricted for road system and building improvements subject to specific provisions in bond resolutions.
- Debt Service Fund - Assets required for servicing general obligation bond indebtedness under the District's trust indenture.

Assigned amounts in the General Fund represent the portion of fund balance designated by the Board of Supervisors to cover the projected excess of expenditures over revenues in the fiscal year 2018 budget. Note 1(L) discusses the District's budget approval process.

#### 16. COMMITMENTS AND CONTINGENCIES

##### Construction

As of September 30, 2017, the District's Board of Supervisors authorized a budget of approximately \$534 million for current or in-process major transportation and other construction projects. Executed construction commitments associated with these projects approximated \$370 million and of this amount, approximately \$195 million was spent as of September 30, 2017.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 16. COMMITMENTS AND CONTINGENCIES – Continued

##### Purchased Power and Gas

The District has entered into Purchase Power Agreements (PPA) with public and private entities throughout Florida for the purchase and sale of power at wholesale rates, and associated transmission service. Some of the PPAs require the District to pay reservation charges for capacity. The District's budgeted minimum commitment for fiscal year 2017 reservation charges under the agreements was approximately \$9,258,000. There are no requirements for the District to sell wholesale power or reserve capacity for wholesale sales. Initial terms of the agreements expire in fiscal years 2018, 2020, 2031 and 2034, with various provisions for renewal or cancellation by both parties.

On September 13, 2015, the District entered into a Service Agreement for Network Integration Transmission Service with Duke Energy for the period January 1, 2016 through December 31, 2020. The District's budgeted transmission commitment for fiscal year 2017 under the agreement was approximately \$8,262,000.

On May 27, 2015, the District entered into a Purchase Power Agreement with Duke Energy for the purchase of solar energy. The agreement is for a term of 15 years with a total commitment of the District to purchase approximately 109,000 MWh at a rate of \$68.95/MWh, or approximately \$7,547,000.

Similarly, the District is obligated to purchase minimum pipeline capacity to transport natural gas under two agreements with Florida Gas Transmission Company ("FGTC"), and a gas transportation and supply agreement dated January 25, 2012 with Peoples Gas System (PGS). Minimum payments for natural gas under these agreements were budgeted at approximately \$3,623,000 for fiscal year 2017. The terms of the FGTC agreements expire in the years 2025, and the term of the PGS agreement expires in the year 2028.

The District has entered into forward contracts for specified periods of time to purchase natural gas at either specified prices in the future or prices that fluctuate within ceiling and floor amounts. The District enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower or higher than the price at which the District is committed to buy. This would reduce or increase the value of the contracts. The District would have options with respect to holding the forward contracts. The District is also exposed to the failure of the counterparty to fulfill the contracts. The terms of the contracts included provisions for recovering the cost in excess of the guaranteed price from the counterparty should the District have to procure natural gas on the open market.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### 16. COMMITMENTS AND CONTINGENCIES – Continued

##### Harvest Power Agreements

In December 2011, the District entered into a lease agreement with Harvest Power Orlando, LLC to provide District-owned land to Harvest Power for the construction and operation of an anaerobic digestion facility, which converts organic waste into electrical energy and fertilizer. The term of the lease is for 20 years. In addition to the lease, the District entered into the following project agreements with Harvest Power:

- “Waste Supply Agreement” describes the process, quality and amounts of organic waste to be provided to Harvest Power, operational requirements related to the facility, and fees to be paid to Harvest Power to accept and process the District’s organic waste.
- “Power Purchase Agreement” describes the sale of electrical energy to the District and the fees to be paid to Harvest Power to purchase the energy.
- “Effluent Pre-Treatment Agreement” describes the quality and delivery of liquid effluent produced from the digestion facility to the District for treatment at the District’s waste water treatment plant, and the compensation to be paid to the District by Harvest Power.

##### Concurrency Management Agreement

On December 7, 1995, pursuant to a Concurrency Management Agreement dated February 28, 1994, between the District and Osceola County, the District issued the 1995C Ad Valorem Tax Bonds, in order to fund certain road improvements and interchanges in the vicinity of U.S. Route 192, World Drive and Interstate 4. The Bonds were subsequently refunded by the District’s 2005B Bonds, however, the refunding did not affect the terms of the original agreement.

Osceola County agreed to participate in such financing by reimbursing the District for a portion of the debt service on the Bonds. However, such payments by Osceola County are not pledged to collateralize the District’s Ad Valorem Tax Bonds. The District expects to receive from Osceola County approximately \$20,800,000 in total to be paid in various annual installments over the term of the bonds. The maximum annual payments are calculated based on growth in certain areas of the County affected by the improvements and are subject to annual appropriation by the County.

The District records the annual payments as Intergovernmental Revenue when received from the County. Osceola County paid to the District \$818,772 during the fiscal year.

##### Osceola Parkway Agreement

In July of 1992, Osceola County issued \$149,999,313 Osceola County, Florida Transportation Improvement Bonds (“the Prior Osceola Bonds”) for the construction of the Osceola Parkway, a toll road constructed to improve the transportation systems in certain areas of Osceola County and the District. In connection with the issuance of the bonds, the District entered into a Bond Guarantee Agreement which required the District to make certain funds available for debt service on the bonds if operations of the toll road were insufficient to meet scheduled debt service. Amounts paid by the District were to be reimbursed to the District by Osceola County. This obligation was junior and subordinate to all outstanding Ad Valorem Tax Bonds of the District.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### **16. COMMITMENTS AND CONTINGENCIES – Continued**

In 2003 the District wrote off \$23,368,613 in amounts previously advanced and recorded as receivables from Osceola County under the Bond Guarantee Agreement in connection with its entrance into the transactions described below.

In January 2004, the District entered into an Amended and Restated Bond Guarantee Agreement in connection with the issuance of the Reedy Creek Improvement District Series 2004A Ad Valorem Tax Bonds (“2004A Bonds”) in the amount of \$63,520,000. These bonds were issued to refinance, together with proceeds from \$110,935,000 Osceola County Transportation Improvement Refunding Bonds (“Refunded Bonds”), the Prior Osceola Bonds.

In September 2013, the District issued the 2013B Ad Valorem Tax Refunding Bonds in the amount of \$40,950,000. These bonds were issued to refinance, in part, the 2004A Bonds.

In September 2014, Osceola County issued \$80,100,000 Osceola County, Florida Transportation Improvement Refunding Bonds (“the 2014 Bonds”) to refinance the Refunded Bonds. The District entered into a new Bond Guarantee Agreement. The District’s obligation to make payments required by the Bond Guarantee Agreement is subordinate to all outstanding Ad Valorem Tax Bonds of the District. Osceola County has agreed to repay from excess toll revenues, if any, when they become available, the 1) debt service of the District’s 2013B Ad Valorem Tax Refunding Bonds, 2) any guarantee payments that are required, along with 3) accrued interest. These payments will terminate upon the earlier of repayment in full or April 1, 2034. The related agreements have been authorized by the District’s Board of Supervisors and the County’s Board of County Commissioners. The District received \$3,861,473 from Osceola County during fiscal year 2017.

#### STOPR Agreements

In September 2007, the District entered into an agreement with the City of St. Cloud, Tohopekaliga Water Authority (TWA), and Orange and Polk Counties to jointly perform permit compliance monitoring activities as required by the Water Use Permits issued by the South Florida Water Management District. Between 2010 and June 2016, Orange County was the contract manager and the District’s payments are made to them upon receipt of invoice. In March 2016, the District executed an amendment to the original agreement that (1) made TWA the contract manager and (2) extended the term of the agreement through June 30, 2020. The agreement, as amended, requires the District to contribute 18.2% of the total costs until June 30, 2020. As of September 30, 2017, the District has paid \$819,622 for these efforts.

In August 2011, the District entered into an agreement with the Water Cooperative of Central Florida (which currently consists of the City of St. Cloud, TWA, Orange County and Polk County) to participate in the preliminary design and permitting of the Cypress Lake Wellfield alternative water supply project. Originally TWA was the contract manager but with the Second Amendment approved in August 2015, the Water Coop became the contract manager and the District’s payments are made to them upon receipt of an invoice. The agreement, as amended, requires the District to contribute \$394,279 for this work. As of September 30, 2017, the District has paid \$379,322.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2017

#### **16. COMMITMENTS AND CONTINGENCIES – Continued**

In December 2014, the District entered into a cost sharing agreement with the City of St. Cloud, TWA and Orange and Polk Counties to jointly share in the cost of monitoring Reedy Creek water level data near Loughman Station in Osceola County. The City of St. Cloud is the contract manager and the District's payments are made to them upon receipt of an invoice. The District's share is set at \$3,603.60 annually. As of September 30, 2017, the District has paid \$7,776 for this work.

In March 2015, the District entered into an agreement with the City of St. Cloud, TWA, and Orange and Polk Counties to jointly participate in regional cooperation for a central Florida impacts evaluation as a result of the CFWI process. Orange County is the contract manager and the District's payments are made to them upon receipt of an invoice. The agreement requires the District to contribute up to \$76,179 for this effort. As of September 30, 2017, the District has paid \$11,958.

#### Litigation and Other Claims

Various suits and claims arising in the ordinary course of operations are pending against the District. One suit involves FS Orlando, LLC and FS Orlando Golf, LLC ("Plaintiffs") naming the District and several other entities as defendants. The Plaintiffs challenge the valuation of three commercial parcels within the District, known collectively as the Four Seasons property, contesting the legality and validity of the 2015 and 2016 ad valorem tax assessments on the property. The Value Adjustment Board (VAB) issued a final ruling in April, 2016 reducing the assessed and market value of a portion of the property for 2015, and the Plaintiff's assert the VAB issued a final ruling in April, 2017 reducing the assessed and market value of a portion of the property for 2016. The Plaintiffs claim that despite the adjustment, the value of the assessments exceeds the just and fair market value thereof, and they have requested the court set aside the 2015 and 2016 assessments and resulting taxes to the extent they exceed the just and fair market value of such property. They have requested a refund of taxes paid in excess of the amount that would be owed on adjusted values. While the District anticipates an adjustment to the tax collections for fiscal year 2016 and 2017, we cannot predict the outcome of this case.

Other suits involve Walt Disney Parks and Resort US, Inc. and Disney Vacation Development, Inc. (collectively "WDP and DVD Plaintiffs") challenging the valuation of several commercial parcels and contesting the legality and validity of the 2015 ad valorem tax assessments on the parcels. Similar suits were filed by the WDP and DVD Plaintiffs challenging the valuation of the parcels and the legality and validity of the 2016 ad valorem assessments on the same grounds. The VAB issued a final ruling in April 2016 reducing the market value of a portion of the parcels. Due to the VAB adjustments being to market value only, the VAB ruling had no effect on the assessed value of the parcels. The WDP and DVD Plaintiffs claim that despite the adjustment, the value of each of the assessments on the parcels does not represent the just value of the parcels because it exceeds the fair market value thereof and claims the appraiser included the value of certain intangible property in the assessment in violation of law. WDP and DVD Plaintiffs have requested the court set aside the 2015 assessments and resulting taxes to the extent they exceed the just value of such property and issue a new tax bill in said reassessed amounts. While the District anticipates an adjustment to the tax collections for fiscal year 2016, we cannot predict the outcome of this case.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2017

**16. COMMITMENTS AND CONTINGENCIES – Continued**

Management believes the ultimate disposition of such matters, including the cases described above, will not materially affect the financial position of the District or the results of its operations, or the District's ability to pay debt service on existing outstanding bonds.

**17. SUBSEQUENT EVENT**

**Issuance of Ad Valorem Tax Bonds**

In October 2017, the District issued its 2017A Ad Valorem Tax Bonds in the amount of \$199,375,000. A portion of the proceeds were used to retire the outstanding Bond Anticipation Note of \$8,750,000. The bonds were issued pursuant to a resolution from August 2017, wherein the Board of Supervisors approved the issuance of additional ad valorem tax bonds not to exceed \$230,000,000 to fund additional roadway improvements and parking facilities.

**Change in Federal Corporate Tax Rate**

In December 2017, U.S. Congress passed H.R.1, which was signed into law on December 22, 2017, becoming the Tax Reform and Jobs Act of 2017. The bill's amendment to the Internal Revenue Code is effective for taxable years after December 31, 2017 and includes a reduction in the corporate tax rate from 35% to 21%. Three of the District's outstanding bonds, secured through private bank loans, contain language that require interest rate adjustments to maintain a taxable-equivalent yield. Those bonds have a combined outstanding principal balance of \$44,155,000 at September 30, 2017. The effective change in interest will increase debt service payments through 2025 by approximately \$1.3 million. The change is considered immaterial to total outstanding bonds payable.

**REEDY CREEK IMPROVEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT  
INFRASTRUCTURE CAPITAL ASSETS**

Year Ended September 30, 2017

	<b>% of Roadways</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Roads (Note 2. A.):					
Excellent	96%	96%	96%	95%	96%
Acceptable	4%	4%	4%	5%	4%
Poor	0%	0%	0%	0%	0%

	<b>Bridges by Category</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Bridges (Note 2. B.):					
Excellent	36	36	29	27	27
Good	8	11	14	16	16
Poor	-	-	-	-	-
	<u>44</u>	<u>47</u>	<u>43</u>	<u>43</u>	<u>43</u>

	<b>Structures by Category</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Water Control Structures (Note 2. C.):					
Excellent	18	18	18	17	17
Good	4	4	4	5	5
Poor	-	-	-	-	-
	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>

**Maintenance and Preservation Costs - Budget and Actual**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Budgeted Costs:						
Roads	\$ 2,620,000	\$ 1,185,000	\$ 1,185,000	\$ 1,550,000	\$ 1,435,000	\$ 2,972,000
Bridges	35,000	40,000	440,000	225,000	384,500	1,034,500
Water Control Structures	1,448,000	620,000	2,670,000	1,445,000	1,656,000	2,850,000
Actual Costs:						
Roads		\$ 635,227	\$ 320,070	\$ 1,607,527	\$ 1,489,097	\$ 2,637,745
Bridges		30,852	88,143	8,156	190,410	398,963
Water Control Structures		462,913	407,715	1,444,735	920,716	2,187,645

## REEDY CREEK IMPROVEMENT DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT INFRASTRUCTURE CAPITAL ASSETS

Year Ended September 30, 2017

#### **1. Election to use Modified Approach**

The District has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its roads, bridges and water control structures. The infrastructure capital assets are managed using an asset management system with (1) an up-to-date inventory; (2) annual or bi-annual (depending on the asset) condition assessment that is summarized using a numerical measurement scale; and (3) an estimated annual amount to maintain and preserve the asset at the established condition assessment level.

#### **2. Basis for Condition Assessments and Targeted Condition Level**

##### **A. Roads**

Streets and roads are constantly deteriorating due to environmental causes (weathering and aging) and structural causes (repeated traffic loading). The rate at which pavement deteriorates depends on the original construction quality, environmental conditions, drainage, traffic loading and interim maintenance procedures. The District bases all pavement design on existing traffic counts, proposed traffic generation due to planned development and known loading factors. We continually maintain the pavement by way of crack sealing, patching and applying preservative treatments as well as structural overlay work when warranted. This preventative maintenance substantially extends the useful life of asphaltic pavement and ensures the comfort and ride-ability of the network.

In an effort to ensure the quality of the District’s roadway network, RCID performs an annual physical condition assessment of the public streets/roadways within its jurisdiction. The physical condition assessment was performed using the Road Manager Condition Evaluation test method. All roads are evaluated and given a numerical rating, or Pavement Condition Index (PCI) of 1 through 100. This identifies the condition and helps determine what work is required. The ratings were based on visual observation of the roads surface condition: defects or deformation, cracking (transverse, reflective, longitudinal and alligator), and patching/pot hole frequency. The field ratings are put into an equation to determine the Pavement Condition Number (PCN). A PCN of 81-100 indicates the road is in excellent condition and no improvements are required. A PCN of 71-80 indicates some surface improvement is recommended and is deemed acceptable for accounting purposes. A PCN of 56-70 indicates some structural improvement is required. A PCN of 55 or lower indicates reconstruction is required. Based on the PCN, the determination is made as to whether the road requires structural improvement, requires only surface improvement or does not currently require work. Currently, less than 4% of the RCID owned roadways require improvement. The majority of roads have PCNs in excess of 81, a small percentage have a PCN rating that indicates surface work would be advisable, and no roads have a PCN below 59.

In prioritizing roadway repairs, a benefit value for each roadway is determined based on the roadway use and the projected cost of the necessary repair. Based on the identified priorities, RCID budgets for the pavement repairs. As a result of the last annual assessment and prioritization, the work effort for fiscal year 2017 was identified and budgeted at \$1,185,000. Based on funding as well as staffing constraints, no major roadway repairs were completed in 2017. The work was delayed and is now scheduled for completion in fiscal year 2018.

## REEDY CREEK IMPROVEMENT DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT INFRASTRUCTURE CAPITAL ASSETS

Year Ended September 30, 2017

#### **2. Basis for Condition Assessments and Targeted Condition Level – Continued**

##### **A. Roads – Continued**

In addition to major asphalt refurbishment, the District continued with routine maintenance and repairs throughout the roadway system. This work encompassed routine repairs of asphalt, shoulder protection and repair and replacement of guardrail and totaled \$635,227.

##### **B. Bridges**

There are currently 44 bridges within the District and all are inspected bi-annually by a Florida licensed Structural Engineer. Using the Florida Department of Transportation (FDOT) reporting system, the bridge deck, super-structure, substructure, and channel configuration are rated Excellent, Good or Poor. The age of the bridges within the District span 40 years with the first bridges constructed in the 1970's; the majority of the bridges built during the 1990's with an additional seven bridges constructed within the last ten years. Preservation and maintenance of the bridges is an on-going activity yielding bridges in either Excellent or Good condition.

Within recent years it has become apparent that the high volume of bus traffic along the District roadways was causing excess deterioration of the armor joints within the bridge decks. Although this deterioration was not critical and yielded no safety issues, it was an ongoing and costly maintenance issue. In an attempt to reduce these costs, a test program was implemented to find a better alternative for protecting these bridge joints. In 2008, where feasible, the District began replacing failing armor joints with a new expansion joint system, which was better suited to withstand the types of traffic experienced within the District's roadway system. The program has greatly reduced maintenance efforts, decreased maintenance costs, and is expected to extend the useful life of the bridge joints.

The oldest bridges within the District were constructed utilizing a method of construction that is now obsolete. The construction method results in excessive cracking and spalling of the bridge deck. Although temporary repairs can be made to decelerate the damage, the only effective and permanent repair method for this condition is to replace the bridge deck. Nine (9) bridges within the roadway system were constructed in this manner. Of the 9, two were replaced in the ongoing Buena Vista Drive (BVD) Reconstruction project completed in mid-2016. Five of the nine bridges were addressed as part of the construction of the Epcot Center Drive Interchange (ECDI) Improvement project. This work was completed at the end of 2017.

As a part of the ECDI project, three bridges were replaced and two bridges are undergoing full deck replacement. At the conclusion of the BVD and ECDI projects, only two bridges, of the nine constructed in this manner, will remain. These two bridges experience a much lower average daily traffic volume than the other seven, but they have begun to show some spalling and cracking. The District will continue enhanced monitoring of these two bridges and future maintenance projects shall include replacing or re-decking.

## REEDY CREEK IMPROVEMENT DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT INFRASTRUCTURE CAPITAL ASSETS

Year Ended September 30, 2017

#### **2. Basis for Condition Assessments and Targeted Condition Level – Continued**

##### **B. Bridges – Continued**

In fiscal year 2017, six (6) bridges were removed from service and three (3) new bridges were constructed as part of the Epcot Interchange Reconstruction project. Other miscellaneous bridge repairs were completed at a cost of \$30,852.

##### **C. Water Control Structures**

The Master Drainage System within the District is comprised of 66 river miles of canals and waterway. It incorporates 22 major water control structures comprised of Amil Gates, sharp crested weirs, and one set of 48" diameter culverts. Amil Gates are constant level water control structures. These gates provide a consistent water level within the waterways or canals, and open due to increasing water pressure during a storm event, thereby allowing flood waters to pass downstream and exit the District. Weirs maintain water levels at a set elevation; as the flood waters rise due to a storm event, they spill over the weirs and pass downstream. The two 48" culverts act as an overflow or pass through, allowing flood waters to pass to an adjacent wetland on the eastern perimeter of the District. Construction on these structures began in the late 1960's, thus many are approaching 50 years old. Despite their age, all are in working order and generally in good condition.

Structures are classified by their overall condition and are listed as Excellent, Good or Poor condition. This rating is generated by the annual inspection and condition assessment report. This Annual Water Control Structure Report lists all items inspected both above ground and below the water surface. Using this information, the structure condition is assigned, the required repairs are prioritized and the repair work is scheduled. Required repairs are listed as Priority 1, 2 or 3. Priority 1 signifies a major rehabilitative repair. Priority 1 repairs are items that if not repaired, may degrade the integrity of the structural element or reduce the operational capacity of the structure. Historically, we have found Priority 1 repairs often occur in underwater conditions and have evolved over long periods of time. This type of repair may require extensive construction work and as such, cannot always be done immediately, but must be scheduled & budgeted in a future year. Priority 2 repairs are those that can be addressed as routine monthly maintenance. Priority 3 identifies items not in current need of repair but signify a condition, though noteworthy, that is expected to remain stable for a number of years. As such, the recommendation is that Priority 3 items need not be separately scheduled for repair, but addressed when the structure undergoes Priority 1 or Priority 2 repairs.

During fiscal year 2017, no Priority repairs were completed. Routine maintenance was conducted on the structures, levees and canals throughout the water control system, and this work totaled \$462,913.

**REEDY CREEK IMPROVEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**OTHER POST EMPLOYMENT BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**

Year Ended September 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Percentage Funded</u>	<u>Annual Covered Payroll</u>	<u>UAAL as Percentage of Payroll</u>
10/1/2014	\$ 44,064,000	-	\$ 44,064,000	0.00%	\$ 25,052,616	175.89%
10/1/2015	45,828,000	-	45,828,000	0.00%	27,184,949	168.58%
10/1/2016	52,575,000	-	52,575,000	0.00%	28,358,740	185.39%

**REEDY CREEK IMPROVEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**PENSIONS**

Year Ended September 30, 2017

**Pension Plan**

**Schedule of the District's Proportionate Share of the Net Pension Liability**

Florida Retirement System  
Last 3 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
RCID's proportion of the net pension liability (asset)	0.13850%	0.14236%	0.12545%	0.12860%
RCID's proportionate share of the net pension liability	\$40,967,776	\$35,945,064	\$16,204,183	\$7,846,750
RCID's covered-employee payroll	\$27,550,271	\$26,833,753	\$24,758,513	\$23,975,240
RCID's proportionate share of the net pension liability as a percentage of its covered employee payroll	148.70%	133.95%	65.45%	32.73%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

\* Amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Contributions**

Florida Retirement System  
Last 10 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$4,027,501	\$3,815,742	\$3,459,545	\$3,199,940	\$2,479,819	\$1,992,353	\$3,137,334	\$3,216,722	\$2,918,307	\$2,859,221
Contributions in relation to the contractually required contributions	4,027,501	3,815,742	3,459,545	3,199,940	2,479,819	1,992,353	3,137,334	3,216,722	2,918,307	2,859,221
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
RCID's covered-employee payroll	28,358,740	27,184,949	25,052,616	24,221,740	23,420,014	21,960,067	21,588,424	21,374,045	20,651,822	19,562,298
Contributions as a percentage of covered employee payroll	14.20%	14.04%	13.81%	13.21%	10.59%	9.07%	14.53%	15.05%	14.13%	14.62%

\* Amounts presented for each fiscal year were determined as of September 30.

**Changes in assumptions**

From 2016 to 2017, there were no changes in actuarial assumptions. The inflation rate is assumed at 2.60%, the real payroll growth is assumed at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return decreased from 7.60% in 2016 to 7.10% in 2017.

**Changes in benefit terms**

Effective July 1, 2011, employees were required to contribute 3% of their annual earnings on a pretax basis. At the same time, FRS reduced the employer contribution amounts. This accounts for the reduction in contributions as a percentage of covered employee payroll in 2012. Effective July 1, 2013, the legislature required employers to pay the full unfunded actuarial liability (UAL) contribution recommended by the actuary for all membership classes and DROP participants. For the two prior fiscal years, the legislature required only a portion of the UAL rate recommended by the actuary. This accounts for the increase in contributions in 2014.

**REEDY CREEK IMPROVEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**PENSIONS - CONTINUED**

Year Ended September 30, 2017

**HIS Plan**

**Schedule of the District's Proportionate Share of the Net Pension Liability**

Health Insurance Subsidy Program  
Last 3 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
RCID's proportion of the net pension liability (asset)	0.08638%	0.08682%	0.08138%	0.08064%
RCID's proportionate share of the net pension liability	\$ 9,235,838	\$ 10,118,388	\$ 8,299,010	\$ 7,539,962
RCID's covered-employee payroll	27,550,271	26,833,753	24,758,513	23,975,240
RCID's proportionate share of the net pension liability as a percentage of its covered employee payroll	33.52%	37.71%	33.52%	31.45%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

\* Amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Contributions**

Health Insurance Subsidy Program  
Last 10 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 470,755	\$ 451,270	\$ 340,982	\$ 294,282	\$ 265,172	\$ 243,757	\$ 239,632	\$ 237,252	\$ 221,616	\$ 214,016
Contributions in relation to the contractually required contributions	470,755	451,270	340,982	294,282	265,172	243,757	239,632	237,252	221,616	214,016
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
RCID's covered-employee payroll	28,358,740	27,184,949	25,052,616	24,221,740	23,420,014	21,960,067	21,588,424	21,374,045	20,651,822	19,562,298
Contributions as a percentage of covered employee payroll	1.66%	1.66%	1.36%	1.21%	1.13%	1.11%	1.11%	1.11%	1.07%	1.09%

\* Amounts presented for each fiscal year were determined as of September 30.

**Changes in assumptions**

The municipal rate used to determine total pension liability increased from 2.85% to 3.58% from 2016 to 2017.

**Changes in benefit terms**

The District is not aware of any changes in benefit terms during the periods noted.