



Since 1967
Reedy Creek
IMPROVEMENT DISTRICT

Lake Buena Vista, Florida

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2018

**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**

REEDY CREEK IMPROVEMENT DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	16
Statement of Net Position – Utility Fund	19
Statement of Revenues, Expenses, and Changes in Net Position – Utility Fund	20
Statement of Cash Flows – Utility Fund	21
Statement of Fiduciary Net Position – Fiduciary Fund.....	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules Supporting Modified Approach for District Infrastructure Capital Assets	62
Other Post Employment Benefits Schedule of Changes in the District's Net OPEB Liability and Related Ratios	66
Other Post Employment Benefits – Schedule of District Contributions.....	67
Pensions	
Pension Plan - Schedule of District's Proportionate Share of Net Pension Liability and Schedule of Contributions	68
HIS Plan - Schedule of District's Proportionate Share of Net Pension Liability and Schedule of Contributions	69

This page intentionally left blank



Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Auditors

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, 2018, 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, 2018, 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.

Adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions

As discussed in FootNote 1 to the financial statements, the District changed its method of accounting for postemployment benefits other than pensions as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, effective October 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management’s Discussion and Analysis, Schedule Supporting Modified Approach for District Infrastructure Capital Assets, Other Post-Employment Benefits Schedule of Changes in the District’s Net OPEB Liability and Related Ratios, Other Post-Employment Benefits Schedule of District’s Contributions, Pension Plan Schedule of District’s Proportionate Share of Net Pension Liability and Schedule of Contributions and HIS Plan Schedule of District’s Proportionate Share of Net Pension Liability and Schedule of Contributions, on pages 4 – 11 and 62 – 69 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 1, 2019 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 1, 2019

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, 2018. 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 \$323,521,562 (*net position*).
- The District's total net position increased during the year by \$24,621,786.
- The District's total noncurrent liabilities increased by \$221,527,906 during the year.
- As of September 30, 2018, the District's governmental funds reported combined ending fund balances of \$237,656,644, an increase of \$65,720,623 in comparison with the prior year. Approximately 11% of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At September 30, 2018, unassigned fund balance for the general fund was \$25,651,072, or 28% 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 three categories: governmental, proprietary and fiduciary 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.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 22 – 23 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 24 – 61 of this report.

REEDY CREEK IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 \$323,521,562 at September 30, 2018.

District's Net Position

	Governmental activities		Business-type activities		Total	
	2018	2017 **	2018	2017	2018	2017 **
Current and noncurrent assets	\$ 281,853,219	\$ 219,698,392	\$ 174,117,851	\$ 129,331,563	\$ 455,971,070	\$ 349,029,955
Capital assets	805,885,792	687,921,606	270,420,616	261,447,864	1,076,306,408	949,369,470
Total assets	1,087,739,011	907,619,998	444,538,467	390,779,427	1,532,277,478	1,298,399,425
Deferred outflows of resources	25,504,538	22,700,638	4,425,238	5,617,179	29,929,776	28,317,817
Total deferred outflows of resources	25,504,538	22,700,638	4,425,238	5,617,179	29,929,776	28,317,817
Current liabilities *	83,313,500	89,455,310	49,917,095	59,995,091	133,230,595	149,450,401
Noncurrent liabilities	918,621,960	729,236,484	174,453,801	142,311,371	1,093,075,761	871,547,855
Total liabilities	1,001,935,460	818,691,794	224,370,896	202,306,462	1,226,306,356	1,020,998,256
Deferred inflows of resources	11,258,868	3,896,248	1,120,468	2,922,962	12,379,336	6,819,210
Total deferred inflows of resources	11,258,868	3,896,248	1,120,468	2,922,962	12,379,336	6,819,210
Net position:						
Net investment in capital assets	195,816,018	213,696,396	167,262,310	114,730,611	363,078,328	328,427,007
Restricted	5,310,042	7,979,786	4,854,387	4,805,217	10,164,429	12,785,003
Unrestricted (deficit)	(101,076,839)	(113,943,588)	51,355,644	71,631,354	(49,721,195)	(42,312,234)
Total net position	\$ 100,049,221	\$ 107,732,594	\$ 223,472,341	\$ 191,167,182	\$ 323,521,562	\$ 298,899,776

* includes current liabilities payable from restricted assets

** restated due to GASB 75 implementation

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. Governmental activities reflect negative unrestricted net position balances primarily due to recording the District's net pension liability with the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB No. 68) in fiscal year 2015 and recording the District's net OPEB liability with the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB No. 75) in fiscal year 2018. Other contributing factors include financing, with long-term bonds of the District, certain roadways that were subsequently donated to the State of Florida and long-term bonds issued in order to contribute to Osceola County's refinancing of their Transportation Improvement Bonds (Osceola Parkway). The donated roadways are not assets of the District, however the remaining debt associated with the roadways is a liability of the District. 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

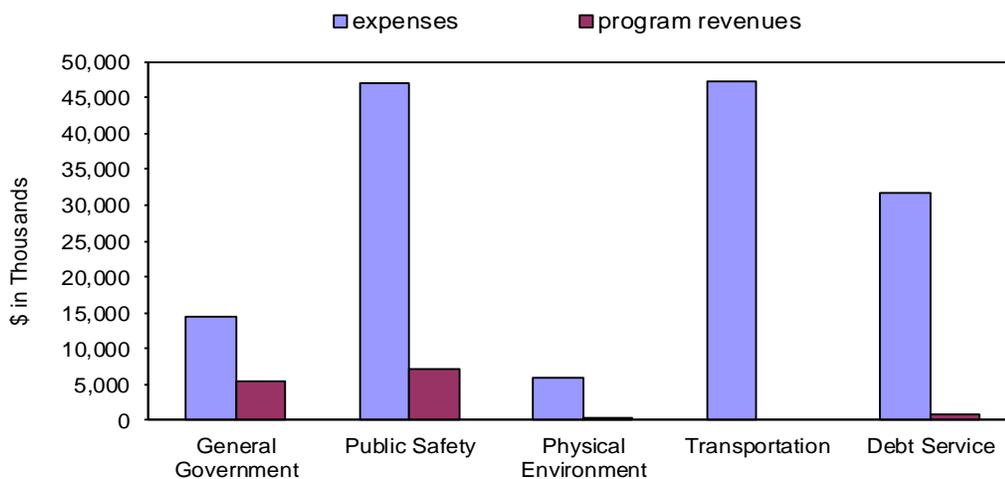
Charges for services increased due to additional permits issued in 2018 associated with various transportation projects and expansions within certain theme parks, which will continue through 2019. Intergovernmental revenues increased due to an increase in tolls received by Osceola Parkway. The District budgeted the Ad Valorem Tax increase for FY2018 due to an increase in assessed values. The loss on disposition of capital assets is due to retirement of several infrastructure assets in conjunction with the Epcot Interchange project.

District's Change in Net Position

	Governmental activities		Business-type activities		Total	
	2018	2017 *	2018	2017	2018	2017 *
Revenues:						
Program revenues:						
Charges for services	\$ 7,523,040	\$ 6,021,097	\$ 167,992,855	\$ 169,120,306	\$ 175,515,895	\$ 175,141,403
Intergovernmental	5,902,035	4,680,245	-	-	5,902,035	4,680,245
Capital contributions	163,154	385,979	6,266,685	10,621,267	6,429,839	11,007,246
General revenues:						
Ad Valorem taxes-net	124,156,492	118,319,215	-	-	124,156,492	118,319,215
Interest income	5,404,308	1,960,465	1,444,865	422,493	6,849,173	2,382,958
Gain on disposal of capital assets	30,947	2,821	-	312,943	30,947	315,764
Total revenues	143,179,976	131,369,822	175,704,405	180,477,009	318,884,381	311,846,831
Expenses:						
General Government	14,490,456	15,002,278	-	-	14,490,456	15,002,278
Public Safety	46,899,794	44,123,622	-	-	46,899,794	44,123,622
Physical Environment	5,910,108	3,957,678	-	-	5,910,108	3,957,678
Transportation	18,431,587	18,231,746	-	-	18,431,587	18,231,746
Utility operations	-	-	143,153,815	138,871,241	143,153,815	138,871,241
Loss on Disposal of Capital Assets	28,901,930	-	-	-	28,901,930	-
Interest on long-term debt	31,694,893	25,010,779	4,780,012	4,536,459	36,474,905	29,547,238
Total expenses	146,328,768	106,326,103	147,933,827	143,407,700	294,262,595	249,733,803
Increases in net position before transfers	(3,148,792)	25,043,719	27,770,578	37,069,309	24,621,786	62,113,028
Transfers	(4,534,581)	(3,899,923)	4,534,581	3,899,923	-	-
Change in net position	(7,683,373)	21,143,796	32,305,159	40,969,232	24,621,786	62,113,028
Net position - beginning (restated)	107,732,594	86,588,798	191,167,182	150,197,950	298,899,776	236,786,748
Net position - ending	\$ 100,049,221	\$ 107,732,594	\$ 223,472,341	\$ 191,167,182	\$ 323,521,562	\$ 298,899,776

* restated due to GASB 75 implementation

Expenses and Program Revenues – Governmental Activities

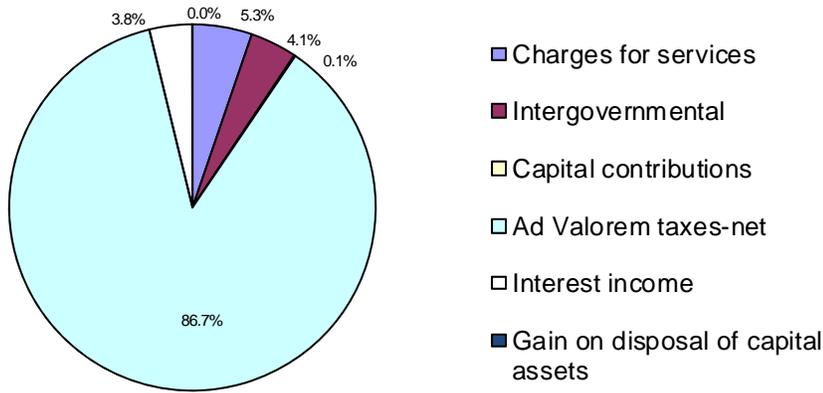


Transportation expenses include \$29 million loss on disposal of capital assets

REEDY CREEK IMPROVEMENT DISTRICT

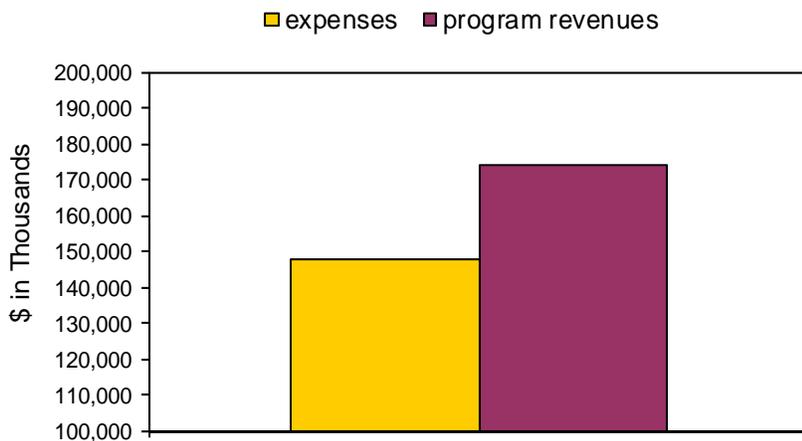
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Total Revenue by Source – Governmental Activities



Business-type activities. Assets and liabilities increased with the issuance of additional revenue bonds in fiscal year 2018 for utility system improvements. Charges for services were lower due to rate reductions resulting from lower fuel costs. Capital contributions decreased with the completion of one large project in 2017. Contributions accounted for 3.6% of total revenues, with the remainder being charges for services. Other operating expenses and repairs and maintenance costs increased slightly in fiscal year 2018, primarily due to ongoing service expansion.

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, 2018, the District's governmental funds reported combined fund balances of \$237,656,644. Approximately 11% 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 2019 budget.

The general fund is the chief operating fund of the District. At September 30, 2018, unassigned fund balance of the general fund was \$25,651,072, while total fund balance reached \$43,239,822. 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 28% of the total general fund expenditures (including transfers), while total fund balance represents 48% of that same amount. During fiscal year 2018, the fund balance of the District's general fund decreased by \$4,856,584. This decrease was a net result of an increase in intergovernmental and building permit revenues that was more than offset by a \$10 million contribution to establish an OPEB trust. In addition, overall expenditures were lower than originally budgeted.

The debt service fund has a total fund balance of \$659,996, a decrease of \$2,535,465 from the prior year. The decrease was due to additional debt service resulting from the issuance of ad valorem bonds in October 2017 for transportation and infrastructure projects.

The capital projects fund has a total fund balance of \$193,756,826, an increase of \$73,112,672 from the prior year. The increase was due to proceeds received from the 2017A ad valorem bonds, which are being used to fund a number of transportation and infrastructure projects, including World Drive, Floridian Place, Western Way and the A3 parking garage.

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, 2018 the unrestricted net position of the Utility Fund amounted to \$51,355,644, a decrease of \$20,275,710 from prior year, largely due to an increase in capital expenses. The restricted net position amounted to \$4,854,387.

General Fund Budgetary Highlights

The District amended (increased) its budget by \$10 million to account for amounts which were used to fund an OPEB VEBA trust in 2018. The OPEB contribution was expensed as labor in 2018 in the General Fund.

REEDY CREEK IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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, 2018 amounted to \$1,076,306,408, net of accumulated depreciation. This represents an increase of \$126,936,938. The primary driver for the increase was ongoing capital projects as described above, as well as Osceola Parkway and Epcot Center Drive Interchange.

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	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,740,642	\$ 2,740,642	\$ 6,896,164	\$ 6,907,829	\$ 9,636,806	\$ 9,648,471
Buildings and system	167,517,105	168,444,409	20,056,549	20,638,157	187,573,654	189,082,566
Improvements other than buildings	-	-	89,521,048	87,863,867	89,521,048	87,863,867
Machinery and equipment	6,801,793	6,726,054	112,447,983	115,042,223	119,249,776	121,768,277
Infrastructure	381,597,868	326,085,956	-	-	381,597,868	326,085,956
Construction in progress	247,228,384	183,924,545	41,498,872	30,995,788	288,727,256	214,920,333
Total	\$ 805,885,792	\$ 687,921,606	\$ 270,420,616	\$ 261,447,864	\$ 1,076,306,408	\$ 949,369,470

Long-term debt. At September 30, 2018, the District had total long-term bonded debt outstanding of \$1,029,134,778. Of this amount, \$837,870,977 comprised of debt backed by the full faith and credit of the District and \$191,263,801 is secured by the revenues generated by the District's utilities. During the year, the District's total long-term debt increased by \$210,851,524 (26%) due to the issuance of the 2017A ad valorem bonds to finance transportation improvements and the 2018-1 and 2018-2 utility revenue bonds to finance capital improvements for the utility system.

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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 837,870,977	\$ 643,896,883	-	-	\$ 837,870,977	\$ 643,896,883
Revenue bonds	-	-	\$ 191,263,801	\$ 174,386,371	191,263,801	174,386,371
Total	\$ 837,870,977	\$ 643,896,883	\$ 191,263,801	\$ 174,386,371	\$ 1,029,134,778	\$ 818,283,254

REEDY CREEK IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Infrastructure Assets. As demonstrated in the Required Supplementary Information on pages 62 – 65 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.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate of the Central Florida area is currently averaging 2.7%. This is less than both the state and national average unemployment rates of 3.4% and 3.7%, respectively.
- Fiscal year 2019 assessed values increased 8.2%. Millage rates increased overall by .3696 mills, primarily the result of an increase in debt service millage with the issuance of the District's 2017A bonds in fiscal year 2018.
- 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 35,580,715	\$ 18,434,459	\$ 54,015,174
Cash and cash equivalents - restricted	131,602,270	47,897,805	179,500,075
Investments	7,052,759	-	7,052,759
Investments - restricted	106,227,654	69,700,378	175,928,032
Accounts receivable, net	477,467	22,665,769	23,143,236
Due from other governments	8,000	-	8,000
Internal balances	(1,256,218)	1,256,218	-
Inventories	-	13,548,751	13,548,751
Prepays	1,756,139	591,471	2,347,610
Deposits	30,000	-	30,000
Other assets	374,433	23,000	397,433
Capital assets not being depreciated	631,566,894	48,395,036	679,961,930
Capital assets, net of accumulated depreciation	174,318,898	222,025,580	396,344,478
Total Assets	1,087,739,011	444,538,467	1,532,277,478
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of derivative instruments	-	4,095,437	4,095,437
Loss on defeased debt due to refundings	454,109	329,801	783,910
Deferred outflow of resources related to pensions	25,050,429	-	25,050,429
Total Deferred Outflows of Resources	25,504,538	4,425,238	29,929,776
LIABILITIES			
Accounts payable and accrued liabilities	5,807,422	21,513,158	27,320,580
Accounts payable from restricted assets	37,957,005	4,585,318	42,542,323
Derivative fuel instruments	-	4,095,437	4,095,437
Compensated absences	1,653,304	-	1,653,304
Self insurance liability	811,090	-	811,090
Capital leases	245,405	-	245,405
Bonds payable	24,480,000	16,810,000	41,290,000
Accrued interest payable	12,359,274	2,913,182	15,272,456
Noncurrent liabilities:			
Compensated absences	1,359,535	-	1,359,535
Self insurance liability	2,597,872	-	2,597,872
Net pension liability	55,100,977	-	55,100,977
Net OPEB liability	46,172,599	-	46,172,599
Bonds payable	813,390,977	174,453,801	987,844,778
Total Liabilities	1,001,935,460	224,370,896	1,226,306,356
DEFERRED INFLOWS OF RESOURCES			
Deferred fuel	-	1,120,468	1,120,468
Deferred inflow of resources related to pensions	5,909,415	-	5,909,415
Deferred inflow of resources related to OPEB	5,349,453	-	5,349,453
Total Deferred Inflows of Resources	11,258,868	1,120,468	12,379,336
NET POSITION			
Net investment in capital assets	195,816,018	167,262,310	363,078,328
Restricted for:			
Capital projects	4,650,046	-	4,650,046
Debt service	659,996	-	659,996
Renewal and replacement	-	4,354,387	4,354,387
Emergency repairs	-	500,000	500,000
Unrestricted (deficit)	(101,076,839)	51,355,644	(49,721,195)
Total Net Position	\$ 100,049,221	\$ 223,472,341	\$ 323,521,562

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

REEDY CREEK IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

For the Period Ended September 30, 2018

	Business-type Activities		Total Governmental Activities
	Total	Utility	
Expenses:			
Labor	\$ 83,760,833	\$ 33,938,858	\$ 49,821,975
Operating expenses	115,737,973	88,349,660	27,388,313
Depreciation	28,887,576	20,365,919	8,521,657
Nonoperating expenses, net	499,378	499,378	-
Loss on disposal of capital assets	28,901,930	-	28,901,930
Interest on debt	36,474,905	4,780,012	31,694,893
Total expenses	294,262,595	147,933,827	146,328,768
Program revenues:			
Charges for services	175,515,895	167,992,855	7,523,040
Intergovernmental	5,902,035	-	5,902,035
Capital contributions	6,429,839	6,266,685	163,154
Total program revenues	187,847,769	174,259,540	13,588,229
Net program expense (revenue)	106,414,826	(26,325,713)	132,740,539
General revenues:			
Ad valorem taxes	124,156,492	-	124,156,492
Interest and investment income	6,849,173	1,444,865	5,404,308
Gain on disposal of capital assets	30,947	-	30,947
Transfers in (out)	-	4,534,581	(4,534,581)
Total general revenues and transfers	131,036,612	5,979,446	125,057,166
Change in net position	24,621,786	32,305,159	(7,683,373)
Total net position - beginning (restated)	298,899,776	191,167,182	107,732,594
Total net position - ending	\$ 323,521,562	\$ 223,472,341	\$ 100,049,221

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

Governmental Activities

General Government	Public Safety	Physical Environment	Transportation	Debt Service
\$ 6,355,845	\$ 39,310,007	\$ 3,075,131	\$ 1,080,992	\$ -
7,179,097	4,928,533	2,715,784	12,564,899	-
955,514	2,661,254	119,193	4,785,696	-
-	-	-	-	-
-	-	-	28,901,930	-
-	-	-	-	31,694,893
<u>14,490,456</u>	<u>46,899,794</u>	<u>5,910,108</u>	<u>47,333,517</u>	<u>31,694,893</u>
374,894	7,148,146	-	-	-
5,082,389	-	-	-	819,646
-	-	163,154	-	-
<u>5,457,283</u>	<u>7,148,146</u>	<u>163,154</u>	<u>-</u>	<u>819,646</u>
<u>\$ 9,033,173</u>	<u>\$ 39,751,648</u>	<u>\$ 5,746,954</u>	<u>\$ 47,333,517</u>	<u>\$ 30,875,247</u>

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

REEDY CREEK IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2018

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 39,435,034	\$ 383,084	\$ 127,364,867	\$ 167,182,985
Investments	7,848,486	79,088	105,352,839	113,280,413
Accounts receivable, net	227,295	198,582	51,590	477,467
Due from other governments	8,000	-	-	8,000
Prepays	1,756,139	-	-	1,756,139
Deposits	-	-	30,000	30,000
Total assets	\$ 49,274,954	\$ 660,754	\$ 232,799,296	\$ 282,735,004
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	\$ 5,865,137	\$ 758	\$ 37,956,247	\$ 43,822,142
Due to other funds	169,995	-	1,086,223	1,256,218
Total liabilities	6,035,132	758	39,042,470	45,078,360
Fund balances:				
Nonspendable:				
Prepays	1,756,139	-	-	1,756,139
Restricted:				
Capital projects	4,650,046	-	193,756,826	198,406,872
Debt service	-	659,996	-	659,996
Assigned:				
2019 budget appropriation	11,182,565	-	-	11,182,565
Unassigned	25,651,072	-	-	25,651,072
Total fund balances	43,239,822	659,996	193,756,826	237,656,644
Total liabilities and fund balances	\$ 49,274,954	\$ 660,754	\$ 232,799,296	

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. (12,359,274)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 805,885,792

Some liabilities, including bonds payable, pensions, OPEB and other liabilities are not due and payable in the current period and therefore are not reported in the funds. (931,133,941)

Net position of governmental activities **\$ 100,049,221**

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, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Ad valorem taxes	\$ 71,753,603	\$ 52,402,889	\$ -	\$ 124,156,492
Intergovernmental	5,082,389	819,646	-	5,902,035
Emergency services	310,595	-	-	310,595
Building permits and fees	6,837,551	-	-	6,837,551
Drainage fees	163,154	-	-	163,154
Interest and investment income	988,921	270,143	4,145,244	5,404,308
Other	441,104	-	-	441,104
Total revenues	<u>85,577,317</u>	<u>53,492,678</u>	<u>4,145,244</u>	<u>143,215,239</u>
EXPENDITURES				
Current:				
General government	14,272,000	-	-	14,272,000
Public safety	48,376,696	-	-	48,376,696
Physical environment	6,145,160	-	-	6,145,160
Transportation	13,771,591	-	-	13,771,591
Capital outlay	3,082,284	-	152,340,754	155,423,038
Debt service:				
Principal	239,373	30,135,000	-	30,374,373
Interest and other charges	12,216	34,643,143	1,183,647	35,839,006
Total expenditures	<u>85,899,320</u>	<u>64,778,143</u>	<u>153,524,401</u>	<u>304,201,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(322,003)</u>	<u>(11,285,465)</u>	<u>(149,379,157)</u>	<u>(160,986,625)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	8,750,000	222,491,829	231,241,829
Transfers (out)	(4,534,581)	-	-	(4,534,581)
Total other financing sources	<u>(4,534,581)</u>	<u>8,750,000</u>	<u>222,491,829</u>	<u>226,707,248</u>
Net changes in fund balances	(4,856,584)	(2,535,465)	73,112,672	65,720,623
Fund Balances, beginning of year	<u>48,096,406</u>	<u>3,195,461</u>	<u>120,644,154</u>	<u>171,936,021</u>
Fund Balances, end of year	<u>\$ 43,239,822</u>	<u>\$ 659,996</u>	<u>\$ 193,756,826</u>	<u>\$ 237,656,644</u>

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

Net changes in fund balances	\$ 65,720,623
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.	146,901,381
The net effect of various miscellaneous transactions involving capital assets resulted in a decrease in net position as follows:	
Loss on abandonment of infrastructure asset associated with Epcot Interchange project	(28,901,930)
Other miscellaneous transactions	(35,263)
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.	(196,723,343)
Decreases in other liabilities reported as expenses in the statement of activities not requiring the use of current financial resources in governmental funds.	5,355,159
Change in net position of governmental activities	<u>\$ (7,683,373)</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Ad Valorem Taxes	\$ 72,910,840	\$ 72,910,840	\$ 71,753,603	\$ (1,157,237)
Intergovernmental Revenue	2,500,000	2,500,000	5,082,389	2,582,389
Emergency Services	-	-	310,595	310,595
Building Permits and Fees	4,200,000	4,200,000	6,837,551	2,637,551
Drainage Fees	-	-	163,154	163,154
Interest Income	175,000	175,000	988,921	813,921
Other	300,000	300,000	441,104	141,104
Total Revenues	<u>80,085,840</u>	<u>80,085,840</u>	<u>85,577,317</u>	<u>5,491,477</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Administrative:				
Labor	2,033,298	2,358,298	2,373,294	(14,996)
Operating	3,814,835	4,025,686	4,307,402	(281,716)
	<u>5,848,133</u>	<u>6,383,984</u>	<u>6,680,696</u>	<u>(296,712)</u>
Human Resources:				
Labor	585,621	710,621	714,121	(3,500)
Operating	199,000	199,075	291,179	(92,104)
	<u>784,621</u>	<u>909,696</u>	<u>1,005,300</u>	<u>(95,604)</u>
Information Systems & Technology:				
Labor	1,794,828	2,144,828	2,136,130	8,698
Operating	1,253,425	1,614,865	1,602,822	12,043
Capital outlay	1,980,900	1,406,524	164,470	1,242,054
	<u>5,029,153</u>	<u>5,166,217</u>	<u>3,903,422</u>	<u>1,262,795</u>
Property Management:				
Labor	570,287	570,287	541,167	29,120
Operating	1,243,213	1,286,563	894,428	392,135
Capital outlay	150,000	15,000	14,199	801
	<u>1,963,500</u>	<u>1,871,850</u>	<u>1,449,794</u>	<u>422,056</u>
Contracts & Risk Management:				
Labor	1,040,629	1,240,629	1,328,191	(87,562)
Operating	80,750	80,915	83,266	(2,351)
	<u>1,121,379</u>	<u>1,321,544</u>	<u>1,411,457</u>	<u>(89,913)</u>
TOTAL GENERAL GOVERNMENT	<u>14,746,786</u>	<u>15,653,291</u>	<u>14,450,669</u>	<u>1,202,622</u>
PUBLIC SAFETY				
Building and Safety:				
Labor	4,587,448	5,712,448	5,688,734	23,714
Operating	683,100	683,700	489,089	194,611
Capital outlay	260,000	260,000	70,265	189,735
	<u>5,530,548</u>	<u>6,656,148</u>	<u>6,248,088</u>	<u>408,060</u>
Emergency Services:				
Labor	31,295,459	37,445,459	37,495,466	(50,007)
Operating	2,611,150	2,604,514	2,433,013	171,501
Capital outlay	3,256,911	3,263,757	2,402,279	861,478
	<u>37,163,520</u>	<u>43,313,730</u>	<u>42,330,758</u>	<u>982,972</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Property Management:				
Labor	266,082	266,082	263,963	2,119
Operating	1,881,551	2,480,116	2,006,431	473,685
Capital outlay	782,600	731,200	202,521	528,679
	<u>2,930,233</u>	<u>3,477,398</u>	<u>2,472,915</u>	<u>1,004,483</u>
TOTAL PUBLIC SAFETY	<u>45,624,301</u>	<u>53,447,276</u>	<u>51,051,761</u>	<u>2,395,515</u>
PHYSICAL ENVIRONMENT				
Water Control:				
Operating	1,893,000	1,843,000	1,865,953	(22,953)
	<u>1,893,000</u>	<u>1,843,000</u>	<u>1,865,953</u>	<u>(22,953)</u>
Planning & Engineering:				
Labor	2,022,987	3,322,987	3,429,376	(106,389)
Operating	854,300	804,540	724,781	79,759
Capital outlay	735,000	735,000	151,345	583,655
	<u>3,612,287</u>	<u>4,862,527</u>	<u>4,305,502</u>	<u>557,025</u>
Property Management:				
Operating	22,000	26,930	125,050	(98,120)
Capital outlay	-	31,000	30,664	336
	<u>22,000</u>	<u>57,930</u>	<u>155,714</u>	<u>(97,784)</u>
TOTAL PHYSICAL ENVIRONMENT	<u>5,527,287</u>	<u>6,763,457</u>	<u>6,327,169</u>	<u>436,288</u>
TRANSPORTATION				
Roadway maintenance:				
Labor	194,006	619,006	619,165	(159)
Operating	10,389,266	10,472,521	7,390,143	3,082,378
	<u>10,583,272</u>	<u>11,091,527</u>	<u>8,009,308</u>	<u>3,082,219</u>
Parking facilities:				
Labor	613,170	613,170	587,527	25,643
Operating	5,385,821	5,402,171	5,174,756	227,415
Capital outlay	-	46,550	46,541	9
	<u>5,998,991</u>	<u>6,061,891</u>	<u>5,808,824</u>	<u>253,067</u>
TOTAL TRANSPORTATION	<u>16,582,263</u>	<u>17,153,418</u>	<u>13,818,132</u>	<u>3,335,286</u>
DEBT SERVICE				
Lease payments	239,373	239,373	239,373	-
Interest and other charges	12,216	12,216	12,216	-
TOTAL DEBT SERVICE	<u>251,589</u>	<u>251,589</u>	<u>251,589</u>	<u>-</u>
Total Expenditures	<u>82,732,226</u>	<u>93,269,031</u>	<u>85,899,320</u>	<u>7,369,711</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,646,386)</u>	<u>(13,183,191)</u>	<u>(322,003)</u>	<u>12,861,188</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES & USES				
Transfers out	(6,224,166)	(5,687,361)	(4,534,581)	1,152,780
Total Other Financing Uses	(6,224,166)	(5,687,361)	(4,534,581)	1,152,780
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	\$ (8,870,552)	\$ (18,870,552)	(4,856,584)	\$ 14,013,968
Fund Balance, beginning of year			48,096,406	
Fund Balance, end of year			\$ 43,239,822	

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

REEDY CREEK IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION - UTILITY FUND
September 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$	18,434,459
Accounts receivable, net		22,665,769
Due from other funds		1,256,218
Inventories		13,548,751
Prepays		591,471

Restricted Assets:

Cash and cash equivalents		47,897,805
Investments		58,176,895

Total current assets		162,571,368
----------------------	--	-------------

Noncurrent assets:

Restricted investments		11,523,483
------------------------	--	------------

Capital assets:

Land		6,896,164
Buildings		66,700,912
Improvements other than buildings		236,762,063
Machinery and equipment		413,043,996
Less accumulated depreciation		(494,481,391)
Construction in progress		41,498,872

Total capital assets		270,420,616
----------------------	--	-------------

Other assets		23,000
--------------	--	--------

Total noncurrent assets		281,967,099
-------------------------	--	-------------

Total Assets

444,538,467

DEFERRED OUTFLOWS OF RESOURCES

Accumulated decrease in the fair value of derivative instruments		4,095,437
--	--	-----------

Loss on defeased debt due to refundings		329,801
---	--	---------

Total Deferred Outflows of Resources

4,425,238

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities		21,513,158
--	--	------------

Derivative fuel instruments		4,095,437
-----------------------------	--	-----------

Total current liabilities		25,608,595
---------------------------	--	------------

Current liabilities payable from restricted assets:

Bonds payable		16,810,000
---------------	--	------------

Accrued interest payable		2,913,182
--------------------------	--	-----------

Contracts and retainage payable		4,585,318
---------------------------------	--	-----------

Total current liabilities payable from restricted assets		24,308,500
--	--	------------

Long-term liabilities:

Bonds payable		174,453,801
---------------	--	-------------

Total Liabilities

224,370,896

DEFERRED INFLOWS OF RESOURCES

Deferred fuel		1,120,468
---------------	--	-----------

NET POSITION

Net investment in capital assets		167,262,310
----------------------------------	--	-------------

Restricted for renewal and replacement		4,354,387
--	--	-----------

Restricted for emergency repairs		500,000
----------------------------------	--	---------

Unrestricted		51,355,644
--------------	--	------------

Total Net Position	\$	223,472,341
---------------------------	-----------	--------------------

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, 2018

OPERATING REVENUES

Utility sales	\$ 167,992,855
Total operating revenues	167,992,855

OPERATING EXPENSES

Purchased power and fuel	59,414,327
Labor support	33,938,858
Operating costs	17,025,579
Taxes	2,743,647
Repairs and maintenance	8,164,038
Insurance	1,002,069
Depreciation	20,365,919
Total operating expenses	142,654,437

Operating income	25,338,418
------------------	------------

NONOPERATING REVENUES (EXPENSES)

Interest and investment income	1,444,865
Interest expense	(4,780,012)
Bond issue costs	(506,256)
Gain on retirement of plant assets and other inventory write-ups	6,878
Total nonoperating expenses, net	(3,834,525)

Capital contributions	6,266,685
Transfers in	4,534,581

Increase in net position	32,305,159
--------------------------	------------

Total net position - beginning	191,167,182
Total net position - ending	\$ 223,472,341

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 164,815,629
Payments to suppliers	(88,183,183)
Payments for labor contract and management service agreement	(30,620,482)
Payments to employees	(3,262,232)
Net cash provided by operating activities	42,749,732

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in	4,534,581
--------------	-----------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from bonds	50,388,306
Payment of bond issue costs	(506,256)
Purchases of capital assets	(26,154,216)
Proceeds from sale of capital assets	298,150
Principal paid on bonds	(32,075,000)
Interest paid on bonds	(5,409,810)
Capital contributions	7,055,532
Net cash used by capital and related financing activities	(6,403,294)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(54,445,307)
Proceeds from sales and maturities of investments	26,015,785
Investment income	1,390,078
Net cash used by investing activities	(27,039,444)
Net increase in cash and cash equivalents	13,841,575
Balances - beginning of the year	52,490,689
Balances - end of the year	\$ 66,332,264

Unrestricted	\$ 18,434,459
Restricted	47,897,805
	\$ 66,332,264

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 25,338,418
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	20,365,919
Change in assets and liabilities:	
Accounts receivable	(1,374,732)
Inventories	(1,550,552)
Prepaid items	29,080
Accounts payable and accrued liabilities	2,276,576
Due from other funds	(532,483)
Unearned revenue	(1,802,494)
Net cash provided by operating activities	\$ 42,749,732

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

REEDY CREEK IMPROVEMENT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2018

	<u>Other Post- Employment Benefits Trust</u>
ASSETS	
Money market fund investments	<u>\$ 11,002,399</u>
Total Assets	<u>11,002,399</u>
NET POSITION	
Restricted for other postemployment benefits	<u>\$ 11,002,399</u>

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

REEDY CREEK IMPROVEMENT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
for the year ended September 30, 2018

	Other Post- Employment Benefits Trust
ADDITIONS:	
Employer contributions	\$ 12,521,768
Net investment income	2,399
Total Additions	12,524,167
DEDUCTIONS:	
Benefits paid on behalf of participants	1,521,768
Net Increase in fiduciary net position	11,002,399
Net position - October 1, 2017	-
Net position, September 30, 2018	\$ 11,002,399

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

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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. Fiduciary activities are reported only in the fund financial statements. 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 the governmental funds, proprietary or enterprise fund and the fiduciary 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. The OPEB trust fund is reported as a separate financial statement and is not included in the government-wide financial statements.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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 and fiduciary 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.

Additionally, the District reports the following fiduciary fund type:

Other Post-Employment Benefits Trust Fund – Accounts for the receipt and disbursement of assets held in trust for eligible participants of other post-employment benefits of the District.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

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, 2018 were 6.9630 for General Operating and 5.0670 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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Cash, Cash Equivalents and Investments – Continued

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, 11 and 14, Deposits and Investments, Other Postemployment Benefits and Fair Value Measurements, respectively.

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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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. 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).

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Budgets and Budgetary Accounting – Continued

- (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.

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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plan fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

Q. Implementation of New Accounting Standards

Effective October 1, 2017, the District implemented GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" (GASB No. 74), GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions" (GASB No. 75) and GASB Statement No. 85, "Omnibus 2017" (GASB No. 85). GASB No. 74 provides additional disclosure and supplementary information for the District's other postemployment benefit plan. GASB No. 75 established standards for recognizing and measuring liabilities, deferred outflows and deferred inflows of resources, and expenditures related to OPEB. GASB No. 85 addresses, among other things, additional considerations related to OPEB such as recognition and measurement of expenditures and clarified certain required supplementary information. Also effective October 1, 2017, the District early implemented GASB Statement No. 89 "Accounting for Interest Cost Incurred Before the End of a Construction Period" (GASB No. 89). GASB No. 89 simplifies accounting for certain interest costs.

GASB Statement No. 86 – "Certain Debt Extinguishment Issues" was also effective for the District's fiscal year 2018 but had no effect on the District's financial statements.

R. Rates and Regulations

The District follows the accounting practices set forth in GASB No. 62, paragraphs 476-500, Regulated Operations for its utility 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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

S. 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 \$860,657,819, net of accumulated depreciation of \$54,772,027, or \$805,885,792.
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	\$ 2,955,124
Self insurance liability	3,034,529
Capital leases	245,405
Bonds payable	837,870,977
Deferred outflows - losses on defeased debt	(454,109)
Net pension liability	55,100,977
Deferred outflows - pensions	(25,050,429)
Deferred inflows - pensions	5,909,415
Net OPEB liability	46,172,599
Deferred inflows - OPEB	5,349,453
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position of governmental activities	<u>\$ 931,133,941</u>

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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

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	\$ 178,669
Public safety	2,675,065
Physical environment	182,009
Transportation	46,541
Capital projects	152,340,754
Depreciation expense	<u>(8,521,657)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 146,901,381</u>

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	\$ 6,897,816
Principal payments on bonds outstanding	30,135,000
Accrued interest payable	(2,753,703)
Principal payments on leases	239,373
Bond Proceeds	<u>(231,241,829)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (196,723,343)</u>

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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

3. Decreases 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	\$ (112,061)
Workers compensation	(358,469)
Net OPEB liability	9,697,400
Pensions	(3,871,711)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 5,355,159

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, 2018, 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	\$ 8,005,329	\$ 7,901,818	\$ 103,511	\$ -
US Treasury Securities	135,127,546	90,877,522	43,869,192	380,832
US Government Agency Securities	93,008,348	84,532,185	8,476,163	-
State and Local Government Securities	49,716,463	13,478,253	21,959,968	14,278,242
Money market funds	130,638,354	130,638,354	-	-
Totals	\$ 416,496,040	\$ 327,428,132	\$ 74,408,834	\$ 14,659,074

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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

3. DEPOSITS AND INVESTMENTS – Continued

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, 2018, all District investments are held in a bank's trust department in the District's name.

Concentration of Credit Risk – At September 30, 2018, there were no issuers with which the District held investments exceeding 5% of the total investment portfolio.

Statement of Net Position Classifications - In addition to demand accounts, the District classifies repurchase agreements, money market 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, 2018 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	\$ 54,015,174	\$ 179,500,075	\$ 233,515,249
Investments	7,052,759	175,928,032	182,980,791
	<u>\$ 61,067,933</u>	<u>\$ 355,428,107</u>	<u>\$ 416,496,040</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, 2018 in the amount of \$14,690. 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, 2018

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance October 1,	Increases	Decreases	Ending Balance September 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,740,642	\$ -	\$ -	\$ 2,740,642
Construction in progress	183,924,545	152,340,754	(89,036,915)	247,228,384
Infrastructure	326,085,956	84,416,990	(28,905,078)	381,597,868
Total capital assets, not being depreciated	<u>512,751,143</u>	<u>236,757,744</u>	<u>(117,941,993)</u>	<u>631,566,894</u>
Capital assets, being depreciated				
Buildings	191,573,765	4,672,778	(1,201,126)	195,045,417
Machinery and equipment	31,679,794	3,029,431	(663,717)	34,045,508
Total capital assets, being depreciated	<u>223,253,559</u>	<u>7,702,209</u>	<u>(1,864,843)</u>	<u>229,090,925</u>
Less accumulated depreciation for:				
Buildings	23,129,356	5,600,082	(1,201,126)	27,528,312
Machinery and equipment	24,953,740	2,921,575	(631,600)	27,243,715
Total accumulated depreciation	<u>48,083,096</u>	<u>8,521,657</u>	<u>(1,832,726)</u>	<u>54,772,027</u>
Total capital assets, being depreciated, net	<u>175,170,463</u>	<u>(819,448)</u>	<u>(32,117)</u>	<u>174,318,898</u>
Governmental activities capital assets, net	<u>\$ 687,921,606</u>	<u>\$ 235,938,296</u>	<u>\$ (117,974,110)</u>	<u>\$ 805,885,792</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,907,829	\$ -	\$ (11,665)	\$ 6,896,164
Construction in progress	30,995,788	28,286,715	(17,783,631)	41,498,872
Total capital assets, not being depreciated	<u>37,903,617</u>	<u>28,286,715</u>	<u>(17,795,296)</u>	<u>48,395,036</u>
Capital assets, being depreciated				
Buildings	65,760,245	940,668	-	66,700,913
Improvements other than buildings	229,970,510	6,791,553	-	236,762,063
Machinery and equipment	404,059,693	11,394,639	(2,410,336)	413,043,996
Total capital assets, being depreciated	<u>699,790,448</u>	<u>19,126,860</u>	<u>(2,410,336)</u>	<u>716,506,972</u>
Less accumulated depreciation for:				
Buildings	45,122,088	1,522,276	-	46,644,364
Improvements other than buildings	142,106,643	5,134,372	-	147,241,015
Machinery and equipment	289,017,470	13,709,271	(2,130,728)	300,596,013
Total accumulated depreciation	<u>476,246,201</u>	<u>20,365,919</u>	<u>(2,130,728)</u>	<u>494,481,392</u>
Total capital assets, being depreciated, net	<u>223,544,247</u>	<u>(1,239,059)</u>	<u>(279,608)</u>	<u>222,025,580</u>
Business-type activities capital assets, net	<u>\$ 261,447,864</u>	<u>\$ 27,047,656</u>	<u>\$ (18,074,904)</u>	<u>\$ 270,420,616</u>

During the year, the Enterprise Fund expensed interest costs totaling \$4,780,012.

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, 2018

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, \$634,218 was included in depreciation expense for 911 equipment.

The following is a schedule of future minimum lease payments of \$251,589 for 911 equipment assets capitalized under lease agreements, and the present value of the minimum lease payments as of September 30, 2018:

Fiscal Year Ending September 30	911 Equipment
2019	\$ 251,589
Total Minimum Lease Payments	251,589
Less Amount Representing Interest	6,184
Present Value of Minimum Lease Payments	\$ 245,405

7. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND TRANSFERS

Interfund receivable and payable balances as of September 30, 2018 are as follows:

	Interfund Receivables (Due from)	Interfund Payables (Due to)
General	\$ -	\$ 169,995
Capital Projects	-	1,086,223
Utility Fund	1,256,218	-
	<u>\$ 1,256,218</u>	<u>\$ 1,256,218</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	\$ -	\$ 4,534,581
Utility	4,534,581	-
	<u>\$ 4,534,581</u>	<u>\$ 4,534,581</u>

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

8. LONG – TERM DEBT

A. Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning Balance October 1, 2017	Additions	Reductions	Ending Balance September 30, 2018	Due Within One Year
Governmental activities:					
General Obligation Bonds:					
2011A Ad Valorem Refunding	\$ 12,955,000	\$ -	\$ (6,390,000)	\$ 6,565,000	\$ 6,565,000
2013A Ad Valorem	344,960,000	-	-	344,960,000	-
2013B Ad Valorem Refunding	29,765,000	-	(3,755,000)	26,010,000	3,905,000
2015A Ad Valorem Refunding	32,535,000	-	(11,240,000)	21,295,000	6,320,000
2016A Ad Valorem	165,500,000	-	-	165,500,000	1,655,000
2017A Bond Anticipation Note	8,750,000	-	(8,750,000)	-	-
2017A Ad Valorem	-	199,375,000	-	199,375,000	6,035,000
Deferred amounts:					
Discount/Premium	49,431,883	31,866,829	(7,132,735)	74,165,977	-
Total long-term bonds payable	<u>643,896,883</u>	<u>231,241,829</u>	<u>(37,267,735)</u>	<u>837,870,977</u>	<u>24,480,000</u>
Compensated absences	2,901,499	111,340	-	3,012,839	1,653,304
Capital leases	484,778	-	(239,373)	245,405	245,405
Self insurance liability	3,095,598	313,364	-	3,408,962	811,090
Net pension liability	50,203,614	34,808,312	(29,910,949)	55,100,977	-
Net OPEB obligation	30,657,000	-	(30,657,000)	-	-
Net OPEB liability	-	61,219,452	(15,046,853)	46,172,599	-
Long-term liabilities	<u>\$ 731,239,372</u>	<u>\$327,694,297</u>	<u>\$ (113,121,910)</u>	<u>\$ 945,811,759</u>	<u>\$ 27,189,799</u>
Business-type activities:					
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	-	(3,860,000)	46,905,000	4,055,000
2013-2 Utility Refunding	40,400,000	-	(27,495,000)	12,905,000	12,015,000
2015-1 Utility	30,080,000	-	-	30,080,000	-
2015-2 Utility Refunding	16,260,000	-	(720,000)	15,540,000	740,000
2018-1 Utility	-	26,230,000	-	26,230,000	-
2018-2 Utility	-	19,750,000	-	19,750,000	-
Deferred amounts:					
Discount/Premium	5,681,371	4,408,307	(1,435,877)	8,653,801	-
Long-term liabilities	<u>\$ 174,386,371</u>	<u>\$ 50,388,307</u>	<u>\$ (33,510,877)</u>	<u>\$ 191,263,801</u>	<u>\$ 16,810,000</u>

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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%, interest only until June 2020. 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%, interest only until June 2019. The proceeds are being used to finance the costs to design, construct, equip and improve roadways and other facilities within and outside the District.

2017A Ad Valorem Tax Bonds – In October 2017, the District issued \$199,375,000 Ad Valorem Tax Bonds at interest rates of 3.0% to 5.0%, interest only until June 2019. The proceeds are being used to finance additional transportation projects and were also used to retire the District's 2017 Bond Anticipation Note.

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, 2018

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%, interest only due until October 2019. 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%, interest only due until October 2020. 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%, interest only due until October 2020. 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.

2018-1 Utilities Revenue Bonds – In July 2018, the District issued \$26,230,000 Utilities Revenue Bonds at an interest rate of 5.0%. The proceeds are being used to pay for construction and acquisition of improvements to the utility systems.

2018-2 Taxable Utilities Revenue Bonds – In July 2018, the District issued \$19,750,000 Taxable Utilities Revenue Bonds at an average interest rate of 3.44%. The proceeds are being used to pay for improvements to certain existing utility systems.

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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

8. LONG – TERM DEBT – Continued

A. Changes in long-term liabilities – Continued

- (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.
- (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
2019	\$ 24,480,000	\$ 37,070,862
2020	25,520,000	35,994,740
2021	26,755,000	34,759,290
2022	28,075,000	33,439,090
2023	29,420,000	32,094,990
2024-2028	170,605,000	136,960,170
2029-2033	217,175,000	90,386,388
2034-2038	241,675,000	33,068,250
Total	\$ 763,705,000	\$ 433,773,780
Current portion	(24,480,000)	
Deferred amounts:		
Discount/Premium	74,165,977	
Long-term bonds payable	\$ 813,390,977	

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

8. LONG - TERM DEBT – Continued

A. Annual Debt Service Requirements – Continued

Year Ended September 30,	Revenue Bonds	
	Principal	Interest
2019	\$ 16,810,000	\$ 6,376,795
2020	21,150,000	6,237,291
2021	24,900,000	5,369,042
2022	25,630,000	4,617,442
2023	15,650,000	3,902,729
2024-2028	55,275,000	9,901,231
2029-2033	9,025,000	4,714,375
2034-2038	11,510,000	2,159,250
2039	2,660,000	66,500
Total	\$ 182,610,000	\$ 43,344,655
Current portion	(16,810,000)	
Deferred amounts:		
Discount/Premium	8,653,801	
Long-term bonds payable	\$ 174,453,801	

9. TRANSACTIONS WITH PRINCIPAL LANDOWNERS

During fiscal 2018, 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 \$2,039,971.
- (2) The operation and maintenance of various District water control facilities amounted to \$381,286.
- (3) The maintenance of certain right of ways and District property within the District amounted to \$128,850.
- (4) Services provided to construction projects amounted to \$79,088.

At September 30, 2018, the General Fund included accounts payable of \$594,209 and accounts receivable of \$65,083, and the Capital Projects Fund included accounts payable of \$3,832 and accounts receivable of \$51,590, 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, 2018.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

9. TRANSACTIONS WITH PRINCIPAL LANDOWNERS – Continued

Enterprise Fund

- (1) Financial and other administrative services amounted to \$150,767.
- (2) The management and construction of various capital improvements amounted to \$1,108,703.
- (3) The District has a labor services agreement totaling \$30,371,016, which includes operation and maintenance of the utility system and planned work expenses. In addition, the District incurred \$1,348,888 in labor for capital improvements and \$3,911 in labor for mosquito control.

At September 30, 2018 the Enterprise Fund had accounts receivable of \$15,171,618 and accounts payable of \$7,729,495 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 80% of total utility revenues for the year ended September 30, 2018.

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

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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 14.72% of covered employee payroll during the year. The District's contributions to FRS for the year ended September 30, 2018 were \$4,642,954. Employee contributions to FRS for the year ended September 30, 2018 were \$875,536. 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, 2018

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, 2018 as follows:

Regular Class - Members not qualifying for other classes (8.26%).

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 (24.50%).

Special Risk Administrative Support Class – Special risk employees who are transferred or reassigned to a non-special risk position (34.98%).

Senior Management Service Class - Qualifying member of senior management (24.06%).

Deferred Retirement Option Program (DROP) – Participating members of the program, not to exceed 60 months (14.03%).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2018, the District reported a liability of \$44,950,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on historical employer contributions. At June 30, 2018, the District's proportionate share was .14924%, which was an increase of .01074% from its proportionate share measured as of June 30, 2017.

For the year ended September 30, 2018, the District recognized pension expense of \$7,757,800. 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	\$ 3,808,000	\$ 138,213
Change of assumptions	14,687,702	-
Net difference between projected and actual earnings on Pension Plan investments	-	3,472,990
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	2,879,793	1,176,375
District Pension Plan contributions subsequent to the measurement date	1,080,123	-
Total	<u>\$ 22,455,618</u>	<u>\$ 4,787,578</u>

The deferred outflows of resources related to the Pension Plan, totaling \$1,080,123 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 2019. 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, 2018

10. RETIREMENT SYSTEM – Continued

Pension Plan – Continued

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 6,426,856
2020	4,386,061
2021	611,547
2022	2,920,552
2023	1,952,846
Thereafter	290,055

Actuarial Assumptions – The total pension liability in the June 30, 2018 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: 7.00% net of pension plan investment expense and inflation

The actuarial assumptions used in the June 30, 2018 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 7.00% consists of two building block components: 1) a real (in excess of inflation) return of 4.40%, 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	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.6%	1.9%

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

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

10. RETIREMENT SYSTEM – Continued

Pension Plan – Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
District's proportionate share of the net pension liability	\$ 82,036,912	\$ 44,950,699	\$ 14,148,408

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, 2018, the District reported a payable in the amount of \$533,120 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

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, 2018, 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, 2018, the HIS contribution was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding four 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, 2018

10. RETIREMENT SYSTEM – Continued

HIS Plan – Continued

The District’s contributions to the HIS Plan totaled \$523,579 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the District reported a liability of \$10,150,278 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, 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 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District’s proportionate share was .09590%, which was an increase of .00952% percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the District recognized pension expense of \$971,752. 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	\$ 155,396	\$ 17,245
Change of assumptions	1,128,836	1,073,172
Net difference between projected and actual earnings on HIS Plan investments	6,127	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	1,176,806	31,420
District HIS contributions subsequent to the measurement date	127,646	-
Total	<u>\$ 2,594,811</u>	<u>\$ 1,121,837</u>

The deferred outflows of resources related to the HIS Plan, totaling \$127,646 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 2019. 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>
2019	\$ 939,603
2020	936,127
2021	655,820
2022	147,300
2023	(914,333)
Thereafter	(419,189)

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

10. RETIREMENT SYSTEM – Continued

HIS Plan – Continued

Actuarial Assumptions – The total pension liability in the June 30, 2018, 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: 3.87%

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

The actuarial assumptions used in the June 30, 2018 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 3.87%. 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 3.87%, 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 (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease <u>(2.87%)</u>	Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
District's proportionate share of the HIS pension liability	\$ 11,560,571	\$ 10,150,278	\$ 8,974,716

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, 2018, the District reported a payable in the amount of \$50,152 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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 2017-18 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, 2018, 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, 2018

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description - The District provides OPEB through the VEBA Plan, a single-employer plan administered by the District. The plan is administered by the VEBA Board, whose members are the same as the District's Board of Supervisors. The authority to establish and amend benefits, as well as the funding policy, rests with the District's Board. The plan does not issue a separate publicly available financial report.

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. Benefits are currently paid through operations and a VEBA Trust was established and funded in fiscal year 2018 to cover future benefits. The Trustee is US Bank.

Benefits provided – The VEBA Plan provides healthcare benefits for eligible retirees and their dependents enrolled in District-sponsored plans. Benefits are provided through a third-party insurer. 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.

Employees covered by benefit terms – At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	115
Inactive employees entitled to but not yet receiving benefit payments	3
Active employees	379

Contributions – Contributions to the VEBA Trust are not codified or mandated but the District's funding strategy is to contribute \$1 million to the VEBA Trust per year for the next five years. Initial funding of the VEBA Trust in 2018 was \$11 million, representing \$1 million for fiscal year 2018 and \$10 million that was set-aside in fiscal years 2010 through 2017. The District is paying current benefits as they come due from operations. For the year ended September 30, 2018, the District's contribution rate was 3.7% of covered-employee payroll. Employees are not required to contribute to the plan. However, retirees reimburse the District for their elected coverage at the District's cost in instances where they are not entitled to all or a portion of the subsidy.

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, if any, are paid from the general fund.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Investments

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment guidelines related to the VEBA Trust is structured to provide sufficient liquidity to pay obligations as they come due. Guidelines for the VEBA Trust are consistent with the policy on other District investments as to the restrictions on the type of investments. There is no target allocation by asset class but rather diversification restrictions, at the time of purchase (excluding U.S. Treasury Obligations and U.S. Agency Obligations), as follows:

- No more than 10% of the portfolio may be invested with any one issuer
- No more than 15% of the portfolio may be invested with any one bank
- No more than 25% of the portfolio may be invested with any one industry

The weighted average duration of the portfolio may not exceed 8 years and the portfolio shall be fully invested at all times. The Trustee’s performance is measured against a composite benchmark, which consists of Bloomberg Barclay’s 1-5 year Government index and Bloomberg Barclays US Treasury Intermediate index.

Custodial Credit Risk – The District’s investments are held by the Trustee in the District’s name.

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.

The District funded the VEBA Trust on September 27, 2018. At September 30, 2018 the VEBA Trust was invested 100% in a money market fund, First American Government Obligations Fund (FAGOF), with an arithmetic rate of return of 3.28%. Money market funds are valued at their most current NAV. Money market funds typically invest only in highly liquid cash and cash equivalent securities that have high credit ratings. There are no redemption or deposit restrictions related to these money market funds. This fund aims to maintain NAV of \$1 per share. The FAGOF has a AAAM rating with Standard & Poor’s. At September 30, 2018, the FAGOF weighted-average maturity was 0.9 months and the FAGOF portfolio allocation was as follows:

Portfolio Allocation	%
U.S. Government Agency Debt	48.4%
U.S. Government Agency Repurchase Agreements	6.1%
U.S. Treasury Debt	1.1%
U.S. Treasury Repurchase Agreements	42.7%
Investment Companies	1.7%
	100.0%

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Net OPEB Liability

The District's net OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the September 30, 2018 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, including inflation
Investment rate of return	3.62 percent (as of October 1, 2017); 4.19 percent (as of September 30, 2018), including inflation
Healthcare cost trend rates	The table below are annual trends based on the current trend study and are applied on a select and ultimate basis. Select trends are reduced .5 percent per year until reaching the ultimate trend rate.

<u>Expense Type</u>	<u>Select</u>	<u>Ultimate</u>
Pre-Medicare Medical and Rx Benefits	7.0%	4.5%
Medicare Benefits	6.0%	4.5%
Stop Loss Fees	7.0%	4.5%
Administrative Fees	4.5%	4.5%
Dental	4.0%	4.0%
Vision	3.0%	3.0%

Mortality rates were based on the RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis.

The discount rate (long-term expected rate of return) was determined based on a crossover analysis, using the Bond Buyer 20 Bond GO index and the District's investment vehicle. The discount rate used to measure the total OPEB liability was 4.19%. The projection of cash flows used to determine this discount rate assumed the District contributes \$1 million to the trust annually until 2021. Based on these contributions, the OPEB plan's fiduciary net position was projected to be available to make payments until 2026 (the crossover point) for current active and inactive employees. The long term expected rate of return for the trust (3.28%) is applied to payments through 2026. The discount rate applied to all payments after 2026 is 4.24% and represents the Bond Buyer 20 Bond GO index as of September 30, 2018.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Plan</u>		
	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at October 1, 2017	\$ 61,219,452	\$ -	\$ 61,219,452
Changes for the year:			
Service cost	1,088,805	-	1,088,805
Interest	2,234,169	-	2,234,169
Changes in assumptions or other inputs	(5,845,660)	-	(5,845,660)
Contributions - employer	-	12,521,768	(12,521,768)
Net investment income	-	2,399	(2,399)
Benefit payments	(1,521,768)	(1,521,768)	-
Net changes	<u>(4,044,454)</u>	<u>11,002,399</u>	<u>(15,046,853)</u>
Balances at September 30, 2018	<u>\$ 57,174,998</u>	<u>\$ 11,002,399</u>	<u>\$ 46,172,599</u>

Plan fiduciary net position as a percentage of the total OPEB liability 19.2%

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.19%) or one percentage point higher (5.19%) than the current discount rate (rounded to the nearest thousand):

	1% Decrease <u>(3.19%)</u>	Discount Rate <u>(4.19%)</u>	1% Increase <u>(5.19%)</u>
Net OPEB liability (asset)	\$ 57,254,000	\$ 46,173,000	\$ 38,190,000

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0% decreasing to 2.0%) or one percentage point higher (8.0% decreasing to 4.0%) than the current healthcare cost trend rates (rounded to the nearest thousand):

	1% Decrease (6.0% decreasing <u>to 2.0%</u>)	Healthcare Cost Trend Rates (7.0% decreasing <u>to 3.0%</u>)	1% Increase (8.0% decreasing <u>to 4.0%</u>)
Net OPEB liability (asset)	\$ 37,065,000	\$ 46,173,000	\$ 58,964,000

Changes of assumptions or other inputs. Beginning of year total OPEB liability was calculated using a rollback approach in the transition year to GASB 75. The total OPEB liability as of October 1, 2017 assumed a discount rate of 3.62%. The discount rate used at September 30, 2018 was 4.19%. The change in discount rate was due to market rate changes and represents a \$5.8 million decrease in the liability.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

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

For the year ended September 30, 2018, the District recognized OPEB expense of \$2,839,718. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ -	\$ 5,349,453
Total	<u>\$ -</u>	<u>\$ 5,349,453</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2019	\$ (496,026)
2020	(496,026)
2021	(496,026)
2022	(496,026)
2023	(496,208)
Thereafter	(2,869,141)

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, 2016, 2017 and 2018.

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 \$3,408,962 at September 30, 2018 is based on an actuarial review of claims pending and past experience. Changes in the claims liability amount during fiscal years 2017 and 2018 are as follows:

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

12. RISK MANAGEMENT – Continued

	Year ended September 30	
	<u>2018</u>	<u>2017</u>
Self insurance liability beginning balance	\$ 3,095,598	\$ 2,449,536
Claims and changes in estimates	1,691,762	1,440,963
Claims payments	<u>(1,378,398)</u>	<u>(794,901)</u>
Self insurance liability ending balance	<u>\$ 3,408,962</u>	<u>\$ 3,095,598</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 \$3,920,087 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, 2018 which have been deemed effective and are recorded as deferred outflows.

<u>Classification</u>	<u>Fair Value at September 30,</u>			<u>Notional</u>	<u>Maturity</u>
	<u>2017</u>	<u>Change in fair value</u>	<u>2018</u>		
Deferred outflows	\$ 4,859,575	\$ (764,138)	\$ 4,095,437	18,343,376 MMBTUs	FY 2019 - 2022

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.

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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

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 funds are valued at their most current NAV. Money market funds typically invest only in highly liquid cash and cash equivalent securities that have high credit ratings. There are no redemption or deposit restrictions related to these money market funds and the funds aim to maintain NAV of \$1 per share. Cash and cash equivalents are carried at cost, which approximates fair value.

	2018			
	Total	Level 1	Level 2	Level 3
Investments Measured at Fair Value				
U.S. Treasury and Government Agency Securities	\$ 228,135,894	\$ 228,135,894	\$ -	\$ -
State and Local Government Securities	49,716,463	-	49,716,463	-
Total Investments at Fair Value	<u>\$ 277,852,357</u>	<u>\$ 228,135,894</u>	<u>\$ 49,716,463</u>	<u>\$ -</u>
Investments Measured at NAV				
Money Market Funds	\$ 130,638,354			
Total Investments Measured at Fair Value	<u>\$ 408,490,711</u>			
Investments Measured at Cost				
Demand and Certificates of Deposit	<u>\$ 8,005,329</u>			
Total Investments per Statement of Net Position	<u>\$ 416,496,040</u>			

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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

15. NET POSITION AND FUND BALANCE REPORTING

The Statement of Net Position for Governmental activities reflects a negative unrestricted net position of \$101,076,839 primarily due to the District's net pension liability and net OPEB liability, both of which amount to a combined \$101 million. Also contributing is the financing, with long-term bonds of the District, certain roadways that were subsequently donated to the State of Florida and long-term bonds that were issued in order to contribute to Osceola County's refinancing of their Transportation Improvement Bonds (Osceola Parkway). The roadways are not assets of the District, however the remaining debt, amounting to \$34,498,486 at September 30, 2018, 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 2019 budget. Note 1(L) discusses the District's budget approval process.

16. COMMITMENTS AND CONTINGENCIES

Construction

As of September 30, 2018, the District's Board of Supervisors authorized a budget of approximately \$415 million for current or in-process major transportation and other construction projects. Executed construction commitments associated with these projects approximated \$302 million and of this amount, approximately \$247 million was spent as of September 30, 2018.

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 2018 reservation charges under the agreements was approximately \$9,974,800. 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 2019, 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 2018 under the agreement was approximately \$8,027,305.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

16. COMMITMENTS AND CONTINGENCIES – Continued

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 \$7,515,550.

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 \$3,623,424 for fiscal year 2018. The terms of the FGTC agreements expire in the year 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.

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.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

16. COMMITMENTS AND CONTINGENCIES – Continued

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 \$819,646 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.

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 \$5,082,389 from Osceola County during fiscal year 2018.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

16. COMMITMENTS AND CONTINGENCIES – Continued

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, 2018, the District has paid \$859,953 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. The agreement, as amended, requires the District to contribute \$394,279 for this work. As of September 30, 2018, the District has paid \$392,460.

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. The District's share is set at \$3,603.60 annually. As of September 30, 2018, the District has paid \$10,888 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. The agreement requires the District to contribute up to \$76,179 for this effort. As of September 30, 2018, the District has paid \$12,259.

Litigation and Other Claims

Various suits and claims arising in the ordinary course of operations are pending against the District.

Several suits involve FS Orlando, LLC and FS Orlando Golf, LLC ("Plaintiffs") naming the Orange County Property Appraiser, the Orange County Tax Collector, the Florida Department of Revenue and the District as defendants. The Plaintiffs challenge the Orange County Property Appraiser's valuation of three commercial parcels within the District, known collectively as the Four Seasons property, contesting the legality and validity of the 2015, 2016 and 2017 ad valorem tax assessments on the property. The Plaintiffs claim that the assessed values and market values of the Four Seasons property exceed just value and have been unlawfully over-assessed, and they have requested the court set aside the 2015, 2016 and 2017 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. Because the District collects ad valorem taxes based upon the Orange County Property Appraiser's assessed value, the District is named as a nominal defendant in the lawsuits. While the District anticipates an adjustment to the tax collections for fiscal year 2015, 2016 and 2017, we cannot predict the outcome of any of these cases.

REEDY CREEK IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2018

16. COMMITMENTS AND CONTINGENCIES – Continued

Other various suits involve Walt Disney Parks and Resort US, Inc. and Disney Vacation Development, Inc. (collectively “WDP and DVD Plaintiffs”) naming the Orange County Property Appraiser, the Orange County Tax Collector and the District as defendants and challenging the Orange County Property Appraiser’s valuation of multiple commercial parcels and contesting the legality and validity of the 2015, 2016 and 2017 ad valorem tax assessments on the parcels. The WDP and DVD Plaintiffs claim that 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, 2016 and 2017 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. In July, 2018, the trial court issued a ruling in one of the pending cases in favor of WDP and against the Orange County Property Appraiser’s 2015 valuation of the Yacht & Beach Resort. The trial court ruling resulted in a reduction of the just value of the Yacht & Beach Club Resort from \$337 million to \$209 million, resulting in a reduction in the amount of taxes due for 2015. The Orange County Property Appraiser has appealed the trial court ruling and the ruling is stayed pending the outcome of the appeal. While the District anticipates an adjustment to the tax collections for fiscal year 2015, 2016 and 2017, we cannot predict the outcome of any of these cases.

One additional suit involves FL Solar 5, LLC (FL Solar), a wholly owned subsidiary of Origis Energy and the ground lessee of certain property leased from the District for the construction and operation of a solar power facility. FL Solar is constructing a 50MW solar farm on property ground leased from the District and the District will be purchasing from FL Solar the power generated by the solar farm under a long-term power purchase agreement. In December 2018, FL Solar filed suit against the Orange County Property Appraiser, Orange County Tax Collector, the Florida Department of Revenue and the District challenging the Orange County Property Appraiser’s 2018 valuation of the solar farm property, claiming that the Property Appraiser increased the valuation by more than ten percent in violation of Florida law and also that the assessments exceed just value. The Property Appraiser has conceded that the valuation was improper to the extent the year over year increases exceeded ten percent. Because the District collects ad valorem taxes based upon the Orange County Property Appraiser’s assessed value, the District is named as a nominal defendant in the lawsuit. While the District anticipates an adjustment to the tax collections for fiscal year 2018, we cannot predict the outcome of this case.

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. RESTATEMENT

The District restated its 2017 ending net position in governmental activities with the implementation of GASB No. 75. Net position was restated as follows:

	<u>Governmental Activities</u>
Net position October 1, 2017, previously reported	\$138,295,046
Net position adjustment due to implementation of GASB 75	<u>(30,562,452)</u>
Net position October 1, 2017, restated	<u>\$107,732,594</u>

REEDY CREEK IMPROVEMENT DISTRICT

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

Year Ended September 30, 2018

	% of Roadways				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Roads (Note 2. A.):					
Excellent	70%	96%	96%	96%	95%
Acceptable	23%	4%	4%	4%	5%
Poor	7%	0%	0%	0%	0%

	Bridges by Category				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bridges (Note 2. B.):					
Excellent	45	36	36	29	27
Good	8	8	11	14	16
Poor	-	-	-	-	-
	<u>53</u>	<u>44</u>	<u>47</u>	<u>43</u>	<u>43</u>

	Structures by Category				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water Control Structures (Note 2. C.)					
Excellent	19	18	18	18	17
Good	3	4	4	4	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Budgeted Costs:						
Roads	\$ 2,000,000	\$ 2,620,000	\$ 1,185,000	\$ 1,185,000	\$ 1,550,000	\$ 1,435,000
Bridges	1,644,673	35,000	40,000	440,000	225,000	384,500
Water Control Structures	1,903,000	1,448,000	620,000	2,670,000	1,445,000	1,656,000
Actual Costs:						
Roads		\$ 416,315	\$ 635,227	\$ 320,070	\$ 1,607,527	\$ 1,489,097
Bridges		98,647	30,852	88,143	8,156	190,410
Water Control Structures		970,573	462,913	407,715	1,444,735	920,716

REEDY CREEK IMPROVEMENT DISTRICT

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

Year Ended September 30, 2018

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, the District 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. Ratings of 80 and above indicate the road is in excellent condition and no improvements are required; 60-79 are classified as good/satisfactory and a rating of 59 or below indicates poor condition. Currently, the majority of roads within the District have a PCI in excess of 80, a small percentage have a PCI rating that indicates surface work would be advisable, and less than 7% of the roads have a PCI of 59 or below.

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, the District budgets for and schedules the pavement repairs. Due to capital improvement projects within the District during 2018, no major roadway repairs were completed. Work previously identified is now scheduled for completion in fiscal year 2019.

In addition to major asphalt refurbishment, the District continued with routine maintenance and repairs throughout the roadway system. The 2018 work encompassed routine repairs of asphalt, shoulder protection as well as repair and replacement of guardrail and totaled \$416,315.

REEDY CREEK IMPROVEMENT DISTRICT

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

Year Ended September 30, 2018

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

B. Bridges

There are currently 53 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 earliest bridges constructed within the District were placed into service in 1972 and a majority of the bridges were constructed during the following 25 years. Over the past four years, the District has again experienced major infrastructure expansion with an additional 18 bridges being placed into service. Preservation and maintenance of the bridges is an on-going activity resulting in the bridges being classified as 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, 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.

Eleven of 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 structure deck. Within the past three years, seven of these bridges were removed from service or underwent full deck replacement. At the conclusion of fiscal year 2018, four bridges remain that were constructed in this manner. The District has previously instituted enhanced monitoring of these bridges and will continue to do so until full deck replacement of the remaining structures is complete.

In fiscal year 2018, nine new bridges were constructed. Based on inspection results/recommendations, miscellaneous bridge repairs were completed at a cost of \$98,647.

REEDY CREEK IMPROVEMENT DISTRICT

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

Year Ended September 30, 2018

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

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 2018, one Priority 1 repair was completed. Structure 410-B was rehabilitated and routine maintenance was conducted on the structures, levees and canals throughout the water control system. This work totaled \$970,573.

REEDY CREEK IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
OTHER POSTEMPLOYMENT BENEFITS

Year Ended September 30, 2018

SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS

Fiscal Year 2018 *

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,088,805
Interest	2,234,169
Changes of assumptions	(5,845,660)
Benefit payments	<u>(1,521,768)</u>
Net change in total OPEB liability	(4,044,454)
Total OPEB liability - 10/1/17	<u>61,219,452</u>
Total OPEB liability - 9/30/18	\$ 57,174,998
Plan fiduciary net position	
Contributions - employer	\$ 12,521,768
Net investment income	2,399
Benefit payments	<u>(1,521,768)</u>
Net change in plan fiduciary net position	11,002,399
Plan fiduciary net position - 10/1/17	<u>-</u>
Plan fiduciary net position - 9/30/18	\$ 11,002,399
District's net OPEB liability - 9/30/18	\$ 46,172,599
Plan fiduciary net position as a percentage of the total OPEB liability	19.24%
Covered-employee payroll	\$ 26,678,408
District's net OPEB liability as a percentage of covered-employee payroll	173.07%

* Information in this schedule is intended to display the last 10 years, however, information is not available for all prior years. Additional years will be displayed as information becomes available.

Notes to Schedule

Changes of assumptions - The discount rate increased from 3.62% at October 1, 2017 to 4.19% at September 30, 2018 based on a crossover analysis of market rates and using the Bond Buyer 20 Bond GO index and the District's investment vehicle.

REEDY CREEK IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Year Ended September 30, 2018

SCHEDULE OF DISTRICT CONTRIBUTIONS

Fiscal Year 2018 *

	<u>2018</u>
Actuarially determined contribution	\$ 3,580,651
Contributions in relation to the actuarially determined contribution	<u>12,521,768</u>
Contribution deficiency	\$ (8,941,117)
Covered-employee payroll	\$ 26,678,408
Contributions as a percentage of covered-employee payroll	46.94%

* Information in this schedule is intended to display the last 10 years, however, information is not available for all prior years. Additional years will be displayed as information becomes available.

Notes to Schedule

Valuation Date: September 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal based on level percentage of projected salary in fiscal year 2018; Projected Unit Credit method used in all other years.
Amortization method	Experience/Assumptions gains and losses amortized over closed 11.9 years. Investment gains and losses amortized over closed 5 years.
Asset valuation method	Fair market value
Contributions	Contributions to the VEBA Trust are not codified or mandated but the District's funding strategy is to contribute \$1 million to the VEBA Trust per year for the next five years. Initial funding of the VEBA Trust in 2018 was \$11 million plus benefits paid during 2018.
Inflation	2.5 percent
Healthcare cost trend rates	7 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent
Salary increases	3.5 percent, average
Investment rate of return	3.62 percent (BOY); 4.19 percent (EOY)
Retirement age	Based on the 2017 Florida Retirement System Actuarial Valuation
Mortality	RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis

REEDY CREEK IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
PENSIONS

Year Ended September 30, 2018

Pension Plan

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

	Florida Retirement System Last 5 Fiscal Years*				
	2018	2017	2016	2015	2014
RCID's proportion of the net pension liability (asset)	0.14924%	0.13850%	0.14236%	0.12545%	0.12860%
RCID's proportionate share of the net pension liability	\$ 44,950,699	\$ 40,967,776	\$ 35,945,064	\$ 16,204,183	\$ 7,846,750
RCID's covered-employee payroll	31,337,271	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	143.44%	148.70%	133.95%	65.45%	32.73%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

* Amounts presented for each fiscal year were determined as of June 30. Information in this schedule is intended to display the last 10 years, however, information is not available for all prior years. Additional years will be displayed as the information becomes available.

Schedule of the District's Contributions

	Florida Retirement System Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 4,642,954	\$ 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
Contributions in relation to the contractually required contributions	4,642,954	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
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
RCID's covered-employee payroll	31,540,901	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
Contributions as a percentage of covered employee payroll	14.72%	14.20%	14.04%	13.81%	13.21%	10.59%	9.07%	14.53%	15.05%	14.13%

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

Changes in assumptions

From 2017 to 2018, there were no changes in actuarial assumptions. The inflation rate is assumed at 2.60% and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return decreased from 7.10% in 2017 to 7.00% in 2018.

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, 2018

HIS Plan

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

Health Insurance Subsidy Program
Last 5 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
RCID's proportion of the net pension liability (asset)	0.09590%	0.08638%	0.08682%	0.08138%	0.08064%
RCID's proportionate share of the net pension liability	\$ 10,150,278	\$ 9,235,838	\$ 10,118,388	\$ 8,299,010	\$ 7,539,962
RCID's covered-employee payroll	31,337,271	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	32.39%	33.52%	37.71%	33.52%	31.45%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

* Amounts presented for each fiscal year were determined as of June 30. Information in this schedule is intended to display the last 10 years, however, information is not available for all prior years. Additional years will be displayed as the information becomes available.

Schedule of the District's Contributions

Health Insurance Subsidy Program
Last 10 Fiscal Years*

	<u>2018</u>	<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>
Contractually required contribution	\$ 523,579	\$ 470,755	\$ 451,270	\$ 340,982	\$ 294,282	\$ 265,172	\$ 243,757	\$ 239,632	\$ 237,252	\$ 221,616
Contributions in relation to the contractually required contributions	523,579	470,755	451,270	340,982	294,282	265,172	243,757	239,632	237,252	221,616
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
RCID's covered-employee payroll	31,540,901	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
Contributions as a percentage of covered employee payroll	1.66%	1.66%	1.66%	1.36%	1.21%	1.13%	1.11%	1.11%	1.11%	1.07%

* 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 3.58% in 2017 to 3.87% in 2018.

Changes in benefit terms

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