

FLORIDA MUNICIPAL POWER AGENCY

Financial Statements

For The Fiscal Year Ended September 30, 2013

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Member Cities

- Alachua
- Bartow
- Bushnell
- Blountstown
- Chattahoochee
- Clewiston
- Fort Meade
- Fort Pierce
- Gainesville
- Green Cove Springs
- Havana
- Homestead
- Jacksonville Beach
- Key West
- Kissimmee
- Lake Worth
- Lakeland
- Leesburg
- Moore Haven
- Mount Dora
- New Smyrna Beach
- Newberry
- Ocala
- Orlando
- Quincy
- St. Cloud
- Starke
- Vero Beach
- Wauchula
- Williston
- Winter Park



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INDEPENDENT AUDITORS' REPORT

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT
(Continued)

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 and each major fund of the Agency, as of September 30, 2013, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note I to the financial statements, for the year ending September 30, 2013, the Agency adopted new accounting guidance as follows:

- Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements. The accompanying supplementary information listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Agency'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 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 Agency's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

January 10, 2014
Ocala, Florida

MANAGEMENT'S DISCUSSION & ANALYSIS

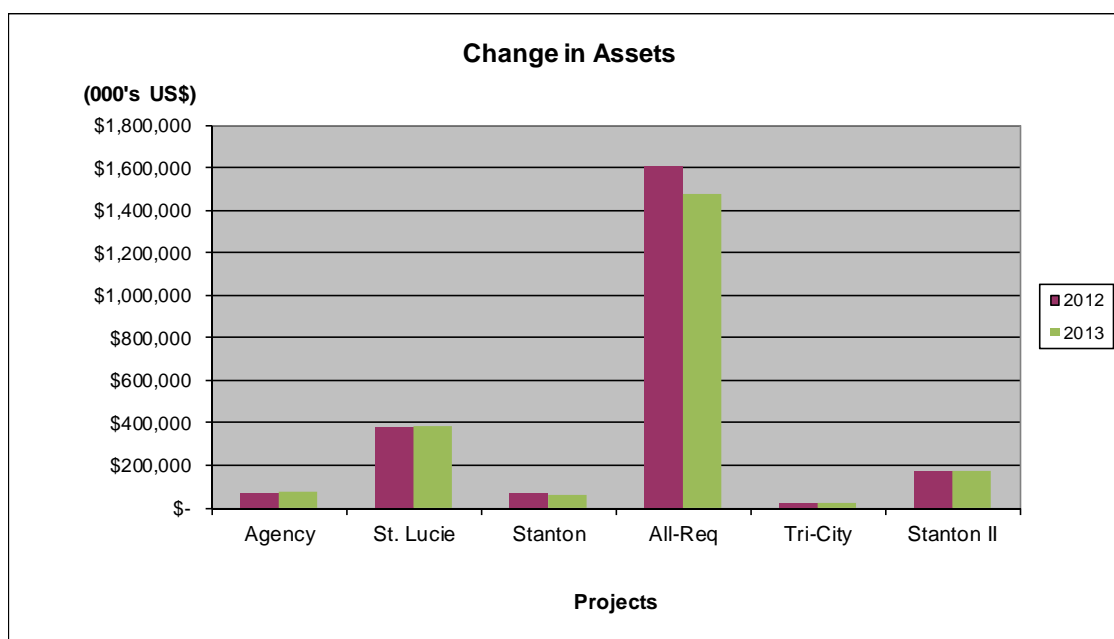
For Fiscal Year Ended September 30, 2013

This discussion and analysis is intended to serve as an introduction to Florida Municipal Power Agency's (FMPA's) basic financial statements, which are comprised of individual project or fund financial statements and the notes to those financial statements.

FMPA's financial statements are designed to provide readers with a broad overview of FMPA's financial condition in a manner similar to a private-sector business. It is important to note that, due to contractual arrangements which are the basis of each power project, no monies are shared among the projects.

FINANCIAL HIGHLIGHTS

Total Assets at September 30, 2013, of FMPA's Agency Fund and other projects decreased \$133.9 million from the prior year. The decreases are due to depreciation of plant assets of \$62.0 million and a reduction in the amounts due from participant billings of \$50.6 million.



Change in Assets (000's US\$)							
Year	Agency	St. Lucie	Stanton	All-Req	Tri-City	Stanton II	Total
2012	\$ 69,071	\$ 379,854	\$ 69,241	\$ 1,600,634	\$ 25,081	\$ 176,773	\$ 2,320,654
2013	\$ 73,495	\$ 382,651	\$ 60,556	\$ 1,476,149	\$ 20,858	\$ 173,042	\$ 2,186,751
Variance	\$4,424	\$2,797	(\$8,685)	(\$124,485)	(\$4,223)	(\$3,731)	(\$133,903)

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

FINANCIAL HIGHLIGHTS (CONTINUED)

Total Liabilities at September 30, 2013, for FMPA's Agency Fund and other projects decreased by \$191.9 million during the current fiscal year. The decrease in total liabilities was mainly due to the reduction in negative mark to market derivative instruments of \$97.2 million and \$30.0 million payoff on the All-Requirements line of credit. The Agency had an increase of \$4.6 million due mainly to the decommissioning trusts held for members and the increase in Rate Stabilization accounts held for members. The remaining projects showed a decline in liabilities.

Long-Term Liability balance outstanding at September 30, 2013, for FMPA's Agency Fund and Projects was \$2.1 billion, a decrease of \$174.3 million during the current fiscal year for reasons stated previously.

Long-Term Bonds balance, less current portion, was \$1.8 billion, including All-Requirements balance of \$1.2 billion.

Total Revenue for Agency and all projects increased by \$62.9 million for the current fiscal year, primarily due to the All-Requirements investment income increasing \$67.2 million from mark to market gains in the swaps.

Comparative years' Assets, Liabilities and Net Position, as well as Revenues, Expenses are summarized on the following pages.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

FINANCIAL HIGHLIGHTS (CONTINUED)

Statement of Net Position Proprietary funds September 30, 2013 (000's US\$)

2013	Business-Type Activities- Proprietary Funds						Totals
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	
Assets:							
Capital Assets, Net	\$ 2,665	\$ 103,963	\$ 33,811	\$ 912,545	\$ 13,405	\$ 107,030	\$ 1,173,419
Current Unrestricted Assets	16,537	89,005	22,955	243,238	5,263	48,664	425,662
Non-Current Restricted Assets	53,555	122,730	3,790	52,933	2,190	12,945	248,143
Other Non Current Assets	738	66,953	-	267,433	-	4,403	339,527
Deferred Outflows of Resources	-	49,446	757	13,660	936	20,667	85,466
Total Assets & Deferred Outflows	\$ 73,495	\$ 432,097	\$ 61,313	\$ 1,489,809	\$ 21,794	\$ 193,709	\$ 2,272,217
Liabilities:							
Long-Term Liabilities	\$ 56,599	\$ 418,156	\$ 45,564	\$ 1,352,328	\$ 18,696	\$ 179,960	\$ 2,071,303
Current Liabilities	1,891	13,941	6,139	137,481	1,762	13,749	174,963
Deferred Inflows of Resources	-	-	9,610	-	1,336	-	10,946
Total Liabilities & Deferred Inflows	\$ 58,490	\$ 432,097	\$ 61,313	\$ 1,489,809	\$ 21,794	\$ 193,709	\$ 2,257,212
Net Position:							
Invested in capital assets, Net	\$ 1,485	\$ (186,086)	\$ (13,517)	\$ (304,854)	\$ (4,220)	\$ (46,956)	\$ (554,148)
Restricted	-	67,453	6,190	55,770	2,012	20,101	151,526
Unrestricted	13,520	118,633	7,327	249,084	2,208	26,855	417,627
Total Net Position	\$ 15,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,005

Statement of Net Position Proprietary funds September 30, 2012 (000's US\$)

2012	Business-Type Activities- Proprietary Funds						Totals
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	
Assets:							
Capital Assets, Net	\$ 2,924	\$ 114,529	\$ 35,124	\$ 956,182	\$ 13,969	\$ 108,648	\$ 1,231,376
Current Unrestricted Assets	16,427	83,547	26,501	264,982	7,686	39,186	438,329
Non-Current Restricted Assets	49,059	124,572	7,616	48,352	3,426	16,777	249,802
Other Non Current Assets	661	57,206	-	331,118	-	12,162	401,147
Deferred Outflows of Resources	-	63,486	964	41,363	1,748	28,122	135,683
Total Assets & Deferred Outflows	\$ 69,071	\$ 443,340	\$ 70,205	\$ 1,641,997	\$ 26,829	\$ 204,895	\$ 2,456,337
Liabilities:							
Long-Term Liabilities	\$ 51,867	\$ 432,430	\$ 54,702	\$ 1,483,283	\$ 25,802	\$ 197,417	\$ 2,245,501
Current Liabilities	2,001	10,910	9,584	158,714	3,944	7,478	192,631
Deferred Inflows of Resources	-	-	5,919	-	83	-	6,002
Total Liabilities & Deferred Inflows	\$ 53,868	\$ 443,340	\$ 70,205	\$ 1,641,997	\$ 29,829	\$ 204,895	\$ 2,444,134
Net Position:							
Invested in capital assets, Net	\$ 1,576	\$ (230,762)	\$ (25,632)	\$ (312,592)	\$ (11,494)	\$ (70,393)	\$ (571,694)
Restricted	-	71,963	13,555	58,334	6,046	17,148	167,046
Unrestricted	13,627	158,799	12,077	254,258	5,448	53,245	419,851
Total Net Position	\$ 15,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,203

* Restated due to change in accounting principal GASB #65.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For Fiscal Year Ended September 30, 2013 (000's US\$)

2013	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:							
Billings to participants	\$ 12,528	\$ 47,446	\$ 23,745	\$ 478,321	\$ 9,662	\$ 50,047	\$ 621,749
Sales to others	3	2,568	430	7,960	143	711	11,815
Amounts to be recovered from (refunded to) participants		(3,784)	(915)	(4,708)	(683)	245	(9,845)
Investment Income (loss)	34	3,832	(164)	54,494	(54)	(450)	57,692
Total Revenue	\$ 12,565	\$ 50,062	\$ 23,096	\$ 536,067	\$ 9,068	\$ 50,553	\$ 681,411
Expenses:							
Operation, maintenance & Nuclear Fuel Amortization	\$ -	\$ 13,011	\$ 3,545	\$ 59,802	\$ 1,269	\$ 5,337	\$ 82,964
Purchased power, Transmission & Fuel Costs		5,662	9,284	296,518	3,551	24,174	339,189
Administrative & General	12,459	2,633	1,184	21,463	659	1,698	40,096
Depreciation & Decommissioning	259	23,465	2,526	53,877	998	4,855	85,980
Interest & Amortization	45	15,109	2,938	62,770	1,375	6,892	89,129
Total Expense	\$ 12,763	\$ 59,880	\$ 19,477	\$ 494,430	\$ 7,852	\$ 42,956	\$ 637,358
Change in net position before regulatory asset adjustment	\$ (198)	\$ (9,818)	\$ 3,619	\$ 41,637	\$ 1,216	\$ 7,597	\$ 44,053
Net cost recoverable from future regulatory asset adjustment		9,818	(3,619)	(41,637)	(1,216)	(7,597)	(44,251)
Change in Net Position After Regulatory Adj	\$ (198)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (198)
Net position at beginning of year	15,203						15,203
Net position at end of year	\$ 15,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,005

Statements of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For Fiscal Year Ended September 30, 2012 (000's US\$)

2012	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:							
Billings to participants	\$ 12,316	\$ 44,207	\$ 25,579	\$ 435,812	\$ 10,490	\$ 44,184	\$ 572,588
Sales to others		2,015	394	14,068	141	618	17,236
Amounts to be recovered from (refunded to) participants		(1,871)	(200)	22,211	(128)	409	20,421
Investment Income (loss)	160	18,373	962	(12,695)	197	1,260	8,257
Total Revenue	\$ 12,476	\$ 62,724	\$ 26,735	\$ 459,396	\$ 10,700	\$ 46,471	\$ 618,502
Expenses:							
Operation, maintenance & Nuclear Fuel Amortization	\$ -	\$ 14,433	\$ 4,025	\$ 59,511	\$ 1,440	\$ 6,927	\$ 86,336
Purchased power, Transmission & Fuel Costs		2,289	9,931	279,830	3,659	23,049	318,758
Administrative & General	12,010	3,389	1,154	20,528	651	1,785	39,517
Depreciation & Decommissioning	248	19,571	2,363	55,250	942	4,718	83,092
Interest & Amortization	62	15,207	3,236	65,238	1,464	8,189	93,395
Total Expense	\$ 12,320	\$ 54,889	\$ 20,709	\$ 480,357	\$ 8,156	\$ 44,668	\$ 621,098
Change in net position before regulatory asset adjustment	\$ 156	\$ 7,835	\$ 6,026	\$ (20,961)	\$ 2,544	\$ 1,803	\$ (2,596)
Net cost recoverable from future regulatory asset adjustment		(7,835)	(6,026)	20,961	(2,544)	(1,803)	2,753
Change in Net Position After Regulatory Adj	\$ 156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156
Net position at beginning of year	15,047						15,047
Net position at end of year	\$ 15,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,203

* Restated due to change in accounting principal GASB #65.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to FMPA's basic financial statements, which are comprised of two components: (1) individual project or fund financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FMPA's **Entity-Wide Financial Statements** are designed to provide readers with a broad overview of FMPA's finances in a manner similar to a private-sector business. It is very important to note that, due to contractual arrangements that are the basis of each power project, no monies can be shared among projects.

The cash flow of one power project, although presented with all others in the financial statement presentation as required by financial reporting requirements, cannot and should not be considered available for any other project. Management encourages readers of this report, when evaluating the financial condition of FMPA, to remember that each power project or fund is a stand-alone entity.

The **Statements of Net Position** presents information on all of FMPA's assets and liabilities with the differences between the two reported as Net Position. As a result of a decision by the governing bodies of FMPA, billings and revenues in excess (deficient) of actual costs are returned to (collected from) the participants in the form of billing credits (charges). The assets within the Agency Fund represent those required for staff operations, which coordinate all of the power projects described herein. Restricted Cash and Investments in the Agency Fund were held in trust for Crystal River Unit 3 participants (for nuclear decommissioning), and for individual members (rate stabilization).

The **Statements of Revenues, Expenses and Changes in Fund Net Position** present information regarding how FMPA's net position has changed during the fiscal year ended September 30, 2013. All changes in net position are reported as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses that are reported in these statements for some items will only result in cash flows in future fiscal periods, such as unrealized gains or losses from investment activities, uncollected billings and earned but unused vacation.

The **Statements of Cash Flows** provide information about FMPA's Agency Fund and each project's cash receipts and disbursements during the fiscal year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

All of the activities of FMPA are of a business type, as compared to governmental activities. FMPA has no component units to report. The Financial Statements can be found on pages 14 through 16 of this report.

The **Fund Financial Statements** are comprised of a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. FMPA, like governments and other special agencies or districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of FMPA are reported on the proprietary basis.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

FMPA maintains only one type of **Proprietary Fund**, the Enterprise Fund type. Enterprise Funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for all of its power projects, as well as the Agency business operations. Each of the funds is considered a "major fund" according to specific accounting rules. A summary of FMPA's activities for years 2013 and 2012 is shown on pages 6 and 7. A more detailed version of the major fund proprietary financial statements can be found on pages 14 through 16 of this report.

The **Notes to Financial Statements** provide additional information that is essential to understanding the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 17 through 55 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, when readers use the financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists among the projects. Nevertheless, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each fund and project. For example, total billings to participants increased \$49.2 million due to higher demand charges. The Agency Fund, St. Lucie, Stanton II Project and All-Requirements Project had billings to participants increase during 2013. Billings to participants decreased for Stanton and Tri-City due to decreased utilization of the plant.

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS

FMPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements. The projects and funds are presented below and in the financial statements in the order in which they were established.

The **Agency Fund** accounts for the administrative activities of FMPA. The expenses incurred while operating the projects and administrative activities are allocated to the power projects, net of any miscellaneous receipts. Total General and Administrative expenses increased \$449,000 from fiscal year 2012 to fiscal year 2013.

On September 30, 2013, long-term notes payable debt was \$1.0 million, which is accounted for in the FMPA Agency Fund and represents the Loan outstanding for the Agency's office building.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS (CONTINUED)

The **St. Lucie Project** consists of an 8.806% undivided ownership interest in St. Lucie Unit 2. This unit is a nuclear power plant primarily owned and operated by Florida Power & Light (FPL). FPL requested and received a 20-year extension of the operating license from the Nuclear Regulatory Commission (NRC) for Units 1 and 2. The license will allow Unit 1 to operate until 2035 and Unit 2 to operate until 2043.

The Project billed 676,974 Megawatt-hours (MWh) in fiscal year 2013. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, decreased 31% to \$70.09 in fiscal year 2013. This was due to increased capacity utilization in 2013, as Unit 2's capacity improvement project was completed and the unit was returned to service.

The **Stanton Project** derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 425 Megawatt coal-fired power plant operated by its primary owner, Orlando Utilities Commission (OUC).

The Project billed 180,203 MWh in fiscal year 2013. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses increased 9% to \$131.77 per MWh in fiscal year 2013 resulting from decisions to use natural gas fired power plants which were more economical.

The **All-Requirements Project** (ARP) consists of 14 active participants. The ARP energy resources are part of the Florida Municipal Power Pool (FMPP), a consortium of three municipal energy suppliers - ARP, Lakeland Electric and OUC - which have agreed to dispatch resources on an economic cost and availability basis in order to meet combined loads. The average billed rate to ARP member cities was \$90.36 per MWh in fiscal year 2013, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2013 were 5,293,772.

Billings to ARP participants in fiscal year 2013 were 10% higher, increasing from \$436 million to \$478 million. The increase was primarily due to the increased price of natural gas for fiscal year 2013.

The All-Requirements participant net cost of power increased to \$89.47 per MWh in fiscal year 2013, a 6% increase from fiscal year 2012. This increase was primarily due to costs associated with contracted natural gas supply. Purchased Power expenses increased \$13.5 million, a 54% increase from the prior year. The fuel supply mix was 85.6% for natural gas, 11.4% for coal, 2.5% for contracts and 0.5% for renewables.

After consideration of amounts to be refunded to or recovered from Project participants, the net position of the All-Requirements Project was zero (by design) again in fiscal year 2013. The All-Requirements project adjusts the Demand, Energy, and Transmission rates each month based on the current expenses, estimated future expenses, and over/under collections to meet its 60-day cash target. The over/under collection amounts are shown in the Statements of Revenues, Expenses and Changes in Fund Net Position as an addition or reduction to "Billings to Participants" and as "Due from Participants" or "Due to Participants" in the accompanying Statement of Net Position.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS (CONTINUED)

The **Tri-City Project** consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed 66,150 MWh in fiscal year 2013. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 11% to \$146.06 per MWh during fiscal year 2013 resulting from decisions to use natural gas fired power plants which were more economical.

The **Stanton II Project** consists of a 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant operated by its primary owner; Orlando Utilities Commission (OUC). The Project billed 498,856 MWh in fiscal year 2013. The average all-inclusive billing rate, which includes budgeted Demand, Energy, and Transmission expenses, increased by 17% to \$100.32 per MWh in fiscal year 2013. This was caused by less capacity utilization in 2013.

BUDGETARY HIGHLIGHTS

The FMPA Board of Directors approves the non All-Requirements Project budgets, and the Executive Committee approves the Agency and All-Requirements Project budgets, establishing legal boundaries for expenditures. For fiscal year 2013, the St Lucie budget was amended late in the fiscal year to increase the expenditure budget by \$200 thousand because of anticipated higher reliability & exchange expenses. Actual results for the fiscal year fell within the original budget amount.

CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets**, as of September 30, 2013, was \$1.2 billion, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes operational and construction projects in progress of generation facilities, transmission systems, land, buildings, improvements, and machinery and equipment.

FMPA's investment in capital assets for fiscal year 2013 decreased by 4.7% or \$58.0 million. This was caused primarily by depreciation of plant assets.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

At September 30, 2013, FMPA had **Long-Term Debt** of \$1.8 billion in notes, loans and bonds payable. The remaining principal payments on long-term debt less current portion, net of unamortized premium and discount, and deferred outflows are as follows:

Project	Amount (000's US\$)
Agency Fund	\$ 1,005
St. Lucie Project	334,657
Stanton Project	45,564
All-Requirements Project	1,217,422
Tri-City Project	18,696
Stanton II Project	167,307
Total	<u>\$ 1,784,651</u>

See **Note VIII** to the Notes to Financial Statements for further information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2014 budget. Expenses were estimated using current market conditions for fuel and estimated member loads which take into consideration the member cities' economies that have shown varying impacts on loads in both demand and energy due to the current economic down turn. Rates are set in order to cover all costs and based on the member loads. Additionally, All-Requirements rates are adjusted monthly to maintain cash at a 60 day target as approved by the Executive Committee.

SIGNIFICANT EVENTS

None to Report.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2013

INTEREST ARBITRAGE AND REBATE

As a result of lower interest rates on outstanding debt in contrast to higher yields on investments, the Agency has the following remaining potential arbitrage rebate liabilities as of September 30, 2013:

<u>Project</u>	<u>Amount (000's US\$)</u>
St. Lucie Project	\$ -
Stanton Project	1
All-Requirements Project	21
Tri-City Project	49
Stanton II Project	534
Total	<u>\$ 605</u>

See **Note XIV** in the Notes to Financial Statements for further information regarding the arbitrage rebate liabilities.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the *Assistant General Manager, Finance and Information Technology, and CFO, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.*

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2013

(000's US\$)

ASSETS & DEFERRED OUTFLOWS	Business-Type Activities						Totals
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	
Current Assets:							
Cash and cash equivalents	\$ 3,289	\$ 8,985	\$ 2,801	\$ 74,489	\$ 1,584	\$ 8,228	\$ 99,376
Investments	10,850	68,190	11,386	20,000	1,450	22,273	134,149
Participant accounts receivable	1,864	2,058	2,682	39,528	1,053	2,940	50,125
Due from Participants						245	245
Fuel stock and material inventory			2,557	47,854	794	3,213	54,418
Other current assets	534	256	88	5,214	14	204	6,310
Restricted assets available for current liabilities		9,516	3,441	56,153	368	11,561	81,039
Total Current Assets	\$ 16,537	\$ 89,005	\$ 22,955	\$ 243,238	\$ 5,263	\$ 48,664	\$ 425,662
Non-Current Assets:							
Restricted Assets:							
Cash and cash equivalents	\$ 35,607	\$ 10,599	\$ 3,287	\$ 68,713	\$ 1,154	\$ 16,563	\$ 135,923
Investments	17,930	121,466	3,909	40,171	1,396	7,928	192,800
Accrued Interest	18	181	35	202	8	15	459
Less: Portion Classified as Current		(9,516)	(3,441)	(56,153)	(368)	(11,561)	(81,039)
Total Restricted Assets	\$ 53,555	\$ 122,730	\$ 3,790	\$ 52,933	\$ 2,190	\$ 12,945	\$ 248,143
Utility Plant:							
Electric plant	\$ -	\$ 268,481	\$ 80,717	\$ 1,232,407	\$ 32,672	\$ 185,949	\$ 1,800,226
General plant	6,805	23,008	17	4,028	20	90	33,968
Less accumulated depreciation and amortization	(4,140)	(188,544)	(46,923)	(323,890)	(19,287)	(79,009)	(661,793)
Net utility plant	\$ 2,665	\$ 102,945	\$ 33,811	\$ 912,545	\$ 13,405	\$ 107,030	\$ 1,172,401
Construction work in progress		1,018					1,018
Total Utility Plant, net	\$ 2,665	\$ 103,963	\$ 33,811	\$ 912,545	\$ 13,405	\$ 107,030	\$ 1,173,419
Other Assets:							
Net costs recoverable from future participant billings	\$ 738	\$ 66,541	\$ -	\$ 178,460	\$ -	\$ 4,403	\$ 250,142
Prepaid natural Gas - PGP				88,973			88,973
Other		412					412
Total Other Assets	\$ 738	\$ 66,953	\$ -	\$ 267,433	\$ -	\$ 4,403	\$ 339,527
Total Assets	\$ 73,495	\$ 382,651	\$ 60,556	\$ 1,476,149	\$ 20,858	\$ 173,042	\$ 2,186,751
Deferred Outflows of Resources							
Deferred Outflows from Derivatives	\$ -	\$ 22,972	\$ -	\$ 6,981	\$ -	\$ 12,653	\$ 42,606
Unamortized Loss on Advanced Refunding		26,474	757	6,679	936	8,014	42,860
Total Deferred Outflows	\$ -	\$ 49,446	\$ 757	\$ 13,660	\$ 936	\$ 20,667	\$ 85,466
Total Assets & Deferred Outflows	\$ 73,495	\$ 432,097	\$ 61,313	\$ 1,489,809	\$ 21,794	\$ 193,709	\$ 2,272,217
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Payable from unrestricted assets:							
Accounts payable & Accrued Liabilities	\$ 1,716	\$ 641	\$ 1,662	\$ 37,078	\$ 668	\$ 1,998	\$ 43,763
Due to Participants		3,784	915	33,450	683		38,832
Capital Lease and other Obligations	175		121	10,800	43	190	11,329
Total Current Liabilities Payable from Unrestricted Assets	\$ 1,891	\$ 4,425	\$ 2,698	\$ 81,328	\$ 1,394	\$ 2,188	\$ 93,924
Payable from Restricted Assets:							
Current portion of long-term revenue bonds	\$ -	\$ 5,250	\$ 2,400	\$ 34,660	\$ 290	\$ 9,200	\$ 51,800
Accrued interest on long-term debt		4,266	1,041	21,493	78	2,361	29,239
Total Current Liabilities Payable from Restricted Assets	\$ -	\$ 9,516	\$ 3,441	\$ 56,153	\$ 368	\$ 11,561	\$ 81,039
Total Current Liabilities	\$ 1,891	\$ 13,941	\$ 6,139	\$ 137,481	\$ 1,762	\$ 13,749	\$ 174,963
Long-Term Liabilities Payable from Restricted Assets:							
Held in Trust for Decommissioning	\$ 34,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,226
Held in Trust for Rate Stabilization	19,329						19,329
Accrued Decommissioning Liability		60,527					60,527
Total Liabilities Payable from Restricted Assets	\$ 53,555	\$ 60,527	\$ -	\$ -	\$ -	\$ -	\$ 114,082
Long-Term Liabilities Less Current Portion:							
Long-term debt	\$ 1,005	\$ 334,657	\$ 45,564	\$ 1,217,422	\$ 18,696	\$ 167,307	\$ 1,784,651
Employee Related Obligations	2,039						2,039
Advances from Participants				20,967			20,967
FMV Derivative Instruments		22,972		113,939		12,653	149,564
Total Long-Term Liabilities	\$ 3,044	\$ 357,629	\$ 45,564	\$ 1,352,328	\$ 18,696	\$ 179,960	\$ 1,957,221
Deferred Inflows of Resources							
Due to Participants (Regulatory Credit)	-	-	9,610	-	1,336	-	10,946
Total Long-Term Liabilities & Deferred Inflows	\$ 3,044	\$ 357,629	\$ 55,174	\$ 1,352,328	\$ 20,032	\$ 179,960	\$ 1,968,167
Total Liabilities and Deferred Inflows	\$ 58,490	\$ 432,097	\$ 61,313	\$ 1,489,809	\$ 21,794	\$ 193,709	\$ 2,257,212
Net Position:							
Net Invested in Capital Assets	\$ 1,485	\$ (186,086)	\$ (13,517)	\$ (304,854)	\$ (4,220)	\$ (46,956)	\$ (554,148)
Restricted		67,453	6,190	55,770	2,012	20,101	151,526
Unrestricted	13,520	118,633	7,327	249,084	2,208	26,855	417,627
Total Net Position	\$ 15,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,005

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2013
(000's US\$)

	Business-Type Activities						Totals
	Agency Fund	St. Lucie Project	Stanton Project	All- Requirements Project	Tri-City Project	Stanton II Project	
Operating Revenue:							
Billings to participants	\$ 12,528	\$ 47,446	\$ 23,745	\$ 478,321	\$ 9,662	\$ 50,047	\$ 621,749
Sales to others	3	2,568	430	7,960	143	711	11,815
Amounts to be recovered from (refunded to) participants		(3,784)	(915)	(4,708)	(683)	245	(9,845)
Total Operating Revenue	<u>\$ 12,531</u>	<u>\$ 46,230</u>	<u>\$ 23,260</u>	<u>\$ 481,573</u>	<u>\$ 9,122</u>	<u>\$ 51,003</u>	<u>\$ 623,719</u>
Operating Expenses:							
Operation and maintenance	\$ -	\$ 9,529	\$ 3,545	\$ 59,802	\$ 1,269	\$ 5,337	\$ 79,482
Fuel expense			8,061	230,847	3,062	22,328	264,298
Nuclear fuel amortization		3,482					3,482
Spent fuel fees		875					875
Purchased power		4,176		38,327			42,503
Transmission services		611	1,223	27,344		1,846	31,513
General and administrative	12,459	2,633	1,184	21,463	659	1,698	40,096
Depreciation and amortization	259	19,904	2,526	53,877	998	4,855	82,419
Decommissioning		3,561					3,561
Total Operating Expense	<u>\$ 12,718</u>	<u>\$ 44,771</u>	<u>\$ 16,539</u>	<u>\$ 431,660</u>	<u>\$ 6,477</u>	<u>\$ 36,064</u>	<u>\$ 548,229</u>
Total Operating Income (Loss)	<u>\$ (187)</u>	<u>\$ 1,459</u>	<u>\$ 6,721</u>	<u>\$ 49,913</u>	<u>\$ 2,645</u>	<u>\$ 14,939</u>	<u>\$ 75,490</u>
Non-Operating Income (Expense):							
Interest expense	\$ (45)	\$ (15,020)	\$ (2,866)	\$ (62,739)	\$ (1,318)	\$ (6,858)	\$ (88,846)
Debt issue costs		(89)	(72)	(31)	(57)	(34)	(283)
Investment earnings	34	3,832	(164)	65	(54)	(450)	3,263
Gain on ineffective swaps				51,511			51,511
Amortization of swap terminations				2,918			2,918
Total Non-Operating Income (Expenses)	<u>\$ (11)</u>	<u>\$ (11,277)</u>	<u>\$ (3,102)</u>	<u>\$ (8,276)</u>	<u>\$ (1,429)</u>	<u>\$ (7,342)</u>	<u>\$ (31,437)</u>
Change in net assets before regulatory asset adjustment	\$ (198)	\$ (9,818)	\$ 3,619	\$ 41,637	\$ 1,216	\$ 7,597	\$ 44,053
Net cost recoverable from future participant billings	<u>\$</u>	<u>\$ 9,818</u>	<u>\$ (3,619)</u>	<u>\$ (41,637)</u>	<u>\$ (1,216)</u>	<u>\$ (7,597)</u>	<u>\$ (44,251)</u>
Change in Net Position After Regulatory Adj	\$ (198)	\$	\$	\$	\$	\$	\$ (198)
Net Position at beginning of year	15,203						15,203
Net Position at end of year	<u>\$ 15,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,005</u>

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

September 30, 2013

(000's US\$)

	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Cash Flows From Operating Activities:							
Cash Received From Customers	\$ 13,366	\$ 46,894	\$ 23,219	\$ 422,024	\$ 9,230	\$ 52,471	\$ 567,204
Cash Paid to Suppliers	(5,711)	(15,745)	(14,809)	(357,585)	(5,318)	(32,225)	(431,393)
Cash Paid to Employees	(6,404)						(6,404)
Net Cash Provided by (Used in) Operating Activities	\$ 1,251	\$ 31,149	\$ 8,410	\$ 64,439	\$ 3,912	\$ 20,246	\$ 129,407
Cash Flows From Investing Activities:							
Proceeds From Sales and Maturities Of Investments	\$ 20,823	\$ 577,843	\$ 32,549	\$ 343,109	\$ 29,279	\$ 50,440	\$ 1,054,043
Crystal River 3 Decommissioning, RSA Deposits and Interest Earnings	4,496						4,496
Purchases of Investments	(26,331)	(594,213)	(28,970)	(281,250)	(27,335)	(55,069)	(1,013,168)
Income received on Investments	123	9,357	632	4,122	169	499	14,902
Net Cash Provided by (Used in) Investment Activities	\$ (889)	\$ (7,013)	\$ 4,211	\$ 65,981	\$ 2,113	\$ (4,130)	\$ 60,273
Cash Flows From Capital & Related Financing Activities:							
Proceeds from Issuance of Bonds & Loans	\$ -	\$ -	\$ 7,175	\$ 15,000	\$ 16,460	\$ -	\$ 38,635
Debt Issuance Costs		(89)	(72)	(31)	(57)	(34)	(283)
Capital Expenditures - Utility Plant		(12,820)	(1,213)	(9,328)	(434)	(3,237)	(27,032)
Long Term Gas Pre Pay - PGP				(4,670)			(4,670)
Principal Payments - Long Term Debt	(170)	(5,585)	(19,965)	(43,416)	(22,346)	(5,881)	(97,363)
Line of Credit Payments				(30,000)			(30,000)
Interest paid on Debt	(35)	(12,224)	(3,189)	(62,519)	(1,520)	(5,682)	(85,169)
Net Cash Provided (Used in) Capital & Related Financing Activities	\$ (205)	\$ (30,718)	\$ (17,264)	\$ (134,964)	\$ (7,897)	\$ (14,834)	\$ (205,882)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 157	\$ (6,582)	\$ (4,643)	\$ (4,544)	\$ (1,872)	\$ 1,282	\$ (16,202)
Cash and Cash Equivalents - Beginning	38,739	26,166	10,731	147,746	4,610	23,509	251,501
Cash and Cash Equivalents - Ending	\$ 38,896	\$ 19,584	\$ 6,088	\$ 143,202	\$ 2,738	\$ 24,791	\$ 235,299
Consisting of:							
Unrestricted	\$ 3,289	\$ 8,985	\$ 2,801	\$ 74,489	\$ 1,584	\$ 8,228	\$ 99,376
Restricted	35,607	10,599	3,287	68,713	1,154	16,563	135,923
Total	\$ 38,896	\$ 19,584	\$ 6,088	\$ 143,202	\$ 2,738	\$ 24,791	\$ 235,299
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Loss)	\$ (187)	\$ 1,459	\$ 6,721	\$ 49,913	\$ 2,645	\$ 14,939	\$ 75,490
Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:							
Depreciation	259	19,904	2,526	53,877	998	4,855	82,419
Asset Retirement Costs				(912)			(912)
Decommissioning		3,561					3,561
Amortization of Nuclear Fuel		3,482					3,482
Amortization of Pre Paid Gas - PGP				9,226			9,226
Changes in Assets and Liabilities Which Provided (Used) Cash:							
Inventory			(1,529)	1,455	(448)	(1,998)	(2,520)
Receivables From (Payable to) Participants	912	593	(113)	(3,617)	71	1,306	(848)
Prepays	58	54	(4)	3,294	(3)	8	3,407
Accounts Payable and Accrued Expense	286	221	168	2,754	90	1,170	4,689
Other Deferred Costs	(77)	1,875	641	(51,551)	559	(34)	(48,587)
Net Cash Provided By (Used In) Operating Activities	\$ 1,251	\$ 31,149	\$ 8,410	\$ 64,439	\$ 3,912	\$ 20,246	\$ 129,407
Noncash Investing, capital and financing activities:							
Increase (Decrease) in mark to market values							
Non-Trust Investments	\$ (107)	\$ (5,490)	\$ (761)	\$ (1,082)	\$ (197)	\$ (933)	\$ (8,570)
Interest Rate Derivative Contracts				51,511			51,511
Change in Effective Swaps		11,146		26,411		6,275	43,832

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies

A. Reporting Entity

Florida Municipal Power Agency (FMPA or Agency) was created on February 24, 1978, pursuant to the terms of an Interlocal Agreement signed by the governing bodies of 25 Florida municipal corporations or utility commissions chartered by the State of Florida.

The Florida Interlocal Cooperation Act of 1969 authorizes local government units to enter together into mutually advantageous agreements which create separate legal entities for certain specified purposes. FMPA, as one such entity, was authorized under the Florida Interlocal Cooperation Act and the Joint Power Act to finance, acquire, construct, manage, operate or own electric power projects or to accomplish these same purposes jointly with other public or private utilities. An amendment to the Florida Interlocal Cooperation Act in 1985 and an amendment to the Interlocal Agreement in 1986 authorized FMPA to implement a pooled financing or borrowing program for electric, water, wastewater, waste refuse disposal or gas projects for FMPA and its members. FMPA established itself as a project-oriented agency.

This structure allows each member the option of whether to participate in a project, to participate in more than one project, or not to participate in any project. Each of the projects are independent from the other and the project bond resolutions specify that no revenues or funds from one project can be used to pay the costs of any other project. As of September 30, 2013, FMPA has 31 members.

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

The Agency Fund and each of the projects are maintained using the Uniform Governmental Accounting Standards Board (GASB), the System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Generally Accepted Accounting Principles of the United States (GAAP) using the economic resources measurement focus and the accrual basis of accounting. Application of the accounting methods for regulatory operations is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is governed by the Executive Committee and the Board of Directors.

The Agency's General Bond Resolution requires that its rate structure be designed to produce revenues sufficient to pay operating, debt service and other specified costs. The Agency's Board of Directors, which is comprised of one representative from each member city, and Executive Committee, which is comprised of one representative from each of the active All-Requirements Project members, are responsible for reviewing and approving the rate structure. The application of a given rate structure to a given period's electricity sales may produce revenues not intended to pay that period's costs and conversely, that period's costs may not be intended to be recovered in that period's revenues. The affected revenues and/or costs are, in such cases, deferred for future recognition. The recognition of deferred items is correlated with specific future events, primarily payment of debt principal.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

FMPA considers electric revenues and costs that are directly related to generation, purchases, transmission and distribution of electricity to be operating revenues and expenses. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, following GAAP.

1. Fund Accounting

FMPA maintains its accounts on a fund/project basis, in compliance with appropriate bond resolutions, and operates its various projects in a manner similar to private business. Operations of each project are accounted for as a proprietary fund and as such, inter-project transactions, revenues and expenses are not eliminated.

The Agency operates the following major funds:

- The Agency Fund, which accounts for general operations beneficial to all members and projects,
- The St. Lucie Project, which accounts for ownership interest in the St. Lucie Unit 2 nuclear generating facility,
- The Stanton Project and the Tri-City Project, which account for respective ownership interests in the Stanton Energy Center (SEC) Unit 1, a coal-fired generation facility,
- The All-Requirements Project, which accounts for ownership interests in Stanton Energy Center Unit 1, Stanton Energy Center Unit 2, Stanton Unit A, and Indian River Combustion Turbine Units A, B, C and D. Also included in the All-Requirements Project is the purchase of power for resale to the participants and 100% ownership or ownership cost responsibility (for jointly owned and participant-owned units) of Treasure Coast Energy Center, Cane Island Units 1, 2, 3 and 4, FMPA's Key West Combustion Turbine Units 1, 2, 3 and 4 and Key West Stock Island MS Units 1 & 2.
- The Stanton II Project, which accounts for an ownership interest in SEC Unit 2.

Certain accounts within these funds are grouped and classified in the manner established by respective bond resolutions and/or debt instruments.

All funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary or business fund's principal on-going operations. The principal operating revenues of FMPA's proprietary or business funds are charges to participants for sales and services. Operating expenses for proprietary or business funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is FMPA's policy to use restricted funds for their intended purposes only, based on the bond resolutions. Unrestricted resources are used as they are needed in a hierarchal manner from the General Reserve accounts to the Operations and Maintenance accounts.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Capital Assets

Certain direct and indirect expenses allocable to FMPA's undivided ownership in the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project are capitalized as part of the cost of acquiring or constructing the respective utility plant. Direct and indirect expenses not associated with these projects are capitalized as part of the cost of Development Projects in Progress in the Agency Fund. Electric Plant in Service is depreciated using the straight-line method over the assets' respective estimated useful lives. Estimated useful lives for electric plant assets range from 23 years to 40 years.

FMPA has adopted the policy of capitalizing net interest costs during the period of project construction (interest expense less interest earned on the investment of bond proceeds). Capitalized net interest cost on borrowed funds include amortization of bond discount and bond premium, interest expense and interest income. The cost of major replacements of assets in excess of \$5,000 is capitalized to the utility plant accounts. The cost of maintenance, repairs and replacements of minor items are expensed as incurred.

3. Inventory

Coal, oil, and natural gas inventory is stated at weighted average cost. Parts inventory for the generating plants is also stated at weighted average cost. Nuclear fuel is carried at cost and is amortized on the units of production basis.

4. Cash & Cash Equivalents

FMPA considers the following highly liquid investments (including restricted assets) to be cash equivalents for the statement of cash flows:

- Demand deposits (not including certificates of deposits)
- Money market funds

5. Investments

Florida Statutes authorize FMPA to invest in the FL Local Government Surplus Funds Trust Fund, obligations of the U.S. Instrumentalities, Money Market Funds, U.S. Government and Agency Securities, Certificates of Deposit, commercial paper and repurchase agreements fully collateralized by all the items listed above. In addition to the above, FMPA's policy also authorizes the investment in corporate and municipal bonds, bankers' acceptances, prime commercial paper and repurchase agreements, guaranteed investment contracts and other investments with a rating confirmation issued by a rating agency.

Investments are stated at fair value based on quoted market prices and using third party pricing models for thinly traded investments that don't have readily available market values. Investment income includes changes in the fair value of these investments. Interest on investments is accrued at the Statement of Net Position date. All of FMPA's project and fund investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

6. Debt-Related Costs

Debt issuance costs are expensed as incurred. Gains and losses on the refunding of bonds are deferred and amortized over the life of the refunding bonds or the life of the refunded bonds, whichever is shorter, using the bonds outstanding method. This method is used for the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project.

7. Compensated Absences

Liabilities related to Compensated Absences are recognized as incurred in accordance with GASB Statement No. 16 and are included in accrued expenses. Regular, full-time employees in good standing, upon resignation or retirement, are eligible for vacation pay, and sick/personal pay. At September 30, 2013, the liability for unused vacation was \$675,254 and \$477,271 for unused sick/personal leave.

8. Allocation of Agency Fund Expenses

General and administrative operating expenses of the Agency Fund are allocated based on direct labor hours of specific positions and certain other minimum allocations to each of the projects. Any remaining expenses are allocated to the All-Requirements Project.

9. Billing to Participants

Participant billings are designed to systematically provide revenue sufficient to recover costs. Rates and budgets can be amended by the Board of Directors or the Executive Committee at any time.

For the All-Requirements Project, energy rate adjustments are driven by the Project's Operation and Maintenance (O & M) Fund month-end cash balance and the cash balance needed to meet the targeted balance of 60 days of cash within the O & M Fund. If it is determined that the O & M Fund balance is over the 60-days O & M Fund cash balance target amount, the energy rate adjustment will result in a lower billing rate relative to projected expenses and thereby reduce the future O & M Fund balance. Likewise, if the O & M Fund balance is below the 60-day cash target, the energy rate adjustment will result in a higher billing rate relative to projected expenses and thereby increase the future O & M Fund balance.

Amounts due from participants are deemed to be entirely collectible and as such, no allowance for uncollectible accounts has been recorded.

For the St. Lucie Project, the Stanton Project, the Tri-City Project and the Stanton II Project, variances in current fiscal year billings and actual project costs are computed and compared to the current year budget target under or over recovery and under the terms of the project contract, net excesses or deficiencies are credited or charged to future participant billings or may be paid from the General Reserve Fund, as approved by the Board of Directors, or Executive Committee as appropriate.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

10. Income Taxes

FMPA is a governmental entity and therefore is exempt from federal and state income taxes.

11. Use of Estimates

The management of FMPA has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate for useful lives of property, plant and equipment and the estimate for the nuclear decommissioning liability. Other examples include using third party pricing models for pricing of thinly traded investments, amortization of Public Gas Partner gas based on estimated total reserves and use of estimates when computing the OPEB liability. Actual results could differ from those estimates.

12. Derivative Financial Investments

FMPA uses commodity futures contracts and options on forward contracts to hedge the effects of fluctuations in the price of natural gas purchases as well as the use of interest rate swap contracts to hedge the fluctuations in the interest rate of variable-rate debt. The Interest Rate Swap contracts require the Agency to pay a fixed interest rate and receive a variable interest rate, based upon the London Interbank Offered Rate (LIBOR), or the Consumer Price Index (CPI). The Governmental Accounting Standards Board Statement #53 was adopted by FMPA beginning with the fiscal year ending September 30, 2010. All derivative financial instruments have been evaluated for effectiveness using criteria established in GASB 53. Related gains or losses on the derivative instruments determined to be effective are recorded as either a reduction of, or an addition to fuel costs or interest expense.

13. Deferred Inflows and Deferred Outflows

The Governmental Accounting Standards Board Statement #65 was adopted early by FMPA beginning with the fiscal year ending September 30, 2013. The impacts on accounting and reporting for FMPA are as follows:

All debt issuance costs previously recorded as an asset are now expensed as incurred and included as a Regulatory asset (Net costs recoverable from future participant billings) in the Other Assets section of the Statement of Net Position.

Any Gain/Loss on Debt Refunding was previously accounted for in the Long-Term Liabilities section of the Statement of Net Position as an addition or offset to Long-term debt and amortized to expense over the term of the debt. These are now accounted for as Deferred Outflows of Resources in the Statement of Net Position and amortized to expense over the term of the new debt.

Long-term Regulatory Liabilities (Due to Participants) previously accounted for in the Long-Term Liabilities section of the Statement of Net Position are now accounted for as a Deferred Inflows of Resources in the Statement of Net Position and recognized as a rate benefit over future periods.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

14. Adoption of New Accounting Standards

During the fiscal year ending September 30, 2013, the Agency adopted the following new accounting standards:

- Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard codifies all sources, in one place, generally accepted accounting principles for entities that follow governmental accounting standards.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance as needed.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements-deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The cumulative effect of this accounting change as of the beginning of the year is reported in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

II. Nuclear Decommissioning Liability

A. St. Lucie Project

The U.S. Nuclear Regulatory Commission (NRC) requires that each licensee of a commercial nuclear power reactor furnish to the NRC a certification of its financial capability to meet the costs of nuclear decommissioning at the end of the useful life of the licensee's facility. As a co-licensee of St. Lucie Unit 2, FMPA's St. Lucie Project is subject to these requirements and therefore has complied with the NRC regulations.

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement. Funds deposited, together with investment earnings in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the license extension to meet the Project's share of the decommissioning costs. This is reflected in the St. Lucie Project's Statement of Net Position as Restricted Cash and Investments (\$60.5 million) and Accrued Decommissioning Expense (\$60.5 million) at September 30, 2013. These amounts are to be used for the sole purpose of paying the St. Lucie nuclear decommissioning costs. Based on a site-specific study approved by the Florida Public Service Commission in 2010, Unit 2's future net decommissioning costs are estimated to be \$1.9 billion or \$635 million in 2010 dollars, and FMPA's share of the future net decommissioning costs is estimated to be \$171 million or \$56 million in 2010 dollars. The Decommissioning Trust is irrevocable and funds may be withdrawn from the Trust solely for the purpose of paying the St. Lucie Project's share of costs for nuclear decommissioning. Also, under NRC regulations, the Trust is required to be segregated from other FMPA assets and outside FMPA's administrative control. FMPA has complied with these regulations.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

II. Nuclear Decommissioning Liability (continued)

B. Crystal River Unit 3

As a service to six of the minority owners of the Crystal River Unit 3 (CR3) Power Plant, SunTrust Bank acts as Trustee for their share of CR3's decommissioning liability. FMPA manages the investment of the monies collected from the participants in the Decommissioning Trust. This is reflected in the Agency Fund Statement of Net Position as Restricted Cash and Investments and Held in trust for decommissioning, for the sole purpose of paying CR3's nuclear decommissioning costs for these owners. There is approximately \$34 million in the accounts at September 30, 2013.

III. Capital Assets

A description and summary as of September 30, 2013, of Capital Assets by fund and project, is as follows:

The column labeled "Increases" reflects new capital undertakings and depreciation expense. The column labeled "Decreases" reflects retirements of those assets.

A. Agency Fund

The Agency Fund contains the general plant assets of the Agency that are not associated with specific projects. Depreciation of general plant assets is computed by using the straight-line method over the expected useful life of the asset. Expected lives of the different types of general plant assets are:

- Structures & Improvements 25 years
- Furniture & Fixtures 8 years
- Office Equipment 5 years
- Automobiles and Computers 3 years

New capital undertakings are accounted for in the Development Projects in Progress account and included in the Deferred Costs section of the Statement of Net Postion. Depending on whether these undertakings become a project, costs are either capitalized or expensed. The activity for the Agency's general plant assets for the year ended September 30, 2013 was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2013</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 653	\$ -	\$ -	\$ 653
General Plant	6,154		(2)	6,152
General Plant in Service	\$ 6,807	\$ -	\$ (2)	\$ 6,805
Less Accumulated Depreciation	(3,883)	(259)	2	(4,140)
General Plant in Service, Net	<u>\$ 2,924</u>	<u>\$ (259)</u>	<u>\$ -</u>	<u>\$ 2,665</u>

* Includes Retirements Less Salvage

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

III. Capital Assets (continued)

B. St. Lucie Project

The St. Lucie Project consists of an 8.806% undivided ownership interest in St. Lucie Unit 2, a nuclear power plant primarily owned and operated by Florida Power & Light (FPL).

Depreciation is computed using the straight-line method over the expected useful life of the asset, which is computed to be 34.6 years. Nuclear fuel is amortized on a units of production basis.

St. Lucie plant asset activity for the year ended September 30, 2013, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2013</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 75	\$ -	\$ -	\$ 75
Electric Plant	262,491	8,592	(2,677)	268,406
General Plant	1,209			1,209
Nuclear Fuel	24,130	4,228	(6,559)	21,799
Construction work in Process	10,953		(9,935)	1,018
Electric Utility Plant in Service	\$ 298,858	\$ 12,820	\$ (19,171)	\$ 292,507
Less Accumulated Depreciation	(184,329)	(23,386)	19,171	(188,544)
Utility Plant in Service, Net	<u>\$ 114,529</u>	<u>\$ (10,566)</u>	<u>\$ -</u>	<u>\$ 103,963</u>

* Includes Retirements Less Salvage

The Decrease in Construction work in process included \$7.9 million refunded from estimates billed in fiscal year 2012. Construction work in process is recorded on an estimate basis and reversed 3 month later when actual amounts are determined.

C. Stanton Project

The Stanton Project consists of an undivided 14.8193% ownership in Stanton Energy Center Unit 1, a coal-fired power plant. Asset retirements and additions for the plant are decided by Orlando Utilities Commission (OUC), the primary owner and operator of the plant.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different plant assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 1 plant asset activity for the year ended September 30, 2013, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2013</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 125	\$ -	\$ -	\$ 125
Electric Plant	79,379	1,213		80,592
General Plant	17			17
Electric Utility Plant in Service	\$ 79,521	\$ 1,213	\$ -	\$ 80,734
Less Accumulated Depreciation	(44,397)	(2,526)		(46,923)
Utility Plant in Service, Net	<u>\$ 35,124</u>	<u>\$ (1,313)</u>	<u>\$ -</u>	<u>\$ 33,811</u>

* Includes Retirements Less Salvage

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

III. Capital Assets (continued)

D. All-Requirements Project

The All-Requirements Project's current utility plant assets include varying ownership interests in Stanton Energy Center Units 1 and 2; Indian River Combustion Turbines A, B, C and D; and Stanton A.

The All-Requirements Project's current utility plant assets also consist of 100% ownership in the Treasure Coast Energy Center, Cane Island Units 1, 2, 3 and 4, Key West Units 1, 2, 3 and 4, and Stock Island MS Units 1 & 2.

Retirements and additions for the All-Requirements Project assets are decided by the All-Requirements members.

Depreciation of plant assets and amortization of capital leases is computed using the straight-line method over the expected useful life of the asset. Expected lives of the different plant assets are as follows:

- Stanton Energy Center Units 1 and 2 40 years
- Stanton Energy Center Unit A 35 years
- Treasure Coast Energy Center 23 years
- Cane Island Unit 1 25 years
- Cane Island Units 2, 3 30 years
- Cane Island Unit 4 23 years
- Key West Units 1, 2 and 3 25 years
- Key West Stock Island Units 1 and 2 25 years
- Key West Stock Island Unit 4 23 years
- Indian River Units A, B, C and D 23 years
- Computer Equipment 9 years

All-Requirements plant asset activity for the year ended September 30, 2013, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2013</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 13,405	\$ -	\$ -	\$ 13,405
Electric Plant	1,214,096	9,006	(4,100)	1,219,002
General Plant	3,706	322		4,028
Electric Utility Plant in Service	\$ 1,231,207	\$ 9,328	\$ (4,100)	\$ 1,236,435
Less Accumulated Depreciation	(275,025)	(53,877)	5,012	(323,890)
Utility Plant in Service, Net	<u>\$ 956,182</u>	<u>\$ (44,549)</u>	<u>\$ 912</u>	<u>\$ 912,545</u>

* Includes Retirements Less Salvage

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

III. Capital Assets (continued)

E. Tri-City Project

The Tri-City Project consists of an undivided 5.3012% ownership interest in Stanton Unit 1, a coal-fired power plant. Retirements and additions for Stanton Unit 1 are determined by OUC, the primary owner and operator.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years

Tri-City Project plant asset activity for the year ended September 30, 2013, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2013</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 48	\$ -	\$ -	\$ 48
Electric Plant	32,190	434		32,624
General Plant	20			20
Electric Utility Plant in Service	\$ 32,258	\$ 434	\$ -	\$ 32,692
Less Accumulated Depreciation	(18,289)	(998)		(19,287)
Utility Plant in Service, Net	<u>\$ 13,969</u>	<u>\$ (564)</u>	<u>\$ -</u>	<u>\$ 13,405</u>

* Includes Retirements Less Salvage

F. Stanton II Project

The Stanton II Project consists of an undivided 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant. Retirements and additions for Stanton Unit 2 are determined by OUC, the primary owner and operator.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 2 plant asset activity for the year ended September 30, 2013, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2013</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 217	\$ -	\$ -	\$ 217
Electric Plant	182,495	3,237		185,732
General Plant	90			90
Electric Utility Plant in Service	\$ 182,802	\$ 3,237	\$ -	\$ 186,039
Less Accumulated Depreciation	(74,154)	(4,855)		(79,009)
Utility Plant in Service, Net	<u>\$ 108,648</u>	<u>\$ (1,618)</u>	<u>\$ -</u>	<u>\$ 107,030</u>

* Includes Retirements Less Salvage

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IV. Cash, Cash Equivalents and Investments

A. Cash and Cash Equivalents

At September 30, 2013, FMPA's Cash and Cash Equivalents consisted of demand deposit accounts and money market accounts which are authorized under FMPA bond resolutions. Cash and cash equivalents are held at two financial institutions. All of FMPA's demand deposits at September 30, 2013, were insured by Federal Depository Insurance Corporation (FDIC) or collateralized pursuant to the Public Depository Security Act of the State of Florida. Current unrestricted cash and cash equivalents are used in FMPA's funds' and projects' day-to-day operations.

B. Investments

FMPA adheres to a Board and Executive Committee-adopted investment policy based on the requirements of the bond resolutions. The policy requires diversification based upon investment type, issuing institutions, and duration. All of the fund and project accounts have specified requirements with respect to investments selected and the length of allowable investment. Investments at September 30, 2013, were insured or registered and held by its agent in FMPA's name. Changes in the fair value of investments are reported in current period revenues and expenses. All of FMPA's fund and project investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

Foreign Currency Risk

FMPA's Investments are not exposed to foreign currency risk.

Interest-Rate Risk

FMPA's investment policy requires that funds generally be invested to match anticipated cash flow. All fund and project accounts have a specified maximum maturity for investments and the majority of FMPA's funds are required to be invested for less than five years. All project funds and accounts are monitored using weighted average maturity analysis as well as maturity date restrictions.

Concentration of Credit Risk

Each project is separate from the others and as such, each project is evaluated individually to determine the credit and interest rate risk. FMPA's investment policy prohibits investments in commercial paper that exceed 50% of any of the projects' or the Agency's assets. All commercial paper must be rated in the highest rating category by a nationally recognized bond rating agency at the time of purchase. Money market funds rated in the highest rating category are allowed as well as those collateralized with specific high-quality instruments. These investments must not exceed 25% for any of FMPA's projects. As of September 30, 2013, fixed income commercial paper investments, held by FMPA from any one issuer (investments issued or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools and other pooled investments are excluded) that represent 5% or more of the projects' investment assets are listed on the following page:

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IV. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

Agency Fund	Forward Delivery Agreement w/JP Morgan Chase & Co Held for Crystal River 3 decommissioning, which has different investment limits. None	
St. Lucie Project	Forward Delivery Agreement w/JP Morgan Chase & Co Collateral held for Forward Agreement.	24.86%
Stanton Project	None	
All-Requirements Project	None	
Tri-City Project	None	
Stanton II Project	None	

FMPA maintains all assets other than demand deposit accounts within a trust department of a bank. Under Florida Statutes, Chapter 280, public deposits in a bank or savings association by a trust department company are fully secured under trust business laws. All cash and investments, other than demand deposit accounts, are held in the name of a custodian or a trustee for the Agency and its projects.

1. Agency Fund

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2013, are as follows:

	September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Restricted	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 35,607		
US Gov't/Agency Securities	17,930	896	Aaa/AA+/AAA
Commercial Paper	-		
Total Restricted	\$ 53,537		
Unrestricted			
Cash and Cash Equivalents	\$ 3,289		
US Gov't/Agency Securities	10,850	756	Aaa/AA+/AAA
Commercial Paper	-		
Total Unrestricted	\$ 14,139		
Total	\$ 67,676		

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IV. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

2. St. Lucie Project

In addition to normal operational cash needs for the project, investments are being accumulated in order to pay-off the balloon maturity of the Project's debt in 2026. The primary investments being used for this are zero coupon municipal bonds. Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2013, are as follows:

	September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Restricted	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 10,599		
US Gov't/Agency Securities	23,954	941	Aaa/AA+/AAA
Municipal Bonds	50,363	4,296	*
Commercial Paper	47,149	1	A1+/P1
Total Restricted	<u>\$ 132,065</u>		
Unrestricted			
Cash and Cash Equivalents	\$ 8,985		
US Gov't/Agency Securities	20,132	1,606	Aaa/AA+/AAA
Municipal Bonds	48,058	2,720	*
Commercial Paper	-		
Total Unrestricted	<u>\$ 77,175</u>		
Total	<u>\$ 209,240</u>		

*The Municipal Bond ratings range from a best of Aaa/AAA/AAA to a worst of Baa1/A/BBB+. Subsequent to year ending September 30, 2013 some of the Municipal Bond ratings were downgraded with the current range of Aaa/AAA/AAA to Baa1/A/BB+.

3. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2013, are as follows:

	September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Restricted	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 3,287		
US Gov't/Agency Securities	2,102	862	Aaa/AA+/AAA
Municipal Bonds	1,807	781	*
Total Restricted	<u>\$ 7,196</u>		
Unrestricted			
Cash and Cash Equivalents	\$ 2,801		
US Gov't/Agency Securities	8,995	1,815	Aaa/AA+/AAA
Municipal Bonds	2,391	2,854	*
Total Unrestricted	<u>\$ 14,187</u>		
Total	<u>\$ 21,383</u>		

*The Municipal Bond ratings range from a best of Aa1/AA+/AA+ to a worst of Aa2/AA+/AA+.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IV. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

4. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2013, are as follows:

	September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Restricted	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 68,713		
US Gov't/Agency Securities	35,848	440	Aaa/AA+/AAA
Municipal Bonds	4,323	781	*
Total Restricted	<u>\$ 108,884</u>		
Unrestricted			
Cash and Cash Equivalents	\$ 74,489		
US Gov't/Agency Securities	18,825	936	Aaa/AA+/AAA
Municipal Bonds	1,175	1,725	*
Total Unrestricted	<u>\$ 94,489</u>		
Total	<u>\$ 203,373</u>		

*The Municipal Bond ratings range from a best of Aa1/AAA/AAA to a worst of A2/AA-/AAA.

5. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2013, are as follows:

	September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Restricted	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 1,154		
US Gov't/Agency Securities	1,292	552	Aaa/AA+/AAA
Municipal Bonds	104	1,035	*
Total Restricted	<u>\$ 2,550</u>		
Unrestricted			
Cash and Cash Equivalents	\$ 1,584		
US Gov't/Agency Securities	1,121	1,120	Aaa/AA+/AAA
Municipal Bonds	329	2,427	*
Total Unrestricted	<u>\$ 3,034</u>		
Total	<u>\$ 5,584</u>		

*The Municipal Bond ratings range from a best of Aa1/AAA/AAA to a worst of Aa2/AAA/AAA.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IV. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

6. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2013, are as follows:

	September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Restricted	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 16,563		
US Gov't/Agency Securities	7,702	474	Aaa/AA+/AAA
Municipal Bonds	226	761	*
Total Restricted	<u>\$ 24,491</u>		
Unrestricted			
Cash and Cash Equivalents	\$ 8,228		
US Gov't/Agency Securities	18,795	1,774	Aaa/AA+/AAA
Municipal Bonds	3,478	2,368	*
Total Unrestricted	<u>\$ 30,501</u>		
Total	<u><u>\$ 54,992</u></u>		

*The Municipal Bond ratings range from a best of Aaa/AAA/AAA to a worst of A2/A/A+.

V. Derivative Financial Instruments

FMPA uses derivative instruments to hedge the effects of fluctuations in interest rates and the price of natural gas. In accordance with GASB 53, market values of derivative instruments are included on the Statement of Net Position as either an asset or a liability depending on whether FMPA would receive or pay to terminate the instrument on the Statement of Net Position date. If the derivative instruments are determined under the Standard to be effective hedges a deferred cash outflow or deferred cash inflow is recorded. If the derivative instrument is determined to be not effective under the Standard, then the market value adjustment flows through investment income. The following table shows the classification of the various derivative instruments on the Statement of Net Position.

	Agency Fund	St. Lucie Project	Stanton Project	All -Req Project	Tri-City Project	Stanton II Project
Deferred Outflows from Derivatives						
Interest Rate Swaps - Effective	\$ -	\$ 22,972	\$ -	\$ 6,981	\$ -	\$ 12,653
Total Deferred Outflows from Derivatives	<u>\$ -</u>	<u>\$ 22,972</u>	<u>\$ -</u>	<u>\$ 6,981</u>	<u>\$ -</u>	<u>\$ 12,653</u>
Fair Market Value Derivative Instruments Liabilities						
Hybrid Swap Liability	\$ -	\$ -	\$ -	\$ 43,608	\$ -	\$ -
Market Value Adjustment for Effective Swaps		22,972		6,981		12,653
Interest Rate Swaps - Ineffective				63,350		
Total Fair Value	<u>\$ -</u>	<u>\$ 22,972</u>	<u>\$ -</u>	<u>\$ 113,939</u>	<u>\$ -</u>	<u>\$ 12,653</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

V. Derivative Financial Instruments (continued)

A. Swap Agreements

Three of FMPA's projects are party to interest rate swap agreements. The objective for entering into these agreements is to convert variable interest rates to fixed rates thus reducing interest rate exposure. The 30-day London Interbank Offered Rate (LIBOR) and the US Consumer Price Index for All Urban Consumers (CPI-U) are used to determine the variable rates received. Interest requirements for variable rate debt are determined using the rate in effect at the financial statement date.

Credit Risk

The swap agreements are subject to credit risk. Counterparty credit ratings and the maximum loss due to credit risk as of September 30, 2013, is listed, by project, in the tables that follow. As part of the swap agreements, if the provider's credit rating drops below certain levels and a termination value indicates an amount that would be payable to the Agency, collateral (or cash in some circumstances) would need to be posted by the counterparty with a third-party custodian if the value of the termination payment exceeds certain threshold levels. Conversely, the Agency would have to post collateral for the same reason in some circumstances.

For the Stanton II 2004 issue, the Agency purchased swap termination insurance and thereby is not obligated to post collateral should there be a decline in a project's credit rating. If the insurance is drawn on to pay a termination payment, the Agency would be required to reimburse the insurance company over a period of time. The 2004, 2005, and 2006 swap agreements provide for monthly netted payments.

The Agency has an approved Debt Management Policy with regard to derivatives whereby approval is required of the appropriate project participants and our financial advisor, prior to entering into swaps or other derivative products. The policy sets minimum standards for all derivative transactions.

Interest Rate Risk

FMPA has entered into swap agreements to fix the interest rate on variable rate bonds for the entirety of the term of the bonds. As interest rates increase above the swap rates, the value of these swaps will increase. As rates decrease below the swap rates, the values will decrease. Depending on the terms of the swap agreement, collateral may have to be posted.

Basis Risk

Basis risk exists on the swap agreements other than those that are tied to the CPI-U Index and ARP series 2011A-1, 2011A-2 & 2011B. The variable rate indices used on these swaps differ from the variable index on the bonds. If there were a mismatch between the indices, the budget process would allow FMPA to adjust rates for this difference.

Termination Risk

Termination values are listed in the following tables as of September 30, 2013. These amounts vary with changes in the market. The swaps may be terminated by the Agency if the counterparty's credit quality falls below certain levels. The Agency or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. If, at the time of the termination, the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value. The Agency also has an optional right to terminate with certain notice and compensation requirements for swap agreements completed in 2004, 2005 and 2006.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

V. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

Market Access Risk

Financial market access risk is the risk that the Agency or any of FMPA's Power Projects could not complete a financial transaction due to the lack of a counterparty at reasonable cost or terms or the inability to complete the transaction in a timely manner; for example, issuing new bonds, selling an investment to raise cash, obtaining or renewing a line or letter of credit. The inability to conduct business as needed could have significant effects on the ability of the Agency or any of its Power Projects to have needed cash balances or access to cash.

Rollover Risk

The Agency is exposed to rollover risk on swaps that may be terminated prior to the maturity of the associated debt. If these swaps are terminated prior to the maturity of the bonds, the Agency will not realize the synthetic fixed rate offered by the swaps on the underlying debt issues. New swaps entered into at the time of termination of the old swaps will likely carry different rates and terms.

GASB 53 Effectiveness Testing

The Agency performed effectiveness tests using the Synthetic Instrument Method, on all interest rate swaps for its three projects that have these agreements. All swaps were deemed effective, with the exception of forward starting swaps effective in 2015. The forward starting swaps were deemed ineffective by definition, in that with the cancellation of the Taylor Energy Center project they were no longer associated with any particular construction project and therefore bond instrument. There was \$51.5 million recognized in Investment Income as an increase in the fair market value for the current period with a resulting increase in fair market value derivative instruments. In addition, the swaps associated with ARP 2008C, 2008D and 2008E required recognition of hybrid loans in 2011 for the change in market value from the original bond date to the date of refundings. The hybrid loan amounts totaled \$57.0 million less amortization of \$13.4 million for a net of \$43.6 million. The remaining effective swaps reflect a market value of negative \$7.0 million.

1. St. Lucie Project

Swaps Currently Effective

<i>(000's US\$)</i>									
<u>Notional Amount</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Termination Date</u>	<u>Fair Value**</u>	<u>Counterparty</u>	<u>Counterparty Credit Rating</u>		
Series 2000									
\$ 16,650	7/3/2006	3.444%	72% LIBOR*	10/1/2021	\$ (2,302)	Merrill Lynch & Co., Inc.	Baa/A-/A		
Series 2002									
\$ 11,975	7/2/2007	3.481%	72% LIBOR*	10/1/2021	\$ (1,689)	Merrill Lynch & Co., Inc.	Baa/A-/A		
11,975	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(1,781)	Merrill Lynch & Co., Inc.	Baa/A-/A		
11,308	7/2/2007	3.481%	72% LIBOR*	10/1/2021	(1,595)	Goldman Sachs	A2/A/A		
7,825	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(1,082)	Goldman Sachs	A2/A/A		
11,308	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(1,693)	Goldman Sachs	A2/A/A		
11,975	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(1,826)	Merrill Lynch & Co., Inc.	Baa/A-/A		
11,308	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(1,724)	Goldman Sachs	A2/A/A		
67,125	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(9,280)	Merrill Lynch & Co., Inc.	Baa/A-/A		
<u>\$ 144,799</u>					<u>\$ (20,670)</u>				
Total Termination Value of Swaps					<u>\$ (22,972)</u>				
Prior Year Termination Value of Swaps					\$ (34,118)				
Change in Fair Market Value					<u>\$ 11,146</u>				

*floating to fixed

**() denotes that termination value payable to the dealer if swap had been terminated 9/30/13

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

V. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

2. All-Requirements Project

<u>Swaps Currently Effective</u>								
<i>(000's US\$)</i>								
<i>Notional Amount</i>	<i>Effective Date</i>	<i>Fixed Rate Paid</i>	<i>Variable Rate Received</i>	<i>Termination Date</i>	<i>Fair Value**</i>	<i>Counterparty</i>	<i>Counterparty Credit Rating</i>	
Series 2006A								
\$ 6,250	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	\$ (103)	Merrill Lynch & Co., Inc.	Baa/A-/A	
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(219)	Merrill Lynch & Co., Inc.	Baa/A-/A	
7,935	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(374)	Merrill Lynch & Co., Inc.	Baa/A-/A	
6,980	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(395)	Merrill Lynch & Co., Inc.	Baa/A-/A	
6,245	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	(103)	Morgan Stanley	Baa1/A-/A	
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(219)	Morgan Stanley	Baa1/A-/A	
7,930	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(364)	Morgan Stanley	Baa1/A-/A	
5,175	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(287)	Morgan Stanley	Baa1/A-/A	
<u>\$ 53,675</u>					<u>\$ (2,064)</u>			
Series 2008C								
\$ 33,180	10/1/2006	3.701%	72% LIBOR*	10/1/2027	\$ (5,673)	Goldman Sachs	A2/A/A	
11,050	10/1/2006	3.665%	72% LIBOR*	10/1/2026	(1,835)	JP Morgan Chase	A2/A/A+	
2,684	10/1/2006	3.656%	72% LIBOR*	10/1/2026	(443)	JP Morgan Chase	A2/A/A+	
224	10/1/2006	3.612%	72% LIBOR*	10/1/2026	(36)	JP Morgan Chase	A2/A/A+	
33,180	10/1/2006	3.649%	72% LIBOR*	10/1/2027	(5,496)	Merrill Lynch & Co., Inc.	Baa/A-/A	
33,180	10/1/2006	3.697%	72% LIBOR*	10/1/2027	(5,662)	Morgan Stanley	Baa1/A-/A	
20,125	10/1/2006	3.669%	72% LIBOR*	10/1/2025	(2,962)	UBS AG	A2/A/A	
19,050	10/1/2006	3.737%	72% LIBOR*	10/1/2035	(3,715)	Wells Fargo	Aa3/AA-/AA-	
<u>\$ 152,673</u>					<u>\$ (25,822)</u>			
Series 2011A-2								
\$ 42,000	10/1/2006	5.175%	100% LIBOR*	10/1/2025	\$ (10,207)	Wells Fargo	Aa3/AA-/AA-	
Series 2001A-1 & 2011B								
\$ 15,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	\$ (2,650)	JP Morgan Chase	A2/A/A+	
25,000	10/1/2006	3.709%	72% LIBOR*	10/1/2030	(4,547)	JP Morgan Chase	Aa1/AA-/AA-	
30,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	(5,301)	JP Morgan Chase	A2/A/A+	
<u>\$ 70,000</u>					<u>\$ (12,498)</u>			
<u>Swaps Currently Ineffective</u>								
Bonds Authorized								
Series Not Yet Designated								
\$ 50,000	10/1/2015	3.829%	72% LIBOR*	10/1/2045	\$ (7,097)	Bank of America	Baa/A-/A	
50,000	10/1/2015	3.816%	72% LIBOR*	10/1/2045	(7,014)	Bank of New York	Aa3/A+/AA-	
50,000	10/1/2015	3.849%	72% LIBOR*	10/1/2045	(7,409)	Credit Agricole	A2/A/A	
50,000	10/1/2015	3.800%	72% LIBOR*	10/1/2045	(6,911)	Citibank	A3/A/A	
50,000	10/1/2015	3.794%	72% LIBOR*	10/1/2045	(6,873)	Dexia	Baa2/BBB/A	
50,000	10/1/2015	3.819%	72% LIBOR*	10/1/2045	(7,032)	JP Morgan Chase	A2/A/A+	
50,000	10/1/2015	3.846%	72% LIBOR*	10/1/2045	(7,203)	Merrill Lynch & Co., Inc.	Baa/A-/A	
50,000	10/1/2015	3.805%	72% LIBOR*	10/1/2045	(6,943)	Morgan Stanley	Baa1/A-/A	
50,000	10/1/2015	3.793%	72% LIBOR*	10/1/2045	(6,866)	Sun Trust	Baa1/BBB/BBB+	
<u>\$ 450,000</u>					<u>\$ (63,348)</u>			
Total Swap Termination Value					<u>\$ (113,939)</u>			
Effective Swaps					\$ (6,981)			
Hybrid Loans					(43,608)			
Ineffective Swaps					(63,350)			
					<u>\$ (113,939)</u>			
Prior Year Termination Value of Swaps					\$ (194,779)			
Change in Fair Market Value					<u>\$ 80,840</u>			
*floating to fixed								
** () denotes that termination value payable to dealer if swap had been terminated 9/30/13								

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

V. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

3. Stanton II Project

Swaps Currently Effective (000's US\$)								
Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating	
Series 2000								
\$ 7,648	10/1/2006	4.049%	72% LIBOR*	10/1/2027	\$ (1,677)	Merrill Lynch & Co., Inc.	Baa/A-/A	
10,227	10/1/2006	4.071%	72% LIBOR*	10/1/2027	(2,269)	JP Morgan Chase	A2/A/A+	
<u>\$ 17,875</u>					<u>\$ (3,946)</u>			
Series 2004								
\$ 27,700	8/5/2004	3.863%	72% LIBOR*	10/1/2027	\$ (4,356)	Merrill Lynch & Co., Inc.	Baa/A-/A	
27,700	8/5/2004	3.863%	72% LIBOR*	10/1/2027	(4,351)	UBS AG	A2/A/A	
<u>\$ 55,400</u>					<u>\$ (8,707)</u>			
Total Swap Termination Value					<u>\$ (12,653)</u>			
Prior Year Termination Value of Swaps					\$ (18,928)			
Change in Fair Market Value					<u>\$ 6,275</u>			

*floating to fixed
 **() denotes that termination value payable to the dealer if swap had been terminated 9/30/13

B. Natural Gas Futures, Contracts and Options

FMPA uses New York Mercantile Exchange (NYMEX) and over the counter, natural gas futures contracts, options on futures contracts and fixed-price firm physical purchases of natural gas (gas) as a tool to establish the cost of natural gas that will be needed by the All-Requirements Project in the future (next month or several years from now). NYMEX and over the counter futures contracts can be used to obtain physical gas supplies, however all futures contracts that FMPA enters into will be financially settled before physical settlement is required by the Exchange. Any gain or loss of value in these futures contracts are ultimately rolled into the price of natural gas burned in the Project's electric generators.

All transactions are entered into as hedges against the volatility of natural gas prices. For fiscal year 2013, the Agency recorded a realized net loss of \$19.5 million. The Agency at September 30, 2013 did not have any futures or options contracts outstanding and does not anticipate entering into any in the near future.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VI. Regulatory Assets (Net Costs Recoverable Due From/Due to Future Participants)

FMPA is subject to the accounting methods for regulatory operations of the Governmental Accounting Standards Board. Billing rates are established by the Board of Directors or Executive Committee and are designed to fully recover each project's costs over the life of the project, but not necessarily in the same year that costs are recognized under generally accepted accounting principles (GAAP). Instead of GAAP costs, annual participant billing rates are structured to systematically recover current debt service requirements, operating costs and certain reserves that provide a level rate structure over the life of the project which is equal to the amortization period. Accordingly, certain project costs are classified as deferred on the accompanying Statement of Net Position as a regulatory asset, titled "Net Costs Recoverable from Future Participant Billings", until such time as they are recovered in future rates. Types of deferred costs include depreciation and amortization in excess of bond principal payments, and prior capital construction interest costs.

In addition, certain billings recovering costs of future periods have been recorded as a regulatory liability or as a reduction of deferred assets on the accompanying Statement of Net Position. Types of deferred revenues include billings for certain reserve funds and related interest earnings in excess of expenditures from those funds, and billings for nuclear fuel purchases in advance of their use. Other deferred costs include Nuclear Fuel Enrichment Facilities.

VII. Restricted Net Position

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. These funds are to be used for specific purposes and certain restrictions define the order in which available funds may be used. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2013, all FMPA projects were in compliance with requirements of the bond resolution.

Segregated restricted net position at September 30, 2013, are as follows:

	(000's US\$)					
	Agency Fund	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Debt Service Funds	\$ -	\$ 62,953	\$ 3,523	\$ 62,686	\$ 545	\$ 20,114
Reserve & Contingency Funds		8,035	3,708	14,577	1,545	2,348
Decommissioning Fund	34,226	61,258				
Rate Stabilization Accounts	19,329					
Accrued Interest on Long-Term Debt		(4,266)	(1,041)	(21,493)	(78)	(2,361)
Accrued Decommissioning Expenses	(34,226)	(60,527)				
Rate Stabilization Accounts	(19,329)					
Total Restricted Net Assets	\$ -	\$ 67,453	\$ 6,190	\$ 55,770	\$ 2,012	\$ 20,101

Restrictions of the various bank funds are as follows:

- Debt service funds include the Debt Service Account, which is restricted for payment of the current portion of the bond principal and interest and the Debt Service Reserve Account, which includes sufficient funds to cover one half of the maximum annual principal and interest requirement of the specific fixed rate issues or 10% of the original bond proceeds.
- Reserve and Contingency Funds are restricted for payment of major renewals, replacements, repairs, additions, betterments and improvements for capital assets.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VII. Restricted Net Position (continued)

- If, at any time, the Debt Service Fund is below the current debt requirement and there are not adequate funds in the General Reserve Fund to resolve the deficiency, funds will be transferred from the Reserve and Contingency Fund to the Debt Service Fund.
- Decommissioning Funds are restricted and are funded for the payment of costs related to the decommissioning, removal and disposal of FMPA's ownership on nuclear power plants.
- Project Funds are used for the acquisition, construction and capitalized interest, as specified by the participants.
- Revenue Funds are restricted under the terms of outstanding resolutions.

VIII. Long-Term Debt

A. Debt

FMPA enters into long-term debt to fund different projects. The type of long-term debt differs among each of the projects. A description and summary of long-term debt at September 30, 2013, is as follows:

1. Agency Fund

Business-Type Activities	2013				Amounts Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
Wells Fargo Loan 2010	\$ 1,350	\$ -	\$ (170)	\$ 1,180	\$ 175
	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ (170)</u>	<u>\$ 1,180</u>	<u>\$ 175</u>

Loan Payable to Well Fargo Bank

The Agency Fund has one loan payable to Wells Fargo Bank at September 30, 2013. Interest is payable semi-annually at a fixed rate of 3.3%. Principal is payable in six annual payments ranging from \$175,000 to \$220,000 with the final payment due July 1, 2019.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

2. St. Lucie Project

Business-Type Activities	2013 (000's US\$)			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Increases	Decreases		
Revenue Bonds					
Refunding 2000	\$ 16,650	\$ -	\$ -	\$ 16,650	\$ -
Refunding 2002	144,800			144,800	
Bonds 2009A	34,055		(2,705)	31,350	2,845
Bonds 2010A	18,920		(1,630)	17,290	1,680
Bonds 2011A	34,450		(1,250)	33,200	725
Bonds 2011B	24,305			24,305	
Bonds 2012A	58,870			58,870	
Total Principal	\$ 332,050	\$ -	\$ (5,585)	\$ 326,465	\$ 5,250
Less Deferred Premiums And Discounts	14,881		(1,439)	13,442	
Total Revenue Bonds	\$ 346,931	\$ -	\$ (7,024)	\$ 339,907	\$ 5,250
Unamortized loss on advanced refunding	\$ (29,480)	\$ -	\$ 3,006	\$ (26,474)	\$ -
Total Business-Type Activities	\$ 317,451	\$ -	\$ (4,018)	\$ 313,433	\$ 5,250

The 2000 and 2002 bonds are variable rate bonds and the variable interest rates ranged between .088% and .403% for the year ended September 30, 2013. The 2009A bonds have an interest rate of 4% for 2010, and 5% rate from 2011 through 2021. The 2010A bonds have a fixed interest rate of 2.72%. The 2011A and 2011B bonds are fixed, and have a series of maturity dates from 2011 to 2026. The rates for the 2011A bonds range from 2.0% to 5.0%, and the rate for the 2011B bonds range from 4.375% to 5.0%. The 2012A bonds have a fixed interest rate of 5.0%, and mature in 2026.

The Series 2000 & 2002 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%. The Series 2012 bonds are subject to redemption prior to maturity at the election of FMPA on or after October 1, 2022, at a call rate of 100%.

3. Stanton Project

The Stanton Project issued Series 2013A revenue bonds during the year ended September 30, 2013. The bonds have a face amount of \$7.2 million, and were issued at par value. The bond proceeds along with project funds together totaling \$14.0 million were used as follows: \$13.9 million to retire Series 2002 bonds and \$0.1 million for the cost of issuance. The resources for the portion of the refunding that was completed during October 2013 was placed into an irrevocable escrow, therefore, these bonds were considered to be defeased and the liability has been removed from the Statement of Net Position. The net present value savings over the life of the bonds is estimated to be \$0.6 million.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

A. Debt (continued)

3. Stanton Project (continued)

Business-Type Activities	2013 (000's US\$)			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Increases	Decreases		
Revenue Bonds					
Refunding 2002	\$ 17,540	\$ -	\$ (17,540)	\$ -	\$ -
Refunding 2008	33,730		(1,425)	32,305	1,485
Bonds 2009A	8,515		(885)	7,630	915
Bonds 2013A		7,175		7,175	
Wells Fargo Bank Taxable	937		(115)	822	121
Total Principal	<u>\$ 60,722</u>	<u>\$ 7,175</u>	<u>\$ (19,965)</u>	<u>\$ 47,932</u>	<u>\$ 2,521</u>
Less Deferred Premiums And Discounts	208		(55)	153	
Total Bonds and Loans	<u>\$ 60,930</u>	<u>\$ 7,175</u>	<u>\$ (20,020)</u>	<u>\$ 48,085</u>	<u>\$ 2,521</u>
Unamortized loss on advanced refunding	\$ (1,110)	\$ 112	\$ 241	\$ (757)	\$ -
Total Business-Type Activities	<u>\$ 59,820</u>	<u>\$ 7,287</u>	<u>\$ (19,779)</u>	<u>\$ 47,328</u>	<u>\$ 2,521</u>

The 2008, 2009A, and 2013A revenue bonds are fixed at interest rates which range from .96% to 5.5%.

Loan Payable to Wells Fargo Bank

In December 2003, the Stanton Project entered into a taxable loan with Wells Fargo Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

A. Debt (continued)

4. All-Requirements Project

The All-Requirements Project issued Series 2013A revenue bonds during the year ended September 30, 2013. The bonds have a face amount of \$15 million, and were issued at par value. The bond proceeds will be used as follows: \$14.9 million to fund Public Gas Partners capital projects and \$0.1 million for the cost of issuance.

Business-Type Activities	2013 (000's US\$)			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Increases	Decreases		
Revenue Bonds					
Refunding Jul 2003A	\$ 20,055	\$ -	\$ (6,365)	13,690	\$ 6,675
Bonds 2006A	74,265		(13,540)	60,725	14,205
Bonds 2008A	505,380		(1,415)	503,965	1,505
Bonds 2008B	60,440		(7,520)	52,920	7,815
Bonds 2008C	153,860		(265)	153,595	280
Bonds 2009A	154,480		(3,815)	150,665	3,925
Bonds 2009B	15,235			15,235	
Bonds 2011A-1	29,682		(92)	29,590	96
Bonds 2011B	44,523		(138)	44,385	144
Bonds 2011A-2	42,265		(15)	42,250	15
Bonds 2013A		15,000		15,000	
Total Principal	<u>\$ 1,100,185</u>	<u>\$ 15,000</u>	<u>\$ (33,165)</u>	<u>\$ 1,082,020</u>	<u>\$ 34,660</u>
Capital Leases and Other					
KUA - TARP	\$ 182,424	\$ -	\$ (9,727)	\$ 172,697	\$ 10,254
Keys - TARP	4,494		(486)	4,008	506
St. Lucie County	692		(38)	654	40
Total Other Liabilities	<u>\$ 187,610</u>	<u>\$ -</u>	<u>\$ (10,251)</u>	<u>\$ 177,359</u>	<u>\$ 10,800</u>
Total Principal & Capital Lease	<u>\$ 1,287,795</u>	<u>\$ 15,000</u>	<u>\$ (43,416)</u>	<u>\$ 1,259,379</u>	<u>\$ 45,460</u>
Less Deferred Premiums And Discounts	4,162		(659)	3,503	
Total Revenue Bonds & Capital Lease	<u>\$ 1,291,957</u>	<u>\$ 15,000</u>	<u>\$ (44,075)</u>	<u>\$ 1,262,882</u>	<u>\$ 45,460</u>
Unamortized loss on advanced refunding	\$ (8,247)	\$ -	\$ 1,568	\$ (6,679)	\$ -
Total Business-Type Activities	<u>\$ 1,283,710</u>	<u>\$ 15,000</u>	<u>\$ (42,507)</u>	<u>\$ 1,256,203</u>	<u>\$ 45,460</u>

The 2008C, 2011A-1, 2011B, and 2011A-2 bonds are variable rate bonds, and the variable interest rates ranged from .040% to 1.195% for the year ended September 30, 2013.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

B. Debt (continued)

4. All-Requirements Project (continued)

Portions of the Series 2008A, 2008C, 2009A, 2011A-1, 2011B, and 2011A-2 bonds are subject to redemption prior to maturity at the election of FMPA at a call rate of 100%. The Series 2003A, 2006A, 2008B and 2009B Bonds are not subject to redemption prior to maturity.

KUA – TARP Capital Lease Obligation

Effective October 1, 2008, the Capacity and Energy Sales Contract with KUA was revised. Under the revised contract, KUA receives agreed upon fixed payments over preset periods relating to each of their generating units. FMPA assumed all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2013 amount to \$240.5 million and the present value of these payments is \$172.7 million. The net book value of the assets under the capital lease amounted to \$150.7 million at September 30, 2013.

Keys – TARP Capital Lease Obligation

Effective January 1, 2011, the Capacity and Energy Sales Contract with Keys Energy Services was revised. Under the contract, Keys Energy Services receives agreed upon fixed payments over preset periods relating to each of their generating units. FMPA assumed all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2013 amount to \$4.7 million and the present value of these payments is \$4.0 million. The net book value of the assets under the capital lease amounted to \$3.7 million at September 30, 2013.

St. Lucie County

As a condition of obtaining its conditional use permit for the construction and operation of the Treasure Coast Energy Center, the All-Requirements project agreed to pay St. Lucie County, Florida \$75,000 a year for a period of 20 years. Upon commercial operation of the plant, the unpaid amounts were discounted at a rate of 5.3% and capitalized to plant. At September 30, 2013, twelve payments remain under this obligation with the final payment to be made September 30, 2025.

Line of Credit

The All-Requirements Project has two lines of credit; one from Wells Fargo Bank in the amount of \$65 million, and one from JPMorgan Chase in the amount of \$35 million. FMPA renewed the Wells Fargo line for two years, with an expiration date of December 5, 2015. The JPMorgan Chase line expires in July 2016. There was a beginning balance of \$30 million that was paid off during fiscal year 2013.

Other Credit Facilities

The All-Requirements Project series 2008C bonds are Variable Rate Demand Obligations secured by an irrevocable letter of credit as follows:

2008C	Bank of America	\$154.1 million
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The letter of credit will expire on November 19, 2014.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

A. Debt (continued)

5. Tri-City Project

The Tri-City Project issued Series 2013A revenue bonds during the year ended September 30, 2013. The bonds have a face amount of \$16.5 million, and were issued at par value. The bond proceeds along with project funds together totaling \$21.2 million were used as follows: \$20.2 million to retire Series 2003 bonds, \$0.9 million to fund capital expenses and \$0.1 million for the cost of issuance. The resources for the portion of the refunding that was completed during October 2013 was placed into an irrevocable escrow, therefore, these bonds were considered to be defeased and the liability has been removed from the Statement of Net Position. The net present value savings over the life of the bonds is estimated to be \$1.7 million.

Business-Type Activities	2013 (000's US\$)			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Increases	Decreases		
Revenue Bonds					
Refunding Jun 2003	\$ 22,040	\$ -	\$ (22,040)	\$ -	\$ -
Bonds 2009A	2,520		(265)	2,255	290
Bonds 2013A		16,460		16,460	
Wells Fargo Taxable	335		(41)	294	43
Total Principal	\$ 24,895	\$ 16,460	\$ (22,346)	\$ 19,009	\$ 333
Less Deferred Premiums And Discounts	568		(548)	20	
Total Bonds and Loans	\$ 25,463	\$ 16,460	\$ (22,894)	\$ 19,029	\$ 333
Unamortized loss on advanced refunding	\$ (1,872)	\$ 91	\$ 845	\$ (936)	\$
Total Business-Type Activities	\$ 23,591	\$ 16,551	\$ (22,049)	\$ 18,093	\$ 333

The 2009A and 2013A revenue bonds are fixed at interest rates which range from 1.8% to 5.0% and have a maturity date of 2019.

Loan Payable to Wells Fargo Bank

In December 2003, the Tri-City Project entered into a taxable loan with Wells Fargo Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

A. Debt (continued)

6. Stanton II Project

Business-Type Activities	2013 (000's US\$)			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Increases	Decreases		
Revenue Bonds					
Refunding 2000	\$ 17,875	\$ -	\$ -	\$ 17,875	\$ -
Refunding 2002	3,855		(3,855)	-	
Refunding 2003	9,040		(1,275)	7,765	7,765
Refunding 2004	55,475		(150)	55,325	
Bonds 2009A	6,215		(420)	5,795	
Refunding 2012A	77,520			77,520	1,435
Wells Fargo Taxable	1,471		(181)	1,290	190
Total Principal	\$ 171,451	\$ -	\$ (5,881)	\$ 165,570	\$ 9,390
Less Deferred Premiums And Discounts	12,844		(1,717)	11,127	
Total Bonds and Loans	\$ 184,295	\$ -	\$ (7,598)	\$ 176,697	\$ 9,390
Unamortized loss on advanced refunding	\$ (9,390)	\$ -	\$ 1,376	\$ (8,014)	\$ -
Total Business-Type Activities	\$ 174,905	\$ -	\$ (6,222)	\$ 168,683	\$ 9,390

The 2000 and 2004 revenue bonds carry variable interest rates which ranged from .088% to .403% for the year ended September 30, 2013. The 2012 revenue bonds are fixed, and have a maturity date of 2027. The rates for the bonds range from 2.0% to 5.0%.

The Series 2000 and 2004 bonds provide for early redemption at the election of FMPA on any interest payment date at a call rate of 100%. The series 2003 bonds are not subject to early redemption. The Series 2012 bonds are subject to redemption prior to maturity at the election of FMPA at 100%, beginning October 1, 2022.

Loan Payable to Wells Fargo Bank

In December 2003, the Stanton II Project entered into a taxable loan with Wells Fargo Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

B. Major Debt Provisions (All Projects)

Bonds, which are special obligations of FMPA, are payable solely from (1) revenues less operating expenses (both as defined by the respective bond resolutions) and (2) other monies and securities pledged for payment thereof by the respective bond resolutions. The respective resolutions require FMPA to deposit into special funds, all proceeds of bonds issued and all revenues generated as a result of the projects' respective Power Sales and Power Support Contracts or the Power Supply Contract. The purpose of the individual funds is also specifically defined in the respective bond resolutions.

Investments are generally restricted to those types described in Note I. Additional restrictions that apply to maturity dates are defined in the respective bond resolutions and our investment policy.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

C. Defeased Debt

The following bonds have been defeased. Since investments consisting of governmental obligations are held in escrow for payment of principal and interest, the bonds are not considered liabilities of FMPA for financial reporting purposes. The principal balances of the defeased bonds at September 30, 2013 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued (000's US\$)	Balance at September 30, 2013
May 1983	St. Lucie Project Revenue Bonds, Series 1983	\$280,075	\$26,185

D. Annual Requirements

The annual cash flow debt service requirements to amortize the long term bonded debt outstanding as of September 30, 2013, are as follows:

Fiscal Year Ending September	(000's US\$)									
	St. Lucie Project		Stanton Project		All-Req Project		Tri-City Project		Stanton II Project	
	Principal	Interest Including Swaps, Net	Principal	Interest Including Swaps, Net	Principal	Interest Including Swaps, Net	Principal	Interest	Principal	Interest Including Swaps, Net
2014	\$ 5,250	\$ 13,228	\$ 2,400	\$ 1,982	\$ 34,660	\$ 51,650	\$ 290	\$ 77	\$ 9,200	\$ 6,912
2015	6,040	13,019	6,080	1,944	37,515	50,392	2,875	417	7,590	6,599
2016	8,120	12,743	6,265	1,739	39,270	48,647	2,970	320	7,875	6,296
2017	6,140	12,435	7,410	1,490	41,055	46,845	3,035	259	8,175	5,956
2018	8,995	12,125	7,785	1,106	42,965	44,868	3,095	196	8,600	5,618
2019 - 2023	213,155	47,891	17,170	934	377,450	162,346	6,450	193	49,900	21,914
2024 - 2028	78,765	12,304			240,995	107,717			72,940	9,534
2029 - 2033					258,410	31,609				
2034 - 2038					9,700	1,251				
2039 - 2043										
Total Principal & Interest	\$ 326,465	\$ 123,745	\$ 47,110	\$ 9,195	\$ 1,082,020	\$ 545,325	\$ 18,715	\$ 1,462	\$ 164,280	\$ 62,829
Less:										
Interest		(123,745)		(9,195)		(545,325)		(1,462)		(62,829)
Unamortized Loss on refunding	(26,474)		(757)		(6,679)		(936)		(8,014)	
Add:										
Unamortized Premium (Discount), net	13,442		153		3,503		20		11,127	
Total Net Debt Service Requirement at September 30, 2013	\$ 313,433	\$ -	\$ 46,506	\$ -	\$ 1,078,844	\$ -	\$ 17,799	\$ -	\$ 167,393	\$ -

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

VIII. Long-Term Debt (continued)

D. Annual Requirements (continued)

The annual cash flow debt service requirements to amortize all long term debt outstanding as of September 30, 2013, are as follows:

Fiscal Year Ending September	(000's US\$)												Totals
	Agency Fund		St. Lucie Project		Stanton Project		All-Req Project		Tri-City Project		Stanton II Project		
	Principal	Interest Including Swaps, Net	Principal	Interest Including Swaps, Net	Stanton Project	Interest	Principal	Interest Including Swaps, Net	Principal	Interest	Principal	Interest Including Swaps, Net	
2014	175	39	5,250	13,228	2,521	1,994	45,460	60,755	333	81	9,390	6,932	146,158
2015	185	33	6,040	13,019	6,207	1,954	48,724	58,921	2,920	421	7,789	6,615	152,828
2016	190	27	8,120	12,743	6,398	1,783	51,058	56,596	3,018	323	8,084	6,309	154,649
2017	200	21	6,140	12,435	7,550	1,497	53,498	54,140	3,085	261	8,395	5,967	153,189
2018	210	14	8,995	12,125	7,932	1,110	56,076	51,495	3,148	197	8,830	5,625	155,757
2019 - 2023	220	7	213,155	47,891	17,324	936	439,791	185,168	6,505	193	50,142	21,918	983,250
2024 - 2028			78,765	12,304			296,661	114,114			72,940	9,534	584,318
2029 - 2033							258,411	31,609					290,020
2034 - 2038							9,700	1,251					10,951
Total Principal & Interest \$	1,180	\$ 141	\$ 326,465	\$ 123,745	\$ 47,932	\$ 9,274	\$ 1,259,379	\$ 614,049	\$ 19,009	\$ 1,476	\$ 165,570	\$ 62,900	\$ 2,631,120

IX. Commitments and Contingencies

A. Participation Agreements

FMPA has entered into participation agreements, and acquired through capital leases, individual ownership of generating facilities as follows:

Project	Operating Utility	Joint Ownership Interest	Commercial Operation Date
St. Lucie	Florida Power & Light	8.806% of St. Lucie Unit 2 nuclear plant	August 1983
Stanton	Orlando Utilities Commission (OUC)	14.8193% of Stanton Energy Center (SEC) Unit 1 coal-fired plant	July 1987
All-Requirements	OUC	11.3253% of SEC Unit 1	July 1987
Tri-City	OUC	5.3012% of SEC Unit 1	July 1987
All-Requirements	OUC	51.2% of Indian River Units A & B combustion turbines	A - June 1989 B - July 1989
All-Requirements	OUC	21% of Indian River Units C & D combustion turbines	C - August 1992 D - October 1992
All-Requirements	OUC	5.1724% of SEC Unit 2 coal-fired plant	June 1996
Stanton II	OUC	23.2367% of SEC Unit 2	June 1996
All-Requirements	Southern Company	7% of Stanton Unit A combined cycle	October 2003

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IX. Commitments and Contingencies (continued)

A. Participation Agreements (continued)

Operational control of the electric generation plants rests with the operating utility and includes the authority to enter into long-term purchase obligations with suppliers. FMPA is liable under its participation agreements for its ownership interest of total construction and operating costs. Further contracts with Orlando Utilities Commission (OUC) include commitments for purchases of coal. Through participation with OUC, FMPA's estimated cost share of these purchases by project is summarized below:

Project	<i>000's US\$</i>				
	2014	2015	2016	2017	2018
Stanton Project	\$ 3,441	\$ 1,562	None	None	None
All-Requirements Project	3,830	1,739	None	None	None
Tri-City Project	1,231	559	None	None	None
Stanton II Project	5,395	2,449	None	None	None

B. Public Gas Partners, Inc.

Public Gas Partners, Inc. (PGP) is a nonprofit corporation of the State of Georgia duly created and existing under the Georgia Nonprofit Corporation Code, O.C.G.A Sections 14-3-101 through 14-3-1703, as amended. Pursuant to its Articles of Incorporation and by-laws, PGP's purpose is to acquire and manage reliable and economical natural gas supplies through the acquisition of interests in natural gas producing properties and other long-term sources of natural gas supplies, for the benefit of participating joint action agencies and large public natural gas and power systems.

On November 16, 2004, FMPA signed an agreement with six other public gas and electric utilities in five different states to form PGP. The members of PGP, along with FMPA, include Municipal Gas Authority of Georgia, Florida Gas Utility, Lower Alabama Gas District, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. Florida Gas Utility has left the organization and their interest was acquired by all members, except for FMPA and the Tennessee Energy Acquisition Corporation, as of May 2008.

FMPA has entered into two separate Production Sharing Agreements (PSAs) that obligate FMPA to pay as a component of gas operations expense its share of all costs incurred by the related PGP Pool until all related PGP or participant debt has been paid and the last volumes have been delivered. In addition, PGP has the option, with at least six months notice, to require FMPA to prepay for its share of pool costs, which may be financed by FMPA through the issuance of bonds or some other form of long-term financing. The PSAs include a step-up provision that could obligate FMPA to increase its participation share in the pool by up to 25% in the event of default of another member.

On November 1, 2004, FMPA entered into a PSA as a 22.04% participant of PGP Gas Supply Pool No. 1 (PGP Pool #1). PGP Gas Supply Pool No. 1 was formed by all of the participants. PGP Pool No.1 had targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 493 Bcf over a 20-year period. The acquisition period for PGP Pool #1 has closed after acquiring a supply currently estimated to be 155 Bcf. Current production from Pool #1 is 21,000 mmBtu per day. FMPA's share of this amounts to 4,739 mmBtu per day.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IX. Commitments and Contingencies (continued)

B. Public Gas Partners, Inc. (continued)

On October 1, 2005, FMPA entered into a PSA as a 25.90% participant of PGP Gas Supply Pool No. 2 (PGP Pool #2). PGP Gas Supply Pool No. 2 was formed to participate in specific transactions that have different acquisition criteria than PGP Pool #1. PGP Pool #2 had a total expenditure limit of \$200 million, with FMPA's share being \$52 million as authorized by the Board (before step-up provisions which would increase ARP's commitment to a maximum of \$65 million). The other members of PGP Pool #2, along with FMPA, include Municipal Gas Authority of Georgia, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. FMPA entered into a separate agreement with Fort Pierce Utilities Authority whereby FMPA agreed to sell to FPUA 3.474903% of the benefits that FMPA receives from its participation in PGP Pool #2. The acquisition period for PGP Pool #2 has closed after acquiring a supply currently estimated to be 44 Bcf. Current production for Pool #2 is 6,100 mmBtu per day. FMPA's share of this amounts to 1,580 mmBtu per day.

FMPA's share of the total investment costs amounts to approximately \$91 million for PGP Pool #1, and \$29 million for PGP Pool #2.

C. Contractual Service Agreements

The All-Requirements Project has signed, or accepted assignment of Contractual Service Agreements (CSA's) with General Electric International, Inc. (GE) for the Treasure Coast Energy Center, Cane Island 2, Cane Island 3, and Cane Island 4, combustion turbines, steam turbines and generators. The CSA's cover specified monitoring and maintenance activities to be performed by GE over the contract term, which is the earlier of a specified contract end date, or a performance end date based on reaching certain operating milestones of either Factor Fired Hours or Factored Starts on the combustion turbines. GE or FMPA may terminate the agreements for the breach of the other party. The defaulting party pays the termination amount based on the performance metric specified in the contract. The following is a summary of the contract status:

	Treasure Coast	Cane Island Unit 2	Cane Island Unit 3	Cane Island Unit 4
Original Effective Date	1/30/2007	9/24/2004	12/12/2003	12/22/2010
Last Amendment Effective Date	12/22/2010	1/1/2011	1/1/2011	N/A
Cumulative Factor Fired Hours	43,675	73,529	79,103	15,779
Term if hours based	72,000		120,000	72,000
Cumulative Factored Starts		2,326		
Term if starts based		2,600		
Current Termination Amount (000's USD)	\$1,210	\$401	\$5,450	\$1,807
Specified Contract End Date	1/30/2022	9/24/2024	12/12/2023	12/22/2025
Estimated Performance End Date	FYE 2018	FYE 2016	FYE 2019	FYE 2021

D. Other Agreements

FMPA has entered into certain long-term contracts for transmission services for its projects. These amounts are recoverable from participants in the projects (except the All-Requirements Project) through the Power Sales and Project Support Contracts. FMPA has entered into Power Sales and Project Support Contracts with each of the project participants for entitlement shares aggregating 100% of FMPA's joint ownership interest. In the case of the All-Requirements Project, a Power Supply Contract was entered into providing for the participant's total power requirements (except for certain excluded resources). Revenues received under these individual project contracts are expected to be sufficient to pay all of the related project costs.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IX. Commitments and Contingencies (continued)

D. Other Agreements (continued)

1. St. Lucie Project

- FMPA has entered into a Reliability Exchange Agreement and a Replacement Power Agreement with FPL. The Reliability Exchange agreement results in FMPA exchanging 50% of its share of the output from St. Lucie Unit 2 for a like amount from the St. Lucie Unit 1. This agreement expires in 2017. The Replacement Power Agreement provides for replacement power and energy to be made available to FMPA if FPL voluntarily ceases to operate or reduces output from St. Lucie Unit 2 or St. Lucie Unit 1 for economic reasons or valley-load conditions, until each unit is retired from service.
- The St. Lucie Project, a joint owner of St. Lucie Unit 2, is subject to the Price Anderson Act, which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. During 2006, the Price Anderson Act was extended for 20 years. As the first layer of financial protection, FPL has purchased \$375 million of public liability insurance from pools of commercial insurers on behalf of all joint owners. The second layer of financial protection is provided under an industry retrospective payment plan. Under this plan, St. Lucie Unit 2 is subject to an assessment of \$117.495 million per reactor with a provision for payment of such assessment to be made over time, as necessary, which limits the payment in any one year to no more than \$17.5 million per reactor and adjusts the payout for inflation in the future. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.
- On December 19, 1999, FMPA (as Decommissioning Trust Administrator) and J.P. Morgan Chase (formerly Chase Manhattan Bank) entered into a Forward Sale Agreement for a portion of the St. Lucie Decommissioning Trust. The agreement provides that J.P. Morgan Chase deliver securities initially with a value not to be less than \$10,225,000 for an equivalent payment. Each month, an additional \$75,000 in securities will be delivered by J.P. Morgan Chase in exchange for an equivalent payment from the Trustee for the Decommissioning Fund. Upon maturity, the securities and the yield earned along with any cash delivered by J.P. Morgan Chase will be equivalent to 7.03% of the face value of the Agreement. The Forward Sale Agreement has a termination date of April 6, 2023.
- During the first quarter of 2008, Florida Power and Light (FPL) started a project to increase the electrical generating capacity of St. Lucie Unit 2. The St. Lucie Project elected to participate in this Extended Power Uprate (EPU) project. The final modifications to the unit were installed during the fall 2012 refueling outage, and the unit has operated at increased power levels since December 2012. FPL has reported that the IPU project increased the capacity of St. Lucie Unit 2 by approximately 154 MW. The capacity owned by the St. Lucie Project increased by approximately 14 MW.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IX. Commitments and Contingencies (continued)

D. Other Agreements (continued)

1. St. Lucie Project (continued)

- In June 2004, the Agency entered into a Forward Sale Agreement and a Credit Support Agreement for the St. Lucie Project with Merrill Lynch. The Credit Support Agreement requires the Agency to establish a collateral account with the Trustee that must contain cash and securities that have a market value of \$7.5 million. This collateral is posted for the benefit of Merrill Lynch should the Agency be unable to keep its commitments under the Forward Sale Agreement. Under the Forward Sale Agreement, Merrill Lynch is required to deliver and the Trustee is required to purchase certain eligible securities on behalf of the St. Lucie Project. Under this Agreement, the securities or securities and cash to be delivered will guarantee the project an annual effective yield of 6.22% between January 1, 2008, and July 1, 2026, on the semi-annual amounts deposited. It is expected that the amounts invested pursuant to the Forward Sale Agreement will be used to redeem bonds outstanding for this project in the future.

2. All-Requirements Project

- FMPA supplies all of the wholesale power needs of the All-Requirements Project participants (except for certain excluded resources). In addition to its ownership facilities, FMPA has entered into interchange and power purchase contracts with minimum future payments as detailed below:

Supplier	End of Contract	Minimum Contract Liability (000's US\$)	
Southern Company - Stanton A PPA	9/30/2023	\$	81,107
Southern Company - Oleander 5 PPA	12/16/2027		123,851
Total Minimum Liability		\$	<u>204,958</u>

- In October 2003, FMPA executed contracts for a \$10 million investment in a brine water processing plant and other water facilities at the Stanton Energy Center in Orlando, Florida.

The Stanton Unit A combined cycle generator receives cooling water treatment services from the brine plant and associated facilities. The owners of Stanton Unit A (Southern Company Florida, FMPA, and Orlando Utilities Commission) pay FMPA's Stanton, Stanton II, Tri-City and All-Requirements Projects a fixed and a variable operation and maintenance charge for services received from this facility.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IX. Commitments and Contingencies (continued)

D. Other Agreements (continued)

2. All-Requirements Project (continued)

- The All-Requirements Project has several commitments/entitlements for natural gas transportation services to supply fuel to its owned and leased generation facilities. Below were the current commitments/entitlements during the past year:

Pipeline	Ave Daily Volume (mmBtu/day)	Annual Cost (000's US\$)	Expiration	Primary Delivery/Receiving Point
Fl Gas Transmission FTS-1	22,484	\$ 3,857	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2	64,759	19,364	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2 Stanton A	14,950	3,323	Various	Stanton A
Transco	50,000	1,947	4/30/2026	FGT
TECO-Peoples Gas	-	750	6/30/2023	Treasure Coast
TECO- Peoples Gas	-	750	8/31/2021	Cane Island/Oleander
		\$ 29,991		

- The All-Requirements Project has entered into a storage contract with SG Resources Mississippi LLC, for 1 million mmBtu of storage capacity in the Southern Pines Storage facility. The contract was effective August 1, 2008, for storage capacity of 500,000 mmBtu and revised April 1, 2011, to increase the storage capacity by 500,000 mmBtu. The contract will expire July 31, 2018, for 500,000 mmBtu and March 31, 2021, for the remaining 500,000 mmBtu.
- The All-Requirements Project is under a contractual arrangement to have generation facilities in Key West, Florida, at a minimum level of 60% of the island utility's peak capacity requirements. With the installation in 2006 of Stock Island 4, a 47 MW oil-fired combustion turbine power plant located in the Key West service territory, the All-Requirements Project believes it has sufficient existing generating capacity at Key West to fulfill the 60% on-island generation requirement for at least the next decade based on Key West's forecasted capacity requirements.
- FMPP has executed Amendment 4 to the Florida Municipal Power Pool (FMPP) Agreement with the FMPP members and a new Control Center Services Agreement with the Orlando Utilities Commission (OUC). These agreements replace the expired Dispatching Service Contract with OUC and align the responsibility for services provided to the All Requirements Project with the entities providing the services. Amendment 4 also clarifies liability between the FMPP members and documents the accounting practices for the operating services.
- The All Requirements Project has signed contracts with Fort Pierce Utilities Authority (FPUA), Kissimmee Utility Authority (KUA) and Keys Energy Services (KES) to operate and maintain Treasure Coast Energy Center, Cane Island Power Park and Stock Island generation facilities respectively. The contracts provide for reimbursement of direct and indirect costs incurred by FPUA, KUA and KES, for operating the plants. The All-Requirements Project, in consultation with FPUA, KUA and KES, sets staffing levels, operating and capital budgets, and operating parameters for the plants.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IX. Commitments and Contingencies (continued)

D. Other Agreements (continued)

2. All-Requirements Project (continued)

- The City of Starke and the City of Green Cove Springs have each given FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Project Contract that the term of their respective contracts will not renew automatically each year after the initial contract term. The terms of their respective contracts are now fixed; Starke's contract terminates on October 1, 2035, and Green Cove Springs' contract terminates on October 1, 2037.
- The City of Vero Beach has limited its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitations commenced January 1, 2010 and continue for the term of the ARP Contract. Vero Beach is also trying to sell their electric system to FPL, exit the All-Requirements Project completely as well as dispose of their interests in other non-All-Requirements Projects. Discussions are ongoing, with proposals being explored by all parties involved. Any agreement tentatively reached, if any, will have to have the approval of many parties other than just Vero Beach, FPL, and FMPA and its Project Participants.
- The City of Lake Worth has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation will commence January 1, 2014. Additionally, effective January 1, 2014 the Capacity and Energy Sales contract between the City and FMPA will terminate. The amount of capacity and energy the City will eventually purchase under this conversion of their contract is determined to be zero based on the City's usage during December 2012 through November 2013.
- The City of Fort Meade has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation will commence January 1, 2015. Concurrently, the City gave FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Contract that the term of its contract will not renew automatically each year after the initial contract term. The term of the City's contract is now fixed and will terminate on October 1, 2041.
- The All-Requirements Project has entered into a Full Requirements Power Sales Contract with the City of Quincy, Florida, whereby the All-Requirements Project will serve Quincy's total capacity and energy needs above its purchases from the Southeastern Power Administration. The contract expires on December 31, 2015, unless extended by mutual agreement of the parties.
- In the normal course of its business FMPA has had claims or assertions made against them. In the opinion of management, the ultimate disposition of these currently asserted claims are either not substantiated or will not have a material impact on FMPA's financial statements.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

IX. Commitments and Contingencies (continued)

E. Other Contingency Items

In February 2013, Duke Energy, Inc. ("Duke," formerly Progress Energy Florida, Inc.) announced the retirement of its Crystal River Unit 3 nuclear plant ("CR3"), which had been out of service since 2009. As a wholesale purchaser of capacity and energy from Duke since the CR3 outage began, the All-Requirements Power Supply Project has potential claims against Duke for increased capacity and energy costs due to the extended CR3 outage. The All-Requirements Project's claims are being handled together with the claims of other wholesale purchasers and municipal joint owners of CR3 by FMPA staff, acting as the agent of the wholesale purchasers and municipal joint owners. (The municipal joint owners of CR3 hold their interests in the plant individually, not as members of an FMPA project.)

X. Capacity and Energy Sales Contracts

- The All-Requirements Project has a contractual arrangement with one member city – Lake Worth – that owns and operates generating facilities. This power plant is utilized by FMPA to meet the All Requirements Project's power needs. Lake Worth is compensated through capacity credits for power and reserves that it provides under the Capacity and Energy Sales Contract between the city and FMPA.
- During 2008, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy Sales Contract for KUA whereby the All-Requirements Project has assumed all cost liability and operational management of all KUA owned generation assets and will pay to KUA agreed-upon fixed payments over preset periods relating to each asset.
- Effective January 1, 2011, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy Sales Contract for Key West whereby the All-Requirements Project has assumed all cost liability and operational management of all Key West owned generation assets and pay to Key West fixed annual payments of \$670,000 each January 1 from 2011 through 2020. The amended contract provides the All-Requirements Project the right to retire Keys generation assets at any time during the term of the contract, subject to the 60% on-island capacity requirement, without shortening the fixed payment term.
- The City of Moore Haven has a contractual agreement with FMPA to sell capacity and energy to the All-Requirements Project. The All-Requirements Project has agreed to provide reserves and back-up capacity and energy for this sale. FMPA has been appointed as agent in the administration of this contract.

XI. Mutual Aid Agreement

The All-Requirements Project has agreed to participate in a mutual aid agreement with six other utilities for extended generator outages of defined base-load generating units. The participants include the city of Tallahassee, Gainesville Regional Utilities, JEA, Lakeland Electric, Orlando Utilities Commission, and Municipal Electric Authority of Georgia. The All-Requirements Project has designated 120 MW's of Cane Island Unit 3, 140 MW's of Cane Island 4, and 300 MW's of the Treasure Coast Energy Center. In the case of a qualifying failure, the All-Requirements Project will have the option to receive either 50% or 100% of the replacement of the designated MWs of the failed unit. The cost of replacement energy will be based on an identified gas index or coal index and heat rate in the agreement. In the event of any extended outage from any other participant, the All-Requirements Project would provide between 13 MW and 52 MW (based on the designation of the participant) for a maximum of nine months. The current agreement term expires on October 1, 2017, and will automatically renew for an additional five-year period, unless FMPA (1) has not received energy under the agreement during the current term, and (2) provides at least 90 days notice prior to the end of the current term that it does not elect to renew its participation.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

XII. Employment Benefits

A. Retirement Benefits

A Deferred Compensation Plan (in accordance with the Internal Revenue Code Section 457) and a Defined Contribution Pension (money purchase) Plan (under the Internal Revenue Code Section 401(a)) are offered to the Agency's full-time employees, excluding the General Manager and General Counsel, who become fully vested after six months of employment. FMPA's contribution is 10% of the individual's gross base salary for the 401(a) plan. Total payroll for the year ended September 30, 2013, was \$6.4 million, which approximates covered payroll.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee may contribute to the Deferred Compensation Plan, so that the combined annual contribution does not exceed \$17,500 for 2013. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal year 2013 were \$686,207. Funds from these plans are not available to employees until termination or retirement, however funds from either plan can be made available, allowing an employee to borrow up to one half of their balance in the form of a loan.

B. Post-Employment Benefits other than Retirement

FMPA offers paid group health insurance to retired, full-time employees, with an employment start date prior to October 1, 2004 over the age of 55 who have a combined total of at least 900 months of age plus months of active service. This insurance is through the Agency's group health insurance plan, which covers active participants until retirement and retired participants until age 65. Retired participants over the age of 65 are offered a separate plan that is coordinated with Medicare coverage.

The Agency's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC). The Agency has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 43 for employers in plans with fewer than one hundred plan participants. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the Agency's OPEB expense for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

	(000's) USD
Annual required contribution	\$ 393
Interest on net OPEB obligation	18
Annual OPEB expense	411
Contributions made	-
Increase in net OPEB Obligation	411
Net OPEB Obligation - Beginning of Year	1,628
Net OPEB Obligation - End of Year	\$ 2,039

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

XIII. Risk Management

The Agency is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees and the public and damage to property of others. In addition, FMPA enters into contracts with third parties, some of whom are empowered to act as its agents in order to carry out the purpose of the contracts.

These contracts subject FMPA to varying degrees and types of risk. The Agency has purchased commercial insurance that management believes is adequate to cover these various risks. FMPA has elected to self-insure the Agency's risk for general liability. It is the opinion of general counsel that FMPA may enjoy sovereign immunity in the same manner as a municipality, as allowed by Florida Common Law. Under such Florida Law, the limit of liability for judgments by one person for Tort is \$200,000 or a total of \$300,000 for the same incident or occurrence. At no point have settlements exceeded coverage in the past two fiscal years.

The Agency has established an Audit and Risk Oversight Committee (AROC) made up of some of FMPA's Board of Directors and member's representatives, and has assigned corporate risk management to its Contract Compliance Audit and Risk Management Manager. The Contract Compliance Audit and Risk Management Manager is designated the Agency's Risk manager, and oversees the Risk Management Department, which reports to the General Manager. The objective of the Agency's Enterprise Risk Management program is to identify, measure, monitor, and report risks in order to minimize unfavorable financial and strategic impacts.

FMPA's Risk Management Policy addresses key risk areas including, but not limited to, fuel price, debt, investment, insurance, credit and contracts.

XIV. Interest Arbitrage and Rebate

A rebate payable to the Internal Revenue Service (IRS) is calculated based on the investment of bond proceeds in financial instruments that yield interest income that is higher than the interest of the debt. This rebate is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter.

The potential arbitrage liability at September 30, 2013, for each of the projects is as follows:

Project	Amount (000's US\$)
St. Lucie Project	\$ -
Stanton Project	1
All-Requirements Project	21
Tri-City Project	49
Stanton II Project	534
Total	<u>\$ 605</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

XV. Related Party Transactions

A. Governing Members and Committees

Each of the 31 members of FMPA appoints a representative to FMPA's Board of Directors. The Board has responsibility for developing and approving FMPA's non All-Requirements Project budgets, hiring of the General Manager and General Counsel and establishing the Agency's bylaws, which govern how FMPA operates and the policies which implement such bylaws. The Board also authorizes all non-All-Requirements Project debt issued by FMPA and allocates the Agency Fund burden to each of the Projects. The Board elects a Chairman, Vice-Chairman, Secretary, and Treasurer.

The Executive Committee consists of representatives from the fourteen active members of the All-Requirements Project. The Executive Committee elects a Chairman and Vice-Chairman. The Executive committee has sole responsibility for developing and approving FMPA's Agency Fund and All-Requirements Project budgets, and authorizes all debt issued by the Agency Fund and the All-Requirements Project.

In order to facilitate the project decision-making process, there are project committees which are comprised of one representative from each participant in a project. The project committees serve in an advisory capacity, and all decisions concerning the project are decided by the Board of Directors, except for the All-Requirements Project, in which all decisions are made by the Executive Committee.

B. Florida Gas Utility (FGU)

The All-Requirements Project has a contractual agreement to purchase natural gas from Florida Gas Utility (FGU), which accounts for approximately 80-85% of FGU's total throughput of natural gas. FMPA and the following member cities have representatives on the FGU Board of Directors: Fort Meade, Ft. Pierce, KUA, Lake Worth, Leesburg and Starke.

XVI. Subsequent Events

The St. Lucie Project issued Series 2013A revenue bonds on October 3, 2013. The bonds have a face amount of \$16.7 million, and were issued at par value. The bond proceeds are to be used as follows: \$16.6 million for capital expenses and \$0.1 million for the cost of issuance.

Supplementary Information

(unaudited)

**SCHEDULE OF
AMOUNTS DUE TO (FROM) PARTICIPANTS
RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2013
(000's US\$)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Agency Fund			
Received from projects	\$ 13,445	\$ 12,505	\$ (940)
Received from member assessments	21	24	3
Interest income	260	34	(226)
Other income	-	3	3
	<u>\$ 13,726</u>	<u>\$ 12,566</u>	<u>\$ (1,160)</u>
General and administrative	\$ 12,940	\$ 12,157	\$ 783
Depreciation & amortization expense	-	259	(259)
Invested in Capital Assets	356	345	11
Principal on Debt	170	170	-
Other Adjustments	-	(169)	169
	<u>\$ 13,466</u>	<u>\$ 12,762</u>	<u>\$ 704</u>
Net Revenue	<u>\$ 260</u>	<u>\$ (196)</u>	<u>\$ (456)</u>
St. Lucie Project			
Participant billing	\$ 46,255	\$ 46,255	\$ -
Reliability exchange contract sales	-	3,759	3,759
Interest income	455	263	(192)
	<u>\$ 46,710</u>	<u>\$ 50,277</u>	<u>\$ 3,567</u>
Operation and maintenance, fuel	\$ 17,312	\$ 13,911	\$ 3,401
Spent fuel fees	617	875	(258)
Purchased power	607	4,176	(3,569)
Transmission service	528	611	(83)
General and administrative	2,718	2,478	240
Deposit to renewal and replacement fund	1,522	1,522	-
Deposit to decommissioning fund	3,000	3,000	-
Deposit to general reserve fund	2,236	2,000	236
Deposit to debt service fund	19,356	19,106	250
	<u>\$ 47,896</u>	<u>\$ 47,679</u>	<u>\$ 217</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ (1,186)</u>	<u>\$ 2,598</u>	<u>\$ 3,784</u>

Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

**SCHEDULE OF
AMOUNTS DUE TO (FROM) PARTICIPANTS
RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2013
(000's US\$)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Stanton Project			
Participant billing & sales to others	\$ 23,791	\$ 24,175	\$ 384
Interest income	179	218	39
	<u>\$ 23,970</u>	<u>\$ 24,393</u>	<u>\$ 423</u>
Operation and maintenance, fuel	\$ 11,807	\$ 11,607	\$ 200
Transmission service	1,197	1,223	(26)
General and administrative	1,200	1,184	16
Deposit to debt service fund	9,440	9,138	302
	<u>\$ 23,644</u>	<u>\$ 23,152</u>	<u>\$ 492</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ 326</u>	<u>\$ 1,241</u>	<u>\$ 915</u>
All-Requirements Project			
Participant billing & sales to others	\$ 504,007	\$ 486,282	\$ (17,725)
Interest Income	423	1,116	693
	<u>\$ 504,430</u>	<u>\$ 487,398</u>	<u>\$ (17,032)</u>
Member Capacity	\$ 32,228	\$ 30,520	\$ 1,708
Contract Capacity	27,105	30,060	(2,955)
ARP Owned Capacity	46,476	37,862	8,614
Debt & Capital Leases	112,481	111,036	1,445
Direct Charges & Other	20,701	19,109	1,592
Gas Transportation	31,586	33,000	(1,414)
Fuels	204,575	188,244	16,331
Purchased Power	2,689	5,470	(2,781)
Transmission	26,589	27,389	(800)
	<u>\$ 504,430</u>	<u>\$ 482,690</u>	<u>\$ 21,740</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ -</u>	<u>\$ 4,708</u>	<u>\$ 4,708</u>

Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

**SCHEDULE OF
AMOUNTS DUE TO (FROM) PARTICIPANTS
RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2013
(000's US\$)**

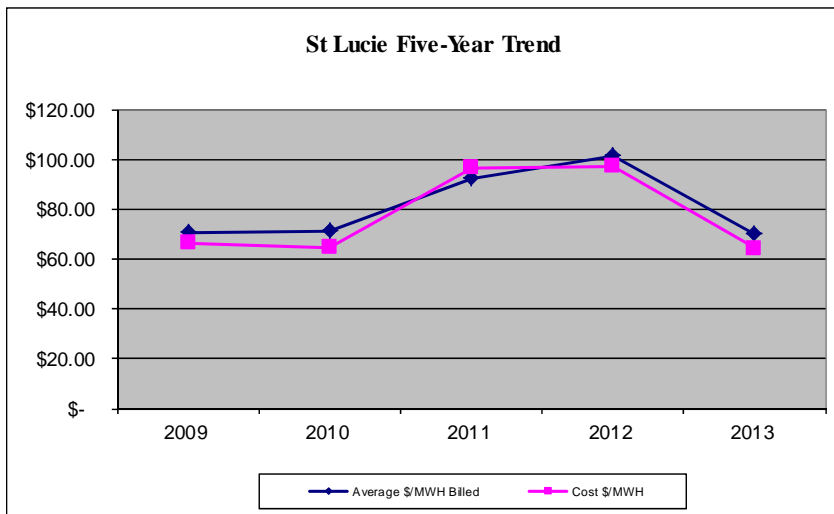
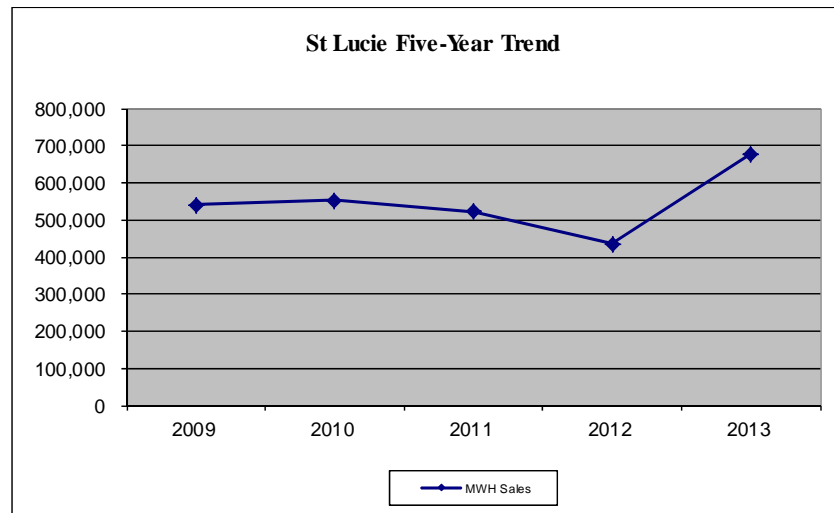
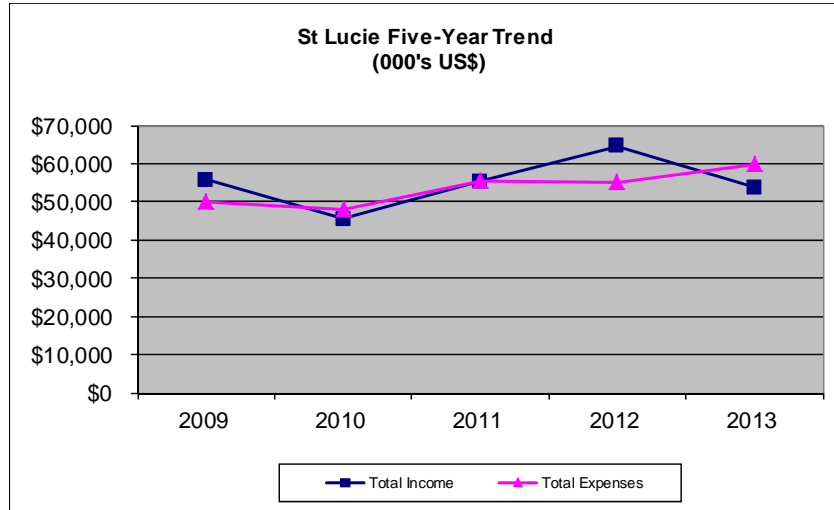
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Tri-City Project			
Participant billing & sales to others	\$ 9,660	\$ 9,805	\$ 145
Interest income	86	113	27
	<u>\$ 9,746</u>	<u>\$ 9,918</u>	<u>\$ 172</u>
Operation and maintenance, fuel	\$ 4,383	\$ 4,331	\$ 52
Transmission service	475	489	(14)
General and administrative	676	659	17
Deposit to debt service fund	3,820	3,364	456
Deposit to renewal and replacement fund	-	-	-
	<u>\$ 9,354</u>	<u>\$ 8,843</u>	<u>\$ 511</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ 392</u>	<u>\$ 1,075</u>	<u>\$ 683</u>
Stanton II Project			
Participant billing & sales to others	\$ 51,288	\$ 50,759	\$ (529)
Interest income	166	(58)	(225)
	<u>\$ 51,454</u>	<u>\$ 50,701</u>	<u>\$ (754)</u>
Operation and maintenance, fuel	\$ 29,066	\$ 27,666	\$ 1,400
Transmission service	1,821	1,846	(25)
General and administrative	1,792	1,698	94
Deposit to debt service fund	15,622	16,582	(960)
Deposit to renewal and replacement fund	69	69	-
	<u>\$ 48,370</u>	<u>\$ 47,861</u>	<u>\$ 509</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ 3,084</u>	<u>\$ 2,840</u>	<u>\$ (245)</u>

Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

FIVE-YEAR TREND ANALYSIS

	2009	2010	2011	2012	2013
(000's US\$ except for MWH Sales and Average \$/MWH)					
St. Lucie Project					
Capital Assets	\$ 97,397	\$ 95,064	\$ 109,567	\$ 114,529	\$ 103,963
Total Assets & Deferred Outflows	\$ 301,931	\$ 375,239	\$ 418,086	\$ 443,340	\$ 432,097
Long-Term Debt	\$ 250,411	\$ 313,987	\$ 356,522	\$ 432,430	\$ 418,156
Total Liabilities & Deferred Inflows	\$ 301,931	\$ 375,239	\$ 418,086	\$ 443,340	\$ 432,097
Billings to Participants	\$ 38,250	\$ 39,383	\$ 48,244	\$ 44,207	\$ 47,446
Sales to Others	2,786	2,258	1,259	2,015	2,568
Total Operating Revenues	<u>\$ 41,036</u>	<u>\$ 41,641</u>	<u>\$ 49,503</u>	<u>\$ 46,222</u>	<u>\$ 50,014</u>
Purchased Power	\$ 3,178	\$ 3,452	\$ 4,182	\$ 1,117	\$ 4,176
Production-Nuclear	11,529	9,164	13,294	11,359	9,529
Nuclear Fuel Amortization	2,907	3,763	2,915	3,700	4,357
Transmission	402	431	560	546	611
General & Administrative	2,768	2,530	3,238	3,389	2,633
Depreciation & Decommissioning	12,656	14,215	16,450	19,571	23,465
Total Operating Expenses	<u>\$ 33,440</u>	<u>\$ 33,555</u>	<u>\$ 40,639</u>	<u>\$ 39,682</u>	<u>\$ 44,771</u>
Net Operating Revenues	<u>\$ 7,596</u>	<u>\$ 8,086</u>	<u>\$ 8,864</u>	<u>\$ 6,540</u>	<u>\$ 5,243</u>
Investment Income	\$ 14,727	\$ 3,825	\$ 5,927	\$ 18,373	\$ 3,832
Total Other Income	<u>\$ 14,727</u>	<u>\$ 3,825</u>	<u>\$ 5,927</u>	<u>\$ 18,373</u>	<u>\$ 3,832</u>
Interest Expense	\$ 12,751	\$ 11,940	\$ 12,360	\$ 13,284	\$ 13,453
Amortization & Other Expense	3,926	2,642	2,570	2,259	1,656
Total Other Expenses	<u>\$ 16,677</u>	<u>\$ 14,582</u>	<u>\$ 14,930</u>	<u>\$ 15,543</u>	<u>\$ 15,109</u>
Net Income (Loss)	\$ 5,646	\$ (2,671)	\$ (139)	\$ 9,370	\$ (6,034)
Net Cost Recovered (Credited) in the Future	(3,290)	6,326	(1,955)	(7,499)	9,818
Due from (to) Participants	<u>(2,356)</u>	<u>(3,655)</u>	<u>2,094</u>	<u>(1,871)</u>	<u>(3,784)</u>
Total Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MWH Sales	541,090	553,105	521,565	435,935	676,974
Average \$/MWH Billed	\$ 70.69	\$ 71.20	\$ 92.50	\$ 101.41	\$ 70.09
Cost \$/MWH	\$ 66.34	\$ 64.60	\$ 96.51	\$ 97.12	\$ 64.50

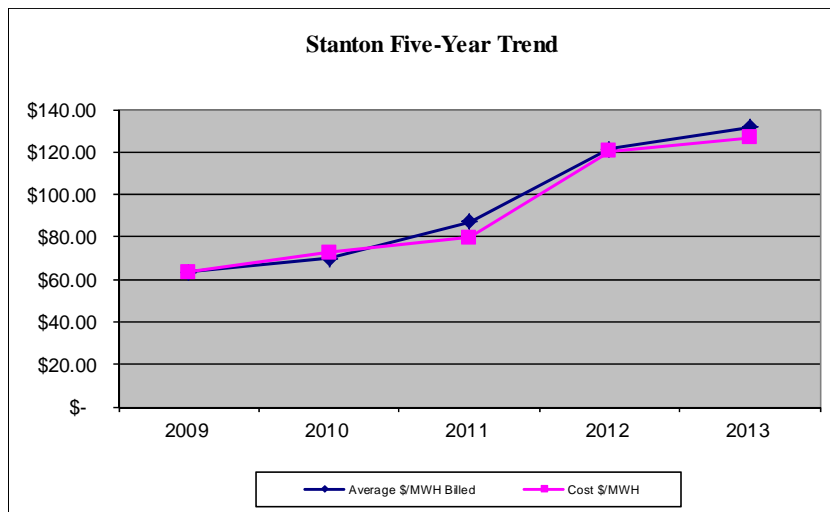
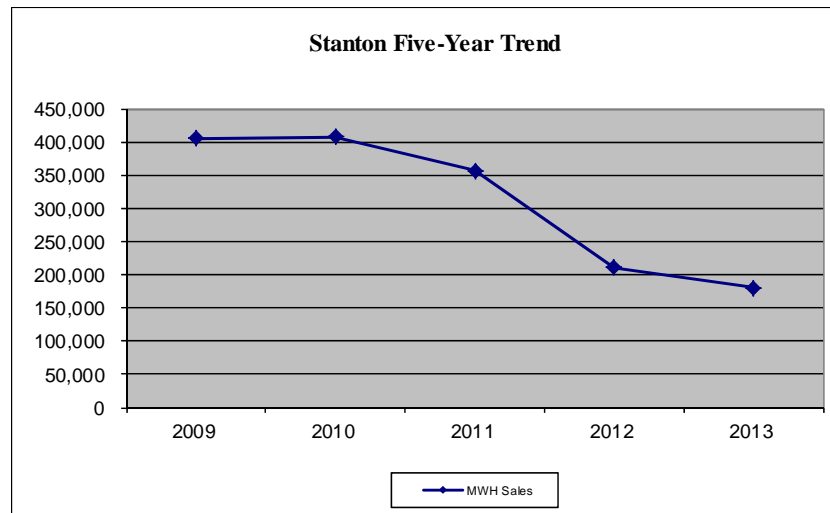
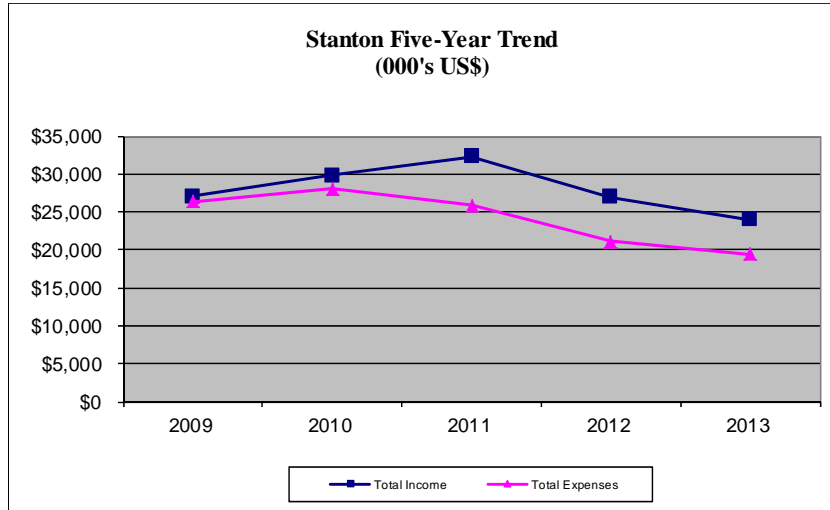
FIVE-YEAR TREND ANALYSIS



FIVE-YEAR TREND ANALYSIS

	2009	2010	2011	2012	2013
(000's US\$ except for MWH Sales and Average \$/MWH)					
Stanton Project					
Capital Assets	\$ 37,927	\$ 36,823	\$ 34,420	\$ 35,124	\$ 33,811
Total Assets & Deferred Outflows	\$ 75,030	\$ 73,390	\$ 72,255	\$ 70,205	\$ 61,313
Long-Term Debt	\$ 65,348	\$ 65,416	\$ 59,601	\$ 54,702	\$ 45,564
Total Liabilities & Deferred Inflows	\$ 75,030	\$ 73,390	\$ 72,255	\$ 70,205	\$ 61,313
Billings to Participants	\$ 25,693	\$ 28,470	\$ 31,085	\$ 25,579	\$ 23,745
Sales to Others	379	357	365	394	430
Total Operating Revenues	<u>\$ 26,072</u>	<u>\$ 28,827</u>	<u>\$ 31,450</u>	<u>\$ 25,973</u>	<u>\$ 24,175</u>
Production-Steam	\$ 4,477	\$ 6,250	\$ 4,703	\$ 4,025	\$ 3,545
Fuel Expense	13,292	13,381	12,873	8,707	8,061
Transmission	976	988	1,033	1,224	1,223
General & Administrative	1,012	1,107	1,095	1,154	1,184
Depreciation & Decommissioning	2,178	2,242	2,283	2,363	2,526
Total Operating Expenses	<u>\$ 21,935</u>	<u>\$ 23,968</u>	<u>\$ 21,987</u>	<u>\$ 17,473</u>	<u>\$ 16,539</u>
Net Operating Revenues	<u>\$ 4,137</u>	<u>\$ 4,859</u>	<u>\$ 9,463</u>	<u>\$ 8,500</u>	<u>\$ 7,636</u>
Investment Income	\$ 1,008	\$ 972	\$ 876	\$ 962	\$ (164)
Total Other Income	<u>\$ 1,008</u>	<u>\$ 972</u>	<u>\$ 876</u>	<u>\$ 962</u>	<u>\$ (164)</u>
Interest Expense	\$ 3,656	\$ 3,488	\$ 3,357	\$ 3,090	\$ 2,680
Amortization & Other Expense	800	604	547	501	258
Total Other Expenses	<u>\$ 4,456</u>	<u>\$ 4,092</u>	<u>\$ 3,904</u>	<u>\$ 3,591</u>	<u>\$ 2,938</u>
Net Income (Loss)	\$ 689	\$ 1,739	\$ 6,435	\$ 5,871	\$ 4,534
Net Cost Recovered (Credited) in the Future	(712)	(2,781)	(3,755)	(5,671)	(3,619)
Due from (to) Participants	23	1,042	(2,680)	(200)	(915)
Total Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MWH Sales	405,032	407,099	356,409	210,924	180,203
Average \$/MWH Billed	\$ 63.43	\$ 69.93	\$ 87.22	\$ 121.27	\$ 131.77
Cost \$/MWH	\$ 63.49	\$ 72.49	\$ 79.70	\$ 120.32	\$ 126.69

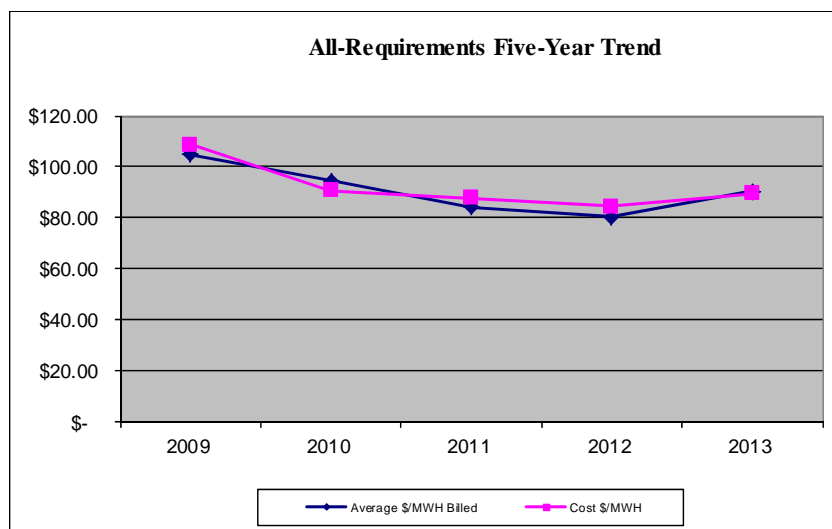
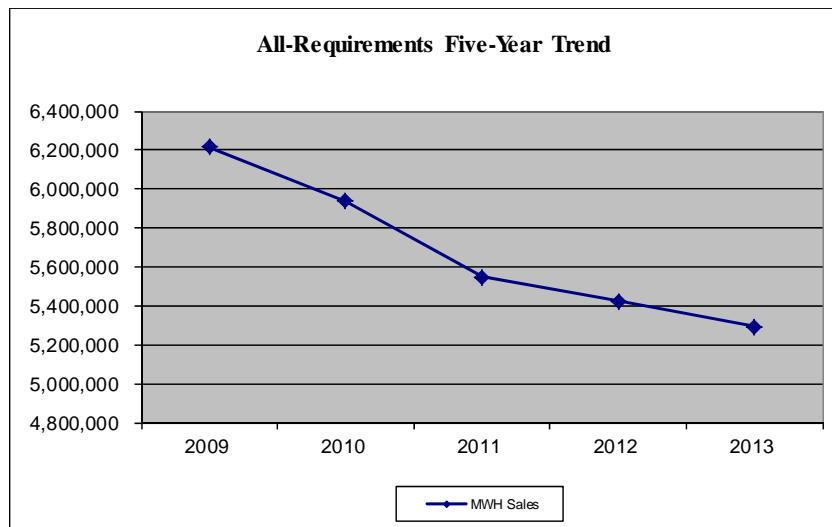
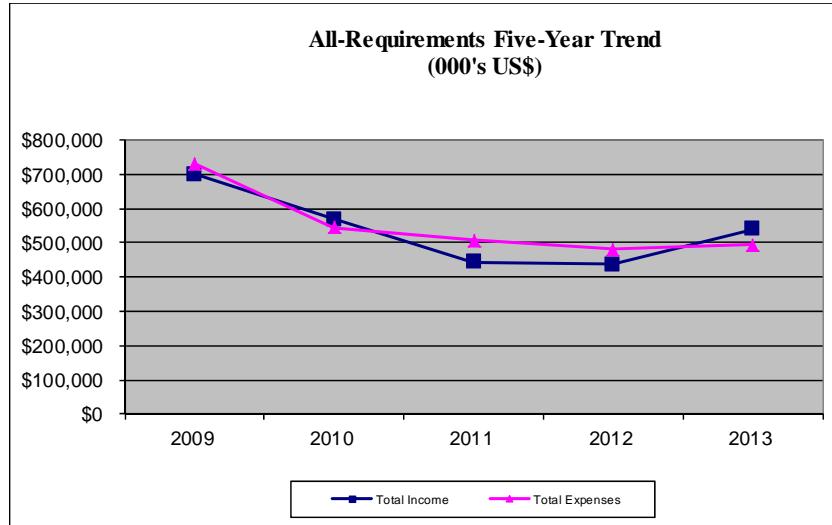
FIVE-YEAR TREND ANALYSIS



FIVE-YEAR TREND ANALYSIS

	2009	2010	2011	2012	2013
(000's US\$ except for MWH Sales and Average \$/MWH)					
All-Requirements Project					
Capital Assets	\$ 879,610	\$ 982,915	\$ 1,000,086	\$ 956,182	\$ 912,545
Total Assets & Deferred Outflows	\$ 1,559,177	\$ 1,669,477	\$ 1,650,675	\$ 1,641,997	\$ 1,489,809
Long-Term Debt	\$ 1,369,893	\$ 1,483,415	\$ 1,497,167	\$ 1,483,283	\$ 1,352,328
Total Liabilities & Deferred Inflows	\$ 1,559,177	\$ 1,669,477	\$ 1,650,675	\$ 1,641,997	\$ 1,489,809
Billings to Participants	\$ 651,737	\$ 562,210	\$ 467,025	\$ 435,812	\$ 478,321
Sales to Others	34,362	7,887	15,419	14,068	7,960
Total Operating Revenues	<u>\$ 686,099</u>	<u>\$ 570,097</u>	<u>\$ 482,444</u>	<u>\$ 449,880</u>	<u>\$ 486,281</u>
Purchased Power	\$ 126,488	\$ 105,854	\$ 60,901	\$ 24,860	\$ 38,327
Production-Steam	64,246	57,674	53,357	59,511	59,802
Fuel Expense	410,362	261,660	253,392	229,663	230,847
Transmission	27,018	20,337	24,530	25,307	27,344
General & Administrative	15,528	17,356	25,769	20,528	21,463
Depreciation & Decommissioning	33,998	36,050	40,463	55,250	53,877
Total Operating Expenses	<u>\$ 677,640</u>	<u>\$ 498,931</u>	<u>\$ 458,412</u>	<u>\$ 415,119</u>	<u>\$ 431,660</u>
Net Operating Revenues	<u>\$ 8,459</u>	<u>\$ 71,166</u>	<u>\$ 24,032</u>	<u>\$ 34,761</u>	<u>\$ 54,621</u>
Investment Income	\$ 15,269	\$ (259)	\$ (38,221)	\$ (12,695)	\$ 54,494
Total Other Income	<u>\$ 15,269</u>	<u>\$ (259)</u>	<u>\$ (38,221)</u>	<u>\$ (12,695)</u>	<u>\$ 54,494</u>
Interest Expense	\$ 48,410	\$ 42,856	\$ 45,786	\$ 64,523	\$ 61,830
Amortization & Other Expense	4,435	2,554	2,438	2,371	940
Total Other Expenses	<u>\$ 52,845</u>	<u>\$ 45,410</u>	<u>\$ 48,224</u>	<u>\$ 66,894</u>	<u>\$ 62,770</u>
Net Income (Loss)	<u>\$ (29,117)</u>	<u>\$ 25,497</u>	<u>\$ (62,413)</u>	<u>\$ (44,828)</u>	<u>\$ 46,345</u>
Net Cost Recovered (Credited) in the Future	5,307	(2,669)	43,088	22,617	(41,637)
Due from (to) Participants	23,810	(22,828)	19,325	22,211	(4,708)
Total Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MWH Sales	6,215,912	5,938,070	5,549,464	5,424,379	5,293,772
Average \$/MWH Billed	\$ 104.85	\$ 94.68	\$ 84.16	\$ 80.34	\$ 90.36
Cost \$/MWH	\$ 108.68	\$ 90.83	\$ 87.64	\$ 84.44	\$ 89.47

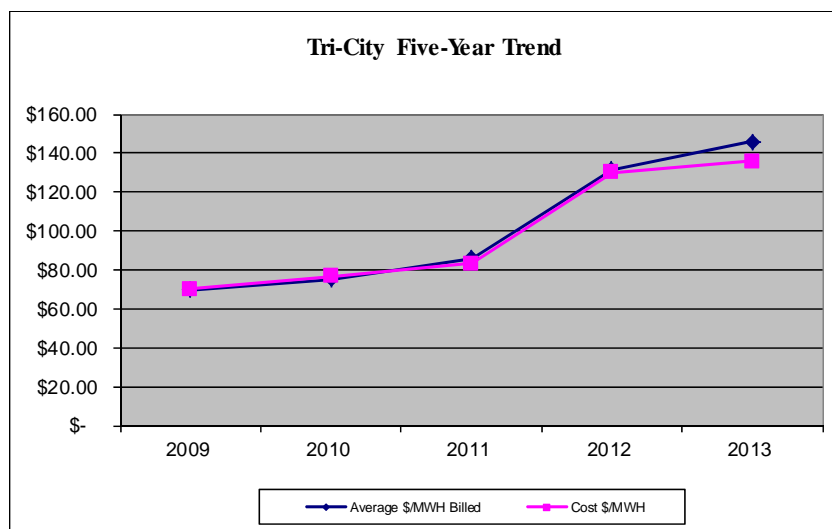
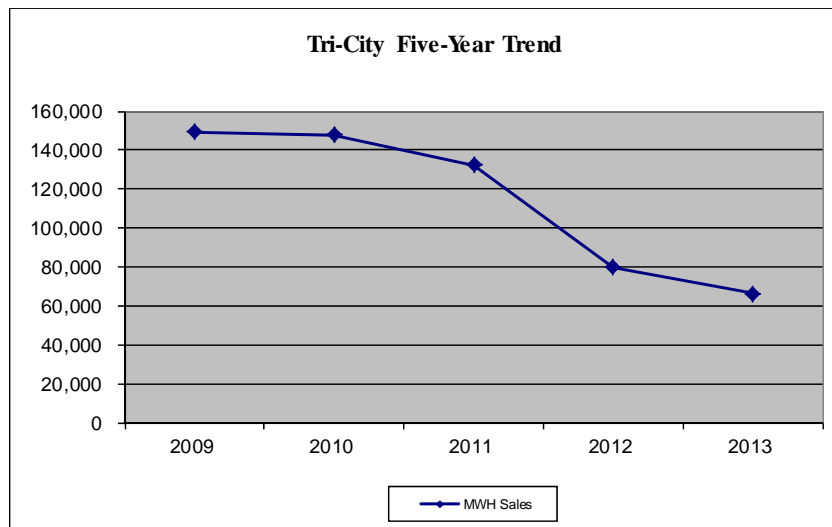
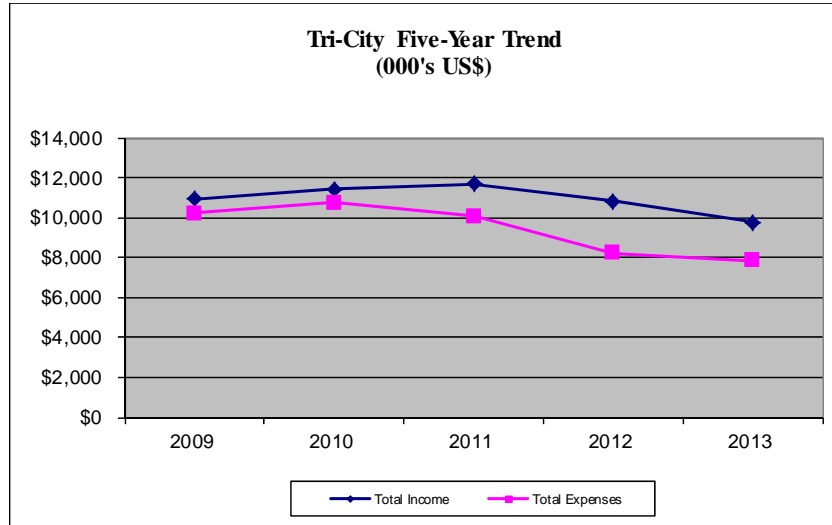
FIVE-YEAR TREND ANALYSIS



FIVE-YEAR TREND ANALYSIS

	2009	2010	2011	2012	2013
(000's US\$ except for MWH Sales and Average \$/MWH)					
Tri-City Project					
Capital Assets	\$ 15,263	\$ 14,770	\$ 13,814	\$ 13,969	\$ 13,405
Total Assets & Deferred Outflows	\$ 30,327	\$ 28,985	\$ 27,730	\$ 26,829	\$ 21,794
Long-Term Debt	\$ 26,394	\$ 25,471	\$ 23,266	\$ 25,802	\$ 18,696
Total Liabilities & Deferred Inflows	\$ 30,327	\$ 28,985	\$ 27,730	\$ 29,829	\$ 21,794
Billings to Participants	\$ 10,426	\$ 11,076	\$ 11,377	\$ 10,490	\$ 9,662
Sales to Others	136	128	132	141	143
Total Operating Revenues	<u>\$ 10,562</u>	<u>\$ 11,204</u>	<u>\$ 11,509</u>	<u>\$ 10,631</u>	<u>\$ 9,805</u>
Production-Steam	\$ 1,601	\$ 2,236	\$ 1,685	\$ 1,440	\$ 1,269
Fuel Expense	4,890	4,847	4,782	3,169	3,062
Transmission	387	394	425	490	489
General & Administrative	561	637	617	651	659
Depreciation & Decommissioning	875	900	914	942	998
Total Operating Expenses	<u>\$ 8,314</u>	<u>\$ 9,014</u>	<u>\$ 8,423</u>	<u>\$ 6,692</u>	<u>\$ 6,477</u>
Net Operating Revenues	<u>\$ 2,248</u>	<u>\$ 2,190</u>	<u>\$ 3,086</u>	<u>\$ 3,939</u>	<u>\$ 3,328</u>
Investment Income	\$ 365	\$ 233	\$ 195	\$ 197	\$ (54)
Total Other Income	<u>\$ 365</u>	<u>\$ 233</u>	<u>\$ 195</u>	<u>\$ 197</u>	<u>\$ (54)</u>
Interest Expense	\$ 1,313	\$ 1,256	\$ 1,222	\$ 1,149	\$ 1,021
Amortization & Other Expense	585	459	421	379	354
Total Other Expenses	<u>\$ 1,898</u>	<u>\$ 1,715</u>	<u>\$ 1,643</u>	<u>\$ 1,528</u>	<u>\$ 1,375</u>
Net Income (Loss)	\$ 715	\$ 708	\$ 1,638	\$ 2,608	\$ 1,899
Net Cost Recovered (Credited) in the Future	(793)	(940)	(1,294)	(2,480)	(1,216)
Due from (to) Participants	78	232	(344)	(128)	(683)
Total Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MWH Sales	149,516	147,641	132,545	79,739	66,150
Average \$/MWH Billed	\$ 69.73	\$ 75.02	\$ 85.83	\$ 131.55	\$ 146.06
Cost \$/MWH	\$ 70.25	\$ 76.59	\$ 83.24	\$ 129.95	\$ 135.74

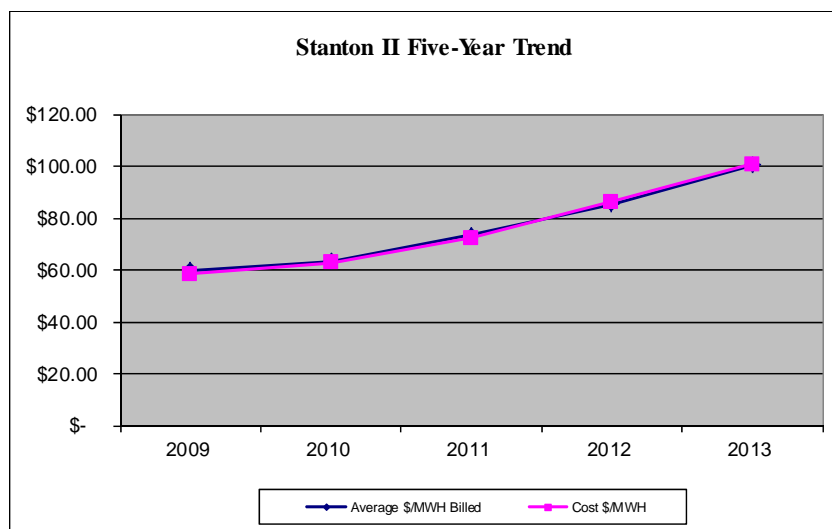
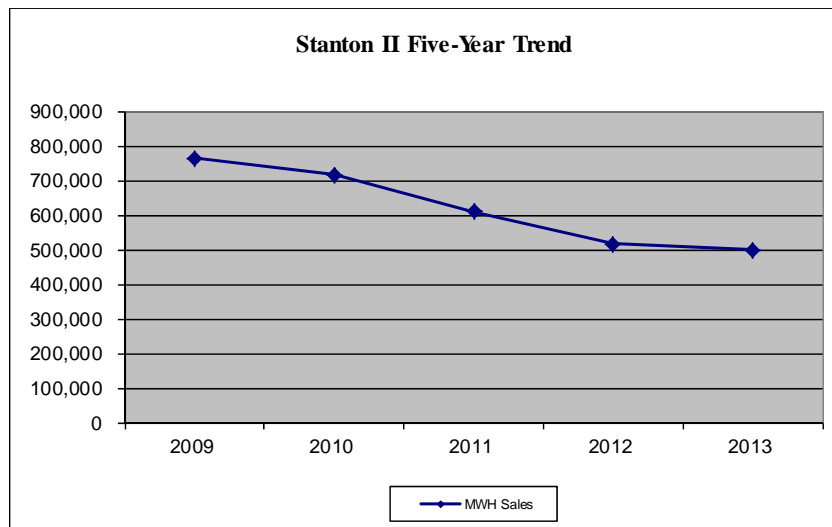
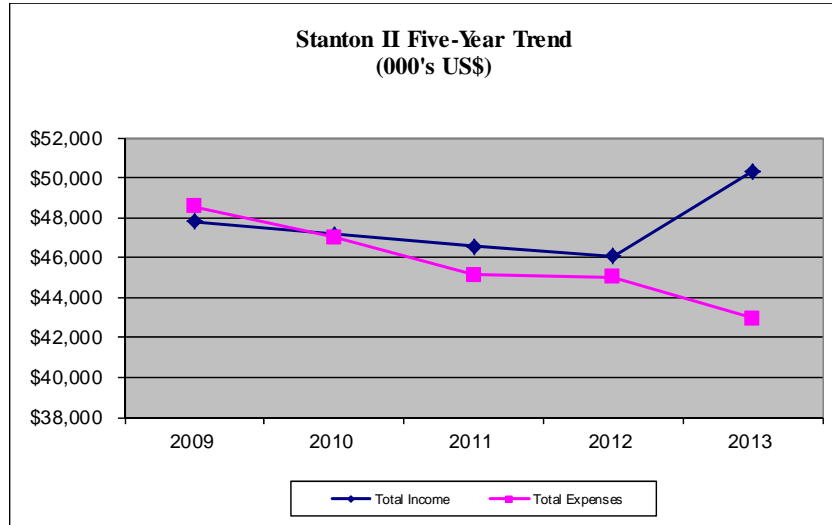
FIVE-YEAR TREND ANALYSIS



FIVE-YEAR TREND ANALYSIS

	2009	2010	2011	2012	2013
(000's US\$ except for MWH Sales and Average \$/MWH)					
Stanton II Project					
Capital Assets	\$ 117,796	\$ 114,231	\$ 109,677	\$ 108,648	\$ 107,030
Total Assets & Deferred Outflows	\$ 175,283	\$ 198,165	\$ 196,217	\$ 204,895	\$ 193,709
Long-Term Debt	\$ 165,798	\$ 189,676	\$ 186,893	\$ 197,417	\$ 179,960
Total Liabilities & Deferred Inflows	\$ 175,283	\$ 198,165	\$ 196,217	\$ 204,895	\$ 193,709
Billings to Participants	\$ 45,702	\$ 45,386	\$ 44,707	\$ 44,184	\$ 50,047
Sales to Others	595	555	576	618	711
Total Operating Revenues	<u>\$ 46,297</u>	<u>\$ 45,941</u>	<u>\$ 45,283</u>	<u>\$ 44,802</u>	<u>\$ 50,758</u>
Production-Steam	\$ 5,471	\$ 6,832	\$ 6,432	\$ 6,927	\$ 5,337
Fuel Expense	24,238	22,817	21,172	21,201	22,328
Transmission	1,481	1,493	1,541	1,848	1,846
General & Administrative	1,681	1,691	1,627	1,785	1,698
Depreciation & Decommissioning	4,568	4,621	4,638	4,718	4,855
Total Operating Expenses	<u>\$ 37,439</u>	<u>\$ 37,454</u>	<u>\$ 35,410</u>	<u>\$ 36,479</u>	<u>\$ 36,064</u>
Net Operating Revenues	<u>\$ 8,858</u>	<u>\$ 8,487</u>	<u>\$ 9,873</u>	<u>\$ 8,323</u>	<u>\$ 14,694</u>
Investment Income	\$ 1,501	\$ 1,218	\$ 1,291	\$ 1,260	\$ (450)
Total Other Income	<u>\$ 1,501</u>	<u>\$ 1,218</u>	<u>\$ 1,291</u>	<u>\$ 1,260</u>	<u>\$ (450)</u>
Interest Expense	\$ 8,621	\$ 8,101	\$ 8,321	\$ 7,584	\$ 7,199
Amortization & Other Expense	2,514	1,447	1,384	965	(307)
Total Other Expenses	<u>\$ 11,135</u>	<u>\$ 9,548</u>	<u>\$ 9,705</u>	<u>\$ 8,549</u>	<u>\$ 6,892</u>
Net Income (Loss)	<u>\$ (776)</u>	<u>\$ 157</u>	<u>\$ 1,459</u>	<u>\$ 1,034</u>	<u>\$ 7,352</u>
Net Cost Recovered (Credited) in the Future	1,871	356	(783)	(1,443)	(7,597)
Due from (to) Participants	(1,095)	(513)	(676)	409	245
Total Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MWH Sales	763,198	716,582	608,812	517,357	498,856
Average \$/MWH Billed	\$ 59.88	\$ 63.34	\$ 73.43	\$ 85.40	\$ 100.32
Cost \$/MWH	\$ 58.45	\$ 62.62	\$ 72.32	\$ 86.19	\$ 100.81

FIVE-YEAR TREND ANALYSIS



Compliance Report

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

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Certified Public Accountants

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Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the Agency's management in a separate letter dated January 10, 2014.

The Agency's response to the management letter comments identified in our audit is described in the accompanying management's response. We did not audit the Agency's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Purvis, Gray and Company, LLP

January 10, 2014
Ocala, Florida

MANAGEMENT LETTER

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

We have audited the financial statements of Florida Municipal Power Agency (the Agency), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 10, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated January 10, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the attached management letter comments under the heading Prior Year Findings and Recommendations.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we determined the Agency complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we provided these recommendations in the attached management letter comments.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in Note I of the Agency's September 30, 2013, financial statements. There are no component units related to the Agency.
- Section 10.554(1)(i)6.a, *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b, *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Agency for the fiscal year ended September 30, 2013, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes. We determined that the State of Florida Department of Financial Services does not require the Agency to file the annual financial report pursuant to Section 218.32(1)(a), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)6.c and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our audit noted no findings of deteriorating financial condition, required to be reported.

Our management letter is intended solely for the information and use of the Agency's Executive Committee, Board of Directors, Audit and Risk Oversight Committee, Management, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other applicable agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP
January 10, 2014
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

As a part of our audit of the Florida Municipal Power Agency's (the Agency) September 30, 2013 financial statements, we offer the following recommendations to improve financial management, accounting procedures, and internal controls:

Prior Year Findings and Comments (Updated For Current Year)

2012-01 Information Technology (IT) General Controls

During 2010, the Agency had an external contractor perform an IT risk assessment. The IT risk assessment generated numerous recommendations to strengthen controls and reliability of the Agency's IT function. Due to the heavy reliance on IT applications by all areas of the Agency, strong IT general controls are essential to the success of the Agency. Most of these recommendations have been accepted for implementation by the Agency and are currently in process by the Agency's IT department.

Additionally, during 2012, the Agency had an external contractor perform a network review. We have reviewed the report and were present at the external contractor's exit conference with management. The network review noted several opportunities to improve the redundancy of the Agency's network, reduce single points of failure, and improve network security.

The Agency has made significant progress on this item and is nearly finished with all items that will likely be completed from the original IT risk assessment report; however, several items remain from the network review.

We recommend that the Agency continue the process of completing the recommendations from the IT risk assessment and network review as soon as practical or formally document the reasons why the Agency will not be implementing the recommendations to the Audit and Risk Oversight Committee (AROC) and that the Agency considers a follow-up review by the original contractor to ensure satisfactory completion of the recommended items.

2012-02 Investment Management

The Agency has over \$500 million of cash and investments that are governed by the Agency's Board approved investment policy. The investment policy was constructed based upon the requirements of Florida Statute 218.415 and provides for consideration of investment safety, liquidity, prescribes authorized investments, selection procedures, maximum maturities, diversification requirements, custody requirements, performance benchmarking, and internal controls and reporting.

Additionally, the investment policy is heavily influenced by the Agency's Bond Resolutions which provide significant limitations on the types of allowable investments and maximum investment maturities.

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MANAGEMENT LETTER COMMENTS
(Continued)

Prior Year Findings and Comments (Updated For Current Year) (Concluded)

2012-02 Investment Management (Concluded)

The Agency has chosen to provide all investment management efforts through a small, but experienced group of in-house treasury personnel. This group is equipped with various investment management software and market tools to aid in making all investment selections, purchases, and sales. The Contract Audit and Risk Management performs treasury compliance monitoring on a monthly basis.

Because of the significance of the cash and investment portfolio and the importance of the related investment income, we recommend that the Agency consider introducing external investment professionals into the investment management function. This could take the form of assistance in providing investment research, real time investment management decisions, back end investment performance benchmarking and investment policies compliance or any of the above.

Current Year Audit Comments and Recommendations

2013-1 St Lucie Forward Sale Agreement Investments

Background

As part of a three pronged plan to provide for future debt maturities in the St. Lucie project, the Agency entered into a Forward Sale Agreement (FSA) and Credit Support Agreement in June of 2004 with a national investment house (the counterparty) which provides that in exchange for cash, the counterparty will deliver municipal capital appreciation bonds (CABs) in the amount of \$1.5 million every six months through 2026.

At maturity in 2026, the proceeds from redemption of the CABs (approximately \$140 million) are to provide the resources needed to retire a significant portion of St. Lucie Project bonds maturing at that time. The FSA requires the counterparty to deliver bonds at a price that will yield 6.22% and have AAA credit ratings as long as the major insurers maintain their AAA ratings. CABs generally have higher yields than other securities that have not been deeply discounted since they pay no principal or interest until a future maturity date which carries more inherent credit and interest rate risk.

The Issue

In accordance with Exhibit B to the FSA (Reference Bonds) the CABs delivered by the counterparty are predominantly from California School Districts and Colleges which, prior to the credit rating downgrades of the bond insurers, met the AAA credit rating requirements at the time of delivery. Since the counterparty has been unable to deliver AAA rated CABs due to the lowered credit ratings of the Bond Insurers, they have delivered other eligible securities as provided for in the FSA, all with at least a one-AA rating as required by the Bond Resolution. All CABs, as of today, maintain at least an "A" rating from at least one of the three rating services; however, several are rated as low as BBB by at least one rating agency.

The underlying credit rating of the issuers of the CABs continues to reflect their economic condition and that of the state overall, which has been mixed. It is not clear if the recent declines in market value from the level at which the CAB's were originally delivered reflects only the credit rating downgrades discussed above or it reflects longer term repayment concerns.

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Audit Comments and Recommendations *(Continued)*

2013-1 St Lucie Forward Sale Agreement Investments *(Continued)*

The Issue *(Concluded)*

The Agency Investment policy requires notification on a monthly basis to the Risk Management Group when any security whose credit rating has fallen below those specified in the policy after acquisition and submission of a rationale for maintaining the securities if they have not been sold. It is our understanding that the credit downgrades were reported and discussed throughout the Agency including the membership a few years ago when the insurer downgrades occurred, which should be continued going forward.

The Agency has also purchased some California CABs in the open market outside of the FSA, for the St. Lucie General Reserve Account, so all of the issues identified with FSA CABs generally apply to these purchases as well as the FSA deliveries.

Recommendations

Due to the credit and interest rate risk associated with these CABs, we recommend that the Agency continue to monitor closely and report to the membership any future credit rating or market value changes that are significant. Such monitoring might take the form of obtaining audited financial statements, budget documents, secondary market disclosures, and analysis of pledged revenues for each issuer and ongoing review of the financial outlook for California in general. Review and analysis of concentrations of individual bond insurers would also be relevant in assessing default risk since they would be relied upon to make payment in the event of default of an issuer.

Staff currently monitors the credit ratings of the issuers and the bond insurers using Bloomberg and has recently begun to review secondary market disclosures of the issuers. Also, as recommended in our 2012 Management Letter, the Agency should consider involving external financial professionals to participate with staff in research, analysis and strategic decision making in this area.

Additionally, to determine which CABs have the most inherent credit risk, we recommend that the Agency research each particular CABs issue to determine if there are sinking fund requirements that require the issuer to set aside money for the ultimate maturity of the bonds. The existence of sinking fund requirements for the bonds could indicate a higher probability of repayment.

Those without sinking fund requirements (if any) could represent a higher risk and suggest that the agency should consider providing for a future default allowance by increasing future funding of the St. Lucie project, so that there is a buffer in place to deal with possible default of the higher risk issuers.

These efforts now, while there are many years left to final payoff, could help avoid any future debt payoff issues on the St. Lucie bonds for which these CAB's were intended.

We also noted that the the Agency investment policy contains diversification requirements that provide limits on the amount of securities allowable in the portfolio on the basis of investment type and from a single issuer; however, the policy does not appear to address a broader diversification risk of owning a concentration of securities from a particular state or geographical area nor diversification by insurer.

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Audit Comments and Recommendations *(Continued)*

2013-1 St Lucie Forward Sale Agreement Investments *(Concluded)*

Recommendations *(Concluded)*

Given that there are so many California local government bonds being held, coupled with insurer downgrades, we believe that definite diversification risks exist in these areas that should be addressed in the policy.

2013-2 Public Gas Partners, Inc. (PGP)

Background

PGP is a governmental-nonprofit Georgia corporation formed in 2004 with the Agency and other local governments as members. PGP has contracted with the Municipal Gas Authority of Georgia (MGAG) its largest member, to manage and operate the organization. PGP's mission is to build a portfolio of physical long-term gas supplies by investing in and participating in the development of natural gas (NG) fields throughout the United States for its members.

This is done by forming acquisition pools within PGP in which members may elect to participate through Production Sharing Agreements for each pool. PGP has formed 3 pools; the Agency participates in pools number 1 and 2. Because of geographical and transportation cost considerations, taking physical delivery of NG output from pool properties is not practical, thus the pro-rata share of the net profit of each pool, less ongoing capital development costs is distributed to the Agency monthly. Accordingly, the Agency's investment in PGP is essentially a hedge for NG costs incurred by the Agency's power generation facilities.

Due to the decline in the price of NG over the past several years and the increase in the price of oil over that same period, PGP operators have shifted their focus from that of primarily NG extraction with an oil by product, to more oil and NG liquid extraction with NG as by products in order to maximize the value returned.

The Agency has elected to not participate in long-term financing of acquisition and development costs within PGP to minimize the legal complications that joint credit would create. This was accomplished by the Agency issuing its own long-term debt of approximately \$105 million to pay off its share of the PGP internal debt. The Agency has issued additional long-term debt of \$30 million to fund ongoing acquisition and development costs associated with the various properties in the pools.

The Agency has also opted to not participate in NG hedging practices within PGP, thus the Agency revenues from the pools reflect current markets rates for NG; however, the Agency has elected to hedge oil prices within PGP.

Historical Results of Operations

When the Agency paid off its share of the PGP internal debt it was recorded on the Agency books as prepaid gas and is being amortized to expense based upon the units of production method based upon known reserves at the time of acquisition. The status of reserve levels are monitored and compared to the initial reserve estimates to prevent falling behind in amortizing the investment. Physical reserves are ultimately expected to exceed those identified at acquisition due to new extraction technology and more of an oil focus which has the potential to lower the per unit cost, but as of 2013 this has not yet fully occurred.

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Audit Comments and Recommendations (Continued)

2013-2 Public Gas Partners, Inc. (PGP) (Concluded)

Historical Results of Operations (Concluded)

The profit distributions from pool properties in the chart below generally reflect the current lower price of NG and hedged price of oil. The amortization of the prepaid gas along with debt carrying costs has generated a net loss from the pools since 2009 illustrated as follows:

Operating Revenue	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Profit Distributions From PGP	\$ 7,897	\$ 7,267	\$ 6,430	\$ 6,629	\$ 5,407
Investment Income (Loss)	<u>(316)</u>	<u>177</u>	<u>94</u>	<u>114</u>	<u>129</u>
Total Operating Revenue	<u>7,581</u>	<u>7,444</u>	<u>6,524</u>	<u>6,743</u>	<u>5,536</u>
Operating and Non Operating Expenses					
Amortization of Investment in PGP	9,226	5,854	5,720	5,873	4,903
Interest On Long-term Debt Issued	6,162	6,467	6,382	6,617	5,929
Amortization of Debt Issuance Costs	<u>488</u>	<u>634</u>	<u>679</u>	<u>751</u>	<u>680</u>
Total Operating and Non Operating Expenses	<u>(15,876)</u>	<u>(12,955)</u>	<u>(12,781)</u>	<u>(13,241)</u>	<u>(11,512)</u>
Net Loss	<u>\$ (8,295)</u>	<u>\$ (5,511)</u>	<u>\$ (6,257)</u>	<u>\$ (6,498)</u>	<u>\$ (5,976)</u>

The above table is prepared using the accrual method which includes amortization of the PGP investment. When prepared on the cash basis the bottom line appears to be trending towards improvement, but is still a loss of the approximate magnitudes indicated above.

It is estimated that based upon current reserve levels that the price of NG would need to go up significantly and oil maintain its current high prices for the table above to break even. The current forward curve for NG indicates that it will be several years before this is achieved. Thus for the Agency investment in PGP to become profitable, a combination of NG price increases or increases in the reserve levels (to lower the cost per unit) of the pools would be necessary. Until such time, the annual net losses from this activity essentially represent a hedge premium against increases in NG.

Recommendations

The near-term outlook for PGP indicates continued net losses from this activity as prices remain low for NG. For another entity to purchase the Agency's interest in PGP, it would appear that the selling price would have to be at a large discount to the Agency's carrying value to yield annual net profits to the acquiring entity. This would mean a significant loss to the Agency. It would likely not make sense to sell this asset at a time that the commodity is selling at historical lows.

Alternatively, the Agency can take no action and continue its current position of utilizing PGP as a hedge against NG price increases. If prices were to rise enough, this could turn the net losses to profits and make the investment more marketable. Accordingly, we recommend that the Agency review this area closely at the staff level to determine a preferred way forward, while maintaining ongoing oversight of PGP activities through AROC and Executive Committee involvement and continued contract auditing of PGP operations.

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Audit Comments and Recommendations (Continued)

2013-3 Economic Development – Member Load Growth

Background

The Agency has a relatively new fleet of natural gas generation facilities which, when combined with the current low cost of natural gas, has allowed the agency to maintain a competitive wholesale energy rate to its members over the past several years.

Conversely, there are currently significant fixed costs associated with excess capacity in the Agency generation fleet and other power resources available which, when combined with flat or declining load levels in the member systems, has created a noncompetitive wholesale demand rate over the past few years. It is this high demand component of the overall members' power bills that is contributing to higher overall retail rates from the members to the retail customers.

Stated a different way, the Agency has the capacity to provide more energy to its customers from existing generation sources that would spread the fixed demand costs over more sales units and have the effect of lowering the cost per MWh to the members and the ultimate users of the power. However, member load growth has been flat for several years and the macroeconomic environment appears to be only marginally improving, leaving the agency in a status quo mode.

At the local member level, economic growth is a key objective for both power cost control, budget balancing, local housing growth, and a myriad of other factors to improve the overall economic health of the local communities. Thus the goals of the members and the agency are aligned in the sense that economic growth is desirable and perhaps the best solution to many different economic problems affecting them both.

Recommendation

Accordingly, we recommend that the agency, its members and the various local legislative delegations consider how they might work together to incentivize economic development activities at the member level to stimulate load growth. This might take the form of temporarily discounted rates for new large power off peak customers, sharing of economic development consultants, legislative incentives and other member services.

All of these would be designed to increase economic development at the local level which would translate to member load growth and lower wholesale and retail rates. Special consideration should be given to economic development activities that would stimulate load growth at off peak hours, which has the highest system benefit. Adding load growth to on peak hours would be marginally beneficial and move the Agency towards needing additional capacity which would not be as desirable.

Our management letter comments are intended solely for the information and use of the Agency's Executive Committee, Board of Directors, Audit and Risk Oversight Committee, Management, the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General and other applicable agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Board of Directors and Executive Committee
Florida Municipal Power Agency
Orlando, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, please do not hesitate to contact us.

Purvis, Gray and Company, LLP

January 10, 2014
Ocala, Florida



Florida Municipal Power Agency

MEMORANDUM

TO: FMPA AROC & Executive Committee and Board of Directors
FROM: Mark Larson
DATE: January 14, 2013
ITEM: Audit Report and 2013 Management Letter

Staff Response to the Fiscal Year 2013 Management Letter Comments

Prior Year Findings and Comments

2012-01 Information Technology (IT) General Controls

Audit recommendation that the Agency continue the process of completing the recommendations from the IT risk assessment and network review or document the reason why they will not be implementing them to the AROC. In addition, they recommend consideration of a follow-up review by the original contractor to ensure satisfactory completion of the recommendations.

Staff agrees. The IT steering committee and IT department are addressing the recommendations. Fifteen recommendations were completed in 2013. Ten of the recommendations are scheduled for completion in FYE 2014. The staff proposed FYE 2015 Agency budget will include funding of the follow-up reviews.

2012-02 Investment Management

Audit recommendation to consider external consultants to provide real time investment advice or back end performance benchmarking and policy compliance.

Staff agrees. Periodic performance benchmarking would be a valuable tool to evaluate performance within the constraints of our policies. The cost of this will be included in the initial 2015 Agency budget for Budget Committee consideration. Staff would like to point out that the individuals doing the investment management have a combined 55 years of experience and are highly educated. The Assistant Treasurer/Investments, who's primary duties are investments, is a Certified Treasury Professional with ongoing education and is a Chartered Financial Analyst Level 3. In addition, the Treasury area uses third party research data from Bloomberg and over 10 broker/dealers in the Fixed income markets.

Current Year Comments

2013-01 St. Lucie Forward Sale Agreement

Audit recommendation for staff to monitor and communicate to membership any information relevant to the securities held in this agreement that may impact risk and measures to mitigate that risk, which should include research of each CAB, potentially utilizing an external consultant for help in these efforts. An additional recommendation was to revise the company's Investment policy to address risk diversification.

Staff agrees. Staff is involved in both monitoring and communicating regularly on its Investment portfolio. Staff has begun the research and established a target to complete the recommended research within the next several months. The Investment policy comes up for its recurring annual review by the AROC September 2014.

2013-02 Public Gas Partners, Inc. (PGP)

Audit recommendation for staff to monitor the Natural Gas Market and determine a way forward in concert with the Governing Body. It is also recommended to maintain oversight of PGP activities through Board and Committee involvement and continued contract audits of PGP operations.

Staff agrees. Currently staff is involved in each of these activities and has regular communication with the members on this topic and intends to continue to do so.

2013-03 Economic Development – Member Load Growth

Audit recommendation for staff, members and local governments to consider how they might work together to incentivize economic development activities to stimulate load growth, with the goal of reducing all-in power costs per MWH.

Staff agrees.