FLORIDA MUNICIPAL POWER AGENCY

Financial Statements

For The Fiscal Year Ended September 30, 2011

Member Cities

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and each major fund of Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency, as of September 30, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Purvis, Gray and Company, LLP

December 23, 2011
Ocala, Florida

MANAGEMENT'S DISCUSSION & ANALYSIS

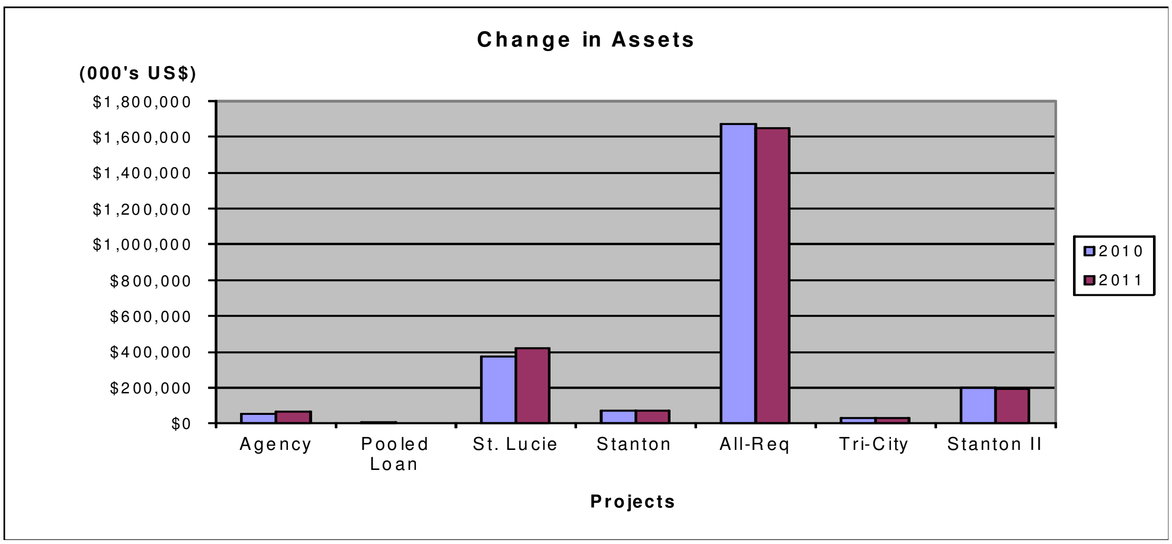
For Fiscal Year Ended September 30, 2011

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

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

FINANCIAL HIGHLIGHTS

Total Assets at September 30, 2011, of FMPA's Agency Fund and other projects increased $27.1 million from the prior year. The significant asset changes are as follows: an increase of $42.8 million for the St. Lucie Project due to increases in cash and investments set aside to pay future costs; increase of $9 million in the Agency Fund due to contributions for Crystal River Three decommissioning and member deposits for rate stabilization. The other projects showed decreases due to depreciation of plant assets and the Pooled Loan Fund was closed in 2011.



Change in Assets (000's US$)								
Year	Agency	Pooled Loan	St. Lucie	Stanton	All-Req	Tri-City	Stanton II	Total
2010	$54,433	$1,688	$375,239	$73,390	$1,669,477	$28,985	$198,165	$2,401,377
2011	63,511	-	418,086	72,255	1,650,675	27,730	196,217	2,428,474
Variance	$9,078	($1,688)	$42,847	($1,135)	($18,802)	($1,255)	($1,948)	$27,097

Management's Discussion & Analysis

For Fiscal Year Ended September 30, 2011

Financial Highlights (continued)

Total Liabilities at September 30, 2011, for FMPA's Agency Fund and other projects increased by $26 million during the current fiscal year. The increase in total liabilities was mainly due to the increase of $47 million in long-term revenue bonds in the St. Lucie project. Agency had an increase of $7 million due mainly to the decommissioning liability and the increase in Rate Stabilization accounts held for members. The All-Requirements project had a decrease in long-term revenue bonds of $27 million, due to principal payments on debt. The remaining projects showed a decline in liabilities.

The current portion of bonds, loans, and capital leases payable amounted to $58 million. Total Accounts Payable balance was $101 million or a decrease of $39 million compared with 2010. The All-Requirements Project accounted for $34 million of this total as follows: $20 million decrease in payables on construction contracts, and $9 million retainage paid on construction contracts.

Long-Term Liability balance outstanding at September 30, 2011, for FMPA's Agency Fund and Projects was $2.2 billion, an increase of $56 million during the current fiscal year.

Long-Term Bonds balance, less current portion, was $1.6 billion, including All-Requirements balance of $1.1 billion.

Total Operating Revenue for Agency and all projects decreased by $22 million for the current fiscal year, generally due to decrease in billings to participants across the projects due to declining fuel prices.

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

The Pooled Loan Fund which provided financing for capital expenditures of its members & Agency was wound down due to the expiration of the letter of credit in November 2010. Only one loan was outstanding on 9/30/10 to the Agency and that was paid off & the Pooled Loan Fund was closed out during FYE2011.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2011

FINANCIAL HIGHLIGHTS (CONTINUED)

Statement of Net Assets
Proprietary funds
For Fiscal Year Ended September 30, 2011
(000's US$)

2011	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Assets:								
Capital Assets, Net	$ 3,052	$ -	$ 109,567	$ 34,420	$ 1,000,086	$ 13,814	$ 109,677	$ 1,270,616
Current Unrestricted Assets	15,755		75,982	27,390	254,989	7,286	40,483	421,885
Current Restricted Assets	44,160		126,651	10,678	56,478	4,307	9,261	251,535
Other Non Current Assets	544		105,886	(233)	339,122	2,323	36,796	484,438
Total Assets	$ 63,511	$ -	$ 418,086	$ 72,255	$ 1,650,675	$ 27,730	$ 196,217	$ 2,428,474
Liabilities:								
Long-Term Liabilities	$ 46,670	$ -	$ 410,073	$ 59,601	$ 1,497,167	$ 23,266	$ 186,893	$ 2,223,670
Current Liabilities	1,794		8,013	12,654	153,508	4,464	9,324	189,757
Total Liabilities	$ 48,464	$ -	$ 418,086	$ 72,255	$ 1,650,675	$ 27,730	$ 196,217	$ 2,413,427
Net Assets:								
Invested in capital assets, Net	$ 1,539	$ -	$ (185,108)	$ (26,295)	$ (264,892)	$ (11,385)	$ (52,187)	$ (538,328)
Restricted			56,516	13,271	47,020	6,423	11,931	135,161
Unrestricted	13,508		128,592	13,024	217,872	4,962	40,256	418,214
Total Net Assets	$ 15,047	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,047

Statement of Net Assets
Proprietary funds
For Fiscal Year Ended September 30, 2010
(000's US$)

2010	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Assets:								
Capital Assets, Net	$ 3,304	$ -	$ 95,064	$ 36,823	$ 982,915	$ 14,770	$ 114,231	$ 1,247,117
Current Unrestricted Assets	14,025	18	78,786	21,966	291,892	6,259	40,009	452,955
Current Restricted Assets	36,601	1,670	94,034	11,774	116,119	4,297	9,233	262,728
Other Non Current Assets	503		117,355	3,827	288,551	3,659	34,692	438,587
Total Assets	$ 54,433	$ 1,688	$ 375,239	$ 73,390	$ 1,669,477	$ 28,985	$ 198,165	$ 2,401,377
Liabilities:								
Long-Term Liabilities	$ 38,116	$ 1,670	$ 364,380	$ 65,416	$ 1,483,415	$ 25,471	$ 189,676	$ 2,168,144
Current Liabilities	2,388	18	11,859	7,974	186,062	3,514	8,489	219,304
Total Liabilities	$ 40,504	$ 1,688	$ 375,239	$ 73,390	$ 1,669,477	$ 28,985	$ 198,165	$ 2,387,448
Net Assets:								
Invested in capital assets, Net	$ 1,637	$ -	$ (174,146)	$ (31,664)	$ (349,337)	$ (12,696)	$ (55,468)	$ (621,674)
Restricted			43,641	15,634	133,024	6,517	14,068	212,884
Unrestricted	12,292		130,505	16,030	216,313	6,179	41,400	422,719
Total Net Assets	$ 13,929	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,929

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2011

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For Fiscal Year Ended September 30, 2011

(000's US$)

2011	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:								
Billings to participants	$ 12,745	$ -	$ 48,244	$ 31,085	$ 467,025	$ 11,377	$ 44,707	$ 615,183
Amounts to be recovered from (refunded to) participants			2,094	(2,680)	19,325	(344)	(676)	17,719
Sales to others			1,259	365	15,419	132	576	17,751
Investment Income (loss)	232		5,927	876	(38,221)	195	1,291	(29,700)
Total Revenue	$ 12,977	$ -	$ 57,524	$ 29,646	$ 463,548	$ 11,360	$ 45,898	$ 620,953
Expenses:								
Operation, maintenance & Nuclear Fuel Amortization	$ -	$ -	$ 15,893	$ 4,703	$ 53,357	$ 1,685	$ 6,432	$ 82,070
Purchased power, Transmission & Fuel Costs			5,058	13,906	338,823	5,207	22,713	385,707
Administrative & General	11,456		3,238	1,095	25,769	617	1,627	43,802
Depreciation & Decommissioning	364		16,450	2,283	40,463	914	4,638	65,112
Interest & Amortization	39		14,930	3,904	48,224	1,643	9,705	78,445
Total Expense	$ 11,859	$ -	$ 55,569	$ 25,891	$ 506,636	$ 10,066	$ 45,115	$ 655,136
Change in net assets before regulatory asset adjustment	$ 1,118	$ -	$ 1,955	$ 3,755	$ (43,088)	$ 1,294	$ 783	$ (34,183)
Regulatory asset adjustment			(1,955)	(3,755)	43,088	(1,294)	(783)	35,301
Change in net assets after regulatory asset adjustment	$ 1,118	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,118
Net assets at beginning of year	13,929							13,929
Net assets at end of year	$ 15,047	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,047

Statements of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For Fiscal Year Ended September 30, 2010

(000's US$)

2010	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All rements Project	Tri-City Project	Stanton II Project	Totals
Revenues:								
Billings to participants	$ 11,401	$ 120	$ 39,383	$ 28,470	$ 562,210	$ 11,076	$ 45,386	$ 698,046
Amounts to be recovered from (refunded to) participants		13	(3,655)	1,042	(22,828)	232	(513)	(25,709)
Sales to others			2,258	357	7,887	128	555	11,185
Investment Income (loss)	242	3	3,825	972	(259)	233	1,218	6,234
Total Revenue	$ 11,643	$ 136	$ 41,811	$ 30,841	$ 547,010	$ 11,669	$ 46,646	$ 689,756
Expenses:								
Operation, maintenance & Nuclear Fuel Amortization	$ -	$ -	$ 12,311	$ 6,250	$ 57,674	$ 2,236	$ 6,832	$ 85,303
Purchased power, Transmission & Fuel Costs			4,499	14,369	387,851	5,241	24,310	436,270
Administrative & General	10,670	102	2,530	1,107	17,356	637	1,691	34,093
Depreciation & Decommissioning	439		14,215	2,242	36,050	900	4,621	58,467
Interest & Amortization	16	34	14,582	4,092	45,410	1,715	9,548	75,397
Total Expense	$ 11,125	$ 136	$ 48,137	$ 28,060	$ 544,341	$ 10,729	$ 47,002	$ 689,530
Change in net assets before regulatory asset adjustment	$ 518	$ -	$ (6,326)	$ 2,781	$ 2,669	$ 940	$ (356)	$ 226
Regulatory asset adjustment			6,326	(2,781)	(2,669)	(940)	356	292
Change in net assets after regulatory asset adjustment	$ 518	$ -	$ -	$ -	$ -	$ -	$ -	$ 518
Net assets at beginning of year	13,411							13,411
Net assets at end of year	$ 13,929	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,929

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2011

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The **Statements of Net 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 a decision by the governing bodies of FMPA, billings and revenues in excess (deficient) of actual costs are returned to (collected from) the participants in the form of billing credits (charges). The assets within the Agency Fund represent those required for staff operations, which coordinate all of the power projects described herein. Restricted Cash and Investments in the Agency Fund were held in trust for Crystal River Unit 3 participants for nuclear decommissioning, and individual member rate stabilization.

The **Statements of Revenues, Expenses and Changes in Fund Net Assets** present information regarding how FMPA's net assets have changed during the fiscal year ended September 30, 2011. All changes in net assets are reported as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses that are reported in these statements for some items will only result in cash flows in future fiscal periods, such as unrealized gains or losses from investment activities, uncollected billings and earned but unused vacation.

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

All of the activities of FMPA are of a business type, as compared to governmental activities. FMPA has no component units to report. The Financial Statements can be found on pages 13 through 15 of this report.

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

FMPA maintains only one type of **Proprietary Fund,** the Enterprise Fund type. Enterprise Funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for all of its power projects, as well as the Agency and Pooled Loan business operations. Each of the funds is considered a "major fund" according to specific accounting rules. A summary of FMPA's activities for years 2011 and 2010 is shown on pages 5 and 6. A more detailed version of the major fund proprietary financial statements can be found on pages 13 through 15 of this report.

The **Notes to Financial Statements** provide additional information that is essential to understanding the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 16 through 54 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, when readers use the financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists among the projects. Nevertheless, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each fund and project. For example, total Utility Plant net increased during fiscal year 2011 due to the development and construction of a new power plant within the All-Requirements Project. The Agency Fund and FMPA Projects, excluding St. Lucie and All-Requirements, had total Utility Plant that decreased during 2011 and it is attributable to the difference depreciation exceeds any capital outlays required during the year. Total Utility Plant for St. Lucie increased due to the uprate project, as explained in the footnote X.B.1. Total Plant for All-Requirements increased due to the completion and start of commercial operations of Cane Island Unit 4. See additional information in the Notes to Financial Statements beginning on page 16.

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS

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

The **Agency Fund** accounts for the administrative activities of FMPA. The expenses incurred while operating the projects and administrative activities are allocated to the power projects, net of any miscellaneous receipts. Total General and Administrative expenses increased approximately $800 thousand from fiscal year 2010 to fiscal year 2011.

On September 30, 2011, long-term notes payable debt was $1.5 million, which is accounted for in the FMPA Agency Fund.

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

The **St. Lucie Project** consists of an 8.806% undivided ownership interest in St. Lucie Unit 2. This unit is a nuclear power plant primarily owned and operated by Florida Power & Light (FPL). FPL submitted an application to the Nuclear Regulatory Commission (NRC) seeking to extend the operating license for Units 1 and 2 by 20 years. The NRC granted the license renewal for 20 years, which allows Unit 1 to operate until 2035 and Unit 2 to operate until 2043.

The Project billed 521,565 Megawatt-hours (MWh) in fiscal year 2011. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 30% to $92.50 in fiscal year 2011. The cost of power production and delivery increased from $64.60 to $96.51 per MWh in fiscal year 2011 (an increase of 49% from the prior year). The major increase in cost is related to higher O&M costs from FPL, and prior period true ups.

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

The Project billed 356,409 MWh in fiscal year 2011. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses increased 25% to $87.22 per MWh in fiscal year 2011, due to higher budgeted costs but less capacity utilization.

Operations and Maintenance expenses decreased by $1.5 million during fiscal year 2011 and are attributable to decreased billings by OUC for Stanton Unit 1 operations. The cost of power production and delivery increased to $79.70 per MWh in fiscal year 2011, an increase of 10% in fiscal year 2011. This was caused by less capacity utilization in 2011.

The **All-Requirements Project** (ARP) consists of 14 active participants. The ARP energy resources are part of the Florida Municipal Power Pool (FMPP), a consortium of three municipal energy suppliers - ARP, Lakeland Electric and OUC - which have agreed to dispatch resources on an economic cost and availability basis in order to meet combined loads. The average billed rate to ARP member cities was $84.16 per MWh in fiscal year 2011, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2011 were 5,549,464.

Billings to ARP participants in fiscal year 2011 were 17% lower, decreasing from $562 million to $467 million.

The All-Requirements participant net cost of power decreased to $87.64 per MWh in fiscal year 2011, a 4% decrease from fiscal year 2010. This decrease was primarily due to costs associated with contracted natural gas supply. General and Administrative expenses increased $8.4 million, a 48% increase from the prior year. The fuel supply mix was 71.7% for natural gas, 6.0% for fuel oils, 17.6% for coal, and 4.7% for contracts.

After consideration of amounts to be refunded to or recovered from Project participants, the net assets of the All-Requirements Project were zero (by design) again in fiscal year 2011. The ARP bills an estimated rate during the year and then credits back (charges) participants the amounts in excess (deficit) of those needed to operate and meet all the Project's obligations. This amount is shown in the Statements of Revenues, Expenses and Changes in Fund Net Assets as an addition or reduction to "Billings to Participants" and as "Participant Accounts Receivable" or "Net Costs Recoverable from Future Participant Billings" in the accompanying Statement of Net Assets.

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2011

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

The **Tri-City Project** consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed 132,545 MWh in fiscal year 2011. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 14% to $85.83 per MWh during fiscal year 2011. This was caused by less capacity utilization in 2011.

The cost of power production and delivery, which is calculated using actual Operating expenses excluding Administrative and General expenses, decreased by 6.8%; the cost per MWh increased from $76.59 per MWh in fiscal year 2010 to $83.24 per MWh in fiscal year 2011.

The **Stanton II Project** consists of a 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant operated by its primary owner; Orlando Utilities Commission (OUC). The Project billed 608,812 MWh in fiscal year 2011. The average all-inclusive billing rate, which includes budgeted Demand, Energy, and Transmission expenses, increased by 15.9% to $73.43 per MWh in fiscal year 2011. This was caused by less capacity utilization in 2011.

BUDGETARY HIGHLIGHTS

The FMPA Board of Directors approves the non All-Requirements project budgets, and the Executive Committee approves the Agency and All-Requirements project budgets, establishing legal boundaries for expenditures. For fiscal year 2011, the St. Lucie budget was amended to increase expenditures under the Reliability and Exchange agreement by $3.6 million to eliminate the netting of the revenues and expenses from the contract, $1.4 million for higher than expected decommissioning costs which were offset by the related income and $1.3 million for Operation & Maintenance costs resulting from longer than expected outages of the St. Lucie 2 unit, related to the uprate. Sales revenue was increased by $7 million in order to balance the budget. The original budget authority was not exceeded for any other project.

CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets** as of September 30, 2011 was $1.3 billion, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes operational and construction projects in progress of generation facilities, transmission systems, land, buildings, improvements, and machinery and equipment.

FMPA's investment in capital assets for fiscal year 2011 increased by 1.9% or $23.5 million. This was caused primarily by an increase in the All-Requirements net utility plant due to the construction on Cane Island 4. St. Lucie also had an increase in net utility plant of $14.5 million due to the uprate project.

CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

At September 30, 2011, FMPA had **Long-Term Debt** of $1.7 billion in notes, loans and bonds payable. The remaining principal payments on long-term debt less current portion, net of unamortized premium and discount, and unamortized loss on refunding are as follows:

Project	Amount (000's US$)
Agency Fund	$ 1,350
St. Lucie Project	313,900
Stanton Project	59,601
All-Requirements Project	1,092,068
Tri-City Project	23,266
Stanton II Project	161,797
Total	$ 1,651,982

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2011 budget. Expenses were estimated using current market conditions for fuel and estimated member loads which take into consideration the member cities' economies that have shown varying impacts on loads in both demand and energy due to the current economic down turn. Rates are set in order to cover all costs and based on the member loads. Additionally, All-Requirements rates are adjusted monthly to maintain cash at a 60 day target as approved by the Executive Committee.

SIGNIFICANT EVENTS

FMPA received final permits and site certification and began construction on Cane Island 4, a 300 MW combined cycle natural gas power plant in 2009. Cane Island 4 began commercial operation on July 12, 2011.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2011

INTEREST ARBITRAGE AND REBATE

As a result of lower interest rates on outstanding debt in contrast to higher yields on investments, the Agency has the following remaining potential arbitrage rebate liabilities as of September 30, 2011:

Project	Amount (000's US$)	
St. Lucie Project	$	1,322
Stanton Project		37
All-Requirements Project		210
Tri-City Project		37
Stanton II Project		357
Total	$	1,963

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

REQUEST FOR INFORMATION

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

FLORIDA MUNICIPAL POWER AGENCY

STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011

(000's US$)

	Business-Type Activities- Proprietary Funds							
ASSETS	Agency Fund	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Current Assets:								
Cash and cash equivalents	$ 4,146	$ -	$ 7,447	$ 3,293	$ 67,390	$ 1,322	$ 5,958	$ 89,556
Investments	8,893		57,554	12,201	27,090	1,297	22,326	129,361
Participant accounts receivable	2,133		3,737	2,628	41,822	957	2,502	53,779
Fuel stock and material inventory				1,550	51,779	540	1,763	55,632
Other current assets	583		596	84	14,696	10	231	16,200
Restricted assets available for current liabilities			6,648	7,634	52,212	3,160	7,703	77,357
Total Current Assets	$ 15,755	$ -	$ 75,982	$ 27,390	$ 254,989	$ 7,286	$ 40,483	$ 421,885
Non-Current Assets:								
Restricted Assets:								
Cash and cash equivalents	$ 19,142	$ -	$ 10,062	$ 7,985	$ 54,834	$ 3,469	$ 8,832	$ 104,324
Investments	24,967		122,906	10,217	53,583	3,955	8,078	223,706
Accrued interest	51		331	110	273	43	54	862
Less: Portion classified as current			(6,648)	(7,634)	(52,212)	(3,160)	(7,703)	(77,357)
Total Restricted Assets	$ 44,160	$ -	$ 126,651	$ 10,678	$ 56,478	$ 4,307	$ 9,261	$ 251,535
Capital Assets:								
Electric plant	$ -	$ -	$ 251,452	$ 76,437	$ 1,216,155	$ 31,141	$ 179,023	$ 1,754,208
General plant	6,736		27,931	17	3,706	20	90	38,500
Less accumulated depreciation and amortization	(3,684)		(171,625)	(42,034)	(219,775)	(17,347)	(69,436)	(523,901)
Net Capital Assets	$ 3,052	$ -	$ 107,758	$ 34,420	$ 1,000,086	$ 13,814	$ 109,677	$ 1,268,807
Construction work in progress			1,809					1,809
Total Capital Assets, Net	$ 3,052	$ -	$ 109,567	$ 34,420	$ 1,000,086	$ 13,814	$ 109,677	$ 1,270,616
Other Assets and Deferred Costs:								
Net costs recoverable from future participant billings	$ 542	$ -	$ 60,623	$ (1,822)	$ 205,352	$ 2,140	$ 9,097	$ 275,932
Prepaid Natural Gas - PGP					93,102			93,102
Deferred Outflows from Derivatives			42,622		24,252		25,096	91,970
Other	2		2,641	1,589	16,416	183	2,603	23,434
Total Other Assets and Deferred Costs	$ 544	$ -	$ 105,886	$ (233)	$ 339,122	$ 2,323	$ 36,796	$ 484,438
Total Non-Current Assets	$ 47,756	$ -	$ 342,104	$ 44,865	$ 1,395,686	$ 20,444	$ 155,734	$ 2,006,589
Total Assets	$ 63,511	$ -	$ 418,086	$ 72,255	$ 1,650,675	$ 27,730	$ 196,217	$ 2,428,474
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Payable from unrestricted assets:								
Accounts payable & Accrued Liabilities	$ 1,629	$ -	$ 1,365	$ 4,910	$ 90,122	$ 1,265	$ 1,449	$ 100,740
Current portion of Loans	165							165
Current portion of Taxable Loans				110		39	172	321
Capital Lease and other obligations					11,174			11,174
Total Current liabilities from Unrestricted Assets	$ 1,794	$ -	$ 1,365	$ 5,020	$ 101,296	$ 1,304	$ 1,621	$ 112,400
Payable from restricted assets:								
Accounts payable & Accrued Liabilities	$ -	$ -	$ -	$ -	$ 1,758	$ -	$ -	$ 1,758
Current portion of long-term revenue bonds			4,340	5,945	28,080	2,545	5,415	46,325
Accrued interest on long-term debt			2,308	1,689	22,374	615	2,288	29,274
Total Current Liabilities Payable From Restricted Assets	$ -	$ -	$ 6,648	$ 7,634	$ 52,212	$ 3,160	$ 7,703	$ 77,357
Total Current Liabilities	$ 1,794	$ -	$ 8,013	$ 12,654	$ 153,508	$ 4,464	$ 9,324	$ 189,757
Liabilities Payable from Restricted Assets:								
Held in trust for decommissioning	$ 32,220	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,220
Held in trust for rate stabilization	11,940							11,940
Accrued decommissioning expenses			53,551					53,551
Total Liabilities Payable from Restricted Assets	$ 44,160	$ -	$ 53,551	$ -	$ -	$ -	$ -	$ 97,711
Long-Term Liabilities Less Current Portion:								
Long-term revenue bonds	$ -	$ -	$ 313,900	$ 58,664	$ 1,092,068	$ 22,931	$ 160,326	$ 1,647,889
Long-term loans - Taxable				937		335	1,471	2,743
Capital Lease and other obligations	1,160				187,610			188,770
Agency Bldg loan notes payable	1,350							1,350
Fair Market Value Derivative Instruments			42,622		196,522		25,096	264,240
Advances from participants					20,967			20,967
Total Long-Term Liabilities	$ 2,510	$ -	$ 356,522	$ 59,601	$ 1,497,167	$ 23,266	$ 186,893	$ 2,125,959
Total Liabilities	$ 48,464	$ -	$ 418,086	$ 72,255	$ 1,650,675	$ 27,730	$ 196,217	$ 2,413,427
Net Assets:								
Invested in capital assets, Net	$ 1,539	$ -	$ (185,108)	$ (26,295)	$ (264,892)	$ (11,385)	$ (52,187)	$ (538,328)
Restricted			56,516	13,271	47,020	6,423	11,931	135,161
Unrestricted	13,508		128,592	13,024	217,872	4,962	40,256	418,214
Total Net Assets	$ 15,047	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,047

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended September 30, 2011

	Business-Type Activities- Proprietary Funds							
	Agency Fund	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Operating Revenue:								
Billings to participants	$ 11,924	$ -	$ 48,244	$ 31,085	$ 467,025	$ 11,377	$ 44,707	$ 614,362
Amounts to be recovered from (refunded to) participants			2,094	(2,680)	19,325	(344)	(676)	17,719
Sales to others			1,259	365	15,419	132	576	17,751
Total Operating Revenue	$ 11,924	$ -	$ 51,597	$ 28,770	$ 501,769	$ 11,165	$ 44,607	$ 649,832
Operating Expenses:								
Operation and maintenance	$ -	$ -	$ 13,294	$ 4,703	$ 53,357	$ 1,685	$ 6,432	$ 79,471
Fuel expense				12,873	253,392	4,782	21,172	292,219
Nuclear fuel amortization			2,599					2,599
Spent fuel fees			316					316
Purchased power			4,182		60,901			65,083
Transmission services			560	1,033	24,530	425	1,541	28,089
General and administrative	11,456		3,238	1,095	25,769	617	1,627	43,802
Depreciation	364		13,293	2,283	40,463	914	4,638	61,955
Decommissioning			3,157					3,157
Total Operating Expense	$ 11,820	$ -	$ 40,639	$ 21,987	$ 458,412	$ 8,423	$ 35,410	$ 576,691
Total Operating Income (Loss)	$ 104	$ -	$ 10,958	$ 6,783	$ 43,357	$ 2,742	$ 9,197	$ 73,141
Non-Operating Income (Expense):								
Interest expense	$ (39)	$ -	$ (12,360)	$ (3,357)	$ (45,786)	$ (1,222)	$ (8,321)	$ (71,085)
Amortization of debt premium and discount			(2,354)	(240)	(1,027)	(379)	(1,095)	(5,095)
Amortization of debt issue costs			(216)	(307)	(1,411)	(42)	(289)	(2,265)
Investment earnings	232		5,927	876	2,038	195	1,291	10,559
Gain (Loss) on ineffective swaps					(42,957)			(42,957)
Amortization of swap terminations					2,698			2,698
Development fund fee	821							821
Total Non-Operating Income (Expenses)	$ 1,014	$ -	$ (9,003)	$ (3,028)	$ (86,445)	$ (1,448)	$ (8,414)	$ (107,324)
Change in net assets before regulatory asset adjustment	$ 1,118	$ -	$ 1,955	$ 3,755	$ (43,088)	$ 1,294	$ 783	$ (34,183)
Regulatory asset adjustment			(1,955)	(3,755)	43,088	(1,294)	(783)	35,301
Change in net assets after regulatory asset adjustment	$ 1,118	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,118
Net assets at beginning of year	13,929							13,929
Net assets at end of year	$ 15,047	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,047

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Business-Type Activities- Proprietary Funds							
	Agency Fund	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Cash Flows From Operating Activities:								
Cash Received From Customers	$ 11,051	$ -	$ 51,620	$ 28,716	$ 538,054	$ 11,206	$ 46,213	$ 686,860
Cash Paid to Suppliers	(4,693)	(17)	(30,562)	(16,135)	(430,284)	(6,888)	(30,480)	(519,059)
Cash Paid to Employees	(6,123)							(6,123)
Cash Paid for Interest - Lending Activity								
Net Cash Provided by (Used in) Operating Activities	$ 235	$ (17)	$ 21,058	$ 12,581	$ 107,770	$ 4,318	$ 15,733	$ 161,678
Cash Flows From Investing Activities:								
Proceeds From Sales and Maturities Of Investments	$ 44,219	$ 1,883	$ 509,419	$ 17,003	$ 275,488	$ 5,981	$ 24,251	$ 878,244
Crystal River 3 Decommissioning, RSA Deposits and Interest Earnings	8,230							8,230
Purchases of Investments	(44,323)		(538,454)	(22,820)	(248,753)	(5,847)	(27,715)	(887,912)
Pooled Loans - Proceeds Transferred to ARP		(1,883)			1,883			
Pooled Loans - Loan Transferred to Agency		1,670						1,670
Income received on Investments	183		7,814	540	5,462	139	810	14,948
Net Cash Provided by (Used in) Investment Activities	$ 8,309	$ 1,670	$ (21,221)	$ (5,277)	$ 34,080	$ 273	$ (2,654)	$ 15,180
Cash Flows From Capital & Related Financing Activities:								
Proceeds from Issuance of Bonds & Loans	$ 1,670	$ -	$ 84,311	$ -	$ 122,101	$ -	$ -	$ 208,082
Cash Paid for Swap Terminations			(4,830)					(4,830)
Discount Received on Tendered Bonds			5,730				365	6,095
Debt Issuance Costs			(1,218)					(1,218)
Capital Expenditures - Utility Plant	(112)		(30,395)	122	(53,929)	42	(84)	(84,356)
Long Term Gas Pre Pay - PGP					(4,161)			(4,161)
Principal Payments - Long Term Debt	(1,825)		(39,400)	(4,965)	(154,228)	(2,258)	(6,824)	(209,500)
Transfer Pooled Loan CP to Agency		(1,670)						(1,670)
Interest paid on Debt								
Capitalized to Construction					(18,639)			(18,639)
Other	(38)	(1)	(11,575)	(3,490)	(46,403)	(1,257)	(8,368)	(71,132)
Cash Received - Development Fund	821							821
Net Cash Provided (Used in) Capital & Related Financing Activities	$ 516	$ (1,671)	$ 2,623	$ (8,333)	$ (155,259)	$ (3,473)	$ (14,911)	$ (180,508)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 9,060	$ (18)	$ 2,460	$ (1,029)	$ (13,409)	$ 1,118	$ (1,832)	$ (3,650)
Cash and Cash Equivalents - Beginning	14,228	18	15,049	12,307	135,633	3,673	16,622	197,530
Cash and Cash Equivalents - Ending	$ 23,288	$ -	$ 17,509	$ 11,278	$ 122,224	$ 4,791	$ 14,790	$ 193,880
Consisting of:								
Unrestricted	$ 4,146	$ -	$ 7,447	$ 3,293	$ 67,390	$ 1,322	$ 5,958	$ 89,556
Restricted	19,142		10,062	7,985	54,834	3,469	8,832	104,324
Total	$ 23,288	$ -	$ 17,509	$ 11,278	$ 122,224	$ 4,791	$ 14,790	$ 193,880
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:								
Operating Income (Loss)	$ 104	$ -	$ 10,958	$ 6,783	$ 43,357	$ 2,742	$ 9,197	$ 73,141
Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:								
Depreciation	364		13,293	2,283	40,463	914	4,638	61,955
Decommissioning			3,157					3,157
Amortization of Nuclear Fuel			2,599					2,599
Amortization of Debt Issue Costs			(216)	(307)	(1,411)	(42)	(289)	(2,265)
Amortization of Pre Paid Gas - PGP					5,720			5,720
Changes in Assests and Liabilities Which Provided (Used) Cash:								
Inventory				(144)	(3,878)	(37)	(44)	(4,103)
Receivables From (Payable to) Participants	(831)		23	(54)	(327)	41	1,606	458
Prepaids	83		(227)	(8)	4,780	(1)	49	4,676
Accounts Payable and Accrued Expense	556	(17)	(7,971)	3,723	(18,910)	659	294	(21,666)
Other Deferred Costs	(41)		(558)	305	37,976	42	282	38,006
Net Cash Provided By (Used In) Operating Activities	$ 235	$ (17)	$ 21,058	$ 12,581	$ 107,770	$ 4,318	$ 15,733	$ 161,678
Noncash Investing, capital and financing activities:								
Increase (Decrease) in mark to market values								
Non-Trust Investments	$ 58	$ -	$ (1,938)	$ 307	$ 126	$ 34	$ 448	$ (965)
Crystal River 3 Decommissioning	(671)							(671)
Interest Rate Derivative Contracts					(44,002)			(44,002)
Change in Effective Swaps			72		(11,263)		(3,169)	(14,360)

The accompanying notes are an integral part of these financial statements

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

This structure allows each member the option of whether to participate in a project, to participate in more than one project, or not to participate in any project. Each of the projects are independent from the other and the project bond resolutions specify that no revenues or funds from one project can be used to pay the costs of any other project. As of September 30, 2011, FMPA has 30 members.

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

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

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

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.

I. Summary of Significant Accounting Policies (continued)

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

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

1. Fund Accounting

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

The Agency operates the following major funds:

- The Agency Fund, which accounts for general operations beneficial to all members and projects,
- The Pooled Loan Fund, which accounts for operations of pooled financing of loans to other FMPA projects and members for utility-related projects. This fund was closed out in 2011,
- The St. Lucie Project, which accounts for ownership interest in the St. Lucie Unit 2 nuclear generating facility,
- The Stanton Project and the Tri-City Project, which account for respective ownership interests in the Stanton Energy Center (SEC) Unit 1, a coal-fired generation facility,
- The All-Requirements Project, which accounts for ownership interests in Stanton Energy Center Unit 1, Stanton Energy Center Unit 2, Stanton Unit A, and Indian River Combustion Turbine Units A, B, C and D. Also included in the All-Requirements Project is the purchase of power for resale to the participants and 100% ownership of Treasure Coast Energy Center, Cane Island Units 1, 2, 3 and 4, FMPA's Key West Combustion Turbine Units 1, 2, 3 and 4 and Key West Stock Island MS Units 1 & 2.
- The Stanton II Project, which accounts for an ownership interest in SEC Unit 2.

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

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

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

I. Summary of Significant Accounting Policies (continued)

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

2. Capital Assets

Certain direct and indirect expenses allocable to FMPA's undivided ownership in the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project are capitalized as part of the cost of acquiring or constructing the respective utility plant. Direct and indirect expenses not associated with these projects are capitalized as part of the cost of Development Projects in Progress in the Agency Fund. Electric Plant in Service is depreciated using the straight-line method over the assets respective estimated useful lives. Estimated useful lives for electric plant assets range from 20 years to 40 years.

FMPA has adopted the policy of capitalizing net interest costs during the period of project construction (interest expense less interest earned on the investment of bond proceeds). Capitalized net interest cost on borrowed funds include amortization of bond discount and bond premium, interest expense and interest income. The All-Requirements Project capitalized net interest cost of $18.6 million during Fiscal Year 2011. The cost of major replacements of assets in excess of $1,500 is capitalized to the utility plant accounts. The cost of maintenance, repairs and replacements of minor items are expensed as incurred.

3. Inventory

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

4. Cash & Cash Equivalents

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

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

5. Investments

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

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

I. Summary of Significant Accounting Policies (continued)

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

6. Debt Related Costs

Unamortized debt issuance costs are amortized on the bonds outstanding method, which approximates the effective interest method. This method is used for the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project. Gains and losses on the refunding of bonds are deferred and amortized over the life of the refunding bonds or the life of the refunded bonds, whichever is shorter, using the bonds outstanding method.

7. Compensated Absences

Liabilities related to Compensated Absences are recognized as incurred in accordance with GASB Statement No. 16 and are included in accrued expenses. Regular, full-time employees in good standing, upon resignation or retirement, are eligible for vacation pay, and sick/personal pay. At September 30, 2011, the liability for unused vacation was $535,356 and $315,904 for unused sick/personal leave.

8. Allocation of Agency Fund Expenses

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

9. Billing to Participants

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

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

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

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

I. Summary of Significant Accounting Policies (continued)

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

10. Income Taxes

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

11. Use of Estimates

The management of FMPA has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate for useful lives of property, plant and equipment and the estimate for the nuclear decommissioning liability. Actual results could differ from those estimates.

12. Derivative Financial Investments

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

II. Loans Receivable

One loan was receivable in the Pooled Loan Fund for $1.7 million to the Agency as of September 30, 2010; this was used for the purchase of the FMPA facilities in Orlando. This loan was eliminated by transferring the Pooled Loan Commercial Paper obligation to the Agency in October 2010.

III. Nuclear Decommissioning Liability

A. St. Lucie Project

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

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement. Funds deposited, together with investment earnings in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the license extension to meet the Project's share of

III. Nuclear Decommissioning Liability (continued)

A. St. Lucie Project (continued)

the decommissioning costs. This is reflected in the St. Lucie Project's Statement of Net Assets as Restricted Cash and Investments ($54 million) and Accrued Decommissioning Expense ($54 million) at September 30, 2011. The mark to market adjustment on investments is not included in the accrued decommissioning expense. These amounts are to be used for the sole purpose of paying the St. Lucie nuclear decommissioning costs. Based on a site-specific study approved by the Florida Public Service Commission in 2010, Unit 2's future net decommissioning costs are estimated to be $1.9 billion or $635 million in 2010 dollars, and FMPA's share of the future net decommissioning costs is estimated to be $171 million or $56 million in 2010 dollars. The Decommissioning Trust is irrevocable and funds may be withdrawn from the Trust solely for the purpose of paying the St. Lucie Project's share of costs for nuclear decommissioning.

Also, under NRC regulations, the Trust is required to be segregated from other FMPA assets and outside FMPA's administrative control. FMPA has complied with these regulations.

B. Crystal River Unit 3

As a service to six of the minority owners of the Crystal River Unit 3 (CR3) Power Plant, SunTrust Bank acts as Trustee for their share of CR3's decommissioning liability. FMPA manages the investment of the monies collected from the participants in the Decommissioning Trust. This is reflected in the Agency Fund Balance Sheet as Restricted Cash and Investments and Held in trust for decommissioning, for the sole purpose of paying CR3's nuclear decommissioning costs for these owners. There is approximately $32.2 million in the accounts at September 30, 2011.

IV. Capital Assets

A description and summary as of September 30, 2011, of Capital Assets by fund and project, is as follows:

A. Agency Fund

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

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

New capital undertakings are accounted for in the Development Projects in Progress account and included in the Other Assets and Deferred Costs section of the Balance Sheet. Depending on whether these undertakings become a project, costs are either capitalized or expensed. The column labeled Increases reflects new capital undertakings and the column labeled Decreases reflects the depreciation expense or retirements of those costs.

IV. Capital Assets (continued)

A. Agency Fund (continued)

The activity for the Agency's general plant assets for the year ended September 30, 2011 was as follows:

	September 30, 2011			
	Beginning Balance	Increases	Decreases	Ending Balance
	(000's US$)			
Land	$ 653	$ -	$ -	$ 653
General Plant	5,981	112	(10)	6,083
General Plant in Service	$ 6,634	$ 112	$ (10)	$ 6,736
Less Accumulated Depreciation	(3,330)	(364)	10	(3,684)
General Plant in Service, Net	$ 3,304	$ (252)	$ -	$ 3,052

B. St. Lucie Project

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

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

St. Lucie plant asset activity for the year ended September 30, 2011 was as follows:

	September 30, 2011			
	Beginning Balance	Increases	Decreases*	Ending Balance
	(000's US$)			
Land	$ 75	$ -	$ -	$ 75
Electric Plant	228,419	23,504	(546)	251,377
General Plant	1,209			1,209
Nuclear Fuel	19,831	6,891		26,722
Construction work in Process	2,398		(589)	1,809
Electric Utility Plant in Service	$ 251,932	$ 30,395	$ (1,135)	$ 281,192
Less Accumulated Depreciation	(156,868)	(13,293)	(1,464)	(171,625)
Utility Plant in Service, Net	$ 95,064	$ 17,102	$ (2,599)	$ 109,567

* Includes Retirements Less Salvage

C. Stanton Project

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

IV. Capital Assets (continued)

C. Stanton Project (continued)

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

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 1 plant asset activity for the year ended September 30, 2011, was as follows:

	September 30, 2011			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
Land	$ 125	$ -	$ -	$ 125
Electric Plant	77,822	(120)	(1,390)	76,312
General Plant	113		(96)	17
Electric Utility Plant in Service	$ 78,060	$ (120)	$ (1,486)	$ 76,454
Less Accumulated Depreciation	(41,237)	(2,283)	1,486	(42,034)
Utility Plant in Service, Net	$ 36,823	$ (2,403)	$ -	$ 34,420

D. All-Requirements Project

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

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

Retirements and additions for the All-Requirements Project are decided by the primary owners of the plants.

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

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

IV. Capital Assets (continued)

D. All-Requirements Project (continued)

All-Requirements plant asset activity for the year ended September 30, 2011 was as follows:

	September 30, 2011			
	Beginning Balance	Increases	Decreases*	Ending Balance
	(000's US$)			
Land	$ 13,405	$ -	$ -	$ 13,405
Electric Plant	740,466	464,805	(2,521)	1,202,750
General Plant	3,653	53		3,706
Construction Work in Progress	407,224	55,361	(462,585)	
Electric Utility Plant in Service	$ 1,164,748	$ 520,219	$ (465,106)	$ 1,219,861
Less Accumulated Depreciation	(181,833)	(40,463)	2,521	(219,775)
Utility Plant in Service, Net	$ 982,915	$ 479,756	$ (462,585)	$ 1,000,086

* Includes Retirements Less Salvage

E. Tri-City Project

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

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

- Electric Plant — 40 years
- Computer Equipment — 9 years

Tri-City Project plant asset activity for the year ended September 30, 2011 was as follows:

	September 30, 2011			
	Beginning Balance	Increases	Decreases	Ending Balance
	(000's US$)			
Land	$ 48	$ -	$ -	$ 48
Electric Plant	31,651	(42)	(516)	31,093
General Plant	36		(16)	20
Electric Utility Plant in Service	$ 31,735	$ (42)	$ (532)	$ 31,161
Less Accumulated Depreciation	(16,965)	(914)	532	(17,347)
Utility Plant in Service, Net	$ 14,770	$ (956)	$ -	$ 13,814

F. Stanton II Project

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

IV. Capital Assets (continued)

F. Stanton II Project (continued)

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

- Electric Plant — 40 years
- Computer Equipment — 9 years

Stanton Unit 2 plant asset activity for the year ended September 30, 2011 was as follows:

	September 30, 2011			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
	(000's US$)			
Land	$ 217	$ -	$ -	$ 217
Electric Plant	178,649	84	73	178,806
General Plant	163		(73)	90
Electric Utility Plant in Service	$ 179,029	$ 84	$ -	$ 179,113
Less Accumulated Depreciation	(64,798)	(4,638)		(69,436)
Utility Plant in Service, Net	$ 114,231	$ (4,554)	$ -	$ 109,677

V. Cash, Cash Equivalents and Investments

A. Cash and Cash Equivalents

At September 30, 2011, FMPA's Cash and Cash Equivalents consisted of demand deposit accounts, money market accounts, and forward purchase agreements, which are authorized under FMPA bond resolutions. Cash and cash equivalents are held at two financial institutions, and with two commodity dealers. All of FMPA's demand deposits at September 30, 2011 were insured by Federal Depository Insurance Corporation (FDIC) or collateralized pursuant to the Public Depository Security Act of the State of Florida. Current unrestricted cash and cash equivalents are used in FMPA's funds' and projects' day-to-day operations.

B. Investments

FMPA adheres to a Board and Executive Committee adopted investment policy based on the requirements of the bond resolutions. The policy requires diversification based upon investment type, issuing institutions, and duration. All of the fund and project accounts have specified requirements with respect to investments selected and the length of allowable investment. Investments at September 30, 2011 were insured or registered and held by its agent in FMPA's name. Changes in the fair value of investments are reported in current period revenues and expenses. All of FMPA's fund and project investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

Foreign Currency Risk

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

Interest-Rate Risk

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

Concentration of Credit Risk

Each project is separate from the others and as such, each project is evaluated individually to determine the credit and interest rate risk. FMPA's investment policy prohibits investments in commercial paper that exceed 50% of any of the projects' or the Agency's assets. All commercial paper must be rated in the highest rating category by a nationally recognized bond rating agency at the time of purchase. Money market funds rated in the highest rating category are allowed as well as those collateralized with specific high-quality instruments. These investments must not exceed 25% for any of FMPA's projects. As of September 30, 2011, fixed income commercial paper investments, held by FMPA from any one issuer (investments issued or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools and other pooled investments are excluded) that represent 5% or more of the projects' investment assets are listed below:

Agency Fund		
	Forward Delivery Agreement w/JP Morgan Chase & Co Held for Crystal River 3 decommissioning, which has different investment limits.	41.99%
St. Lucie Project		
	Forward Delivery Agreement w/JP Morgan Chase & Co Collateral held for Forward Agreement.	21.83%
Stanton Project		
	None	
All-Requirements Project:		
	None	
Tri-City Project		
	None	
Stanton II Project		
	None	

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

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

1. Agency Fund

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2011 are as follows:

		September 30, 2011	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	19,142		
US Gov't/Agency Securities		10,748	356	Aaa/AA+/AAA
Commercial Paper		14,219	184	A1+/P1
Total Restricted	$	44,109		
Unrestricted				
Cash and Cash Equivalents	$	4,146		
US Gov't/Agency Securities		8,893	1,052	Aaa/AA+/AAA
Commercial Paper		-		
Total Unrestricted	$	13,039		
Total	$	57,148		

2. St. Lucie Project

In addition to normal operational cash needs for the project, investments are being accumulated in order to pay-off the balloon maturity of the Project's debt in 2021. The primary investments being used for this are zero coupon municipal bonds. Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2011, are as follows:

		September 30, 2011	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	10,062		
US Gov't/Agency Securities		47,386	928	Aaa/AA+/AAA
Municipal Bonds		36,127	4,960	*
Commercial Paper		39,393	2	A1+/P1
Total Restricted	$	132,968		
Unrestricted				
Cash and Cash Equivalents	$	7,447		
US Gov't/Agency Securities		16,996	2,016	Aaa/AA+/AAA
Municipal Bonds		40,558	3,421	*
Commercial Paper		-		
Total Unrestricted	$	65,001		
Total	$	197,969		

*The Municipal Bond ratings range from a best of Aaa/AAA/AAA to a worst of Baa1/A/BBB.

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

3. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2011, are as follows:

		September 30, 2011	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	7,985		
US Gov't/Agency Securities		8,627	1,060	Aaa/AA+/AAA
Municipal Bonds		1,590	1,469	*
Total Restricted	$	18,202		
Unrestricted				
Cash and Cash Equivalents	$	3,293		
US Gov't/Agency Securities		9,717	2,540	Aaa/AA+/AAA
Municipal Bonds		2,484	3,597	*
Total Unrestricted	$	15,494		
Total	$	33,696		

4. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2011, are as follows:

		September 30, 2011	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	54,834		
US Gov't/Agency Securities		50,227	709	Aaa/AA+/AAA
Municipal Bonds		3,356	1,537	*
Total Restricted	$	108,417		
Unrestricted				
Cash and Cash Equivalents	$	67,390		
US Gov't/Agency Securities		26,904	1,367	Aaa/AA+/AAA
Municipal Bonds		186	1,674	*
Total Unrestricted	$	94,480		
Total	$	202,897		

*The Municipal Bond ratings range from a best of Aaa/AAA/AAA to a worst of Baa1/A/BBB.

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

5. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2011 are as follows:

	September 30, 2011	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 3,469		
US Gov't/Agency Securities	3,052	1,047	Aaa/AA+/AAA
Municipal Bonds	903	2,769	*
Total Restricted	$ 7,424		
Unrestricted			
Cash and Cash Equivalents	$ 1,322		
US Gov't/Agency Securities	1,067	1,699	Aaa/AA+/AAA
Municipal Bonds	230	3,349	*
Total Unrestricted	$ 2,619		
Total	$ 10,043		

6. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2011 are as follows:

	September 30, 2011	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 8,832		
US Gov't/Agency Securities	4,486	615	Aaa/AA+/AAA
Municipal Bonds	3,592	590	*
Total Restricted	$ 16,910		
Unrestricted			
Cash and Cash Equivalents	$ 5,958		
US Gov't/Agency Securities	19,492	2,276	Aaa/AA+/AAA
Municipal Bonds	2,834	3,291	*
Total Unrestricted	$ 28,284		
Total	$ 45,194		

*The Municipal Bond ratings range from a best of Aaa/AAA/AAA to a worst of Baa1/A/BBB.

VI. Derivative Financial Instruments

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

	Agency Fund	Pooled Loan Fund	St. Lucie Project	Stanton Project	All -Req Project	Tri-City Project	Stanton II Project
Deferred Outflows from Derivatives							
Interest Rate Swaps - Effective	$ -	$ -	$ 42,622	$ -	$ 24,252	$ -	$ 25,096
Fair Market Value Derivative Instruments Liabilities							
Natural Gas	$ -	$ -	$ -	$ -	$ 24,980	$ -	$ -
Hybrid Swap Liability					49,443		
Market Value Adjustment for Effective Swaps			42,622		24,252		25,096
Interest Rate Swaps - Ineffective					97,847		
Total Fair Value	$ -	$ -	$ 42,622	$ -	$ 196,522	$ -	$ 25,096

A. Swap Agreements

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

Credit Risk

The swap agreements are subject to credit risk. Counterparty credit ratings and the maximum loss due to credit risk as of September 30, 2011 is listed, by project, in the tables that follow. As part of the swap agreements, if the provider's credit rating drops below certain levels and a termination value indicates an amount that would be payable to the Agency, collateral (or cash in some circumstances) would need to be posted by the counterparty with a third-party custodian if the value of the termination payment exceeds certain threshold levels. Conversely, the Agency would have to post collateral for the same reason in some circumstances.

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

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

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

Interest Rate Risk

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

Basis Risk

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

Termination Risk

Termination values are listed in the following tables as of September 30, 2011. These amounts vary with changes in the market. The swaps may be terminated by the Agency if the counterparty's credit quality falls below certain levels. The Agency or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. If, at the time of the termination, the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value. The Agency also has an optional right to terminate with certain notice and compensation requirements for swap agreements completed in 2005 and 2006.

Rollover Risk

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

GASB 53 Effectiveness Testing

The Agency performed effectiveness tests using the Synthetic Instrument Method, on all interest rate swaps for its three projects that have these agreements. All swaps were deemed effective, with the exception of future swaps effective in 2015. They were deemed ineffective by definition, in that with the cancellation of the Taylor Energy Center project they were no longer associated with any particular construction project and therefore bond instrument. There was $42.9 million recognized in Investment Income/Loss as a reduction in the fair market value for the current period with a resulting reduction in fair market value derivative instruments. In addition, the swaps associated with ARP 2008C, 2008D and 2008E required recognition of hybrid loans for the change in market value from the original bond date to the date of refundings. The hybrid loan amounts totaled $57 million less amortization of $7.6 million for a net of $49.4 million. The remaining effective swaps reflect a market value of negative $24.2 million.

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

St. Lucie Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000							
$ 17,150	7/3/2006	3.444%	72% LIBOR*	10/1/2021	$ (3,151)	Merrill Lynch & Co., Inc.	Baa1/A/A+
Series 2002							
27,025	7/2/2007	3.481%	72% LIBOR*	10/1/2021	$ (5,059)	Merrill Lynch & Co., Inc.	Baa1/A/A+
27,025	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(5,343)	Merrill Lynch & Co., Inc.	Baa1/A/A+
14,767	7/2/2007	3.481%	72% LIBOR*	10/1/2021	(2,764)	Goldman Sachs	A1/A/A+
8,509	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(1,563)	Goldman Sachs	A1/A/A+
14,767	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(2,920)	Goldman Sachs	A1/A/A+
27,025	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(5,439)	Merrill Lynch & Co., Inc.	Baa1/A/A+
14,767	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(2,972)	Goldman Sachs	A1/A/A+
72,990	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(13,411)	Merrill Lynch & Co., Inc.	Baa1/A/A+
$ 206,875					$ (39,471)		
Total Termination Value of Swaps					$ (42,622)		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/11

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

2. All-Requirements Project

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2006A							
$ 6,250	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	$ (231)	Merrill Lynch & Co., Inc.	Baa1/A/A+
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(330)	Merrill Lynch & Co., Inc.	Baa1/A/A+
7,935	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(471)	Merrill Lynch & Co., Inc.	Baa1/A/A+
6,980	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(459)	Merrill Lynch & Co., Inc.	Baa1/A/A+
6,245	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	(222)	Morgan Stanley	A2/A/A
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(327)	Morgan Stanley	A2/A/A
7,930	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(476)	Morgan Stanley	A2/A/A
5,175	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(346)	Morgan Stanley	A2/A/A
$ 53,675					$ (2,862)		
Series 2008C							
$ 33,180	10/1/2006	3.701%	72% LIBOR*	10/1/2027	$ (8,077)	Goldman Sachs	A1/A/A+
11,050	10/1/2006	3.665%	72% LIBOR*	10/1/2026	(2,595)	JP Morgan Chase	Aa1/AA-/AA-
2,684	10/1/2006	3.656%	72% LIBOR*	10/1/2026	(626)	JP Morgan Chase	Aa1/AA-/AA-
224	10/1/2006	3.612%	72% LIBOR*	10/1/2026	(51)	JP Morgan Chase	Aa1/AA-/AA-
33,180	10/1/2006	3.698%	72% LIBOR*	10/1/2027	(8,063)	Merrill Lynch & Co., Inc.	Baa1/A/A+
33,180	10/1/2006	3.649%	72% LIBOR*	10/1/2027	(7,869)	Morgan Stanley	A2/A/A
20,125	10/1/2006	3.669%	72% LIBOR*	10/1/2025	(4,029)	UBS AG	Aa3/A+/A+
19,050	10/1/2006	3.737%	72% LIBOR*	10/1/2035	(5,851)	Wells Fargo	Aa2/AA/AA-
$ 152,673					$ (37,161)		
Series 2011A-2							
$ 42,000	10/1/2006	5.175%	100% LIBOR*	10/1/2025	$ (14,596)	Wells Fargo	Aa2/AA/AA-
Series 2001A-1 & 2011B							
$ 15,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	$ (4,056)	JP Morgan Chase	Aa1/AA-/AA-
25,000	10/1/2006	3.709%	72% LIBOR*	10/1/2030	(6,908)	JP Morgan Chase	Aa1/AA-/AA-
30,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	(8,112)	JP Morgan Chase	Aa1/AA-/AA-
$ 70,000					$ (19,076)		
Bonds Authorized							
Series Not Yet Designated							
$ 50,000	10/1/2015	3.829%	72% LIBOR*	10/1/2045	$ (10,954)	Bank of America	A2/A/A+
50,000	10/1/2015	3.816%	72% LIBOR*	10/1/2045	(10,867)	Bank of New York	Aaa/AA/AA
50,000	10/1/2015	3.849%	72% LIBOR*	10/1/2045	(11,086)	Credit Agricole	Aa2/A+/AA-
50,000	10/1/2015	3.800%	72% LIBOR*	10/1/2045	(10,761)	Citibank	A1/A+/A+
50,000	10/1/2015	3.794%	72% LIBOR*	10/1/2045	(10,721)	Dexia	A3/A-/A+
50,000	10/1/2015	3.819%	72% LIBOR*	10/1/2045	(10,886)	JP Morgan Chase	Aa1/AA-/AA-
50,000	10/1/2015	3.846%	72% LIBOR*	10/1/2045	(11,063)	Merrill Lynch & Co., Inc.	Baa1/A/A+
50,000	10/1/2015	3.805%	72% LIBOR*	10/1/2045	(10,794)	Morgan Stanley	A2/A/A
50,000	10/1/2015	3.793%	72% LIBOR*	10/1/2045	(10,715)	Sun Trust	Baa1/BBB/BBB+
$ 450,000					$ (97,847)		
Total Swap Terminaton Value					$ (171,542)		
Effective Swaps					$ (24,252)		
Hybrid Loans					(49,443)		
Ineffective Swaps					(97,847)		
					$ (171,542)		

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/11

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

3. Stanton II Project

	Notional Amount	Effective Date	Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000								
	$ 16,890	10/1/2006	4.049%	72% LIBOR*	10/1/2027	$ (5,296)	Merrill Lynch & Co., Inc.	Baa1/A/A+
	22,585	10/1/2006	4.071%	72% LIBOR*	10/1/2027	(7,149)	JP Morgan Chase	Aa1/AA-/AA-
	$ 39,475					$ (12,445)		
Series 2002								
	$ 3,220	4/30/2002	4.170%	CPI Rate + 1.39	10/1/2011	$ 39	Morgan Stanley	A2/A/A
	1,730	4/30/2002	4.260%	CPI Rate + 1.40	10/1/2012	(5)	Morgan Stanley	A2/A/A
	$ 4,950					$ 34		
Series 2004								
	$ 28,925	8/5/2004	3.863%	72% LIBOR*	10/1/2027	$ (6,373)	Merrill Lynch & Co., Inc.	Baa1/A/A+
	28,925	8/5/2004	3.863%	72% LIBOR*	10/1/2027	(6,312)	UBS AG	Aa3/A+/A+
	$ 57,850					$ (12,685)		
Total Swap Termination Value						$ (25,096)		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/11

B. Natural Gas Futures, Contracts and Options

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

All transactions are entered into as hedges against the volatility of natural gas prices. The Agency at September 30, 2011, had futures and options contracts outstanding in the following amounts, covering the fiscal years 2012 through 2014.

Fiscal Year Ending	Futures	Thousands of mmBtu Net Put Options	Net Call Options	Net Contracts	Fair Market Value at 9/30/2011 *(000's US$)*
2012	2	535		537	(11,141)
2013		535		535	(12,090)
2014		78		78	(1,749)
	2	1,148	-	1,150	$ (24,980)

VI. Derivative Financial Instruments (continued)

B. Natural Gas Futures, Contracts and Options

Although the Agency marks every position to market for management reporting purposes, it does not actively trade on these contracts. A margin account is maintained with the Agency's brokerage firm and over the counter counterparties. 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 2011, the Agency recorded a realized net loss of $22.6 million.

Basis Risk

The commodity hedge transactions are subject to basis risk. NYMEX transactions are based on pricing at the Henry Hub delivery point where 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.

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 New Edge Financial, a licensed commodity broker. Transactions that are entered into Over-The-Counter provide alternatives to transactions on the NYMEX when liquidity on the exchange may prevent the timely execution of hedges.

VII. Regulatory Assets (Net Costs Recoverable Due From/Due To Future Participants)

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

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

	(000's US$)						
	Agency Fund	Pooled Loan Project	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Unamortized Bond Issue Costs	$ 2	$ -	$ 2,230	$ 1,589	$ 16,416	$ 183	$ 2,603
Nuclear Fuel Enrichment Facilities			411				
Total Restricted Net Assets	$ 2	$ -	$ 2,641	$ 1,589	$ 16,416	$ 183	$ 2,603

VIII. Restricted Net Assets

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. These funds are to be used for specific purposes and certain restrictions define the order in which available funds may be used. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2011, all FMPA projects were in compliance with requirements of the bond resolution.

Segregated restricted net assets at September 30, 2011 are as follows:

(000's US$)

	Agency Fund	Pooled Loan Fund	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Debt Service Funds	$ -	$ -	$ 43,674	$ 10,269	$ 55,222	$ 4,969	$ 11,914
Reserve & Contingency Funds			13,710	4,691	15,930	2,069	2,305
Decomissioning Fund	32,220		54,991				
Rate Stabilization Accounts	11,940						
Revenue Fund							
Loans Receivable							
Commercial Paper Notes							
Accrued Interest on Long-Term Debt			(2,308)	(1,689)	(22,374)	(615)	(2,288)
Accounts Payable for Construction					(1,758)		
Other Liabilities							
Accrued Decommissioning Expenses	(32,220)		(53,551)				
Rate Stabilization Accounts	(11,940)						
Total Restricted Net Assets	$ -	$ -	$ 56,516	$ 13,271	$ 47,020	$ 6,423	$ 11,931

Restrictions of the various bank funds are as follows:

- Debt service funds include the Debt Service Account, which is restricted for payment of the current portion of the bond principal and interest and the Debt Service Reserve Account, which includes sufficient funds to cover one half of the maximum annual principal and interest requirement of the specific fixed rate issues or 10% of the original bond proceeds.
- Reserve and Contingency Funds are restricted for payment of major renewals, replacements, repairs, additions, betterments and improvements for capital assets.
- If, at any time, the Debt Service Fund is below the current debt requirement and there are not adequate funds in the General Reserve Fund to resolve the deficiency, funds will be transferred from the Reserve and Contingency Fund to the Debt Service Fund.
- Decommissioning Funds are restricted and are funded for the payment of costs related to the decommissioning, removal and disposal of FMPA's ownership on nuclear power plants.
- Project Funds are used for the acquisition, construction and capitalized interest, as specified by the participants.
- Revenue Funds are restricted under the terms of outstanding resolutions.

IX. Long-Term Debt

A. Debt

FMPA enters into long-term debt to fund different projects. The type of long-term debt differs among each of the projects. A description and summary of long-term debt at September 30, 2011, is as follows:

1. Agency Fund

Business-Type Activities	2011 (000's US$) Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
NP Pooled Loan	$ 1,670	$ (1,670)	$ -	$ -	$ -
Commercial Paper	-	1,670	(1,670)	-	-
Wells Fargo Loan 2010	-	1,670	(155)	1,515	165
	$ 1,670	$ 1,670	$ (1,825)	$ 1,515	$ 165

Amounts outstanding on the Pooled Loan were refunded with a bank loan from Wells Fargo Bank.

Loan Payable to Well Fargo Bank

The Agency Fund has one loan payable to Wells Fargo Bank at September 30, 2011. Interest is payable semi-annually at a fixed rate of 3.3%. Principal is payable in 8 annual payments ranging from $165,000 to $220,000 with the final payment due July 1, 2019.

2. Pooled Loan Fund

At September 30, 2010, the outstanding commercial paper notes totaled $1.7 million. The commercial paper notes were transferred to the Agency effective October 1, 2010 satisfying the Pooled Loan obligation from the Agency.

Business-Type Activities	2011 (000's US$) Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Commercial Paper Notes	$ 1,670	$ -	$ (1,670)	$ -	$ -

IX. Long-Term Debt (continued)

A. Debt (continued)

3. St. Lucie Project

The St. Lucie Project issued series 2010A, 2011A, and 2011B revenue bonds during the year ended September 30, 2011. Series 2010A has a face amount of $20.5 million and the bond proceeds were used as follows: $20.4 million to pay for the cost of capital improvements for the St. Lucie Project, and $0.1 million to pay cost of issuance. Series 2011A has a face amount of $34.9 million, and was issued at a premium of $2.7 million. The 2011A bond proceeds were used as follows: $32.2 million to retire $38.0 million of Series 2002 Auction Rate Securities tendered by Citi, $4.8 million to terminate Swaps related to the $38.0 million of tendered Auction Rate Securities, and $0.6 million to pay for the costs of issuance and underwriter's discount. Series 2011B has a face amount of $24.3 million and was issued at a premium of $0.8 million. The 2011B proceeds were used as follows: $24.8 million went into the project fund and $0.3 million was used to pay for costs of issuance and underwriter's discount.

Business-Type Activities	2011 (000's US$) Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Refunding 2000	$ 17,150	$ -	$ -	$ 17,150	$ -
Refunding 2002	244,850		(37,975)	206,875	
Bonds 2009A	37,820		(1,425)	36,395	2,340
Bonds 2010A		20,500		20,500	1,580
Bonds 2011A		34,870		34,870	420
Bonds 2011B		24,305		24,305	
Less Deferred Premiums And Discounts	(28,527)	4,318	2,354	(21,855)	
Total Revenue Bonds	$ 271,293	$ 83,993	$ (37,046)	$ 318,240	$ 4,340

The 2000, and 2002 bonds are variable rate bonds and the variable interest rates ranged between .123% and .595% for the year ended September 30, 2011. The 2009A bonds have an interest rate of 4% for 2010, and 5% rate from 2011 through 2021. The 2010A bonds have a fixed interest rate of 2.72%. The 2011A and 2011B bonds are fixed, and have a series of maturity dates from 2011 to 2026. The rates for the 2011A bonds range from 2.0% to 5.0%, and the rate for the 2011B bonds range from 4.375% to 5.0%.

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

IX. Long-Term Debt (continued)

A. Debt (continued)

4. Stanton Project

	2011 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
Revenue Bonds					
Refunding 2002	$ 24,805	$ -	$ (3,540)	$ 21,265	$ 3,725
Refunding 2008	36,425		(1,320)	35,105	1,375
Bonds 2009A	9,360			9,360	845
Less Deferred Premiums And Discounts	(1,361)		240	(1,121)	
Total Revenue Bonds	$ 69,229	$ -	$ (4,620)	$ 64,609	$ 5,945
Taxable Loans					
Wells Fargo Bank Taxable	1,152	-	(105)	1,047	110
Total Taxable Loans	$ 1,152	$ -	$ (105)	$ 1,047	$ 110
Total Business-Type Activities	$ 70,381	$ -	$ (4,725)	$ 65,656	$ 6,055

The 2002, 2008, 2009A revenue bonds are fixed at interest rates which range from 3.75% to 5.5%.

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

Loan Payable to Wells Fargo Bank

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

IX. Long-Term Debt (continued)

A. Debt (continued)

5. All-Requirements Project

On September 23, 2011 the All-Requirements Project issued three series of revenue bonds, 2011A-1, 2011A-2 and 2011B, totaling $116.5 million. The bond proceeds were used as follows: $42.3 million to retire the Series 2008D (Federally Taxable) bonds, and $72.2 million to retire the Series 2008E bonds which were backed by letters of credit expiring November 19, 2011. The All-Requirements Project decided not to renew the letters of credit. The Series 2008D and 2008E bonds were put in Escrow to be fully redeemed on October 5, 2011. The new bonds are variable rate tied to the 1 month LIBOR index. The privately placed bonds Series 2011A-1 and 2011A-2 were purchased by PNC and Series 2011B by SunTrust Bank. The original Swaps were transferred to the new bonds.

	2011 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
Revenue Bonds					
Refunding Jul 2003A	$ 31,880	$ -	$ (5,760)	$ 26,120	$ 6,065
Mar 2006A	99,415		(12,275)	87,140	12,875
Bonds 2008A	507,985		(1,290)	506,695	1,315
Bonds 2008B	74,885		(7,110)	67,775	7,335
Bonds 2008C	154,360		(245)	154,115	255
Bonds 2008D	42,295		(42,280)	15	15
Bonds 2008E	74,635		(74,415)	220	220
Bonds 2009A	154,480			154,480	
Bonds 2009B	15,235			15,235	
Bonds 2011A-1		29,682		29,682	
Bonds 2011B		44,523		44,523	
Bonds 2011A-2		42,265		42,265	
Less Deferred Premiums And Discounts	(9,144)		1,027	(8,117)	
Total Revenue Bonds	$ 1,146,026	$ 116,470	$ (142,348)	$ 1,120,148	$ 28,080
Capital Leases and Other					
KUA - TARP	$ 203,243	$ -	$ (10,148)	$ 193,095	$ 10,671
Keys - TARP		5,631	(670)	4,961	467
St. Lucie County	763		(35)	$ 728	36
Total Other Liabilities	$ 204,006	$ 5,631	$ (10,853)	$ 198,784	$ 11,174
Total Business-Type Activities	$ 1,350,032	$ 122,101	$ (153,201)	$ 1,318,932	$ 39,254

The 2008C, 2008D, 2008E, 2011A-1, 2011B, and 2011A-2 bonds are variable rate bonds, and the variable interest rates ranged from .03% to 1.2135% for the year ended September 30, 2011.

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

KUA – TARP Capital Lease Obligation

Effective October 1, 2008, the Capacity and Energy Sales Contract with KUA was revised. Under the revised contract, KUA receives agreed upon fixed payments over preset periods relating to each of their generating units. FMPA assumed all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2011 amount to $280 million and the present value of these payments is $193 million. The net book value of the assets under the

IX. Long-Term Debt (continued)

A. Debt (continued)

5. All-Requirements Project (continued)

capital lease amounted to $178.6 million at September 30, 2011.

Keys – TARP Capital Lease Obligation

Effective January 1, 2011, the Capacity and Energy Sales Contract with Keys Energy was revised. Under the contract, Keys Energy receives agreed upon fixed payments over preset periods relating to each of their generating units. FMPA assumed all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2011 amount to $6.0 million and the present value of these payments is $5.0 million. The net book value of the assets under the capital lease amounted to $3.7 million at September 30, 2011.

St. Lucie County

As a condition of obtaining its conditional use permit for the construction and operation of the Treasure Coast Energy Center, the All-Requirements project agreed to pay St. Lucie County, Florida $75,000 a year for a period of 20 years. Upon commercial operation of the plant, the unpaid amounts were discounted at a rate of 5.3% and capitalized to plant. At September 30, 2011, fourteen payments remain under this obligation with the final payment to be made September 30, 2025.

Line of Credit

The All-Requirements Project has two lines of credit; one from Wells Fargo Bank in the amount of $65 million, and one from JPMorgan Chase in the amount of $35 million. The line of credit was a one year line. FMPA renewed the line for another 2 years, with an expiration date of December 5, 2013. The JPMorgan Chase line expires in July, 2013. There were no draws on the Lines of Credit during the year and the balance remains at -0- on September 30, 2011.

Other Credit Facilities

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

2008C	Bank of America	$154.1 million

The letter of credit will expire on November 19, 2014.

IX. Long-Term Debt (continued)

A. Debt (continued)

6. Tri-City Project

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Business-Type Activities	2011 (000's US$) Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Refunding Jun 2003	$ 26,535	$ -	$ (2,220)	$ 24,315	$ 2,275
Bonds 2009A	2,790			2,790	270
Less Deferred Premiums					
And Discounts	(2,008)		379	(1,629)	-
Total Revenue Bonds	$ 27,317	$ -	$ (1,841)	$ 25,476	$ 2,545
Taxable Loans					
Wells Fargo Taxable	412	-	(38)	374	39
Total Taxable Loans	$ 412	$ -	$ (38)	$ 374	$ 39
Total Business-Type Activities	$ 27,729	$ -	$ (1,879)	$ 25,850	$ 2,584

Loan Payable to Wells Fargo Bank

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

IX. Long-Term Debt (continued)

A. Debt (continued)

7. Stanton II Project

On June 28, 2011 the Project purchased a portion of the Stanton II Series 2000 and 2004 Auction Rate Securities tendered by Citi at a discount, and terminated Swaps related to the tendered bonds. Instead of financing the deal, the Project used available funds from the General Reserve Fund and Debt Service Accounts. The Project paid $0.9 million to purchase bonds with a face value of $1.3 million and paid $0.3 million to terminate Swaps related to these bonds.

	2011 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
Revenue Bonds					
Refunding 2000	$ 40,725	$ -	$ (1,250)	$ 39,475	$ -
Refunding 2002	63,195		(3,555)	59,640	3,700
Refunding 2003	11,485		(1,205)	10,280	1,240
Refunding 2004	58,500		(650)	57,850	75
Bonds 2009A	6,615			6,615	400
Less Deferred Premiums And Discounts	(9,579)	365	1,095	(8,119)	
Total Revenue Bonds	$ 170,941	$ 365	$ (5,565)	$ 165,741	$ 5,415
Taxable Loans					
Wells Fargo Taxable	$ 1,807	$ -	$ (164)	$ 1,643	$ 172
Total Taxable Loans	$ 1,807	$ -	$ (164)	$ 1,643	$ 172
Total Business-Type Activities	$ 172,748	$ 365	$ (5,729)	$ 167,384	$ 5,587

The 2000 and 2004 revenue bonds carry variable interest rates which ranged from .123% to .595% for the year ended September 30, 2011.

The Series 2000 and 2004 bonds provide for early redemption at the election of FMPA on any interest payment date at a call rate of 100%. The Series 2002 bonds are subject to redemption prior to maturity at the election of FMPA at 100%, beginning October 1, 2012 whereas the series 2003 bonds are not subject to early redemption.

Loan Payable to Wells Fargo Bank

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

B. Major Debt Provisions (All Projects)

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

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

IX. Long-Term Debt (continued)

A. Debt (continued)

C. Defeased Debt

The following bonds have been defeased. Since investments consisting of governmental obligations are held in escrow for payment of principal and interest, the bonds are not considered liabilities of FMPA for financial reporting purposes. The principal balances of the defeased bonds at September 30, 2011 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued (000's US$)	Balance at September 30, 2011
May 1983	St. Lucie Project Revenue Bonds, Series 1983	$280,075	$26,185

D. Annual Requirements

The annual cash flow debt service requirements to amortize the long term bonded debt outstanding as of September 30, 2011, are as follows:

(000's US$)

Fiscal Year Ending September	St. Lucie Project Principal	St. Lucie Project Interest Including Swaps, Net	Stanton Project Principal	Stanton Project Interest Including Swaps, Net	All-Req Project Principal	All-Req Project Interest Including Swaps, Net	Tri-City Project Principal	Tri-City Project Interest	Stanton II Project Principal	Stanton II Project Interest Including Swaps, Net
2012	$ 4,340	$ 12,797	$ 5,945	$ 3,219	$ 28,080	$ 53,793	$ 2,545	$ 1,185	$ 5,415	$ 7,550
2013	5,585	12,723	6,225	2,932	33,165	52,442	2,620	1,106	5,625	7,309
2014	5,250	12,509	6,520	2,611	34,660	50,887	2,705	1,001	7,840	7,001
2015	6,040	12,300	6,865	2,261	36,235	49,262	2,830	868	6,245	6,720
2016	8,120	12,024	7,220	1,893	37,945	47,587	2,965	729	6,505	6,436
2017	6,140	11,716	7,600	1,513	39,685	45,842	3,110	581	6,815	6,122
2018 - 2022	284,725	52,407	25,355	2,059	244,780	193,357	10,330	777	39,930	25,537
2023 - 2027	19,895	3,076			296,965	140,637			50,460	15,403
2028 - 2032					366,200	51,335			45,025	1,810
2033 - 2036					10,550	1,721				
2037 - 2038										
Total Principal & Interest	$ 340,095	$ 129,552	$ 65,730	$ 16,488	$ 1,128,265	$ 686,863	$ 27,105	$ 6,247	$ 173,860	$ 83,888
Less:										
Interest		(129,552)		(16,488)		(686,863)		(6,247)		(83,888)
Unamortized Loss on refunding	(27,278)		(1,603)		(13,094)		(2,348)		(8,521)	
Add:										
Unamortized Premium (Discount), net	5,423		482		4,977		719		402	
Total Net Debt Service Requirement at September 30, 2011	$ 318,240	$ -	$ 64,609	$ -	$ 1,120,148	$ -	$ 25,476	$ -	$ 165,741	$ -

IX. Long-Term Debt (continued)

The annual cash flow debt service requirements to amortize all long term debt outstanding as of September 30, 2011, are as follows:

(000's US$)

Fiscal Year Ending September	Agency Fund Principal	Agency Fund Interest Including Swaps, Net	St. Lucie Project Principal	St. Lucie Project Interest Including Swaps, Net	Stanton Project Stanton Project	Stanton Project Interest	All-Req Project Principal	All-Req Project Interest Including Swaps, Net	Tri-City Project Principal	Tri-City Project Interest	Stanton II Project Principal	Stanton II Project Interest Including Swaps, Net	Totals
2012	165	76	4,340	12,797	6,055	3,272	39,254	64,040	2,584	1,209	5,587	7,632	147,011
2013	170	68	5,585	12,723	6,340	2,978	43,416	62,097	2,661	1,128	5,806	7,383	150,355
2014	175	59	5,250	12,509	6,641	2,652	45,460	59,992	2,748	1,020	8,030	7,074	151,610
2015	185	50	6,040	12,300	6,992	2,296	47,444	57,791	2,875	885	6,444	6,793	150,095
2016	190	41	8,120	12,024	7,353	1,922	49,733	55,537	3,013	742	6,714	6,508	151,897
2017	630	64	6,140	11,716	7,740	1,535	52,128	53,137	3,160	592	7,035	6,193	150,070
2018 - 2022			284,725	52,407	25,656	2,082	308,301	219,509	10,438	786	40,402	25,678	969,984
2023 - 2027			19,895	3,076			363,302	150,294			50,460	15,404	602,431
2028 - 2032							367,461	51,372			45,025	1,810	465,668
2033 - 2036							10,550	1,721					12,271
2037 - 2038													
Total Principal & Interest	$ 1,515	$ 358	$ 340,095	$ 129,552	$ 66,777	$ 16,737	$ 1,327,049	$ 775,490	$ 27,479	$ 6,362	$ 175,503	$ 84,475	$ 2,951,392

X. Commitments and Contingencies

A. Participation Agreements

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

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

X. Commitments and Contingencies (continued)

A. Participation Agreements (continued)

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

		000's USD			
Project	**2012**	**2013**	**2014**	**2015**	**2016**
Stanton Project	6,266	3,747	895	None	None
All-Requirements Project	6,975	4,171	997	None	None
Tri-City Project	2,241	1,340	320	None	None
Stanton II Project	9,825	5,875	1,404	None	None

B. Other Agreements

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

1. St. Lucie Project

- FMPA has entered into a Reliability Exchange Agreement and a Replacement Power Agreement with FPL. The Reliability Exchange agreement results in FMPA exchanging 50% of its share of the output from St. Lucie Unit 2 for a like amount from the St. Lucie Unit 1. This agreement expires in 2017. The Replacement Power Agreement provides for replacement power and energy to be made available to FMPA if FPL voluntarily ceases to operate or reduces output from St. Lucie Unit 2 or St. Lucie Unit 1 for economic reasons or valley-load conditions, until each unit is retired from service.

- The St. Lucie Project, a joint owner of St. Lucie Unit 2, is subject to the Price Anderson Act, which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. During 2006, the Price Anderson Act was extended for 20 years. As the first layer of financial protection, FPL has purchased $375 million of public liability insurance from pools of commercial insurers on behalf of all joint owners. The second layer of financial protection is provided under an industry retrospective payment plan. Under this plan, St. Lucie Unit 2 is subject to an assessment of $111.9 million per reactor with a provision for payment of such assessment to be made over time, as necessary, which limits the payment in any one year to no more than $17.5 million per reactor and adjusts the payout for inflation in the future. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

1. St. Lucie Project (continued)

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

- During the first quarter of 2008, Florida Power and Light (FPL) started a project to increase the electrical generating capacity of St. Lucie Unit 2 by approximately 129 MW. The St. Lucie Project has elected to participate in this power uprate project. This uprate project is expected to increase the capacity owned by the St. Lucie Project by approximately 11 MW. The uprate project will be completed in conjunction with regularly scheduled outages, and is expected to be completed in 2012. These costs are reflected in the Construction Work in Process amount in Note IV, part B.

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

2. All-Requirements Project

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

Supplier	End of Contract	Minimum Contract Liability (000's US$)
Florida Power & Light	5/31/2013	61,756
Southern Company - Stanton A PPA	9/30/2023	86,490
Southern Company - Oleander 5 PPA	12/16/2027	110,780
Total Minimum Liability		$ 259,026

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

Other Agreements are as follows:

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

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

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

Pipeline	Ave Daily Volume mmBtu/day)	Annual Cost (000's US$)	Expiration	Primary Delivery/Receiving Point
Fl Gas Transmission FTS-1	19,292	$ 3,857	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2	71,988	19,887	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2 Stanton A	11,200	3,735	Various	Cane Island
TECO-Peoples Gas	-	750	Various	Treasure Coast
		$ 28,229		

- The All-Requirements Project has entered into two storage contracts with SG Resources Mississippi LLC, each for 500,000 mmBtu of storage capacity in the Southern Pines Storage facility. The first contract was effective August 1, 2008 and the second contract became effective April 1, 2011. Both contracts have a term of 10 years from their effective date.

- The All-Requirements Project has entered into two natural gas deals for physical gas purchases with Florida Gas Utility that was extended through October 2011. Under this agreement, the All-Requirements Project will purchase a specific amount of gas at a FGT Zone 3 index price less $0.23/mmBtu.

- The All-Requirements Project has entered into a natural gas deal for physical gas purchased with Florida Gas Utility that extends through June 2012. Under this agreement the All-Requirements Project will purchase a specific amount of gas with a remaining value of approximately $29.4 million as of September 30, 2011.

- The All-Requirements Project is under a contractual arrangement to have generation facilities in Key West, Florida, at a minimum level of 60% of the island utility's peak capacity requirements. With the installation in 2006 of Stock Island 4, a 47 MW low sulfur oil-fired combustion turbine power plant located in the Key West service territory, the All-Requirements Project believes it has sufficient existing generating capacity at

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

Key West to fulfill the 60% on-island generation requirement for at least the next decade based on Key West's forecasted capacity requirements.

- The All-Requirements Project has extended a dispatching service contract with Orlando Utilities Commission (OUC) through February 2012. This contract provides the necessary services to balance load to generation and ensure a safe and reliable operation. FMPA's current estimated annual cost for this service is $831,000. The dispatching service contract will be replaced by an amended Florida Municipal Power Pool (FMPP) agreement and an agreement with OUC for non-FMPP related services requiring 24/7 staffing. The new agreements will be in place by February 1, 2012.

- On January 30, 2007, the All-Requirements Project signed a contractual service agreement (CSA) with General Electric International, Inc. The CSA is for services beginning with the May 2008 commercial operation of Treasure Coast Energy Center Unit #1. The CSA term ends based on a future major maintenance that the CSA schedules to occur in 2017. GE or FMPA may terminate for the breach of the other party. The defaulting party pays the termination amount based on hours of operation. Currently the amount is approximately $2.0 million.

- On August 15, 2008 the All-Requirements Project and Zachry Industrial Inc. signed an Engineering, Procurement and Construction contract for the Cane Island Power Park Unit #4 as amended valued at approximately $300 million. The project went commercial on July 12, 2011.

- The All-Requirements Project signed a contract as amended with Kissimmee Utility Authority on May 1, 2008 to install substation equipment and complete certain transmission upgrades needed to deliver power from Cane Island Unit #4 to the All-Requirements Project members. The total value of the contract is approximately $17 million. The project is 100% complete.

- On December 22, 2010, the All-Requirements Project signed a Contractual Service Agreement with General Electric International, Inc. The service agreement obligation coincides with the commercial operation of Cane Island 4. The term of the contract is the earlier of 15 years or first hot gas path inspection following the first major inspection. The current termination payment is approximately $2.3 million.

- The All Requirements Project has signed contracts with Fort Pierce Utilities Authority (FPUA), Kissimmee Utility Authority (KUA) and Keys Energy Services (KES) to operate and maintain Treasure Coast Energy Center, Cane Island Power Park and Stock Island generation facilities. The contracts provide for reimbursement of direct and indirect costs incurred by FPUA, KUA and KES, for operating the plants. The All Requirements Project, in consultation with FPUA, KUA and KES, sets staffing levels, operating and capital budgets, and operating parameters for the plants.

- The City of Starke and the City of Green Cove Springs have each given FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Project Contract that the term of their respective contracts will not renew automatically each year after the initial contract term. The terms of their respective contracts are now fixed; Starke's contract terminates on October 1, 2035, and Green Cove Springs' contract terminates on October 1, 2037.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

- The City of Vero Beach has limited its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitations commenced January 1, 2010 and continue for the term of the ARP Contract.

- The City of Lake Worth has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation will commence January 1, 2014. Additionally, effective January 1, 2014 the Capacity and Energy Sales contract between the City and FMPA will terminate. The amount of capacity and energy the City will eventually purchase under this conversion of their contract will be determined based on the City's usage during calendar year 2013.

- The City of Fort Meade has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation will commence January 1, 2015. Concurrently, the City gave FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Contract that the term of its contract will not renew automatically each year after the initial contract term. The term of the City's contract is now fixed and will terminate on October 1, 2041.

- The All-Requirements Project has entered into a Full Requirements Power Sales Contract with the City of Quincy, Florida, whereby the All-Requirements Project will serve Quincy's total capacity and energy needs above its purchases from the Southeastern Power Administration. The contract expires on December 31, 2015, unless extended by mutual agreement of the parties.

- On November 16, 2004, FMPA signed an agreement with six other public gas and electric utilities in five different states to form a gas supply agency called Public Gas Partners, Inc. (PGP), a Georgia nonprofit corporation. This agency was created to secure economical, long-term wholesale natural gas supplies for its seven members in order to stabilize and reduce the cost of natural gas. The members of PGP, along with FMPA, include Municipal Gas Authority of Georgia, Florida Gas Utility, Lower Alabama Gas District, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. Florida Gas Utility has left the organization and their interest was acquired by all members, except for FMPA and the Tennessee Energy Acquisition Corporation, as of May 2008.

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

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

- On November 1, 2004 FMPA entered into a PSA as a 22.04% participant of PGP Gas Supply Pool No. 1 (PGP Pool #1). PGP Gas Supply Pool No. 1 was formed by all of the participants. PGP Pool No.1 had targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 493 Bcf over a twenty year period. The acquisition period for PGP Pool #1 has closed after acquiring a supply currently estimated to be 155 Bcf. Current production from Pool #1 is 25,000 mmBtu per day. FMPA's share of this amounts to 5,510 mmBtu per day.

- On October 1, 2005, FMPA entered into a PSA as a 25.90% participant of PGP Gas Supply Pool No. 2 (PGP Pool #2). PGP Gas Supply Pool No. 2 was formed to participate in specific transactions that have different acquisition criteria than PGP Pool #1. PGP Pool #2 had a total expenditure limit of $200 million, with FMPA's share being $52 million as authorized by the Board (before step-up provisions which would increase ARP's commitment to a maximum of $65 million). The other members of PGP Pool #2, along with FMPA, include Municipal Gas Authority of Georgia, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. FMPA entered into a separate agreement with Fort Pierce Utility District whereby FMPA agreed to sell to FPUA 3.474903% of the benefits that FMPA receives from its participation in PGP Pool #2. The acquisition period for PGP Pool #2 has closed after acquiring a supply currently estimated to be 44 Bcf. Current production for Pool #2 is 7,500 mmBtu per day. FMPA's share of this amounts to 1,943 mmBtu per day.

  FMPA's share of the total investment costs (acquisition cost and capital development commitments) amounts to approximately $79 million for PGP Pool #1, and $26 million for PGP Pool #2.

- There is currently pending a dispute between FMPA and the City of Lake Worth over whether FMPA has a legal obligation to make gas transmission payments to Florida Public Utilities on behalf of the City of Lake Worth. The payments, amounting to approximately $60 thousand per month, were discontinued by FMPA in January 2009. FMPA believes it will prevail in this action.

- FMPA along with several parties entered into a rate case settlement with FPL submitted to the FERC. The rate case settlement provides for reduced transmission rates effective October 1, 2011. FMPA is expecting a refund of amounts over-collected of $1.5 million in the next several months from FPL, when final approval is received from the FERC.

XI. Capacity and Energy Sales Contract

The All-Requirements Project has a contractual arrangement with one member city – Lake Worth – that owns and operates generating facilities. This power plant is utilized by FMPA to meet the ARP power needs. The generating city is compensated through capacity credits for power and reserves that they provide under the Capacity and Energy Sales Contracts between the city and FMPA.

During 2008, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy Sales Contract for KUA whereby the All-Requirements Project has assumed all cost liability and operational management of all KUA owned generation assets and will pay to KUA agreed-upon fixed payments over preset periods relating to each asset. Effective January 1, 2011, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy

XI. Capacity and Energy Sales Contract (continued)

Sales Contract for Key West whereby the All-Requirements Project will assume all cost liability and operational management of all Key West owned generation assets and pay to Key West fixed annual payments of $670,000 each January 1 from 2011 through 2020. The amended contract provides the All-Requirements Project the right to retire Keys generation assets at any time during the term of the contract, subject to the 60% on-island capacity requirement, without shortening the fixed payment term.

One of the St. Lucie Project participants has a contractual agreement with FMPA to sell capacity and energy to the All-Requirements Project. The All-Requirements Project has agreed to provide reserves and back-up capacity and energy for this sale. FMPA has been appointed as agent in the administration of this contract.

XII. Mutual Aid Agreement

The All-Requirements Project has agreed to extend its participation in a mutual aid agreement with seven other utilities for extended generator outages of defined base-load generating units. The participants include the city of Tallahassee, Gainesville Regional Utilities, JEA, Lakeland Electric, Orlando Utilities Commission, Municipal Electric Authority of Georgia, and Seminole Electric Cooperative, Inc. The All-Requirements Project has designated 120 MW's of Cane Island Unit 3 and 140 MW's of the Treasure Coast Energy Center. In the case of a qualifying failure, the All-Requirements Project will have the option to receive either 50% or 100% of the replacement of the designated MWs of the failed unit. The cost of replacement energy will be based on an identified gas index and heat rate in the agreement. In the event of any extended outage from any other participant, the All-Requirements Project would provide between 13 MW and 52 MW (based on the designation of the participant) for a maximum of nine months. The current agreement term expires on October 1, 2012, and will automatically renew for an additional five-year period, unless FMPA (1) has not received energy under the agreement during the current term, and (2) provides at least 90 days notice prior to the end of the current term that it does not elect to renew its participation.

XIII. Employment Benefits

1. Retirement Benefits

A Deferred Compensation Plan (in accordance with the Internal Revenue Code Section 457) and a Defined Contribution Pension (money purchase) Plan (under the Internal Revenue Code Section 401(a)) are offered to the Agency's full-time employees, excluding the General Manager and General Counsel, who become fully vested after six months of employment. FMPA's contribution is 10% of the individual's gross base salary for the 401(a) plan. Total payroll for the year ended September 30, 2011 was $6.1 million, which approximates covered payroll.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee may contribute to the Deferred Compensation Plan so that the combined annual contribution does not exceed $16,500 for 2011. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal year 2011 were $676,933. Funds from these plans are not available to employees until termination or retirement, however funds from either plan can be made available, allowing an employee to borrow up to one half of their balance in the form of a loan.

2. Post Employment Benefits other than Retirement

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

XIII. Employment Benefits (continued)

2. Post Employment Benefits other than Retirement (continued)

over the age of 65 are offered a separate plan that is coordinated with Medicare coverage.

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

	(000's) USD
Annual required contribution	$ 317
Interest on net OPEB obligation	17
Annual OPEB expense	334
Contributions made	0
Increase in net OPEB Obligation	334
Net OPEB Obligation - Beginning of Year	826
Net OPEB Obligation - End of Year	$ 1,160

XIV. Risk Management

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

These contracts subject FMPA to varying degrees and types of risk. The Agency has purchased commercial insurance that management believes is adequate to cover these various risks. FMPA has elected to self-insure the Agency's risk for general liability. It is the opinion of general counsel that FMPA may enjoy sovereign immunity in the same manner as a municipality, as allowed by Florida Common Law. Under such Florida Law, the limit of liability for judgments by one person for Tort is $100,000 or a total of $200,000 for the same incident or occurrence. At no point have settlements exceeded coverage in the past two fiscal years.

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

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

XV. Interest Arbitrage and Rebate

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

The potential arbitrage liability at September 30, 2011 for each of the projects is as follows:

Project	Amount (000's US$)	
St. Lucie Project	$	1,322
Stanton Project		37
All-Requirements Project		210
Tri-City Project		37
Stanton II Project		357
Total	$	1,963

XVI. Related Party Transactions

A. Governing Members and Committees

Each of the 30 members of FMPA appoints a representative to FMPA's Board of Directors. The Board has responsibility for developing and approving FMPA's non All-Requirements Project budgets, hiring of the General Manager and General Counsel and establishing the Agency's bylaws, which govern how FMPA operates and the policies which implement such bylaws. The Board also authorizes all non-All-Requirements Project debt issued by FMPA and allocates the Agency Fund burden to each of the Projects. The Board elects a Chairman, Vice-Chairman, Secretary, and Treasurer. The Executive Committee consists of representatives from the fourteen active members of the All-Requirements Project. The Executive Committee elects a Chairman and Vice-Chairman. The Executive committee has sole responsibility for developing and approving FMPA's Agency Fund and All-Requirements Project budgets, and authorizes all debt issued by the Agency Fund and the All-Requirements Project.

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

B. Florida Gas Utility (FGU)

The All-Requirements Project has a contractual agreement to purchase natural gas from Florida Gas Utility (FGU), which accounts for approximately 75% of FGU's total throughput of natural gas. FMPA and the following member cities have representatives on the FGU Board of Directors: Fort Meade, Ft. Pierce, KUA, Lake Worth, and Starke.

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Supplementary Information

(unaudited)

SCHEDULE OF AMOUNTS DUE TO (FROM) PARTICIPANTS

RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2011
(000's US$)

		Amended Budget		Actual		Variance Favorable (Unfavorable)
Agency Fund						
Received from projects	$	14,512	$	12,725	$	(1,787)
Received from member assessments		20		20		-
Interest income		200		232		32
Other income		15		-		(15)
	$	14,747	$	12,977	$	(1,770)
General and administrative	$	12,866	$	11,495	$	1,371
Depreciation & amortization expense		-		364		(364)
Invested in Capital Assets		614		107		507
Principal on Debt		155		155		-
Other Adjustments		-		(262)		262
	$	13,635	$	11,859	$	1,776
Net Revenue	$	1,112	$	1,118	$	6
St. Lucie Project						
Participant billing	$	46,148	$	48,244	$	2,096
Reliability exchange contract sales		-		1,259		1,259
Interest income		3,876		3,530		(346)
	$	50,024	$	53,033	$	3,009
Operation and maintenance, fuel	$	19,764	$	20,271	$	(507)
Spent fuel fees		471		316		155
Purchased power		4,165		4,183		(18)
Transmission service		516		560		(44)
General and administrative		2,863		3,151		(288)
Deposit to renewal and replacement fund		1,965		1,965		-
Deposit to decommissioning fund		3,200		3,157		43
Deposit to general reserve fund		5,420		5,420		-
Deposit to debt service fund		17,260		16,104		1,156
	$	55,624	$	55,127	$	497
Net Due to Participants Resulting from Budget/Actual Variances	$	(5,600)	$	(2,094)	$	3,506

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

Schedule of Amounts Due to (from) Participants

Resulting from Budget/Actual Variances
Year Ended September 30, 2011
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Stanton Project			
Participant billing & sales to others	$ 33,815	$ 31,450	$ (2,365)
Interest income	204	236	32
	$ 34,019	$ 31,686	$ (2,333)
Operation and maintenance, fuel	$ 19,905	$ 17,576	$ 2,329
Transmission service	1,031	1,033	(2)
General and administrative	1,228	1,074	154
Development Fund Fee	27	21	6
Deposit to debt service fund	9,465	9,302	163
	$ 31,656	$ 29,006	$ 2,650
Net Due to Participants Resulting from Budget/Actual Variances	$ 2,363	$ 2,680	$ 317
All-Requirements Project			
Participant billing & sales to others	$ 535,134	$ 482,444	$ (52,690)
Interest Income	449	1,912	1,463
	$ 535,583	$ 484,356	$ (51,227)
Member Capacity	$ 32,511	$ 31,358	$ 1,153
Contract Capacity	39,987	34,853	5,134
ARP Owned Capacity	39,871	38,092	1,779
Debt & Capital Leases	88,656	87,346	1,310
Direct Charges & Other	19,379	18,062	1,317
Gas Transportation	30,228	25,815	4,413
Fuels	224,234	221,875	2,359
Purchased Power	37,094	21,750	15,344
Transmission	23,623	24,530	(907)
	$ 535,583	$ 503,681	$ 31,902
Net Due to Participants Resulting from Budget/Actual Variances	$ -	$ (19,325)	$ (19,325)

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

Schedule of Amounts Due to (from) Participants

Resulting from Budget/Actual Variances

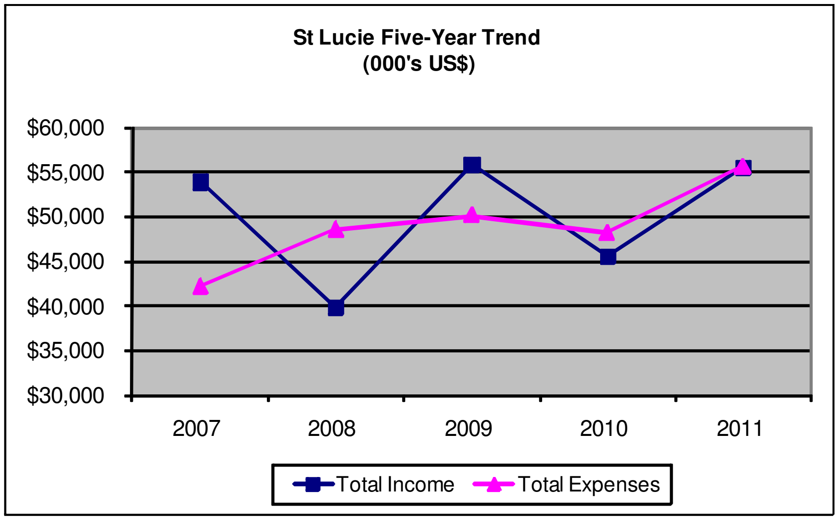
Year Ended September 30, 2011

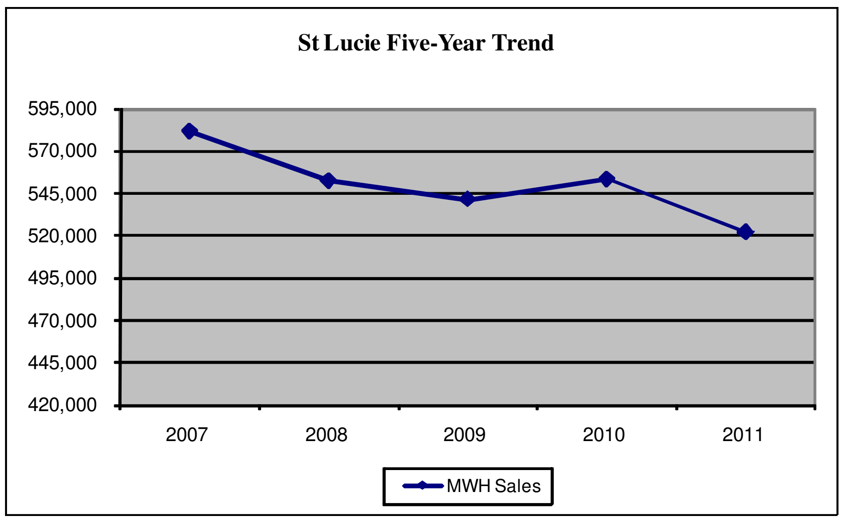
(000's US$)

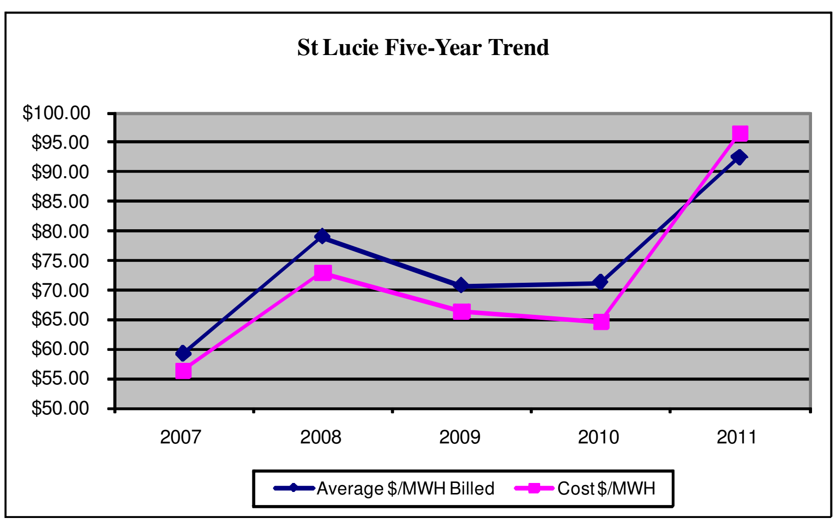
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Tri-City Project			
Participant billing & sales to others	$ 12,186	$ 11,509	$ (677)
Interest income	101	122	21
	$ 12,287	$ 11,631	$ (656)
Operation and maintenance, fuel	$ 7,120	$ 6,467	$ 653
Transmission service	422	425	(3)
General and administrative	663	612	51
Development Fund Fee	5	5	-
Deposit to debt service fund	3,826	3,767	59
Deposit to renewal and replacement fund	12	11	1
	$ 12,048	$ 11,287	$ 761
Net Due to Participants Resulting from Budget/Actual Variances	$ 239	$ 344	$ 105
Stanton II Project			
Participant billing & sales to others	$ 47,529	$ 45,283	$ (2,246)
Interest income	253	184	(69)
	$ 47,782	$ 45,467	$ (2,315)
Operation and maintenance, fuel	$ 30,075	$ 27,603	$ 2,472
Transmission service	1,579	1,541	38
General and administrative	1,879	1,596	283
Development Fund Fee	37	31	6
Deposit to debt service fund	14,420	13,736	684
Deposit to renewal and replacement fund	284	284	-
	$ 48,274	$ 44,791	$ 3,483
Net Due to Participants Resulting from Budget/Actual Variances	$ (492)	$ 676	$ 1,168

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

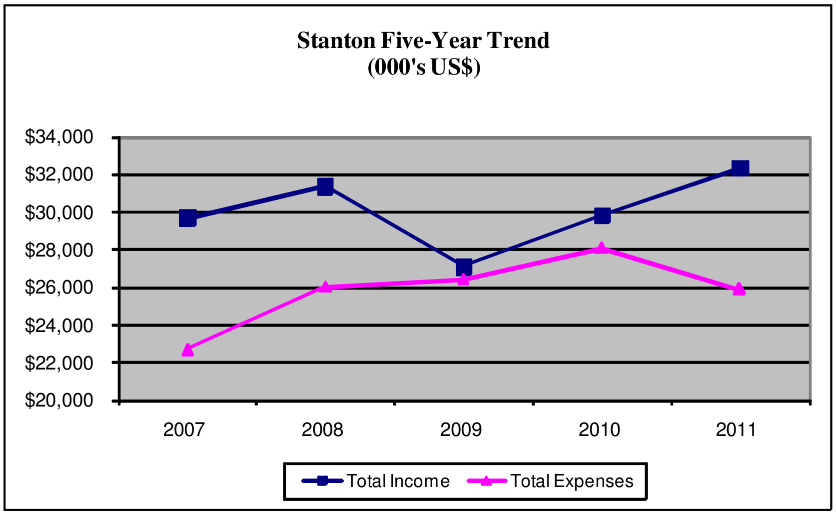
	2007	2008	2009	2010	2011
(000's US$ except for MWH Sales and Average $/MWH)					
St. Lucie Project					
Capital Assets	$ 89,581	$ 96,431	$ 97,397	$ 95,064	$ 109,567
Total Assets	$ 279,178	$ 293,608	$ 301,931	$ 375,239	$ 418,086
Long-Term Debt	$ 236,828	$ 247,369	$ 250,411	$ 313,987	$ 356,522
Total Liabilities	$ 279,178	$ 293,608	$ 301,931	$ 375,239	$ 418,086
Billings to Participants	$ 34,329	$ 43,588	$ 38,250	$ 39,383	$ 48,244
Sales to Others	2,011	2,532	2,786	2,258	1,259
Total Operating Revenues	$ 36,340	$ 46,120	$ 41,036	$ 41,641	$ 49,503
Purchased Power	$ 3,199	$ 2,836	$ 3,178	$ 3,452	$ 4,182
Production-Nuclear	8,220	11,642	11,529	9,164	13,294
Nuclear Fuel Amortization	2,734	2,050	2,907	3,763	2,915
Transmission	363	404	402	431	560
General & Administrative	2,346	3,141	2,768	2,530	3,238
Depreciation & Decommissioning	11,317	11,776	12,656	14,215	16,450
Total Operating Expenses	$ 28,179	$ 31,849	$ 33,440	$ 33,555	$ 40,639
Net Operating Revenues	$ 8,161	$ 14,271	$ 7,596	$ 8,086	$ 8,864
Investment Income	$ 17,530	$ (6,381)	$ 14,727	$ 3,825	$ 5,927
Total Other Income	$ 17,530	$ (6,381)	$ 14,727	$ 3,825	$ 5,927
Interest Expense	$ 10,780	$ 14,013	$ 12,751	$ 11,940	$ 12,360
Amortization & Other Expense	3,175	2,646	3,926	2,642	2,570
Total Other Expenses	$ 13,955	$ 16,659	$ 16,677	$ 14,582	$ 14,930
Net Income (Loss)	$ 11,736	$ (8,769)	$ 5,646	$ (2,671)	$ (139)
Net Cost Recovered (Credited) in the Future	(10,115)	12,115	(3,290)	6,326	(1,955)
Due from (to) Participants	(1,621)	(3,346)	(2,356)	(3,655)	2,094
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	581,598	552,222	541,090	553,105	521,565
Average $/MWH Billed	$ 59.03	$ 78.93	$ 70.69	$ 71.20	$ 92.50
Cost $/MWH	$ 56.24	$ 72.87	$ 66.34	$ 64.60	$ 96.51

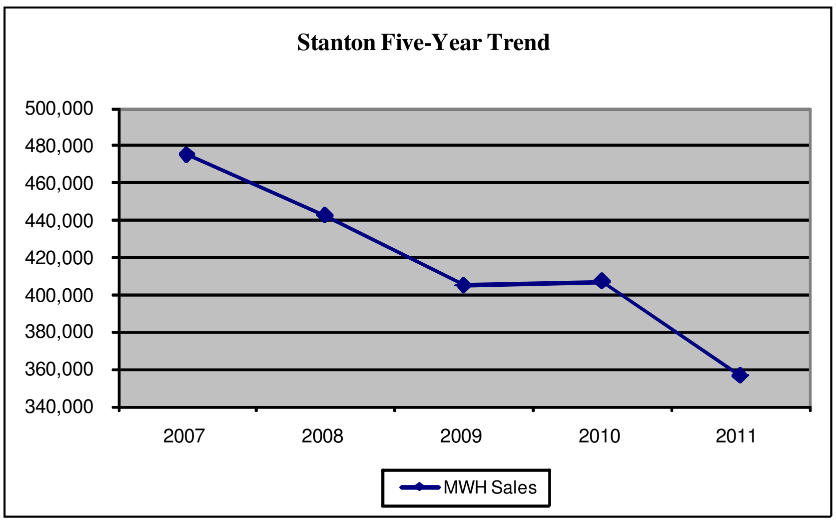

St Lucie Five-Year Trend
(000's US$)
$60,000
$55,000
$50,000
$45,000
$40,000
$35,000
$30,000
2007
2008
2009
2010
2011
Total Income
Total Expenses

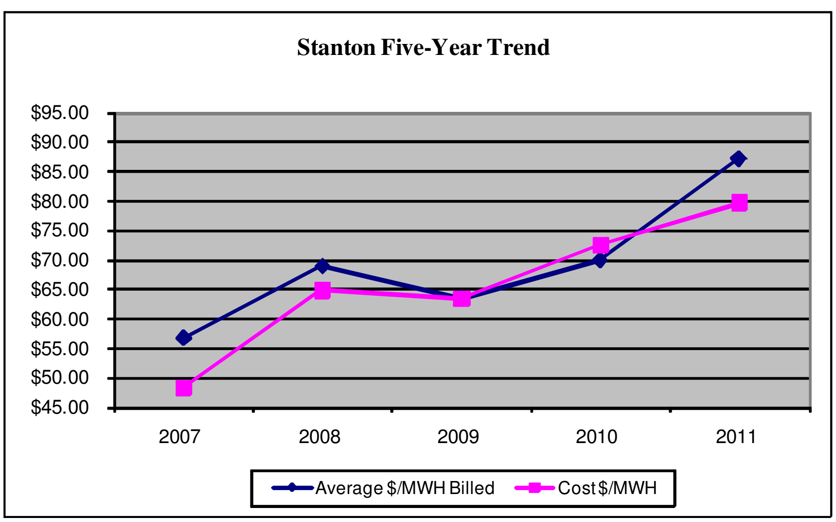

St Lucie Five-Year Trend
595,000
570,000
545,000
520,000
495,000
470,000
445,000
420,000
2007
2008
2009
2010
2011
MWH Sales


St Lucie Five-Year Trend
$100.00
$95.00
$90.00
$85.00
$80.00
$75.00
$70.00
$65.00
$60.00
$55.00
$50.00
2007
2008
2009
2010
2011
Average $/MWH Billed
Cost $/MWH

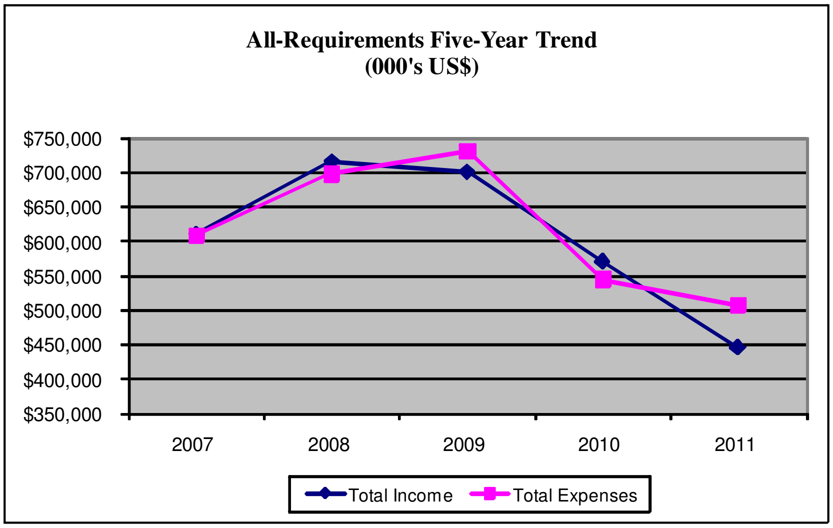
	2007	2008	2009	2010	2011
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton Project					
Capital Assets	$37,939	$37,587	$37,927	$36,823	$34,420
Total Assets	$81,751	$79,744	$75,030	$73,390	$72,255
Long-Term Debt	$71,677	$71,628	$65,348	$65,416	$59,601
Total Liabilities	$81,751	$79,744	$75,030	$73,390	$72,255
Billings to Participants	$26,896	$30,478	$25,693	$28,470	$31,085
Sales to Others	350	348	379	357	365
Total Operating Revenues	$27,246	$30,826	$26,072	$28,827	$31,450
Production-Steam	$ 3,738	$ 4,643	$ 4,477	$ 6,250	$ 4,703
Fuel Expense	11,573	13,522	13,292	13,381	12,873
Transmission	708	780	976	988	1,033
General & Administrative	868	959	1,012	1,107	1,095
Depreciation & Decommissioning	1,984	2,065	2,178	2,242	2,283
Total Operating Expenses	$18,871	$21,969	$21,935	$23,968	$21,987
Net Operating Revenues	$ 8,375	$ 8,857	$ 4,137	$ 4,859	$ 9,463
Investment Income	$ 2,431	$ 528	$ 1,008	$ 972	$ 876
Total Other Income	$ 2,431	$ 528	$ 1,008	$ 972	$ 876
Interest Expense	$ 3,390	$ 3,639	$ 3,656	$ 3,488	$ 3,357
Amortization & Other Expense	427	403	800	604	547
Total Other Expenses	$ 3,817	$ 4,042	$ 4,456	$ 4,092	$ 3,904
Net Income (Loss)	$ 6,989	$ 5,343	$ 689	$ 1,739	$ 6,435
Net Cost Recovered (Credited) in the Future	(3,067)	(3,564)	(712)	(2,781)	(3,755)
Due from (to) Participants	(3,922)	(1,779)	23	1,042	(2,680)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	475,138	442,478	405,032	407,099	356,409
Average $/MWH Billed	$ 56.61	$ 68.88	$ 63.43	$ 69.93	$ 87.22
Cost $/MWH	$ 48.35	$ 64.86	$ 63.49	$ 72.49	$ 79.70

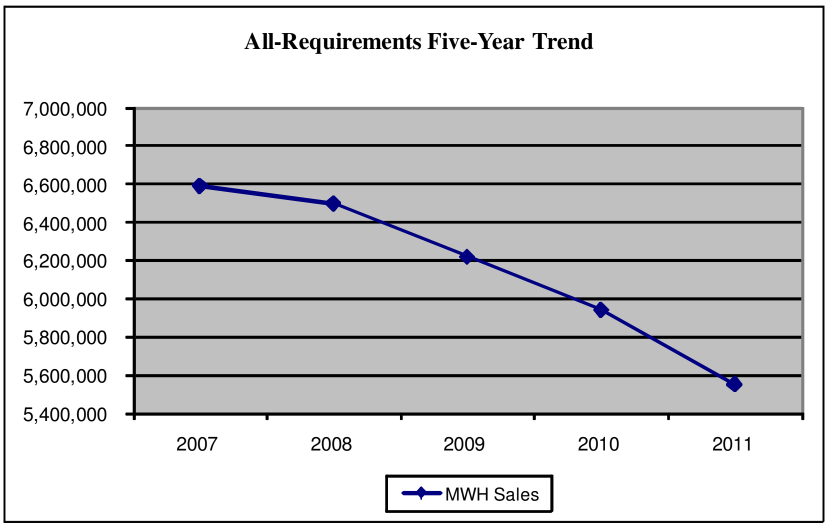

Stanton Five-Year Trend
(000's US$)
$34,000
$32,000
$30,000
$28,000
$26,000
$24,000
$22,000
$20,000
2007
2008
2009
2010
2011
Total Income
Total Expenses

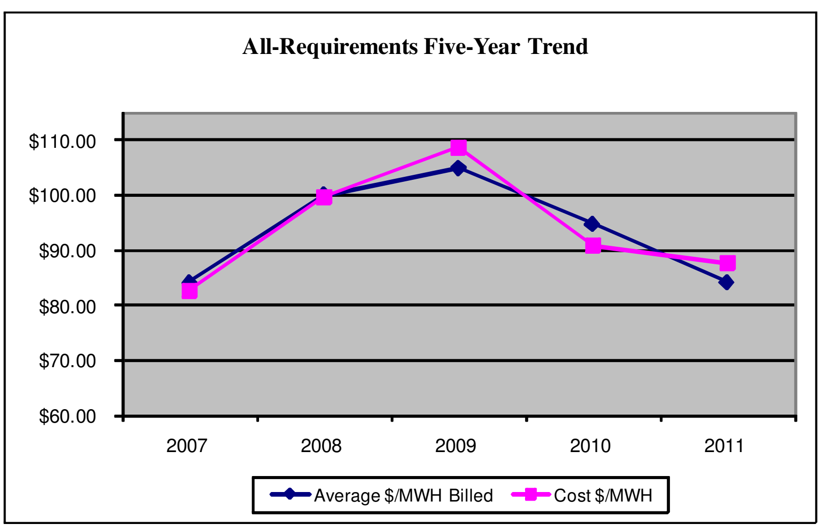

Stanton Five-Year Trend
500,000
480,000
460,000
440,000
420,000
400,000
380,000
360,000
340,000
2007
2008
2009
2010
2011
MWH Sales


Stanton Five-Year Trend
$95.00
$90.00
$85.00
$80.00
$75.00
$70.00
$65.00
$60.00
$55.00
$50.00
$45.00
2007
2008
2009
2010
2011
Average $/MWH Billed
Cost $/MWH

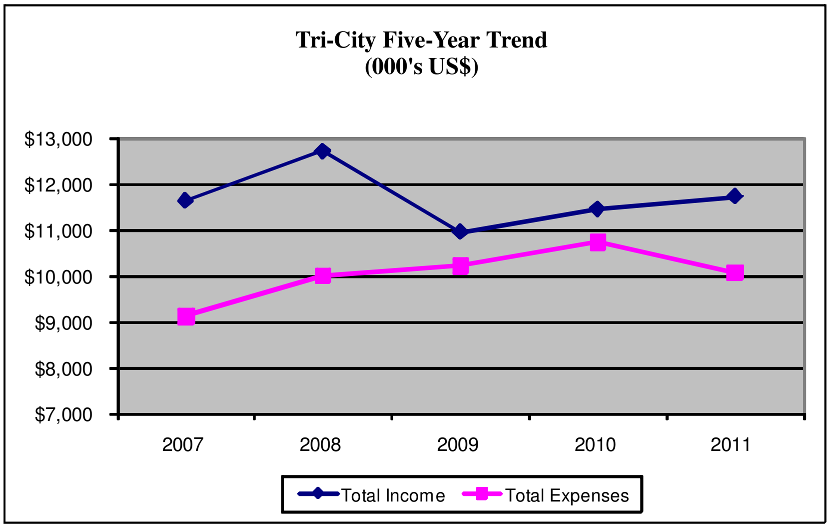
	2007	2008	2009	2010	2011
(000's US$ except for MWH Sales and Average $/MWH)					
All-Requirements Project					
Capital Assets	$ 410,448	$ 497,430	$ 879,610	$ 982,915	$ 1,000,086
Total Assets	$ 771,429	$ 1,261,120	$ 1,559,177	$ 1,669,477	$ 1,650,675
Long-Term Debt	$ 627,629	$ 1,032,045	$ 1,369,893	$ 1,483,415	$ 1,497,167
Total Liabilities	$ 771,429	$ 1,261,120	$ 1,559,177	$ 1,669,477	$ 1,650,675
Billings to Participants	$ 554,066	$ 649,114	$ 651,737	$ 562,210	$ 467,025
Sales to Others	48,777	63,720	34,362	7,887	15,419
Total Operating Revenues	$ 602,843	$ 712,834	$ 686,099	$ 570,097	$ 482,444
Purchased Power	$ 235,491	$ 241,264	$ 126,488	$ 105,854	$ 60,901
Production-Steam	49,836	48,724	64,246	57,674	53,357
Fuel Expense	258,185	337,409	410,362	261,660	253,392
Transmission	19,584	16,417	27,018	20,337	24,530
General & Administrative	12,149	11,988	15,528	17,356	25,769
Depreciation & Decommissioning	10,102	15,351	33,998	36,050	40,463
Total Operating Expenses	$ 585,347	$ 671,153	$ 677,640	$ 498,931	$ 458,412
Net Operating Revenues	$ 17,496	$ 41,681	$ 8,459	$ 71,166	$ 24,032
Investment Income	$ 7,848	$ 3,449	$ 15,269	$ (259)	$ (38,221)
Total Other Income	$ 7,848	$ 3,449	$ 15,269	$ (259)	$ (38,221)
Interest Expense	$ 16,395	$ 25,582	$ 48,410	$ 42,856	$ 45,786
Write-Off of Coal Project	$ 5,880				
Amortization & Other Expense	891	789	4,435	2,554	2,438
Total Other Expenses	$ 23,166	$ 26,371	$ 52,845	$ 45,410	$ 48,224
Net Income (Loss)	$ 2,178	$ 18,759	$ (29,117)	$ 25,497	$ (62,413)
Net Cost Recovered (Credited) in the Future	7,589	(17,169)	5,307	(2,669)	43,088
Due from (to) Participants	(9,767)	(1,590)	23,810	(22,828)	19,325
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	6,589,702	6,496,441	6,215,912	5,938,070	5,549,464
Average $/MWH Billed	$ 84.08	$ 99.92	$ 104.85	$ 94.68	$ 84.16
Cost $/MWH	$ 82.60	$ 99.67	$ 108.68	$ 90.83	$ 87.64

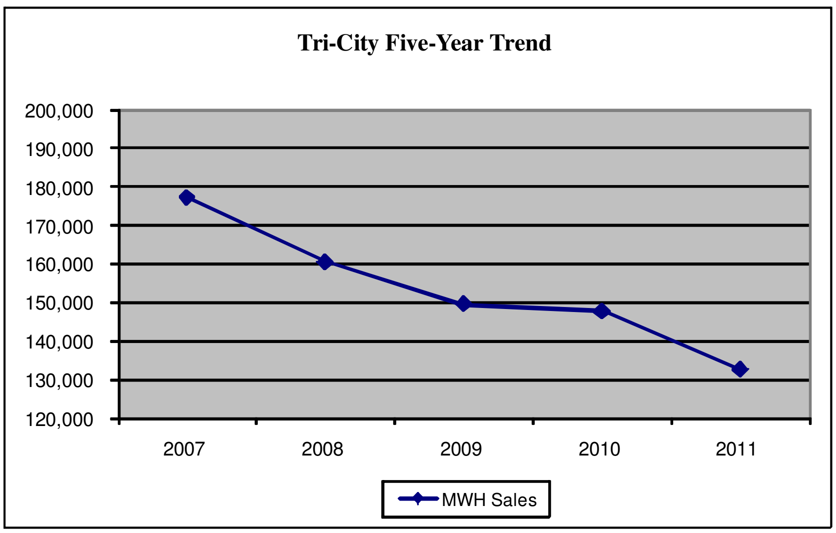

All-Requirements Five-Year Trend
(000's US$)
$750,000
$700,000
$650,000
$600,000
$550,000
$500,000
$450,000
$400,000
$350,000
2007
2008
2009
2010
2011
Total Income
Total Expenses

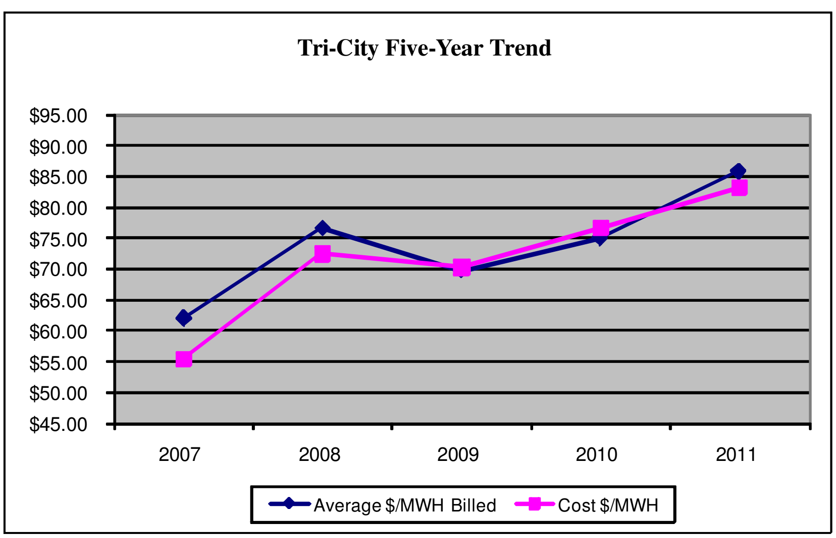

All-Requirements Five-Year Trend
7,000,000
6,800,000
6,600,000
6,400,000
6,200,000
6,000,000
5,800,000
5,600,000
5,400,000
2007
2008
2009
2010
2011
MWH Sales


All-Requirements Five-Year Trend
$110.00
$100.00
$90.00
$80.00
$70.00
$60.00
2007
2008
2009
2010
2011
Average $/MWH Billed
Cost $/MWH

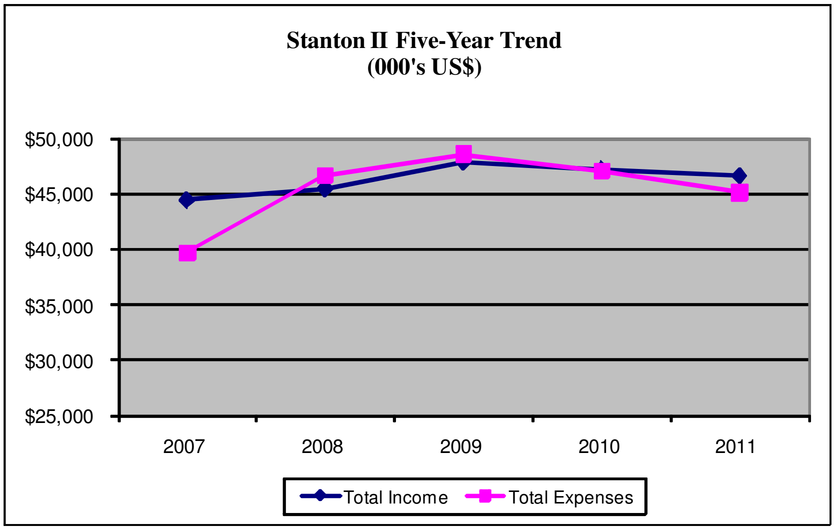
	2007	2008	2009	2010	2011
(000's US$ except for MWH Sales and Average $/MWH)					
Tri-City Project					
Capital Assets	$15,458	$15,237	$15,263	$14,770	$13,814
Total Assets	$34,838	$33,641	$30,327	$28,985	$27,730
Long-Term Debt	$30,120	$30,395	$26,394	$25,471	$23,266
Total Liabilities	$34,838	$33,641	$30,327	$28,985	$27,730
Billings to Participants	$10,985	$12,284	$10,426	$11,076	$11,377
Sales to Others	125	125	136	128	132
Total Operating Revenues	$11,110	$12,409	$10,562	$11,204	$11,509
Production-Steam	$ 1,340	$ 1,662	$ 1,601	$ 2,236	$ 1,685
Fuel Expense	4,168	4,893	4,890	4,847	4,782
Transmission	289	310	387	394	425
General & Administrative	491	497	561	637	617
Depreciation & Decommissioning	806	835	875	900	914
Total Operating Expenses	$ 7,094	$ 8,197	$ 8,314	$ 9,014	$ 8,423
Net Operating Revenues	$ 4,016	$ 4,212	$ 2,248	$ 2,190	$ 3,086
Investment Income	$ 506	$ 291	$ 365	$ 233	$ 195
Total Other Income	$ 506	$ 291	$ 365	$ 233	$ 195
Interest Expense	$ 1,454	$ 1,349	$ 1,313	$ 1,256	$ 1,222
Amortization & Other Expense	569	444	585	459	421
Total Other Expenses	$ 2,023	$ 1,793	$ 1,898	$ 1,715	$ 1,643
Net Income (Loss)	$ 2,499	$ 2,710	$ 715	$ 708	$ 1,638
Net Cost Recovered (Credited) in the Future	(1,319)	(2,044)	(793)	(940)	(1,294)
Due from (to) Participants	(1,180)	(666)	78	232	(344)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	177,238	160,417	149,516	147,641	132,545
Average $/MWH Billed	$ 61.98	$ 76.58	$ 69.73	$ 75.02	$ 85.83
Cost $/MWH	$ 55.32	$ 72.42	$ 70.25	$ 76.59	$ 83.24

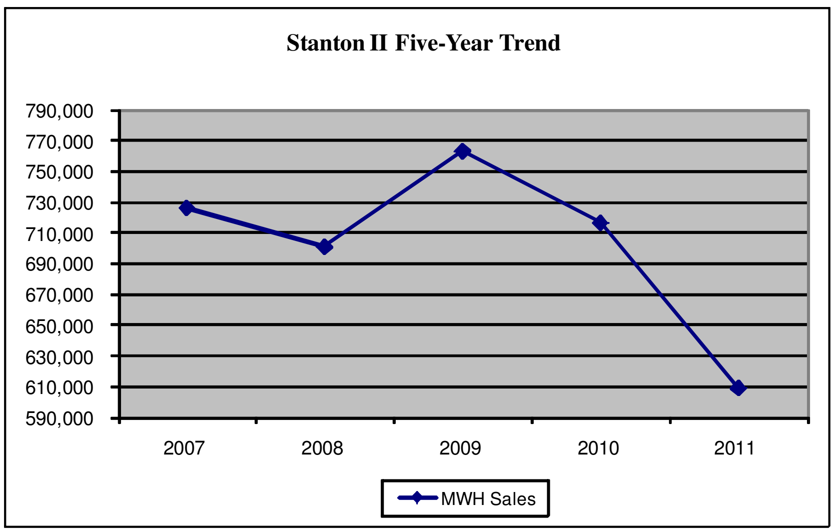

Tri-City Five-Year Trend
(000's US$)
$13,000
$12,000
$11,000
$10,000
$9,000
$8,000
$7,000
2007
2008
2009
2010
2011
Total Income
Total Expenses

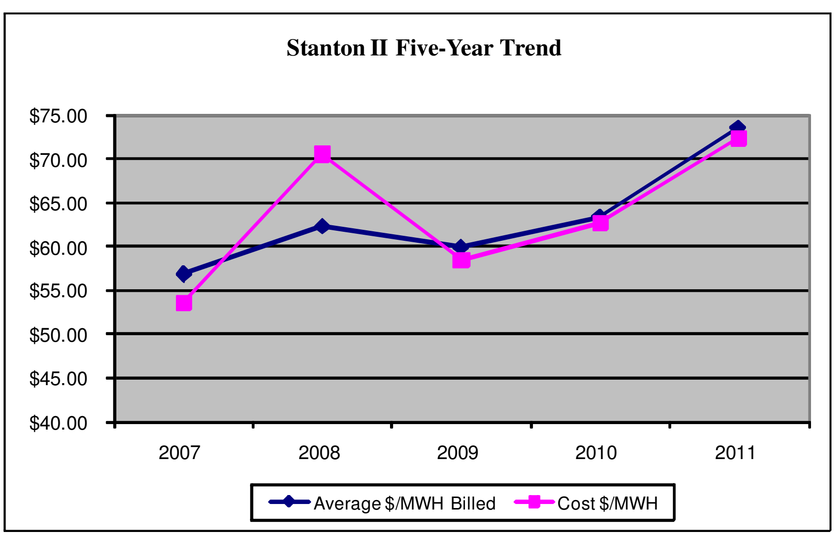

Tri-City Five-Year Trend
200,000
190,000
180,000
170,000
160,000
150,000
140,000
130,000
120,000
2007
2008
2009
2010
2011
MWH Sales


Tri-City Five-Year Trend
$95.00
$90.00
$85.00
$80.00
$75.00
$70.00
$65.00
$60.00
$55.00
$50.00
$45.00
2007
2008
2009
2010
2011
Average $/MWH Billed
Cost $/MWH

	2007	2008	2009	2010	2011
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton II Project					
Capital Assets	$ 120,192	$ 120,495	$ 117,796	$ 114,231	$ 109,677
Total Assets	$ 181,610	$ 179,442	$ 175,283	$ 198,165	$ 196,217
Long-Term Debt	$ 172,371	$ 173,257	$ 165,798	$ 189,676	$ 186,893
Total Liabilities	$ 181,610	$ 179,442	$ 175,283	$ 198,165	$ 196,217
Billings to Participants	$ 41,267	$ 43,626	$ 45,702	$ 45,386	$ 44,707
Sales to Others	548	570	595	555	576
Total Operating Revenues	$ 41,815	$ 44,196	$ 46,297	$ 45,941	$ 45,283
Production-Steam	$ 6,143	$ 8,355	$ 5,471	$ 6,832	$ 6,432
Fuel Expense	17,345	20,144	24,238	22,817	21,172
Transmission	1,059	1,181	1,481	1,493	1,541
General & Administrative	1,204	1,391	1,681	1,691	1,627
Depreciation & Decommissioning	4,344	4,456	4,568	4,621	4,638
Total Operating Expenses	$ 30,095	$ 35,527	$ 37,439	$ 37,454	$ 35,410
Net Operating Revenues	$ 11,720	$ 8,669	$ 8,858	$ 8,487	$ 9,873
Investment Income	$ 2,621	$ 1,269	$ 1,501	$ 1,218	$ 1,291
Total Other Income	$ 2,621	$ 1,269	$ 1,501	$ 1,218	$ 1,291
Interest Expense	$ 8,203	$ 9,982	$ 8,621	$ 8,101	$ 8,321
Amortization & Other Expense	1,360	1,094	2,514	1,447	1,384
Total Other Expenses	$ 9,563	$ 11,076	$ 11,135	$ 9,548	$ 9,705
Net Income (Loss)	$ 4,778	$ (1,138)	$ (776)	$ 157	$ 1,459
Net Cost Recovered (Credited) in the Future	(2,386)	(4,648)	1,871	356	(783)
Due from (to) Participants	(2,392)	5,786	(1,095)	(513)	(676)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	726,163	700,792	763,198	716,582	608,812
Average $/MWH Billed	$ 56.83	$ 62.25	$ 59.88	$ 63.34	$ 73.43
Cost $/MWH	$ 53.53	$ 70.51	$ 58.45	$ 62.62	$ 72.32


Stanton II Five-Year Trend
(000's US$)
$50,000
$45,000
$40,000
$35,000
$30,000
$25,000
2007
2008
2009
2010
2011
Total Income
Total Expenses


Stanton II Five-Year Trend
790,000
770,000
750,000
730,000
710,000
690,000
670,000
650,000
630,000
610,000
590,000
2007
2008
2009
2010
2011
MWH Sales


Stanton II Five-Year Trend
$75.00
$70.00
$65.00
$60.00
$55.00
$50.00
$45.00
$40.00
2007
2008
2009
2010
2011
Average $/MWH Billed
Cost $/MWH

Compliance Report

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

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

We have audited the financial statements of the business-type activities and each major fund of Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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

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

However, we noted certain matters that we reported to the Agency's management in a separate letter dated December 23, 2011.

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

This report is intended solely for the information and use of the Board of Directors, management, and applicable regulatory agencies. It is not intended to be used and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 23, 2011
Ocala, Florida

MANAGEMENT LETTER

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

We have audited the accompanying financial statements of the business-type activities and each major fund of Florida Municipal Power Agency (the Agency), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated December 23, 2011.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters. Disclosures in this report, which is dated December 23, 2011, if any, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the attached management letter comments letter under the heading Prior Year Findings and Recommendations.

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we determined the Agency complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we provided these recommendations in the attached management letter comments letter.

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statement that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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Florida Municipal Power Agency
Orlando, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we provided these recommendations in the attached management letter comments letter.

- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in Note I of the Agency's September 30, 2011 financial statements. There are no component units related to the Agency.

- Section 10.554(1)(i)7.a, *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

- Section 10.554(1)(i)7.b, *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Agency for the fiscal year ended September 30, 2011, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes. We determined that the State of Florida Department of Financial Services does not require the Agency to file the annual financial report pursuant to Section 218.32(1)(a), Florida Statues.

- Pursuant to Sections 10.554(1)(i)7.c and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our audit noted no findings of deteriorating financial condition, required to be reported.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

December 23, 2011
Ocala, Florida

MANAGEMENT LETTER COMMENTS

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

As a part of our audit of the Florida Municipal Power Agency's (the Agency) September 30, 2011 financial statements, we offer the following recommendations to improve financial management, accounting procedures, and internal controls:

<u>Prior Year Findings and Comments</u>

The Agency has addressed all prior year audit recommendations; however, the following items updated for current conditions have not been fully completed:

Florida Municipal Power Pool (FMPP)
In our prior year report, we recommended that the Agency increase its administrative monitoring over the FMPP on an ongoing basis to ensure that its interests are properly represented. Specific areas to review and monitor might include a management review of the final dispatch stack, periodic internal audits of the monthly billing, finance, and power resource department review of transactions and activities and other similar procedures, with appropriate reports prepared to document the review procedures. During 2010 and 2011, the Agency has become more involved with and monitors pool activities very closely, and a greater critical review of the dispatch decisions has been deemed to be beneficial and are ongoing. Due to the high dollar significance of the Agency purchases and sales to the pool and the completion of Cane Island No. 4, we recommend that the Agency continue to review the dispatch methodology of the pool to ensure an equitable allocation of resources.

Information Technology (IT) General Controls
During 2010, the Agency had an external contractor perform an IT risk assessment. The IT risk assessment generated numerous recommendations to strengthen controls and reliability of the Agency's IT function. Due to the heavy reliance on IT applications by all areas of the Agency, strong IT general controls are essential to the success of the Agency. Most of these recommendations have been accepted for implementation by the Agency and are currently in process by the Agency's IT department. However, this process was delayed significantly during 2011 as the IT Manager was reassigned to a role within the Agency's Power Resources department to assist the Agency in meeting National American Electric Reliability cyber security compliance requirements, and a new IT Manager was just hired in November 2011.

We recommend that this process be completed as soon as practical and that the Agency considers a follow-up review by the original contractor to ensure satisfactory completion of the recommended items.

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

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Management Letter Comment

Additionally, we also believe that the hiring of the new IT Manager represents a unique opportunity for the Agency to assess its current IT environment and make modifications as deemed necessary, as well as improve the documentation and policies and procedures of and around its network security and IT infrastructure, so that the Agency does not rely on any one individual.

We recommend that the Agency continue its efforts to complete these items by the end of the 2012 fiscal year.

Fuel Costs
The Agency has been the beneficiary of low natural gas fuel costs recently which have resulted in lower wholesale rates to the members and therefore lower retail rates to the retail customers. This condition has advanced the Agency's ultimate goal of being the lowest cost power provider in the state. There are many market forces that created the low cost of natural gas but as with any cycle, there is always the expectation of higher prices as greater demand is placed upon any readily available and affordable resource.

The Agency has a very limited and very short-term natural gas hedging program and has two members who voluntarily participate in a program to pay more than their monthly bill into the Agency now while costs are low to be used as needed, if costs increase. Additionally, the Agency recently received a credit downgrade from a rating agency that cited among other factors the need for greater liquidity within the Agency beyond the current rate policy which provides the Agency with approximately 60 days of operating cash on a year round basis.

Given the current backdrop of low natural gas costs which appear to have more upside risk than downside risk and the need for improved liquidity, the Agency has begun to explore the possibility of instituting a rate structure that would increase the number of days cash-on-hand from the current 60 to perhaps 90 or more and is also exploring the idea of a more vigorous natural gas hedging policy that has the ability to fix the cost of gas to an acceptably low amount for an extended period of time, or some combination of these two concepts.

We believe that the current low cost fuel environment represents an ideal time for the Agency to further develop either, both or neither option and we encourage the Agency to continue its efforts in this area.

Purchase Cards
During our review of purchase card transactions, we noted that some transactions were missing adequate supporting documentation and did not appear to have adequate documentation of their purpose. This presents a risk that these transactions were not for appropriate Agency expenses. We recommend that the Agency strengthen its controls over purchase cards to ensure that all purchase card transactions have adequate supporting documentation and documentation of their business purpose. Additionally, we recommend having a management-level employee periodically review a sample of monthly purchase card transactions to ensure that they have been approved, have adequate supporting documentation, and have adequate documentation of the business purpose to ensure that all purchase card transactions are for appropriate Agency expenses.

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

MANAGEMENT LETTER COMMENTS
(Continued)

ARP Member Billings
The Agency has established annual billing rates that are adjusted monthly to consider seasonal variation and many other factors that result in the ARP maintaining approximately 60 days operating cash-on-hand month after month. Our analysis of the monthly rate adjustment calculations indicates that the forecasting of future costs and cash levels is a complex process with many different information sources and variables that are gathered from many different places. We also noted that virtually all aspects of the calculation of the billing rates is performed by only one individual who alone knows the process and the sources and methods for obtaining all required variables to support the final adjusted monthly billing rates. Additionally, there currently does not appear to be anyone else in the department, and perhaps, the Agency with sufficient knowledge of all aspects of this monthly process to be able to perform it in the absence of the key individual.

To reduce the reliance upon only one individual for this complex and essential function, we recommend that the Agency document the source and methodology of billing adjustment variables and consider cross-training other individuals to be able to calculate the monthly billing rate adjustments in the absence of the primary preparer. This will ensure that the important billing function can be completed in the absence of one key individual.

Taylor Forward SWAPS
The remaining Taylor forward swaps were "out of the money" approximately $100 million at year-end and the terms of the swap agreements call for the Agency and the counter parties to begin exchanging cash flows based on the notional amounts of the agreements beginning in 2015 which could cost the Agency approximately $15 million per year if variable interest rates remain low like the current environment. Accordingly, we recommend that the Agency and its financial advisor review this area to determine a strategy to minimize the expected future financial cost to the Agency.

Specific consideration should be given to the need for future generation sources that could be financed utilizing these swaps which have an attractive fixed rate of approximately 3.8% and the option of buying back a year or two of start time.

Physical Inventory Policy
The Agency's current policy on inventory only requires a physical count to be made once every two years. Now that the Agency owns a significant amount of its own generation plant and inventories have increased, we believe the policy should be reviewed for possible increase of the frequency to annually, perhaps on a rotating basis during the year so that all high dollar items and high turnover items are counted more frequently.

We also recommend that while reviewing this policy that the Agency also review its property control procedures for other tangible personal property owned for possible tagging and periodic count.

Property, Plant and Equipment
As part of the midyear software update to a newer version of the Agency's financial and accounting software system, the property, plant and equipment detailed depreciation schedule was also updated and took several revisions at audit to balance to the general ledger control accounts. We recommend the Agency review this area and reconcile and adjust all differences. We also recommend the subsidiary detail system be reconciled to the general ledger monthly on an ongoing basis. This process will streamline and expedite year-end close out of capital assets.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

December 23, 2011
Ocala, Florida

Florida Municipal Power Agency

MEMORANDUM

TO: FMPA AROC & Executive Committee and Board of Directors

FROM: Mark Larson

DATE: January 12, 2012

ITEM: Audit Report and 2011 Management Letter

Staff Response to the Fiscal Year 2011 Management Letter Comments

Prior Year Findings and Comments

Florida Municipal Power Pool (FMPP)

Audit recommendation that the Agency continue to review the dispatch methodology of the pool.

Staff agrees. The Power Pool continues to be an area of focus for the agency. The agency participates in monthly meetings, wherein items of interest to the members are brought forth and discussed. Monthly billings are thoroughly reviewed by various departments with specific expertise. The agency also participates in the price review teams in which the Clearing House Price (CHP) pricing methodology is reviewed every month. There is daily interaction on pool activities, including pool generation issues and the impact on the agency, with pool members and spot reviews of the CHP pricing. A monthly report on pool activity is prepared and included in the Three Phase Times report distributed and available to employees and members. In summary, the review of the power pool has been one of the topics covered by the BMWG, and the agency is very involved and monitors very closely pool activities, continued critical review of the dispatch decisions will continue.

Information Technology (IT) General Controls

Audit recommendation to implement recommendations by Protiviti as soon as practical and consider a follow-up review by Protiviti to ensure satisfactory completion of the recommendations.

Staff agrees, but believes the timetable may be too aggressive considering cost containment and staffing considerations. The IT department is continuing to address the recommendations in concert with the IT Steering Committee. The Audit and Risk Oversight Committee (AROC) is apprised of progress on the recommendations annually.

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Current Year Comments

Information Technology (IT) General Controls

In addition to the prior year comment in this area, an Audit recommendation to assess the current IT environment and document new and existing policies and procedures that result from that assessment by FYE 2012.

Staff agrees. The CFO has already initiated this assessment as interim IT Manager and this will continue as the new Manager brings his background and experience to the department.

Fuel Costs

Audit recommendation to encourage the Agency to continue current efforts to review the rate structure for possible increase in the number of days cash-on hand or developing a more vigorous natural gas hedging policy to take advantage of the current low cost fuel environment.

Staff agrees. The BMWG is currently involved in reviewing alternative methodologies for billing and increasing liquidity. In addition, the AROC and EC are reviewing Physical Gas Purchase Structures for Decreasing Purchase Price Volatility.

Purchase Cards

Audit recommendation to strengthen the Agency's controls over purchase cards to ensure adequate supporting documentation and a periodic management-level sampling of transactions.

Staff agrees. The agency already has in place a monthly review of all transactions by the Controller and each cardholder's supervisor. Stronger evidence of that review and follow-up with cardholder's who have not provided a receipt or proper business explanation for material transactions would be beneficial.

ARP Member Billings

Audit recommendation to document the source and methodology of billing adjustment variables and consider cross-training other personnel to be able to calculate the billing rate adjustments in the absence of the primary preparer.

Staff agrees. The agency will continue efforts to create greater levels of back-up for this responsibility.

Taylor Forward Swaps

Audit recommendation for the Agency and its financial advisor to review and determine a strategy to minimize the expected future cost to the Agency from these swaps.

Staff agrees. A strategy is already in place and authorized by the Executive Committee. Reviews of this strategy are also on-going by Finance staff and the Finance Team.

Physical Inventory Policy

Audit recommendation for the Agency to review its inventory policy for a possible change to conduct annual inventory counts and also review its property control procedures for other tangible personal property owned.

Staff agrees. The Contract Compliance Audit and Risk departments completed physical inventory or sample counts of all sites this past year. The agency will continue to review its policies for improvement.

Property, Plant and Equipment

Audit recommendation for the Agency to review the P. P.& E. subsidiary ledger for any software upgrade issues and to reconcile this sub-ledger on a monthly basis.

Staff agrees. During the upgrade this sub-ledger module, which is custom built by our software consultant, took additional effort to balance. Therefore reconciliation of this area lagged. It is the staff's practice to reconcile on a monthly basis all material accounts.