Reedy Creek Improvement District

Since 1967

Lake Buena Vista, Florida

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2019

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

BOARD OF SUPERVISORS

LAURENCE C. HAMES, PRESIDENT
DONALD R. GREER, 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, 2019

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Building a better
working world

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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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, 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 5 – 11 and 64 – 71 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 7, 2020, 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 7, 2020

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, 2019. 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 $371,710,457 (*net position*).
- The District's total net position increased during the year by $48,188,895.
- The District's total noncurrent liabilities decreased by $27,458,294 during the year.
- As of September 30, 2019, the District's governmental funds reported combined ending fund balances of $169,127,756, a decrease of $68,528,887 in comparison with the prior year. Approximately 14% of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At September 30, 2019, unassigned fund balance for the general fund was $24,164,836, or 27% 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.

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 – 22 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 23 – 24 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 25 – 63 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $371,710,457 at September 30, 2019.

District's Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018 **	2019	2018 **
Current and noncurrent assets	$ 195,714,022	$ 281,853,219	$ 172,555,796	$ 174,117,851	$ 368,269,818	$ 455,971,070
Capital assets	871,582,054	805,885,792	281,491,906	270,420,616	1,153,073,960	1,076,306,408
Total assets	1,067,296,076	1,087,739,011	454,047,702	444,538,467	1,521,343,778	1,532,277,478
Deferred outflows of resources	39,462,229	25,504,538	6,061,187	4,425,238	45,523,416	29,929,776
Total deferred outflows of resources	39,462,229	25,504,538	6,061,187	4,425,238	45,523,416	29,929,776
Current liabilities *	66,212,954	83,313,500	53,231,644	49,917,095	119,444,598	133,230,595
Noncurrent liabilities	913,835,940	918,621,960	151,781,527	174,453,801	1,065,617,467	1,093,075,761
Total liabilities	980,048,894	1,001,935,460	205,013,171	224,370,896	1,185,062,065	1,226,306,356
Deferred inflows of resources	9,472,947	11,258,868	621,725	1,120,468	10,094,672	12,379,336
Total deferred inflows of resources	9,472,947	11,258,868	621,725	1,120,468	10,094,672	12,379,336
Net position:						
Net investment in capital assets	213,422,444	195,816,018	151,276,733	140,124,560	364,699,177	335,940,578
Restricted	1,079,602	5,310,042	54,391,491	49,044,508	55,471,093	54,354,550
Unrestricted (deficit)	(97,265,582)	(101,076,839)	48,805,769	34,303,273	(48,459,813)	(66,773,566)
Total net position	$ 117,236,464	$ 100,049,221	$ 254,473,993	$ 223,472,341	$ 371,710,457	$ 323,521,562

* includes current liabilities payable from restricted assets

** comparitive information has been reclassified to conform with the financial statement presentation adopted in the current year

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.

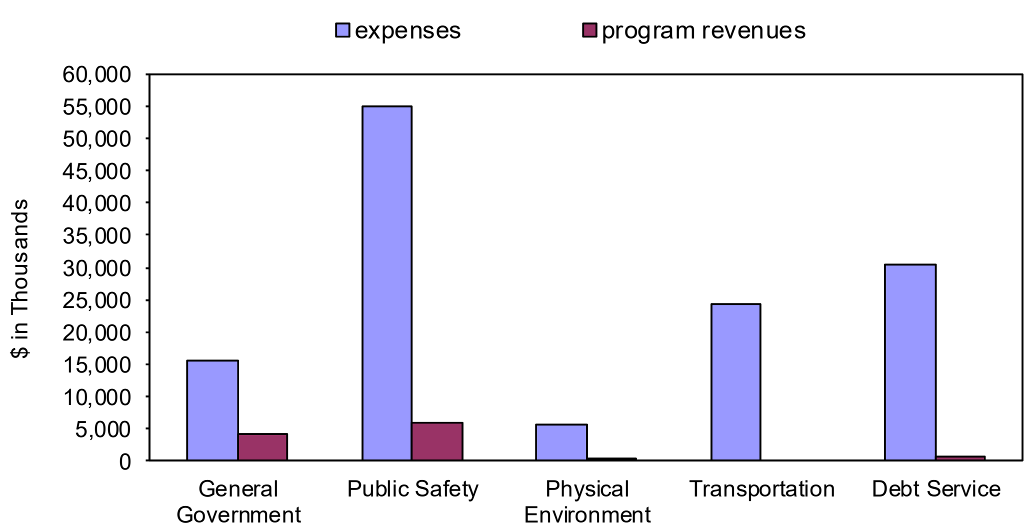
Governmental activities. Governmental activities reflect negative unrestricted net position balances primarily due to the District's net pension liability and net OPEB liability. Other contributing factors include financing, with long-term bonds of the District, certain roadways that were subsequently 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.

The increase in revenues is due to a budgeted Ad Valorem Tax increase for FY2019 due to an increase in assessed values. The primary decrease in expenses is due to the loss on disposal of capital assets due to retirement of infrastructure assets in the prior year. Operating expenses in Transportation increased in FY2019 with the addition of another parking garage and pedestrian bridge at Disney Springs.

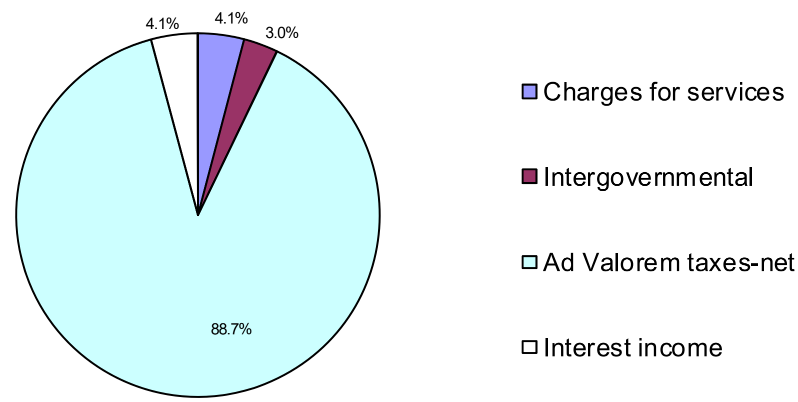
District's Change in Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 6,266,117	$ 7,523,040	$ 171,635,595	$ 167,992,855	$ 177,901,712	$ 175,515,895
Intergovernmental	4,639,448	5,902,035	-	-	4,639,448	5,902,035
Capital contributions	49,092	163,154	3,667,481	6,266,685	3,716,573	6,429,839
General revenues:						
Ad Valorem taxes-net	135,584,888	124,156,492	-	-	135,584,888	124,156,492
Interest income	6,312,446	5,404,308	2,855,795	1,444,865	9,168,241	6,849,173
Gain on disposal of capital assets	60,829	30,947	-	-	60,829	30,947
Total revenues	152,912,820	143,179,976	178,158,871	175,704,405	331,071,691	318,884,381
Expenses:						
General Government	15,702,707	14,490,456	-	-	15,702,707	14,490,456
Public Safety	55,076,335	46,899,794	-	-	55,076,335	46,899,794
Physical Environment	5,792,991	5,910,108	-	-	5,792,991	5,910,108
Transportation	24,417,893	18,431,587	-	-	24,417,893	18,431,587
Utility operations	-	-	145,717,997	143,153,815	145,717,997	143,153,815
Loss on Disposal of Capital Assets	-	28,901,930	-	-	-	28,901,930
Interest on long-term debt	30,484,876	31,694,893	5,689,997	4,780,012	36,174,873	36,474,905
Total expenses	131,474,802	146,328,768	151,407,994	147,933,827	282,882,796	294,262,595
Increases in net position before transfers	21,438,018	(3,148,792)	26,750,877	27,770,578	48,188,895	24,621,786
Transfers	(4,250,775)	(4,534,581)	4,250,775	4,534,581	-	-
Change in net position	17,187,243	(7,683,373)	31,001,652	32,305,159	48,188,895	24,621,786
Net position - beginning	100,049,221	107,732,594	223,472,341	191,167,182	323,521,562	298,899,776
Net position - ending	$ 117,236,464	$ 100,049,221	$ 254,473,993	$ 223,472,341	$ 371,710,457	$ 323,521,562

Expenses and Program Revenues – Governmental Activities

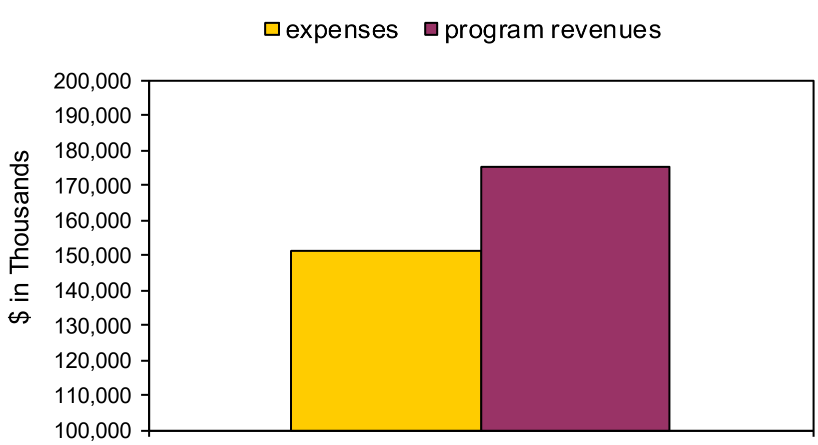


Total Revenue by Source – Governmental Activities



Business-type activities. Assets increased with the addition of capital assets being completed utilizing bond proceeds. Liabilities decreased with the extinguishment of debt on revenue bonds. Charges for services were higher due to ongoing service expansion. Capital contributions decreased with the completion of a large project in 2018. Contributions and interest income accounted for 3.7% of total revenues, with the remainder being charges for services. Other operating expenses and repairs and maintenance costs increased slightly in fiscal year 2019, also due to ongoing service expansion.

Expenses and Program Revenues – Business-Type Activities



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, 2019, the District's governmental funds reported combined fund balances of $169,127,757. Approximately 14% 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, committed or assigned. Restricted amounts are not available for general spending as those amounts have been reserved to pay for capital projects from bond proceeds. Committed amounts are set-aside to pay for projects from drainage fees or property appraiser settlements. Assigned amounts have been designated to cover the projected excess of expenditures over revenues in the fiscal year 2020 budget.

The general fund is the chief operating fund of the District. At September 30, 2019, unassigned fund balance of the general fund was $24,164,836, while total fund balance reached $41,369,721. 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 27% of the total general fund expenditures (including transfers), while total fund balance represents 47% of that same amount. Overall expenditures were lower than originally budgeted in fiscal year 2019. The fund balance of the District's general fund decreased by $1,870,101. While the District budgeted a drawdown of over $9 million in fund balance in FY2019, transportation projects that were scheduled during the year were delayed until FY2020 due to timing of ongoing construction projects. Ad valorem tax revenues increased due to increases in assessed values.

The debt service fund has a total fund balance of $1,079,603, an increase of $419,607 from the prior year. The increase was due to an increase in assessed values and millage rates for transportation and infrastructure projects.

The capital projects fund has a total fund balance of $126,678,433, a decrease of $67,078,393 from the prior year. The decrease was due to utilizing 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 and Western Way.

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, 2019 the unrestricted net position of the Utility Fund amounted to $48,805,769, an increase of $14,502,496 from prior year. The release of debt service reserve funds due to retired debt amounted to approximately $7.4 million of the increase. Increased reserves and expense efficiency were also a factor. The restricted net position amounted to $54,391,491, the bulk of which is restricted for debt service.

General Fund Budgetary Highlights

There were no amendments to the budget in fiscal year 2019. Minor transfers between activity budgets had no effect on total revenues or total expenses (including transfers).

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, 2019 amounted to $1,153,073,960, net of accumulated depreciation. This represents an increase of $76,767,552. The primary driver for the increase was ongoing capital projects as described above.

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	
	2019	2018	2019	2018	2019	2018
Land	$ 2,740,642	$ 2,740,642	$ 6,896,164	$ 6,896,164	$ 9,636,806	$ 9,636,806
Buildings and system	254,072,512	167,517,105	24,374,713	20,056,549	278,447,225	187,573,654
Improvements other than buildings	-	-	111,685,731	89,521,048	111,685,731	89,521,048
Machinery and equipment	7,691,297	6,801,793	123,380,215	112,447,983	131,071,512	119,249,776
Infrastructure	604,229,700	381,597,868	-	-	604,229,700	381,597,868
Construction in progress	2,847,903	247,228,384	15,155,083	41,498,872	18,002,986	288,727,256
Total	$ 871,582,054	$ 805,885,792	$ 281,491,906	$ 270,420,616	$ 1,153,073,960	$ 1,076,306,408

Long-term debt. At September 30, 2019, the District had total long-term bonded debt outstanding of $979,935,838. Of this amount, $807,004,311 comprised of debt backed by the full faith and credit of the District and $172,931,527 is secured by the revenues generated by the District's utilities. During the year, the District's total long-term debt decreased by $49,198,940 (5%) due to the extinguishment of debt used to finance transportation improvements and capital improvements for the utility system.

District's Outstanding Long-term Debt

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	$ 807,004,311	$ 837,870,977	-	-	$ 807,004,311	$ 837,870,977
Revenue bonds	-	-	$ 172,931,527	$ 191,263,801	172,931,527	191,263,801
Total	$ 807,004,311	$ 837,870,977	$ 172,931,527	$ 191,263,801	$ 979,935,838	$ 1,029,134,778

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.

Infrastructure Assets. As demonstrated in the Required Supplementary Information on pages 64 – 67 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 3.1% and 3.5%, respectively.
- Fiscal year 2020 assessed values increased 6.8%. Millage rates decreased overall by .1088 mills, primarily the result of a decrease in debt service millage with the pay-down of outstanding debt.
- Inflationary trends in the region compare to national indices.

Subsequent Events

Issuance of Future Ad Valorem Tax Bonds

In December 2019, the Board of Supervisors approved a resolution to issue ad valorem tax refunding bonds not to exceed $350,000,000 to refund all or a portion of the 2013A and/or 2013B ad valorem tax bonds, which we anticipate will result in NPV savings of approximately 12%. The District anticipates issuing the bonds in February 2020.

Pay-Off of Osceola Parkway Agreement

In January 2020, Osceola County issued their series 2019A Transportation Improvement and Refunding Revenue Bonds. A portion of those proceeds were for the repayment of the District's obligations related to the Osceola Parkway Agreement (described in Note 16). The District received approximately $67 million at that time for payment in full on remaining outstanding obligations, and the 2014 Bond Guaranty Agreement was then terminated.

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, 2019

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Cash and cash equivalents	$ 30,956,022	$ 17,090,085	$ 48,046,107
Cash and cash equivalents - restricted	124,155,392	73,933,650	198,089,042
Investments	14,283,313	13,965,133	28,248,446
Investments - restricted	23,384,032	29,530,759	52,914,791
Accounts receivable, net	1,233,270	22,412,647	23,645,917
Internal balances	(494,744)	494,744	-
Inventories	-	14,540,605	14,540,605
Prepaids	1,838,579	565,173	2,403,752
Deposits	30,000	-	30,000
Other assets	328,158	23,000	351,158
Capital assets not being depreciated	609,818,245	22,051,247	631,869,492
Capital assets, net of accumulated depreciation	261,763,809	259,440,659	521,204,468
Total Assets	1,067,296,076	454,047,702	1,521,343,778
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of derivative instruments	-	6,061,187	6,061,187
Loss on defeased debt due to refundings	301,725	-	301,725
Deferred outflow of resources related to pensions	22,588,605	-	22,588,605
Deferred outflow of resources related to OPEB	16,571,899	-	16,571,899
Total Deferred Outflows of Resources	39,462,229	6,061,187	45,523,416
LIABILITIES			
Accounts payable and accrued liabilities	6,766,164	19,685,195	26,451,359
Accounts payable from restricted assets	19,433,831	2,965,795	22,399,626
Derivative fuel instruments	-	6,061,187	6,061,187
Compensated absences	1,639,027	-	1,639,027
Self insurance liability	855,685	-	855,685
Bonds payable	25,520,000	21,150,000	46,670,000
Accrued interest payable	11,998,247	3,369,467	15,367,714
Noncurrent liabilities:			
Compensated absences	1,544,762	-	1,544,762
Self insurance liability	3,534,512	-	3,534,512
Net pension liability	62,636,231	-	62,636,231
Net OPEB liability	64,636,124	-	64,636,124
Bonds payable	781,484,311	151,781,527	933,265,838
Total Liabilities	980,048,894	205,013,171	1,185,062,065
DEFERRED INFLOWS OF RESOURCES			
Deferred fuel	-	600,424	600,424
Gain on defeased debt due to refundings		21,301	21,301
Deferred inflow of resources related to pensions	4,378,299	-	4,378,299
Deferred inflow of resources related to OPEB	5,094,648	-	5,094,648
Total Deferred Inflows of Resources	9,472,947	621,725	10,094,672
NET POSITION			
Net investment in capital assets	213,422,444	151,276,733	364,699,177
Restricted for:			
Debt service	1,079,602	49,490,555	50,570,157
Renewal and replacement	-	4,400,936	4,400,936
Emergency repairs	-	500,000	500,000
Unrestricted (deficit)	(97,265,582)	48,805,769	(48,459,813)
Total Net Position	$ 117,236,464	$ 254,473,993	$ 371,710,457

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

REEDY CREEK IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

For the Period Ended September 30, 2019

		Business-type Activities	
	Total	**Utility**	**Total Governmental Activities**
Expenses:			
Labor	$ 93,641,643	$ 34,705,039	$ 58,936,604
Operating expenses	121,497,219	89,046,317	32,450,902
Depreciation	30,139,810	20,537,390	9,602,420
Nonoperating expenses, net	1,429,251	1,429,251	-
Interest on debt	36,174,873	5,689,997	30,484,876
Total expenses	282,882,796	151,407,994	131,474,802
Program revenues:			
Charges for services	177,901,712	171,635,595	6,266,117
Intergovernmental	4,639,448	-	4,639,448
Capital contributions	3,716,573	3,667,481	49,092
Total program revenues	186,257,733	175,303,076	10,954,657
Net program expense (revenue)	96,625,063	(23,895,082)	120,520,145
General revenues:			
Ad valorem taxes	135,584,888	-	135,584,888
Interest and investment income	9,168,241	2,855,795	6,312,446
Gain on disposal of capital assets	60,829	-	60,829
Transfers in (out)	-	4,250,775	(4,250,775)
Total general revenues and transfers	144,813,958	7,106,570	137,707,388
Change in net position	48,188,895	31,001,652	17,187,243
Total net position - beginning	323,521,562	223,472,341	100,049,221
Total net position - ending	$ 371,710,457	$ 254,473,993	$ 117,236,464

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

Governmental Activities				
General Government	Public Safety	Physical Environment	Transportation	Debt Service
$ 7,523,517	$ 47,473,707	$ 2,856,675	$ 1,082,705	$ -
7,326,485	5,124,980	2,775,127	17,224,310	-
852,705	2,477,648	161,189	6,110,878	-
-	-	-	-	-
-	-	-	-	30,484,876
15,702,707	55,076,335	5,792,991	24,417,893	30,484,876
327,739	5,938,378	-	-	-
3,820,851	-	-	-	818,597
-	-	49,092	-	-
4,148,590	5,938,378	49,092	-	818,597
$ 11,554,117	$ 49,137,957	$ 5,743,899	$ 24,417,893	$ 29,666,279

REEDY CREEK IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 30,956,022	$ 727,590	$ 123,427,802	$ 155,111,414
Investments	14,283,313	352,175	23,031,857	37,667,345
Accounts receivable, net	1,233,270	-	-	1,233,270
Due from other funds	54,382	-	-	54,382
Prepaids	1,838,579	-	-	1,838,579
Deposits	-	-	30,000	30,000
Total assets	$ 48,365,566	$ 1,079,765	$ 146,489,659	$ 195,934,990
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	$ 6,824,277	$ 163	$ 19,433,668	$ 26,258,108
Due to other funds	171,568	-	377,558	549,126
Total liabilities	6,995,845	163	19,811,226	26,807,234
Fund balances:				
Nonspendable:				
Prepaids	1,838,579	-	-	1,838,579
Committed:				
Drainage system	4,629,501	-	-	4,629,501
Property appraiser disputes	4,000,000			4,000,000
Restricted:				
Capital projects		-	126,678,433	126,678,433
Debt service	-	1,079,602	-	1,079,602
Assigned:				
2020 budget appropriation	6,736,804	-	-	6,736,804
Unassigned	24,164,837	-	-	24,164,837
Total fund balances	41,369,721	1,079,602	126,678,433	169,127,756
Total liabilities and fund balances	$ 48,365,566	$ 1,079,765	$ 146,489,659	

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.	(11,998,247)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	871,582,054
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.	(911,475,099)
Net position of governmental activities	$ 117,236,464

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, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Ad valorem taxes	$ 74,974,506	$ 60,610,382	$ -	$ 135,584,888
Intergovernmental	3,820,851	818,597	-	4,639,448
Emergency services	266,792	-	-	266,792
Building permits and fees	5,671,586	-	-	5,671,586
Drainage fees	49,092	-	-	49,092
Interest and investment income	1,581,592	544,628	4,186,226	6,312,446
Other	390,685	-	-	390,685
Total revenues	86,755,104	61,973,607	4,186,226	152,914,937
EXPENDITURES				
Current:				
General government	13,514,468	-	-	13,514,468
Public safety	43,331,962	-	-	43,331,962
Physical environment	5,128,409	-	-	5,128,409
Transportation	18,111,822	-	-	18,111,822
Capital outlay	4,036,180	-	71,264,619	75,300,799
Debt service:				
Principal	245,405	24,480,000	-	24,725,405
Interest and other charges	6,184	37,074,001	-	37,080,185
Total expenditures	84,374,430	61,554,001	71,264,619	217,193,050
Excess (deficiency) of revenues over (under) expenditures	2,380,674	419,606	(67,078,393)	(64,278,113)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(4,250,775)	-	-	(4,250,775)
Total other financing uses	(4,250,775)	-	-	(4,250,775)
Net changes in fund balances	(1,870,101)	419,606	(67,078,393)	(68,528,888)
Fund Balances, beginning of year	43,239,822	659,996	193,756,826	237,656,644
Fund Balances, end of year	$ 41,369,721	$ 1,079,602	$ 126,678,433	$ 169,127,756

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

Net changes in fund balances	$ (68,528,888)
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	65,698,379
The net effect of various miscellaneous transactions involving capital assets resulted in a decrease in net position as follows:	(2,117)
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.	31,320,714
Increases in other liabilities reported as expenses in the statement of activities not requiring the use of current financial resources in governmental funds.	(11,300,845)
Change in net position of governmental activities	$ 17,187,243

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, 2019

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget**
REVENUES				
Ad Valorem Taxes	$ 78,403,977	$ 78,403,977	$ 74,974,506	$ (3,429,471)
Intergovernmental Revenue	3,000,000	3,000,000	3,820,851	820,851
Emergency Services	-	-	266,792	266,792
Building Permits and Fees	5,500,000	5,500,000	5,671,586	171,586
Drainage Fees	-	-	49,092	49,092
Interest Income	200,000	200,000	1,581,592	1,381,592
Other	350,000	350,000	390,685	40,685
Total Revenues	87,453,977	87,453,977	86,755,104	(698,873)
EXPENDITURES				
GENERAL GOVERNMENT				
Administrative:				
Labor	2,233,961	2,233,961	2,184,097	49,864
Operating	4,162,059	4,512,059	4,663,395	(151,336)
	6,396,020	6,746,020	6,847,492	(101,472)
Human Resources:				
Labor	599,979	599,979	597,818	2,161
Operating	248,700	248,700	412,042	(163,342)
	848,679	848,679	1,009,860	(161,181)
Information Systems & Technology:				
Labor	1,918,687	1,918,687	1,536,322	382,365
Operating	1,564,975	1,708,975	1,453,769	255,206
Capital outlay	2,230,165	1,736,165	594,543	1,141,622
	5,713,827	5,363,827	3,584,634	1,779,193
Property Management:				
Labor	593,122	593,122	569,929	23,193
Operating	1,274,150	1,252,845	709,536	543,309
Capital outlay	230,000	49,365	49,365	(0)
	2,097,272	1,895,332	1,328,830	566,502
Contracts & Risk Management:				
Labor	1,139,127	1,139,127	1,299,817	(160,690)
Operating	144,150	144,150	87,743	56,407
	1,283,277	1,283,277	1,387,560	(104,283)
TOTAL GENERAL GOVERNMENT	16,339,075	16,137,135	14,158,376	1,978,759
PUBLIC SAFETY				
Building and Safety:				
Labor	4,823,410	4,823,410	4,716,050	107,360
Operating	682,700	682,700	576,336	106,364
Capital outlay	178,000	178,000	114,828	63,172
	5,684,110	5,684,110	5,407,214	276,896

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, 2019

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget**
Emergency Services:				
Labor	32,243,335	32,243,335	33,205,942	(962,607)
Operating	2,970,041	3,095,634	2,536,874	558,760
Capital outlay	3,113,851	2,988,258	2,178,810	809,448
	38,327,227	38,327,227	37,921,626	405,601
Property Management:				
Labor	313,859	313,859	284,990	28,869
Operating	2,214,505	2,275,810	2,011,770	264,040
Capital outlay	566,000	755,813	783,461	(27,649)
	3,094,364	3,345,482	3,080,221	265,261
TOTAL PUBLIC SAFETY	47,105,701	47,356,819	46,409,061	947,758
PHYSICAL ENVIRONMENT				
Water Control:				
Operating	2,363,500	2,363,500	989,840	1,373,660
	2,363,500	2,363,500	989,840	1,373,660
Planning & Engineering:				
Labor	2,085,091	2,175,777	2,353,282	(177,505)
Operating	954,310	1,794,310	791,508	1,002,802
Capital outlay	840,000	25,000	256,349	(231,349)
	3,879,401	3,995,087	3,401,139	593,948
Property Management:				
Operating	1,893,113	1,785,113	993,779	791,334
Capital outlay	-	31,498	31,498	(0)
	1,893,113	1,816,611	1,025,277	791,334
TOTAL PHYSICAL ENVIRONMENT	8,136,014	8,175,198	5,416,256	2,758,942
TRANSPORTATION				
Roadway maintenance:				
Labor	203,298	203,298	204,340	(1,042)
Operating	13,861,780	13,876,780	10,743,447	3,133,333
Capital outlay	-	27,326	27,326	(0)
	14,065,078	14,107,404	10,975,113	3,132,291
Parking facilities:				
Labor	677,189	677,189	683,172	(5,983)
Operating	7,466,833	7,426,833	6,480,863	945,970
	8,144,022	8,104,022	7,164,035	939,987
TOTAL TRANSPORTATION	22,209,100	22,211,426	18,139,148	4,072,278
DEBT SERVICE				
Lease payments	245,405	245,405	245,405	-
Interest and other charges	6,184	6,184	6,184	-
TOTAL DEBT SERVICE	251,589	251,589	251,589	-
Total Expenditures	94,041,479	94,132,166	84,374,430	9,757,736

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, 2019

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,587,502)	(6,678,189)	2,380,674	9,058,863
OTHER FINANCING SOURCES & USES				
Transfers out	(5,295,062)	(5,204,375)	(4,250,775)	953,600
Total Other Financing Uses	(5,295,062)	(5,204,375)	(4,250,775)	953,600
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	$ (11,882,564)	$ (11,882,564)	(1,870,101)	$ 10,012,463
Fund Balance, beginning of year			43,239,822	
Fund Balance, end of year			$ 41,369,721	

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

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REEDY CREEK IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION - UTILITY FUND

September 30, 2019

ASSETS	
Current assets:	
Cash and cash equivalents	$ 17,090,085
Investments	8,952,181
Accounts receivable, net	22,412,647
Due from other funds	549,126
Inventories	14,540,605
Prepaids	565,173
Restricted Assets:	
Cash and cash equivalents	73,933,650
Investments	17,234,679
Total current assets	155,278,146
Noncurrent assets:	
Investments	5,012,952
Restricted investments	12,296,080
Capital assets:	
Land	6,896,164
Buildings	68,122,940
Improvements other than buildings	264,359,592
Machinery and equipment	435,651,600
Less accumulated depreciation	(508,693,473)
Construction in progress	15,155,083
Total capital assets	281,491,906
Other assets	23,000
Total noncurrent assets	298,823,938
Total Assets	454,102,084
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decrease in the fair value of derivative instruments	6,061,187
Total Deferred Outflows of Resources	6,061,187

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

REEDY CREEK IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION - UTILITY FUND
September 30, 2019

LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	19,685,195
Derivative fuel instruments	6,061,187
Due to other funds	54,382
Total current liabilities	25,800,764
Current liabilities payable from restricted assets:	
Bonds payable	21,150,000
Accrued interest payable	3,369,467
Contracts and retainage payable	2,965,795
Total current liabilities payable from restricted assets	27,485,262
Long-term liabilities:	
Bonds payable	151,781,527
Total noncurrent liabilities	151,781,527
Total Liabilities	205,067,553
DEFERRED INFLOWS OF RESOURCES	
Deferred fuel	600,424
Gain on defeased debt due to refundings	21,301
Total Deferred Inflows of Resources	621,725
NET POSITION	
Net investment in capital assets	151,276,733
Restricted for debt service	49,490,555
Restricted for renewal and replacement	4,400,936
Restricted for emergency repairs	500,000
Unrestricted	48,805,769
Total Net Position	$ 254,473,993

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, 2019

OPERATING REVENUES	
Utility sales	$ 171,635,595
Total operating revenues	171,635,595
OPERATING EXPENSES	
Purchased power and fuel	59,091,805
Labor support	34,705,039
Operating costs	18,071,519
Taxes	2,770,337
Repairs and maintenance	8,226,258
Insurance	886,398
Depreciation	20,537,390
Total operating expenses	144,288,746
Operating income	27,346,849
NONOPERATING REVENUES (EXPENSES)	
Interest and investment income	2,855,795
Interest expense	(5,689,997)
Bond issue costs	(1,090)
Loss on retirement of plant assets and other inventory write-ups	(1,428,161)
Total nonoperating expenses, net	(4,263,453)
Income before contributions and transfers	23,083,396
Capital contributions	3,667,481
Transfers in	4,250,775
Increase in net position	31,001,652
Total net position - beginning	223,472,341
Total net position - ending	$ 254,473,993

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 170,852,140
Payments to suppliers	(90,441,609)
Payments for labor contract and management service agreement	(30,932,014)
Payments to employees	(3,494,172)
Net cash provided by operating activities	45,984,345
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	4,250,775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of bond issue costs	(1,090)
Purchases of capital assets	(34,338,993)
Loss on sale of capital assets	(1,195,450)
Principal paid on bonds	(16,810,000)
Interest paid on bonds	(6,404,884)
Capital contributions	4,146,487
Net cash used by capital and related financing activities	(54,603,930)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(56,351,833)
Proceeds from sales and maturities of investments	82,541,283
Investment income	2,870,831
Net cash provided by investing activities	29,060,281
Net increase in cash and cash equivalents	24,691,471
Balances - beginning of the year	66,332,264
Balances - end of the year	$ 91,023,735
Unrestricted	$ 17,090,085
Restricted	73,933,650
	$ 91,023,735

Reconciliation of operating income to net cash provided by operating activities

Operating income	$ 27,346,849
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	20,537,390
Change in assets and liabilities:	
Accounts receivable	(263,411)
Inventories	(991,854)
Prepaid items	26,298
Accounts payable and accrued liabilities	(205,265)
Due from other funds	54,382
Unearned revenue	(520,044)
Net cash provided by operating activities	$ 45,984,345

REEDY CREEK IMPROVEMENT DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

September 30, 2019

	Other Post-Employment Benefits Trust
ASSETS	
Trust investments	$ 12,669,777
Total Assets	12,669,777
NET POSITION	
Restricted for other postemployment benefits	$ 12,669,777

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 Period Ended September 30, 2019

		Other Post-Employment Benefits Trust
ADDITIONS:		
Employer contributions	$	2,552,995
Net investment income		
Investment income		667,377
Less investment expenses		(29,728)
Total net investment income		637,649
Total Additions		3,190,644
DEDUCTIONS:		
Benefits paid on behalf of participants		1,523,266
Net increase in fiduciary net position		1,667,378
Net position - October 1, 2018		11,002,399
Net position - September 30, 2019	$	12,669,777

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

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, 2019 were 6.9190 for General Operating and 5.4806 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.

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. 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.

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 or deferred inflows 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).

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.

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, 2018, the District implemented GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" (GASB No. 88). GASB No. 88 provides for additional note disclosures related to debt in an attempt to provide consistency with how entities report debt and the effects of debt on future resource flows.

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.

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 $935,016,797, net of accumulated depreciation of $63,434,743, or $871,582,054.

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	$ 3,125,676
Self insurance liability	4,062,039
Bonds payable	807,004,311
Deferred outflows - losses on defeased debt	(301,725)
Net pension liability	62,636,231
Deferred outflows - pensions	(22,588,605)
Deferred inflows - pensions	4,378,299
Net OPEB liability	64,636,124
Deferred outflows - OPEB	(16,571,899)
Deferred inflows - OPEB	5,094,648
Net adjustment to reduce total fund balances - total governmental funds to arrive at net position of governmental activities	$ 911,475,099

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:

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

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	$ 643,908
Public safety	3,077,099
Physical environment	287,847
Transportation	27,326
Capital projects	71,264,619
Depreciation expense	(9,602,420)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 65,698,379

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	$ 6,234,282
Principal payments on bonds outstanding	24,480,000
Accrued interest payable	361,027
Principal payments on leases	245,405
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 31,320,714

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	$ (170,552)
Self insurance	(1,027,510)
Net OPEB liability	(1,636,821)
Pensions	(8,465,962)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ (11,300,845)

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, 2019, the District held the following deposits and investments as categorized below:

		Investment Maturities (in years)		
	Fair Value	Less than 1	1 - 5	More than 10
Demand and certificate of deposits	$ 8,205,098	$ 8,101,587	$ 103,511	$ -
US Treasury Securities	41,982,517	-	41,579,794	402,723
US Government Agency Securities	101,150,762	79,018,071	22,132,691	-
State and Local Government Securities	16,944,518	-	2,721,719	14,222,799
Money market funds	159,015,491	159,015,491	-	-
Totals	$ 327,298,386	$246,135,149	$ 66,537,715	$ 14,625,522

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.

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, 2019, all District investments are held in a bank's trust department in the District's name.

Concentration of Credit Risk – At September 30, 2019, 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, 2019 the following is a summary of these amounts reflected on the statement of net position:

	Unrestricted	Restricted	Totals
Statement of Net Position Classifications:			
Cash and cash equivalents	$ 48,046,107	$ 198,089,042	$ 246,135,149
Investments	28,248,446	52,914,791	81,163,237
	$ 76,294,553	$ 251,003,833	$ 327,298,386

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, 2019 in the amount of $14,690. The expense associated with this allowance is recognized as an offset to utility revenues.

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance October 1, 2018	Increases	Decreases	Ending Balance September 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 2,740,642	$ -	$ -	$ 2,740,642
Construction in progress	247,228,384	71,264,620	(315,645,101)	2,847,903
Infrastructure	381,597,868	222,631,832	-	604,229,700
Total capital assets, not being depreciated	631,566,894	293,896,452	(315,645,101)	609,818,245
Capital assets, being depreciated				
Buildings	195,045,417	93,535,982	-	288,581,399
Machinery and equipment	34,045,508	3,513,466	(941,821)	36,617,153
Total capital assets, being depreciated	229,090,925	97,049,448	(941,821)	325,198,552
Less accumulated depreciation for:				
Buildings	27,528,312	6,980,575	-	34,508,887
Machinery and equipment	27,243,715	2,621,843	(939,702)	28,925,856
Total accumulated depreciation	54,772,027	9,602,418	(939,702)	63,434,743
Total capital assets, being depreciated, net	174,318,898	87,447,030	(2,119)	261,763,809
Governmental activities capital assets, net	$ 805,885,792	$ 381,343,482	$ (315,647,220)	$ 871,582,054
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 6,896,164	$ -	$ -	$ 6,896,164
Construction in progress	41,498,872	31,851,555	(58,195,344)	15,155,083
Total capital assets, not being depreciated	48,395,036	31,851,555	(58,195,344)	22,051,247
Capital assets, being depreciated				
Buildings	66,700,913	5,879,018	(4,456,990)	68,122,941
Improvements other than buildings	236,762,063	27,738,329	(140,800)	264,359,592
Machinery and equipment	413,043,996	24,567,833	(1,960,229)	435,651,600
Total capital assets, being depreciated	716,506,972	58,185,180	(6,558,019)	768,134,133
Less accumulated depreciation for:				
Buildings	46,644,364	1,535,223	(4,431,359)	43,748,228
Improvements other than buildings	147,241,015	5,531,366	(98,520)	152,673,861
Machinery and equipment	300,596,013	13,470,801	(1,795,429)	312,271,385
Total accumulated depreciation	494,481,392	20,537,390	(6,325,308)	508,693,474
Total capital assets, being depreciated, net	222,025,580	37,647,790	(232,711)	259,440,659
Business-type activities capital assets, net	$ 270,420,616	$ 69,499,345	$ (58,428,055)	$ 281,491,906

During the year, the Enterprise Fund expensed interest costs totaling $5,689,997.

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

6. LEASE OF ASSETS

Capital leases – Governmental activities

In fiscal years 2015, the District entered into leasing agreements for 911 emergency communications equipment. The terms of the lease were such that the District capitalized them. The lease was paid off in fiscal year 2019 and all assets were fully depreciated by the end of fiscal year 2018.

7. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND TRANSFERS

Interfund receivable and payable balances as of September 30, 2019 are as follows:

	Interfund Receivables (Due from)	Interfund Payables (Due to)
General	$ 54,382	$ 171,568
Capital Projects	-	377,558
Utility Fund	549,126	54,382
	$ 603,508	$ 603,508

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	$ -	$ 4,250,775
Utility	4,250,775	-
	$ 4,250,775	$ 4,250,775

8. LONG – TERM DEBT

A. Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance October 1, 2018	Additions	Reductions	Ending Balance September 30, 2019	Due Within One Year
Governmental activities:					
General Obligation Bonds:					
2013A Ad Valorem	$ 344,960,000	$ -	$ -	$ 344,960,000	$ 11,255,000
2013B Ad Valorem Refunding	26,010,000	-	(3,905,000)	22,105,000	4,055,000
2015A Ad Valorem Refunding	21,295,000	-	(6,320,000)	14,975,000	1,425,000
2016A Ad Valorem	165,500,000	-	(1,655,000)	163,845,000	2,445,000
2017A Ad Valorem	199,375,000	-	(6,035,000)	193,340,000	6,340,000
Deferred amounts:					
Discount/Premium	74,165,977	-	(6,386,666)	67,779,311	-
Total long-term general obligations	831,305,977	-	(24,301,666)	807,004,311	25,520,000
Notes from Direct Borrowings:					
2011A Ad Valorem Refunding	6,565,000	-	(6,565,000)	-	-
Total long-term note and bonds payable	837,870,977	-	(30,866,666)	807,004,311	25,520,000
Compensated absences	3,012,839	170,950	-	3,183,789	1,639,027
Capital leases	245,405	-	(245,405)	-	-
Self insurance liability	3,408,962	981,235	-	4,390,197	855,685
Net pension liability	55,100,977	39,747,175	(32,211,921)	62,636,231	-
Net OPEB liability	46,172,599	18,463,525	-	64,636,124	-
Long-term liabilities	$ 945,811,759	$ 59,362,885	$ (63,323,992)	$ 941,850,652	$ 28,014,712
Business-type activities:					
Revenue Bonds:					
2013-1 Utility Refunding	$ 46,905,000	$ -	$ (4,055,000)	$ 42,850,000	$ 4,260,000
2013-2 Utility Refunding	12,905,000	-	(12,015,000)	890,000	890,000
2015-2 Utility Refunding	15,540,000	-	(740,000)	14,800,000	14,800,000
2018-1 Utility	26,230,000	-	-	26,230,000	-
2018-2 Utility	19,750,000	-	-	19,750,000	-
Deferred amounts:					
Discount/Premium	8,653,801	-	(1,522,274)	7,131,527	-
Total long-term bonds payable	129,983,801	-	(18,332,274)	111,651,527	19,950,000
Notes from Direct Borrowings:					
2011-1 Utility Refunding	1,200,000	-	-	1,200,000	1,200,000
2011-2 Utility	30,000,000	-	-	30,000,000	-
2015-1 Utility	30,080,000	-	-	30,080,000	-
Total direct borrowings	61,280,000	-	-	61,280,000	1,200,000
Long-term liabilities	$ 191,263,801	$ -	$ (18,332,274)	$ 172,931,527	$ 21,150,000

8. LONG – TERM DEBT – Continued

A. Changes in long-term liabilities – Continued

General Obligation Bonds Payable

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 were 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.

Notes from Direct Borrowings

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. The direct borrowing was a non bank-qualified bond, secured on a parity with previously issued and outstanding Ad Valorem Tax bonds, and was paid in full in fiscal 2019.

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.

8. LONG – TERM DEBT – Continued

A. Changes in long-term liabilities – Continued

Revenue Bonds Payable

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.

2015-2 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.

Notes from Direct Borrowings

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. The direct borrowing is a non bank-qualified bond, secured by a pledge of net revenues derived from operation of the District's utility system on a parity with all other previously outstanding Utility Revenue Bonds. The note is subject to acceleration if any payment is not paid when due; however, final payment is in fiscal 2020.

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. The direct borrowing is a non bank-qualified bond, secured by a pledge of net revenues derived from operation of the District's utility system on a parity with all other previously outstanding Utility Revenue Bonds. The note is subject to acceleration if any payment is not paid when due.

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. The direct borrowing is a non bank-qualified bond, secured by a pledge of net revenues derived from operation of the District's utility system on a parity with all other previously outstanding Utility Revenue Bonds

8. LONG – TERM DEBT – Continued

A. Changes in long-term liabilities – Continued

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

(1) The debt obligation and related interest are collateralized by a pledge of the net revenues of the combined utility systems.

(2) The District will establish rates that will provide sufficient net revenues (revenues less operating expenses (excluding depreciation and lease payments to WDWC)), to pay 110% of the annual debt service requirements due each year. Revenues are defined to mean all rates, fees, charges or other income (including certain investment earnings, impact fees and special assessments) generated by the Enterprise Fund.

(3) The District will pay all current operating expenses.

(4) The District will deposit into the Sinking Fund on a monthly basis an amount equal to one-sixth of the next semi-annual interest payment and one-twelfth of the next annual principal payment.

(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.

8. LONG - TERM DEBT – Continued

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	General Obligation Bonds Interest
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	30,890,000	30,623,990
2025-2029	179,095,000	128,467,405
2030-2034	227,920,000	79,645,063
2035-2038	191,550,000	21,678,350
Total	$ 739,225,000	$ 396,702,918
Current portion	(25,520,000)	
Deferred amounts:		
Discount/Premium	67,779,311	
Long-term bonds payable	$ 781,484,311	

Year Ended September 30,	Revenue Bonds Principal	Revenue Bonds Interest	Direct Borrowings Principal	Direct Borrowings Interest
2020	$ 19,950,000	$ 4,392,953	$ 1,200,000	$ 1,844,338
2021	5,490,000	3,777,935	19,410,000	1,591,107
2022	5,760,000	3,496,685	19,870,000	1,120,757
2023	10,750,000	3,124,379	4,900,000	778,350
2024	11,205,000	2,656,468	5,100,000	566,266
2025-2029	29,805,000	7,335,028	10,800,000	462,344
2030-2034	9,475,000	4,251,875	-	-
2035-2039	12,085,000	1,569,375	-	-
Total	$ 104,520,000	$ 30,604,698	$ 61,280,000	$ 6,363,162
Current portion	(19,950,000)		(1,200,000)	
Deferred amounts:				
Discount/Premium	7,131,527		-	
Long-term bonds payable	$ 91,701,527		$ 60,080,000	

9. TRANSACTIONS WITH PRINCIPAL LANDOWNERS

During fiscal 2019, 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 $2,047,915.
(2) The operation and maintenance of various District water control facilities amounted to $318,516.
(3) The maintenance of certain right of ways and District property within the District amounted to $133,945.
(4) Services provided to construction projects amounted to $244,226.

At September 30, 2019, the General Fund included accounts payable of $1,097,238 and accounts receivable of $1,144,742, and the Capital Projects Fund included accounts payable of $132,443, 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 86% of the total taxable assessed value within the District for the year ended September 30, 2019.

Enterprise Fund

(1) The management and construction of various capital improvements amounted to $2,162,999.
(2) The District has a labor services agreement totaling $30,878,135, which includes operation and maintenance of the utility system and planned work expenses. In addition, the District incurred $1,796,426 in labor for capital improvements and $14,784 in labor for mosquito control.

At September 30, 2019 the Enterprise Fund had accounts receivable of $15,929,969 and accounts payable of $7,753,529 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, 2019.

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

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.

10. RETIREMENT SYSTEM – Continued

Pension Plan – Continued

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 15.4% of covered employee payroll during the year. The District's contributions to FRS for the year ended September 30, 2019 were $5,114,578. Employee contributions to FRS for the year ended September 30, 2019 were $921,919. Contributions made and accrued were equal to the required contributions for each year.

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, 2019 as follows:

Regular Class - Members not qualifying for other classes (8.47%).

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 (25.48%).

Special Risk Administrative Support Class – Special risk employees who are transferred or reassigned to a non-special risk position (38.59%).

Senior Management Service Class - Qualifying member of senior management (25.41%).

Deferred Retirement Option Program (DROP) – Participating members of the program, not to exceed 60 months (14.60%).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019, the District reported a liability of $51,728,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on historical employer contributions. At June 30, 2019, the District's proportionate share was .15020%, which was an increase of .00096% from its proportionate share measured as of June 30, 2018.

10. RETIREMENT SYSTEM – Continued

Pension Plan – Continued

For the year ended September 30, 2019, the District recognized pension expense of $12,743,391. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,068,143	$ 32,102
Change of assumptions	13,286,008	-
Net difference between projected and actual earnings on Pension Plan investments	-	2,861,870
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	2,373,228	554,052
District Pension Plan contributions subsequent to the measurement date	1,224,522	-
Total	$ 19,951,901	$ 3,448,024

The deferred outflows of resources related to the Pension Plan, totaling $1,224,522 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 2020. 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:

Fiscal Year Ending September 30,	Amount
2020	$ 5,541,196
2021	1,671,607
2022	4,038,761
2023	3,046,703
2024	785,726
Thereafter	195,362

Actuarial Assumptions – The total pension liability in the June 30, 2019 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: 6.90% net of pension plan investment expense and inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. Mortality rates were based on the PUB2010 base table, projected generationally with Scale MP-2018.

10. RETIREMENT SYSTEM – Continued

Pension Plan – Continued

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 6.90% consists of two building block components: 1) a real (in excess of inflation) return of 4.30%, consistent with the capital market outlook model developed during 2019 by the outside investment consultant to the Florida State Board of Administration, and 2) a long-term average annual inflation assumption of 2.60% as adopted in October 2019 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.2%
Fixed Income	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Real Estate	10.0%	6.7%	6.1%	11.7%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	6.0%	5.9%	5.7%	6.7%
Total	100.0%			
Assumed Inflation - Mean			2.6%	1.7%

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

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. 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 6.90%, 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 (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 89,420,700	$ 51,728,123	$ 20,248,446

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, 2019, the District reported a payable in the amount of $579,101 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

10. RETIREMENT SYSTEM – Continued

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, 2019, 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, 2019, 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.

The District's contributions to the HIS Plan totaled $551,458 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2019, the District reported a liability of $10,908,108 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, 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 2018-19 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the District's proportionate share was .09749%, which was an increase of .00159% percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the District recognized pension expense of $1,076,004. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

10. RETIREMENT SYSTEM – Continued

HIS Plan – Continued

Description		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	132,491	$	13,357
Change of assumptions		1,263,056		891,540
Net difference between projected and actual earnings on HIS Plan investments		7,039		-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions		1,096,192		25,378
District HIS contributions subsequent to the measurement date		137,926		-
Total	$	2,636,704	$	930,275

The deferred outflows of resources related to the HIS Plan, totaling $137,926 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 2020. 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:

Fiscal Year Ending September 30,		Amount
2020	$	668,436
2021		534,969
2022		292,841
2023		(212,650)
2024		38,626
Thereafter		246,281

Actuarial Assumptions – The total pension liability in the June 30, 2019, 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: 3.50%

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

10. RETIREMENT SYSTEM – Continued

HIS Plan – Continued

Discount Rate - The discount rate used to measure the total pension liability was 3.50%. 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
District's proportionate share of the HIS pension liability	$ 12,452,164	$ 10,908,108	$ 9,622,084

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, 2019, the District reported a payable in the amount of $52,615 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2019.

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.

10. RETIREMENT SYSTEM – Continued

Investment Plan – Continued

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 2018-19 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, 2019, 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.

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.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan – Continued

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, 2019, 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. The District is paying current benefits as they come due from operations. For the year ended September 30, 2019, the District's contribution rate was 9.2% 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.

Investments

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the investment guidelines related to the VEBA Trust are 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:

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Investments – Continued

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 VEBA plan investments are held by the Trustee in the plan's name.

Credit Risk - The 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 VEBA plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. VEBA plan investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those 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.

	2019			
	Total Fair Value	Level 1	Level 2	Level 3
Investments Measured at Fair Value				
U.S. Treasury and Government Agency Securities	$ 10,605,392	$ 10,605,392	-	$ -
Total Investments at Fair Value	$ 10,605,392	$ 10,605,392	$ -	$ -
Investments Measured at NAV				
Money Market Funds	$ 760,629			
Total Investments Measured at Fair Value	$ 11,366,021			
Investments Measured at Cost				
Demand and Certificates of Deposit	$ 1,303,756			
Total Investments per Fiduciary Statement of Net Position	$ 12,669,777			

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Long-Term Expected Rate of Return

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

Best estimates of geometric real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2019 are summarized in the following table:

	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	100%	2.72%
Total	100%	

Net OPEB Liability

The District's net OPEB liability was measured as of September 30, 2019 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, 2019 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	2.66 percent, 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.

Expense Type	Select	Ultimate
Pre-Medicare Trend Rate	6.5%	4.5%
Post-Medicare Trend Rate	5.5%	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, back-projected to 2006, projected forward using scale MP-17. Termination and retirement tables were based on the 2017 Florida Retirement System actuarial valuation.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Net OPEB Liability – Continued

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 resulting discount rate is 2.66%, the Bond Buyer 20 Bond GO index at September 30, 2019. The geometric weighted return of current asset allocation is 2.72% as provided by the trustee. The current contribution strategy of $1 million per year over the next 5 years results in a projection of funded status and cash flows which produce a blended discount rate closely equaling the current Bond Buyer 20 Bond GO rate.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at October 1, 2018	$ 57,174,998	$ 11,002,399	$ 46,172,599
Changes for the year:			
Service cost	1,134,426	-	1,134,426
Interest	2,411,252	-	2,411,252
Changes in assumptions or other inputs	18,108,491	-	18,108,491
Contributions - employer	-	2,552,995	(2,552,995)
Net investment income	-	637,649	(637,649)
Benefit payments	(1,523,266)	(1,523,266)	-
Net changes	20,130,903	1,667,378	18,463,525
Balances at September 30, 2019	$ 77,305,901	$ 12,669,777	$ 64,636,124
Plan fiduciary net position as a percentage of the total OPEB liability			16.4%

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 (1.66%) or one percentage point higher (3.66%) than the current discount rate (rounded to the nearest thousand):

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Net OPEB liability (asset)	$ 80,148,000	$ 64,636,000	$ 53,461,000

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 (5.5% decreasing to 3.5%) or one percentage point higher (7.5% decreasing to 5.5%) than the current healthcare cost trend rates (rounded to the nearest thousand):

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Changes in Net OPEB Liability – Continued

	1% Decrease (5.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (6.50% decreasing to 4.5%)	1% Increase (7.5% decreasing to 5.5%)
Net OPEB liability (asset)	$ 51,886,000	$ 64,636,000	$ 82,542,000

Changes of assumptions or other inputs. Beginning of year total OPEB liability was calculated using an assumed discount rate of 4.19%. The discount rate used at September 30, 2019 was 2.66%.

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

For the year ended September 30, 2019, the District recognized OPEB expense of $4,190,537. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$16,571,357	$ (4,853,246)
Net difference between projected and actual earnings on OPEB Plan investments	542	(241,402)
Total	$16,571,899	$ (5,094,648)

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

Fiscal Year Ending September 30,	Amount
2020	$ 980,757
2021	980,757
2022	980,757
2023	980,577
2024	1,040,927
Thereafter	6,513,476

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, 2017, 2018 and 2019.

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 $4,390,197 at September 30, 2019 is based on an actuarial review of claims pending and past experience. Changes in the claims liability amount during fiscal years 2019 and 2018 are as follows:

	Year ended September 30	
	2019	2018
Self insurance liability beginning balance	$ 3,408,962	$ 3,095,598
Claims and changes in estimates	2,093,468	1,691,762
Claims payments	(1,112,233)	(1,378,398)
Self insurance liability ending balance	$ 4,390,197	$ 3,408,962

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 $1,205,104 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, 2019 which have been deemed effective and are recorded as deferred outflows.

13. DERIVATIVE FUEL INSTRUMENTS – Continued

	Fair Value at September 30,				
Classification	2018	Change in fair value	2019	Notional	Maturity
Deferred outflows	$ 4,095,437	$ 1,965,750	$ 6,061,187	17,708,183 MMBTUs	FY 2020 - 2023

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 - A*ll 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.

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.

14. FAIR VALUE MEASUREMENTS – Continued

	2019			
	Total	Level 1	Level 2	Level 3
Investments Measured at Fair Value				
U.S. Treasury and Government Agency Securities	$ 143,133,279	$ 143,133,279	$ -	$ -
State and Local Government Securities	16,944,518	-	16,944,518	-
Total Investments at Fair Value	$ 160,077,797	$ 143,133,279	$ 16,944,518	$ -
Investments Measured at NAV				
Money Market Funds	$ 159,015,491			
Total Investments Measured at Fair Value	$ 319,093,288			
Investments Measured at Cost				
Demand and Certificates of Deposit	$ 8,205,098			
Total Investments per Statement of Net Position	$ 327,298,386			

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

15. NET POSITION AND FUND BALANCE REPORTING

The Statement of Net Position for Governmental activities reflects a negative unrestricted net position of $97,265,582 primarily due to the District's net pension liability and net OPEB liability, both of which amount to a combined $127 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 $22,467,993 at September 30, 2019, 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, committed, restricted, assigned and unassigned amounts. Restricted amounts represent the following:

- 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.

Committed amounts in the General Fund represent certain fees specifically set aside by action of the Board to be used solely to maintain the integrity of the drainage system. Also included are amounts set aside due to property appraiser disputes. Note 16 discusses these disputes in more detail.

15. NET POSITION AND FUND BALANCE REPORTING – Continued

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 2020 budget. Note 1(L) discusses the District's budget approval process.

16. COMMITMENTS AND CONTINGENCIES

Construction

As of September 30, 2019, the District's Board of Supervisors authorized a budget of approximately $91.9 million for current or in-process major transportation and other construction projects. Executed construction commitments associated with these projects approximated $3.9 million and of this amount, approximately $2.5 million was spent as of September 30, 2019.

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 2019 reservation charges under the agreements was approximately $9,867,550. 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, 2021, 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 2019 under the agreement was approximately $6,978,939.

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 2019. The terms of the FGTC agreements expire in the year 2025, and the term of the PGS agreement expires in the year 2028.

16. COMMITMENTS AND CONTINGENCIES – Continued

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.

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

The District records the annual payments as Intergovernmental Revenue when received from the County. Osceola County paid to the District $818,597 during the fiscal year.

16. COMMITMENTS AND CONTINGENCIES – Continued

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 $3,820,851 from Osceola County during fiscal year 2019.

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, 2019, the District has paid $919,633 for these efforts.

16. COMMITMENTS AND CONTINGENCIES – Continued

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, 2019, the District has paid $397,893.

Litigation and Other Claims

Various suits and claims arising in the ordinary course of operations are pending against the District. Management believes the ultimate disposition of such matters, including the cases described below, 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.

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 through 2018 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 through 2018 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 years 2016 through 2019 (assessments in 2015 through 2018), we cannot predict the outcome of any of these cases.

17. SUBSEQUENT EVENTS

Issuance of Future Ad Valorem Tax Bonds

In December 2019, the Board of Supervisors approved a resolution to issue ad valorem tax refunding bonds not to exceed $350,000,000 to refund all or a portion of the 2013A and/or 2013B ad valorem tax bonds, which we anticipate will result in NPV savings of approximately 12%. The District anticipates issuing the bonds in February 2020.

Pay-Off of Osceola Parkway Agreement

In January 2020, Osceola County issued their series 2019A Transportation Improvement and Refunding Revenue Bonds. A portion of those proceeds were for the repayment of the District's obligations related to the Osceola Parkway Agreement (described in Note 16). The District received approximately $67 million at that time for payment in full on remaining outstanding obligations, and the 2014 Bond Guaranty Agreement was then terminated.

REEDY CREEK IMPROVEMENT DISTRICT

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

Year Ended September 30, 2019

	% of Roadways				
	2019	2018	2017	2016	2015
Roads (Note 2. A.):					
Excellent	72%	70%	96%	96%	96%
Acceptable	21%	23%	4%	4%	4%
Poor	7%	7%	0%	0%	0%

	Bridges by Category				
	2019	2018	2017	2016	2015
Bridges (Note 2. B.):					
Excellent	50	45	36	36	29
Good	8	8	8	11	14
Poor	-	-	-	-	-
	58	53	44	47	43

	Structures by Category				
	2019	2018	2017	2016	2015
Water Control Structures (Note 2. C.)					
Excellent	18	19	18	18	18
Good	4	3	4	4	4
Poor	-	-	-	-	-
	22	22	22	22	22

Maintenance and Preservation Costs - Budget and Actual

	2020	2019	2018	2017	2016	2015
Budgeted Costs:						
Roads	$ 4,345,000	$ 2,000,000	$ 2,620,000	$ 1,185,000	$ 1,185,000	$ 1,550,000
Bridges	95,000	1,644,673	35,000	40,000	440,000	225,000
Water Control Structures	1,378,400	1,903,000	1,448,000	620,000	2,670,000	1,445,000
Actual Costs:						
Roads		$ 1,026,195	$ 416,315	$ 635,227	$ 320,070	$ 1,607,527
Bridges		165,000	98,647	30,852	88,143	8,156
Water Control Structures		625,522	970,573	462,913	407,715	1,444,735

REEDY CREEK IMPROVEMENT DISTRICT

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

Year Ended September 30, 2019

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. The District completed one major roadway repair in 2019 and continued with major roadway capital improvement projects. The remaining major rehabilitative work previously identified shall be initiated in fiscal year 2020.

In addition to major asphalt refurbishment, the District continued with routine maintenance and repairs throughout the roadway system. The 2019 work encompassed routine repairs of asphalt, shoulder protection and replacement of guardrail and totaled $1,026,195.

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

B. Bridges

There are currently 58 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 additional 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 four years, seven of these bridges were removed from service or underwent full deck replacement. At the conclusion of fiscal year 2019, 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 2019, five additional bridge structures were completed and one existing bridge was replaced. Based on inspection results/recommendations, miscellaneous bridge repairs were completed at a cost of $165,000.

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 structures are in working order.

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 2019, only routine maintenance was conducted on the structures and levees throughout the water control system. In addition, work included restabalization of flow in the major flow ways throughout the District. The cost of these activities totaled $625,522.

REEDY CREEK IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
OTHER POSTEMPLOYMENT BENEFITS

Year Ended September 30, 2019

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

Last 2 Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	$ 1,134,426	$ 1,088,805
Interest	2,411,252	2,234,169
Changes of assumptions	18,108,491	(5,845,660)
Benefit payments	(1,523,266)	(1,521,768)
Net change in total OPEB liability	20,130,903	(4,044,454)
Total OPEB liability - beginning of year	57,174,998	61,219,452
Total OPEB liability - end of year	$ 77,305,901	$ 57,174,998
Plan fiduciary net position		
Contributions - employer	$ 2,552,995	$ 12,521,768
Net investment income	637,649	2,399
Benefit payments	(1,523,266)	(1,521,768)
Net change in plan fiduciary net position	1,667,378	11,002,399
Plan fiduciary net position - beginning of year	11,002,399	-
Plan fiduciary net position - end of year	$ 12,669,777	$ 11,002,399
District's net OPEB liability - end of year	$ 64,636,124	$ 46,172,599
Plan fiduciary net position as a percentage of the total OPEB liability	16.39%	19.24%
Covered-employee payroll	$ 27,612,000	$ 26,678,408
District's net OPEB liability as a percentage of covered-employee payroll	234.09%	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 decreased from 4.19% at October 1, 2018 to 2.66% at September 30, 2019 based on a crossover analysis of market rates and using the Bond Buyer 20 Bond GO index and the District’s investment vehicle.

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

Year Ended September 30, 2019

SCHEDULE OF DISTRICT CONTRIBUTIONS

Last 2 Fiscal Years*

	2019	2018
Actuarially determined contribution	$ 4,507,464	$ 3,580,651
Contributions in relation to the actuarially determined contribution	2,552,995	12,521,768
Contribution deficiency	$ 1,954,469	$ (8,941,117)
Covered-employee payroll	$ 27,612,000	$ 26,678,408
Contributions as a percentage of covered-employee payroll	9.25%	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, 2019

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, in addition to pay-go expenses each year.
Inflation	2.5 percent
Healthcare cost trend rates	6.5 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	4.19 percent (BOY); 2.66 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

Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability
Florida Retirement System
Last 6 Fiscal Years*

	2019	2018	2017	2016	2015	2014
RCID's proportion of the net pension liability (asset)	0.15020%	0.14924%	0.13850%	0.14236%	0.12545%	0.12860%
RCID's proportionate share of the net pension liability	$ 51,728,123	$ 44,950,699	$ 40,967,776	$ 35,945,064	$ 16,204,183	$ 7,846,750
RCID's covered-employee payroll	32,604,660	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	158.65%	143.44%	148.70%	133.95%	65.45%	32.73%
Plan fiduciary net position as a percentage of the total total pension liability	82.61%	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*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 5,114,578	$ 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
Contributions in relation to the contractually required contributions	5,114,578	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
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
RCID's covered-employee payroll	33,220,360	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
Contributions as a percentage of covered employee payroll	15.40%	14.72%	14.20%	14.04%	13.81%	13.21%	10.59%	9.07%	14.53%	15.05%

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

Changes in assumptions

From 2018 to 2019, the changes in actuarial assumptions included an updated actuarial experience study for the period July 1, 2013 – June 30, 2018, and mortality tables based on the PUB2010 base table, varied by member category and sex, projected generationally with Scale MP-2018. 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 7.00% in 2018 to 6.90% in 2019.

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, 2019

HIS Plan

Schedule of the District's Proportionate Share of the Net Pension Liability
Health Insurance Subsidy Program
Last 6 Fiscal Years*

	2019	2018	2017	2016	2015	2014
RCID's proportion of the net pension liability (asset)	0.09749%	0.09590%	0.08638%	0.08682%	0.08138%	0.08064%
RCID's proportionate share of the net pension liability	$ 10,908,108	$ 10,150,278	$ 9,235,838	$ 10,118,388	$ 8,299,010	$ 7,539,962
RCID's covered-employee payroll	32,604,660	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	33.46%	32.39%	33.52%	37.71%	33.52%	31.45%
Plan fiduciary net position as a percentage of the total total pension liability	2.63%	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*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 551,458	$ 523,579	$ 470,755	$ 451,270	$ 340,982	$ 294,282	$ 265,172	$ 243,757	$ 239,632	$ 237,252
Contributions in relation to the contractually required contributions	551,458	523,579	470,755	451,270	340,982	294,282	265,172	243,757	239,632	237,252
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
RCID's covered-employee payroll	33,220,360	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
Contributions as a percentage of covered employee payroll	1.66%	1.66%	1.66%	1.66%	1.36%	1.21%	1.13%	1.11%	1.11%	1.11%

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

Changes in assumptions

From 2018 to 2019, the changes in actuarial assumptions included an updated actuarial experience study for the period July 1, 2013 – June 30, 2018. The municipal rate used to determine total pension liability decreased from 3.87% in 2018 to 3.50% in 2019.

Changes in benefit terms

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