

# FLORIDA MUNICIPAL POWER AGENCY

## Financial Statements

*For The Fiscal Year Ended September 30, 2012*

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## Member Cities

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



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2012, 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, 2012, 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 January 3, 2013, 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.

### Certified Public Accountants

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

Board of Directors and Executive Committee  
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, 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 and 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*

January 3, 2013  
Ocala, Florida

## MANAGEMENT'S DISCUSSION & ANALYSIS

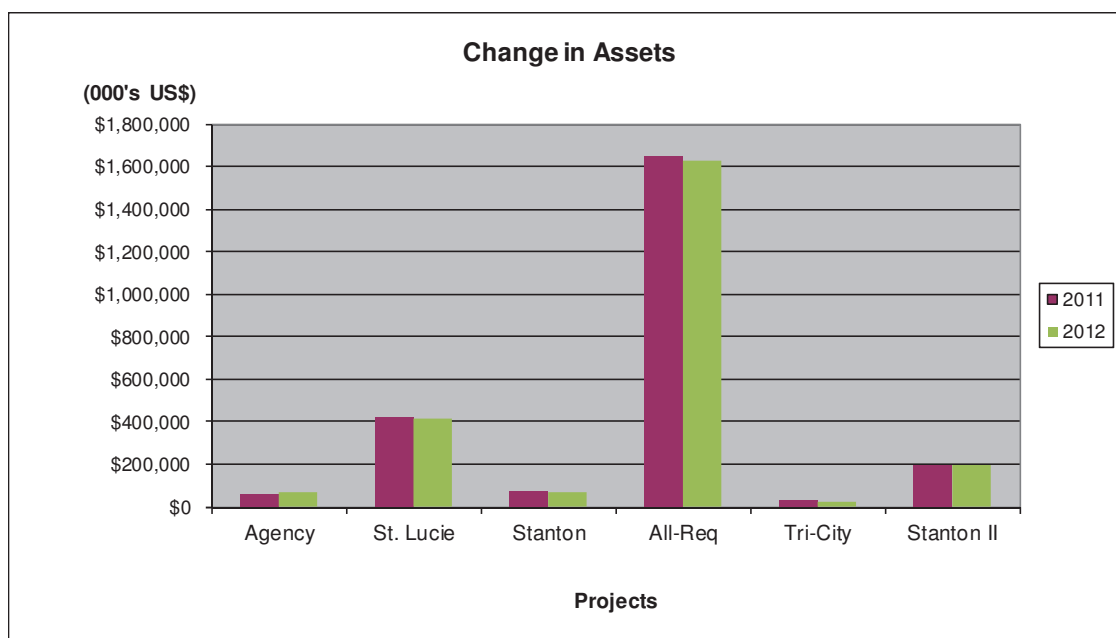
*For Fiscal Year Ended September 30, 2012*

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, 2012, of FMPA's Agency Fund and other projects decreased \$26.4 million from the prior year. The decreases are due to depreciation of plant assets of \$79.7 million exceeding \$52.9 million in other increases. The major increases to assets were \$43.7 million of new capital assets for upgrades and improvements to existing plant and \$20 million increase to unrestricted cash and investments primarily due to borrowing \$30.0 million against the line of credit.



Change in Assets (000's US\$)							
Year	Agency	St. Lucie	Stanton	All-Req	Tri-City	Stanton II	Total
2011	\$63,511	\$418,086	\$72,255	\$1,650,675	\$27,730	\$196,217	\$2,428,474
2012	\$69,071	\$412,970	\$70,554	\$1,630,708	\$25,232	\$193,565	\$2,402,100
Variance	\$5,560	(\$5,116)	(\$1,701)	(\$19,967)	(\$2,498)	(\$2,652)	(\$26,374)

## MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2012*

### FINANCIAL HIGHLIGHTS (CONTINUED)

**Total Liabilities** at September 30, 2012, for FMPA's Agency Fund and other projects decreased by \$26.5 million during the current fiscal year. The decrease in total liabilities was mainly due to the reduction of \$26.1 million in long-term revenue bonds in the All-Requirements Project, because of principal payments on debt. The Agency had an increase of \$5.4 million due mainly to the decommissioning liability and the increase in Rate Stabilization accounts held for members. The remaining projects showed a decline in liabilities.

Total Accounts Payable and Due to Participants balance was \$70.5 million or a decrease of \$30.3 million compared with 2011. The All-Requirements Project accounted for \$27.0 million of this decrease. The All-Requirements Accounts Payable balance decreased \$4.7 million due to lower fuel costs and the Due to Participants balance decreased \$22.3 million because lower fuel costs resulted in a lower 60 day cash requirement resulting in cash being returned back to the Participants.

**Long-Term Liability** balance outstanding at September 30, 2012, for FMPA's Agency Fund and Projects was \$2.2 billion, a decrease of \$29.4 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 Revenue for Agency and all projects decreased by \$2.5 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.



# MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2012

## FINANCIAL HIGHLIGHTS (CONTINUED)

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

2012	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
<b>Assets:</b>							
Capital Assets, Net	\$ 2,924	\$ 114,529	\$ 35,124	\$ 956,182	\$ 13,969	\$ 108,648	\$ 1,231,376
Current Unrestricted Assets	16,427	83,547	26,501	264,982	7,686	39,186	438,329
Current Restricted Assets	49,059	124,572	7,616	48,352	3,426	16,777	249,802
Other Non Current Assets	661	90,322	1,313	361,192	151	28,954	482,593
<b>Total Assets</b>	<b>\$ 69,071</b>	<b>\$ 412,970</b>	<b>\$ 70,554</b>	<b>\$ 1,630,708</b>	<b>\$ 25,232</b>	<b>\$ 193,565</b>	<b>\$ 2,402,100</b>
<b>Liabilities:</b>							
Long-Term Liabilities	\$ 51,867	\$ 402,060	\$ 60,971	\$ 1,471,994	\$ 21,288	\$ 186,087	\$ 2,194,267
Current Liabilities	2,001	10,910	9,583	158,714	3,944	7,478	192,630
<b>Total Liabilities</b>	<b>\$ 53,868</b>	<b>\$ 412,970</b>	<b>\$ 70,554</b>	<b>\$ 1,630,708</b>	<b>\$ 25,232</b>	<b>\$ 193,565</b>	<b>\$ 2,386,897</b>
<b>Net Assets:</b>							
Invested in capital assets, Net	\$ 1,576	\$ (197,724)	\$ (23,097)	\$ (286,267)	\$ (9,489)	\$ (56,693)	\$ (571,694)
Restricted	-	71,963	13,555	58,334	6,046	17,148	167,046
Unrestricted	13,627	125,761	9,542	227,933	3,443	39,545	419,851
<b>Total Net Assets</b>	<b>\$ 15,203</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,203</b>

### Statement of Net Assets Proprietary funds September 30, 2011 (000's US\$)

2011	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
<b>Assets:</b>							
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
<b>Total Assets</b>	<b>\$ 63,511</b>	<b>\$ 418,086</b>	<b>\$ 72,255</b>	<b>\$ 1,650,675</b>	<b>\$ 27,730</b>	<b>\$ 196,217</b>	<b>\$ 2,428,474</b>
<b>Liabilities:</b>							
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
<b>Total Liabilities</b>	<b>\$ 48,464</b>	<b>\$ 418,086</b>	<b>\$ 72,255</b>	<b>\$ 1,650,675</b>	<b>\$ 27,730</b>	<b>\$ 196,217</b>	<b>\$ 2,413,427</b>
<b>Net Assets:</b>							
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
<b>Total Net Assets</b>	<b>\$ 15,047</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,047</b>

# MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2012

## FINANCIAL HIGHLIGHTS (CONTINUED)

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

2012	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
<b>Revenues:</b>							
Billings to participants	\$ 12,316	\$ 44,207	\$ 25,579	\$ 435,812	\$ 10,490	\$ 44,184	\$ 572,588
Sales to others		2,015	394	14,068	141	618	17,236
Amounts to be recovered from (refunded to) participants		(1,871)	(200)	22,211	(128)	409	20,421
Investment Income (loss)	160	18,373	962	(12,695)	197	1,260	8,257
<b>Total Revenue</b>	<b>\$ 12,476</b>	<b>\$ 62,724</b>	<b>\$ 26,735</b>	<b>\$ 459,396</b>	<b>\$ 10,700</b>	<b>\$ 46,471</b>	<b>\$ 618,502</b>
<b>Expenses:</b>							
Operation, maintenance & Nuclear Fuel Amortization	\$ -	\$ 14,433	\$ 4,025	\$ 59,511	\$ 1,440	\$ 6,927	\$ 86,336
Purchased power, Transmission & Fuel Costs		2,289	9,931	279,830	3,659	23,049	318,758
Administrative & General	12,010	3,389	1,154	20,528	651	1,785	39,517
Depreciation & Decommissioning	248	19,571	2,363	55,250	942	4,718	83,092
Interest & Amortization	62	15,543	3,591	66,894	1,528	8,549	96,167
<b>Total Expense</b>	<b>\$ 12,320</b>	<b>\$ 55,225</b>	<b>\$ 21,064</b>	<b>\$ 482,013</b>	<b>\$ 8,220</b>	<b>\$ 45,028</b>	<b>\$ 623,870</b>
Change in net assets before regulatory asset adjustment	\$ 156	\$ 7,499	\$ 5,671	\$ (22,617)	\$ 2,480	\$ 1,443	\$ (5,368)
Regulatory asset adjustment		(7,499)	(5,671)	22,617	(2,480)	(1,443)	5,524
Change in net assets after regulatory asset adjustment	\$ 156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156
Net assets at beginning of year	15,047						15,047
Net assets at end of year	\$ 15,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,203

### 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 Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
<b>Revenues:</b>							
Billings to participants	\$ 12,745	\$ 48,244	\$ 31,085	\$ 467,025	\$ 11,377	\$ 44,707	\$ 615,183
Sales to others		1,259	365	15,419	132	576	17,751
Amounts to be recovered from (refunded to) participants		2,094	(2,680)	19,325	(344)	(676)	17,719
Investment Income (loss)	232	5,927	876	(38,221)	195	1,291	(29,700)
<b>Total Revenue</b>	<b>\$ 12,977</b>	<b>\$ 57,524</b>	<b>\$ 29,646</b>	<b>\$ 463,548</b>	<b>\$ 11,360</b>	<b>\$ 45,898</b>	<b>\$ 620,953</b>
<b>Expenses:</b>							
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
<b>Total Expense</b>	<b>\$ 11,859</b>	<b>\$ 55,569</b>	<b>\$ 25,891</b>	<b>\$ 506,636</b>	<b>\$ 10,066</b>	<b>\$ 45,115</b>	<b>\$ 655,136</b>
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

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2012*

## 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, 2012. 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 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.

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2012*

## OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

FMPA maintains only one type of **Proprietary Fund**, the Enterprise Fund type. Enterprise Funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for all of its power projects, as well as the Agency business operations. Each of the funds is considered a "major fund" according to specific accounting rules. A summary of FMPA's activities for years 2012 and 2011 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 53 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 net Capital Assets decreased \$39.2 million during fiscal year 2012 mainly due to the depreciation of plant assets. The Agency Fund, Stanton II Project and All-Requirements Project had total Utility Plant that decreased during 2012 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 III.B. Total Plant for Stanton and Tri-City increased due to the addition of the completion of the Natural Gas Igniter System. 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 \$554,000 from fiscal year 2011 to fiscal year 2012.

On September 30, 2012, long-term notes payable debt was \$1.2 million, which is accounted for in the FMPA Agency Fund and represents the Loan outstanding for the Agency's office building.

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2012*

## FINANCIAL ANALYSIS OF FMPPA'S FUNDS AND PROJECTS (CONTINUED)

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

The Project billed 435,935 Megawatt-hours (MWh) in fiscal year 2012. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 10% to \$101.41 in fiscal year 2012. This was due to less capacity utilization in 2012, as Unit 2 had a longer than normal outage during the year for capital upgrades.

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 210,924 MWh in fiscal year 2012. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses increased 39% to \$121.27 per MWh in fiscal year 2012 due to natural gas generation being less costly than coal generation resulting in less capacity utilization of the coal unit.

Operations and Maintenance expenses decreased by \$678,000 during fiscal year 2012 and are attributable to decreased billings by OUC for Stanton Unit 1 operations. The net cost of power increased to \$120.32 per MWh in fiscal year 2012, an increase of 51% in fiscal year 2012. This was caused by less capacity utilization in 2012.

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 \$80.34 per MWh in fiscal year 2012, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2012 were 5,424,379.

Billings to ARP participants in fiscal year 2012 were 7% lower, decreasing from \$467 million to \$436 million.

The All-Requirements participant net cost of power decreased to \$84.44 per MWh in fiscal year 2012, a 4% decrease from fiscal year 2011. This decrease was primarily due to costs associated with contracted natural gas supply. General and Administrative expenses decreased \$5.2 million, a 20% decrease from the prior year. The fuel supply mix was 82.5% for natural gas, 12.6% for coal, and 4.9% 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 2012. The All-Requirements project adjusts the Demand, Energy, and Transmission rates each month based on the current expenses, estimated future expenses, and over/under collections to meet its 60 day cash target. The over/under collections amounts are shown in the Statements of Revenues, Expenses and Changes in Fund Net Assets as an addition or reduction to "Billings to Participants" and as "Due from Participants" or "Due to Participants" in the accompanying Statement of Net Assets.

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2012*

## 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 79,739 MWh in fiscal year 2012. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 53% to \$131.55 per MWh during fiscal year 2012. This was caused by natural gas generation being less costly than coal generation resulting in less capacity utilization.

The net cost of power production and delivery, which is calculated using actual Operating expenses excluding Administrative and General Expenses, decreased by 23%; the cost per MWh increased from \$83.24 per MWh in fiscal year 2011 to \$129.95 per MWh in fiscal year 2012 due to less capacity utilization.

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 517,357 MWh in fiscal year 2012. The average all-inclusive billing rate, which includes budgeted Demand, Energy, and Transmission expenses, increased by 16% to \$85.40 per MWh in fiscal year 2012. This was caused by less capacity utilization in 2012.

## 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 2012, the Agency budget was amended to increase expenditures by \$220,000 for the purpose of implementing a board room audio/video upgrade and a changeover of the Agency's document management software.

## CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets**, as of September 30, 2012, was \$1.2 billion, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes operational and construction projects in progress of generation facilities, transmission systems, land, buildings, improvements, and machinery and equipment.

FMPA's investment in capital assets for fiscal year 2012 decreased by 3.1% or \$39.2 million. This was caused primarily by depreciation of plant assets.

# MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2012*

## CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

At September 30, 2012, FMPA had **Long-Term Debt** of \$1.6 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	\$ 1,180
St. Lucie Project	310,976
Stanton Project	53,480
All-Requirements Project	1,059,893
Tri-City Project	20,948
Stanton II Project	167,159
Total	<u>\$ 1,613,636</u>

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2013 budget. Expenses were estimated using current market conditions for fuel and estimated member loads which take into consideration the member cities' economies that have shown varying impacts on loads in both demand and energy due to the current economic down turn. Rates are set in order to cover all costs and based on the member loads. Additionally, All-Requirements rates are adjusted monthly to maintain cash at a 60 day target as approved by the Executive Committee.

## SIGNIFICANT EVENTS

None to Report.

## MANAGEMENT'S DISCUSSION & ANALYSIS

*For Fiscal Year Ended September 30, 2012*

### 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, 2012:

Project	Amount (000's US\$)
St. Lucie Project	\$ 62
Stanton Project	38
All-Requirements Project	187
Tri-City Project	15
Stanton II Project	351
Total	<u>\$ 653</u>

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

### REQUEST FOR INFORMATION

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



# FLORIDA MUNICIPAL POWER AGENCY

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

September 30, 2012

(000's US\$)

ASSETS	Business-Type Activities						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
<b>Current Assets:</b>							
Cash and cash equivalents	\$ 4,464	\$ 11,404	\$ 3,229	\$ 83,214	\$ 1,835	\$ 6,156	\$ 110,302
Investments	8,595	60,563	11,816	32,693	1,173	20,643	135,483
Participant accounts receivable	2,776	2,651	2,569	35,911	1,124	4,082	49,113
Due from Participants						409	409
Fuel stock and material inventory			1,028	49,309	346	1,215	51,898
Other current assets	592	310	84	8,508	11	212	9,717
Restricted assets available for current liabilities		8,619	7,775	55,347	3,197	6,469	81,407
<b>Total Current Assets</b>	<b>\$ 16,427</b>	<b>\$ 83,547</b>	<b>\$ 26,501</b>	<b>\$ 264,982</b>	<b>\$ 7,686</b>	<b>\$ 39,186</b>	<b>\$ 438,329</b>
<b>Non-Current Assets:</b>							
Restricted Assets:							
Cash and cash equivalents	\$ 34,275	\$ 14,762	\$ 7,502	\$ 64,532	\$ 2,775	\$ 17,353	\$ 141,199
Investments	14,784	118,213	7,819	38,908	3,814	5,862	189,400
Accrued Interest		216	70	259	34	31	610
Less: Portion Classified as Current		(8,619)	(7,775)	(55,347)	(3,197)	(6,469)	(81,407)
<b>Total Restricted Assets</b>	<b>\$ 49,059</b>	<b>\$ 124,572</b>	<b>\$ 7,616</b>	<b>\$ 48,352</b>	<b>\$ 3,426</b>	<b>\$ 16,777</b>	<b>\$ 249,802</b>
<b>Utility Plant:</b>							
Electric plant	\$ -	\$ 262,566	\$ 79,504	\$ 1,227,501	\$ 32,238	\$ 182,712	\$ 1,784,521
General plant	6,807	25,339	17	3,706	20	90	35,979
Less accumulated depreciation and amortization	(3,883)	(184,329)	(44,397)	(275,025)	(18,289)	(74,154)	(600,077)
<b>Net utility plant</b>	<b>\$ 2,924</b>	<b>\$ 103,576</b>	<b>\$ 35,124</b>	<b>\$ 956,182</b>	<b>\$ 13,969</b>	<b>\$ 108,648</b>	<b>\$ 1,220,423</b>
Construction work in progress		10,953					10,953
<b>Total Utility Plant, net</b>	<b>\$ 2,924</b>	<b>\$ 114,529</b>	<b>\$ 35,124</b>	<b>\$ 956,182</b>	<b>\$ 13,969</b>	<b>\$ 108,648</b>	<b>\$ 1,231,376</b>
<b>Other Assets:</b>							
Net costs recoverable from future participant billings	\$ 659	\$ 53,124	\$ -	\$ 200,240	\$ -	\$ 7,656	\$ 261,679
Prepaid natural Gas - PGP				93,529			93,529
Deferred Outflows from Derivatives		34,118		52,387		18,928	105,433
Deferred Assets	2	3,080	1,313	15,036	151	2,370	21,952
<b>Total Other Assets</b>	<b>\$ 661</b>	<b>\$ 90,322</b>	<b>\$ 1,313</b>	<b>\$ 361,192</b>	<b>\$ 151</b>	<b>\$ 28,954</b>	<b>\$ 482,593</b>
<b>Total Assets</b>	<b>\$ 69,071</b>	<b>\$ 412,970</b>	<b>\$ 70,554</b>	<b>\$ 1,630,708</b>	<b>\$ 25,232</b>	<b>\$ 193,565</b>	<b>\$ 2,402,100</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current Liabilities:</b>							
Payable from unrestricted assets:							
Accounts payable & Accrued Liabilities	\$ 1,831	\$ 420	\$ 1,493	\$ 34,324	\$ 578	\$ 828	\$ 39,474
Due to Participants		1,871	200	28,793	128		30,992
Line of Credit Payable				30,000			30,000
Capital Lease and other Obligations	170		115	10,250	41	181	10,757
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	<b>\$ 2,001</b>	<b>\$ 2,291</b>	<b>\$ 1,808</b>	<b>\$ 103,367</b>	<b>\$ 747</b>	<b>\$ 1,009</b>	<b>\$ 111,223</b>
Payable from Restricted Assets:							
Current portion of long-term revenue bonds	\$ -	\$ 5,585	\$ 6,225	\$ 33,165	\$ 2,620	\$ 5,625	\$ 53,220
Accrued interest on long-term debt		3,034	1,550	22,182	577	844	28,187
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>\$ -</b>	<b>\$ 8,619</b>	<b>\$ 7,775</b>	<b>\$ 55,347</b>	<b>\$ 3,197</b>	<b>\$ 6,469</b>	<b>\$ 81,407</b>
<b>Total Current Liabilities</b>	<b>\$ 2,001</b>	<b>\$ 10,910</b>	<b>\$ 9,583</b>	<b>\$ 158,714</b>	<b>\$ 3,944</b>	<b>\$ 7,478</b>	<b>\$ 192,630</b>
<b>Liabilities Payable from Restricted Assets:</b>							
Held in Trust for Decommissioning	\$ 33,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,027
Held in Trust for Rate Stabilization	16,032						16,032
Accrued Decommissioning Liability		56,966					56,966
<b>Total Liabilities Payable from Restricted Assets</b>	<b>\$ 49,059</b>	<b>\$ 56,966</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,025</b>
<b>Long-Term Liabilities Less Current Portion:</b>							
Long-term revenue bonds	\$ -	\$ 310,976	\$ 52,658	\$ 1,059,893	\$ 20,654	\$ 165,869	\$ 1,610,050
Long-term loans - Taxable			822		294	1,290	2,406
Capital Lease and Other Obligations				177,360			177,360
Agency Building Note Payable	1,180						1,180
Other Post Employment Benefits	1,628						1,628
FMV Derivative Instruments		34,118		213,774		18,928	266,820
Due to Participants			7,491		340		7,831
Advances from Participants				20,967			20,967
<b>Total Long-Term Liabilities</b>	<b>\$ 2,808</b>	<b>\$ 345,094</b>	<b>\$ 60,971</b>	<b>\$ 1,471,994</b>	<b>\$ 21,288</b>	<b>\$ 186,087</b>	<b>\$ 2,088,242</b>
<b>Total Liabilities</b>	<b>\$ 53,868</b>	<b>\$ 412,970</b>	<b>\$ 70,554</b>	<b>\$ 1,630,708</b>	<b>\$ 25,232</b>	<b>\$ 193,565</b>	<b>\$ 2,386,897</b>
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	\$ 1,576	\$ (197,724)	\$ (23,097)	\$ (286,267)	\$ (9,489)	\$ (56,693)	\$ (571,694)
Restricted		71,963	13,555	58,334	6,046	17,148	167,046
Unrestricted	13,627	125,761	9,542	227,933	3,443	39,545	419,851
<b>Total Net Assets</b>	<b>\$ 15,203</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,203</b>

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, 2012**  
(000's US\$)

	Business-Type Activities						Totals
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	
<b>Operating Revenue:</b>							
Billings to participants	\$ 12,316	\$ 44,207	\$ 25,579	\$ 435,812	\$ 10,490	\$ 44,184	\$ 572,588
Sales to others		2,015	394	14,068	141	618	17,236
Amounts to be recovered from (refunded to) participants		(1,871)	(200)	22,211	(128)	409	20,421
<b>Total Operating Revenue</b>	<u>\$ 12,316</u>	<u>\$ 44,351</u>	<u>\$ 25,773</u>	<u>\$ 472,091</u>	<u>\$ 10,503</u>	<u>\$ 45,211</u>	<u>\$ 610,245</u>
<b>Operating Expenses:</b>							
Operation and maintenance	\$ -	\$ 11,359	\$ 4,025	\$ 59,511	\$ 1,440	\$ 6,927	\$ 83,262
Fuel expense			8,707	229,663	3,169	21,201	262,740
Nuclear fuel amortization		3,074					3,074
Spent fuel fees		626					626
Purchased power		1,117		24,860			25,977
Transmission services		546	1,224	25,307	490	1,848	29,415
General and administrative	12,010	3,389	1,154	20,528	651	1,785	39,517
Depreciation and amortization	248	16,155	2,363	55,250	942	4,718	79,676
Decommissioning		3,416					3,416
<b>Total Operating Expense</b>	<u>\$ 12,258</u>	<u>\$ 39,682</u>	<u>\$ 17,473</u>	<u>\$ 415,119</u>	<u>\$ 6,692</u>	<u>\$ 36,479</u>	<u>\$ 527,703</u>
<b>Total Operating Income (Loss)</b>	<u>\$ 58</u>	<u>\$ 4,669</u>	<u>\$ 8,300</u>	<u>\$ 56,972</u>	<u>\$ 3,811</u>	<u>\$ 8,732</u>	<u>\$ 82,542</u>
<b>Non-Operating Income (Expense):</b>							
Interest expense	\$ (62)	\$ (13,284)	\$ (3,090)	\$ (64,523)	\$ (1,149)	\$ (7,584)	\$ (89,692)
Amortization of debt premium and discount		(2,034)	(219)	(990)	(343)	(737)	(4,323)
Amortization of debt issue costs		(225)	(282)	(1,381)	(36)	(228)	(2,152)
Investment earnings	160	18,373	962	1,401	197	1,260	22,353
Gain (Loss) on ineffective swaps				(17,014)			(17,014)
Amortization of swap terminations				2,918			2,918
<b>Total Non-Operating Income (Expenses)</b>	<u>\$ 98</u>	<u>\$ 2,830</u>	<u>\$ (2,629)</u>	<u>\$ (79,589)</u>	<u>\$ (1,331)</u>	<u>\$ (7,289)</u>	<u>\$ (87,910)</u>
Change in net assets before regulatory asset adjustment	\$ 156	\$ 7,499	\$ 5,671	\$ (22,617)	\$ 2,480	\$ 1,443	\$ (5,368)
Regulatory asset adjustment		(7,499)	(5,671)	22,617	(2,480)	(1,443)	5,524
Change in net assets after regulatory asset adjustment	\$ 156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156
Net assets at beginning of year	15,047						15,047
Net assets at end of year	<u>\$ 15,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,203</u>

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, 2012**

	Business-Type Activities						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
<b>Cash Flows From Operating Activities:</b>							
Cash Received From Customers	\$ 11,556	\$ 45,437	\$ 25,830	\$ 494,848	\$ 10,336	\$ 43,629	\$ 631,636
Cash Paid to Suppliers	(5,060)	(16,300)	(17,811)	(372,363)	(6,120)	(32,219)	(449,873)
Cash Paid to Employees	(6,286)						(6,286)
Cash Paid for Interest - Lending Activity							
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 210</b>	<b>\$ 29,137</b>	<b>\$ 8,019</b>	<b>\$ 122,485</b>	<b>\$ 4,216</b>	<b>\$ 11,410</b>	<b>\$ 175,477</b>
<b>Cash Flows From Investing Activities:</b>							
Proceeds From Sales and Maturities Of Investments	\$ 72,460	\$ 555,006	\$ 17,771	\$ 256,471	\$ 5,394	\$ 22,137	\$ 929,239
Crystal River 3 Decommissioning, RSA							
Deposits and Interest Earnings	4,899						4,899
Purchases of Investments	(61,948)	(544,106)	(14,537)	(261,780)	(5,087)	(17,735)	(905,193)
Income received on Investments	180	9,271	551	1,700	164	780	12,646
<b>Net Cash Provided by (Used in) Investment Activities</b>	<b>\$ 15,591</b>	<b>\$ 20,171</b>	<b>\$ 3,785</b>	<b>\$ (3,609)</b>	<b>\$ 471</b>	<b>\$ 5,182</b>	<b>\$ 41,591</b>
<b>Cash Flows From Capital &amp; Related Financing Activities:</b>							
Proceeds from Issuance of Bonds & Loans	\$ -	\$ 69,078	\$ -	\$ -	\$ -	\$ 90,336	\$ 159,414
Cash Paid for Swap Terminations		(13,203)				(7,802)	(21,005)
Discount Received on Tendered Bonds		7,509				4,780	12,289
Debt Issuance Costs		(182)				(898)	(1,080)
Capital Expenditures	(123)	(24,380)	(3,067)	(13,104)	(1,097)	(3,689)	(45,460)
Long Term Gas Pre Pay - PGP				(6,281)			(6,281)
Principal Payments - Long Term Debt	(165)	(66,915)	(6,055)	(39,254)	(2,584)	(81,572)	(196,545)
Line of Credit Advances				30,000			30,000
Interest paid on Debt	(62)	(12,558)	(3,229)	(64,715)	(1,187)	(9,028)	(90,779)
<b>Net Cash Provided (Used in) Capital &amp; Related Financing Activities</b>	<b>\$ (350)</b>	<b>\$ (40,651)</b>	<b>\$ (12,351)</b>	<b>\$ (93,354)</b>	<b>\$ (4,868)</b>	<b>\$ (7,873)</b>	<b>\$ (159,447)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 15,451</b>	<b>\$ 8,657</b>	<b>\$ (547)</b>	<b>\$ 25,522</b>	<b>\$ (181)</b>	<b>\$ 8,719</b>	<b>\$ 57,621</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>23,288</b>	<b>17,509</b>	<b>11,278</b>	<b>122,224</b>	<b>4,791</b>	<b>14,790</b>	<b>193,880</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 38,739</b>	<b>\$ 26,166</b>	<b>\$ 10,731</b>	<b>\$ 147,746</b>	<b>\$ 4,610</b>	<b>\$ 23,509</b>	<b>\$ 251,501</b>
<b>Consisting of:</b>							
Unrestricted	\$ 4,464	\$ 11,404	\$ 3,229	\$ 83,214	\$ 1,835	\$ 6,156	\$ 110,302
Restricted	34,275	14,762	7,502	64,532	2,775	17,353	141,199
<b>Total</b>	<b>\$ 38,739</b>	<b>\$ 26,166</b>	<b>\$ 10,731</b>	<b>\$ 147,746</b>	<b>\$ 4,610</b>	<b>\$ 23,509</b>	<b>\$ 251,501</b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>							
Operating Income (Loss)	\$ 58	\$ 4,669	\$ 8,300	\$ 56,972	\$ 3,811	\$ 8,732	\$ 82,542
Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:							
Depreciation	248	16,155	2,363	55,250	942	4,718	79,676
Asset Retirement Costs	3	189					192
Decommissioning		3,416					3,416
Amortization of Nuclear Fuel		3,074					3,074
Amortization of Pre Paid Gas - PGP				5,854			5,854
Changes in Assets and Liabilities Which Provided (Used) Cash:							
Inventory			522	2,470	194	548	3,734
Receivables From (Payable to) Participants	(643)	1,086	59	5,911	(167)	(1,580)	4,666
Prepays	(9)	286		6,188	(1)	(390)	6,074
Accounts Payable and Accrued Expense	670	926	(3,217)	(27,005)	(559)	(621)	(29,806)
Other Deferred Costs	(117)	(439)	274	18,226	32	231	18,207
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ 210</b>	<b>\$ 29,137</b>	<b>\$ 8,019</b>	<b>\$ 122,485</b>	<b>\$ 4,216</b>	<b>\$ 11,410</b>	<b>\$ 175,477</b>
<b>Noncash Investing, capital and financing activities:</b>							
Increase (Decrease) in mark to market values							
Non-Trust Investments	\$ 31	\$ 9,216	\$ 451	\$ (284)	\$ 42	\$ 503	\$ 9,959
Interest Rate Derivative Contracts				(8,112)			(8,112)
Change in Effective Swaps		8,504		(9,140)		6,168	5,532

The accompanying notes are an integral part of these financial statements

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### 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, 2012, FMPA has 31 members.

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

The Agency Fund and each of the projects are maintained using the Uniform 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.

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### I. Summary of Significant Accounting Policies (continued)

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

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

##### 1. Fund Accounting

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

The Agency operates the following major funds:

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### I. Summary of Significant Accounting Policies (continued)

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

###### 2. Capital Assets

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

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

###### 3. Inventory

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

###### 4. Cash & Cash Equivalents

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

- Demand deposits (not including certificates of deposits)
- Money market funds
- 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 Statement of Net Assets date. All of FMPA's project and fund investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

## **NOTES TO FINANCIAL STATEMENTS**

### *For the Year Ended September 30, 2012*

#### **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, 2012, the liability for unused vacation was \$617,411 and \$407,794 for unused sick/personal leave.

###### **8. Allocation of Agency Fund Expenses**

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

###### **9. Billing to Participants**

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### 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. Nuclear Decommissioning Liability

##### A. St. Lucie Project

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

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement. Funds deposited, together with investment earnings in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the license extension to meet the Project's share of the decommissioning costs. This is reflected in the St. Lucie Project's Statement of Net Assets as Restricted Cash and Investments (\$57 million) and Accrued Decommissioning Expense (\$57 million) at September 30, 2012. 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.



## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2012

## II. Nuclear Decommissioning Liability (continued)

### A. St. Lucie Project (continued)

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 Statement of Net Assets 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 \$33 million in the accounts at September 30, 2012.

## III. Capital Assets

A description and summary as of September 30, 2012, of Capital Assets by fund and project, is as follows:

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

### A. Agency Fund

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

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

New capital undertakings are accounted for in the Development Projects in Progress account and included in the Deferred Costs section of the Statement of Net Assets. Depending on whether these undertakings become a project, costs are either capitalized or expensed. The activity for the Agency's general plant assets for the year ended September 30, 2012 was as follows:

	September 30, 2012			Ending Balance
	Beginning Balance	Increases	Decreases*	
		(000's US\$)		
Land	\$ 653	\$ -	\$ -	\$ 653
General Plant	6,083	123	(52)	6,154
General Plant in Service	\$ 6,736	\$ 123	\$ (52)	\$ 6,807
Less Accumulated Depreciation	(3,684)	(248)	49	(3,883)
General Plant in Service, Net	<u>\$ 3,052</u>	<u>\$ (125)</u>	<u>\$ (3)</u>	<u>\$ 2,924</u>
* Includes Retirements Less Salvage				

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2012

### III. Capital Assets (continued)

#### B. St. Lucie Project

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

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

St. Lucie plant asset activity for the year ended September 30, 2012, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2012</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 75	\$ -	\$ -	\$ 75
Electric Plant	251,377	11,114		262,491
General Plant	1,209			1,209
Nuclear Fuel	26,722	4,122	(6,714)	24,130
Construction work in Process	1,809	9,144		10,953
Electric Utility Plant in Service	\$ 281,192	\$ 24,380	\$ (6,714)	\$ 298,858
Less Accumulated Depreciation	(171,625)	(19,229)	6,525	(184,329)
Utility Plant in Service, Net	<u>\$ 109,567</u>	<u>\$ 5,151</u>	<u>\$ (189)</u>	<u>\$ 114,529</u>

\* 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.

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, 2012, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2012</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 125	\$ -	\$ -	\$ 125
Electric Plant	76,312	3,067		79,379
General Plant	17			17
Electric Utility Plant in Service	\$ 76,454	\$ 3,067	\$ -	\$ 79,521
Less Accumulated Depreciation	(42,034)	(2,363)		(44,397)
Utility Plant in Service, Net	<u>\$ 34,420</u>	<u>\$ 704</u>	<u>\$ -</u>	<u>\$ 35,124</u>

\* Includes Retirements Less Salvage

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2012

### III. Capital Assets (continued)

#### D. All-Requirements Project

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

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

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

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

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

All-Requirements plant asset activity for the year ended September 30, 2012, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2012</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 13,405	\$ -	\$ -	\$ 13,405
Electric Plant	1,202,750	11,346		1,214,096
General Plant	3,706			3,706
Electric Utility Plant in Service	\$ 1,219,861	\$ 11,346	\$ -	\$ 1,231,207
Less Accumulated Depreciation	(219,775)	(55,250)		(275,025)
Utility Plant in Service, Net	<u>\$ 1,000,086</u>	<u>\$ (43,904)</u>	<u>\$ -</u>	<u>\$ 956,182</u>
* Includes Retirements Less Salvage				

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2012

### III. Capital Assets (continued)

#### E. Tri-City Project

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

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

- Electric Plant 40 years
- Computer Equipment 9 years

Tri-City Project plant asset activity for the year ended September 30, 2012, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2012</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 48	\$ -	\$ -	\$ 48
Electric Plant	31,093	1,097		32,190
General Plant	20			20
Electric Utility Plant in Service	\$ 31,161	\$ 1,097	\$ -	\$ 32,258
Less Accumulated Depreciation	(17,347)	(942)		(18,289)
Utility Plant in Service, Net	<u>\$ 13,814</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 13,969</u>
* Includes Retirements Less Salvage				

#### F. Stanton II Project

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

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

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 2 plant asset activity for the year ended September 30, 2012, was as follows:

	<i>Beginning Balance</i>	<i>September 30, 2012</i>		<i>Ending Balance</i>
		<i>Increases</i>	<i>Decreases*</i>	
		<i>(000's US\$)</i>		
Land	\$ 217	\$ -	\$ -	\$ 217
Electric Plant	178,806	3,689		182,495
General Plant	90			90
Electric Utility Plant in Service	\$ 179,113	\$ 3,689	\$ -	\$ 182,802
Less Accumulated Depreciation	(69,436)	(4,718)		(74,154)
Utility Plant in Service, Net	<u>\$ 109,677</u>	<u>\$ (1,029)</u>	<u>\$ -</u>	<u>\$ 108,648</u>
* Includes Retirements Less Salvage				

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### IV. Cash, Cash Equivalents and Investments

##### A. Cash and Cash Equivalents

At September 30, 2012, 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, 2012, 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, 2012, were insured or registered and held by its agent in FMPA's name. Changes in the fair value of investments are reported in current period revenues and expenses. All of FMPA's fund and project investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

##### Foreign Currency Risk

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

##### Interest-Rate Risk

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

##### Concentration of Credit Risk

Each project is separate from the others and as such, each project is evaluated individually to determine the credit and interest rate risk. FMPA's investment policy prohibits investments in commercial paper that exceed 50% of any of the projects' or the Agency's assets. All commercial paper must be rated in the highest rating category by a nationally recognized bond rating agency at the time of purchase. Money market funds rated in the highest rating category are allowed as well as those collateralized with specific high-quality instruments. These investments must not exceed 25% for any of FMPA's projects. As of September 30, 2012, fixed income commercial paper investments, held by FMPA from any one issuer (investments issued or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools and other pooled investments are excluded) that represent 5% or more of the projects' investment assets are listed on the following page:

**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2012*

**IV. Cash, Cash Equivalents and Investments (continued)**

**B. Investments (continued)**

<b>Agency Fund</b>		
Forward Delivery Agreement w/JP Morgan Chase & Co	63.24%	
Held for Crystal River 3 decommissioning, which has different investment limits.		
<b>St. Lucie Project</b>		
Forward Delivery Agreement w/JP Morgan Chase & Co	24.12%	
Collateral held for Forward Agreement.		
<b>Stanton Project</b>		
None		
<b>All-Requirements Project</b>		
None		
<b>Tri-City Project</b>		
None		
<b>Stanton II Project</b>		
None		

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

**1. Agency Fund**

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2012, are as follows:

	<b>September 30, 2012</b>	<b>Weighted Average Maturity (Days)</b>	<b>Credit Rating</b>
<b>Restricted</b>	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 34,275		
US Gov't/Agency Securities	-		
Commercial Paper	14,784	1	A1+/P1
Total Restricted	<u>\$ 49,059</u>		
<b>Unrestricted</b>			
Cash and Cash Equivalents	\$ 4,464		
US Gov't/Agency Securities	8,595	849	Aaa/AA+/AAA
Commercial Paper	-		
Total Unrestricted	<u>\$ 13,059</u>		
Total	<u><u>\$ 62,118</u></u>		

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### IV. Cash, Cash Equivalents and Investments (continued)

#### B. Investments (continued)

##### 2. St. Lucie Project

In addition to normal operational cash needs for the project, investments are being accumulated in order to pay-off the balloon maturity of the Project's debt in 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, 2012, are as follows:

	September 30, 2012	Weighted Average Maturity (Days)	Credit Rating
<b>Restricted</b>	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 14,762		
US Gov't/Agency Securities	26,019	854	Aaa/AA+/AAA
Municipal Bonds	49,065	4,553	*
Commercial Paper	43,129	1	A1+/P1
Total Restricted	<u>\$ 132,975</u>		
<b>Unrestricted</b>			
Cash and Cash Equivalents	\$ 11,404		
US Gov't/Agency Securities	13,837	1,853	Aaa/AA+/AAA
Municipal Bonds	46,726	3,074	*
Commercial Paper	-		
Total Unrestricted	<u>\$ 71,967</u>		
Total	<u>\$ 204,942</u>		

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

##### 3. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2012, are as follows:

	September 30, 2012	Weighted Average Maturity (Days)	Credit Rating
<b>Restricted</b>	<i>(000's US\$)</i>		
Cash and Cash Equivalents	\$ 7,502		
US Gov't/Agency Securities	5,984	1,281	Aaa/AA+/AAA
Municipal Bonds	1,835	1,141	*
Total Restricted	<u>\$ 15,321</u>		
<b>Unrestricted</b>			
Cash and Cash Equivalents	\$ 3,229		
US Gov't/Agency Securities	9,253	2,062	Aaa/AA+/AAA
Municipal Bonds	2,563	3,237	*
Total Unrestricted	<u>\$ 15,045</u>		
Total	<u>\$ 30,366</u>		

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

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### IV. Cash, Cash Equivalents and Investments (continued)

#### B. Investments (continued)

##### 4. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2012, are as follows:

	September 30, 2012 <i>(000's US\$)</i>	Weighted Average Maturity (Days)	Credit Rating
<b>Restricted</b>			
Cash and Cash Equivalents	\$ 64,532		
US Gov't/Agency Securities	34,534	794	Aaa/AA+/AAA
Municipal Bonds	4,374	1,147	*
Total Restricted	<u>\$ 103,440</u>		
<b>Unrestricted</b>			
Cash and Cash Equivalents	\$ 83,214		
US Gov't/Agency Securities	31,907	470	Aaa/AA+/AAA
Municipal Bonds	786	1,934	*
Total Unrestricted	<u>\$ 115,907</u>		
Total	<u><u>\$ 219,347</u></u>		

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

##### 5. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2012, are as follows:

	September 30, 2012 <i>(000's US\$)</i>	Weighted Average Maturity (Days)	Credit Rating
<b>Restricted</b>			
Cash and Cash Equivalents	\$ 2,775		
US Gov't/Agency Securities	2,768	761	Aaa/AA+/AAA
Municipal Bonds	1,046	2,300	*
Total Restricted	<u>\$ 6,589</u>		
<b>Unrestricted</b>			
Cash and Cash Equivalents	\$ 1,835		
US Gov't/Agency Securities	934	1,221	Aaa/AA+/AAA
Municipal Bonds	239	2,984	*
Total Unrestricted	<u>\$ 3,008</u>		
Total	<u><u>\$ 9,597</u></u>		

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



# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### IV. Cash, Cash Equivalents and Investments (continued)

#### B. Investments (continued)

##### 6. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2012, are as follows:

	September 30, 2012 <i>(000's US\$)</i>	Weighted Average Maturity (Days)	Credit Rating
<b>Restricted</b>			
Cash and Cash Equivalents	\$ 17,353		
US Gov't/Agency Securities	3,022	532	Aaa/AA+/AAA
Municipal Bonds	2,840	355	*
Total Restricted	<u>\$ 23,215</u>		
<b>Unrestricted</b>			
Cash and Cash Equivalents	\$ 6,156		
US Gov't/Agency Securities	17,221	2,148	Aaa/AA+/AAA
Municipal Bonds	3,422	2,783	*
Total Unrestricted	<u>\$ 26,799</u>		
Total	<u><u>\$ 50,014</u></u>		

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

### V. Derivative Financial Instruments

FMPA uses derivative instruments to hedge the effects of fluctuations in interest rates and the price of natural gas. In accordance with GASB 53, market values of derivative instruments are included on the Statement of Net Assets as either an asset or a liability depending on whether FMPA would receive or pay to terminate the instrument on the Statement of Net Assets 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
<b>Deferred Outflows from Derivatives</b>							
Interest Rate Swaps - Effective	\$ -	\$ -	\$ 34,118	\$ -	\$ 33,392	\$ -	\$ 18,928
Natural Gas					18,995		
Total Deferred Outflows from Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,118</u>	<u>\$ -</u>	<u>\$ 52,387</u>	<u>\$ -</u>	<u>\$ 18,928</u>
<b>Fair Market Value Derivative Instruments Liabilities</b>							
Natural Gas	\$ -	\$ -	\$ -	\$ -	18,995	\$ -	\$ -
Hybrid Swap Liability					46,526		
Market Value Adjustment for Effective Swaps			34,118		33,392		18,928
Interest Rate Swaps - Ineffective					114,861		
Total Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,118</u>	<u>\$ -</u>	<u>\$ 213,774</u>	<u>\$ -</u>	<u>\$ 18,928</u>

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### V. Derivative Financial Instruments (continued)

##### A. Swap Agreements

Three of FMPA's projects are party to interest rate swap agreements. The objective for entering into these agreements is to convert variable interest rates to fixed rates thus reducing interest rate exposure. The 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, 2012, is listed, by project, in the tables that follow. As part of the swap agreements, if the provider's credit rating drops below certain levels and a termination value indicates an amount that would be payable to the Agency, collateral (or cash in some circumstances) would need to be posted by the counterparty with a third-party custodian if the value of the termination payment exceeds certain threshold levels. Conversely, the Agency would have to post collateral for the same reason in some circumstances.

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

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

##### Interest Rate Risk

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

##### Basis Risk

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

##### Termination Risk

Termination values are listed in the following tables as of September 30, 2012. These amounts vary with changes in the market. The swaps may be terminated by the Agency if the counterparty's credit quality falls below certain levels. The Agency or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. If, at the time of the termination, the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value. The Agency also has an optional right to terminate with certain notice and compensation requirements for swap agreements completed in 2004, 2005 and 2006.

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### V. Derivative Financial Instruments (continued)

#### A. Swap Agreements (continued)

##### 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 \$17.0 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 \$57.0 million less amortization of \$10.5 million for a net of \$46.5 million. The remaining effective swaps reflect a market value of negative \$33.4 million.

#### 1. St. Lucie Project

<u>Swaps Currently Effective</u>								
<i>(000's US\$)</i>								
	<i>Notional Amount</i>	<i>Effective Date</i>	<i>Fixed Rate Paid</i>	<i>Variable Rate Received</i>	<i>Termination Date</i>	<i>Fair Value**</i>	<i>Counterparty</i>	<i>Counterparty Credit Rating</i>
<b>Series 2000</b>								
\$	16,650	7/3/2006	3.444%	72% LIBOR*	10/1/2021	\$ (3,439)	Merrill Lynch & Co., Inc.	Baa1/A/A+
<b>Series 2002</b>								
	11,975	7/2/2007	3.481%	72% LIBOR*	10/1/2021	\$ (2,512)	Merrill Lynch & Co., Inc.	Baa1/A/A+
	11,975	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(2,615)	Merrill Lynch & Co., Inc.	Baa1/A/A+
	11,308	7/2/2007	3.481%	72% LIBOR*	10/1/2021	(2,380)	Goldman Sachs	A1/A/A+
	7,825	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(1,622)	Goldman Sachs	A1/A/A+
	11,308	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(2,492)	Goldman Sachs	A1/A/A+
	11,975	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(2,668)	Merrill Lynch & Co., Inc.	Baa1/A/A+
	11,308	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(2,528)	Goldman Sachs	A1/A/A+
	67,125	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(13,862)	Merrill Lynch & Co., Inc.	Baa1/A/A+
	<u>\$ 144,799</u>					<u>\$ (30,679)</u>		
Total Termination Value of Swaps						<u>\$ (34,118)</u>		
*floating to fixed								
**( ) denotes that termination value payable to the dealer if swap had been terminated 9/30/12								

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### V. Derivative Financial Instruments (continued)

#### A. Swap Agreements (continued)

##### 2. All-Requirements Project

<i>Notional Amount</i>	<i>Effective Date</i>	<i>Fixed Rate Paid</i>	<i>Variable Rate Received</i>	<i>Termination Date</i>	<i>Fair Value**</i>	<i>Counterparty</i>	<i>Counterparty Credit Rating</i>
<b>Series 2006A</b>							
\$ 6,250	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	\$ (187)	Merrill Lynch & Co., Inc.	Baa1/A/A+
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(285)	Merrill Lynch & Co., Inc.	Baa1/A/A+
7,935	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(406)	Merrill Lynch & Co., Inc.	Baa1/A/A+
6,980	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(389)	Merrill Lynch & Co., Inc.	Baa1/A/A+
6,245	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	(191)	Morgan Stanley	A2/A/A
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(285)	Morgan Stanley	A2/A/A
7,930	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(412)	Morgan Stanley	A2/A/A
5,175	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(302)	Morgan Stanley	A2/A/A
<u>\$ 53,675</u>					<u>\$ (2,457)</u>		
<b>Series 2008C</b>							
\$ 33,180	10/1/2006	3.701%	72% LIBOR*	10/1/2027	\$ (8,873)	Goldman Sachs	A1/A/A+
11,050	10/1/2006	3.665%	72% LIBOR*	10/1/2026	(2,863)	JP Morgan Chase	Aa1/AA-/AA-
2,684	10/1/2006	3.656%	72% LIBOR*	10/1/2026	(691)	JP Morgan Chase	Aa1/AA-/AA-
224	10/1/2006	3.612%	72% LIBOR*	10/1/2026	(57)	JP Morgan Chase	Aa1/AA-/AA-
33,180	10/1/2006	3.649%	72% LIBOR*	10/1/2027	(8,673)	Merrill Lynch & Co., Inc.	Baa1/A/A+
33,180	10/1/2006	3.697%	72% LIBOR*	10/1/2027	(8,860)	Morgan Stanley	A2/A/A
20,125	10/1/2006	3.669%	72% LIBOR*	10/1/2025	(4,404)	UBS AG	Aa3/A+/A+
19,050	10/1/2006	3.737%	72% LIBOR*	10/1/2035	(6,296)	Wells Fargo	Aa2/AA/AA-
<u>\$ 152,673</u>					<u>\$ (40,717)</u>		
<b>Series 2011A-2</b>							
\$ 42,000	10/1/2006	5.175%	100% LIBOR*	10/1/2025	\$ (16,036)	Wells Fargo	Aa2/AA/AA-
<b>Series 2001A-1 &amp; 2011B</b>							
\$ 15,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	\$ (4,406)	JP Morgan Chase	Aa1/AA-/AA-
25,000	10/1/2006	3.709%	72% LIBOR*	10/1/2030	(7,490)	JP Morgan Chase	Aa1/AA-/AA-
30,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	(8,812)	JP Morgan Chase	Aa1/AA-/AA-
<u>\$ 70,000</u>					<u>\$ (20,708)</u>		
<b>Bonds Authorized</b>							
<b>Series Not Yet Designated</b>							
\$ 50,000	10/1/2015	3.829%	72% LIBOR*	10/1/2045	\$ (12,849)	Bank of America	A2/A/A+
50,000	10/1/2015	3.816%	72% LIBOR*	10/1/2045	(12,757)	Bank of New York	Aaa/AA/AA
50,000	10/1/2015	3.849%	72% LIBOR*	10/1/2045	(12,990)	Credit Agricole	Aa2/A+/AA-
50,000	10/1/2015	3.800%	72% LIBOR*	10/1/2045	(12,644)	Citibank	A1/A+/A+
50,000	10/1/2015	3.794%	72% LIBOR*	10/1/2045	(12,602)	Dexia	A3/A-/A+
50,000	10/1/2015	3.819%	72% LIBOR*	10/1/2045	(12,778)	JP Morgan Chase	Aa1/AA-/AA-
50,000	10/1/2015	3.846%	72% LIBOR*	10/1/2045	(12,966)	Merrill Lynch & Co., Inc.	Baa1/A/A+
50,000	10/1/2015	3.805%	72% LIBOR*	10/1/2045	(12,680)	Morgan Stanley	A2/A/A
50,000	10/1/2015	3.793%	72% LIBOR*	10/1/2045	(12,595)	Sun Trust	Baa1/BBB/BBB+
<u>\$ 450,000</u>					<u>\$ (114,861)</u>		
Total Swap Termination Value					<u>\$ (194,779)</u>		
Effective Swaps					\$ (33,392)		
Hybrid Loans					(46,526)		
Ineffective Swaps					(114,861)		
					<u>\$ (194,779)</u>		
*floating to fixed							
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/12							

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### V. Derivative Financial Instruments (continued)

#### A. Swap Agreements (continued)

##### 3. Stanton II Project

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000							
\$ 7,648	10/1/2006	4.049%	72% LIBOR*	10/1/2027	\$ (2,563)	Merrill Lynch & Co., Inc.	Baa1/A/A+
10,227	10/1/2006	4.071%	72% LIBOR*	10/1/2027	(3,458)	JP Morgan Chase	Aa1/AA-/AA-
<u>\$ 17,875</u>					<u>\$ (6,021)</u>		
Series 2002							
\$ 1,730	4/30/2002	4.260%	CPI Rate + 1.40	10/1/2012	\$ (6)	Morgan Stanley	A2/A/A
<u>\$ 1,730</u>					<u>\$ (6)</u>		
Series 2004							
\$ 27,738	8/5/2004	3.863%	72% LIBOR*	10/1/2027	\$ (6,450)	Merrill Lynch & Co., Inc.	Baa1/A/A+
27,737	8/5/2004	3.863%	72% LIBOR*	10/1/2027	(6,451)	UBS AG	Aa3/A+/A+
<u>\$ 55,475</u>					<u>\$ (12,901)</u>		
Total Swap Termination Value					<u>\$ (18,928)</u>		
*floating to fixed							
**( ) denotes that termination value payable to the dealer if swap had been terminated 9/30/12							

#### 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, 2012, had futures and options contracts outstanding in the following amounts, covering the fiscal years 2013 through 2014.

Fiscal Year Ending	Futures	Thousands of mmBtu Net Put Options	Net Call Options	Net Contracts	Fair Market Value at 9/30/2012 (000's US\$)
2013	678	535		1,213	\$ (16,495)
2014	39	78		117	(2,500)
	<u>717</u>	<u>613</u>	<u>-</u>	<u>1,330</u>	<u>\$ (18,995)</u>

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2012

#### V. Derivative Financial Instruments (continued)

##### B. Natural Gas Futures, Contracts and Options (continued)

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 2012, the Agency recorded a realized net loss of \$21.0 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.

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

FMPA is subject to the accounting methods for regulatory operations of the Governmental Accounting Standards Board. Billing rates are established by the Board of Directors or Executive Committee and are designed to fully recover each project's costs over the life of the project, but not necessarily in the same year that costs are recognized under generally accepted accounting principles (GAAP). Instead of GAAP costs, annual participant billing rates are structured to systematically recover current debt service requirements, operating costs and certain reserves that provide a level rate structure over the life of the project which is equal to the amortization period. Accordingly, certain project costs are classified as deferred on the accompanying Statement of Net 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:

##### Deferred Assets

	(000's US\$)					
	Agency Fund	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Unamortized Bond Issue Costs	\$ 2	\$ 2,668	\$ 1,313	\$ 15,036	\$ 151	\$ 2,370
Nuclear Fuel Enrichment Facilities		412				
Total Deferred Assets	<u>\$ 2</u>	<u>\$ 3,080</u>	<u>\$ 1,313</u>	<u>\$ 15,036</u>	<u>\$ 151</u>	<u>\$ 2,370</u>

## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2012

#### VII. 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, 2012, all FMPA projects were in compliance with requirements of the bond resolution.

Segregated restricted net assets at September 30, 2012, are as follows:

	(000's US\$)					
	Agency Fund	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Debt Service Funds	\$ -	\$ 61,218	\$ 10,501	\$ 59,935	\$ 5,040	\$ 15,479
Reserve & Contingency Funds		12,561	4,604	20,581	1,583	2,513
Decommissioning Fund	33,027	58,184				
Rate Stabilization Accounts	16,032					
Accrued Interest on Long-Term Debt		(3,034)	(1,550)	(22,182)	(577)	(844)
Accrued Decommissioning Expenses	(33,027)	(56,966)				
Rate Stabilization Accounts	(16,032)					
Total Restricted Net Assets	<u>\$ -</u>	<u>\$ 71,963</u>	<u>\$ 13,555</u>	<u>\$ 58,334</u>	<u>\$ 6,046</u>	<u>\$ 17,148</u>

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.

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### VIII. Long-Term Debt

#### A. Debt

FMPA enters into long-term debt to fund different projects. The type of long-term debt differs among each of the projects. A description and summary of long-term debt at September 30, 2012, is as follows:

##### 1. Agency Fund

Business-Type Activities	2012				Amounts Due Within One Year
	(000's US\$)				
	Beginning Balance	Increases	Decreases	Ending Balance	
Wells Fargo Loan 2010	\$ 1,515	\$ -	\$ (165)	\$ 1,350	\$ 170
	<u>\$ 1,515</u>	<u>\$ -</u>	<u>\$ (165)</u>	<u>\$ 1,350</u>	<u>\$ 170</u>

##### Loan Payable to Well Fargo Bank

The Agency Fund has one loan payable to Wells Fargo Bank at September 30, 2012. Interest is payable semi-annually at a fixed rate of 3.3%. Principal is payable in seven annual payments ranging from \$170,000 to \$220,000 with the final payment due July 1, 2019.

##### 2. St. Lucie Project

The St. Lucie Project issued series 2012A revenue bonds during the year ended September 30, 2012. These bonds have a face amount of \$58.9 million, and were issued at a premium of \$10.2 million. The bond proceeds were used as follows: \$54.6 million to retire Series 2002 bonds, \$0.5 million to retire Series 2000 bonds, \$13.2 million to terminate interest rate Swaps related to the bonds being retired, and \$0.8 million to pay for the costs of issuance and underwriter's discount. The refinancing is estimated to increase the cash outflows by \$8.4 million due to the maturity date being extended by 5 years. The net present value savings over the life of the bonds is estimated to be \$0.9 million.

Business-Type Activities	2012				Amounts Due Within One Year
	(000's US\$)				
	Beginning Balance	Increases	Decreases	Ending Balance	
Revenue Bonds					
Refunding 2000	\$ 17,150	\$ -	\$ (500)	\$ 16,650	\$ -
Refunding 2002	206,875		(62,075)	144,800	
Bonds 2009A	36,395		(2,340)	34,055	2,705
Bonds 2010A	20,500		(1,580)	18,920	1,630
Bonds 2011A	34,870		(420)	34,450	1,250
Bonds 2011B	24,305			24,305	
Bonds 2012A		58,870		58,870	
Less Deferred Premiums					
And Discounts	(21,855)	4,332	2,034	(15,489)	
Total Revenue Bonds	<u>\$ 318,240</u>	<u>\$ 63,202</u>	<u>\$ (64,881)</u>	<u>\$ 316,561</u>	<u>\$ 5,585</u>



# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### VIII. Long-Term Debt (continued)

#### A. Debt (continued)

##### 2. St. Lucie Project (continued)

The 2000, and 2002 bonds are variable rate bonds and the variable interest rates ranged between .105% and .455% for the year ended September 30, 2012. The 2009A bonds have an interest rate of 4% for 2010, and 5% rate from 2011 through 2021. The 2010A bonds have a fixed interest rate of 2.72%. The 2011A and 2011B bonds are fixed, and have a series of maturity dates from 2011 to 2026. The rates for the 2011A bonds range from 2.0% to 5.0%, and the rate for the 2011B bonds range from 4.375% to 5.0%. The 2012A bonds have a fixed interest rate of 5.0%, and mature in 2026.

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

##### 3. Stanton Project

Business-Type Activities	2012 (000's US\$)				Amounts Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
<b>Revenue Bonds</b>					
Refunding 2002	\$ 21,265	\$	\$ (3,725)	\$ 17,540	\$ 3,915
Refunding 2008	35,105		(1,375)	33,730	1,425
Bonds 2009A	9,360		(845)	8,515	885
Less Deferred Premiums And Discounts	(1,121)	-	219	(902)	
Total Revenue Bonds	\$ 64,609	\$ -	\$ (5,726)	\$ 58,883	\$ 6,225
<b>Taxable Loans</b>					
Wells Fargo Bank Taxable	1,047	-	(110)	937	115
Total Taxable Loans	\$ 1,047	\$ -	\$ (110)	\$ 937	\$ 115
Total Business-Type Activities	\$ 65,656	\$ -	\$ (5,836)	\$ 59,820	\$ 6,340

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.

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### VIII. Long-Term Debt (continued)

#### A. Debt (continued)

##### 4. All-Requirements Project

Business-Type Activities	2012 (000's US\$)				Amounts Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
<b>Revenue Bonds</b>					
Refunding Jul 2003A	\$ 26,120	\$ -	\$ (6,065)	20,055	\$ 6,365
Bonds 2006A	87,140		(12,875)	74,265	13,540
Bonds 2008A	506,695		(1,315)	505,380	1,415
Bonds 2008B	67,775		(7,335)	60,440	7,520
Bonds 2008C	154,115		(255)	153,860	265
Bonds 2008D	15		(15)		
Bonds 2008E	220		(220)		
Bonds 2009A	154,480			154,480	3,815
Bonds 2009B	15,235			15,235	
Bonds 2011A-1	29,682			29,682	92
Bonds 2011B	44,523			44,523	138
Bonds 2011A-2	42,265			42,265	15
Less Deferred Premiums And Discounts	(8,117)		990	(7,127)	
<b>Total Revenue Bonds</b>	<b>\$ 1,120,148</b>	<b>\$ -</b>	<b>\$ (27,090)</b>	<b>\$ 1,093,058</b>	<b>\$ 33,165</b>
<b>Capital Leases and Other</b>					
KUA - TARP	\$ 193,095	\$ -	\$ (10,671)	\$ 182,424	\$ 9,726
Keys - TARP	4,961		(467)	4,494	486
St. Lucie County	728		(36)	\$ 692	38
<b>Total Other Liabilities</b>	<b>\$ 198,784</b>	<b>\$ -</b>	<b>\$ (11,174)</b>	<b>\$ 187,610</b>	<b>\$ 10,250</b>
<b>Total Business-Type Activities</b>	<b>\$ 1,318,932</b>	<b>\$ -</b>	<b>\$ (38,264)</b>	<b>\$ 1,280,668</b>	<b>\$ 43,415</b>

The 2008C, 2008D, 2008E, 2011A-1, 2011B, and 2011A-2 bonds are variable rate bonds, and the variable interest rates ranged from .03% to 1.275% for the year ended September 30, 2012.

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, 2012 amount to \$259.7 million and the present value of these payments is \$182.4 million. The net book value of the assets under the capital lease amounted to \$164.2 million at September 30, 2012.

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### VIII. Long-Term Debt (continued)

##### A. Debt (continued)

##### 4. All-Requirements Project (continued)

###### 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, 2012 amount to \$5.4 million and the present value of these payments is \$4.5 million. The net book value of the assets under the capital lease amounted to \$3.9 million at September 30, 2012.

###### 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, 2012, thirteen 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 with Wells Fargo Bank was a one year line. FMPA renewed that line for another two years, with an expiration date of December 5, 2013. The JPMorgan Chase line expires in July, 2013. There were two draws on the Lines of Credit during the year for \$30.0 million.

###### Other Credit Facilities

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

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

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### VIII. Long-Term Debt (continued)

#### A. Debt (continued)

##### 5. Tri-City Project

Business-Type Activities	2012 (000's US\$)				Amounts Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
<b>Revenue Bonds</b>					
Refunding Jun 2003	\$ 24,315	\$ -	\$ (2,275)	\$ 22,040	\$ 2,355
Bonds 2009A	2,790		(270)	2,520	265
Less Deferred Premiums					
And Discounts	(1,629)		343	(1,286)	
Total Revenue Bonds	<u>\$ 25,476</u>	<u>\$ -</u>	<u>\$ (2,202)</u>	<u>\$ 23,274</u>	<u>\$ 2,620</u>
<b>Taxable Loans</b>					
Wells Fargo Taxable	374	-	(39)	335	41
Total Taxable Loans	<u>\$ 374</u>	<u>\$ -</u>	<u>\$ (39)</u>	<u>\$ 335</u>	<u>\$ 41</u>
Total Business-Type Activities	<u>\$ 25,850</u>	<u>\$ -</u>	<u>\$ (2,241)</u>	<u>\$ 23,609</u>	<u>\$ 2,661</u>

The 2003 and 2009A revenue bonds are fixed at interest rates which range from 2.0% to 5.0% and have a maturity date of 2019.

##### Loan Payable to Wells Fargo Bank

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

##### 6. Stanton II Project

The Stanton II project issued series 2012A revenue bonds during the year ended September 30, 2012. These bonds have a face amount of \$77.5 million, were issued at a premium of \$12.8 million, and had a release from Debt Service account of \$1.2 million. The bond proceeds were used as follows: \$52.1 million to retire Series 2002 bonds, \$21.6 million to retire Series 2000 bonds, \$2.3 million to retire 2004 Series bonds, \$7.8 million to terminate interest rate Swaps related to the bonds being retired, \$6.1 million to finance capital improvements, and \$0.8 million to pay for the costs of issuance, and underwriter's discount. The resources for the portion of the refunding that was completed during October 2012 was placed into an irrevocable escrow, therefore, these bonds were considered to be defeased and the liability has been removed from the Statement of Net Assets. The refinancing will decrease cash payments by an estimated \$14.6 million over the life of the bonds. The net present value savings over the life of the bonds is estimated to be \$12.5 million.

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### VIII. Long-Term Debt (continued)

#### A. Debt (continued)

##### 6. Stanton II Project (continued)

Business-Type Activities	2012 (000's US\$)				Amounts Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
<b>Revenue Bonds</b>					
Refunding 2000	\$ 39,475	\$	\$ (21,600)	\$ 17,875	\$
Refunding 2002	59,640		(55,785)	3,855	3,855
Refunding 2003	10,280		(1,240)	9,040	1,275
Refunding 2004	57,850		(2,375)	55,475	75
Bonds 2009A	6,615		(400)	6,215	420
Refunding 2012A		77,520		77,520	
Less Deferred Premiums And Discounts	(8,119)	8,896	737	1,514	
<b>Total Revenue Bonds</b>	<b>\$ 165,741</b>	<b>\$ 86,416</b>	<b>\$ (80,663)</b>	<b>\$ 171,494</b>	<b>\$ 5,625</b>
<b>Taxable Loans</b>					
Wells Fargo Taxable	\$ 1,643	\$ -	\$ (172)	\$ 1,471	\$ 181
<b>Total Taxable Loans</b>	<b>\$ 1,643</b>	<b>\$ -</b>	<b>\$ (172)</b>	<b>\$ 1,471</b>	<b>\$ 181</b>
<b>Total Business-Type Activities</b>	<b>\$ 167,384</b>	<b>\$ 86,416</b>	<b>\$ (80,835)</b>	<b>\$ 172,965</b>	<b>\$ 5,806</b>

The 2000 and 2004 revenue bonds carry variable interest rates which ranged from .105% to .497% for the year ended September 30, 2012. The 2012 revenue bonds are fixed, and have a maturity date of 2027. The rates for the bonds range from 2.0% to 5.0%.

The Series 2000 and 2004 bonds provide for early redemption at the election of FMPA on any interest payment date at a call rate of 100%. The Series 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. The Series 2012 bonds are subject to redemption prior to maturity at the election of FMPA at 100%, beginning October 1, 2022.

#### Loan Payable to Wells Fargo Bank

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

#### B. Major Debt Provisions (All Projects)

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

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

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### VIII. Long-Term Debt (continued)

#### C. Defeased Debt

The following bonds have been defeased. Since investments consisting of governmental obligations are held in escrow for payment of principal and interest, the bonds are not considered liabilities of FMPA for financial reporting purposes. The principal balances of the defeased bonds at September 30, 2012 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued (000's US\$)	Balance at September 30, 2012
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, 2012, are as follows:

Fiscal Year Ending September	St. Lucie Project		Stanton Project		(000's US\$) All-Req Project		Tri-City Project		Stanton II Project	
	Principal	Interest Including Swaps, Net	Principal	Interest Including Swaps, Net	Principal	Interest Including Swaps, Net	Principal	Interest	Principal	Interest Including Swaps, Net
2013	\$ 5,585	\$ 12,126	\$ 6,225	\$ 2,932	\$ 33,165	\$ 53,471	\$ 2,620	\$ 1,106	\$ 5,625	\$ 8,336
2014	5,250	13,228	6,520	2,611	34,660	51,914	2,705	1,001	9,275	6,912
2015	6,040	13,019	6,865	2,261	36,235	50,288	2,830	868	7,590	6,599
2016	8,120	12,743	7,220	1,893	37,945	48,610	2,965	729	7,875	6,296
2017	6,140	12,435	7,600	1,513	39,685	46,862	3,110	581	8,175	5,956
2018 - 2022	217,740	55,999	25,355	2,059	358,305	179,851	10,330	777	47,580	24,061
2023 - 2027	83,175	16,321			239,440	118,899			59,785	12,117
2028 - 2032					310,200	46,181			24,075	888
2033 - 2037					10,550	1,721				
2038 - 2042										
Total Principal & Interest	\$ 332,050	\$ 135,871	\$ 59,785	\$ 13,269	\$ 1,100,185	\$ 597,797	\$ 24,560	\$ 5,062	\$ 169,980	\$ 71,165
Less:										
Interest		(135,871)		(13,269)		(597,797)		(5,062)		(71,165)
Unamortized Loss on refunding	(30,370)		(1,223)		(11,290)		(1,854)		(11,330)	
Add:										
Unamortized Premium (Discount), net	14,881		321		4,163		568		12,844	
<b>Total Net Debt Service Requirement at September 30, 2012</b>	<b>\$ 316,561</b>	<b>\$ -</b>	<b>\$ 58,883</b>	<b>\$ -</b>	<b>\$ 1,093,058</b>	<b>\$ -</b>	<b>\$ 23,274</b>	<b>\$ -</b>	<b>\$ 171,494</b>	<b>\$ -</b>

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### VIII. Long-Term Debt (continued)

#### D. Annual Requirements (continued)

The annual cash flow debt service requirements to amortize all long term debt outstanding as of September 30, 2012, are as follows:

Fiscal Year Ending September	(000's US\$)													
	Agency Fund		St. Lucie Project		Stanton Project		All-Req Project		Tri-City Project		Stanton II Project		Totals	
	Principal	Interest	Principal	Interest	Stanton Project	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
		Including Swaps, Net		Including Swaps, Net		Including Swaps, Net		Including Swaps, Net		Including Swaps, Net		Including Swaps, Net		
2013	170	68	5,585	12,126	6,340	2,941	43,415	63,126	2,661	1,109	5,806	8,351		151,698
2014	175	59	5,250	13,228	6,641	2,623	45,461	61,019	2,748	1,005	9,465	6,932	154,606	
2015	185	50	6,040	13,019	6,992	2,271	47,444	58,817	2,875	872	7,789	6,615	152,969	
2016	190	41	8,120	12,743	7,353	1,902	49,733	56,560	3,013	732	8,084	6,309	154,780	
2017	200	32	6,140	12,435	7,740	1,520	52,128	54,157	3,160	584	8,395	5,967	152,458	
2018 - 2022	430	32	217,740	55,999	25,656	2,066	421,826	206,002	10,438	779	48,052	24,072	1,013,092	
2023 - 2027			83,175	16,321			305,777	128,557			59,785	12,117	605,732	
2028 - 2032							311,461	46,217			24,075	888	382,641	
2033 - 2037							10,550	1,721					12,271	
Total Principal & Interest \$	1,350	\$ 282	\$ 332,050	\$ 135,871	\$ 60,722	\$ 13,323	\$ 1,287,795	\$ 676,176	\$ 24,895	\$ 5,081	\$ 171,451	\$ 71,251	\$ 2,780,247	

### IX. Commitments and Contingencies

#### A. Participation Agreements

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

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

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### IX. Commitments and Contingencies (continued)

#### A. Participation Agreements (continued)

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

Project	000's US\$				
	2013	2014	2015	2016	2017
Stanton Project	\$ 5,527	\$ 2,728	\$ 455	None	None
All-Requirements Project	6,154	3,037	506	None	None
Tri-City Project	1,977	976	163	None	None
Stanton II Project	8,667	4,278	713	None	None

#### B. Public Gas Partners, Inc.

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

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

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

On November 1, 2004 FMPA entered into a PSA as a 22.04% participant of PGP Gas Supply Pool No. 1 (PGP Pool #1). PGP Gas Supply Pool No. 1 was formed by all of the participants. PGP Pool No.1 had targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 493 Bcf over a 20-year period. The acquisition period for PGP Pool #1 has closed after acquiring a supply currently estimated to be 155 Bcf. Current production from Pool #1 is 21,600 mmBtu per day. FMPA's share of this amounts to 4,760 mmBtu per day.



## NOTES TO FINANCIAL STATEMENTS

### For the Year Ended September 30, 2012

#### IX. Commitments and Contingencies (continued)

##### B. Public Gas Partners, Inc. (continued)

On October 1, 2005, FMPA entered into a PSA as a 25.90% participant of PGP Gas Supply Pool No. 2 (PGP Pool #2). PGP Gas Supply Pool No. 2 was formed to participate in specific transactions that have different acquisition criteria than PGP Pool #1. PGP Pool #2 had a total expenditure limit of \$200 million, with FMPA's share being \$52 million as authorized by the Board (before step-up provisions which would increase ARP's commitment to a maximum of \$65 million). The other members of PGP Pool #2, along with FMPA, include Municipal Gas Authority of Georgia, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. FMPA entered into a separate agreement with Fort Pierce Utilities Authority whereby FMPA agreed to sell to FPUA 3.474903% of the benefits that FMPA receives from its participation in PGP Pool #2. The acquisition period for PGP Pool #2 has closed after acquiring a supply currently estimated to be 44 Bcf. Current production for Pool #2 is 6,400 mmBtu per day. FMPA's share of this amounts to 1,600 mmBtu per day.

FMPA's share of the net investment costs amounts to approximately \$71 million for PGP Pool #1, and \$23 million for PGP Pool #2.

##### C. Contractual Service Agreements

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

	Treasure Coast	Cane Island Unit 2	Cane Island Unit 3	Cane Island Unit 4
Original Effective Date	1/30/2007	9/24/2004	12/12/2003	12/22/2010
Last Amendment Effective Date	12/22/2010	1/1/2011	1/1/2011	N/A
Cumulative Factor Fired Hours	36,822	72,151	74,153	7,738
Term if hours based	72,000		120,000	72,000
Cumulative Factored Starts		2,268		
Term if starts based		2,600		
Current Termination Amount (000's USD)	\$1,551	\$401	\$5,450	\$2,028
Specified Contract End Date	1/30/2022	9/24/2024	12/12/2023	12/22/2025
Estimated Performance End Date	FYE 2018	FYE 2016	FYE 2019	FYE 2021

##### D. Other Agreements

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

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### IX. Commitments and Contingencies (continued)

##### D. Other Agreements (continued)

###### 1. St. Lucie Project

- FMPA has entered into a Reliability Exchange Agreement and a Replacement Power Agreement with FPL. The Reliability Exchange agreement results in FMPA exchanging 50% of its share of the output from St. Lucie Unit 2 for a like amount from the St. Lucie Unit 1. This agreement expires in 2017. The Replacement Power Agreement provides for replacement power and energy to be made available to FMPA if FPL voluntarily ceases to operate or reduces output from St. Lucie Unit 2 or St. Lucie Unit 1 for economic reasons or valley-load conditions, until each unit is retired from service.
- The St. Lucie Project, a joint owner of St. Lucie Unit 2, is subject to the Price Anderson Act, which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. During 2006, the Price Anderson Act was extended for 20 years. As the first layer of financial protection, FPL has purchased \$375 million of public liability insurance from pools of commercial insurers on behalf of all joint owners. The second layer of financial protection is provided under an industry retrospective payment plan. Under this plan, St. Lucie Unit 2 is subject to an assessment of \$117.495 million per reactor with a provision for payment of such assessment to be made over time, as necessary, which limits the payment in any one year to no more than \$17.5 million per reactor and adjusts the payout for inflation in the future. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.
- On December 19, 1999, FMPA (as Decommissioning Trust Administrator) and J.P. Morgan Chase (formerly Chase Manhattan Bank) entered into a Forward Sale Agreement for a portion of the St. Lucie Decommissioning Trust. The agreement provides that J.P. Morgan Chase deliver securities initially with a value not to be less than \$10,225,000 for an equivalent payment. Each month, an additional \$75,000 in securities will be delivered by J.P. Morgan Chase in exchange for an equivalent payment from the Trustee for the Decommissioning Fund. Upon maturity, the securities and the yield earned along with any cash delivered by J.P. Morgan Chase will be equivalent to 7.03% of the face value of the Agreement. The Forward Sale Agreement has a termination date of April 6, 2023.
- During the first quarter of 2008, Florida Power and Light (FPL) started a project to increase the electrical generating capacity of St. Lucie Unit 2. The St. Lucie Project has elected to participate in this Extended Power Uprate (EPU) project. The final modifications to the unit were installed during the most recent regularly scheduled refueling outage, and the unit was in the start-up phase as of the end of November 2012. While the actual increase in capacity due to the EPU project will not be known until performance testing is complete, FPL has estimated the increase to be approximately 155 MW in total. The capacity owned by the St. Lucie Project is expected to increase by approximately 14 MW, of which approximately 3 MW was placed into service during 2011. FPL reports that some work still needs to be performed, including performance testing and project closeout, and FPL expects to complete the EPU project during the 2<sup>nd</sup> quarter of calendar year 2013. Cost associated with the EPU project are reflected in the Construction Work in Process amount in Note III, part B.

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### IX. Commitments and Contingencies (continued)

#### D. Other Agreements (continued)

##### 1. St. Lucie Project (continued)

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

##### 2. All-Requirements Project

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

Supplier	End of Contract	Minimum Contract Liability (000's US\$)
Florida Power & Light	5/31/2013	25,252
Southern Company - Stanton A PPA	9/30/2023	80,136
Southern Company - Oleander 5 PPA	12/16/2027	104,048
Total Minimum Liability		\$ 209,436

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

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

# NOTES TO FINANCIAL STATEMENTS

## For the Year Ended September 30, 2012

### IX. Commitments and Contingencies (continued)

#### D. Other Agreements (continued)

##### 2. All-Requirements Project (continued)

- 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
FI Gas Transmission FTS-1	21,984	\$ 3,857	Various	Cane Island Treasure Coast
FI Gas Transmission FTS-2	71,988	19,364	Various	Cane Island Treasure Coast
FI Gas Transmission FTS-2 Stanton A	11,200	3,685	Various	Stanton A
Transco	50,000	1,672	4/30/2026	FGT
TECO-Peoples Gas	-	750	6/30/2023	Treasure Coast
TECO- Peoples Gas	-	750	8/31/2021	Cane Island/Oleander
		<u>\$ 30,078</u>		

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

**NOTES TO FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2012*

**IX. Commitments and Contingencies (continued)**

**D. Other Agreements (continued)**

**2. All-Requirements Project (continued)**

- The City of Starke and the City of Green Cove Springs have each given FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Project Contract that the term of their respective contracts will not renew automatically each year after the initial contract term. The terms of their respective contracts are now fixed; Starke's contract terminates on October 1, 2035, and Green Cove Springs' contract terminates on October 1, 2037.
- The City of Vero Beach has limited its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitations commenced January 1, 2010 and continue for the term of the ARP Contract.
- 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 December 2012 through November 2013.
- The City of Fort Meade has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation will commence January 1, 2015. Concurrently, the City gave FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Contract that the term of its contract will not renew automatically each year after the initial contract term. The term of the City's contract is now fixed and will terminate on October 1, 2041.
- The All-Requirements Project has entered into a Full Requirements Power Sales Contract with the City of Quincy, Florida, whereby the All-Requirements Project will serve Quincy's total capacity and energy needs above its purchases from the Southeastern Power Administration. The contract expires on December 31, 2015, unless extended by mutual agreement of the parties.
- FMPA and the City of Lake Worth have settled a dispute over whether FMPA had a legal obligation to make gas transmission payments to Florida Public Utilities on behalf of Lake Worth. The payments, amounting to approximately \$60,000 per month, were discontinued by FMPA in January 2009. Under the terms of the settlement, FMPA agreed to pay \$850,000 to Lake Worth in two installment payments of \$425,000 each. The first payment was made on August 2, 2012, and the second payment was made on October 1, 2012.
- In the normal course of its business FMPA has had claims or assertions made against them. In the opinion of management, the ultimate disposition of these currently asserted claims are either not substantiated or will not have a material impact on FMPA's financial statements.

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### X. Capacity and Energy Sales Contracts

- The All-Requirements Project has a contractual arrangement with one member city – Lake Worth – that owns and operates generating facilities. This power plant is utilized by FMPA to meet the All Requirements Project’s power needs. Lake Worth is compensated through capacity credits for power and reserves that it provides under the Capacity and Energy Sales Contract between the city and FMPA.
- During 2008, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy Sales Contract for KUA whereby the All-Requirements Project has assumed all cost liability and operational management of all KUA owned generation assets and will pay to KUA agreed-upon fixed payments over preset periods relating to each asset.
- Effective January 1, 2011, the All-Requirements Project entered into a Revised, Amended and Restated Capacity and Energy Sales Contract for Key West whereby the All-Requirements Project 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.
- The City of Moore Haven has a contractual agreement with FMPA to sell capacity and energy to the All-Requirements Project. The All-Requirements Project has agreed to provide reserves and back-up capacity and energy for this sale. FMPA has been appointed as agent in the administration of this contract.

#### XI. Mutual Aid Agreement

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

#### XII. Employment Benefits

##### A. Retirement Benefits

A Deferred Compensation Plan (in accordance with the Internal Revenue Code Section 457) and a Defined Contribution Pension (money purchase) Plan (under the Internal Revenue Code Section 401(a)) are offered to the Agency’s full-time employees, excluding the General Manager and General Counsel, who become fully vested after six months of employment. FMPA’s contribution is 10% of the individual’s gross base salary for the 401(a) plan. Total payroll for the year ended September 30, 2012, was \$6.2 million, which approximates covered payroll.

## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

## XII. Employment Benefits (continued)

### A. Retirement Benefits (continued)

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee may contribute to the Deferred Compensation Plan, so that the combined annual contribution does not exceed \$17,000 for 2012. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal year 2012 were \$678,605. Funds from these plans are not available to employees until termination or retirement, however funds from either plan can be made available, allowing an employee to borrow up to one half of their balance in the form of a loan.

### B. Post-Employment Benefits other than Retirement

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

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

	(000's) USD
Annual required contribution	\$ 448
Interest on net OPEB obligation	20
Annual OPEB expense	<u>468</u>
Contributions made	0
Increase in net OPEB Obligation	<u>468</u>
Net OPEB Obligation - Beginning of Year	1,160
Net OPEB Obligation - End of Year	<u><u>\$ 1,628</u></u>

## XIII. Risk Management

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



## NOTES TO FINANCIAL STATEMENTS

### *For the Year Ended September 30, 2012*

#### XIII. Risk Management (continued)

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.

#### XIV. Interest Arbitrage and Rebate

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

The potential arbitrage liability at September 30, 2012, for each of the projects is as follows:

Project	Amount (000's US\$)
St. Lucie Project	\$ 62
Stanton Project	38
All-Requirements Project	187
Tri-City Project	15
Stanton II Project	351
Total	<u>\$ 653</u>



## **NOTES TO FINANCIAL STATEMENTS**

### *For the Year Ended September 30, 2012*

#### **XV. Related Party Transactions**

##### **A. Governing Members and Committees**

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

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

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

##### **B. Florida Gas Utility (FGU)**

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

#### **XVI. Subsequent Events**

The Hansel Plant was retired October 1, 2012 as scheduled. FMPA acquired the Hansel Plant as a Capital Lease under the TARP agreement with KUA.

## Supplementary Information

(unaudited)

**SCHEDULE OF  
AMOUNTS DUE TO (FROM) PARTICIPANTS  
RESULTING FROM BUDGET/ACTUAL VARIANCES  
YEAR ENDED SEPTEMBER 30, 2012  
(000's US\$)**

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Agency Fund</b>			
Received from projects	\$ 13,758	\$ 12,292	\$ (1,466)
Received from member assessments	21	24	3
Interest income	240	160	(80)
Other income	-	-	-
	<u>\$ 14,019</u>	<u>\$ 12,476</u>	<u>\$ (1,543)</u>
General and administrative	\$ 13,211	\$ 12,002	\$ 1,209
Depreciation & amortization expense	-	248	(248)
Invested in Capital Assets	404	192	212
Principal on Debt	165	165	-
Other Adjustments	-	(287)	287
	<u>\$ 13,780</u>	<u>\$ 12,320</u>	<u>\$ 1,459</u>
Net Revenue	<u>\$ 240</u>	<u>\$ 156</u>	<u>\$ (84)</u>
<b>St. Lucie Project</b>			
Participant billing	\$ 44,207	\$ 44,207	\$ -
Reliability exchange contract sales	779	2,015	1,236
Interest income	3,934	3,550	(384)
	<u>\$ 48,920</u>	<u>\$ 49,772</u>	<u>\$ 852</u>
Operation and maintenance, fuel	\$ 17,381	\$ 16,039	\$ 1,342
Spent fuel fees	628	626	2
Purchased power	673	1,117	(444)
Transmission service	564	546	18
General and administrative	2,886	3,301	(415)
Deposit to renewal and replacement fund	264	264	-
Deposit to decommissioning fund	3,200	3,157	43
Deposit to general reserve fund	5,420	5,420	-
Deposit to debt service fund	20,809	20,336	473
	<u>\$ 51,825</u>	<u>\$ 50,806</u>	<u>\$ 1,019</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ (2,905)</u>	<u>\$ (1,034)</u>	<u>\$ 1,871</u>

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

**SCHEDULE OF**  
**AMOUNTS DUE TO (FROM) PARTICIPANTS**  
**RESULTING FROM BUDGET/ACTUAL VARIANCES**  
**YEAR ENDED SEPTEMBER 30, 2012**  
*(000's US\$)*

	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Stanton Project</b>			
Participant billing & sales to others	\$ 34,087	\$ 25,973	\$ (8,114)
Interest income	239	181	(58)
	<u>\$ 34,326</u>	<u>\$ 26,154</u>	<u>\$ (8,172)</u>
Operation and maintenance, fuel	\$ 21,310	\$ 12,733	\$ 8,577
Transmission service	1,031	1,224	(193)
General and administrative	1,215	1,154	61
Development Fund Fee	-	-	-
Deposit to debt service fund	9,467	9,540	(73)
	<u>\$ 33,023</u>	<u>\$ 24,651</u>	<u>\$ 8,372</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ 1,303</u>	<u>\$ 1,503</u>	<u>\$ 200</u>
<b>All-Requirements Project</b>			
Participant billing & sales to others	\$ 566,811	\$ 449,880	\$ (116,931)
Interest Income	470	1,684	1,214
	<u>\$ 567,281</u>	<u>\$ 451,564</u>	<u>\$ (115,717)</u>
Member Capacity	\$ 30,989	\$ 27,805	\$ 3,184
Contract Capacity	41,535	32,703	8,832
ARP Owned Capacity	44,212	47,641	(3,429)
Debt & Capital Leases	104,846	110,814	(5,968)
Direct Charges & Other	20,416	18,073	2,343
Gas Transportation	28,919	30,162	(1,243)
Fuels	272,588	192,703	79,885
Purchased Power	(1,708)	(11,425)	9,717
Transmission	25,484	25,299	185
	<u>\$ 567,281</u>	<u>\$ 473,775</u>	<u>\$ 93,506</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ -</u>	<u>\$ (22,211)</u>	<u>\$ (22,211)</u>

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

**SCHEDULE OF**  
**AMOUNTS DUE TO (FROM) PARTICIPANTS**  
**RESULTING FROM BUDGET/ACTUAL VARIANCES**  
**YEAR ENDED SEPTEMBER 30, 2012**  
*(000's US\$)*

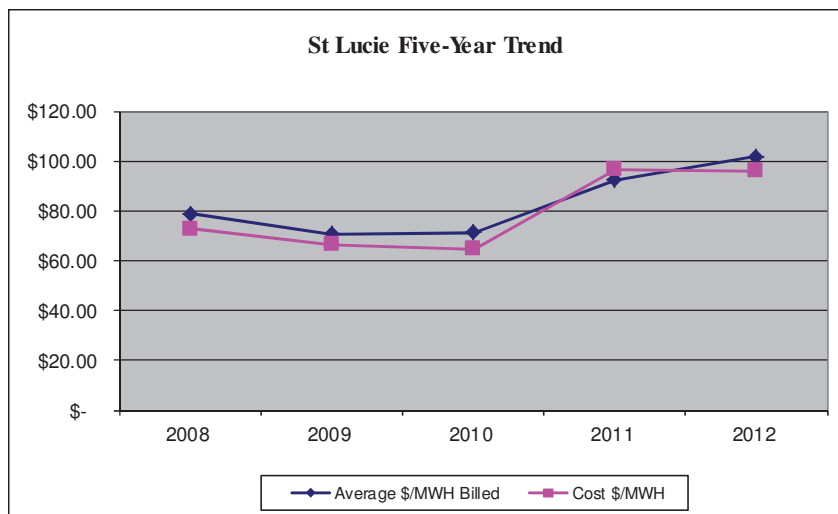
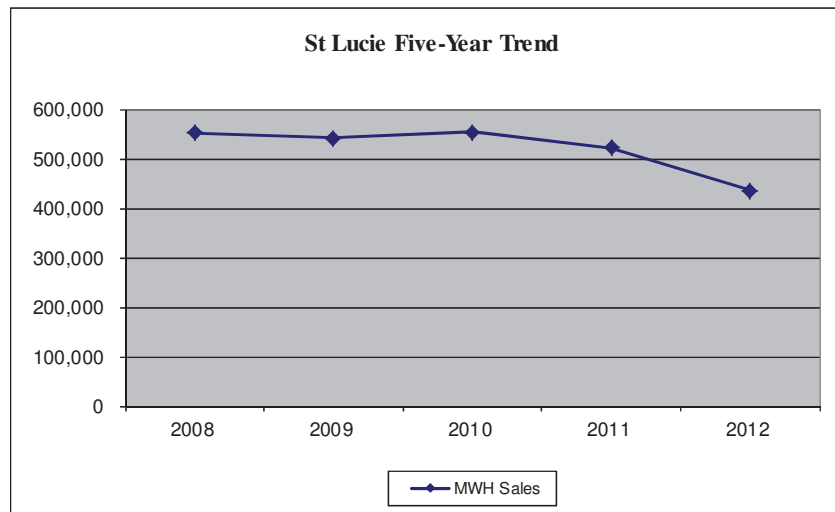
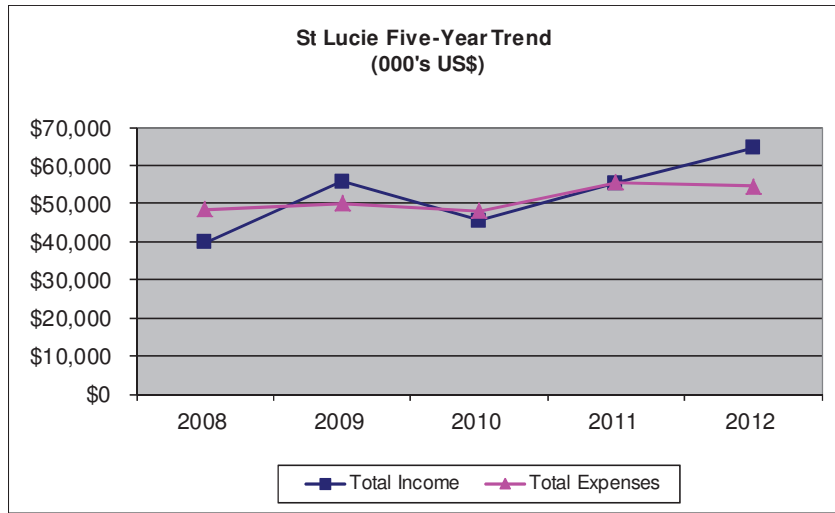
	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Tri-City Project</b>			
Participant billing & sales to others	\$ 13,534	\$ 10,631	\$ (2,903)
Interest income	89	126	37
	<u>\$ 13,623</u>	<u>\$ 10,757</u>	<u>\$ (2,866)</u>
Operation and maintenance, fuel	\$ 7,674	\$ 4,609	\$ 3,065
Transmission service	422	490	(68)
General and administrative	674	651	23
Development Fund Fee	-	-	-
Deposit to debt service fund	3,824	3,850	(26)
Deposit to renewal and replacement fund	209	209	-
	<u>\$ 12,803</u>	<u>\$ 9,809</u>	<u>\$ 2,994</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ 820</u>	<u>\$ 948</u>	<u>\$ 128</u>
<b>Stanton II Project</b>			
Participant billing & sales to others	\$ 49,067	\$ 44,802	\$ (4,265)
Interest income	197	199	2
	<u>\$ 49,264</u>	<u>\$ 45,001</u>	<u>\$ (4,263)</u>
Operation and maintenance, fuel	\$ 32,098	\$ 28,128	\$ 3,970
Transmission service	1,578	1,848	(270)
General and administrative	1,825	1,785	40
Development Fund Fee	-	-	-
Deposit to debt service fund	13,747	13,633	114
Deposit to renewal and replacement fund	214	214	-
	<u>\$ 49,462</u>	<u>\$ 45,608</u>	<u>\$ 3,854</u>
Net Due to Participants Resulting from Budget/Actual Variances	<u>\$ (198)</u>	<u>\$ (607)</u>	<u>\$ (409)</u>

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

## FIVE-YEAR TREND ANALYSIS

	2008	2009	2010	2011	2012
(000's US\$ except for MWH Sales and Average \$/MWH)					
<b>St. Lucie Project</b>					
Capital Assets	\$ 96,431	\$ 97,397	\$ 95,064	\$ 109,567	\$ 114,529
Total Assets	\$ 293,608	\$ 301,931	\$ 375,239	\$ 418,086	\$ 412,970
Long-Term Debt	\$ 247,369	\$ 250,411	\$ 313,987	\$ 356,522	\$ 345,094
Total Liabilities	\$ 293,608	\$ 301,931	\$ 375,239	\$ 418,086	\$ 412,970
Billings to Participants	\$ 43,588	\$ 38,250	\$ 39,383	\$ 48,244	\$ 44,207
Sales to Others	2,532	2,786	2,258	1,259	2,015
Total Operating Revenues	\$ 46,120	\$ 41,036	\$ 41,641	\$ 49,503	\$ 46,222
Purchased Power	\$ 2,836	\$ 3,178	\$ 3,452	\$ 4,182	\$ 1,117
Production-Nuclear	11,642	11,529	9,164	13,294	11,359
Nuclear Fuel Amortization	2,050	2,907	3,763	2,915	3,700
Transmission	404	402	431	560	546
General & Administrative	3,141	2,768	2,530	3,238	3,389
Depreciation & Decommissioning	11,776	12,656	14,215	16,450	19,571
Total Operating Expenses	\$ 31,849	\$ 33,440	\$ 33,555	\$ 40,639	\$ 39,682
Net Operating Revenues	\$ 14,271	\$ 7,596	\$ 8,086	\$ 8,864	\$ 6,540
Investment Income	\$ (6,381)	\$ 14,727	\$ 3,825	\$ 5,927	\$ 18,373
Total Other Income	\$ (6,381)	\$ 14,727	\$ 3,825	\$ 5,927	\$ 18,373
Interest Expense	\$ 14,013	\$ 12,751	\$ 11,940	\$ 12,360	\$ 13,284
Amortization & Other Expense	2,646	3,926	2,642	2,570	2,259
Total Other Expenses	\$ 16,659	\$ 16,677	\$ 14,582	\$ 14,930	\$ 15,543
Net Income (Loss)	\$ (8,769)	\$ 5,646	\$ (2,671)	\$ (139)	\$ 9,370
Net Cost Recovered (Credited) in the Future	12,115	(3,290)	6,326	(1,955)	(7,499)
Due from (to) Participants	(3,346)	(2,356)	(3,655)	2,094	(1,871)
Total Income	\$ -	\$ -	\$ -	\$ -	\$ -
MWH Sales	552,222	541,090	553,105	521,565	435,935
Average \$/MWH Billed	\$ 78.93	\$ 70.69	\$ 71.20	\$ 92.50	\$ 101.41
Cost \$/MWH	\$ 72.87	\$ 66.34	\$ 64.60	\$ 96.51	\$ 97.12

## FIVE-YEAR TREND ANALYSIS

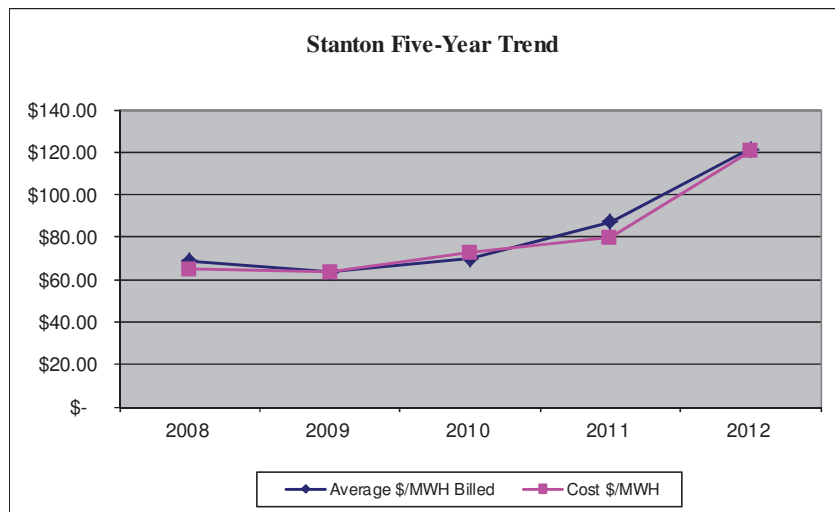
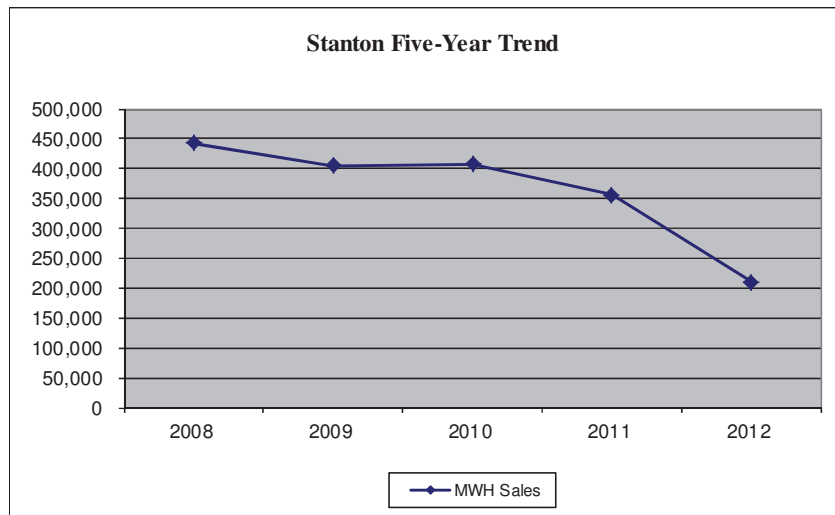
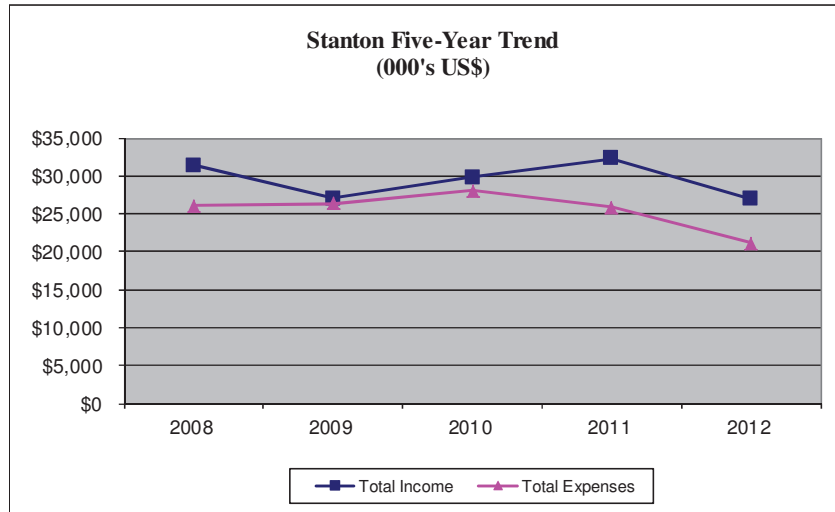


## FIVE-YEAR TREND ANALYSIS

	2008	2009	2010	2011	2012
(000's US\$ except for MWH Sales and Average \$/MWH)					
<b>Stanton Project</b>					
Capital Assets	\$ 37,587	\$ 37,927	\$ 36,823	\$ 34,420	\$ 35,124
Total Assets	\$ 79,744	\$ 75,030	\$ 73,390	\$ 72,255	\$ 70,554
Long-Term Debt	\$ 71,628	\$ 65,348	\$ 65,416	\$ 59,601	\$ 60,971
Total Liabilities	\$ 79,744	\$ 75,030	\$ 73,390	\$ 72,255	\$ 70,554
Billings to Participants	\$ 30,478	\$ 25,693	\$ 28,470	\$ 31,085	\$ 25,579
Sales to Others	348	379	357	365	394
Total Operating Revenues	\$ 30,826	\$ 26,072	\$ 28,827	\$ 31,450	\$ 25,973
Production-Steam	\$ 4,643	\$ 4,477	\$ 6,250	\$ 4,703	\$ 4,025
Fuel Expense	13,522	13,292	13,381	12,873	8,707
Transmission	780	976	988	1,033	1,224
General & Administrative	959	1,012	1,107	1,095	1,154
Depreciation & Decommissioning	2,065	2,178	2,242	2,283	2,363
Total Operating Expenses	\$ 21,969	\$ 21,935	\$ 23,968	\$ 21,987	\$ 17,473
Net Operating Revenues	\$ 8,857	\$ 4,137	\$ 4,859	\$ 9,463	\$ 8,500
Investment Income	\$ 528	\$ 1,008	\$ 972	\$ 876	\$ 962
Total Other Income	\$ 528	\$ 1,008	\$ 972	\$ 876	\$ 962
Interest Expense	\$ 3,639	\$ 3,656	\$ 3,488	\$ 3,357	\$ 3,090
Amortization & Other Expense	403	800	604	547	501
Total Other Expenses	\$ 4,042	\$ 4,456	\$ 4,092	\$ 3,904	\$ 3,591
Net Income (Loss)	\$ 5,343	\$ 689	\$ 1,739	\$ 6,435	\$ 5,871
Net Cost Recovered (Credited) in the Future	(3,564)	(712)	(2,781)	(3,755)	(5,671)
Due from (to) Participants	(1,779)	23	1,042	(2,680)	(200)
Total Income	\$ -	\$ -	\$ -	\$ -	\$ -
MWH Sales	442,478	405,032	407,099	356,409	210,924
Average \$/MWH Billed	\$ 68.88	\$ 63.43	\$ 69.93	\$ 87.22	\$ 121.27
Cost \$/MWH	\$ 64.86	\$ 63.49	\$ 72.49	\$ 79.70	\$ 120.32



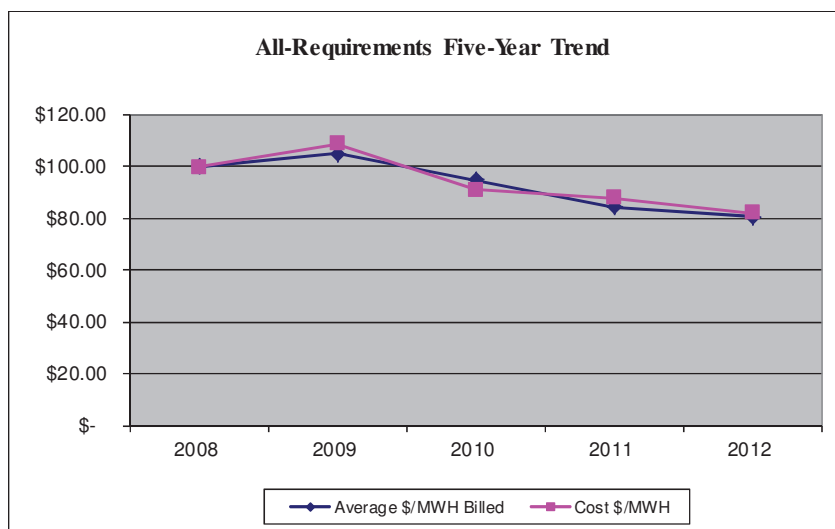
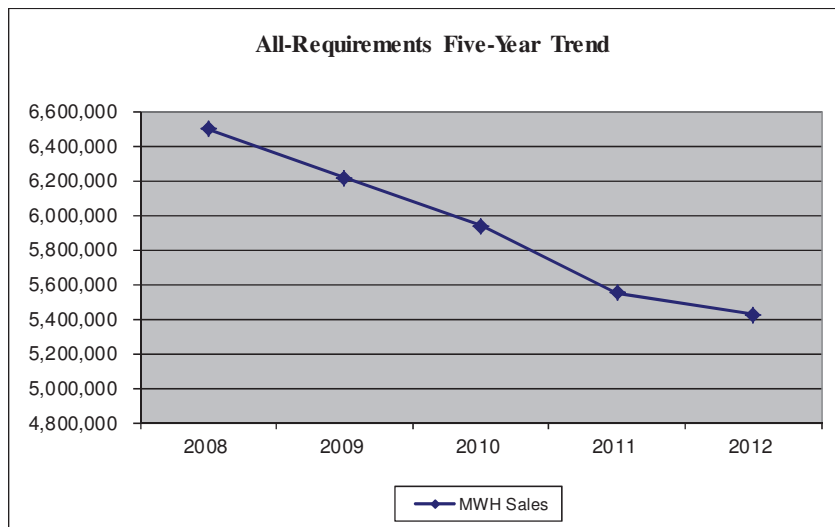
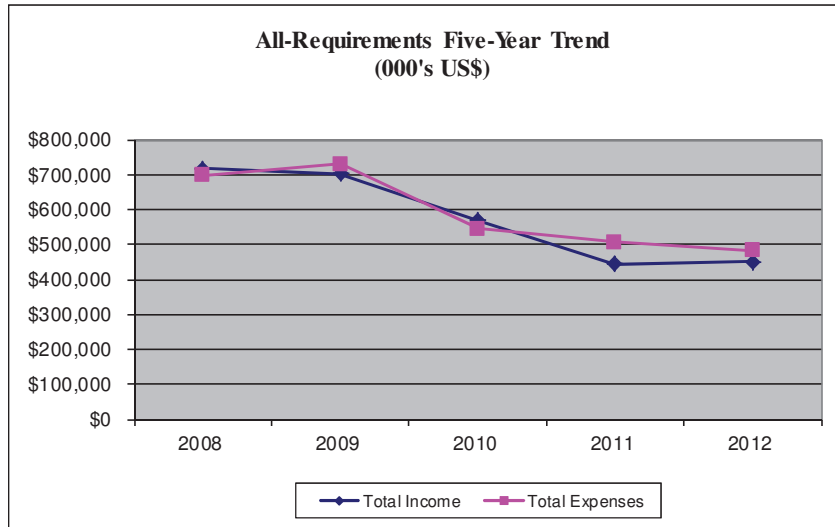
## FIVE-YEAR TREND ANALYSIS



## FIVE-YEAR TREND ANALYSIS

	2008	2009	2010	2011	2012
(000's US\$ except for MWH Sales and Average \$/MWH)					
<b>All-Requirements Project</b>					
Capital Assets	\$ 497,430	\$ 879,610	\$ 982,915	\$ 1,000,086	\$ 956,182
Total Assets	\$ 1,261,120	\$ 1,559,177	\$ 1,669,477	\$ 1,650,675	\$ 1,630,708
Long-Term Debt	\$ 1,032,045	\$ 1,369,893	\$ 1,483,415	\$ 1,497,167	\$ 1,471,994
Total Liabilities	\$ 1,261,120	\$ 1,559,177	\$ 1,669,477	\$ 1,650,675	\$ 1,630,708
Billings to Participants	\$ 649,114	\$ 651,737	\$ 562,210	\$ 467,025	\$ 435,812
Sales to Others	63,720	34,362	7,887	15,419	14,068
Total Operating Revenues	\$ 712,834	\$ 686,099	\$ 570,097	\$ 482,444	\$ 449,880
Purchased Power	\$ 241,264	\$ 126,488	\$ 105,854	\$ 60,901	\$ 24,860
Production-Steam	48,724	64,246	57,674	53,357	59,511
Fuel Expense	337,409	410,362	261,660	253,392	229,663
Transmission	16,417	27,018	20,337	24,530	25,307
General & Administrative	11,988	15,528	17,356	25,769	20,528
Depreciation & Decommissioning	15,351	33,998	36,050	40,463	55,250
Total Operating Expenses	\$ 671,153	\$ 677,640	\$ 498,931	\$ 458,412	\$ 415,119
Net Operating Revenues	\$ 41,681	\$ 8,459	\$ 71,166	\$ 24,032	\$ 34,761
Investment Income	\$ 3,449	\$ 15,269	\$ (259)	\$ (38,221)	\$ (12,695)
Total Other Income	\$ 3,449	\$ 15,269	\$ (259)	\$ (38,221)	\$ (12,695)
Interest Expense	\$ 25,582	\$ 48,410	\$ 42,856	\$ 45,786	\$ 64,523
Amortization & Other Expense	789	4,435	2,554	2,438	2,371
Total Other Expenses	\$ 26,371	\$ 52,845	\$ 45,410	\$ 48,224	\$ 66,894
Net Income (Loss)	\$ 18,759	\$ (29,117)	\$ 25,497	\$ (62,413)	\$ (44,828)
Net Cost Recovered (Credited) in the Future	(17,169)	5,307	(2,669)	43,088	22,617
Due from (to) Participants	(1,590)	23,810	(22,828)	19,325	22,211
Total Income	\$ -	\$ -	\$ -	\$ -	\$ -
MWH Sales	6,496,441	6,215,912	5,938,070	5,549,464	5,424,379
Average \$/MWH Billed	\$ 99.92	\$ 104.85	\$ 94.68	\$ 84.16	\$ 80.34
Cost \$/MWH	\$ 99.67	\$ 108.68	\$ 90.83	\$ 87.64	\$ 84.44

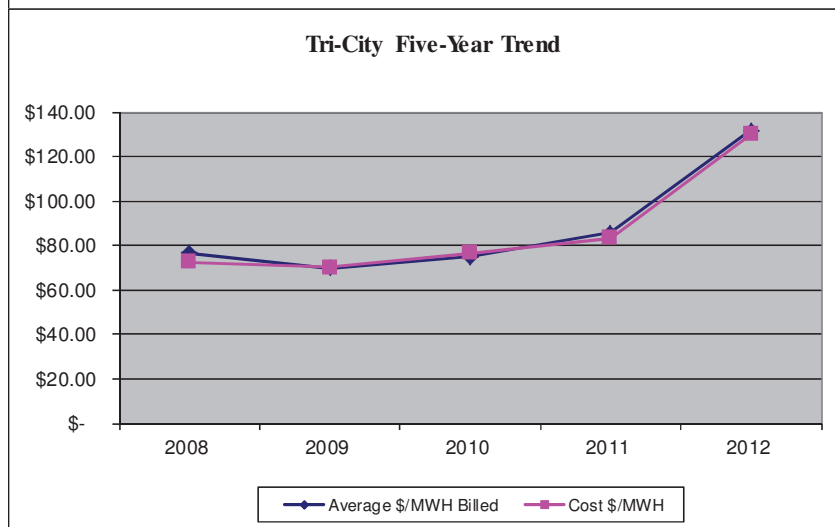
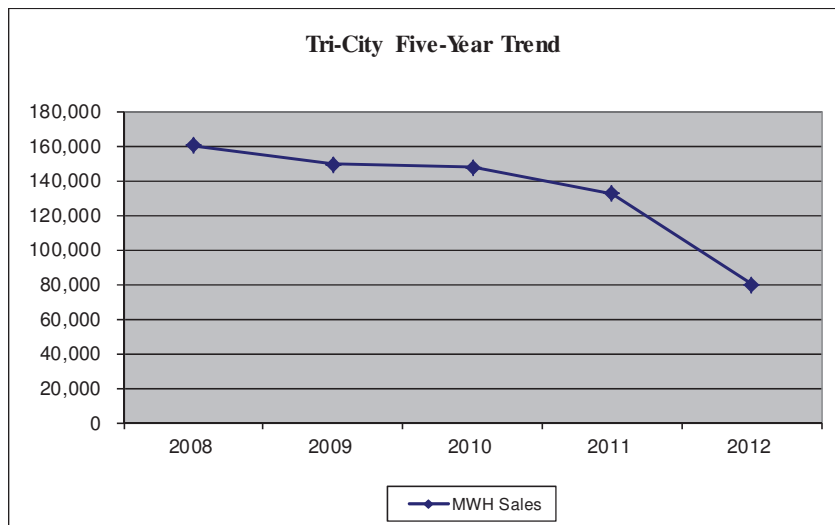
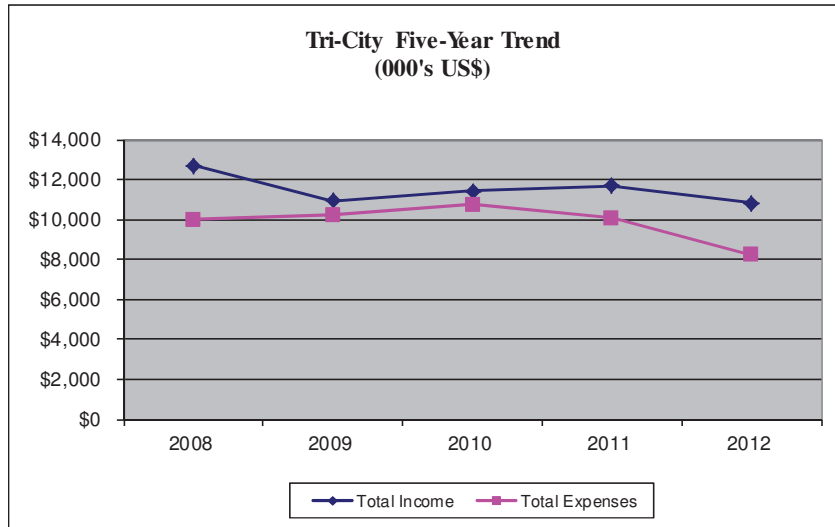
## FIVE-YEAR TREND ANALYSIS



## FIVE-YEAR TREND ANALYSIS

	2008	2009	2010	2011	2012
(000's US\$ except for MWH Sales and Average \$/MWH)					
<b>Tri-City Project</b>					
Capital Assets	\$ 15,237	\$ 15,263	\$ 14,770	\$ 13,814	\$ 13,969
Total Assets	\$ 33,641	\$ 30,327	\$ 28,985	\$ 27,730	\$ 25,232
Long-Term Debt	\$ 30,395	\$ 26,394	\$ 25,471	\$ 23,266	\$ 21,288
Total Liabilities	\$ 33,641	\$ 30,327	\$ 28,985	\$ 27,730	\$ 25,232
Billings to Participants	\$ 12,284	\$ 10,426	\$ 11,076	\$ 11,377	\$ 10,490
Sales to Others	125	136	128	132	141
Total Operating Revenues	\$ 12,409	\$ 10,562	\$ 11,204	\$ 11,509	\$ 10,631
Production-Steam	\$ 1,662	\$ 1,601	\$ 2,236	\$ 1,685	\$ 1,440
Fuel Expense	4,893	4,890	4,847	4,782	3,169
Transmission	310	387	394	425	490
General & Administrative	497	561	637	617	651
Depreciation & Decommissioning	835	875	900	914	942
Total Operating Expenses	\$ 8,197	\$ 8,314	\$ 9,014	\$ 8,423	\$ 6,692
Net Operating Revenues	\$ 4,212	\$ 2,248	\$ 2,190	\$ 3,086	\$ 3,939
Investment Income	\$ 291	\$ 365	\$ 233	\$ 195	\$ 197
Total Other Income	\$ 291	\$ 365	\$ 233	\$ 195	\$ 197
Interest Expense	\$ 1,349	\$ 1,313	\$ 1,256	\$ 1,222	\$ 1,149
Amortization & Other Expense	444	585	459	421	379
Total Other Expenses	\$ 1,793	\$ 1,898	\$ 1,715	\$ 1,643	\$ 1,528
Net Income (Loss)	\$ 2,710	\$ 715	\$ 708	\$ 1,638	\$ 2,608
Net Cost Recovered (Credited) in the Future	(2,044)	(793)	(940)	(1,294)	(2,480)
Due from (to) Participants	(666)	78	232	(344)	(128)
Total Income	\$ -	\$ -	\$ -	\$ -	\$ -
MWH Sales	160,417	149,516	147,641	132,545	79,739
Average \$/MWH Billed	\$ 76.58	\$ 69.73	\$ 75.02	\$ 85.83	\$ 131.55
Cost \$/MWH	\$ 72.42	\$ 70.25	\$ 76.59	\$ 83.24	\$ 129.95

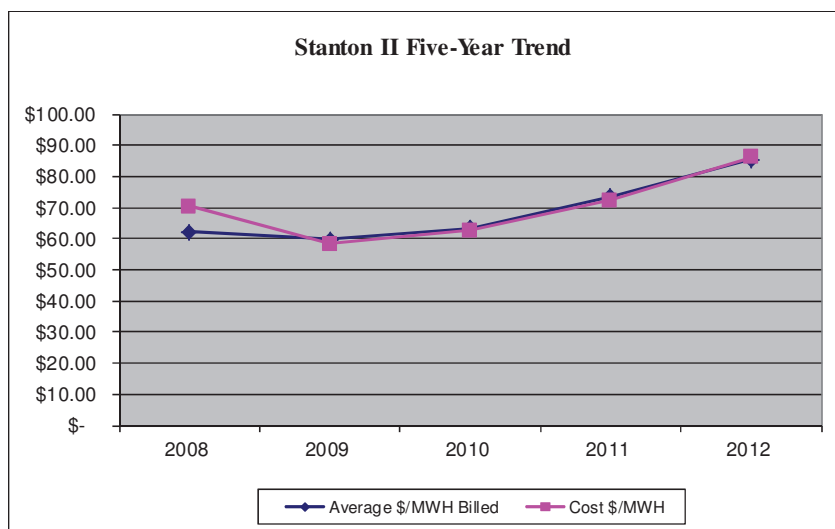
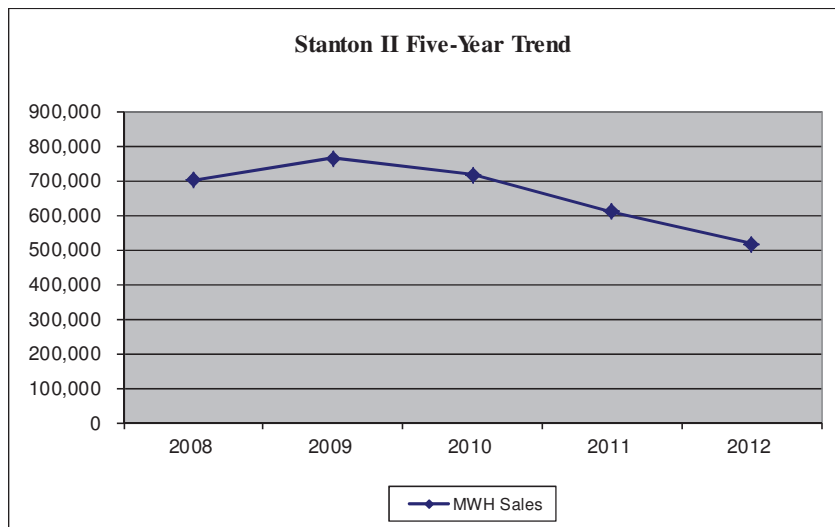
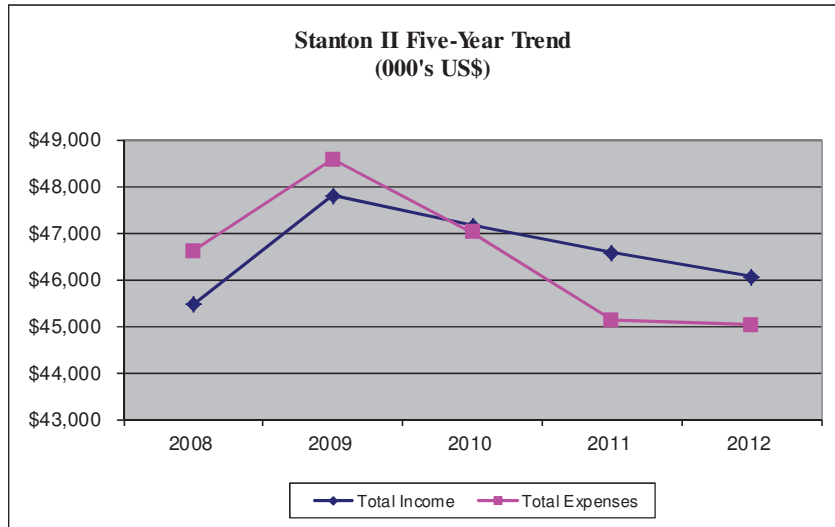
## FIVE-YEAR TREND ANALYSIS



## FIVE-YEAR TREND ANALYSIS

	2008	2009	2010	2011	2012
(000's US\$ except for MWH Sales and Average \$/MWH)					
<b>Stanton II Project</b>					
Capital Assets	\$ 120,495	\$ 117,796	\$ 114,231	\$ 109,677	\$ 108,648
Total Assets	\$ 179,442	\$ 175,283	\$ 198,165	\$ 196,217	\$ 193,565
Long-Term Debt	\$ 173,257	\$ 165,798	\$ 189,676	\$ 186,893	\$ 186,087
Total Liabilities	\$ 179,442	\$ 175,283	\$ 198,165	\$ 196,217	\$ 193,565
Billings to Participants	\$ 43,626	\$ 45,702	\$ 45,386	\$ 44,707	\$ 44,184
Sales to Others	570	595	555	576	618
Total Operating Revenues	\$ 44,196	\$ 46,297	\$ 45,941	\$ 45,283	\$ 44,802
Production-Steam	\$ 8,355	\$ 5,471	\$ 6,832	\$ 6,432	\$ 6,927
Fuel Expense	20,144	24,238	22,817	21,172	21,201
Transmission	1,181	1,481	1,493	1,541	1,848
General & Administrative	1,391	1,681	1,691	1,627	1,785
Depreciation & Decommissioning	4,456	4,568	4,621	4,638	4,718
Total Operating Expenses	\$ 35,527	\$ 37,439	\$ 37,454	\$ 35,410	\$ 36,479
Net Operating Revenues	\$ 8,669	\$ 8,858	\$ 8,487	\$ 9,873	\$ 8,323
Investment Income	\$ 1,269	\$ 1,501	\$ 1,218	\$ 1,291	\$ 1,260
Total Other Income	\$ 1,269	\$ 1,501	\$ 1,218	\$ 1,291	\$ 1,260
Interest Expense	\$ 9,982	\$ 8,621	\$ 8,101	\$ 8,321	\$ 7,584
Amortization & Other Expense	1,094	2,514	1,447	1,384	965
Total Other Expenses	\$ 11,076	\$ 11,135	\$ 9,548	\$ 9,705	\$ 8,549
Net Income (Loss)	\$ (1,138)	\$ (776)	\$ 157	\$ 1,459	\$ 1,034
Net Cost Recovered (Credited) in the Future	(4,648)	1,871	356	(783)	(1,443)
Due from (to) Participants	5,786	(1,095)	(513)	(676)	409
Total Income	\$ -	\$ -	\$ -	\$ -	\$ -
MWH Sales	700,792	763,198	716,582	608,812	517,357
Average \$/MWH Billed	\$ 62.25	\$ 59.88	\$ 63.34	\$ 73.43	\$ 85.40
Cost \$/MWH	\$ 70.51	\$ 58.45	\$ 62.62	\$ 72.32	\$ 86.19

## FIVE-YEAR TREND ANALYSIS



## 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 Executive Committee  
Florida Municipal Power Agency  
Orlando, Florida

We have audited the financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated January 3, 2013. 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**

Management of the Agency is responsible for establishing and maintaining effective 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.

**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*.

**Certified Public Accountants**

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Board of Directors and Executive Committee  
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 (Concluded)**

However, we noted certain matters that we reported to the Agency's management in a separate letter dated January 3, 2013.

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, Executive Committee, 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*

January 3, 2013  
Ocala, Florida

## MANAGEMENT LETTER

Board of Directors and Executive Committee  
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, 2012, and have issued our report thereon dated January 3, 2013.

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, and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated January 3, 2013, 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.
- 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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Board of Directors and Executive Committee  
Florida Municipal Power Agency  
Orlando, Florida

**MANAGEMENT LETTER**  
**(Concluded)**

- Section 10.554(1)(i)5., *Rules of the Auditor General*, 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.
- 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, 2012 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, 2012, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes. We determined that the State of Florida Department of Financial Services does not require the Agency to file the annual financial report pursuant to Section 218.32(1)(a), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)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*

January 3, 2013  
Ocala, Florida

## MANAGEMENT LETTER COMMENTS

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

As a part of our audit of the Florida Municipal Power Agency's (the Agency) September 30, 2012 financial statements, we offer the following recommendations to improve financial management, accounting procedures, and internal controls:

### **Prior Year Findings and Comments**

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

#### **2011-01 Information Technology (IT) General Controls**

During 2010, the Agency had an external contractor perform an IT risk assessment. The IT risk assessment generated numerous recommendations to strengthen controls and reliability of the Agency's IT function. Due to the heavy reliance on IT applications by all areas of the Agency, strong IT general controls are essential to the success of the Agency. Most of these recommendations have been accepted for implementation by the Agency and are currently in process by the Agency's IT department. 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 hired in November 2011.

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

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

#### **2011-02 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.

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**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Prior Year Findings and Comments (Concluded)**

**2011-02 ARP Member Billings (Concluded)**

In our prior year report 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. During 2012, the contract audit group of the Agency has documented the critical sources and process associated with the billing function; however, as also noted in our prior year report, there is still no other individual who has been fully cross trained 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 continue to refine and enhance the documentation of the sources 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.

**2011-03 Purchase Cards**

During our review of purchase card transactions during 2011, we noted that some transactions were missing adequate documentation of their business purpose. During our review of purchase card transactions during 2012, we noted that some transactions were missing department manager approval for the expenditures. We recommend that the Agency strengthen its controls over purchase cards to ensure that all purchase card transactions have adequate documentation of their business purpose and approval from the department manager. Additionally, we recommend having a sample of monthly purchase card transactions be periodically reviewed to ensure that they have been approved and have adequate documentation of the business purpose.

**Current Year Management Letter Comment**

**2012-01 Enhanced Investment Income Reports**

The Agency has a significant amount of fixed income investments in all projects. The Agency records its investments at cost at the time of purchase and tracks and reconciles any premium/discount, the adjustment to fair value and any accrued interest in separate balance sheet accounts. The investment income associated with a particular investment includes the change in fair value of the investment and accrued interest and amortization of the premium/discount. These earnings are recorded by an automated monthly entry made by the investment management system.

The software that the Agency uses to track and values its investments currently provides reports to reconcile all of the balance sheet accounts noted above, but does not have a report that provides support for the investment income accounts associated with the investments held.

Because of the significance of investments and the associated investment income to the financial reporting function of the Agency, we believe that the Agency would benefit from developing or obtaining a report from its investment management software that would provide a summary/report of all investment income by security into the components noted above to better document and support the activity in these accounts.

**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**Current Year Management Letter Comment (Concluded)**

**2012-02 Investment Management**

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

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

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

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

**2012-03 TCEC Inventory**

Based upon our visit to the TCEC plant for physical inventory purposes, we noted that the inventory manager is in charge of verifying and inspecting received items, logging them into the system, removing them from the system when pulled, performing the year-end physical count of the inventory, investigating differences between the count and the system, and has physical access to the warehouse. We recommend that some of these duties be performed by others at the plant to strengthen the internal controls over inventory.

**2012-04 Service Organization Control (SOC) Reports**

FMPA has outsourced to a third party service organization payroll, human resources, pension benefits and other key financial applications and has obtained the SOC reports from all of these service organizations to ensure that controls are adequate at the third party provider.

We recommend that management continue to review the SOC report annually:

- To ensure that the third party service organizations have appropriate internal controls in place and that these controls are properly designed and implemented, and operating effectively.
- To ensure that FMPA considers the complimentary user entity control consideration in these reports.
- To ensure that FMPA has appropriate controls in place to meet the control objectives defined therein.

This review might take the form of a memo that describes the various aspects of the SOC reports, paying particular attention to the user entity control consideration, as these are controls that the service organization has defined and believes the user entity (FMPA) should have in place to provide reasonable assurance that the control objectives listed in the SOC report are met.

Board of Directors and Executive Committee  
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, Executive Committee, 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*

January 3, 2013  
Ocala, Florida





Florida Municipal Power Agency

## MEMORANDUM

TO: FMPPA AROC & Executive Committee and Board of Directors  
FROM: Mark Larson  
DATE: January 8, 2013  
ITEM: Audit Report and 2012 Management Letter

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### Staff Response to the Fiscal Year 2012 Management Letter Comments

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#### Prior Year Findings and Comments

##### 2011-01 Information Technology (IT) General Controls

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

***Staff agrees. The IT steering committee is addressing the recommendations, the timing of implementation will be influenced by budgetary considerations.***

##### 2011-02 ARP Member Billings

Audit recommendation to refine and enhance existing documentation of this function and cross-train others to perform this responsibility.

***Staff agrees. It was recently documented by the Contract Compliance department and cross-training has already been initiated.***

##### 2011-03 Purchase Cards

Audit recommendation to strengthen controls over purchase cards to ensure proper documentation and approval. In addition, it was recommended to have a periodic review of a sample of transactions using the same criteria.

***Staff agrees. Staff has created an electronic folder of all approvals each month and transactions are already reviewed each month by the Controller or Assistant Controller.***

## Current Year Comments

### 2012-01 Enhanced Investment Income Reports

Audit recommendation to develop or obtain a summary/report of all investment income by security by component.

***Staff agrees. Currently, staff reconciles each component of our investments individually, but do not have an automated report, similar to what is being recommended. The Treasury software Integra does not currently provide a report such as this currently. The staff has investigated having one developed, at some cost or developing one internally. The cost of having one developed is considered high, so a report is being developed internally, which is a very manual and time-consuming process. It is our intent to upgrade the Integra software, and this is expected to enhance our report writing capability.***

### 2012-02 Investment Management

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

***Staff agrees. Periodic performance benchmarking would be a valuable tool to evaluate performance within the constraints of our policies. The cost of this will be reviewed and discussed for possible inclusion in the 2014 FYE budget process. Staff would like to point out that the individuals doing the investment management have a combined 55 years of experience and are highly educated. The Assistant Treasurer/Investments, who's primary duties are investments, is a Certified Treasury Professional with ongoing education and is a Chartered Financial Analyst Level 3 candidate. In addition, the Treasury area uses third party research data from Bloomberg and over 10 broker/dealers in the Fixed income markets.***

### 2012-03 TCEC Inventory

Audit recommendation to strengthen internal control using separation of duties.

***Staff agrees; however, staff believes that good compensating controls mitigate most risk and is making a change in the inventory count procedure to exclude the individual from participating, which will eliminate any remaining risk concerns. Due to the size of the staff and cost constraints, implementation of this may take additional time that tracks the budget process and the scheduling of cross-training.***

### 2012-04 Service Organization Control (SOC) Reports

Audit recommendation for the Agency to review the SOC report annually and document that review in a memo, paying particular attention to user entity control considerations.

***Staff agrees. This will be implemented for Fiscal Year End 2013.***