Combining Financial Statements

Years Ended September 30, 2003 and 2002

Florida Municipal Power Agency
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Florida Municipal Power Agency

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Years Ended September 30, 2003 and 2002

Contents

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FLORIDA MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Florida Municipal Power Agency (FMPA or the Agency), we offer readers of FMPA's financial statements this narrative overview and analysis of the financial activities of FMPA, which are presented on a combining basis for the Agency Fund, Pooled Loan Fund and Projects for the fiscal years ended fiscal year 2003 and fiscal year 2002. We encourage readers to consider the information presented here in conjunction with additional information in this report.

Financial Highlights

- The total assets at September 30, 2003 of FMPA's Agency Fund, Pooled Loan Fund and Projects decreased $27.5 million over prior year. The majority of this decrease is due to depreciation of assets, use of working capital monies to fund project expenses, a reduction in accounts receivable from non-participant wholesale electric sales and a write-off of the Communications development project in progress.

- Total Liabilities at September 30, 2003 for FMPA's Agency Fund, Pooled Loan Fund and Projects decreased by $26.7 million during the current fiscal year. This decrease is due in part to a $15.3 million reduction in current liabilities for payments to members. The decrease also resulted from bond refinancings during the year. For further information, see Note 5 to the Financial Statements.

- Long-term debt outstanding at September 30, 2003 for FMPA's Agency Fund, Pooled Loan Fund and Projects decreased by $10 million during the current fiscal year. FMPA's Funds and Projects took advantage of lower interest rates and refunded a portion of the Stanton II Refunding Revenue Bonds, Series 1993, all of the Stanton Refunding Revenue Bonds, Series 1991, all of the Tri-City Refunding Revenue Bonds, Series 1992 and all of the All-Requirements Power Supply Revenue Bonds, Series 1993. Combined, the refinancings are estimated to save at least $22 million in present value debt service costs for FMPA's members. Rates on this variable-rate debt ranged between 1.2% and 5.5% in fiscal year 2002 and 0.65% to 5.5% in fiscal year 2003. The decrease in variable-rate interest paid and the refinancings completed in July 2003 contributed to a more than $7.6 million decrease in interest expense for fiscal year 2003 compared to fiscal year 2002.

- Revenues of FMPA's Agency Fund, Pooled Loan Fund and Projects increased $146 million in fiscal year 2003 compared to the prior year. The primary source of revenue, sales of electricity to participants, increased by more than $88.7 million, or 24% from fiscal year 2002 to fiscal year 2003. This significant growth is due to a full year of the All-Requirements Project adding two new members, Kissimmee Utility Authority (KUA) and the city of Lake Worth. Sales of electricity also increased due to higher billed energy rates, which resulted from increased natural gas costs and escalated coal prices. In 2002, FMPA showed a "due to" of $35.7 million to be refunded. In 2003, this changed to a "due from" of $20.3 million. The low interest rate environment continuing throughout fiscal year 2003 contributed to lower earnings on the investment portfolios of FMPA's Funds and Projects. Fiscal year 2003 interest income decreased by $4.1 million or 42% from fiscal year 2002.

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) combining and individual Project or Fund financial statements, and (2) notes to the financial statements.

FMPA-Wide Financial Statements: FMPA's combining 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, which are the basis of each power project, no monies can be shared between Projects.

The cash flow of one power project, although combined with all others in the combining 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 as a combined entity from the use of the Combining Financial Statements, to remember that each power project or fund is a stand-alone reporting entity.

The Combining Statement of Net Assets presents information on all of FMPA's assets and liabilities with the differences between the two reported as Net Assets. As a result of the application of Statement of Financial Accounting Standards No. 71, *Accounting for the Effect of Certain Types of Regulation* (SFAS 71), billings and revenues in excess of actual costs are returned to the project participants in the form of billing credits. The assets within the Agency Fund represent those required for staff operations, which coordinates all of the power projects described herein.

The Combining Statement of Revenues, Expenses and Changes in Fund Net Assets present information showing how FMPA's net assets changed during the most recent fiscal year. All changes in net assets are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as, unrealized gains and losses from investment activities, uncollected billings and earned but unused vacation leave.

The Combining Statement of Cash Flows provides information about FMPA's Agency Fund, Pooled Loan Fund and Projects cash receipts and payments 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 combining financial statements can be found on pages 10 through 21 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 of the proprietary nature.

Proprietary Funds: 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 combining financial statements. FMPA uses enterprise funds to account for its power projects, Agency and Pooled Loan business operations. Each of these funds is considered a "major fund" according to accounting rules. The major fund proprietary financial statements can be found on pages 10 through 21 of this report.

Notes to Combining Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 23 through 61 of this report.

FMPA-Wide Financial Analysis

As noted earlier, when readers use the combining financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists between 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 Utility Plant did not increase, but rather decreased over the past year. Since no new capital projects were added, this decrease represents the difference between depreciation and any capital outlays required during the year. Another trend seen in the data is the increase in restricted assets, the decrease in current assets, in conjunction with the decrease in long-term debt and restricted liabilities, and an associated decrease in current liabilities. All of these trends are a result of increases in fund and project expenses over revenues and the refinancing of significant amounts of FMPA project debt to take advantage of low interest rate markets. See additional information in the Notes, beginning on page 23.

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 the Funds and Projects were established.

Agency Fund: The Agency Fund accounts for the administrative activities of FMPA. The expenses incurred in operating the Projects and administrative activities are allocated to the power Projects, net of any miscellaneous receipts. The costs allocated in fiscal year 2003 totaled $6.8 million, compared to $7.1 million in fiscal year 2002. The decrease results from an accounting procedural change, whereby certain Project invoices are now paid directly by the Projects rather than flowing through the Agency budget. General and administrative expenses decreased $234,000 in fiscal year 2003 due to a decrease in consulting service charges.

The Agency also wrote off the Communications project in progress expenses of $1.7 million, in accordance with SFAS 71, *Accounting for the Effects of Certain Types of Regulation,* as amended by SFAS 90. These costs were for preliminary investigation and development of a fiber optic network. Due to the lack of participation or interest the recorded value of these costs now exceeds the net present value of the probable future revenues expected to be recovered through rates.

Pooled Loan Fund: FMPA has arranged for a line of credit that can be used to finance capital expenditures of its members or the Agency through the issuance of commercial paper. The loans and the repayment of those loans are accounted for in the Pooled Loan Fund. For fiscal years 2003 and 2002, long-term commercial paper notes debt was $93.6 million and $90.5 million, respectively. In fiscal year 2003, $2.3 million of commercial paper notes were redeemed and the city of Leesburg was issued a new loan of $6.1 million. Management is not aware of any pending non-payment, and no loans were in default at year-end.

St. Lucie Project: The St. Lucie Project consists of an 8.806% undivided ownership interest in St. Lucie Nuclear Unit 2, a nuclear power plant primarily owned and operated by Florida Power & Light (FPL)**.** FPL is the majority owner and operator of the St. Lucie nuclear power plant. FPL submitted an application to the Nuclear Regulatory Commission seeking to extend the operating licenses by 20 years for Units 1 and 2. The NRC has granted a license renewal for 20 years. This would allow Unit 2 to operate until 2043 subject to FPL's final acceptance. The capacity factors for Units 1 and 2 were 94.2% and 81.7%, respectively, for fiscal year 2003 and 99.9% and 90.7%, respectively, for fiscal year 2002. For the two units combined under FMPA's reliability exchange agreement with FPL, the 2003 and 2002 fiscal years capacity factor for FMPA's St. Lucie Project was 87.9% and 95.3%, respectively. The Project's lifetime capacity factor since 1983 is 83.1%.

The Project billed Megawatt-hours (MWh) of 574,206 and 622,067 in fiscal years 2003 and 2002, respectively. The average billing per MWh decreased 8.5% from $61.82/MWh to $56.57/MWh. This reduction was made possible in large measure due to the debt service budget reductions in 2003 stemming from a debt refinancing completed in fiscal year 2002. St. Lucie's entire fixed-rate debt was refinanced with variable-rate debt, and then using staggered swaps of five to nine years, two-thirds of the variable debt was swapped to fixed-rates of 3.43%, 3.69%, 3.88%, 4.14% and 4.24%.

The cost of power production and delivery rose from $19.93/MWh to $27.99/MWh, an increase of 40.5%. The driver of this increase is due to an unexpected extended maintenance outage that increased operating and maintenance expense. General and administrative expenses increased $425,000, by 19.1% or 74 cents/MWh.

Stanton Project: The Stanton Project derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 425 MW coal-fired power plant operated by its primary owner Orlando Utilities Commission (OUC). Unit 1 was shut down during the first quarter of fiscal year 2003 for routine maintenance, resulting in an availability factor of 90.7% for the fiscal year 2003, compared to 88.3% in fiscal year 2002, an improvement over its lifetime average of 87%.

The Project billed MWhs of 459,516 and 446,507 in fiscal years 2003 and 2002, respectively. The average billing rate per MWh increased 1% from $41.01/MWh to $41.44/MWh for fiscal years 2002 and 2003, respectively. This increase was due to the escalation in coal prices of $42.80 to $44.66 per ton.

The cost of power production and delivery rose from $23.46/MWh to $25.70/MWh, an increase of 9.5% in fiscal year 2003. This is due to the change in the long-term coal contract with one vendor and outage expenses. Participants were billed via the variable fuel rate 32.5% of the 9.5 % increase in cost of power production and the remaining amount was absorbed by the Project. General and administrative expense decreased $242,000, 28.4% or 53 cents /MWh.

All-Requirements Project: The All-Requirements Project (ARP) energy resources are a part of the Florida Municipal Power Pool (FMPP). FMPP is a consortium of three municipal energy suppliers (ARP, Lakeland Electric and Orlando Utilities Commission) that have agreed to dispatch resources on a cost and availability basis in order to meet combined native loads. The average billed rate to ARP member cities was $57.76/MWh, and $58.18/MWh on billed Megawatt-hours of 6,374,569 and 4,709,921 in fiscal years 2003 and 2002, respectively.

Billings to ARP participants in fiscal year 2003 were 34.4% higher than fiscal year 2002, increasing from $274 million to $368 million. This increase is due to the addition of two new members, Kissimmee Utility Authority and the city of Lake Worth Utilities, which increases the size of the Project by approximately 357 MW, or 33%. The Project now has a total of 15 participants. Also occurring in fiscal year 2003 was an energy rate increase of 13% in April. This was needed to cover the Project's escalating fuel costs for fiscal year 2003.

Power costs (inclusive of transmission) increased from $45.51/MWh to $56.57/MWh a 24.3 % increase from last year. This is due to increases in natural gas, change in the long-term coal contract with one vendor, and the Project's generation and contractual resource mix. General and administrative expense increased $215,000 by 2.3% or 3 cents/MWh. The fuel supply mix for the All-Requirements Project was 34.9% purchased power, 32% natural gas and fuel oils, 23.4% coal and 9.7% nuclear. Stanton A, a new high efficiency, 630 MW 2-on-1 natural gas-fired generating unit began testing in May 2003. It was in commercial operation October 1, 2003. The All-Requirements Project has a 3.5% ownership interest, with Kissimmee Utility Authority owning 3.5%, Orlando Utilities Commission owning 28%, and Southern Company owning 65%. Additionally, for the first 10 years from the unit's commercial operation date, OUC, KUA, and FMPA are purchasing Southern Company's share of the output via a purchase power agreement. The plant is located at OUC's Stanton Energy Center site in Orlando.

After consideration of amounts to be refunded to or recovered from Project participants, the net assets of the All-Requirements Project were $0 by design again in fiscal year 2003. The ARP bills at an estimated rate during the year and credits back to participants, amounts in excess of those needed to operate and meet all obligations. This amount is shown in the Combining Statement of Revenues, Expenses and Changes in Fund Net Assets as "Amounts to be recovered from (refunded to) participants," and as "Participant accounts receivable" or "Due to participants" in the accompanying Combining Statement of Net Assets.

Tri-City Project: The Tri-City Project consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed Megawatt-hours of 159,373 and 157,956 in fiscal years 2003 and 2002 respectively. The average billing rate increased 0.8% to $50.35/MWh from $49.94/MWh in fiscal years 2003 and 2002, respectively. This increase was due to the escalation in coal prices.

The cost of power production and delivery rose from $23.43/MWh to $26.38/MWh, a 12.6% increase in fiscal year 2003. This is due to the change in the long-term coal contract with one vendor and outage expenses which increased operations and maintenance expense. Participants were billed via the variable fuel rate 28.3% of the 12.6% increase in cost of power production and the remaining amount was absorbed by the Project. General and administrative expense decreased $47,000, 14.1% or 29 cents per MWh for the same reason as the Stanton Project.

Stanton II Project: The Stanton II Project derives its power from a 23.2367% ownership interest in Stanton Unit 2, a 429 MW coal-fired power plant operated by its primary owner Orlando Utilities Commission. During the second quarter of fiscal year 2003, the scheduled eight-week maintenance outage for Unit 2 was moved forward from fiscal year 2004. This was done to take advantage of available personnel from the Stanton A construction site. The outage lowered the plant's availability factor to 83.2% for fiscal year 2003, compared to 87% in fiscal year 2002, and a lifetime average of 89.1%.

The Project billed Megawatt-hours of 693,272 and 696,998 in fiscal years 2003 and 2002, respectively. The average billing rate decreased 0.7% from $43.28/MWh to $42.99/MWh for fiscal years 2002 and 2003, respectively. This decrease was due to the refinancing of Project debt in fiscal year 2003 offset by the escalation in coal prices.

The cost of power production and delivery rose from $22.75/MWh to $27.39/MWh, an increase of 20.4% in fiscal year 2003. The increase is due to moving a major outage one year earlier and changes in a long-term coal contract with a major vendor. Participants were billed via the variable fuel rate 24.4% of the 20.4% increase in cost of power production and the remaining amount was absorbed by the Project. General and administrative expense decreased

$316,000, 26.4% or 46 cents per MWh mainly due to adjustments found during the scheduled operating audit of the billings associated with Stanton Unit 2.

Budgetary Highlights
The Board of Directors of FMPA approves the Project budgets, establishing legal boundaries for expenditures. For fiscal year 2003, the amended budget authority was not exceeded.

Capital Assets and Long-Term Debt
Capital Assets: FMPA's investment in capital assets as of September 30, 2003 amounts to $471.7 million (net of accumulated depreciation and inclusive of work in progress and development projects). This investment in capital assets includes investment in plants, distribution and transmission systems, land, buildings, improvements, machinery and equipment.

The total decrease in FMPA's investment in capital assets for the fiscal year 2003 was $12.8 million or 2.6%. By Project, this is a 1.7% decrease in the All-Requirements utility plant, while all other Projects decreased from 2% to 2.9%. This reduction highlights the relatively stable nature of these generating assets and FMPA's participation in them or capital renewal and replacement program.

Long-Term Debt: At September 30, 2003, FMPA had total liabilities outstanding of $974.6 million of which $882.2 million represents notes, loans and bonds payable. These remaining principal payments on long-term debt, including current amounts due, are as follows:

Agency Fund	$3,615,000
Pooled Loan Fund	$93,589,000
St. Lucie Project	$209,628,000
Stanton Project	$84,252,000
All-Requirements Project	$269,709,000
Tri-City Project	$35,942,000
Stanton II Project	$185,421,000

See Note 7 to the combining financial statements for further information on debt.

Economic Factors and Next Year's Budgets and Rates
The fiscal year 2004 budget was adopted amid a slow-down in the national and state economies. The member cities' economies have shown varying amounts of growth in both demand and energy. Interest rates, having been historically low in fiscal year 2003, are expected to increase by mid-to late-2004. Multi-year operational and financial modeling is done to arrive at the recommended budget levels and associated rates.

Significant Events
The Nuclear Regulatory Commission issued renewed operating licenses on October 3, 2003 for the St. Lucie Nuclear Power Plant. The license renewals, which add 20 years to the original license period for the two nuclear units at St. Lucie, are subject to FPL's final acceptance. FMPA has an 8.806% ownership interest in St. Lucie Unit 2.

Interest Arbitrage and Rebate
As a result of declining interest rates on refinancings, the Agency calculated the following arbitrage rebate liabilities as of September 30, 2003:

All-Requirements Project	$339,427
St. Lucie Project	$1,666,238
Stanton Project	$8,948
Stanton II Project	$4,602,370
Pooled Loan Fund	$77,182

The amount of $234,522 of the total arbitrage rebate liability for the All-Requirements Project 1993 issue is currently due. This is a final payment. The amounts will be paid from earnings and savings on deposit in the Operating and Maintenance account. The large amounts arise due to a significant difference between yields earned on proceeds and the very low bond yields. See Note 13 to the combining financial statements for further information regarding the arbitrage rebate liabilities.

Requests for Information
This financial report is designed to provide a general overview of FMPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
101 East Kennedy Boulevard
Suite 1500
Tampa FL 33602-5147
Telephone (813) 229 0221
Facsimile (813) 229 3646

Report of Independent Certified Public Accountants

To the Board of Directors and Members
of Florida Municipal Power Agency
Orlando, Florida

In our opinion, the accompanying combined statements of net assets and the related combined statements of revenues, expenses and changes in fund net assets and of cash flows, present fairly, in all material respects, the combined and individual fund financial position of Florida Municipal Power Agency and each of its Projects ("Agency") at September 30, 2003 and 2002, and the combined and individual fund results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Agency's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2003 on our consideration of the Agency's internal control over financial reporting for the year ended September 30, 2003 and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, Supplementary Information, and Five-Year Trend Analysis as listed in the accompanying contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

November 17, 2003

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Combining Financial Statements

FLORIDA MUNICIPAL POWER AGENCY
COMBINING STATEMENT OF NET ASSETS
(thousands omitted)
September 30, 2003

ASSETS	Agency	Pooled Loan Fund	St. Lucie Project
Current Assets:			
Unrestricted cash and cash equivalents	$ 3,014		$ 7,406
Investments	1,481		34,628
Participant accounts receivable	1,058	$ 1,572	4,559
Other receivables	283		293
Fuel stock and material inventory			
Other current assets	182		289
Total Current Assets	6,018	1,572	47,175
Restricted Assets:			
Restricted cash and cash equivalents		13,489	2,041
Investments		21	42,006
Receivables	2	79,567	287
Total Restricted Assets	2	93,077	44,334
Utility Plant:			
Electric plant			179,362
General plant	6,338		6,157
Less accumulated depreciation and amortization	1,497		95,792
Net utility plant in service	4,841		89,727
Construction work in progress	240		
Development projects in progress	78		503
Total Utility Plant, net	5,159		90,230
Deferred Costs:			
Net costs recoverable from future participant billings	1,906		56,243
Other	6		2,185
Total Deferred Costs	1,912		58,428
Total Assets	$ 13,091	$ 94,649	$ 240,167
Liabilities and Net Assets			
Current Liabilities:			
Current portion of loans payable	$ 200		
Accounts payable	610	$ 941	$ 1,773
Accrued liabilities	853		756
Total Current Liabilities	1,663	941	2,529
Restricted Liabilities:			
Commercial paper notes	3,415	93,589	
Current portion of long-term revenue bonds			
Accrued interest on long-term debt		119	3
Accrued decommissioning expenses			27,560
Total Restricted Liabilities	3,415	93,708	27,563
Non-Current Liabilities:			
Long-term revenue bonds, less current portion			209,628
Other liabilities			447
Total Non-Current Liabilities			210,075
Commitments and Contingencies			
Net Assets:			
Invested in capital assets, net of related debt			(119,845)
Restricted			16,771
Unrestricted	8,013		103,074
Total Net Assets	8,013		-
Total Liabilities and Net Assets	$ 13,091	$ 94,649	$ 240,167

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

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Combined Totals
$ 1,509	$ 15,491	$ 1,158	$ 1,694	$ 30,272
14,040	32,927	3,543	24,271	110,890
1,960	32,745	945	3,715	46,554
172	124	36	241	1,149
1,170	11,250	418	578	13,416
150	2,280	13	20	2,934
19,001	94,817	6,113	30,519	205,215
4,194	5,565	569	6,252	32,110
4,883	16,050	2,881	6,885	72,726
22	6,425	6	41	86,350
9,099	28,040	3,456	13,178	191,186
67,134	238,881	27,838	161,509	674,724
62	2,123	20	81	14,781
27,165	57,285	11,263	34,031	227,033
40,031	183,719	16,595	127,559	462,472
	8,388			8,628
				581
40,031	192,107	16,595	127,559	471,681
17,123		9,913	20,335	105,520
1,023	1,994	557	3,248	9,013
18,146	1,994	10,470	23,583	114,533
$ 86,277	$ 316,958	$ 36,634	$ 194,839	$ 982,615
$ 275	$ 1,120	$ 100		$ 1,695
929	31,211	360	$ 5,985	41,809
	10			1,619
1,204	32,341	460	5,985	45,123
6,725	39,544	2,405		145,678
2,680	770	210	2,920	6,580
1,096	666	332	3,433	5,649
				27,560
10,501	40,980	2,947	6,353	185,467
74,572	228,275	33,227	182,501	728,203
	15,362			15,809
74,572	243,637	33,227	182,501	744,012
(44,221)	(92,964)	(19,347)	(57,862)	(334,239)
8,003	27,374	3,124	9,745	65,017
36,218	65,590	16,223	48,117	277,235
-	-	-	-	8,013
$ 86,277	$ 316,958	$ 36,634	$ 194,839	$ 982,615

FLORIDA MUNICIPAL POWER AGENCY
COMBINING STATEMENT OF NET ASSETS
(thousands omitted)
September 30, 2002

ASSETS	Agency	Pooled Loan Fund	St. Lucie Project
Current Assets:			
Unrestricted cash and cash equivalents	$ 3,104		$ 6,077
Investments			30,532
Participant accounts receivable	1,458	$ 1,100	3,344
Other receivables	1,988		338
Fuel stock and material inventory			
Other current assets	119		1,866
Total Current Assets	6,669	1,100	42,157
Restricted Assets:			
Restricted cash and cash equivalents		11,115	1,839
Investments		20	37,516
Receivables		79,165	179
Total Restricted Assets		90,300	39,534
Utility Plant:			
Electric plant			178,076
General plant	6,736		5,524
Less accumulated depreciation and amortization	1,729		91,065
Net utility plant in service	5,007		92,535
Construction work in progress	66		
Development projects in progress	2,061		311
Total Utility Plant, net	7,134		92,846
Deferred Costs:			
Net costs recoverable from future participant billings	1,626		56,021
Other	7		2,041
Total Deferred Costs	1,633		58,062
Total Assets	$ 15,436	$ 91,400	$ 232,599
Liabilities and Net Assets			
Current Liabilities:			
Current portion of loans payable	$ 190		
Accounts payable	2,144	$ 718	$ 1,117
Accrued liabilities	712		941
Total Current Liabilities	3,046	718	2,058
Restricted Liabilities:			
Commercial paper notes	3,615	90,511	
Current portion of long-term revenue bonds			
Accrued interest on long-term debt		171	29
Accrued decommissioning expenses			23,756
Total Restricted Liabilities	3,615	90,682	23,785
Non-Current Liabilities:			
Long-term revenue bonds, less current portion			206,555
Other liabilities			201
Total Non-Current Liabilities			206,756
Commitments and Contingencies			
Net Assets:			
Invested in capital assets, net of related debt			(113,910)
Restricted			15,749
Unrestricted	8,775		98,161
Total Net Assets	8,775	-	-
Total Liabilities and Net Assets	$ 15,436	$ 91,400	$ 232,599

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

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Combined Totals
$ 1,767	$ 16,794	$ 623	$ 1,840	$ 30,205
14,230	58,264	3,653	25,254	131,933
1,707	26,028	724	3,483	37,844
213	4,704	49	197	7,489
987	8,382	353	578	10,300
566	4,541	205	1,052	8,349
19,470	118,713	5,607	32,404	226,120
834	10,386	1,932	5,708	31,814
5,952	10,909	4,247	9,904	68,548
25	9,841	14	62	89,286
6,811	31,136	6,193	15,674	189,648
66,243	236,354	27,519	161,206	669,398
61	1,669	20	81	14,091
25,454	48,650	10,556	29,974	207,428
40,850	189,373	16,983	131,313	476,061
	5,995			6,061
	2			2,374
40,850	195,370	16,983	131,313	484,496
19,225		10,600	12,831	100,303
1,187	2,415	493	3,379	9,522
20,412	2,415	11,093	16,210	109,825
$ 87,543	$ 347,634	$ 39,876	$ 195,601	$ 1,010,089
$ 255		$ 90		$ 535
1,390	$ 50,180	488	$ 1,970	58,007
36	162	36	8	1,895
1,681	50,342	614	1,978	60,437
7,000	40,664	2,505		144,295
	5,000	1,440	4,300	10,740
1,601	4,173	1,192	3,873	11,039
				23,756
8,601	49,837	5,137	8,173	189,830
77,261	233,157	34,125	185,450	736,548
	14,298			14,499
77,261	247,455	34,125	185,450	751,047
(43,666)	(97,749)	(21,177)	(58,437)	(334,939)
5,210	26,963	5,001	11,801	64,724
38,456	70,786	16,176	46,636	278,990
-	-	-	-	8,775
$ 87,543	$ 347,634	$ 39,876	$ 195,601	$ 1,010,089

FLORIDA MUNICIPAL POWER AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(thousands omitted)
Year Ended September 30, 2003

	Agency	Pooled Loan Fund	St Lucie Project
Operating Revenues:			
Billings to participants		$ 1,531	$ 32,481
Sales to others			2,544
Amounts to be recovered from (refunded to) participants		(146)	1,606
		1,385	36,631
Operating Expenses:			
Operation and maintenance			11,182
Fuel expense			
Nuclear fuel amortization			1,482
Spent fuel fees			484
Purchased power			2,517
Transmission services			409
General and administrative	$ 6,449		2,654
Depreciation	302		5,634
Decommissioning			3,804
	6,751		28,166
Amounts Capitalized to Development Projects or Charged to Other Projects	(6,809)		
Total Operating Income	58	1,385	8,465
Non-Operating Income (Expense):			
Interest expense	(60)	(1,530)	(6,798)
Amortization of debt related costs	(1)		(3,820)
Investment income	50	145	2,636
Development fund fee	907		
Rental Income	25		
Write off development project	(1,741)		
Net costs recoverable from future participant billings			(483)
Total Non-Operating Income (Expense)	(820)	(1,385)	(8,465)
Change in Net Assets	(762)		
Net Assets at Beginning of Year	8,775		
Net Assets at End of Year	$ 8,013	$ -	$ -

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

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Combined Totals
$ 19,041	$ 368,157	$ 8,023	$ 29,804	$ 459,037
	1,009			3,553
466	17,419	302	672	20,319
19,507	386,585	8,325	30,476	482,909
3,372	34,651	1,175	5,679	56,059
7,715	142,520	2,738	12,242	165,215
				1,482
				484
	164,552			167,069
723	18,908	291	1,065	21,396
610	9,667	287	880	20,547
1,709	8,633	706	4,057	21,041
				3,804
14,129	378,931	5,197	23,923	457,097
				(6,809)
5,378	7,654	3,128	6,553	32,621
(3,206)	(8,413)	(2,101)	(7,854)	(29,962)
(550)	(1,468)	(556)	(1,485)	(7,880)
433	1,176	180	871	5,491
				907
				25
				(1,741)
(2,055)	1,051	(651)	1,915	(223)
(5,378)	(7,654)	(3,128)	(6,553)	(33,383)
				(762)
				8,775
$ -	$ -	$ -	$ -	$ 8,013

FLORIDA MUNICIPAL POWER AGENCY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
(thousands omitted)
Year Ended September 30, 2002

	Agency	Pooled Loan Fund	St Lucie Project
Operating Revenues:			
Billings to participants		$ 1,484	$ 38,455
Sales to others			2,275
Amounts to be recovered from (refunded to) participants		159	(962)
		1,643	39,768
Operating Expenses:			
Operation and maintenance			7,836
Fuel expense			
Nuclear fuel amortization			1,564
Spent fuel fees			538
Purchased power			2,077
Transmission services			382
General and administrative	$ 6,683		2,229
Depreciation	310		5,141
Decommissioning			3,764
	6,993		23,531
Amounts Capitalized to Development Projects or Charged to Other Projects	(7,056)		
Total Operating Income	63	1,643	16,237
Non-operating Income (Expense):			
Interest expense	(85)	(1,884)	(12,473)
Amortization of debt related costs	(1)		(2,984)
Investment income	51	241	3,894
Development fund fee	740		
Rental Income	23		
Capitalized Interest			
Net costs recoverable from future participant billings			(4,674)
Total Non-Operating Income (Expense)	728	(1,643)	(16,237)
Change in Net Assets	791		
Net Assets at Beginning of Year	7,984		
Net Assets at End of Year	$ 8,775	$ -	$ -

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

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Combined Totals
$ 18,311	$ 273,987	$ 7,888	$ 30,166	$ 370,291
	21			2,296
(46)	(35,772)	(36)	987	(35,670)
18,265	238,236	7,852	31,153	336,917
2,516	4,957	900	3,515	19,724
7,281	57,553	2,596	11,479	78,909
				1,564
				538
	136,117			138,194
678	15,735	205	862	17,862
852	9,452	334	1,196	20,746
1,756	8,102	724	4,240	20,273
				3,764
13,083	231,916	4,759	21,292	301,574
				(7,056)
5,182	6,320	3,093	9,861	42,399
(2,770)	(10,050)	(2,440)	(7,871)	(37,573)
(464)	(1,268)	(521)	(1,383)	(6,621)
776	2,569	415	1,600	9,546
				740
				23
	8			8
(2,724)	2,421	(547)	(2,207)	(7,731)
(5,182)	(6,320)	(3,093)	(9,861)	(41,608)
				-
				791
				7,984
$ -	$ -	$ -	$ -	$ 8,775

FLORIDA MUNICIPAL POWER AGENCY
COMBINING STATEMENT OF CASH FLOWS
(thousands omitted)
Year ended September 30, 2003

	Agency	Pooled Loan Fund	St. Lucie Project
Cash flows from operating activities:			
Cash received from (paid to) customers	$ 9,219	$ 682	$ 33,689
Cash paid to suppliers	(6,088)		
Cash paid to employees	(419)		(16,804)
Net cash provided by (used in) operating activities	2,712	682	16,885
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	503		255,317
Purchases of investments	(1,984)		(264,118)
Income received on investments	51	145	2,458
Net cash provided by (used in) investing activities	(1,430)	145	(6,343)
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds		6,077	
Payments of bond principal and issuance costs			
Capital expenditures for utility plant	(2,029)		(2,187)
Interest paid on long-term debt	(60)	(1,531)	(6,824)
Principal payments on long-term debt	(190)	(2,999)	
Receipts for development fund	907		
Net cash provided by (used in) capital and related financing activities	(1,372)	1,547	(9,011)
Net increase (decrease) in cash and cash equivalents	(90)	2,374	1,531
Cash and cash equivalents, beginning of year	3,104	11,115	7,916
Cash and cash equivalents, end of year	$ 3,014	$ 13,489	$ 9,447
Consisting of:			
Unrestricted	3,014		7,406
Restricted		13,489	2,041
	$ 3,014	$ 13,489	$ 9,447

	Agency	Pooled Loan Fund	St. Lucie Project
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	$ 58	$ 1,385	$ 8,465
Adjustment to reconcile net operating income to net cash provided by (used in) operating activities:			
Depreciation and decommissioning	302		9,438
Amortization nuclear fuel			1,482
Changes in assets and liabilities which provided (used) cash:			
Inventory			
Receivables from participants	400		(1,215)
Prepaids	(63)		1,577
Accounts payable & accrued expenses	(1,393)	171	472
Amounts to be refunded			(1,606)
Advances to participants	1,705		
Loans to participants		(874)	
Other receivables	1,703		(1,728)
Net cash provided by (used in) operating activities	$ 2,712	$ 682	$ 16,885

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

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Combined Totals
$ 18,786	$ 370,593	$ 8,088	$ 25,934	$ 466,991
				(6,088)
(12,618)	(372,030)	(4,527)	(14,827)	(421,225)
6,168	(1,437)	3,561	11,107	39,678
17,919	244,588	8,939	33,462	560,728
(16,559)	(218,397)	(7,547)	(29,987)	(538,592)
868	667	325	1,574	6,088
2,228	26,858	1,717	5,049	28,224
20,000	160,469	41,505	19,514	247,565
(21,015)	(169,658)	(43,429)	(22,604)	(256,706)
(891)	(6,293)	(319)	(303)	(12,022)
(3,133)	(11,063)	(2,333)	(8,065)	(33,009)
(255)	(5,000)	(1,530)	(4,300)	(14,274)
				907
(5,294)	(31,545)	(6,106)	(15,758)	(67,539)
3,102	(6,124)	(828)	398	363
2,601	27,180	2,555	7,548	62,019
$ 5,703	$ 21,056	$ 1,727	$ 7,946	$ 62,382
1,509	15,491	1,158	1,694	30,272
4,194	5,565	569	6,252	32,110
$ 5,703	$ 21,056	$ 1,727	$ 7,946	$ 62,382
$ 5,378	$ 7,654	$ 3,128	$ 6,553	$ 32,621
1,709	8,633	706	4,057	24,845
				1,482
(183)	(2,868)	(65)	-	(3,116)
(253)	(6,717)	81	(232)	(7,936)
416	2,261	192	1,032	5,415
(431)	(19,121)	(164)	4,007	(16,459)
(512)	1,064	(338)	315	(1,077)
				1,705
				(874)
44	7,657	21	(4,625)	3,072
$ 6,168	$ (1,437)	$ 3,561	$ 11,107	$ 39,678

FLORIDA MUNICIPAL POWER AGENCY
COMBINING STATEMENT OF CASH FLOWS
(thousands omitted)
Year ended September 30, 2002

	Agency	Pooled Loan Fund	St. Lucie Project
Cash flows from operating activities:			
Cash received from (paid to) customers	$ 6,806	$ (5,893)	$ 39,892
Cash paid to suppliers	(5,636)		
Cash paid to employees	(912)		(13,640)
Net cash provided by (used in) operating activities	258	(5,893)	26,252
Cash flows from investing activities:			
Proceeds from sales and maturities of investments			166,085
Purchases of investments		(20)	(164,926)
Income received on investments	51	242	1,922
Net cash provided by (used in) investing activities	51	222	3,081
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds		10,500	243,554
Payments of bond principal and issuance costs			(262,564)
Capital expenditures for utility plant	(73)		(366)
Interest paid on long-term debt	(85)	(1,885)	(15,604)
Principal payments on long-term debt	(190)	(2,810)	(7,415)
Receipts for development fund	740		
Net cash provided by (used in) capital and related financing activities	392	5,805	(42,395)
Net increase (decrease) in cash and cash equivalents	701	134	(13,062)
Cash and cash equivalents, beginning of year	2,403	10,981	20,978
Cash and cash equivalents, end of year	$ 3,104	$ 11,115	$ 7,916
Consisting of:			
Unrestricted	3,104		6,077
Restricted		11,115	1,839
	$ 3,104	$ 11,115	$ 7,916

	Agency	Pooled Loan Fund	St. Lucie Project
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	$ 63	$ 1,643	$ 16,237
Adjustment to reconcile net operating income to net cash provided by (used in) operating activities:			
Depreciation and decommissioning	310		8,905
Amortization nuclear fuel			1,564
Changes in assets and liabilities which provided (used) cash:			
Inventory			
Receivables from participants	(207)		141
Prepaids	(22)		(139)
Accounts payable & accrued expenses	157	(183)	(49)
Amounts to be refunded			(390)
Advances to participants	224		
Advances from participants	1,594		
Loans to participants		(7,353)	
Other receivables	(1,861)		(17)
Net cash provided by (used in) operating activities	$ 258	$ (5,893)	$ 26,252

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

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Combined Totals
$ 17,999	$ 245,897	$ 7,723	$ 30,116	$ 342,540
				(5,636)
(11,665)	(216,611)	(4,183)	(17,783)	(264,794)
6,334	29,286	3,540	12,333	72,110
14,480	94,536	8,486	55,722	339,309
(19,254)	(118,097)	(9,142)	(48,709)	(360,148)
394	2,390	315	2,207	7,521
(4,380)	(21,171)	(341)	9,220	(13,318)
47,770	10,500		88,547	400,871
(47,437)			(99,238)	(409,239)
(462)	(9,361)	(166)	(845)	(11,273)
(2,029)	(10,150)	(2,419)	(7,790)	(39,962)
(2,635)	(4,770)	(1,455)	(4,080)	(23,355)
				740
(4,793)	(13,781)	(4,040)	(23,406)	(82,218)
(2,839)	(5,666)	(841)	(1,853)	(23,426)
5,440	32,846	3,396	9,401	85,445
$ 2,601	$ 27,180	$ 2,555	$ 7,548	$ 62,019
1,767	16,794	623	1,840	30,205
834	10,386	1,932	5,708	31,814
$ 2,601	$ 27,180	$ 2,555	$ 7,548	$ 62,019

$ 5,182	$ 6,320	$ 3,093	$ 9,861	$ 42,399
1,756	8,102	724	4,240	24,037
				1,564
(687)	(1,743)	(246)	(578)	(3,254)
(84)	(3,490)	(23)	(818)	(4,481)
(110)	225	(35)	(288)	(369)
426	8,721	133	135	9,340
33	16,150	(78)	(370)	15,345
				224
				1,594
				(7,353)
(182)	(4,999)	(28)	151	(6,936)
$ 6,334	$ 29,286	$ 3,540	$ 12,333	$ 72,110

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1. Summary of Significant Accounting Policies

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, all as provided in Florida Statutes Chapter 163.01, as amended (The Florida Interlocal Cooperation Act of 1969), and Florida Statutes Chapter 361, Part II, as amended (the Joint Power Act).

The Florida Interlocal Cooperation Act of 1969 (the Act) authorizes local government units to, among other things; enter together into mutually advantageous agreements which create separate legal entities for certain specified purposes. FMPA, as one such legal entity, is then authorized under 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 electric utilities. An amendment to the 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 of FMPA and its members.

Due to the diverse needs of municipal electric systems, FMPA established itself as a project-oriented agency. Under this structure, each Agency member has the option whether or not to participate in a project. Members may participate in more than one project. However, each of the Agency's Projects is independent from the other, and the project bond resolutions specify that no revenues or funds available from one project can be used to pay the costs of any other project.

As of September 30, 2003 and 2002, FMPA had 29 members.

Basis of Accounting
All Agency Fund, Pooled Loan Fund and Projects' accounting records are maintained with the Uniform System of Accounts of the Federal Energy Regulatory Commission and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting including the application of Statement of Financial Accounting Standards No. 71, *Accounting for the Effect of Certain Types of Regulation*, as the statement 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. 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, which is comprised of one representative from each Agency member, is 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 period 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.

In accordance with Governmental Accounting Standards No. 20, FMPA has elected not to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its operations. FMPA has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Government*, (GASB) Statement No. 38, *Certain Financial Statement Note Disclosures, (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, (GASB) Statement No. 41, Budgetary Comparison Schedules – Perspective Differences, an amendment of GASB Statement No. 34 and GASB Technical Bulletin No. 2003-1, Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*. In conforming with these statements we have included

1. Summary of Significant Accounting Policies (continued)

additional footnote disclosures, the direct method cash flow presentation and included Management's Discussion and Analysis, as seen on pages 1 through 6.

The Agency considers electric revenues and costs that are directly related to generation, purchases, transmission and distribution of electricity to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as non-operating.

Fund Accounting

FMPA maintains its accounts on a fund basis in compliance with appropriate bond resolutions. FMPA operates its various projects in a manner similar to private business; therefore, operations of each project are accounted for as an enterprise fund. Inter-project transactions, revenues and expenses are not eliminated. The Agency Fund accounts for general operations beneficial to all member systems and projects. The St. Lucie Project accounts for ownership interest in the St. Lucie Unit 2 nuclear generating facility. The Stanton Project and the Tri-City Project account for respective ownership interests in the Stanton Energy Center (SEC) Unit 1 coal-fired generation facility. The All-Requirements Project accounts for ownership interest in SEC Unit 1, SEC Unit 2, Stanton A, Indian River Combustion Turbine Units A, B, C and D, Cane Island Units 1, 2 and 3, FMPA Key West Combustion Turbines Units 2 and 3, purchase of power for resale to the participants and equipment necessary for dispatching requirements. The Stanton II Project accounts for ownership interest in SEC Unit 2. The Pooled Loan Fund accounts for operations of pooled financing of loans to other FMPA projects and member systems for utility-related projects. Certain accounts within these funds are grouped and classified in the manner established by respective bond resolutions and/or debt instruments.

Utility Plant

Certain direct and indirect expenses allocable to FMPA's undivided ownership interests in the St. Lucie Project, Stanton Project, All-Requirements Project, Tri-City Project and 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 on the straight-line basis at rates calculated to amortize cost over the assets' respective estimated useful lives. Estimated useful lives for electric utility plant assets are from approximately 23 years to 40 years. FMPA has adopted the policy of capitalizing net interest costs during the period of project construction (interest expenses less interest earned on the investment of bond proceeds). Capitalized net interest cost on borrowed funds includes amortization of bond discounts and bond premium, interest expense, and interest income. Nuclear fuel is stated at cost and is amortized on the units of production basis. The cost of major replacements of property in excess of $1,500 is capitalized to utility plant accounts. The cost of maintenance, repairs and replacements of minor items of property is expensed as incurred.

Inventory

Coal and oil inventory is stated at weighted average cost. Parts inventory related to the All-Requirements Project's Cane Island Units 1, 2, and 3 and are valued at weighted average.

Cash Equivalents

FMPA considers the following highly liquid investments (including restricted assets) to be cash equivalents: time deposits (not including certificates of deposit), money market funds and flexible repurchase agreements.

1. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value based on quoted market prices. Investment income includes changes in the fair value of these investments. Interest on investments is accrued at the balance sheet date. All of the Agency's Projects' and Funds' investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

Debt-Related Costs

Unamortized debt issuance costs are amortized on the bonds outstanding method, which approximates the effective interest method, for the St. Lucie Project, Stanton Project, All-Requirements Project, Tri-City Project and Stanton II Project. For the Agency Fund, Stanton Project, All-Requirements Project and Tri-City Project loans from the Pooled Loan Fund, such costs are amortized on the straight-line method, which approximates the effective interest method, over the life of the loan. Accounting gains and losses on refundings of bonds are deferred and amortized over the life of the refunding bonds or refunded bonds, whichever is less, using the straight-line method.

Compensated Absences

Liabilities related to compensated absences are recognized as incurred in accordance with Governmental Accounting Standards Board Statement No. 16, and are included in accrued expenses. Regular full-time employees, upon resignation or retirement in good standing, are eligible for vacation and sick/personal pay as described in the FMPA Employee Handbook and Policy/Procedures Manual. At September 30, 2003 and 2002, the financial statements reflect a liability of $259,690 and $253,775, respectively, for unused vacation and $182,326 and $136,047, respectively, for unused sick/personal leave.

Allocation of Agency Fund Expenses

General and administrative operating expenses of the Agency Fund are allocated based on direct labor hours to the St. Lucie Project, Stanton Project, All-Requirements Project, Tri-City Project, Stanton II Project, and the Agency Fund accounts for development projects in progress and advances to participants. General and administrative operating expenses of the Agency Fund related to the Pooled Loan Fund are recovered through a fixed fee from participants of the Pooled Loan Fund, which is paid to the Agency Fund.

Billings to Participants

Participant billings are designed to systematically provide revenue sufficient to recover "costs," as defined in the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project, and the Stanton II Project Bond Resolutions and the respective Power Supply, Power Sales and Project Support contracts. Rates and budgets can be amended by the Board of Directors or the Executive Committee at any time. Also, the All-Requirements participants approved a rate change mechanism in fiscal year 2003 that authorizes FMPA's General Manager and CEO to increase or decrease the All-Requirements Project energy rate as much as 8%, with subsequent review by the Board of Directors, the Executive Committee and the All-Requirements participants at the next meeting.

For the St. Lucie, Stanton, All-Requirements, Tri-City and Stanton II projects, variances between current fiscal year billings and actual project costs are computed and, under the terms of the respective project contracts, any net excess is credited or deficiency is charged to future participant billings or may be paid to or from the rate stabilization account as approved by the Executive Committee. For the fiscal years ended September 30, 2003 and 2002, these variances were classified in the financial statements as "Amounts to be recovered from (credit due to) participants."

Billings to Pooled Loan Fund participants are designed to provide cash flows sufficient to pay principal and interest on outstanding debt and recover costs of operating the Pooled Loan Fund.

Income Taxes

FMPA is exempt from federal and state income taxes.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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 accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Derivative Financial Investments

The Agency uses commodity futures contracts, commodity price swap contracts and commodity call options to hedge the effects of fluctuations in the prices of natural gas purchases. The Agency uses interest rate swap contracts to hedge the fluctuations in the interest rates of variable-rate debt. The contracts require the Agency to pay a fixed interest rate and receive a variable interest rate based upon the London Interbank Overnight Rate (LIBOR) and the Bond Market Association (BMA) indices. These transactions meet the requirements for hedge accounting, including high correlation. Realized gains or losses on the commodity price swap contracts are recorded as either a reduction of or an addition to fuel costs. The cash received or paid on the interest rate swap contracts are recorded as a reduction of or an addition to interest expense.

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2. Utility Plant

A description and summary of Utility Plant by Agency Fund and Project is as follows at September 30, 2003 and 2002.

Agency Fund
The Agency Fund consists of the general assets of the Agency only. Depreciation of general assets is computed using the straight-line method over the expected life of the asset. Expected lives of the different components of general assets are:

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

New capital project ventures are recorded to "Development projects-in-progress." Depending on whether or not these ventures become a Project at some point in time, costs are either capitalized or expensed. The "Retirements" column shown below for "Development projects-in-progress" reflects this treatment.

Agency general assets activity for the years ended September 30, 2003 and 2002 were as follows:

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
General Plant	$ 6,736	$ 143	$ (541)	$ 6,338
Construction work-in-progress	66	174		240
Development projects-in-progress	2,061	340	(2,323)	78
Utility Plant in service	8,863	657	(2,864)	6,656
Less accumulated depreciation	(1,729)	(305)	537	(1,497)
Utility Plant in service, net	$ 7,134	$ 352	$ (2,327)	$ 5,159

	September 30, 2001	Additions	Retirements	September 30, 2002
		(thousands omitted)		
General Plant	$ 6,845	$ 46	$ (155)	$ 6,736
Construction work-in-progress	15	63	(12)	66
Development projects-in-progress	2,221	696	(856)	2,061
Utility Plant in service	9,081	805	(1,023)	8,863
Less accumulated depreciation	(1,572)	(378)	221	(1,729)
Utility Plant in service, net	$ 7,509	$ 427	$ (802)	$ 7,134

2. Utility Plant (continued)

St. Lucie Project

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

Depreciation is computed using the straight-line method over the expected life of the asset which is computed to be 34.6 years. Land is included in the electric plant component on a non-depreciable cost basis. Refueling occurs every 18 months.

St. Lucie plant assets activity for the years ended September 2003 and 2002 were as follows:

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 178,076	$ 1,332	$ (46)	$ 179,362
General Plant	14			14
Nuclear Fuel	5,510	3,302	(2,669)	6,143
Development projects-in-progress	311	221	(29)	503
Electric Utility Plant in service	183,911	4,855	(2,744)	186,022
Less Accumulated Depreciation	(91,065)	(6,936)	2,209	(95,792)
Electric Utility Plant in service, net	$ 92,846	$ (2,081)	$ (535)	$ 90,230

	September 30, 2001	Additions	Retirements	September 30, 2002
		(thousands omitted)		
Electric Plant	$ 178,021	$ 717	$ (662)	$ 178,076
General Plant	14			14
Nuclear Fuel	5,878	4,568	(4,936)	5,510
Development projects-in-progress		311		311
Electric Utility Plant in service	183,913	5,596	(5,598)	183,911
Less Accumulated Depreciation	(87,328)	(7,025)	3,288	(91,065)
Electric Utility Plant in service, net	$ 96,585	$ (1,429)	$ (2,310)	$ 92,846

2. Utility Plant (continued)

Stanton Project

The Stanton Project consists of 14.8193% undivided 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 life of the different components of plant assets, such as nine years for computer equipment and 40 years for the electric plant. Land is included in the electric plant component on a non-depreciable cost basis.

Stanton Unit 1 plant assets activity for the years ended September 30, 2003 and 2002 were as follows:

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 66,243	$ 1,098	$ (207)	$ 67,134
General Plant	61	1		62
Electric Utility Plant in service	66,304	1,099	(207)	67,196
Less accumulated depreciation	(25,454)	(1,711)		(27,165)
Electric Utility Plant in service, net	$ 40,850	$ (612)	$ (207)	$ 40,031

	September 30, 2001	Additions	Retirements	September 30, 2002
		(thousands omitted)		
Electric Plant	$ 65,781	$ 799	$ (337)	$ 66,243
General Plant	61			61
Electric Utility Plant in service	65,842	799	(337)	66,304
Less accumulated depreciation	(23,698)	(1,756)		(25,454)
Electric Utility Plant in service, net	$ 42,144	$ (957)	$ (337)	$ 40,850

2. Utility Plant (continued)

All-Requirements Project
The All-Requirements Project supplies all the wholesale electric power needs of 15 municipal electric utilities. Its current utility plant assets consist of varying ownership interests in Stanton Energy Center Units 1 and 2; Cane Island Units 1, 2 and 3; Indian River Combustion Turbines A, B, C and D; Key West Units 2 and 3; and Stanton A.

Activity in Electric Plant and General Plant consisted primarily of the transfer of Cane Island Unit 3 from "Construction–Work-in-Progress" to "Electric Plant" effective January 2003. Retirements and additions for the All-Requirements Project "Electric Plant in Service" are decided by the primary owners of the plants. Land is included in the electric plant component on a non-depreciable cost basis.

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

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

All-Requirements plant assets activity for the years ended September 30, 2003 and 2002 were as follows:

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 236,354	$ 75,334	$ (72,807)	$ 238,881
General Plant	1,669	457	(3)	2,123
Construction work-in-progress	5,995	2,921	(528)	8,388
Development projects in progress	2		(2)	-
Electric Utility Plant in service	244,020	78,712	(73,340)	249,392
Less accumulated depreciation	(48,650)	(8,789)	154	(57,285)
Electric Utility Plant in service, net	$ 195,370	$ 69,923	$ (73,186)	$ 192,107

	September 30, 2001	Additions	Retirements	September 30, 2002
		(thousands omitted)		
Electric Plant	$ 165,507	$ 82,314	$ (11,467)	$ 236,354
General Plant	129	1,561	(21)	1,669
Construction work-in-progress	69,023	17,489	(80,517)	5,995
Development projects in progress		4	(2)	2
Electric Utility Plant in service	234,659	101,368	(92,007)	244,020
Less accumulated depreciation	(40,548)	(9,706)	1,604	(48,650)
Electric Utility Plant in service, net	$ 194,111	$ 91,662	$ (90,403)	$ 195,370

2. Utility Plant (continued)

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 life of the different components of plant assets, such as nine years for computer equipment and 40 years for the electric plant. Land is included in the electric plant component on a non-depreciable cost basis.

Stanton Unit 1 plant asset activity for the years ended September 30, 2003 and 2002 were as follows:

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 27,519	$ 397	$ (78)	$ 27,838
General Plant	20			20
Electric Utility Plant in service	27,539	397	(78)	27,858
Less accumulated depreciation	(10,556)	(707)		(11,263)
Electric Utility Plant in service, net	$ 16,983	$ (310)	$ (78)	$ 16,595

	September 30, 2001	Additions	Retirements	September 30, 2002
		(thousands omitted)		
Electric Plant	$ 27,353	$ 286	$ (120)	$ 27,519
General Plant	21	(1)		20
Electric Utility Plant in service	27,374	285	(120)	27,539
Less accumulated depreciation	(9,833)	(723)		(10,556)
Electric Utility Plant in service, net	$ 17,541	$ (438)	$ (120)	$ 16,983

2. Utility Plant (continued)

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 life of the different components of plant assets, such as nine years for computer equipment and 40 years for the electric plant. Land is included in the electric plant component on a non-depreciable cost basis.

Stanton Unit 2 plant asset activities for the years ended September 30, 2003 and 2002 were as follows:

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 161,206	$ 1,275	$ (972)	$ 161,509
General Plant	81			81
Electric Utility Plant in service	161,287	1,275	(972)	161,590
Less accumulated depreciation	(29,974)	(4,057)		(34,031)
Electric Utility Plant in service, net	$ 131,313	$ (2,782)	$ (972)	$ 127,559

	September 30, 2001	Additions	Retirements	September 30, 2002
		(thousands omitted)		
Electric Plant	$ 160,361	$ 1,939	$ (1,094)	$ 161,206
General Plant	81	1	(1)	81
Electric Utility Plant in service	160,442	1,940	(1,095)	161,287
Less accumulated depreciation	(25,734)	(4,240)		(29,974)
Electric Utility Plant in service, net	$ 134,708	$ (2,300)	$ (1,095)	$ 131,313

3. Cash, Cash Equivalents and Investments

The Agency assumes that its callable investments will not be called. Cash, cash equivalents and investments consist of the following fair market values on deposit with all banking institutions as follows (in thousands):

Bank/ Institution	Fair Market Value Amounts on Deposit September 30, 2003	Fair Market Value Amounts on Deposit September 30, 2002
Bank of America	$ 3,113	$ 9,015
Bank One	7,294	9,016
Carr Futures	6,777	-
Deutsche Bank	13,510	11,136
SunTrust	32,182	29,958
Wachovia	183,122	203,375
Total	**$ 245,998**	**$ 262,500**

Cash and Cash Equivalents
At September 30, 2003 and 2002, FMPA's cash and cash equivalents consisted of demand accounts, money market accounts and flexible repurchase agreements, which are authorized under FMPA ordinances and various bond resolutions. Cash and cash equivalents are held at five financial institutions and with one commodities dealer. All of FMPA's demand deposits at September 30, 2003 and 2002 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 Fund's and Projects' day-to-day operations.

Investments
The Agency utilizes an investment policy based on the requirements of the Bond Resolutions for the investment of funds. This policy requires diversification based on security type, issuing institutions and duration. All of the Funds' and Projects' accounts have specified requirements with respect to investments selected and the length of allowable investment. Investments at September 30, 2003 and 2002 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 the Agency's Projects' and Funds' investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

Interest-Rate Risk
FMPA's investment policy requires that funds are generally invested to match the anticipated cash flow and all Funds' and Projects' accounts have a specified maximum maturity for investments. The majority of the Agency's funds are required to be invested for less than five years.

Concentration of Credit Risk
FMPA is a project-oriented agency, which means that each Project is separate from the others; therefore each project is evaluated individually as to determination of credit and interest-rate risk. The Agency's investment policy prohibits investments in commercial paper that exceed 50% of any of the Project's or Agency's assets. For the last two years, the Agency has not invested more than 25% of any one Project in commercial paper. All commercial paper must be rated in the highest 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 20% for any of the Agency's Funds or Projects.

Custodial Credit Risk
The Agency maintains all assets other than demand deposit accounts within a trust department of a bank. Under Florida Statues, 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's Projects.

3. Cash, Cash Equivalents and Investments (continued)

Cash deposits are typically invested the same day or the next day to reduce this risk. FMPA does not have a policy for custodial credit risk. As of September 30, 2003 and September 30, 2002, respectively, none of the bank balance was exposed to custodial credit risk (uninsured and uncollateralized).

Agency Fund
Cash, cash equivalents and investments on deposit for the Agency at September 30, 2003 and 2002 were as follows:

	September 30, 2003	(thousands omitted)	September 30, 2002
Unrestricted			
Cash and cash equivalents	$ 3,014		$ 3,104
Investments	1,481		- *
	$ 4,495		$ 3,104

Investment Type	Fair Value	Weighted Average Maturity (Days)
U.S. Government/Agency Securities	$ 1,481	107.0
Total	**$ 1,481**	

* At September 30, 2002 the Agency did not have investments

Pooled Loan Fund
The Pooled Loan Fund is invested in accordance with its debt provisions. The Pooled Loan Fund invests its funds in short-term money market investments. These investments match the debt obligations on the commercial paper. With the exception of monies deposited into the Pooled Loan's project fund account, all funds collected are for the payment of debt service on the commercial paper and expenses of the program. The commercial paper is marketed in increments over a one to 270-day time frame. Pooled Loan project fund monies are invested at the direction of the borrower, or participant, responsible to repay the debt. The loan rates are set in concert with the commercial paper rates with an allowance for program expenses. All of the funds of the loan program are on deposit with the trustee and invested in money market or agency securities and are not exposed as uncollateralized or uninsured balances.

	September 30, 2003	(thousands omitted)	September 30, 2002
Restricted			
Cash and cash equivalents	$ 13,489		$ 11,115
Investments	21		20
	$ 13,510		**$ 11,135**

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
U.S. Government/Agency Securities	$ 21	547.0	$ 20	912.0
Total	**$ 21**		**$ 20**	

3. Cash, Cash Equivalents and Investments (continued)

St. Lucie Project
Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2003 and 2002 are as follows:

	September 30, 2003	(thousands omitted)	September 30, 2002
Restricted			
Cash and cash equivalents	$ 2,041		$ 1,839
Investments	42,006		37,516
	44,047		39,355
Unrestricted			
Cash and cash equivalents	7,406		6,077
Investments	34,628		30,532
	42,034		36,609
Total	**$ 86,081**		**$ 75,964**

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
U.S. Government/Agency Securities	$ 74,344	600.0	$ 51,418	81.7
Commercial paper	2,290	167.0	16,630	18.0
Total	**$ 76,634**		**$ 68,048**	

3. Cash, Cash Equivalents and Investments (continued)

Stanton Project
Cash, cash equivalents and investments for the Stanton Project at September 30, 2003 and 2002 are as follows:

	September 30, 2003	(thousands omitted)	September 30, 2002
Restricted			
Cash and cash equivalents	$ 4,194		$ 834
Investments	4,883		5,952
	9,077		6,786
Unrestricted			
Cash and cash equivalents	1,509		1,767
Investments	14,040		14,230
	15,549		15,997
Total	**$ 24,626**		**$ 22,783**

Investment Type	**Fair Value**	**Weighted Average Maturity (Days)**	**Fair Value**	**Weighted Average Maturity (Days)**
U.S. Government/Agency Securities	$ 17,697	550.0	$ 18,878	524.0
Commercial paper	1,226	220.0	1,304	34.0
Total	**$ 18,923**		**$ 20,182**	

3. Cash, Cash Equivalents and Investments (continued)

All-Requirements Project
Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2003 and 2002 are as follows:

	September 30, 2003	(thousands omitted)	September 30, 2002
Restricted			
Cash and cash equivalents	$ 5,565		$ 10,386
Investments	16,050		10,909
	21,615		21,295
Unrestricted			
Cash and cash equivalents	15,491		16,794
Investments	32,927		58,264
	48,418		75,058
Total	**$ 70,033**		**$ 96,353**

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
U.S. Government/Agency Securities	$ 42,728	277.0	$ 45,890	566.0
Commercial paper	6,249	173.0	23,283	156.0
Total	**$ 48,977**		**$ 69,173**	

3. Cash, Cash Equivalents and Investments (continued)

Tri-City Project
Cash, cash equivalents and investments for the Tri-City Project at September 30, 2003 and 2002, are as follows:

	September 30, 2003	(thousands omitted)	September 30, 2002
Restricted			
Cash and cash equivalents	$ 569		$ 1,932
Investments	2,881		4,247
	3,450		6,179
Unrestricted			
Cash and cash equivalents	1,158		623
Investments	3,543		3,653
	4,701		4,276
Total	**$ 8,151**		**$ 10,455**

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
U.S. Government/Agency Securities	$ 5,469	705.0	$ 6,172	833.0
Commercial paper	955	115.0	1,728	25.0
Total	**$ 6,424**		**$ 7,900**	

3. Cash, Cash Equivalents and Investments (continued)

Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2003 and 2002 are as follows:

	September 30, 2003		September 30, 2002
		(thousands omitted)	
Restricted			
Cash and cash equivalents	$ 6,252		$ 5,708
Investments	6,885		9,904
	13,137		15,612
Unrestricted			
Cash and cash equivalents	1,694		1,840
Investments	24,271		25,254
	25,965		27,094
Total	**$ 39,102**		**$ 42,706**

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
U.S. Government/Agency Securities	$ 30,172	614.0	$ 31,498	597.0
Commercial paper	984	1.0	3,660	36.0
Total	**$ 31,156**		**$ 35,158**	

4. Derivative Financial Instruments

Four of the Agency's Projects are party to interest rate swap agreements. The Agency's objective for entering into these agreements is to convert variable interest rates to fixed-rates, thereby reducing interest rate exposure. The Bond Market Association Municipal Swap Index (BMA), the London Interbank Offered Rate (LIBOR) and the Consumer Price Index (CPI) 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. See the tables on pages 41-43 for each of the four Projects.

Credit Risk
The swap agreements listed on the following pages are subject to credit risk. All of the counterparties have credit ratings of at least Aa/A+/AA by nationally recognized statistical rating organizations. The maximum amount of loss due to credit risk as of September 30, 2003 is as listed in the tables. As part of the swap agreements, should the providers credit rating drop 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. Conversely, the Agency would have to post collateral for the same reason in some circumstances on swaps dated prior to 2003. For the 2003 issues, the Agency purchased swap termination insurance and thereby will not be obligated to post collateral due to a decline in rates. If the insurance is drawn on to pay a termination payment, the Agency would be required to reimburse the insurance company over time. In all of these agreements dated prior to 2003, the payment amounts are netted out on each payment date. On swap agreements dated in 2003, FMPA receives funds every payment date (every seven or 28 days) and pays the provider twice annually.

The Agency consults with its Financial Advisory Committee and its Financial Advisor before accepting these types of agreements. The Agency does not have a credit risk policy with regard to derivatives.

Interest Rate Risk
The Agency has entered into swap agreements to fix the interest rate on variable-rate bonds for a part of the term or the entire term of the bonds. As interest rates increase above the swap rates FMPA has locked in, the value of these swaps will increase. As rates decrease below the swap rates, their values would decrease. The Agency has exchanged the opportunity to pay lower rates for the fixed-rates of interest.

Basis Risk
On all of the swaps, there is basis risk. The variable-rate indices used on the swaps differ from the variable-rates on the bond, though historically there has been a high correlation between these indices and 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 tables on the following page as of September 30, 2003. These amounts vary with changes in the market. The swap may be terminated by the Agency if the counterpart'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 interest rate. If at the time of 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.

Rollover Risk
The Agency is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option if the counterparty exercises its option, the Agency will not realize the synthetic rate offered by the swaps on the underlying debt issues.

4. Derivative Financial Instruments (continued)

St. Lucie Project

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Values	Counterparty Credit Rating
	Swaps Currently Effective						
Series 2002	$ 27,200,000	7/10/2002	3.4300%	BMA Swap, floating to fixed	7/1/2005	$ (982,259)	Aa3/A+/AA-
	27,200,000	7/10/2002	3.8800%	BMA Swap, floating to fixed	7/1/2007	(1,619,438)	Aa3/A+/AA-
	27,200,000	7/10/2002	3.6900%	BMA Swap, floating to fixed	7/1/2006	(1,361,781)	Aa3/A+/AA-
	27,200,000	7/10/2002	3.4300%	BMA Swap, floating to fixed	7/1/2005	(975,792)	Aa1/A+/AA
	27,200,000	7/10/2002	3.6900%	BMA Swap, floating to fixed	7/1/2006	(1,347,269)	Aa1/A+/AA
	27,200,000	7/10/2002	3.8800%	BMA Swap, floating to fixed	7/1/2007	(1,611,677)	Aa1/A+/AA
Total	**$ 163,200,000**					**$ (7,898,216)**	
	Swaps to Become Effective at Future Dates						
	27,200,000	7/1/2005	4.1400%	BMA Swap, floating to fixed	7/1/2011	$ (539,344)	Aa3/A+/AA-
	27,200,000	7/3/2006	4.2400%	BMA Swap, floating to fixed	7/1/2010	(336,388)	Aa3/A+/AA-
	27,200,000	7/3/2006	4.2400%	BMA Swap, floating to fixed	7/1/2010	(343,108)	Aa1/A+/AA
	27,200,000	7/1/2005	4.1400%	BMA Swap, floating to fixed	7/1/2011	(534,243)	Aa1/A+/AA
Total	**$ 108,800,000**					**$ (1,753,083)**	

Stanton Project

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Values	Counterparty Credit Rating
Series 2003	**$ 20,000,000**	7/9/2003	3.4780%	BMA Swap, floating to fixed converts to 72% of LIBOR 7/18/05	10/1/2019	**$ (177,395)**	Aa3/AA-

All-Requirements Project

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Values	Counterparty Credit Rating
Series 2003B-1	$ 35,925,000	7/9/2003	3.5810%	BMA Swap, floating to fixed converts to 72% of LIBOR 7/12/05	10/1/2025	$ (343,170)	Aa3/AA-
Series 2003B-2	55,050,000	7/9/2003	4.0765%	BMA Swap, floating to fixed	10/1/2025	(999,278)	Aa1/AA/AA
Total	**$ 90,975,000**					**$ (1,342,448)**	

On behalf of the All-Requirements Project, the Agency has utilized Over-the-Counter (OTC) contracts with third parties to hedge its financial exposure in natural gas. These contracts are typically short-term in nature (one to five months), and are intended to provide hedge coverage for a limited percent of the estimated natural gas usage at the Agency's owned or controlled gas-fired generation facilities. In fiscal year 2003, no new OTC transactions were done; however, all fiscal year 2002 OTC contracts were settled in fiscal year 2003.

The Agency has also entered into a Brokerage Agreement with Carr Futures Inc. (Carr), whereby Carr acts as the brokerage agent for FMPA to transact on the New York Mercantile Exchange (NYMEX) for futures and options on futures.

4. Derivative Financial Instruments (continued)

All-Requirements Project (continued)
FMPA uses New York Mercantile Exchange (NYMEX), natural gas futures contracts and has used over-the-counter (OTC) contracts for the purchase and/or sales 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 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 the natural gas burned in the Project's electric generators. These OTC contracts are tied to NYMEX Henry Hub price and were also financially settled. FMPA, in its first year of hedging activity in 2002, entered into several OTC contracts with Bank of America (see below).

Bank of America Contracts

Bank of America #	Notional Amount	Price	Transaction Type
	(in thousands)		
230030	$ 790,000	$ 4.17	Swap
232899	1,600,000	3.51	Floor
223458	300,000	3.25	Floor
223460	700,000	4.00	Cap

All NYMEX transactions are entered into as hedges against the volatility of natural gas prices. The Agency at September 30, 2003 had futures and options contracts outstanding in the following amounts, covering the fiscal years 2004 through 2007. There were no futures or options contracts purchased during fiscal year 2002.

	Number of Contracts Outstanding		Change In Market Value on September 30, 2003 Over Purchase Price
	Futures	Options	
FY 2004	834	157	$ (757,750)
FY 2005	282		(324,660)
FY 2006	174		(140,520)
FY 2007	30		(81,250)
Total	1,320	157	$ (1,304,180)

Although the Agency marks every position to market daily for management reporting purposes, it does not trade on these contracts. A margin account is maintained with the Agency's brokerage firm. At September 30, 2003, the net equity position of that account was $6,777,464. Option premiums paid and collected and market gains and losses realized on contract sales of futures expirations are booked as cost of energy. For fiscal year 2003, the Agency recorded a net loss of $2,520,799, which represents a realized hedging expense in excess of market benefits, or gains, received.

Basis Risk
The commodity hedge transactions are subject to basis risk. NYMEX transactions are based on pricing at the Henry Hub delivery point where as the Project purchases natural gas at various delivery points in Florida. Changes in natural gas prices have been and are anticipated to be, highly correlated.

4. Derivative Financial Instruments (continued)

All-Requirements Project (continued)
Credit Risk
The commodity hedge transactions are subject to credit risk. Credit risk associated with these transactions is mitigated by margin accounts required under the contract terms.

FMPA transacts its NYMEX futures contracts through a licensed commodity broker, Carr Futures, Inc., a member of NYMEX and follows its strict rules on transaction verification and margining. The OTC contracts with Bank of America were financially settled in fiscal year 2003. Transactions with Bank of America or other similar OTC provide alternatives to transactions on the NYMEX when liquidity on the exchange may prevent timely execution of hedges.

Stanton II Project:

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Values	Counterparty Credit Rating
Series 2002	$ 1,040,000	4/30/2002	3.7700%	CPI Rate swap + 1.14%	10/1/2008	$ (27,015)	Aa3/A+/AA-
	1,415,000	4/30/2002	3.9400%	CPI Rate swap + 1.27%	10/1/2009	(46,244)	Aa3/A+/AA-
	1,490,000	4/30/2002	4.0600%	CPI Rate swap + 1.35%	10/1/2010	(55,951)	Aa3/A+/AA-
	3,220,000	4/30/2002	4.1700%	CPI Rate swap + 1.39%	10/1/2011	(140,674)	Aa3/A+/AA-
	1,730,000	4/30/2002	4.2600%	CPI Rate swap + 1.40%	10/1/2012	(88,606)	Aa3/A+/AA-
Total	**$ 8,895,000**					**$ (358,490)**	

5. Net Costs Recoverable from (Credit Due to) Future Participant Billings

Rates for power billings to participants are designed to provide, over the life of the Project, full recovery of Project “costs” as defined by the respective bond resolutions and Project contracts. Rates are structured to systematically provide for the current debt service requirements, operating costs and reserves as specified by the bond resolutions and Project contracts. The current costs to be recovered from future revenues consist primarily of the difference between depreciation and the debt principal requirements included in the rates. In accordance with Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation,* certain income and expense amounts that would be recognized during the current time period are deferred and not included in the determination of net income until such costs are recoverable through participant billings. Through the application of the provision of SFAS No. 71, current costs in excess of fundings are deferred and shown as net costs recoverable from future participant billings on the accompanying balance sheets. In order to provide a level rate structure to participants over the life of the Projects, various financings have provided for interest on bonds to be funded from bond proceeds for approximately two years subsequent to commencement of commercial operation of a Project, and for depreciation and additional borrowings associated with bond financings to be recovered through future principal payments. At September 30, 2003 and 2002, these cumulative differences in timing have resulted in “net costs recoverable from (credit due to) future participant billings” as follows on next page:

Florida Municipal Power Agency
Notes to Combining Financial Statements
For the years ended September 30, 2003 and 2002

Net Costs Recoverable from (Credit Due to) Future Participant Billings at September 30

	St. Lucie Project		Stanton Project	
	2003	**2002**	**2003**	**2002**
	(thousands omitted)			
GAAP Items Not Included in Participant Billings				
Interest funded by bond proceeds	$39,347	$39,561	$43,442	$43,613
Depreciation	100,225	94,591	25,630	23,921
Nuclear fuel amortization	47,675	46,193		
Budget/Actual variances from prior year participant billings	(8,528)	(7,566)	(5,517)	(5,471)
Amortization of debt issue costs and bond discount	49,554	45,734	8,532	8,276
Special funds drawdowns*	75,385	68,976	26,739	26,549
	303,658	287,489	98,826	96,888
Bond Resolution Requirements Included in Particpant Billings				
Special funds deposits*	134,787	119,236	22,909	21,726
Debt service principal	82,440	82,440	26,160	23,195
Investment income not available for operating purposes	30,188	29,792	32,634	32,742
	247,415	231,468	81,703	77,663
Net Costs Recoverable from (Credit Due to) Future Participant Billings	**$56,243**	**$56,021**	**$17,123**	**$19,225**

* Special funds include the Reserve and Contingency Fund, Fuel Account (St. Lucie Project only), Cost Reduction Fund, Working Capital and Rate Stabilization Account in the Operation and Maintenance Fund.

All-Requirements Project 2003	All-Requirements Project 2002	Tri-City Project 2003	Tri-City Project 2002	Stanton II Project 2003	Stanton II Project 2002
$42,198	$45,113	$10,781	$11,921	$43,362	$43,110
56,228	47,595	10,717	10,011	32,209	28,153
30	30	(1,979)	(1,943)	(3,277)	(4,264)
16,303	14,834	7,794	7,238	15,364	14,457
18,011	17,672	11,707	11,478	21,031	13,799
132,770	125,244	39,020	38,705	108,689	95,255
75,171	68,247	6,435	5,804	26,649	24,181
43,295	41,405	14,130	13,820	25,655	22,735
29,666	29,890	8,542	8,481	36,050	35,508
148,132	139,542	29,107	28,105	88,354	82,424
($15,362)	**($14,298)**	**$9,913**	**$10,600**	**$20,335**	**$12,831**

6. Restricted Assets

Bond resolutions require that certain designated amounts from bond proceeds and Project revenues be deposited into designated funds and that these monies and securities be used for specified purposes. Certain restrictions define the order in which available funds may be used to pay costs. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2003 and 2002, all Projects were in compliance with requirements of the bond resolutions.

The restricted assets of the Funds and Projects consist primarily of cash, cash equivalents and investments, including accrued interest. Restricted assets are segregated at September 30, 2003 and 2002 as follows:

	Pooled Loan Fund		**St Lucie Project**		**Stanton Project**	
(thousands omitted)	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Debt Service Funds	$ 665	$ 303	$ 944	$ 748	$ 6,565	$ 4,529
Reserve & Contingency Funds			14,363	14,549	2,534	2,282
Depository Trust Fund - FGU						
Decommissioning Fund			29,027	24,237		
Project Fund	12,106	9,576				
Revenue Fund	739	1,256				
Loans Receivable	79,567 *	79,165 *				
	$ 93,077	**$ 90,300**	**$ 44,334**	**$ 39,534**	**$ 9,099**	**$ 6,811**

* 2003 Net of undistributed proceeds of $12,093
* 2002 Net of undistributed proceeds of $11,766.

	All-Requirements Project		**Tri-City Project**		**Stanton II Project**	
(thousands omitted)	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Debt Service Funds	$ 7,193	$ 15,727	$ 2,383	$ 4,823	$ 11,834	$ 14,146
Reserve & Contingency Funds	6,388	1,378	1,073	1,370	1,344	1,528
Depository Trust Fund - FGU	8,034	4,247				
Decommissioning Fund						
Project Fund						
Revenue Fund						
Loans Receivable	6,425	9,784				
	$ 28,040	**$ 31,136**	**$ 3,456**	**$ 6,193**	**$ 13,178**	**$ 15,674**

The restrictions of the various bank funds are as follows:

1. Debt Service Funds: These funds include (1) Debt Service Account, which is restricted for payment of the current portion of bond principal and interest and, (2) Debt Service Reserve Account, which are to include sufficient funds to cover one-half the maximum annual principal and interest requirement of the respective issues or 10% of the original bond proceeds.
2. Reserve & Contingency Funds: These funds are restricted for payment of major renewals, replacements, repairs, additions, betterments and improvements with for each Project. If at any time the Debt Service Fund is deficient and there are not adequate funds in the General Reserve Fund to cure such deficiency, funds will be transferred from the Reserve & Contingency Fund to make up for such deficiency.

6. Restricted Assets (continued)

3. Depository Trust Fund: Florida Gas Utility (FGU) is a joint action agency of which the All-Requirements Project (ARP) is a member. Amounts held by the Trustee are for the benefit of FGU to support credit standing in purchases of natural gas supplies for ARP. Credit support is a requirement for gas purchase services from FGU.
4. Decommissioning Fund: These funds are restricted for the payment of the costs of nuclear plant decommissioning, removal and disposal.
5. Project Fund: These funds are restricted to acquisition, construction and capitalized interest under the Pooled Loan agreements.
6. Revenue Fund: These funds are restricted under outstanding Pooled Loan resolutions.
7. Loans Receivable: These funds are restricted under outstanding Pooled Loan agreements.

7. Long-Term Debt

A description and summary of long-term debt at September 30, 2003 and 2002 is as follows:

Agency Fund
The Agency Fund has three loans payable to the Pooled Loan Fund. Interest is payable monthly at a variable-rate tied to the interest rates paid on Pooled Loan Fund debt. Interest rates on the loans varied from 1.45% to 2% during the fiscal year ended September 30, 2003 and between 1.7% to 2.95% during the fiscal year ended September 30, 2002.

Loan Number	Issue Date	Payment Range	Final Payment	Balance at September 30, 2003	2002
				(thousands omitted)	
1	November 1990	$25,000 to $45,000	November 2010	$ 280	$ 305
2	July 1998	$55,000 to $90,000	July 2013	745	800
3	August 1999	$110,000 to $220,000	July 2019	2,590	2,700
				3,615	**3,805**
Less amount due in one year				200	190
				$ 3,415	**$ 3,615**

Pooled Loan Fund
Commercial Paper Notes: FMPA is authorized to issue up to $150 million of commercial paper notes with Wachovia Bank National Association, the current credit provider. The commercial paper is issued for loaning proceeds to FMPA members and other FMPA Projects. The respective loan agreements between the Pooled Loan Fund and FMPA members or other FMPA Projects are equal in the aggregate to the principal of the current notes issued and are executed simultaneously with each note issue.

At September 30, 2003 and 2002 the outstanding commercial paper notes totaled $93,589,000 and $90,511,000, respectively. The commercial paper notes bear interest at a rate that varies periodically, as determined by the dealer, and remarketed at prevailing market rates.

7. Long-Term Debt (continued)

Pooled Loan Fund (continued)
Interest is paid periodically, ranging from one day to 270 days. During the fiscal year ended September 30, 2003 and 2002, interest rates ranged from 0.75% to 1.7% and 1% to 2.7%, respectively.

The commercial paper notes are further collateralized by an irrevocable long-term letter of credit with Wachovia Bank National Association in an amount sufficient for payment of the outstanding principal plus 65 days accrued interest at an assumed rate of 10%. The letter of credit expires August 22, 2006, with an annual extension unless Wachovia Bank National Association gives notice during the 60-day period prior to August 22, 2004. At September 30, 2003 and 2002, the fee paid on the letter of credit was 38 basis points, respectively, on the amount of paper outstanding plus 10% for 65 days. Amounts payable to the bank under the letter of credit are due on demand and bear interest at the lower of prime rate plus 2% or the maximum rate permitted by law. There were no draws outstanding on the letter of credit at September 30, 2003 and 2002.

St. Lucie Project

Issue Date	Description	Interest Rates	Interest Payment Dates	Final Maturity	Balance at September 30, 2003	2002
					(thousands omitted)	
June 2000	* Refunding Revenue Bonds, Series 2000	Variable	Weekly	October 1, 2021	$ 17,150	$ 17,150
July 2002	Refunding Revenue Bonds, Series 2002	Variable	Weekly	October 1, 2021	244,850	244,850
					262,000	**262,000**
Unamortized loss on refunding					52,372	55,445
					$ 209,628	**$ 206,555**

* During fiscal year 2003, these bonds were elevated to parity bond status by Board Resolution

The variable interest rates ranged between 0.65% to 1.6% and 1.2% to 5% for the years ended September 30, 2003 and 2002, respectively.

The Series 2000 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%.

During July 2002, the Agency issued $244.8 million Refunding Revenue Bonds Series 2002 adding variable-rate debt. The Series 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 2002 Bonds refunded all of the St. Lucie Project Refunding Revenue Bonds, Series 1992. To reduce a portion of the variable interest rate exposure inherent with auction rate securities, the Agency entered into and later extended the effective dates of three interest rate swap contracts. See Note 4, Derivative Financial Instruments, St. Lucie Project. These fixed-interest rate swap contracts have FMPA paying a predetermined fixed interest rate and receiving a BMA-based index interest rate. None of the swaps cover the entire bonds outstanding period.

As a result of these refundings, the Project expects to increase debt service by $45,940,506 yet achieve an estimated $13,847,292 economic gain (difference between the present values of the old and new debt service payments).

The actual economic gain will vary due to changes in interest rates between the amounts paid to FMPA St. Lucie Project under the swap agreement and the amount paid to bond holders. Net present value savings will also be affected by the absolute level of variable interest rates on the Series 2002 Bonds, given the Series 1992 Bonds were at fixed-rates and the Series 2002 Bonds are variable once the swap contracts expire.

7. Long-Term Debt (continued)

Stanton Project

Issue Date	Description	Interest Rates	Interest Payment Dates	Final Maturity	Balance at September 30, 2003	2002
					(thousands omitted)	
February 1991	Refunding Revenue Bond, Series 1991	5%	April 1 and October 1	October 1, 2019	$ -	$ 20,010
August 1997	Demand Refunding Revenue Bonds, Series 1997	Varies Weekly (1)	Monthly	October 1, 2019	10,890	10,890
June 2000	* Refunding Revenue Bonds, Series 2000	Variable	Weekly	October 1, 2019	4,425	4,425
April 2002	Refunding Revenue Bonds, Series 2002	3% - 5.5%	April 1 and October 1	October 1, 2018	45,825	45,825
July 2003	Refunding Revenue Bonds, Series 2003	Variable	Every 28 days	October 1, 2019	20,000	-
					81,140	**81,150**
Unamortized loss on refunding					5,759	4,686
Unamortized debt premium/(discount), net					1,871	797
Less amount due within one year					2,680	-
					$ 74,572	**$ 77,261**

* During fiscal year 2003, these bonds were elevated to parity bond status by Board Resolution.
(1) These bonds are re-marketed weekly. The average rates were 1.16% and 1.44% for the years ended September 30, 2003 and 2002, respectively.

The variable interest rates ranged between 0.7% to 5.5% and 1.2% to 5.5% for the years ended September 30, 2003 and 2002, respectively.

The Series 1997 and Series 2000 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 2002 bonds are subject to redemption prior to maturity at the election of FMPA at 100% beginning October 1, 2012.

During April 2002, FMPA issued $45,825,000 Series 2002 Refunding Revenue Bonds. These bonds were issued for the purposes of refunding some of the 1997 bonds and reducing the amount of variable-rate exposure of the Stanton Project. Fixed-rate coupons ranged between 3% and 5.5%. Due to the nature of the refunding, going from a variable-rate to a fixed-rate structure, present value savings were not calculated.

During July 2003, the Agency issued $20 million Refunding Revenue Bonds Series 2003 in 28-day auction rate mode to provide resources along with existing debt service and debt service reserve funds of $750.4 thousand to current refund and pay the cost of refunding $20.01 million of Stanton Series 1991 Refunding Bonds.

7. Long-Term Debt (continued)

Stanton Project (continued)
The refunding was undertaken to reduce total future debt service payments and modify the Bond Resolution to provide for the substitution of credit. A fixed-interest rate swap contract was entered, with a fixed-rate of 3.5%. FMPA receives BMA the first two years and 72% of LIBOR thereafter for the length of the debt outstanding. Although the refunding resulted in the recognition of an accounting loss of $1.7 million for the year ended September 30, 2003, the Agency in effect reduced its aggregate debt service payments by more than $3.7 million over the next 16 years and obtained an estimated economic gain (difference between the present values of the old and new debt service payments) of $2.2 million. The actual economic gain will vary due to changes in interest rates between the amounts paid to FMPA Stanton Project under the swap agreement and the amounts paid to bond holders. This variance will be larger during the years where the receipt is referenced to LIBOR as compared to BMA.

Loan Payable to Pooled Loan Fund: The Stanton Project has a loan payable to the Pooled Loan Fund with a balance of $6,725, million at September 30, 2003. The balance at September 30, 2002 was $7,000,000. Interest is payable monthly at a variable-rate tied to the interest rates paid on Pooled Loan Fund debt. Interest rates on the loan varied from 1.45% to 2% during the fiscal year ended September 30, 2003 and ranged from 1.7% to 2.9% during fiscal year ended September 30, 2002. The loan payable balance is due in 16 annual principal payments ranging from $275,000 to $655,000, with the final payment due October 1, 2018. The loan is subordinate to other debt of the Project.

All-Requirements Project

Issue Date	Description	Interest Rates	Interest Payment Dates	Final Maturity	Balance at September 30, 2003	2002
					(thousands omitted)	
May 1992	Revenue Bonds, Series 1992	5.9%	April 1 and October 1	October 1, 2002	$ -	$ 1,115
December 1993	Revenue Bonds, Series 1993	4.5% - 5.1%	April 1 and October 1	October 1, 2025	-	164,065
June 2000	* Refunding Revenue Bonds, Series 2000	Variable	Weekly	October 1, 2025	20,125	20,125
August 2000	* Revenue Bonds, Series 2000-1 & 2000-2	Variable	Weekly	October 1, 2030	70,000	70,000
July 2003	Refunding Revenue Bonds Series 2003A	2%-5%	April 1 and October 1	October 1, 2014	62,395	-
July 2003	Refunding Revenue Bonds			October 1, 2025		
	Series B-1	Variable	Every 28 days		35,925	
	Series B-2	Variable	Every 7 days		55,050	-
					243,495	**255,305**
Unamortized loss on refunding					21,589	14,774
Unamortized debt premium/(discount), net					7,139	(3,129)
Less amount due within one year					770	4,245
					$ 228,275	**$ 233,157**

* During fiscal year 2003, these bonds were elevated to parity bond status by Board Resolution.

7. Long-Term Debt (continued)

All-Requirements Project (continued)
The variable interest rates ranged between 0.7% to 1.6% and 1.2% to 2.2% for the years ended September 30, 2003 and 2002, respectively.

The Series 2000, Series 2000-1 and Series 2000-2 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%.

During July 2003, the Agency issued $62.4 million of All-Requirements Supply Project Refunding Revenue Bonds Series 2003A in fixed-rate mode to provide resources along with existing debt service reserve funds of $4.2 million to current refund and pay the cost of refunding $70 million of All-Requirements Series 1993 Refunding Bonds, maturities 2003 – 2014. The refunding was undertaken to reduce total future debt service payments and modify the Bond Resolution to provide for the substitution of credit.

During July 2003, the Agency issued $91 million of All-Requirements Power Supply Project Refunding Revenue Bonds Series 2003B in two auction rate modes; Series B-1 of $35.9 million in 28-day auction rate mode and Series B-2 of $55.05 million in 7-day auction rate mode. The Series 2003B was issued to provide resources along with existing debt service and debt service reserve funds of $4.7 million to current refund and pay the cost of refunding $90.9 million of All-Requirements Series 1993 Refunding Bonds, maturities 2015 – 2025. The refunding was undertaken to reduce total future debt service payments and modify the Bond Resolution to provide for the substitution of credit. On Series B-1, a fixed-interest rate swap contract was entered into with a fixed-rate of 3.6%. FMPA receives BMA the first two years and 72% of LIBOR thereafter for the length of the debt outstanding. On Series B-2, a fixed-interest rate swap contract was entered, into with a fixed-rate of 4.1%. FMPA receives BMA for the length of the debt outstanding.

Although the refunding resulted in the recognition of an accounting loss of $21.4 Million for the year ended September 30, 2003, the Agency in effect reduced its aggregate debt service payments by almost $22.4 over the next 22 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $6.4 million. The actual economic gain will vary due to changes in interest rates between the amounts paid to FMPA All-Requirements Project under the swap agreement and the amounts paid to bond holders. This variance will be larger during the years where the receipt is referenced to LIBOR as compared to BMA.

Loan Payable to Pooled Loan Fund: The All-Requirements Project has four loans payable to the Pooled Loan Fund at September 30, 2003 and September 30, 2002. Interest is payable monthly at a variable-rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loans varied from 1.45% to 2% during the fiscal year ended September 30, 2003 and varied from 1.7% to 2.95% during the fiscal year ended September 30, 2002. These loans are subordinate to other debt of the Project.

Loan Number	Issue Date	Payment Range	Final Payment	Balance at September 30, 2003	Balance at September 30, 2002
				(thousands omitted)	
1	July 1988	$290,000 to $534,000	October 1, 2013	$ 4,384	$ 4,654
2	October 1996	$510,000 to $1,125,000	October 1, 2021	14,780	15,265
3	August 2001	$230,000 to $750,000	October 1, 2029	11,000	11,000
4	January 2002	$320,000 to $810,000	October 1, 2022	10,500	10,500
				40,664	**41,419**
Less amount due within one year				1,120	755
				$ 39,544	**$ 40,664**

7. Long-Term Debt (continued)

Tri-City Project

Issue Date	Description	Interest Rates	Interest Payment Dates	Final Maturity	Balance at September 30, 2003	2002
					(thousands omitted)	
January 1992	Refunding Revenue Bonds, Series 1992	5.5% - 6%	April 1 and October 1	October 1, 2019	$ -	$ 42,750
July 2003	Refunding Revenue Bonds Series 2003A	2%-5%	April 1 and October 1	October 1, 2019	39,090	-
					39,090	**42,750**
Unamortized loss on refunding					8,004	5,980
Unamortized debt premium/(discount), net					2,351	(1,205)
Less amount due within one year					210	1,440
					$ 33,227	**$ 34,125**

The Series 1992 bonds provide for early redemption at the election of FMPA at call rates of 102% to 100% beginning October 1, 2003.

During July 2003, the Agency issued $39.09 million of Tri-City Project Refunding Revenue Bonds Series 2003A fixed-rate mode to provide resources along with existing debt service and debt service reserve funds of $1.925 million to refund and pay the cost of refunding $41.310 million of Tri-City Series 1992 Refunding Bonds. The refunding was undertaken to reduce total future debt service payments and modify the Bond Resolution to provide for the substitution of credit. Although the refunding resulted in the recognition of an accounting loss of $8.2 million for the year ended September 30, 2003, the Agency in effect reduced its aggregate debt service payments by almost $7.1 million over the next 17 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $5.3 million. The actual economic gain will vary due to changes in interest rates between the amounts paid to FMPA Tri-City Project under the swap agreement and the amounts paid to bond holders.

Loan Payable to Pooled Loan Fund: The Tri-City Project has a loan payable to the Pooled Loan Fund with a balance of $2,405,000 at September 30, 2003. The balance at September 30, 2002 was $2,505,000. Interest is payable monthly at a variable-rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from 1.45% to 2% and 2% to 2.95% during the fiscal years ended September 30, 2003 and September 30, 2002, respectively. The loan payable balance is due in 16 annual principal payments ranging from $100,000 to $235,000 with the final payment due October 1, 2018. This loan is subordinate to other debt of the Project.

7. Long-Term Debt (continued)

Stanton II Project

Issue Date	Description	Interest Rates	Interest Payment Dates	Final Maturity	Balance at September 30, 2003	2002
					(thousands omitted)	
June 1992	Revenue Bonds, Series 1992	5.9%	April 1 and October 1	October 1, 2002	$ -	$ 3,380
October 1993	Refunding Revenue Bonds, Series 1993	4.35% - 5.1%	April 1 and October 1	October 1, 2027	58,410	79,265
June 2000	*Refunding Revenue Bonds, Series 2000	Variable	Weekly	October 1, 2027	41,650	41,650
April 2002	Refunding Revenue Bonds, Series 2002	3% - 5%	April 1 and October 1	October 1, 2026	85,000	85,000
July 2003	Refunding Revenue Bonds, Series 2003A	2% - 5%	April 1 and October 1	October 1, 2013	18,315	-
					203,375	**209,295**
Unamortized loss on refunding					15,874	14,803
Unamortized premium/(discount), net					(2,080)	(4,742)
Less amount due within one year					2,920	4,300
					$ 182,501	**$ 185,450**

* During fiscal year 2003, these bonds were elevated to parity bond status by Board Resolution.

The variable interest rates ranged between 0.69% to 1.6% and 1.2% to 2.3% for the years ended September 30, 2003 and 2002, respectively.

The Series 1993 bonds provide for early redemption at the election of FMPA at call rates of 102% to 100% beginning October 1, 2003.

The Series 2000 bonds provide for early redemption at the election of FMPA on any interest payment date at a call rate of 100% at anytime.

The Series 2002 bonds are subject to redemption prior to maturity at the election of FMPA at 100% beginning October 1, 2012.

During April 2002, FMPA issued $85 million of Refunding Revenue Bonds, Series 2002. These bonds were issued for purposes of refunding the 1997 Bonds and part of the Series 2000 Bonds in addition to reducing the variable-rate exposure on the Stanton II Project. The Stanton II Project Refunding Revenue Bonds, Series 2002 were a combination of fixed-rate and variable-rate coupon bonds, refunding all of the Stanton II Project Variable Rate Demand Subordinated Refunding Bonds, Series 1997 and a portion of the Stanton II Project Subordinated Refunding Revenue Bonds, Series 2000 (Auction Rate Securities). This refinancing was undertaken to reduce variable-rate rate exposure.

Due to the nature of the refunding, going from a variable-rate to a fixed-rate structure, present value savings were not calculated.

During July 2003, the Agency issued $18.315 million Stanton II Project Refunding Revenue Bonds, Series 2003A fixed-rate mode to provide resources along with existing debt service reserve funds of $578 thousand to refund and pay the cost of refunding $19.935 million of Stanton II Series 1993 Refunding Bonds.

7. Long-Term Debt (continued)

Stanton II Project (continued)
The refunding was undertaken to reduce total future debt service payments and modify the Bond Resolution to provide for the substitution of credit. Although the refunding resulted in the recognition of an accounting loss of $3.8 million for the year ended September 30, 2003, the Agency in effect reduced its aggregate debt service payments by almost $2.6 million over the next 11years and obtained an estimated economic gain (difference between the present values of the old and new debt service payments) of $1.2 million.

Major Debt Provisions (All Projects)
The bonds are special obligations of FMPA, payable solely from (1) revenues (as defined by the respective bond resolutions) after payment of operating expenses (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 Project Support contracts or the Power Supply contract. The purpose of the individual funds is specifically defined in the respective bond resolutions.

Investments are generally restricted to those types described in Note 1. Additional restrictions applying to maturity dates are defined in the respective bond resolutions.

Defeased Debt
The following bonds have been defeased in substance. 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, 2003 are as follows:

Dated	Description	Defeased Portion - Amount Originally Issued	Balance at September 30, 2003	2002
			(thousands omitted)	
May 1983	St. Lucie Project Revenue Bonds, Series 1983	$ 280,075	$ 26,185	$ 26,185
May 1992	All-Requirements Power Supply Project Revenue Bonds, Series 1992	$ 56,915	$ -	$ 56,915
June 1992	Stanton II Project Revenue Bonds, Series 1992	$ 154,475	$ -	$ 154,475
June 1992	Stanton II Project Revenue Bonds, Series 1992	$ 47,370	$ -	$ 47,370
July 1992	St. Lucie Project Refunding Revenue Bonds, Series 1992	$ 244,009	$ -	$ 244,009
December 1993	All-Requirements Power Supply Project Revenue Bonds, Series 1993	$ 160,935	$ 160,935	$ -
February 1991	Stanton Project Refunding Revenue Bonds, Series 1991	$ 20,010	$ 20,010	$ -
September 1993	Stanton II Project Refunding Revenue Bonds, Series 1993	$ 19,935	$ 19,935	$ -
December 1992	Tri-City Project Refunding Revenue Bonds, Series 1992	$ 41,310	$ 41,310	$ -

7. Long-Term Debt (continued)

Annual Requirements

The annual debt service requirements to amortize all long-term bonded debt outstanding as of September 30, 2003 are as follows:

Fiscal Year Ending September	St. Lucie Project	Interest Rate Swaps, Net	Stanton Project	Interest Rate Swaps, Net	All-Requirements Project	Interest Rate Swaps, Net	Tri-City Project	Stanton II Project	Interest Rate Swaps, Net	Totals
					(thousands omitted)					
2004	2,620	4,352	5,236	496	9,313	2,621	3,403	11,510	30	39,581
2005	2,620	4,448	5,237	495	9,347	2,617	3,399	11,505	30	39,698
2006	2,620	4,813	5,235	494	9,346	2,612	3,404	11,504	30	40,058
2007	2,620	4,646	5,236	494	9,325	2,607	3,398	11,507	30	39,863
2008	2,620	3,471	5,231	493	9,277	2,602	3,407	11,416	30	38,547
2009	2,620	3,471	5,236	493	9,385	2,600	3,397	11,455	27	38,684
2010	2,620	3,030	5,238	492	9,365	2,594	3,405	11,459	23	38,226
2011	2,620	1,281	5,238	491	9,382	2,588	3,401	11,465	19	36,485
2012	2,620		5,211	491	9,354	2,583	3,412	11,475	8	35,154
2013	2,620		5,239	491	9,395	2,578	3,399	13,912		37,634
2014	2,620		5,230	490	9,427	2,572	3,404	11,684		35,427
2015	2,620		5,264	489	8,411	2,564	3,402	11,722		34,472
2016	2,620		5,246	488	8,661	2,374	3,398	11,725		34,512
2017	2,620		5,417	372	8,961	2,177	3,409	11,725		34,681
2018	2,620		5,568	252	9,211	1,971	3,401	11,723		34,746
2019	2,620		20,843	128	9,511	1,758	3,402	11,725		49,987
2020	2,620				9,836	1,536		11,684		25,676
2021	264,620				10,161	1,305		11,724		287,810
2022					10,511	1,064		11,721		23,296
2023					10,836	813		11,726		23,375
2024					11,211	553		11,725		23,489
2025					31,711	282		11,689		43,682
2026					700			11,723		12,423
2027					700			48,023		48,723
2028					700					700
2029					700					700
2030					70,700					70,700
Total Principal and Interest	$ 309,160	$ 29,512	$ 99,905	$ 7,149	$ 305,437	$ 44,971	$ 54,441	$ 317,527	$ 227	$ 1,168,329
Less Amount Representing Interest	47,160	29,512	21,445	7,149	62,712	44,971	15,561	117,072	227	345,809
Unamortized loss on refunding	52,372		5,759		21,589		8,004	15,874		103,598
Unamortized Premium/(Discount), net			1,871		7,139		2,351	(2,080)		9,281
Long-Term Revenue Bonds Payable at September 30, 2003	**$ 209,628**	**$ -**	**$ 74,572**	**$ -**	**$ 228,275**	**$ -**	**$ 33,227**	**$ 182,501**	**$ -**	**$ 728,203**

Interest rate swap information is determined using the rate in effect at the financial statement date of 1%. Variable-rates for the CPI Bonds ranged between 3.56% to 3.82%.

Refer to Note 4 for interest rate swap disclosure.

8. Commitments and Contingencies

FMPA has entered into participation agreements for individual ownership of generating facilities as follows:

Project	Operating Utility	Joint Ownership Interest	Commercial Operation Date
St. Lucie	Florida Power & Light (FPL)	8.806% of St. Lucie Unit 2 nuclear generating plant	August 1983
Stanton	Orlando Utilities Commission (OUC)	14.8193% of Stanton Energy Center (SEC) Unit 1 coal-fired generating plant	July 1987
All-Requirements	OUC	6.506% SEC Unit 1	July 1987
Tri-City	OUC	5.3012% of SEC Unit 1	July 1987
All-Requirements	OUC	39% of Indian River Units A & B combustion turbine	A-June 1989 B-July 1989
All-Requirements	OUC	21% of Indian River Units C & D combustion turbine	C-August 1992 D-October 1992
All-Requirements	Kissimmee Utility Authority (KUA)	50% of Cane Island Unit 1 combustion turbine	January 1995
All-Requirements	KUA	50% of Cane Island Unit 2 combined cycle	June 1995
All-Requirements	OUC	5.1724% of SEC Unit 2	June 1996
Stanton II	OUC	23.2367 of SEC Unit 2	June 1996
All-Requirements	KUA	50% of Cane Island Unit 3 combined cycle	January 2002
All-Requirements	Southern Company	3.5% of Stanton Unit A combined cycle	October 2003

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. Currently, the operating utilities are obligated under various long-term contracts with suppliers. Also, FMPA is liable under its participation agreements for its ownership interest of total construction and operating costs. Further contracts with OUC include commitments for purchases of coal. Through participation with OUC, FMPA has minimum annual purchases of coal through 2008 as follows (in thousands of tons):

Project:	2004	2005	2006	2007	2008
Stanton Project	113	113	113	113	113
All-Requirements Project	89	89	39	89	89
Tri-City Project	40	40	40	40	40
Stanton II Project	177	177	177	177	177

8. Commitments and Contingencies (continued)

A few coal suppliers have experienced financial difficulties that are having some affect on deliveries and pricing, however, there have been no issues with obtaining sufficient quantities of fuel from the spot market, as needed, to augment any contractual delivery deficiencies.

FMPA has entered into certain long-term contracts for transmission services for its projects. These amounts are recoverable from participants in the projects through the Power Sales and Project Support Contracts and Power Supply Contracts discussed below. 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 above, or in the case of the All-Requirements Project, a Power Supply Contract providing for the participant's total power requirements. Revenues received under these individual Project contracts are expected to be sufficient to pay all of the related Project costs.

Agency Fund

From 1986 to June 2000 FMPA's principal administrative office was located at 7201 Lake Ellenor Drive in Orlando, Florida. In October 2003, FMPA executed a contract to sell the building. Closing is scheduled on or before December 31, 2003 at the mutual convenience of the contracting parties.

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 St. Lucie Unit 1. 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.

The St. Lucie Project, as 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. As the first layer of financial protection, FPL has purchased $300 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 that plan, St. Lucie Unit 2 is subject to an assessment of $103.61 million per incident with provision for payment of such assessment to be made over time as necessary to limit the payment in any one year to no more than $10.3 million per incident. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.

U.S. Nuclear Regulatory Commission (NRC) regulations require that each licensee of a commercial nuclear power reactor furnish to the NRC 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 furnished certification of its financial capability to fund its share of the costs of decommissioning St. Lucie Unit 2. To satisfy the NRC's financial capability regulations, FMPA established an external trust fund (the "Decommissioning Trust") pursuant to a trust agreement with SunTrust Bank. FMPA's certification of financial capability requires that the St. Lucie Project make annual deposits to the Decommissioning Trust which, together with the investment earnings and amounts previously on deposit in the trust, are anticipated to result in sufficient funds being held in the Decommissioning Trust at the expiration of the current operating license for St. Lucie Unit 2 to meet the St. Lucie Project's share of the decommissioning. Based on a 1999 unit site-specific study, Unit 2 total decommissioning costs are estimated to be $2.781 billion (in 1999 dollars). FMPA's share is estimated to be $244 million (in 1999 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. There is approximately $27.6 million in the account at September 30, 2003.

Under the NRC regulations, the Decommissioning Trust is required to be segregated from other FMPA assets and outside FMPA's administrative control. The St. Lucie Project is deemed to have incurred and paid decommissioning costs as monthly deposits are made to the Decommissioning Trust.

8. Commitments and Contingencies (continued)

St. Lucie Project (continued)
On December 19, 1999, the Agency (as Decommissioning Trust Administrator) and Chase Manhattan Bank entered into a Forward Delivery Agreement for a portion of the St. Lucie Decommissioning Trust. The agreement provides that Chase will deliver securities initially with a value not to be less than $10,225,000 for an equivalent payment. Each month $75,000 additional amount of securities will be delivered by Chase in exchange for an equivalent payment from the trustee for the Decommissioning Fund. Upon maturity of the securities, the yield earned, along with any cash delivered by Chase, will be equivalent to 7.03% of the face value of the agreement. The Forward Purchase Agreement has a termination date of April 6, 2023.

In addition to the Decommissioning Trust Fund, the St. Lucie Project has also recorded a liability for its estimated portion of the costs for the decommissioning and decontamination of the United States Department of Energy nuclear fuel enrichment facilities, as provided for by the National Energy Policy Act of 1992 (Energy Act). The Energy Act states among other things, that utilities with nuclear reactors will contribute an aggregate total of $150 million annually, for a period of 15 years, up to a total of $2.25 billion (in 1992 dollars), for such decommissioning and decontamination costs. St. Lucie Project has $447,308 recorded as the remaining liability to be funded, compared to a total liability of $909,996. The Energy Act also provides that these costs are a "necessary and reasonable cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as other fuel costs." The St. Lucie Project intends to recover these deferred costs from its participants through revenues.

All-Requirements Project
FMPA supplies all of the power needs of the All-Requirements Project participants. In addition to its ownership of generating facilities, FMPA has entered into interchange and power purchase contracts detailed below.

Supplier	End of Contract	Minimum Capacity Liability (millions)
Gainesville Regional Utilities	12/31/2006	$ .583
Progress Energy Florida	FY 04 & FY 05	4.608
Florida Power & Light	05/31/2013	16.111
Lakeland Electric	12/14/2010	23.844
Orlando Utilities Commission	12/31/2003	.435
Orlando Utilities Commission	12/31/2006	5.565
Southern Company - Florida	09/03/2013	46.586
Total Minimum Liability	09/03/2013	$97.732

The All-Requirements Project has entered into a Resource Management Agreement with The Energy Authority (TEA). The All-Requirements Project will pay TEA a fixed monthly fee of $30,000, which can be terminated within 30 days of notice.

The All-Requirements Project is paying on the behalf of Lake Worth, their natural gas transportation charges associated with a 30-year Gas Transportation Agreement between Florida Public Utilities Company (FPUC) and the City of Lake Worth executed March 2003.

As part of FMPA's normal Capacity and Energy Sales Contract with each ARP generating city, ARP pays all fuel transportation costs. The payments to FPUC are fixed and variable over the 30-year Gas Transportation Agreement. The total fixed obligation is $15.5 million.

In July 2003, the FMPA Board of Directors approved FMPA's involvement in a brine processing plant and other water treatment facilities at the Stanton Energy Center in Orlando, Florida. In October 2003, FMPA executed contracts authorizing a $10 million investment as its share of the $34 million facility.

8. Commitments and Contingencies (continued)

All-Requirements Project (continued)
The $10 million will be provided for the Stanton I, Stanton II, Tri-City and All-Requirements projects based on their common facility ownership share.

The new Stanton A combined cycle generator will receive cooling water treatment services from the new brine plant and associated facilities. For these services, the owners of Stanton A (Southern Company Florida, FMPA, Kissimmee Utility Authority and Orlando Utilities Commission) will pay the Stanton, Stanton II, All-Requirements and Tri-City projects a fixed and a variable operations and maintenance charge under an agreement for the life of the Stanton A generator.

In addition, the All-Requirements Project has a Florida Gas Transmission Company (FGT) agreement as part of FGT's Phase 3 expansion in firm gas transportation expiring in 2015 at 12,500 mmBtu/day. The annual cost is about $3.5 million. The All-Requirements Project also has a contract with FGT that was part of FGT's Phase 4 expansion with an in-service date of May 1, 2001. All-Requirements' share is 12,500 mmBtu/day. Annual fixed costs are estimated to be $3.7 million per year and expiring in 2021. The transportation agreements are used mainly for Cane Island gas generation. The All-Requirements Project, in combination with other members Ft. Pierce, Kissimmee and Vero Beach, has a take or pay contract with Florida Gas Utility effective until November 2008 for a firm supply of natural gas of approximately 12,000 mmBtu/day priced at a first of the month index price less a discount.

The All-Requirements Project has also contracted for firm natural gas transportation service with Gulfstream Gas System, LLC (Gulfstream). The contract was effective July 7, 2003 and will remain in effect until July 31, 2013. The contract calls for Gulfstream to provide firm transportation service for 10,000 mmBtu/day delivered to the new interconnection at the Cane Island Pipeline facility in Osceola County, FL. In exchange for this service, the All-Requirements Project will pay Gulfstream approximately $2.15 million per year for a total contract commitment of $21.5 million.

On November 30, 1993, the gas turbine for Unit 1 at Cane Island was in the process of being delivered when it was struck and destroyed by an Amtrak train. KUA and FMPA were named as defendants (along with numerous other entities) in several personal injury and property damage lawsuits arising from the incident. On November 21, 1996, the jury in the United States District Court, Middle District of Florida, found that neither FMPA nor KUA was negligent. The jury apportioned liability as follows, Rountree Transport and Rigging (the company hauling the turbine) 59%, CSX Transportation, Inc., 33%, and Amtrak 8%. Because of indemnity provisions in the Private Road Grade Crossing Agreement that KUA entered into with CSX, the court has ruled that FMPA and KUA are liable for CSX's negligence (FMPA is equally liable with KUA under the terms of the Participation Agreement).

There is also a pending indemnity claim by Amtrak against FMPA and KUA based on the same Private Road Grade Crossing Agreement. These indemnity issues were heard by the trial court that ruled in favor of CSX and Amtrak.

The case is now on appeal to the United State Court of Appeals for the Eleventh Circuit. As a part of that appellate process, the Eleventh Circuit has certified the indemnity issues to the Supreme Court of Florida for rulings as to the applicability of Florida law. These issues are still pending in the Eleventh Circuit and the Florida Supreme Court Oral arguments were heard June 9, 2003, but no opinion has been issued as of this writing. It is the opinion of FMPA and its counsel that there is adequate insurance to cover the potential liability.

FMPA, together with four other consumer-owned electric utilities in Florida, are exploring the potential development of a jointly owned solid fuel power plant. As of September 30, 2003, no details have been finalized or proposed to the five utilities' governing bodies. Research and investigation continues on site, boiler technology and over-all plant design alternatives.

9. Capacity and Energy Sales Contract

Certain of the St. Lucie Project participants have entered into an agreement 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 such sales. FMPA has been appointed agent in the administration of this contract.

10. Mutual Aid Agreement

The All-Requirements Project has agreed to participate in a mutual aid agreement with seven other utilities for an extended outage of a defined base load generating unit. The participants include the City of Tallahassee, Gainesville Regional Utilities, JEA (Jacksonville Electric Authority), Lakeland Electric, Orlando Utilities Commission, Municipal Electric Authority of Georgia and Seminole Electric Cooperative, Inc. and FMPA. The All Requirements Project would receive 80 MW at a price based on gas indices and a fixed heat rate, in the event of a loss of Cane Island Unit 3. In the event of any extended outage from any other participants, All-Requirements would provide between 4 MW and 7 MW for duration up to nine months. This agreement expires on October 1, 2007.

11. Employee Benefits

Deferred Compensation and Money Purchase Plans

The Agency offers to its full-time employees two plans for retirement, a deferred compensation plan in accordance with Internal Revenue Code Section 457, and a defined contribution pension (money purchase) plan under Internal Revenue Code Section 401(a). All full-time employees are 100% vested after six months of employment. FMPA's contribution is based upon 10% of the individual's base gross payroll. Total payroll for the year ended September 30, 2003 and 2002 amounted to $4.0 and $3.6 million, respectively, which approximates covered payroll.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee can contribute to the deferred compensation plan so that the combined contribution of the Agency and the employee does not exceed 25% of base gross payroll or $12,000 for 2003 and $13,000 for 2004 whichever is less, on an annual basis. Assets of both plans are held by ICMA Retirement Corporation, plan administrator and trustee.

The Agency's expenses during fiscal years 2003 and 2002 were $5,840 and $8,581 respectively, under the deferred compensation plan and $323,251 and $306,014 respectively, under the money purchase plan, totaling $329,091 and $314,595, respectively. Funds from these plans are not available to employees until termination or retirement; but funds from the deferred compensation plan are available in the event of an unforeseeable emergency which allows employees to borrow up to one-half of their balance in the 401(a).

Other Post Employment Benefits

FMPA offers paid group health insurance to retiring full-time employees, who are over age 55 with a total of at least 900 months of age plus months of active service. This insurance is secondary to Medicare, for which the retiree must apply. Currently, FMPA has three retirees receiving this benefit. The cost to FMPA for fiscal year 2003 and 2002 was approximately $15,463 and $12,483, respectively. Expenses for post retirement health care benefits are recognized as premiums are due.

12. Risk Management

The Agency is exposed to various risks of loss related to, among other things: torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public, and/or damage to property of others. Also, 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.

12. Risk Management (continued)

These contracts subject FMPA to varying degrees and types of risk. The Agency has purchased commercial insurance in types and amounts that management believes are adequate to cover these various risks. There have been no significant reductions in insurance coverage, and settlements have not exceeded coverage in any of the past two fiscal years.

The Agency has also established a Risk Oversight Committee (ROC) composed of Board of Directors members and assigned corporate risk management duties to its Chief Financial Officer. An internal group of managers from all aspects of the Agency's operations support the risk oversight function in cooperation with the Chief Financial Officer/Risk Manager who chairs this group, which is known as the Risk Management Group (RMG). The RMG reports to the ROC, which has established a corporate risk management policy.

The Agency also has variable-rate debt, which subjects it to changing interest rates and the resulting risks arising there from. See Note 7 on Long-Term Debt.

13. Interest Arbitrage and Rebate

A rebate payable to the Internal Revenue Service (IRS) is the result of investment of bond proceeds in financial instruments that yield a higher rate of interest income than the cost of borrowing. The excess of interest income over the cost of borrowing is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter. The liability for the All-Requirements Project of $339 thousand and the estimated arbitrage liability for the St. Lucie Project of $1.7 million, the Stanton II Project of $4.6 million and the Pooled Loan Fund of $77 thousand are included in accrued liabilities and as a receivable (from Project participants) on the Balance Sheets.

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