Kissimmee Utility Authority

1701 W. Carroll Street
Kissimmee, FL 34741

Year End Audited Financial Report for FY18

KISSIMMEE UTILITY AUTHORITY
AUDITED FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2018

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Purvis Gray & Company

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kissimmee Utility Authority
Kissimmee, Florida

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities, the major fund and the aggregate remaining fund information of the Kissimmee Utility Authority (the Authority) as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority'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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of America 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 from 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 Authority'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 Authority'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 business-type activities, the major fund and the aggregate remaining fund information of the Authority, as of September 30, 2018 and 2017, and the respective changes in

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Board of Directors
Kissimmee Utility Authority
Kissimmee, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinions *(Concluded)*
financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
As discussed in the Notes to the financial statement, for the year ended September 30, 2018, the Agency adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and the required pension and other postemployment benefit schedules 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP
January 25, 2019
Ocala, Florida

Management's Discussion and Analysis

This section of Kissimmee Utility Authority's (KUA) annual financial report presents the analyses of the KUA's financial performance during the fiscal years that ended on September 30, 2018 and 2017. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights – 2018

- The assets and deferred outflows of resources of the KUA exceeded its liabilities and deferred inflows of resources at September 30, 2018 by $284 million (net position). Of this amount, $47.8 million (unrestricted net position) may be used to meet ongoing obligations to customers and creditors.
- The KUA's net position increased by $44.5 million or 18.6 percent.
- The KUA's net utility plant increased by $17 million or 8.8 percent.
- During the year, the KUA's operating revenues increased by 14.3 percent to $213.9 million while operating expenses increased by 0.7 percent to $168.9 million.
- The KUA's total long-term liabilities decreased to approximately $43.2 million. The decrease is primarily related to principal of approximately $18.7 million becoming current during fiscal year.
- Liabilities Payable from Restricted Assets increased by $2.7 million or 8 percent primarily due to increases in principal becoming current of $2.9 million and customer deposits of $1.3 million, offset by advances for construction of $1.1 million.
- Deferred Inflows of Resources decreased by $21.8 million primarily due to $23.2 million in Rate Stabilization offset by $1.2 million in Deferred Amount Pension Related

Financial Highlights – 2017

- The assets and deferred outflows of resources of the KUA exceeded its liabilities and deferred inflows of resources at September 30, 2017 by $239.5 million (net position). Of this amount, $28.7 million (unrestricted net position) may be used to meet ongoing obligations to customers and creditors.
- The KUA's net position increased by $16.8 million or 7.6 percent.
- The KUA's net utility plant increased by $5.7 million or 3.0 percent.
- During the year, the KUA's operating revenues increased by 1.8 percent to $187.0 million while operating expenses increased by 3.0 percent to $168.8 million.
- The KUA's total long-term liabilities decreased to approximately $62.6 million. The decrease is primarily related to principal of approximately $15.9 million becoming current during the fiscal year.
- Liabilities Payable from Restricted Assets increased by $3.4 million or 11.1 percent primarily due to advances in construction of $1.9 million and customer deposits of $1.4 million.
- Deferred Inflows of Resources decreased by $6.3 million primarily due to $9.2 million in Rate Stabilization offset by $2.9 million in Deferred Amount Pension Related.

Required Financial Statements

The KUA maintains its accounts on the accrual basis in accordance with accounting principles generally accepted in the United States. The accounts are substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC) and other regulatory authorities. The financial statements of the KUA offer short and long-term financial information about its activities.

The Statement of Net Position includes all of the KUA's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets) and the obligations to KUA creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the KUA and assessing the liquidity and financial flexibility of the KUA.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the KUA's operations over the past year and can be used to determine whether the KUA has successfully recovered all of its costs.

The other required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the KUA's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities; and provides answers to such questions as "where did the cash come from?", "what was cash used for?", and "what was the change in cash balance during the reporting period?".

Financial Analysis of the KUA

One of the most important questions asked about KUA's finances is, "Is the KUA better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the KUA's activities in a way that will help answer this question. These two statements report the net position of the KUA, and changes in them. You can think of the KUA's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the KUA's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The following analysis focuses on the KUA's Net Position (Table 1) and Statements of Revenues, Expenses, and Changes in Net Position (Table 2) during the three fiscal years.

Table 1 – Net Position

	9/30/2018	RESTATED 9/30/2017	RESTATED 9/30/2016
Capital assets	$210,241,449	$193,235,236	$187,558,745
Current and other assets	245,761,952	257,083,834	268,232,557
Total assets	456,003,401	450,319,070	455,791,302
Deferred outflows of resources	1,062,127	2,208,775	4,103,155
Total assets and deferred outflows of resources	457,065,528	452,527,845	459,894,457
Long-term liabilities	43,200,000	62,597,216	79,446,928
Current and other liabilities	84,150,054	82,868,901	83,895,292
Total liabilities	127,350,054	145,466,117	163,342,220
Deferred inflows of resources	45,759,605	67,601,765	73,908,417
Total liabilities and deferred inflows of resources	173,109,658	213,067,882	237,250,637
Net position:			
Net investment in capital assets	207,458,720	184,585,273	171,178,484
Restricted	28,722,524	26,136,969	25,951,035
Unrestricted	47,774,626	28,737,720	25,514,301
Total net position	$283,955,870	$239,459,963	$222,643,820

Analysis of 2018 Net Position

Capital assets increased primarily as a result of an increase in property, plant and equipment of 14.7 million and construction in progress of $8 million, offset by accumulated depreciation of $5.7 million.

Current and other assets decreased primarily due to decreases in Cash and cash equivalents of $20.1 million and Net Investment in Capital Lease of $7.6 million, offset by an increase in Investments of $16 million and Customer accounts receivable of $0.7 million.

Total Deferred Outflows of Resources decreased by $1.1 million due to $0.6 million of Amortization of Loss on Refunded Debt and $0.6 million in Deferred Amount Pension Related.

Total liabilities decreased by approximately $18.1 million, primarily due to decreases in Long-term Revenue Bonds Payable of $18.7 million, net pension liability of $3.1 million and Advances for Constructions of $1.1 million, offset by an increase in Current Portion of Revenue Bonds of $2.9 million and Customer Deposits of $1.3 million.

Total Deferred Inflows of Resources decreased by $21.8 million due to a decrease in Rate Stabilization funds of $23.2 million offset by Deferred Amount Pension Related of $1.2 million and Deferred Amount Other Post Employment Benefit Related of $0.2 million.

The first portion of net position reflects the KUA's investment in capital assets (i.e. plant, property and equipment net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The KUA uses these capital assets to provide electricity and other services to rate payers. It should be noted that the resources needed to repay the related debt must be provided primarily from future operating revenues, since the capital assets themselves cannot be used to liquidate these liabilities. This amount increased primarily as a result of decreases in Revenue Bonds Payable of $18.7 million and increases in property, plant and equipment of $14.7 million and $8.0 million in Construction in Progress, offset by decreases in Net Investment in Capital Lease of $7.6 million and an increase in Accumulated Depreciation of $5.7 million.

An additional portion of the KUA's net position ($28.7 million) represents resources that are subject to external restrictions (i.e. debt covenants) on how they may be used. The remaining balance of unrestricted net position ($47.8 million) may be used to meet the utility's ongoing obligations to rate payers and creditors.

Changes in the KUA's net position can be determined by reviewing the following condensed Statements of Revenues, Expenses and Changes in Net Position for the year.

Analysis of 2017 Net Position

Capital assets increased primarily as a result of an increase in Construction in Progress of $0.7 million and a decrease in Accumulated Depreciation of $5 million.

Current and other assets decreased primarily due to decreases in Net Investment in Capital Lease of $7.6 million and Cash and cash equivalents of $3.3 million, offset by an increase in Investments of $2.3 million and Customer accounts receivable of $0.7 million.

Total Deferred Outflows of Resources decreased by $1.9 million due to $0.9 million of Amortization of Loss on Refunded Debt and $1 million in Deferred Amount Pension Related.

Total liabilities decreased by approximately $17.9 million, primarily due to decreases in Long-term Revenue Bonds Payable of $15.9 million and net pension liability of $5.2 million, offset by increases in Advances for Construction of $1.9 million, Customer Deposits of $1.4 million, and Current Portion of Revenue Bonds of $0.6 million.

Total Deferred Inflows of Resources decreased by $6.3 million due to a decrease in Rate Stabilization funds of $9.2 million offset by Deferred Amount Pension Related of $2.9 million.

The first portion of net position reflects the KUA's investment in capital assets (i.e. plant, property and equipment net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The KUA uses these capital assets to provide electricity and other services to rate payers. It should be noted that the resources needed to repay the related debt must be provided primarily from future operating revenues, since the capital assets themselves cannot be used to liquidate these liabilities. This amount increased primarily as a result of decreases in Revenue Bonds Payable of $15.9 million and Accumulated Depreciation of $5.0 million, and increase in Unamortized Bond Premium of $1.0 million, offset by decreases in Net Investment in Capital Lease of $7.6 million and Unamortized Loss on Refunded Debt of $.9 million

An additional portion of the KUA's net position ($26.1 million) represents resources that are subject to external restrictions (i.e. debt covenants) on how they may be used. The remaining balance of unrestricted net position ($28.7 million) may be used to meet the utility's ongoing obligations to rate payers and creditors.

Changes in the KUA's net position can be determined by reviewing the following condensed Statements of Revenues, Expenses and Changes in Net Position for the year.

Table 2 – Statements of Revenues, Expenses and Changes in Net Position

	2018	RESTATED 2017	RESTATED 2016
Metered sales	$174,412,488	$169,828,474	$172,272,694
Lease revenue	11,367,050	11,367,050	11,367,050
Other	6,255,265	5,975,972	6,474,395
Rate stabilization transfer	23,390,828	989,255	(6,361,952)
Change in regulatory asset other post employment benefit related	(227,481)	147,090	-
Total operating revenues	213,882,481	187,043,429	183,752,187
OPERATING EXPENSES			
Purchased power	112,214,936	111,450,804	106,105,869
Transmission and distribution	14,413,756	15,549,538	13,317,572
Administrative and general	17,266,266	17,889,885	17,958,606
Intergovernmental transfers	17,248,273	16,659,313	16,734,996
Depreciation and amortization	7,797,875	7,207,602	9,713,305
Total operating expenses	168,941,107	168,757,142	163,830,348
Operating income	44,941,374	18,286,287	19,921,839
Total nonoperating expenses	(445,467)	(1,470,144)	(1,343,686)
Change in net position	44,495,907	16,816,143	18,578,153
Net position - beginning of year	239,459,963	222,643,820	204,065,667
Net position - end of year	$283,955,870	$239,459,963	$222,643,820

Analysis of 2018 Activity

Year-to-date mWh sales in FY 2018 were 1,563,030 compared to FY 2017 sales of 1,509,749, or a 3.53 percent increase. Sales to metered customers increased from $169.8 million to $174.4 million or 2.7 percent. The increase in metered sales revenue resulted from an increase in kWh revenues of $9.8 million or 4.4 percent offset by a decrease in COPA revenues by $5.2 million or 10.0 percent.

During FY 2003, the KUA Board of Directors approved the issuance of revenue bonds and refunding of outstanding bonds. A Rate Stabilization fund was created which allows current income to be deferred to a future time in order to stabilize rates. In FY 2018, $32.5 million in transfers were drawn from this fund to offset customer fuel charges and $10.2 million in transfers to build-up the fund were made during the year, resulting in an increase of FY 2018 operating revenues by that amount. Those interested in more detailed information may refer to Note 4 in the Notes to the Financial Statements.

Total operating expenses were higher than the previous year by $0.2 million, due to higher generation and purchased power expenses of $0.8 million, depreciation and amortization of $0.6 million, and intergovernmental transfers of $0.6 million, offset by decreases in transmission and distribution of $1.1 million and administrative and general of $0.6 million

We are required to record the fair value of our investment portfolio and recognize any corresponding increase or decrease in the fair value of investments in the Statement of Revenue, Expenses and Changes in Net Position. For FY 2018, our “unrealized loss” (difference between carrying value versus current market value) was $596,000 compared to a loss of $268,000 for FY 2017. Non-operating expenses decreased primarily due to Interest Expense of $0.5 million, and non-operating revenues increased primarily due to Investment Income of $0.5 million.

Analysis of 2017 Activity

Year-to-date mWh sales in FY 2017 were 1,509,749 compared to FY 2016 sales of 1,515,615, or a .4 percent decrease. Sales to metered customers decreased from $172.3 million to $169.8 million or 1.4 percent. The decrease in metered sales revenue resulted from a decrease in kWh revenues of $3.3 million or 1.5 percent offset by an increase in COPA revenues by $.8 million or 1.6 percent.

During FY 2003, the KUA Board of Directors approved the issuance of revenue bonds and refunding of outstanding bonds. A Rate Stabilization fund was created which allows current income to be deferred to a future time in order to stabilize rates. In FY 2017, $14.2 million in transfers were drawn from this fund to offset customer fuel charges and $13.2 million in transfers to build-up the fund were made during the year, resulting in an increase of FY 2017 operating revenues by that amount. Those interested in more detailed information may refer to Note 4 in the Notes to the Financial Statements.

Total operating expenses were higher than the previous year by $4.9 million, due to higher generation and purchased power expenses of $5.3 million and transmission and distribution expenses of $2.2 million, offset by decreases in depreciation and amortization of $2.5 million and intergovernmental transfers of $.1 million.

We are required to record the fair value of our investment portfolio and recognize any corresponding increase or decrease in the fair value of investments in the Statement of Revenue, Expenses and Changes in Net Position. For FY 2017, our “unrealized loss” (difference between carrying value versus current market value) was $268,000 compared to a gain of $160,000 for FY 2016. Non-operating expenses increased primarily due to decreases in Gain on Early Retirement of Debt of $0.6 million and Remediation costs for the Hansel Plant of $.3 million, offset by a decrease of $.7 million in Interest Expense.

Rates

In December 1974, the City Commission adopted an ordinance permitting the City (and now the KUA) to pass on directly to the customer incremental fuel cost increases on a monthly basis. This Cost of Power Adjustment (COPA) has eliminated the regulatory delay that has been a problem for many other utilities. Additionally, in June 1983, the City Commission modified the COPA Ordinance to allow the System to project the billed COPA to a levelized rate for the fiscal year. The negative or positive COPA account balance was used in calculating the projected COPA rate for the next fiscal year. In July 1991 the Board of Directors approved a COPA Resolution that allows automatic monthly adjustments to the COPA rate based on a weighted average using the prior month actual, estimated current month and following month estimated costs. In May 1994 the Board of Directors approved a resolution permitting the KUA to pass on directly to the customer conservation costs on a monthly basis similar to the COPA mechanism. This Energy Conservation Cost Recovery (ECCR) rate is adjusted semiannually to reflect changes in conservation costs. The COPA and ECCR rates have been combined and are presented on the customer's bill as Fuel Adjustment.

The KUA additionally maintains a computerized cost of service study which is updated annually with:

a. Past years' audited amounts to survey the adequacy of each rate and rate structure; and
b. The current years' budgeted amounts to predict the need for a rate change.

Customer rates and rate structures are intended to follow guidelines of the Florida Public Service Commission and, as such, should be "fair, just and reasonable". It is also intended that they are competitive with neighboring utilities and equitable between rate classes.

Capital Assets and Debt Management

Capital Assets

At the end of FY 2018, the KUA had $299.1 million invested in a broad range of capital assets primarily electric transmission and distribution systems. This amount represents an increase of $22.7 million, or 8.2 percent over last year. Those interested in more detailed information may refer to Note 5 in the Notes to the Financial Statements.

At the end of FY 2017, the KUA had $276.4 million invested in a broad range of capital assets primarily electric transmission and distribution systems. This amount represents an increase of $0.7 million, or 0.25 percent over last year. Those interested in more detailed information may refer to Note 5 in the Notes to the Financial Statements.

Debt Management

At the end of the current fiscal year, the KUA had total debt outstanding of $43,200,000 for commercial paper.

	2018	2017	2016
Revenue Bonds	$ -	$ 18,725,000	$ 34,580,000
Commercial Paper	43,200,000	43,200,000	43,200,000
Total	$ 43,200,000	$ 61,925,000	$ 77,780,000

The KUA's total debt decreased by $16.2 million (20.6 percent) during the current fiscal year due to scheduled principal payments. See Note 10 in the Notes to the Financial Statements for further detail. The KUA maintains an AA- and A1 underlying rating from Fitch and Moody's respectively for outstanding bond issues.

The KUA's total debt decreased by $15.7 million (16.6 percent) from 2016 to 2017 due to scheduled principal payments. The KUA maintained an AA- and A1 underlying rating from Fitch and Moody's respectively for outstanding bond issues.

The KUA attempts to minimize external financing needs through internal generation of capital funds. The purpose of this financial policy is to establish and maintain a debt-to-equity ratio and a coverage ratio that would minimize the impact of future debt issues for transmission plants. The current fiscal policy includes the following guidelines:

1. Bond proceeds will fund transmission projects;
2. Current earnings (cash provided from operations) shall be adequate to fund operating and maintenance expenses, debt service related costs (excluding capitalized interest) and year to year capital needs, generally less than $100,000;
3. The Reserve for Future Capital Outlay funds should be used for all other purposes as approved by the Board of Directors. Maintain a minimum level of $5 million in Reserve for Future Capital Outlay, indexed each year by the increase in kWh sales beginning in FY 1997. The Board of Directors froze fund growth for FY 2009, but growth resumed in FY 2010. (current minimum level is approximately $9.0 million);
4. Maintain a minimum level of one and one-half months of fixed operating & maintenance expenses (excluding Depreciation, Costs to be Recovered from Future Revenue, Fuel Costs, and debt service related costs) in unrestricted operating cash and cash equivalents and longer-term invested working capital funds;
5. Maintain a minimum level of 1.25 debt service coverage on outstanding bonds and 1.10 on commercial paper;
6. Maintain a self-insurance fund of approximately $15 million to fund reconstruction expenditures for our transmission and distribution system in the event of weather related or other disasters that would affect the KUA system;
7. Maintain a minimum of $5 million in the KUA held Rate Stabilization fund capped at a value equal to 25 percent of the largest of any annual KUA operating budget. The FMPA held Rate Stabilization fund will be capped at a value equal to the largest of any two FMPA monthly bills to KUA; and
8. Maintain a minimum of 25% of the projected costs of a complete build-out of an Advanced Metering Infrastructure (AMI) system. Increase this fund by 25% of the build-out estimate until fully funded.

The principal, premium if any, and interest on all outstanding bonds are payable solely from the net revenues derived by the KUA from the operation of the System. These obligations do not constitute liens upon the System or on any other property of the KUA or the City of Kissimmee, but are a lien only on the Net Revenues and special funds created by the Bond Resolution and in the manner provided therein.

The revenue available for debt service was $46.1 million, $43.2 million, and $71.1 million for FY 2016, FY 2017, and FY 2018 respectively. The debt service requirements for FY 2016, FY 2017, and FY 2018 were $18.0 million, $18.0 million and $20.3 million respectively. Debt service coverage was 2.6x, 2.4x and 3.5x for FY 2016, FY 2017, and FY 2018 respectively.

Those interested in more detailed information may refer to Note 10 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

In July 2018, the KUA growth (increase) in customers and energy sales for FY 2019 was projected to be approximately 2.0 percent and 1.4 percent respectively within the service territory. The change in net position was projected to be approximately $39.2 million. The Board of Directors has directed staff to implement a strategy to maintain KUA's rates in the lower 33% of all utilities in the State of Florida. That strategy will include the utilization of rate stabilization funds to lower the fuel and purchase power costs billed to the customers. There is no base rate increase planned for the upcoming year.

Contacting the KUA's Financial Management

This financial report is designed to provide the KUA's rate payers and creditors with a general overview of the KUA's finances and to demonstrate the KUA's accountability for the money it receives. Those interested in more detailed information may refer to the notes to the financial statements. If you have questions about this report or need additional information, contact the Finance & Accounting Department at Kissimmee Utility Authority, 1701 W. Carroll Street, Kissimmee, Florida, 34741.

KISSIMMEE UTILITY AUTHORITY
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30,

	2018	RESTATED 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,450,595	$ 2,535,669
Investments	49,068,348	39,144,364
Interest receivable	212,282	130,549
Customer accounts receivable	13,059,628	12,357,338
Less: allowance for doubtful accounts	(535,424)	(481,547)
Unbilled customer receivables	6,726,771	6,621,175
Inventory	6,745,879	6,066,585
Other current assets	948,995	867,700
Current portion of net investment in capital lease	7,625,961	7,625,961
TOTAL CURRENT ASSETS	95,303,036	74,867,794
RESTRICTED ASSETS		
Cash and cash equivalents	53,615,593	81,599,012
Investments	18,773,903	13,736,147
Interest receivable	76,155	40,389
TOTAL RESTRICTED ASSETS	72,465,651	95,375,548
OTHER ASSETS		
Prepaid bond insurance	-	28,308
Regulatory assets - net costs recoverable in future years:		
Pension cost related	23,700,553	25,016,222
Other post employment benefit related	3,554,052	3,431,343
Net investment in capital lease (net of current portion)	50,738,659	58,364,619
TOTAL OTHER ASSETS	77,993,264	86,840,492
CAPITAL ASSETS - UTILITY PLANT		
Property, plant and equipment	287,835,588	273,130,570
Less: accumulated depreciation	(88,853,881)	(83,131,825)
	198,981,708	189,998,745
Construction in progress	11,259,741	3,236,491
TOTAL CAPITAL ASSETS - UTILITY PLANT	210,241,449	193,235,236
TOTAL ASSETS	456,003,400	450,319,070
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount pension related	$ 1,062,127	$ 1,627,472
Unamortized loss on refunded debt	-	581,303
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 457,065,527	$ 452,527,845

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

KISSIMMEE UTILITY AUTHORITY
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30,

	2018	RESTATED 2017
LIABILITIES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 11,622,206	$ 11,603,049
Due to other governments	2,425,907	2,379,137
Deferred cost of power adjustment	3,881,167	2,556,810
Other accrued liabilities	1,870,415	1,739,459
Current portion of other long-term liabilities	2,347,023	2,568,601
TOTAL CURRENT LIABILITIES	22,146,718	20,847,056
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current portion of revenue bonds	18,725,000	15,855,000
Accrued interest payable-revenue bonds	573,125	906,600
Advances for construction	2,054,128	3,171,872
Customer deposits	15,185,013	13,895,262
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	36,537,265	33,828,734
LONG-TERM LIABILITIES		
Revenue bonds payable (net of current portion)	-	18,725,000
Commercial paper notes	43,200,000	43,200,000
Unamortized bond premium	-	672,216
TOTAL LONG-TERM LIABILITIES	43,200,000	62,597,216
OTHER LONG-TERM LIABILITIES		
Net pension liability	19,932,513	23,011,315
Other post employment benefits	3,350,952	3,431,343
Compensated absences (net of current portion)	2,182,606	1,750,453
TOTAL OTHER LONG-TERM LIABILITIES	25,466,071	28,193,111
TOTAL LIABILITIES	127,350,054	145,466,117
DEFERRED INFLOWS OF RESOURCES		
Deferred amount pension related	4,830,167	3,632,379
Deferred amount other post employment benefit related	203,100	-
Regulatory credits:		
Self-insurance	15,000,000	15,000,000
Rate stabilization	25,726,338	48,969,386
TOTAL DEFERRED INFLOWS OF RESOURCES	45,759,605	67,601,765
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	173,109,658	213,067,882
NET POSITION		
Net investment in capital assets	207,458,720	184,585,273
Restricted	28,722,524	26,136,969
Unrestricted	47,774,625	28,737,720
TOTAL NET POSITION	$ 283,955,869	$ 239,459,963

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30,

	2018	RESTATED 2017
OPERATING REVENUES		
Metered sales	$ 174,412,488	$ 169,828,474
Lease revenue	11,367,050	11,367,050
Other	6,255,265	5,975,972
Rate stabilization transfer	23,390,828	989,255
Change in regulatory asset pension related	(1,315,669)	(1,264,412)
Change in regulatory asset other post employment benefit related	(227,481)	147,090
TOTAL OPERATING REVENUES	213,882,481	187,043,429
OPERATING EXPENSES		
Purchased power	112,214,936	111,450,804
Transmission and distribution	14,413,756	15,549,538
Administrative and general	17,266,267	17,889,885
Intergovernmental transfers	17,248,273	16,659,313
Depreciation and amortization	7,797,875	7,207,602
TOTAL OPERATING EXPENSES	168,941,108	168,757,142
OPERATING INCOME	44,941,373	18,286,287
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,599,301	1,085,562
Interest and other debt service expense	(2,044,767)	(2,555,706)
TOTAL NONOPERATING REVENUES (EXPENSES)	(445,467)	(1,470,144)
CHANGE IN NET POSITION	44,495,906	16,816,143
NET POSITION - BEGINNING OF YEAR RESTATED	239,459,963	222,643,820
NET POSITION - END OF YEAR	$ 283,955,869	$ 239,459,963

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

KISSIMMEE UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2018	RESTATED 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and other sources	$223,314,663	$198,227,378
Payments to suppliers for goods and services	(152,335,501)	(137,054,538)
Payments for employees for services	(23,855,824)	(23,412,131)
Payments for benefits on behalf of employees	(8,494,214)	(10,442,055)
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,629,123	27,318,654
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(28,757,558)	(14,423,958)
Advances for construction & advances from co-owners	2,835,727	3,397,457
Principal paid on long-term debt	(15,855,000)	(15,300,000)
Interest paid on long-term debt	(1,871,554)	(2,524,324)
Other debt costs	(506,689)	(423,471)
NET CASH (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(44,155,074)	(29,274,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(46,738,000)	(34,375,000)
Proceeds from maturities of investment securities	31,776,260	31,756,290
Interest on investments	1,419,198	1,314,402
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	(13,542,542)	(1,304,308)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,068,493)	(3,259,951)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	84,134,681	87,394,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	$65,066,188	$84,134,681
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Current Assets		
Cash and cash equivalents	$11,450,595	$2,535,669
Restricted Assets		
Cash and cash equivalents	53,615,593	81,599,012
CASH AND CASH EQUIVALENTS AT END OF YEAR	$65,066,188	$84,134,681

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

KISSIMMEE UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

Continued

	2018	RESTATED 2017
CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$44,941,373	$18,286,287
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,797,875	7,207,602
Change in assets - decrease (increase)		
Accounts receivable, net	(754,009)	1,137,389
Other assets	(81,295)	(55,352)
Inventory	(679,296)	433,479
Deferred cost of power adjustment	1,324,357	(68,227)
Energy conservation cost recovery	43,959	66,257
Net investment in capital lease	7,625,960	7,625,960
Change in liabilities - increase (decrease)		
Accounts payable	19,156	457,109
Due to other governments	46,770	47,232
Customer deposits	1,289,751	1,354,018
Other current liabilities	86,997	90,530
Other accrued liabilities	(23,243,049)	(9,226,625)
Other long-term liabilities	210,575	(37,005)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$38,629,123	$27,318,654
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
(Increase)/Decrease in fair value of investments	($595,811)	($268,123)

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

KISSIMMEE UTILITY AUTHORITY
STATEMENTS OF NET POSITION
AGENCY FUND
UTILITY BILLING/COLLECTING FUND
SEPTEMBER 30,

	2018	2017
ASSETS		
Cash	$ 110,769	$ 107,496
TOTAL ASSETS	$ 110,769	$ 107,496
LIABILITIES		
Due to City of Kissimmee	$ 110,769	$ 107,496
TOTAL LIABILITIES	$ 110,769	$ 107,496

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

KISSIMMEE UTILITY AUTHORITY
STATEMENTS OF CHANGES IN NET POSITION
AGENCY FUND
UTILITY BILLING/COLLECTING FUND
FOR THE YEARS ENDED SEPTEMBER 30,

	9/30/2017 Balance	Additions	Reductions	9/30/2018 Balance
ASSETS				
Cash	$ 107,496	$ 16,650,142	$ (16,646,869)	$ 110,769
TOTAL ASSETS	$ 107,496	$ 16,650,142	$ (16,646,869)	$ 110,769
LIABILITIES				
Due to City of Kissimmee	$ 107,496	$ 16,650,142	$ (16,646,869)	$ 110,769
Due to TOHO Water Authority	-	-	-	-
TOTAL LIABILITIES	$ 107,496	$ 16,650,142	$ (16,646,869)	$ 110,769

	9/30/2016 Balance	Additions	Reductions	9/30/2017 Balance
ASSETS				
Cash	$ 62,575	$ 15,864,780	$ (15,819,859)	$ 107,496
TOTAL ASSETS	$ 62,575	$ 15,864,780	$ (15,819,859)	$ 107,496
LIABILITIES				
Due to City of Kissimmee	$ 61,401	$ 15,848,703	$ (15,802,608)	$ 107,496
Due to TOHO Water Authority	1,174	16,077	(17,251)	-
TOTAL LIABILITIES	$ 62,575	$ 15,864,780	$ (15,819,859)	$ 107,496

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

KISSIMMEE UTILITY AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30,

ASSETS	2018	2017
RECEIVABLES		
Interest	$109,605	$104,555
Dividends	50,158	34,810
TOTAL RECEIVABLES	159,763	139,365
Prepaid Insurance	-	2,011
INVESTMENTS AT FAIR VALUE		
Real Estate	9,443,156	8,736,644
Pooled Fixed Income Fund	15,511,724	17,166,019
Domestic Stocks	47,358,575	39,670,428
Pooled Equity Fund	17,388,453	16,144,379
Foreign Equity Fund	4,156,762	3,288,183
Temporary Investment Fund	2,400,511	3,367,496
TOTAL INVESTMENTS AT FAIR VALUE	96,259,181	88,373,149
TOTAL ASSETS	96,418,943	88,514,525
LIABILITIES		
Accounts Payable - Administrative Charges	95,518	84,384
TOTAL LIABILITIES	95,518	84,384
FIDUCIARY NET POSITION	$96,323,425	$88,430,141

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

KISSIMMEE UTILITY AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEARS ENDED SEPTEMBER 30,

	2018	2017
ADDITIONS		
CONTRIBUTIONS		
Employer	$4,334,806	$5,068,575
Employee	312,657	305,628
TOTAL CONTRIBUTIONS	4,647,463	5,374,203
INVESTMENT INCOME (LOSS)		
Net Appreciation (depreciation) in fair value of investments	7,666,711	9,023,203
Interest	761,422	600,898
Dividends	1,267,234	1,749,081
Lawsuit/Class Action Proceeds & Other	4,502	4,668
Other	6,801	(3,903)
TOTAL INVESTMENT INCOME (LOSS)	9,706,670	11,373,947
Less: Investment Expenses	497,677	454,135
NET INVESTMENT INCOME	9,208,993	10,919,812
TOTAL ADDITIONS	13,856,456	16,294,015
REDUCTIONS		
BENEFITS		
Age & Service	4,733,498	4,176,942
DROP	1,162,835	824,906
Refund of Contributions	4,167	7,322
Professional & Adm. Expenses	62,672	56,216
TOTAL REDUCTIONS	5,963,172	5,065,386
NET INCREASE (DECREASE)	7,893,284	11,228,629
FIDUCIARY NET POSITION		
BEGINNING OF YEAR	88,430,141	77,201,512
END OF YEAR	$96,323,425	$88,430,141

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

Note 1 – Summary of Significant Accounting Policies

Entity Definition: The accompanying financial statements present the financial position, changes in financial position and cash flows of the Kissimmee Utility Authority (KUA). The reporting entity for the KUA includes all functions in which the KUA exercises financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. As a result of applying the above reporting entity criteria, no other component units exist in which the KUA has any financial accountability which would require inclusion in the KUA's financial statements.

Description of Business: The KUA is a municipal electric utility authority created effective October 1, 1985 by the City of Kissimmee (COK) Ordinance No. 1285 adopted on February 19, 1985 and ratified by the voters on March 26, 1985. The KUA serves customers in Kissimmee and the surrounding area. The KUA Board (Board) has 6 members. The Mayor of the COK is a non-voting Ex-Officio member. The 5 voting members are recommended by the Board and appointed by the City Commission. The KUA has exclusive jurisdiction, control and management of the electric utility.

Regulation: According to existing laws of the State of Florida, the five voting members of the KUA act as the regulatory authority for the establishment of electric rates. The Florida Public Service Commission (FPSC) has authority to regulate the electric "rate structures" of municipal utilities in Florida. It is believed that "rate structures" are clearly distinguishable from the total amount of revenues which a particular utility may receive from rates, and that distinction has thus far been carefully made by the FPSC. In addition, the Florida Energy Efficiency and Conservation Act has given the FPSC exclusive authority to approve the construction of new power plants under the Florida Electrical Power Plant Siting Act. The FPSC also exercises jurisdiction under the National Energy Act, including electric use conservation programs.

Operations of the KUA are subject to environmental regulations by federal, state and local authorities and to zoning regulations by local authorities. Federal and state standards and procedures that govern control of the environment can change. These changes can arise from continuing legislative, regulatory and judicial action respecting the standards and procedures. Therefore, there is no assurance that the units in operation, under construction, or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. An inability to comply with environmental standards or deadlines could result in reduced operating levels or complete shutdown of individual electric generating units not in compliance. Furthermore, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

Description of Funds Reported:

- An Enterprise Fund operated by the KUA accounts for the electric utility.
- Agency Funds account for the amounts due to COK and Toho Water Authority (TWA) by KUA and/or other collection activity. The KUA collects revenues on behalf of the COK for utility services including storm water, refuse, sewer, and utility taxes. All agency funds are presented in the accompanying agency statements and excluded from the enterprise fund financial statements because they are fiduciary in nature and do not represent resources available to KUA for operations.
- A Pension Trust Fund accounts for the activities of the employees' retirement system which accumulates resources for pension benefit payments to qualified retiring employees. They are excluded from the enterprise fund financial statements because they are fiduciary in nature and do not represent resources available to KUA for operations. Separate pension financial statements are not issued.

Basis of Accounting: The KUA maintains its accounts on the accrual basis in accordance with accounting principles generally accepted in the United States. The accounts are substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission and other regulatory authorities. The accounting and reporting policies of the KUA conform to the accounting rules prescribed by the GASB.

Adoption of New Accounting Standards: During the fiscal year ending September 30, 2018, KUA adopted the following new accounting standard:

- GASB Statement No. 75, *Accounting And Financial Reporting For Postemployment Benefits Other Than Pensions.* This statement addresses accounting and financial reporting issues related to other postemployment benefits that retired and other non-active plan members can participate in and the KUA's actuarial obligations related to such medical, dental, and vision plans. The KUA's financial statements have been restated for the period ending September 30, 2017 so that this standard can be implemented utilizing regulatory accounting to create a deferred regulatory asset and a deferred regulatory liability.

Budget: The KUA is required by charter to adopt an annual budget (budget). The budget is adopted on a basis consistent with generally accepted accounting principles.

The KUA follows these procedures in establishing the budget:

- The President and General Manager submits to the Board of Directors a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed uses and the sources of funds to finance them.
- Staff discusses and presents a preliminary budget to the Board of Directors at a special meeting which is open to the public.
- A public hearing is subsequently advertised and conducted to obtain ratepayer comments. Once approved by the Board of Directors, the budget becomes the basis for operations for the ensuing fiscal year.

The President and General Manager is authorized to approve all budget transfers and all interdepartmental transfers are reported to the Board of Directors quarterly. Budget amendments which increase the adopted budget are approved by the Board of Directors. Operating budgets lapse at year end. Capital projects are budgeted for the project life rather than for the current fiscal year. The unexpended portion of project budgets does not lapse until conclusion of the project.

Reclassifications: Certain amounts presented for the prior year have been reclassified in order to be consistent with the current year's presentation.

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and whose original maturity is three months or less. These consist of repurchase agreements, the State Board of Administration (SBA) Pool and the carrying amount of the KUA's deposits with financial institutions.

Investments: Investments are recorded at fair market value. Fair market value is determined based on quoted market prices. The Fund A of the Local Government Investment Pool operated by the Florida State Board of Administration (SBA) is recorded at amortized cost which approximates market value. KUA reports the balance of investments in the SBA of approximately $56,388,000 at its pooled share price which approximates market value. The net change to the investments carrying value is included in investment income. KUA's investments are not insured.

Customer Accounts Receivable: Customer accounts receivable consist of uncollateralized amounts billed to commercial and residential customers for electric service provided throughout the KUA service territory consisting primarily of Osceola County. KUA bills customers monthly on a cycle basis based upon metered usage, recognizing revenue in the period in which it was earned net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is calculated based upon KUA's historical experience with collections and current energy market conditions. Bad debt expense for estimated uncollectible accounts was recorded as a reduction of Operating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

KUA acts as billing agent, on behalf of the State and other local governments which are included in Customer Accounts Receivable but not reflected in the Statements of Revenues, Expenses and Changes in Net Position. All receivables are anticipated to be collected within an operating cycle and are reported as current assets.

Unbilled Customer Receivables: Unbilled customer receivables represent base electric service provided to customers but not billed until after the end of the fiscal year based upon the billing cycles established by the Authority.

Inventory: Inventory consists of materials and supplies associated with construction and maintenance of the Authority's electric system and is stated at weighted average cost.

Other Current Assets: Other current assets consist primarily of prepaid expenses and other accounts receivable. The KUA has one potential receivable that is not reflected in assets for the years ended September 30, 2018 and 2017, respectively.

The KUA incurred $1.8 million in costs related to Hurricane Irma which occurred in September 2017. Certain approved costs are 75% eligible for public assistance from the Federal Emergency Management Agency (FEMA) and 12.5% eligible for public assistance from the State of Florida. FEMA and the KUA are in the process of determining the approved claim amount and filing the appropriation documentation for Hurricane Irma. As a result, a receivable related to this claim has not been recorded at this time.

The KUA provided assistance to Puerto Rico during Hurricane Maria which occurred in September 2017 as a sub-contractor of Whitefish Energy (Whitefish). The KUA is due $407K from Whitefish. However, The Puerto Rico Department of Treasury has not provided final guidance as to whether the amount due from Whitefish constitutes a trade or business in Puerto Rico thereby requiring business registration, tax filings, and tax withholdings. The KUA has decided to not reserve an allowance against this receivable as the receivable and any allowance related to such receivable are immaterial to total receivables and related allowances for the years ended September 30, 2018 and 2017, respectively.

Deferred Outflows of Resources: A *deferred outflow of resources* is a consumption of net assets by the government that is applicable to a future reporting period. The following accounts are reflected as a deferred outflow of resources on the Statement of Net Position.

- Deferred amount pension related - Certain costs associated with pension plans for governments, municipalities, body politics, etc. are reported as deferred charges pursuant to GASB 68.
- Deferred amount other postemployment benefit related - Certain costs associated with medical, dental, and vision plans for governments, municipalities, body politics, etc. are reported as deferred charges pursuant to GASB 75.

Capital Assets: Property, plant and equipment are stated at cost when purchased or constructed. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable property, plant and equipment are as follows:

Production	28 years
Transmission	32 to 50 years
Distribution	25 to 37 years
General	8 to 39 years

The cost of maintenance and repairs, including renewal of minor items of property less than $5,000, is charged to operating expense as incurred. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation.

Capital Contributions: The KUA receives funds from developers for electric line extensions. These funds are recorded as reductions to gross plant. Unspent developer contributions are reported as Advances for Construction.

Cost of Power Adjustment: Cost of power adjustment represents the KUA's cost of power revenues collected, but for which costs have not been incurred or costs that have been incurred, but for which cost of power revenues have not been collected.

Unamortized Gains or Losses of Refunded Debt: Unamortized gains or losses on refunded debt are amortized to income (expense) over the life of the new debt consistent with the methods used for setting rates. Unamortized gains and losses on bond refunding have been netted for financial statement purposes, and are reflected as a deferred outflow of resources on the Statement of Net Position.

Compensated Absences: The KUA accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The KUA has not normally, nor is it legally required to, accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for compensated absences is included in Other Long-term Liabilities in the accompanying Statements of Net Position.

Net Position: Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt that is attributable to the acquisition, construction, or improvement of those capital assets.
- Restricted – Consists of net position with constraints placed on its use by revenue bond resolution or other external agreement.
- Unrestricted – All other net position that does not meet the definition of "restricted" or "investment in capital assets, net of related debt."

Operating Revenues and Expenses: Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenue of the KUA is charges to customers for sales and services. Operating expenses 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. The KUA accrues base revenue for services rendered but unbilled to provide a closer matching of revenues and expenses.

Deferred Inflows of Resources: A *deferred inflow of resources* is an acquisition of net assets by the government that is applicable to a future reporting period. The following accounts are reflected as a deferred inflow of resources on the Statement of Net Position.

- Regulatory Credits:
    - Rate Stabilization Accounts - A retail Rate Stabilization account (regulatory credit) was created by the KUA bond resolution which allows current income to be deferred to a future time in order to stabilize rates. This gives the KUA the ability to defer revenues in years when excess revenues (over minimum bond requirements) exist to build up the Rate Stabilization account. The deferred revenues would be recognized in future years. This fund is classified as restricted (See Note 4). Further, the Board of Directors has directed staff to implement a strategy to maintain KUA's rates in the lower 33% of all utilities in the State of Florida. That strategy will include the utilization of rate stabilization funds to lower the fuel and purchase power costs billed to the customers.

A bulk system Rate Stabilization account (regulatory credit) was created which allows current Cost of Power Revenue to be utilized at a future time in order to stabilize rates related to fuel and purchase power pursuant to an agreement with the wholesale power provider. This fund is classified as restricted (See Note 4).

  - Self –Insurance (regulatory credit) - The KUA has established a Self-Insurance reserve as part of its Risk Management (See Note 11).

- Deferred amount pension related - Certain amounts received associated with pension plans for governments, municipalities, body politics, etc. are reported as deferred inflows of resources pursuant to GASB 68.
- Deferred amount other postemployment benefits related - Certain amounts received associated with medical, dental, and vision plans for governments, municipalities, body politics, etc. are reported as deferred inflows of resources pursuant to GASB 75.

Regulatory Assets – net costs recoverable in future years - Pension cost related: Future pension costs related to GASB 68 implementation have been deferred in accordance with GASB Statement No. 62 and will be recognized in future years as the plan is funded based on actuarial requirements. Other postemployment benefits cost related: Future costs related to GASB 75 implementation have been deferred in accordance with GASB Statement No. 62 and will be recognized in future years as the plan is funded based on actuarial requirements.

Payments to and from the City of Kissimmee and Toho Water Authority: The KUA is required to pay to the COK 11.06 mills/kWh of retail sales. This payment is treated as an operating expense in the Statements of Revenues, Expenses and Changes in Net Position. The total amount transferred to the COK was approximately $17,248,273 and $16,659,000 for the years ended September 30, 2018 and 2017, respectively. The amount owed to the COK was approximately $1,840,000 and $1,803,000 for the years ended September 30, 2018 and 2017, respectively.

The KUA performs certain customer related services for the COK for which the COK paid the KUA approximately $335,000 and $314,000 for the years ended September 30, 2018 and 2017, respectively. The amount owed by the COK to the KUA was approximately $28,000 and $26,000 at September 30, 2018 and 2017, respectively.

Note 2 – Cash, Cash Equivalents, Investments and Interest Receivable

Enterprise Fund

Florida Statutes, the KUA Charter and the KUA Investment Policy authorize the investment of excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of United States Government agencies, certain instruments guaranteed by the U.S. Government agencies, certain instruments guaranteed by the U.S. Government, the State Board of Administration (SBA) Pool, bankers' acceptances, and commercial paper. Revenue Bond Covenants also restrict the type and maturities of investments in the required trust funds (see Note 9).

Investments must be in the KUA's name and represented by bank safekeeping receipts which enumerate the various securities held. ARP Working Capital deposit, and Rate Stabilization – Bulk System. These funds are held by the Florida Municipal Power Agency (FMPA) and are contractually obligated to be paid on behalf of KUA.

The Statutes also require depositories of public funds to provide collateral each month at least equal to 50 percent of the average daily balance of all public deposits in excess of deposit insurance. Any loss not covered by the pledged securities and deposit insurance would be assessed by the State Treasurer and paid by other qualified public depositories.

The components of the KUA's total cash, cash equivalents, and investments at their respective carrying amounts as shown in the accompanying Statements of Net Position at September 30, 2018 and 2017 are as follows:

		2018	2017
Current	Cash & Cash Equivalents	$ 11,450,595	$ 2,535,669
	Investments	49,068,348	39,144,364
	Total Current	60,518,943	41,680,033
Restricted	Cash & Cash Equivalents	53,615,593	81,599,012
	Investments	18,773,903	13,736,147
	Total Restricted	72,389,496	95,335,159
Total	Cash & Cash Equivalents	65,066,188	84,134,681
	Investments	67,842,251	52,880,511
	Total	$ 132,908,439	$ 137,015,192

The KUA's total cash, cash equivalents, and investments as of September 30, 2018 and 2017 are summarized as follows:

	2018	2017
Investments	$ 67,842,251	$ 52,880,503
Florida State Board of Administration	56,387,925	61,357,195
Cash and Investments held at FMPA	4,772,063	4,624,344
Bank Carrying Value	3,896,776	18,142,224
Petty Cash	9,424	10,926
	$ 132,908,439	$ 137,015,192

Investments are recorded at market value. The effect of adjusting the investments to market value at September 30, 2018 and 2017 was a change to the investments carrying value of $(595,811) and (268,123), respectively.

The balance in the SBA was $56,387,925 and $61,357,200 at September 30, 2018 and 2017, respectively. All investments are delivered to the SBA's custody bank and held for the SBA's account according to their instructions. The KUA's SBA funds are invested in the SBA's Local Government Surplus Funds Investment Pool Trust Fund.

Repurchase agreements result entirely from a banking services agreement requiring overnight repurchase agreements of securities guaranteed by the United States Government. No amounts of repurchase agreements were held with the KUA's depository bank at September 30, 2018 and 2017, respectively. Repurchase agreements are held in the name of the KUA's depository bank. The maximum repurchase agreement was $0 and $0 during the year ending September 30, 2018 and 2017, respectively.

At September 30, 2018 and 2017, the carrying value of the KUA's deposits with financial institutions was $1,896,640 and $18,142,224 for each year respectively, and the bank balance was $1,547,082 and $17,166,534 respectively. All bank balances are fully insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool.

Deposit and Investment Risk Disclosures: When practical, the KUA will attempt to match its investments with anticipated cash flow requirements. Maturity lengths may be adjusted based on the opportunities presented by the then current yield curve. Investment in securities in which the maturity dates result in a duration that exceeds the maximum duration allowed for the security class is not permitted. KUA's investment policy limits duration and percent of portfolio limitations (based on par values) by investment class for 2018 and 2017 are as follows:

Investment Class - 2018	Duration	Portfolio %
U.S. Government Securities	8.25 years	100%
U.S. Federal Agencies	8.25 years	25%
U.S. Federal Instrumentalities	4.75 years	90%
Corporate Bonds	4.75 years	15%
State & Local Government Taxable and Tax-Exempt Debt	3.00 years	15%
Mortgage-Backed Securities (MBS)	2.50 years	15%
Certificate of Deposit	365 days	15%
Commercial Paper	270 days	15%
Bankers' Acceptance	180 days	15%
Fixed Income Treasury Mutual Funds	Daily liquidity	100%
Fixed Income Mutual Funds	Daily liquidity	10%
Florida Local Government Surplus Trust Fund (SBA)	Daily liquidity	60%

Investment Class - 2017	Duration	Portfolio %
U.S. Government Securities	8.25 years	100%
U.S. Federal Agencies	8.25 years	25%
U.S. Federal Instrumentalities	4.75 years	90%
Corporate Bonds	4.75 years	15%
State & Local Government Taxable and Tax-Exempt Debt	3.00 years	15%
Mortgage-Backed Securities (MBS)	2.50 years	15%
Certificate of Deposit	365 days	15%
Commercial Paper	270 days	15%
Bankers' Acceptance	180 days	15%
Fixed Income Treasury Mutual Funds	Daily liquidity	100%
Fixed Income Mutual Funds	Daily liquidity	10%
Florida Local Government Surplus Trust Fund (SBA)	Daily liquidity	60%

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the market value of an investment in debt securities. Generally, the longer the time to maturity or duration, the greater the exposure to interest rate risk. KUA's investment policy restricts investments by duration in an effort to limit its exposure to market value losses arising from rising interest rates. These investment restrictions have been detailed above. As of September 30, 2018, the portfolio had duration of .844 and a weighted average life of .930. As of September 30, 2017, the portfolio had duration of .561 and a weighted average life of .700.

Duration is a measure of fixed income's cash flows using present values, weighted for cash flows as a percentage of the investments full price. Analytical software commonly includes duration functions. Macaulay Duration (named after its developer) is the basic calculation developed for portfolio of bonds assembled to fund a fixed liability. Modified Duration, based on Macaulay Duration, estimates the sensitivity of a bond's price to interest rate changes. Effective Duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investment as callable bonds, prepayments, and variable-rate debt. Since KUA assumes that callable bonds will be called due to the falling interest rate environment, Effective Duration will be used.

As of September 30, 2018 and 2017, KUA had the following investments in its portfolio:

	2018			2017	
Investment	**Market Value**	**Effective Duration**		**Market Value**	**Effective Duration**
Fixed Income Mutual Funds	$ 93,639	0.134	1	$ 34,429	0.159
Funds due to Agency	(110,769)	N/A		-	N/A
Florida Local Government Trust Fund (SBA)	56,387,925	N/A		61,357,195	N/A
Federal Instrumentalities - Coupon	14,612,512	1.211		16,651,595	2.623
Federal Instrumentalities - Discount	2,948,160	0.689		-	N/A
Corporate Bonds	11,834,174	0.572		11,113,320	1.448
Municipal Bonds	1,479,765	3.772		2,233,180	3.197
U.S. Government Securities	36,984,770	2.006		22,847,979	1.406
	$ 124,230,176			$ 114,237,698	

1. *Weighted Average Maturity presented for Fixed Income Mutual Funds.*

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. KUA's policy is to limit its investments in commercial paper and corporate bonds by rating to mitigate this risk. At purchase, commercial paper must have a minimum rating of A1 by Standard & Poor's, F1 by Fitch and P1 by Moody's. A minimum of two of the rating agencies must rate the commercial paper. As a practical matter, KUA only invests in commercial paper rated as A1+/P1. Corporate bonds are limited at purchase to ratings of AA by Standard & Poor's, AA by Fitch and Aa by Moody's. Additionally, the investment policy limits Fixed Income Mutual Funds ratings as AAA by Standard & Poor's, AAA by Fitch and Aaa by Moody's.

As of September 30, 2018, fixed income mutual funds held by KUA were rated AAA-mf/AAAm. Federal instrumentalities held by KUA were rated AA+ and Aaa by S&P and Moody's respectively. Corporate bonds held by KUA consists of bonds rated from AA+/Aa1 to AAA/AAA by S&P and Moody's respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, KUA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2018, KUA did not have any material investments held by our counterparty which were in a name other than KUA.

Cash & Investments held by FMPA

The ARP Working Capital and the Rate Stabilization – Bulk System investments were held as cash deposits and cash equivalents. As of September 30, 2018 and 2017, FMPA held the following investments in its portfolio:

	2018		2017	
Investment/Cash Deposits	**Market Value**	**Effective Duration**	**Market Value**	**Effective Duration**
ARP Working Capital	$ 3,735,063	N/A	$ 3,735,063	N/A
Rate Stabilization - Bulk System	1,037,000	N/A	889,281	N/A
	$ 4,772,063		$ 4,624,344	

Credit Risk: Investments represented by the Rate Stabilization Fund – Bulk System were composed of AAAm/AAA-mf rated mutual funds.

The Kissimmee Utility Authority had the following recurring fair value measurements as of September 30, 2018 and 2017:

		Fair Value Measurements Using		
Investments by Fair Value Level	**09/30/18**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Mutual Funds	$ 93,639		$ 93,639	$ -
Corporate Bonds	11,834,174		11,834,174	
Federal Agency Securities	17,560,672		17,560,672	
Treasury Securities	36,984,770	36,984,770		
Municipal Bonds	1,479,765		1,479,765	
Total Investments by Fair Value Level	67,953,020	$ 36,984,770	$ 30,968,250	$ -
Investments Exempt from Fair Value Hierarchy Disclosures				
Florida Prime (Florida State Board of Administration - SBA)	56,387,925			
Funds Due to Agency	(110,769)			
Total Investments Exempt from Fair Value Hierarchy	56,277,156			
Total Investments Measured at Fair Value	$ 124,230,176			

		Fair Value Measurements Using		
Investments by Fair Value Level	**09/30/17**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Mutual Funds	$ 34,429		$ 34,429	$ -
Corporate Bonds	11,113,320		11,113,320	
Federal Agency Securities	16,651,595		16,651,595	
Treasury Securities	22,847,979	22,847,979		
Municipal Bonds	2,233,180		2,233,180	
Total Investments by Fair Value Level	$ 52,880,503	$ 22,847,979	$ 30,032,524	$ -
Investments Exempt from Fair Value Hierarchy Disclosures				
Florida Prime (Florida State Board of Administration - SBA)	61,357,195			
Total Investments Exempt from Fair Value Hierarchy	61,357,195			
Total Investments Measured at Fair Value	$ 114,237,698			

The Kissimmee Utility Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are unadjusted quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly on the measurement date; Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value that rely on the reporting entity's reasonably available information concerning the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

Pension Trust Fund

Valuation of Investments: Investments in common stocks and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices; investments in securities not having an established market value are valued at market value as determined by the Board of Trustees. The market value of an investment is the amount that the Kissimmee Utility Authority Employees' Retirement Plan (Plan) could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Purchases and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statements of Changes in Net Position.

Investments: Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual or pooled investment funds.

The Plan's investments are uninsured and unregistered and are held in a custodial account in the Plan's name. The Plan has no instrument that, in whole or part, is accounted for as a derivative instrument under GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments during the current Plan year.

The Plan held the following fixed investments as of September 30, 2018 and 2017:

Investment Type	Percent of Total Fund	Fair Value 9/30/18	Overall Credit Rating (S&P and Moody's)	Average Effective Duration (Years)
Integrity Bond Fund	12.92%	$ 12,456,726	AA	4.50
Vanguard TIPS (VAIPX)	0.99%	953,239	AAA	7.43
PIMCO Diversified Income Fund	2.18%	2,101,759	BBB+	4.98
Total		$ 15,511,724		

Investment Type	Percent of Total Fund	Fair Value 9/30/17	Overall Credit Rating (S&P and Moody's)	Average Effective Duration (Years)
Integrity Bond Fund	15.6%	$ 13,640,071	AA-	4.30
Vanguard TIPS (VAIPX)	1.7%	1,479,253	AAA	7.97
PIMCO Diversified Income Fund	2.3%	2,046,695	BBB-	5.36
Total		$ 17,166,019		

Credit Risk: Fixed income investments shall have a weighted average minimum rating of "A" or equivalent as rated by a major credit rating service and the value of bonds issued by any single corporation shall not exceed 5% of the total fund. Fixed income investments with a minimum rating below "A" as reported by a major credit rating service shall be limited to 10% of the market value of the total Plan assets. No more than 3% of the Plan's assets, at the time of purchase shall be invested in any one issuing company with a debt rated less than "A" by a major rating service.

Interest Rate Risk and Duration: Through its investment policies, the Plan manages its exposure to market value losses arising from increasing interest rates. In this regard, the Plan adopted the Merrill Lynch Government Corporate Bond Index (MLGC) benchmark. The Plan further limited the effective duration of its fixed investment portfolio to between 50% and 150% of the duration of the MLGC duration.

Custodial Credit Risk: The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a delivery vs. payment basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investments in mutual funds are considered unclassified pursuant to the custodial risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book entry form.

The Plan's investments at market value as of September 30, 2018 and 2017 are summarized as follows:

Investments	2018 Market Value	2017 Market Value
US Government & Agency Bonds	$ 6,073,607	$ 5,261,438
Domestic Stocks	47,875,789	39,670,428
Corporate & Municipal Obligations	5,872,609	8,339,556
Fixed Income Mutual Funds	3,048,294	3,565,025
Pooled Equity Funds	17,388,453	16,144,379
Foreign Equity	4,156,762	3,288,183
Real Estate Fund	9,443,156	8,736,644
Temporary Investment Funds	2,560,273	3,506,861
Total	$ 96,418,943	$ 88,512,514

The Kissimmee Utility Authority Employees' Retirement Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following recurring fair value measurements as of September 30, 2018 and 2017:

		Fair Value Measurements Using		
Investments by Fair Value Level	**09/30/18**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Cash & Cash Equivalents				
Regions Trust Cash Sweep	$ 2,560,273	$ -	$ 2,560,273	$ -
Total Cash & Cash Equivalents	2,560,273	-	2,560,273	-
Debt Securities				
U.S. Treasury Security	1,820,352	1,820,352		
Mortgage-Backed Securities	3,222,708		3,222,708	
Collateralized Mortgage Obligations	142,005		142,005	
Asset-Backed Securities	888,544		888,544	
Municipal Obligations	297,894		297,894	
Corporate Bonds	5,574,713		5,574,713	
Total Debt Securities	11,946,214	1,820,352	10,125,863	-
Equity Securities	-			
Common Stock	47,875,789	47,875,789		
Foreign Stock	4,156,762	4,156,762		
Total Equity Securities	52,032,551	52,032,551	-	-
Mutual Funds				
Fixed Income	3,048,294		3,048,294	
Equity	17,388,453		17,388,453	
Real Estate Funds	9,443,156			9,443,156
	29,879,903	-	20,436,747	9,443,156
Total Investments by Fair Value Level/Measured at Fair Value	$ 96,418,943	$ 53,852,903	$ 33,122,884	$ 9,443,156

		Fair Value Measurements Using		
Investments by Fair Value Level	**09/30/17**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Cash & Cash Equivalents				
Regions Trust Cash Sweep	$ 3,506,860	$ -	$ 3,506,860	$ -
Total Cash & Cash Equivalents	3,506,860	-	3,3506,860	-
Debt Securities				
U.S. Treasury Security	1,452,901		1,452,901	
Mortgage-Backed Securities	3,624,134		3,624,134	
Collateralized Mortgage Obligations	184,404		184,404	
Municipal Obligations	1,207,335		1,207,335	
Corporate Bonds	7,132,221		7,132,221	
Total Debt Securities	13,600,994	-	13,600,994	-
Equity Securities	-			
Common Stock	39,670,428	39,670,428		
Foreign Stock	3,288,183	3,288,183		
Total Equity Securities	42,958,611	42,958,611	-	-
Mutual Funds				
Fixed Income	3,565,025		3,565,025	
Equity	16,144,379		16,144,379	
Real Estate Funds	8,736,644			8,736,644
	28,446,049	-	19,709,404	8,736,644
Total Investments by Fair Value Level/Measured at Fair Value	$ 88,512,514	$ 42,958,611	$36,817,259	$ 8,736,644

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a multi-factor model. The models generate an Evaluated Adjustment Factor which adjusts securities for post-closing market movements. Mortgage-backed and collateralized mortgage obligations classified in Level 2 are valued using discounted cash flow techniques. A matrix based on coverage ratios and interest shortfalls is used to establish a benchmark level for determining tranche evaluations.

Real Estate Funds reported under Level 3, Significant Unobservable Inputs, are reported at fair market value. PRIME is a core, fully-specified, open-ended commingled real estate investment fund diversified by property type and location designed to provide a stable, income-driven rate of return over the long-term with potential for growth of income and appreciation. PRIME has a rigorous appraisal process. Every asset is independently appraised quarterly. Third-party appraisal firms are engaged by PRIME's independently controlled Board of Directors. Real estate valuations are inherently uncertain given the uniqueness of real property, the need to project rental income with such projections being inherently unreliable, and the absence of frequent trading. The Fund makes no assurances regarding the price at which an asset may be sold and cautions investor that sales may occur at prices materially lower or higher than the latest appraised value for such asset. The fair value has been determined using the NAV per share of the Plan's ownership interest. Increases or decreases in the NAV arise from PRIME's marking of its debt to market in accordance with Accounting Standards Codification 825-10-25.

Note 3 – Current Cash and Investments

Certain internal designations of current cash, investments, and interest receivable are made in the financial records during the fiscal year to identify a portion of cash, cash equivalents, investments and interest receivable intended to be used for specific purposes in a future period. Current cash and cash equivalents, investments and interest receivable at September 30, 2018 and 2017 included the following internal designations:

Current Assets	**2018**	**2017**
Undesignated	$ 2,640,854	$ 4,675,546
Designated	57,026,266	37,100,506
Total	$ 59,667,120	$ 41,776,052

Note 4 – Restricted Assets

Restrictions are made in accordance with bond resolutions, contracts and developers, the Florida Municipal Power Agency (FMPA), agreements with customers, and in accordance with Nuclear Regulatory Commission (NRC) rules and regulations. Restricted assets, which consist of cash, cash equivalents, investments, and interest receivable at September 30, 2018 and 2017, included the following:

Restricted Assets	**2018**	**2017**
Debt Service Reserve	$ 777,650	$ 3,202,060
Sinking Fund	19,298,125	16,761,600
Restricted Reserve Fund	4,189,336	4,140,305
Renewal, Replacement & Improvement	1,500,000	1,500,000
Advances for Construction	2,054,128	3,171,872
Customer Deposits	15,185,010	13,895,262
ARP Working Capital	3,735,063	3,735,063
Rate Stabilization – Retail	24,689,271	48,080,097
Rate Stabilization - Bulk System	1,037,068	889,289
Total	$ 72,465,651	$ 95,375,548

Shown in the accompanying Statements of Net Position as:

	2018	**2017**
Cash and Equivalents	$ 53,615,593	$ 81,599,012
Investments	18,773,903	13,736,147
Interest Receivable	76,155	40,389
Total	$ 72,465,651	$ 95,375,548

Note 5 – Capital Assets

Utility plant activity for the years ended September 30, 2018 and 2017 was as follows:

Utility Plant	**9/30/17 Balance**	**Additions**	**Deletions & Reclassifications**	**9/30/18 Balance**
Land	$ 18,078,439	$ -	$ -	$ 18,078,439
Transmission Plant	44,958,398	1,116,242	(230,543)	45,844,097
Distribution Plant	164,591,649	13,000,599	(223,254)	177,368,994
				46,544,058
General	45,502,084	1,822,068	(780,094)	
Subtotal	273,130,570	15,938,909	(1,233,891)	287,835,588
Less Accumulated Depreciation:				
Transmission Plant	(23,936,025)	(1,187,242)	230,544	(24,892,723)
Distribution Plant	(36,107,781)	(5,138,886)	1,065,181	(40,181,486)
General	(23,088,019)	(1,471,747)	780,094	(23,779,672)
Subtotal	(83,131,825)	(7,797,875)	2,075,819	(88,853,881)
CWIP	3,236,491	28,863,855	(20,840,604)	11,259,742
Net Plant	$193,235,236	$37,004,889	($19,998,676)	$210,241,449

Utility Plant	**9/30/16 Balance**	**Additions**	**Deletions & Reclassifications**	**9/30/17 Balance**
Land	$18,075,239	$3,200	$-	$18,078,439
Transmission Plant	44,391,035	609,949	(42,586)	44,958,398
Distribution Plant	167,649,114	9,579,829	(12,637,294)	164,591,649
General	43,038,049	2,664,555	(200,520)	45,502,084
Subtotal	273,153,437	12,857,533	(12,880,400)	273,130,570
Less Accumulated Depreciation:				
Transmission Plant	(32,272,269)	(1,192,469)	9,528,713	(23,936,025)
Distribution Plant	(34,113,954)	(4,464,394)	2,470,567	(36,107,781)
General	(21,737,801)	(1,550,740)	200,522	(23,088,019)
Subtotal	(88,124,024)	(7,207,603)	12,199,802	(83,131,825)
CWIP	2,529,332	16,341,688	(15,634,529)	3,236,491
Net Plant	$187,558,745	$21,991,618	($16,315,127)	$193,235,236

Depreciation expense for Utility Plant totaled approximately $7,798,000 and $7,208,000 for years ended September 30, 2018 and 2017 respectively.

The capital contribution of plant costs was approximately $3,953,000 and $1,540,000 for years ended September 30, 2018 and 2017 respectively. These funds are recorded as reductions to gross plant.

Note 6 – Construction Project Interest Cost

KUA capitalizes interest on construction projects financed with revenue bonds. The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds until the assets are placed in service. Total interest expense was approximately $1,766,000 and $2,255,000 which is net of capitalized interest expense of approximately $0 and $0 for fiscal years 2018 and 2017, respectively.

Note 7 - Net Investment in Capital Lease

The KUA negotiated with FMPA All-Requirements Power Supply Project (ARP) the Revised, Amended, and Restated Capacity and Energy Sales Contract (TARP Contract) effective October 1, 2008, under which FMPA-ARP will pay the KUA a fixed capacity credit that will not vary for the KUA owned generating assets over various periods of time that are tied to the useful life of such KUA assets. The total amount of fixed capacity credits that will be paid to the KUA from FY 2009 through FY 2028 will be approximately $342 million. In return for this fixed rate of return, not tied to market variations, the KUA ceded to FMPA operational control of these assets and waived its right to exercise its contract rate of delivery associated with the KUA's Cane Island Units 1, 2, and 3, Stanton Energy Center Units 1 and A, and Indian River Units A and B. The KUA also passed responsibility for the operation, maintenance, and capital costs of these generation assets to FMPA, see Note 8. The KUA retained its proportionate share of risk and liability for these generation assets. The KUA also retained responsibility for its ownership share of Cane Island land and common transmission facilities and a proportionate share of decommissioning costs or benefits of the generation assets.

The following lists the components of the net investment in capital lease as of September 30:

	2018	2017
Total minimum lease payments to be received	$145,361,343	$164,354,353
Less: Unearned lease revenue	($86,996,723)	($98,363,773)
Net investment in capital lease	$ 58,364,620	$ 65,990,580
Shown in the accompanying Statements of Net Position as:		
Current Assets - current portion	$ 7,625,961	$ 7,625,961
Other Assets - long term portion	$ 50,738,659	$ 58,364,619
Total	$ 58,364,620	$ 65,990,580

Fiscal Year	Minimum Lease Payments to be Received	Unearned Lease Revenue
2019	18,993,011	11,367,050
2020	18,993,011	11,367,050
2021	15,153,932	9,069,415
2022	15,153,932	9,069,415
2023	15,153,932	9,069,415
2024-2028	61,913,527	37,054,378
Total	$ 145,361,343	$ 86,996,723

Note 8 – Power Supply Agreements

FMPA All-Requirements Power Supply Project (ARP): The KUA purchases power exclusively from Florida Municipal Power Agency (FMPA) through the State-wide bulk power system. The KUA has an All-Requirements Power Supply Project Contract (effective 10/1/2002) with FMPA which requires FMPA to sell and deliver to the KUA and the KUA to purchase from FMPA all electric power that the KUA requires in excess of the amount the KUA receives from its power entitlement in St. Lucie 2. The contract shall remain in effect until October 1, 2050, and is subject to automatic five-year extensions each fifth anniversary unless either party notifies the other in writing at least two years prior to such automatic extension date of its decision not to extend the contract. The KUA pays for electric power under the contract at the rates set forth in the applicable rate schedule of FMPA, which FMPA may revise from time to time. The contract provides the option for the KUA to leave the FMPA after notice and making the remaining project participants whole. This is generally understood to mean paying off its portion of the project's long-term debt.

Effective October 1, 2008, the KUA leased, as discussed in Note 7, its ownership share of the generating assets associated with the KUA's Cane Island Units 1, 2, and 3, Stanton Energy Center Units 1 and A, and Indian River Units A and B. In addition, the KUA entered into a Consolidated Operating and Joint Ownership Contract with the FMPA whereby the KUA provides operation and maintenance services for Cane Island and Gulfstream Interconnection facilities and FMPA reimburses the expenditures.

Power Supply Entitlements: Stanton Energy Center (SEC): KUA is a member of FMPA's Stanton and Stanton II projects whereby the KUA has a total power entitlement of 1.8072% in SEC 1, approximately 8 MW and 7.6628% in SEC 2, approximately 33 MW. These resources are dedicated to the ARP. The participation costs are paid by the ARP.

The following is an excluded resource under the ARP agreement:

- St. Lucie Nuclear Power Plant: KUA is a member of FMPA's St. Lucie project whereby the KUA has a total power entitlement of 0.8282%, approximately 8 MW in the St. Lucie nuclear power plant. The KUA is billed for its share of the participation costs which are included in purchased power.

Note 9 – Long-Term Liabilities

Long-Term Liabilities for the years ended September 30, 2018 and 2017 were as follows:

	9/30/2017	Additions	Reductions	9/30/2018 Balance	Amounts Due Within One Year	Long-Term
Debt						
Revenue Bonds Payable	$ 34,580,000		$ (15,855,000)	$ 18,725,000	$ 18,725,000	$ -
Commercial Paper	43,200,000			43,200,000	-	43,200,000
Total Debt	$ 77,780,000	$ -	$ (15,855,000)	$ 61,925,000	$ 18,725,000	$ 43,200,000
Unamortized bond premium	$ 672,216	$ -	$ (672,216)	$ -		
Other Liabilities						
Compensated Absences	$ 4,319,054	$ 2,467,328	$ (2,256,753)	$ 4,529,629	$ 2,347,023	$ 2,182,606
Total Other Liabilities	$ 4,319,054	$ 2,467,328	$ (2,256,753)	$ 4,529,629	$ 2,347,023	$ 2,182,606

	9/30/2016	Additions	Reductions	9/30/2017 Balance	Amounts Due Within One Year	Long-Term
Debt						
Revenue Bonds Payable	$ 49,880,000	$ -	$ (15,300,000)	$ 34,580,000	$ 15,855,000	$ 18,725,000
Commercial Paper	43,200,000	-		43,200,000	-	43,200,000
Total Debt	93,080,000	$ -	$ (15,300,000)	77,780,000	$ 15,855,000	$ 61,925,000
Unamortized bond premium	$ 1,666,928	$ -	$ (994,712)	$ 672,216		
Other Liabilities						
Compensated Absences	$ 4,356,074	$ 2,432,789	$ (2,469,809)	$ 4,319,054	$ 2,568,601	$ 1,750,453
Other Post Employment Benefits	-	-	-	-	-	-
Total Other Liabilities	$ 4,356,074	$ 2,432,789	$ (2,469,809)	$ 4,319,054	$ 2,568,601	$ 1,750,453

Bond Resolutions

The Revenue Bond resolutions provide for both Senior and Subordinate rate covenants. These covenants are established to ensure, among other things, that rates, fees and charges will be sufficient to provide revenues in each fiscal year for the funding of operations and maintenance expenses, debt service, new funds established by resolution and all other charges or liens whatsoever payable of revenues during the year.

Listed below are the pertinent elements of the resolutions. These elements relate to both the senior and the subordinate resolutions except as noted in Section 3 below. All amounts required, relating to subordinate debt, shall be subordinate to amounts required for senior debt. KUA has met all provisions of the following bond covenants.

1. Establishment and maintenance of various funds:
   - Revenue Fund records all operating revenues and expenses of the system;
   - Sinking Fund records principal and interest requirements;
   - Bond Amortization Fund records funds held for the retirement of term bonds;
   - Reserve Fund records funds held in reserve for the maximum annual debt service requirements;
   - Renewal, Replacement & Improvement Fund is to be used only for making improvements, extensions and replacements to the system;
   - Construction Fund records the cost of major additions to the system financed by revenue bonds; and
   - Rate Stabilization - Retail Fund records funds to be used to the extent provided in the current Annual Budget or to be transferred, as appropriate, to any other fund or account under the resolutions.

2. Restrictions on the use of cash from operations in order of priority:
   - Deposits are made to the Revenue Fund to meet current operations according to the Budget;
   - Deposits to the Sinking Fund Account are required to equal one-sixth (1/6 of the interest coming due on the next semi-annual interest payment date and one-twelfth (1/12) of the principal coming due on the next principal payment date;
   - Deposits to the Bond Amortization Fund are required to equal one-twelfth (1/12) of the amortization installment coming due on the next annual payment date;
   - Deposits to the Reserve Fund are to be made when required to maintain the Fund at the Reserve Requirement (maximum annual debt service); and
   - Deposits to the Renewal, Replacement and Improvement Fund are required each month in an amount equal to one-twelfth (1/12) of the adopted budget for that fund. The total annual deposit may not be less than 5% of the gross revenues for the preceding fiscal year after deducting 100% of the fuel expense and the energy component of purchased power expenses incurred in such preceding fiscal year. However, no such monthly deposit shall be required when the amount in such fund shall at least equal $1,500,000.

3. Rate Covenant:
   - The KUA will at all times establish, fix, prescribe and collect rates and charges for the services and facilities furnished by the system which, together with other income, are reasonably expected to yield annual Net Revenues in each fiscal year at least equal to 110% of the bond service requirement in the bond Year which ends one day after such fiscal year.

4. Early redemption:
   - The bond resolution provides for early redemption of certain of the outstanding bonds at a call rate of 100% to 101% of the bond's face value, dependent upon the call date.

5. Investment restrictions:
   - Funds of the Sinking Fund, Bond Amortization Fund, Reserve Fund and Renewal, Replacement & Improvement Fund are required to be continuously secured in the same manner as municipal deposits of funds are required to be secured by the laws of the State of Florida; and
   - Monies on deposit in the Sinking Fund and the Bond Amortization Fund shall be invested only in direct obligations of, or obligations on which the principal and interest are guaranteed by the United States of America and which do not permit redemption prior to maturity at the option of the KUA. Monies on deposit in the Revenue Fund, Reserve Fund and Renewal, Replacement & Improvement Fund may be invested as described above as well as in the following: obligations rating an "A" or better from Moody's Investors Service, Inc., bank time deposits represented by certificates of deposit and bankers acceptances, repurchase agreements, commercial paper which has the highest investment grade rating and shares of investment companies which invest principally in United States government securities.

Long-term debt outstanding at September 30, 2018 and 2017 consisted of the following serial and term bonds, and outstanding Commercial Paper Notes:

Description	Final Maturity	Original Amount	2018	2017
Refunding Revenue Bonds Subordinate Series 2003 5.00%-5.25% - 4/1; 10/1	10/1/2018	$ 60,700,000	18,725,000	33,825,000
Refunding Revenue Bonds Series 2011 3.00% - 4.00% - 4/1; 10/1	10/1/2017	$ 30,005,000		755,000
Subtotal			18,725,000	34,580,000
Commercial Paper Program Series B, Variable Interest		$ 35,000,000		35,000,000
Commercial Paper Program Series B, Second Installment Variable Interest		$ 8,200,000		8,200,000
Subtotal			-	43,200,000
			$ 18,725,000	$ 77,780,000

The annual debt service requirements at September 30, 2018 are as follows (excludes Series A and B Commercial Paper):

Fiscal Year	Interest	Principal	Total
2019	$ 491,531	$ 18,725,000	$ 19,216,531
2020	-	-	-
Total	$ 491,531	$ 18,725,000	$ 19,216,531

Commercial Paper Notes

KUA authorized the issuance of the Commercial Paper Notes pursuant to Resolution No. 00-04, adopted by the Board on October 25, 2000. The Notes were issued in three series, 2000A, 2000B, and 2000B second installment for $35,000,000, $35,000,000 and $8,200,000, respectively to (a) finance the cost of the Cane Island Project (including repayment of amounts previously borrowed to provide financing therefore) (b) Stanton Energy Center Unit A and (c) pay the costs of issuance of the Commercial Paper Notes. The aggregate principal amount of all Commercial Paper Notes outstanding at any one time shall not exceed the lesser of $100,000,000 or the amount of the Available Commitment under the Purchase Agreement (the current Available Commitment is $43,200,000). During the year ended September 30, 2018, interest rates on the Commercial Paper ranged from .87% to 1.70% and averaged 1.29%.

As of September 30, 2005, $35,000,000 of the Series A was refunded. On October 13, 2005, $32,000,000 was refunded and the remaining $3,000,000 was refunded on November 16, 2005. The Series B in the amount of $43,200,000 are outstanding and are reflected as Long-Term Liabilities on the Statements of Net Position.

The Notes are secured by the Commercial Paper Purchase Agreement between KUA and JP Morgan Chase Bank. In the Purchase Agreement, the Bank has agreed, subject to certain conditions, to purchase Commercial Paper Notes which have not been sold by the Dealers so that moneys will be available in the Commercial Paper Notes Payment Fund to pay the maturing principal of outstanding Notes. The obligation of the Bank under the Purchase Agreement provides only for payment of maturing principal of the Notes; KUA is obligated to make provision for payment of interest on maturing Commercial Paper Notes from Subordinate Revenues.

The amount of the Bank's obligation under the Purchase Agreement is limited to $43.2 million, reduced by the amount of any outstanding Notes previously purchased by the Bank and subject to adjustment upward upon request of KUA and consent of the Bank or downward upon unilateral request by KUA, in either case in $1 million increments.

The duration of the Bank's obligation under the Commercial Paper Purchase Agreement is for two years, beginning on August 7, 2018 and terminating on August 6, 2020. KUA must request such an extension at least 60 days prior to the expiration of the Purchase Agreement (unless the Bank consents to a later request), and the Bank must notify the Issuing and Paying Agent within 30 days of receipt of the request whether the Bank consents to such extension and must deliver a written acknowledgement of the extension within 15 days of its consent to the Issuing and Paying Agent. KUA has received an offer from JP Morgan Chase Bank for a multi-period renewal. Accordingly, commercial paper is classified as long-term.

In the event that Bank Notes owned by the Bank are outstanding on the expiration date, August 6, 2020, the Bank agrees to accept amortization of the principal thereof and payment of the interest thereon as indicated. The Bank agrees that it shall continue to hold such Bank Notes for the Term Out Period, an additional period up to three years. This will occur provided that all Bank Notes shall bear interest at the Term Out Rate during the Term Out Period, payable in arrears, on the last day of each calendar month; and provided further that KUA shall redeem the Bank Notes, by paying to the Bank the principal amount of the Bank Notes, in six (6) equal principal amounts on a semi-annual basis, on each sixth Interest Payment Date together with accrued interest, commencing on the sixth interest payment date after the expiration date. The Term Out Rate is a Base Rate plus two percent (2.00%) calculated on the basis of a 360 day year and actual days elapsed. The Base Rate means for any day, the higher of (a) the Prime Rate plus one and one half percent (1.50%), (b) the Federal Funds Rate plus two percent (2.00%), or (c) eight and one half percent (8.50%) per annum.

Note 10 – Commitments and Contingent Liabilities

Purchase Commitments: The KUA has made certain commitments in connection with its continuing capital improvements program. The KUA estimates that capital expenditures for its ongoing business during 2019 will be approximately $66,605,000. An additional $88,687,000 of capital expenditures are estimated for years 2020 through 2022.

The KUA has purchase agreements with utilities whereby the KUA must pay capacity demand fees whether or not electricity or fuel is received from these utilities. The utilities involved and the approximate charges of the purchase agreements to be paid in Fiscal Year 2019 are as follows:

	Date	**Commitment**
Orlando Utilities Commission (OUC)		
SEC 1, Indian River, SEC A	NONE	$1,884,247
FMPA (St. Lucie, SEC1, SEC2)	NONE	6,130,090
Total		$8,014,337

Claims: The KUA is involved in litigation arising during the normal course of its business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the KUA.

On December 20, 2018, a class action lawsuit (naming three residents of east Orange County as class representatives) was filed against OUC and several local developers alleging that the coal-burning power plants at the Stanton Energy Center have contaminated their properties and caused a local spike in rare cancers. KUA owns a minority interest in OUC's Stanton Unit 1 and is a participant in FMPA's Stanton and All-Requirements Power Supply Projects in Stanton Units 1 and 2. On December 14, 2018, KUA received a letter from the law firm representing the three putative class representatives, which states that the letter is "NOTICE PURSUANT TO FLORIDA STATUTE § 768.28" and that "this letter notifies you of our intent to file suit against the KUA for property contamination and related damages..." KUA does not believe these claims have merit and will collaborate with the other owners in defending vigorously against this threat.

The KUA is subject to general liability claims throughout the year. The range of loss is such that an estimate cannot be made. These claims are well within our insurance limits. The KUA has established a Self-Insurance fund to cover any claims that exceed our insurance deductibles and/or limits, which is reflected as a deferred inflow of resources on the Statement of Net Position.

Note 11 – Risk Management

The KUA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The KUA has established a Self-Insurance reserve to account for and finance its uninsured risks of loss for the transmission and distribution system as well as other uninsured losses. The reserve balance is $15,000,000 and $15,000,000 for the years ended September 30, 2018 and 2017, respectively. The Self-Insurance reserve is the KUA's best estimate based upon available information and is decreased by claims paid each year.

The KUA purchases commercial insurance for all other risks of loss, including general liability, excess liability, workers compensation, property insurance, employee health, life and accident insurance. Settled claims have not exceeded the commercial coverage insurance in any of the past five fiscal years.

Note 12 – Restricted Component of Net Position

Restricted net position is comprised of the following at September 30, 2018 and 2017:

	2018	2017
Debt Service:		
Sinking funds	$19,298,126	$16,761,601
Other:		
ARP Working Funds	3,735,063	3,735,063
Restricted Reserve Fund	4,189,335	4,140,305
Asset Renewal and Replacement Fund	1,500,000	1,500,000
Total Restricted Assets	$28,722,524	$26,136,969

Note 13 – Other PostEmployment Benefits

The KUA provides medical, dental and life insurance benefits to current employees and eligible retirees and their families. These benefit provisions have been established by and may be amended by the KUA's Board of Directors. Retirees participating in the plans offered by the KUA are required to contribute 100% of the active premiums. The plan is not funded through a trust. The KUA does not contribute any funds on behalf of the retirees. Separate other postemployment benefits financial statements are not issued.

The annual other postemployment benefit (OPEB) cost is calculated based on the actuarial valuation performed as of October 1, 2017 and a Measurement Date of September 30, 2018. The following table shows the key components of the KUA's OPEB valuation for the reporting at September 30, 2018 and 2017:

	2018	2017
Total OPEB Liability as of the Measurement Date	$ 3,350,952	$ 3,431,343
OPEB Expense For the Fiscal Year ending September 30	$ 224,876	$ 231,841
Covered Employee Payroll	$ 18,582,494	$ 17,530,655
KUA's Total OPEB Liability as a percentage of Covered Employee Payroll	18.03%	19.57%

At October 1, 2017, the Plan's participants consisted of:

Retirees, Beneficiaries and Disabled Members	86
Active Plan Members	256
Total	342

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	Varies By Service
Discount Rate	4.18%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

Discount Rate: All future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in total OPEB Liability

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2017	$ 3,431,343
Changes for the Year:	
Service Cost	116,414
Interest	127,476
Differences between Expected and Actual Experience	-
Changes of assumptions	(232,114)
Changes of benefit terms	-
Contributions - Employer	-
Benefit Payments	(92,167)
Other Changes	-
Net Changes	(80,391)
Reporting Period Ending September 30, 2018	$ 3,350,952

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2016	$ 3,284,253
Changes for the Year:	
Service Cost	109,825
Interest	122,016
Differences between Expected and Actual Experience	-
Changes of assumptions	-
Changes of benefit terms	-
Contributions - Employer	-
Benefit Payments	(84,751)
Other Changes	-
Net Changes	147,090
Reporting Period Ending September 30, 2017	$ 3,431,343

Changes in assumptions reflect a change in the discount rate from 3.64% for the reporting period ending September 30, 2017, to 4.18% for the reporting period ending September 30, 2018.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability, as well as what Total OPEB Liability would be if it were calculated using a discount rate that is one percentage- point lower or one percentage-point higher than the current discount rate for the year ended September 30, 2018:

	1% Decrease	Current Discount Rate	1% Increase
	3.18%	4.18%	5.18%
Total OPEB Liability (asset)	$ 3,800,887	$ 3,350,952	$ 2,977,964

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% - 7.50%	4.00% - 8.50%	5.00% - 9.50%
Total OPEB Liability (asset)	$ 3,090,515	$ 3,350,952	$ 3,665,258

The following presents the Total OPEB Liability, as well as what Total OPEB Liability would be if it were calculated using a discount rate that is one percentage- point lower or one percentage-point higher than the current discount rate for the year ended September 30, 2017:

	1% Decrease	Current Discount Rate	1% Increase
	2.64%	3.64%	4.64%
Total OPEB Liability (asset)	$ 3,645,544	$ 3,431,343	$ 2,837,715

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% - 7.75%	4.00% - 8.75%	5.00% - 9.75%
Total OPEB Liability (asset)	$ 2,968,062	$ 3,431,343	$ 3,486,416

For the year ended September 30, 2018, the KUA will recognize OPEB Expense of $224,876.

On September 30, 2018, the KUA reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -
Changes of Assumptions	203,100
Total	$ 203,100

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended September 30:		
2019	$	(29,014)
2020	$	(29,014)
2021	$	(29,014)
2022	$	(29,014)
2023	$	(29,014)
Thereafter	$	(58,030)
Total	$	(203,100)

Please note that net position for the period ending September 30, 2016 was restated in order to implement GASB Statement No. 75, Accounting And Financial Reporting For Postemployment Benefits Other Than Pensions. This was required in order to remove other post employment benefit liability that is reflected in net other post employment benefit liability as of September 30, 2016. The restatement shows the beginning net position of the KUA on October 1, 2017 at the adjusted amount which is equal to the KUA's net position on September 30, 2016. Below is a summary of the changes to net position resulting from GASB No. 75 on September 30, 2016:

Net Position 9/30/2016 As Previously Reported	$	221,579,697
GASB No. 75 OPEB implementation Adjustment		1,064,123
Net Position 9/30/2016 As Restated	$	222,643,820

Note 14 – Pension Plan

<u>Plan Description:</u> The Kissimmee Utility Authority Employees' Retirement Plan (the "Plan") is a single employer defined benefit pension plan. The Plan provides for pension, death and disability benefits. Participation in the Plan is required as a condition of employment for all full-time employees except for the KUA Board of Directors and the President & General Manager. The Plan is subject to the provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The Plan is governed by a five member pension board of trustees which consists of two members elected by the membership, two appointed by the KUA's President & General Manager, and one member is appointed by the other four members. The Plan was established by a KUA Resolution and any changes are made through the adoption of a KUA resolution. The KUA is obligated to fund all Plan costs based upon actuarial valuations. The KUA is also authorized to establish benefit levels and the Plan's Board of Trustees approves the actuarial assumptions used in the determination of the contribution levels.

At October 1, 2017 and 2016, the Plan's participants consisted of:

	2018	2017
Actives	236	240
Service Retirees	157	150
DROP Retirees	20	17
Beneficiaries	38	32
Disability Retirees	6	9
Terminated Vested	67	65
Total	524	513

Pension Benefits: Under the Plan, a participant's normal retirement date shall be as follows:

1) Tier 1 Participants: the attainment of age sixty-two (62) and the completion of ten (10) years of credited service;
2) Tier 2 Participants: the attainment of the age which when added to the years of credited service, equals eighty (80) years and the completion of ten (10) years of credited service; and
3) Tier 3 Participants: the attainment of age sixty-two (62) and the completion of ten (10) years of credited service.

Participants are entitled to annual pension benefits in accordance with the above schedule or an early retirement at age 55 with a benefit reduced by two percent for each year prior to normal retirement. A participant's normal retirement benefit shall be calculated in accordance with the following schedule:

1) Tier 1 Participants: two and six-tenths percent (2.6%) of average final compensation for each year of credited service;
2) Tier 2 Participants: two and six-tenths percent (2.6%) of average final compensation for each year of credited service; and
3) Tier 3 Participants: three percent (3.0%) of average final compensation for each year of credited service.

In addition to the formula benefit, early and normal retirees receive a supplemental benefit of $300 per month to age 65 and $25 per month thereafter.

The monthly retirement benefit shall not exceed 100 percent of the participant's average final compensation. A participant who terminates prior to five (5) continuous years of service forfeits the right to receive all benefits he/she has accumulated. However, he/she retains the right of a refund of all personal contributions made to the Plan.

Vesting in a Participant's accrued benefit based on their contributions begins at 25 percent at five (5) years of credited service and increases 15 percent per year as follows:

Credited Service (Years)	Percent Vested
5	25%
6	40%
7	55%
8	70%
9	85%
10	100%

Deferred Retirement Option Plan (DROP): The Plan adopted a DROP benefit on November 17, 1999. Any Plan participant who is eligible to receive a normal retirement pension may elect to participate in a deferred retirement option plan (DROP) while continuing his/her active employment. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he/she ceases to accrue any further benefits under the Plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his/her termination of employment. Interest is earned by the participant's election of either (1) 6.5% per annum, compounded monthly, or (2) actual net rate of investment return (total return net of commissions, management fees, and transaction costs) for the fiscal quarter. Accounts updated quarterly. Participation in the DROP ceases for a Plan participant after 96 months.

Death Benefits: For any deceased employee who had been an actively employed participant eligible for early or normal retirement, the manner of benefit payable shall be at least equal to the annuity of ten years calculated as of the date of death. The benefit payable in the event of death while in service on or prior to normal retirement date is the greater of the value of a participant's accrued benefit accrued to the date of death or the smaller of 24 times a participant's average final monthly compensation at the date of death or 100 times a participant's monthly retirement income assuming retirement occurred on the date of death.

Disability Benefits: A participant that has two or more years credited service and becomes totally and permanently disabled to the extent that they are unable to engage in any reasonable occupation is entitled to a disability benefit. If granted, the pension benefit will be 2.6 percent of final average compensation multiplied by years of credited service, not to exceed thirty years of credited service, but in any event, the minimum benefit shall be 25 percent of average final compensation. Disability pension will be reduced by any workers' compensation and/or social security disability benefits such that the total does not exceed 100 percent of the disability pension benefit.

Cost of Living Increases (COLA): Prior to 2013, the KUA was required to the review every three years the status of all retirees who were receiving payments from the Plan for the purpose of considering an ad hoc increase in benefits. In determining the adjustment, if any, the KUA considered the actuarial soundness of the Plan as determined by the most recent actuarial valuation, the prevailing rate of inflation as reflected in the Consumer Price Index, and the recommendations of the Plan's Board of Trustees. The requirement to review the appropriateness of an ad hoc COLA every three years was removed from the authorizing resolution by the KUA in February 2013. Any future ad hoc COLA's would be based on the recommendation of the Plan's Board of Trustees and current market conditions.

Basis of Accounting: The accrual basis of accounting is used by the Plan. KUA contributions to the Plan, as calculated by the Plan's Actuary, are recognized as revenue when due and the KUA has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Custody of Assets: Custodial and certain investment services are provided to the Plan under contracts with a custodian having trust powers in the State of Florida. The Plan's investment policies are governed by investment objectives of the KUA and the Florida State Statutes. The KUA has outlined the investment guidelines in a Resolution. The Plan's Board of Trustees develops and adopts a written Investment Policy Statement (IPS) setting forth the goals and objectives of investments. The IPS is intended to complement the investment guidelines provided for in state statutes and the KUA resolution. Each investment manager has an applicable addendum to the Investment Policy that further compliments the objectives and guidelines contained in the IPS. The Plan's Board of Trustees reviews the IPS on an annual basis to determine whether any changes are necessary. Compliance with the IPS parameters is reviewed on a quarterly basis.

Authorized Plan Investments: The obligations of the Plan are long-term and the investment policy is geared toward performance and return over a numbers of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with a prudent investor rule and Chapter 112 of the Florida Statutes.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes and fixed income funds. In addition, the Plan requires assets be invested with no more than 70 percent in stocks and convertible securities measured at cost.

In addition, the Plan limits investment in common stock (equity investments) as follows:

a. No more than 5 percent at cost of an investment manager's portfolio may be invested in the common or capital stock of any single corporation.
b. The Plan's investment in the common stock of any single foreign corporation shall not exceed 25 percent of the Plan's total value.

The following was the Plan's adopted asset allocation policy as of September 30, 2018 and 2017 (same for both years):

Asset Class	Target Allocation	Range	Benchmark Index
Domestic Equity	50%	45% - 55%	Russell 3000
International Equity	15%	10% - 20%	MSCI-ACW-x U.S.
Broad Market Fixed Income	20%	15% - 35%	BA/ML Domestic Matter (1-10 Yr). "A" Rated and Above.
Treasury Inflation Protected Securities (TIPS) *	5%	0% - 7%	Barclays TIPS
Real Estate	5%	0% - 15%	ODCE
Alternatives*	5%	0% - 15%	TBD
	100%		

* Portfolio allocation and Total Fund Benchmark will default to "Broad Market Fixed Income" if these portfolios are not funded. Targets and ranges above are based on market value of total Plan Assets.

The annual money-weighted rate of return on plan investments, net of plan investment expense, was 10.24% and 13.68% for the years ended September 30, 2018 and 2017. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. For 2018, the inflation rate assumption of the investment advisor was 2.50%. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 and 2017 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return 2018
All Cap Value Equity	7.5%
Broad Growth Equity	7.5%
Foreign Equity Securities	8.5%
Broad Market Fixed Income	2.5%
Global Fixed Income	3.5%
Real Estate	4.5%

Asset Class	Long Term Expected Real Rate of Return 2017
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
TIPS	2.5%
Real Estate	4.5%
Alternatives	7.0%

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the KUA's contribution will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following is the long-term expected rate of return for September 30, 2018 and 2017:

2018	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
KUA's Net Pension Liability	$ 33,438,158	$ 19,932,513	$ 8,608,557

2017	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
KUA's Net Pension Liability	$ 35,993,459	$ 23,011,315	$ 12,126,782

Net Pension Liability: The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions applied to all measurement periods:

	2018	**2017**
Inflation	2.5%	2.5%
Salary Increases	6%	6%
Investment Rate of Return	7.75%	7.75%
Discount Rate	7.75%	7.75%

The measurement date is September 30, 2018. The measurement period for the pension expense and the reporting is October 1, 2017 to September 30, 2018.

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balances at September 30, 2017	$ 111,441,455	$ 88,430,141	$ 23,011,314
Changes for a Year:			
Service Cost	2,236,364	-	2,236,364
Interest	8,581,641	-	8,581,641
Differences between Expected & Actual Experience	(117,613)	-	(117,613)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	4,334,806	(4,334,806)
Contributions - Employee	-	304,627	(304,627)
Contributions - Buy Back	8,030	8,030	-
Net Investment Income	-	9,204,443	(9,204,443)
Benefit Payments, Including Refunds of Employee Contributions	(5,893,940)	(5,893,940)	-
Administrative Expense	-	(64,683)	64,682
Net Changes	4,814,482	7,893,284	(3,078,802)
Balances at September 30, 2018	$ 116,255,937	$ 96,323,425	$ 19,932,513

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2016	$ 105,381,448	$ 77,201,514	$ 28,179,934
Changes for a Year:			
Service Cost	2,153,285	-	2,153,285
Interest	8,139,836	-	8,139,836
Differences between Expected & Actual Experience	768,026	-	768,026
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	5,068,576	(5,068,576)
Contributions - Employee	-	297,597	(297,597)
Contributions - Buy Back	8,030	8,030	-
Net Investment Income	-	10,919,810	(10,919,810)
Benefit Payments, Including Refunds of Employee Contributions	(5,009,170)	(5,009,170)	-
Administrative Expense	-	(56,217)	56,216
Net Changes	6,060,007	11,228,627	(5,168,620)
Balances at September 30, 2017	$ 111,441,455	$ 88,430,141	$ 23,011,315

The major components of the net pension liability of the KUA on September 30, 2018 and 2017 were as follows:

	2018	2017
Total Pension Liability	$ 116,255,937	$ 111,441,455
Plan Fiduciary Net Position *	$ (96,323,424)	$ (88,430,140)
KUA's Net Pension Liability	$ 19,932,513	$ 23,011,315
Plan Fiduciary Net Position as a % of Total Pension Liability	82.85%	79.35%

* The Plan Net Position differs from the Actuarial Plan Position by an immaterial amount.

For the year ended September 30, 2018 and 2017, the KUA will recognize a pension expense of $3,070,582 and $3,853,160. On September 30, 2018 and 2017, KUA reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected & Actual Experience	839,967	331,506	1,183,148	474,828
Changes of Assumptions	222,162	82	444,324	123
Net difference between Projected & Actual Earning on Plan Investments	-	4,498,579	-	3,157,428
Total	$ 1,062,129	$ 4,830,167	$ 1,627,472	$ 3,632,379

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

	2018		2017	
	DOR	DIR	DOR	DIR
Year Ended September 30:				
2018	$ -	$ -	$ 406,868	$ 908,095
2019	$ 265,532	$ 1,207,542	$ 406,868	$ 908,095
2020	$ 265,532	$ 1,207,542	$ 406,868	$ 908,095
2021	$ 265,532	$ 1,207,542	$ 406,868	$ 908,094
2022	$ 265,533	$ 1,207,541	$ -	$ -
2023	$ -	$ -	$ -	$ -
Thereafter	$ -	$ -	$ -	$ -
Total	$ 1,062,129	$ 4,830,167	$ 1,627,472	$ 3,632,379

The other significant assumptions are based upon the most recent actuarial experience study dated July 13th, 2015, for the period 2008-2014.

Designations: A portion of the Plan's net position is designated for benefits that accrue in relation to the DROP accounts. Allocations to the DROP plan accounts for the year ended September 30, 2018 are $2,738,779 as determined in the most recent notification of DROP balances as prepared by the Plan's actuary.

Actuarial Cost Method: The Plan uses the Entry Age Normal Actuarial Cost Method for funding purposes. This method allocates future normal costs based on the earnings of each employee participant. Entry age is the employee's age nearest his birthday on October first following his employment. The unfunded actuarial accrued liability is not separately identified and is not, therefore, amortized under this actuarial method. Information about funded status and funding progress was prepared using the Entry Age Actuarial Cost Method and is intended to serve as a surrogate for the funded status and funding progress of the Plan.

Funding Policy: The KUA is obligated to fund all Plan costs based upon actuarial valuations in accordance with plan responsibilities. The KUA is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The KUA's contribution rate for the years ended September 30, 2018, 2017, and 2016, respectively, was 23.22%, 28.35%, and 28.68% of total annual payroll. The Plan had been a non-contributory Plan since 1986 and was changed to a tiered plan in April 2004. Employees currently have the option of contributing to the Plan. The employee contribution rate for the years ended September 30, 2018, 2017, and 2016, respectively, was 1.64%, 1.59%, and .90%., of total annual payroll. The employee contribution rates are actuarially determined and are reevaluated every three years.

The KUA used regulatory accounting to implement GASB 68.

Note 15 – Other Deferred Compensation Plans

Kissimmee Utility Authority established deferred compensation plans other than the retirement pension plan for the benefit of its employees. Section 457 plans pursuant to Federal Internal Revenue Code (IRC) are available for employees to voluntarily defer a portion of their wages. KUA established an IRC section 401(a) plan for employees prior to October 1, 1985 to voluntarily defer a portion of their wages. This plan is not available to anyone hired by KUA on or after October

1, 1985. KUA's President and General Manager solely participates in a separate IRC section 401(a) plan in lieu of participation in the retirement pension plan. All contributions to these plans come from participating employees.

Required supplementary information follows the notes to the financial statements.

Required Supplemental Information

Kissimmee Utility Authority's
Components Of OPEB
Fiscal Year Ending September 30, 2018

Schedule of changes in the sponsor's net OPEB liability and related ratios

Reporting Period Ending	09/30/2018	09/30/2017
Measurement Date	09/30/2018	09/30/2017
Total OPEB Liability		
Service Cost	$ 116,414	$ 109,825
Interest	127,476	122,016
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	(232,114)	-
Benefit Payments	(92,167)	(84,751)
Net Change in Total OPEB Liability	(80,391)	147,090
Total OPEB Liability - Beginning	3,431,343	3,284,253
Total OPEB Liability - Ending	$ 3,350,952	$ 3,431,343
Covered Employee Payroll	$ 18,582,494	$ 17,530,655
Sponsor's Total OPEB Liability as a percentage of Covered Employee Payroll	18.03%	19.57%

Notes to Schedule:

Changes of Assumptions. Changes of Assumptions and other inputs reflects the effects of changes in the discount rate each period. The following are the discount rates used in each period:

FY 2018	4.18%
FY 2017	3.64%

Kissimmee Utility Authority Employees' Retirement Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years

Total Pension Liability	**2018**	**2017**	**2016**	**2015**	**2014**
Service Cost	$ 2,236,364	$ 2,153,285	$ 2,108,098	$ 1,946,740	$ 1,923,754
Interest	8,581,641	8,139,836	7,701,067	7,539,096	7,120,003
Changes of Benefit Terms	-	-	251	-	-
Difference between Expected & Actual Experience	(117,613)	768,026	947,882	(1,187,068)	-
Changes of Assumptions	-	-	(204)	1,110,810	-
Contributions - Buy Back	8,030	8,030	8,605	60,468	-
Benefit Payments, Including Refunds of Employee Contributions	(5,893,940)	(5,009,170)	(5,289,022)	(3,714,459)	(3,941,703)
Net Change in Total Pension Liability	4,814,482	6,060,007	5,476,677	5,755,587	5,102,054
Total Pension Liability - Beginning	111,441,455	105,381,448	99,904,771	94,149,184	89,047,130
Total Pension Liability - Ending (a)	$ 116,255,937	$ 111,441,455	$ 105,381,448	$ 99,904,771	$ 94,149,184
Plan Fiduciary Net Position					
Contributions - Employer	$ 4,334,806	$ 5,068,576	$ 5,203,612	$ 4,735,674	$ 3,618,757
Contributions - Employee	304,627	297,597	164,006	111,814	123,663
Contributions - Buy Back	8,030	8,030	8,605	60,468	-
Net Investment Income	9,204,443	10,919,810	7,318,037	(138,816)	6,750,566
Benefit Payments including Refunds of Employee Contributions	(5,893,940)	(5,009,170)	(5,289,022)	(3,714,459)	(3,941,703)
Administrative Expense	(64,683)	(56,217)	(68,197)	(80,276)	(62,711)
Net Change in Plan Fiduciary Net Position	7,893,283	11,228,626	7,337,041	974,405	6,488,572
Plan Fiduciary Net Position - Beginning	88,430,141	77,201,514	69,864,473	68,890,068	62,401,496
Plan Fiduciary Net Position - Ending (b)	$ 96,323,424	$ 88,430,140	$ 77,201,514	$ 69,864,473	$ 68,890,068
Net Pension Liability - Ending (a) - (b)	$ 19,932,513	$ 23,011,315	$ 28,179,934	$ 30,040,298	$ 25,259,116
Plan Fiduciary Net Position as a % of the Total Pension Liability	82.85%	79.35%	73.26%	69.93%	73.17%
Covered Employee Payroll*	$ 18,665,630	$ 17,875,560	$ 18,144,502	$ 17,981,517	$ 16,198,556
Net Pension Liability as a % of covered Employee Payroll	106.79%	128.73%	155.31%	167.06%	155.93%

Notes to Schedule:
*The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP

Changes of Benefit Terms:

For measurement date 09/30/2016, amounts reported as changes of benefit terms were resulted from, effective June 18, 2016, an increase in the Member Contribution Rate for Tier 2 and Tier 3 participants as follows:
Tier 2: Increase Contribution Rate from 0.70% to 2.88%.
Tier 3: Increase Contribution Rate from 2.60% to 4.90%.

Changes of Assumptions:

For measurement date 09/30/2016, the inflation assumption was lowered from 3.0% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

Kissimmee Utility Authority Employees' Retirement Plan
Schedule of Contributions

	Last 10 Years				
	9/30/2018	**9/30/2017**	**9/30/2016**	**9/30/2015**	**9/30/2014**
Actuarially Determined Contributions	$ 4,604,811	$ 4,558,268	$ 4,817,365	$ 4,735,674	$ 3,618,757
Contributions in relation to the Actuarially Determined Contributions	$ 4,334,806	$ 5,068,576	$ 5,203,612	$ 4,735,674	$ 3,618,757
Contribution Deficiency (Excess)	$ 270,005	$ (510,308)	$ (386,247)	$ -	$ -
Covered Employee Payroll *	$ 18,665,630	$ 17,875,560	$ 18,144,502	$ 17,981,517	$ 16,198,556
Contributions as % of Covered Employee Payroll	23.22%	28.35%	28.68%	26.34%	22.34%

Notes to Schedule:

** The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.*

Valuation Date 10/1/2017

Actuarially determined contribution rates are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to determine contribution rates.

Mortality Rate: Healthy Active Lives: Mortality Table - RP2000 Generational with Scale BB, with collar and annuitant adjustments as follows:
Males - 50% Annuitant White Collar, 50% Annuitant Blue Collar.
Females - 100% Annuitant White Collar
Disabled Lives: Mortality Table - RP2000 without projections, with the following adjustments
Males - 100% Disabled Male with four year setback
Females - 100% Disabled Female with two year set forward.
The assumed rates of mortality are mandated by Chapter2015-157 Laws of Florida
This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2015 FRS valuation report for other than special risk employees. We feel this assumption sufficiently accommodates future mortality

Interest Rate: 7.75% per year compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Retirement Age: Age 62 and the completion of 10 year of service (date when age plus service equals 80 for Tier 2 Members). This is based on the results of an experience study for the period 2008-2014

Early Retirement: Commencing with the earliest Early Retirement Age (55 with 10 years of Credited Service). Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year. This is based on the results of an experience study for the period 2008-2014

Salary Increases: 6.0% per year for the first ten years of Credited Service, reducing to 3.5% per year for Credited Service greater than ten years. This is based on the results of an experience study for the period 2008-2014

Disability Rates: See table below. These disability rates are consistent with other non-special-risk Florida public pension plans.

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%
60	0.90%

Termination Rates: This is based on the results of an experience study for the period 2008 – 2014.

Tier	Normal Retirement Date (Age/Service)	Benefit Accrual Rate	Credited Service	Termination Probability
1	62/10	2.60%	Less than 10 years	8.5%
			10-14 years	7.0%
			15-19 Years	2.0%
			20 or more years	0.0%
2	Age Plus Svc. Equals 80	2.60%	Less than 10 years	5.5%
			10 or more years	3.0%
3	62/10	3.00%	Less than 10 years	5.5%
			10 or more years	3.0%

This is based on the results of an experience study for the period 2008 – 2014.

Payroll Growth: None for amortization of the Unfunded Actuarial Accrued Liability.

Funding Method: Entry Age Normal Actuarial Cost Method

Inflation Assumption: 2.5% for Internal Revenue Code 415 and 401(a)(17) benefit limits. This is consistent with long term inflation expected by the Plan's Investment Consultant.

Asset Valuation: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Kissimmee Utility Authority
Components of Pension Expense
Fiscal Year Ended September 30, 2018 & 2017

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning Balance as of 10/1/2016	$ 28,179,934	$ 2,942,220	$ 4,841,521	$ -
Total Pension Liability Factors:				
Service Cost	2,153,285	-	-	2,153,285
Interest	8,139,836	-	-	8,139,836
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	8,030	-	-	8,030
Differences between Expected and Actual Experience				-
with regard to economic or demographic assumptions	768,026	-	768,026	-
Current year amortization of experience difference	-	(237,414)	(343,183)	105,769
Change in assumptions about future economic or				-
demographic factors or other inputs	- -	-	-	-
Current year amortization of changes in assumptions	-	(41)	(222,162)	222,121
Benefit Payments	(5,009,170)	-	-	-
Net Change	6,060,007	(237,455)	202,681	10,629,041
Plan Fiduciary Net Position:				
Contributions - Employer	5,068,576	-	-	-
Contributions - Employee	297,597	-	-	(297,597)
Contributions - Buy Back	8,030	-	-	(8,030)
Net Investment Income	5,995,084	-	-	(5,995,084)
Differences between projected and actual earnings on				
Pension Plan investments	4,924,726	4,924,726	-	-
Current year amortization	-	(1,719,292)	(1,138,910)	(580,382)
Benefit Payments	(5,009,170)	-	-	-
Administrative Expenses	(56,217)	-	-	56,217
Investment Income Netted	-	(2,277,820)	(2,277,820)	-
Net Change	11,228,626	927,614	(3,416,730)	(6,824,876)
Ending Balance as of 9/30/2017	$ 23,011,315	$ 3,632,379	$ 1,627,472	$ 3,804,165

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning Balance as of 10/1/2017	$ 23,011,315	$ 5,910,199	$ 3,905,292	$ -
Total Pension Liability Factors:				
Service Cost	2,236,364	-	-	2,236,364
Interest	8,581,641	-	-	8,581,641
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	8,030	-	-	8,030
Differences between Expected and Actual Experience				-
with regard to economic or demographic assumptions	(117,613)	117,613	-	-
Current year amortization of experience difference	-	(260,935)	(343,181)	82,246
Change in assumptions about future economic or				-
demographic factors or other inputs	- -	-	-	-
Current year amortization of changes in assumptions	-	(41)	(222,162)	222,121
Benefit Payments	(5,893,940)	-	-	-
Net Change	4,814,482	(143,363)	(565,343)	11,130,402
Plan Fiduciary Net Position:				
Contributions - Employer	4,334,806	-	-	-
Contributions - Employee	304,627	-	-	(304,627)
Contributions - Buy Back	8,030	-	-	(8,030)
Net Investment Income	6,802,529	-	-	(6,802,529)
Differences between projected and actual earnings on				
Pension Plan investments	2,401,914	2,401,914	-	-
Current year amortization	-	(2,199,673)	(1,138,910)	(1,060,763)
Benefit Payments	(5,893,940)	-	-	-
Administrative Expenses	(64,682)	-	-	64,682
Investment Income Netted	-	(1,138,910)	(1,138,910)	-
Net Change	7,893,284	(936,669)	(2,277,820)	(8,111,267)
Ending Balance as of 9/30/2018	$ 19,932,513	$ 4,830,167	$ 1,062,129	$ 3,019,135

Kissimmee Utility Authority
Schedule of Investment Returns

Fiscal Year End	Annual Money-Weighted Rate of Return Net of Investment Expense
9/30/2018	10.24%
9/30/2017	13.68%
9/30/2016	10.13%
9/30/2015	-0.20%
9/30/2014	10.52%