Florida Municipal Power Agency

AGENDA PACKAGE MEMORANDUM

TO: FMPA Board of Directors

FROM: Mark Larson and Rick Minch

DATE: January 13, 2015

ITEM: 7a – Approval of Annual Audited Financial Report (AAFR) for Fiscal Year 2014

Discussion

The complete AAFR for the fiscal year ended September 30, 2014 is attached.

A "clean" opinion has been given by our independent auditor firm of Purvis, Gray & Co. See Independent Auditors' Report included therein.

At the end of Fiscal year 2014, short-term variances between current fiscal year actual Net Short-Term Revenue and 2014 budgeted Net Short-Term Revenue were classified in the audited financial statements as amounts to be "Recovered From (Refunded To) Participants." The amounts by Power Project are as follows:

St. Lucie	$ 473,215.35
Stanton	$(1,004,694.47)
Tri-City	$ (257,648.98)
Stanton II	$(1,054,512.42)

Auditor's 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, Report on Significant Audit Findings, Management Letter and Management Letter Comments are attached.

Management's Response to the Management Letter Comments and Report on Internal Control is attached.

Auditor's Report on Agency Investments' compliance with Florida Statutes is attached.

The AROC is scheduled to meet with Purvis, Gray & Co. on January 22nd, ahead of the Executive and Board Committee meetings on January 22nd, providing an opportunity to discuss audit results.

Mark White, partner with Purvis, Gray & Co. will be present to make some remarks as well as answer any questions.

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Recommended Move approval of fiscal year ended September 30, 2014 AAFR, and the associated Purvis, Gray & Co. reports. Also, move approval to recover or refund all over-or under-recovery amounts through the billing true-up process.

Attachments
/ml

Purvis Gray & Company

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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, 2014, 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.

Other Matters

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

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

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

January 12, 2015
Ocala, Florida

Purvis Gray & Company

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the Agency's management in a separate letter dated January 12, 2015.

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

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

Purvis, Gray and Company, LLP

January 12, 2015
Ocala, Florida

Purvis Gray & Company

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

We have audited the financial statements of the business-type activity and each major fund of Florida Municipal Power Agency (the Agency) for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our original engagement letter to you dated March 25, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Financial Transactions and Operational Areas
As noted in 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* dated January 12, 2015, management is responsible for establishing and maintaining effective internal control over financial reporting. As part of this responsibility, management is responsible for managing and monitoring significant financial and operational areas. The following are some of the significant financial and operational areas that have received significant attention from the Agency:

- **Auditor General (AG) Operational Audit**
  Due to legislative action, the AG is performing an operational audit of the Agency as more fully described in their letter to the Agency dated June 18, 2014, and their report to be issued in early 2015. Such an audit is significantly different in scope and objectives than a financial statement audit, which we described in our engagement letter to the Agency dated March 25, 2014.

- **Florida Municipal Power Pool (FMPP)**
  The Agency has identified the FMPP as a high-risk operational area due to the high dollar significance of Agency purchases and sales to the pool and the complexity involved with pricing and the dispatching. Accordingly, the Agency has become more involved with and monitors pool activities very closely, with an emphasis on critical review of the dispatch decisions and auditing of pool transactions by the Agency's contract audit group. We also believe that the pool represents a critical operational area and concur with the special emphasis that the Agency is placing on monitoring and auditing this area.

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Significant Financial Transactions and Operational Areas *(Continued)*

- **Taylor Forward SWAPS**
  The termination value of the Taylor Forward Swaps is approximately $99.265 million as of the 2014 year-end and has gone higher as of the date of this report. The swap agreements require the swaps to be terminated if there are no debts associated with them before the late 2015 swap start date. The Agency has created a select committee including key staff, members, and its financial advisor to determine a path forward to avoid or minimize the expected future termination costs if there is not a bondable project identified before the swap start date.

- **Contractual Rights of Plant Owner/Operator to Retire Plants**
  As described in Note IX of the financial statements, the Stanton Unit 1 plant (the plant) owner and operator, Orlando Utilities Commission (OUC) has a contractual right to retire the plant in 2017. The All Requirements Project (ARP), Stanton, and Tri-City projects hold ownership interests in the plant. As described in Note VIII, the Stanton and Tri-City projects have debt payments extending beyond that date.

- **Regulatory Matters and Costs**
  As described in Note XIII of the financial statements, FMPA's projects with coal power plants could experience increased future costs as a result of proposed regulations from the Environmental Protection Agency (EPA).

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were as follows:

- **Net Costs to be Recovered**
  As discussed in the notes to the financial statements, the Agency utilizes the provisions of GASB Statement No. 62, paragraphs 476-500 **Regulated Operations**. The effect of this method allows for 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. These deferrals are recorded as Net Costs Recoverable from/due to Future Participant Billings in the financial statements. We believe that the Agency's use of this method is appropriate and reasonable.

- **Nuclear Decommissioning Costs**
  As discussed in the notes to the financial statements, the Agency is a partial owner in the St. Lucie nuclear power plant and, accordingly, has recorded its share of the future decommissioning of the plant as a liability in its financial statements. The liability is based upon engineering estimates and contains significant estimates concerning the future cost as well as the future date of the decommissioning. We believe that the Agency's calculation of its share of these costs is reasonable based upon current engineering estimates.

- **Capital Assets, Accumulated Depreciation, and Depreciation Expense**
  As discussed in the notes to the financial statements, capital assets are stated at costs at the time of purchase or construction. Management estimates accumulated depreciation and depreciation expense for such assets by utilizing the straight-line method of depreciation and by determining estimated

Significant Financial Transactions and Operational Areas *(Concluded)*

Accounting Estimates (Concluded)

- **Capital Assets, Accumulated Depreciation, and Depreciation Expense *(Concluded)***
  useful lives based on the classes of depreciable property described in Note I to the financial statements. We evaluated the key factors and assumptions used to develop the capital asset and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

- **Fair Market Value of Financial and Derivative Instruments**
  As discussed in the notes to the financial statements, the Agency uses third party valuations for determining the fair market value of its financial and derivative instruments. We evaluated the key assumptions embodied in these valuations and determined that they are reasonable. Certain municipal bonds that are thinly traded can have varying values depending upon the pricing model used.

- **Prepaid Natural Gas – Public Gas Partners, Inc. (PGP)**
  As discussed in the notes to the financial statements, the Agency is amortizing its investment in PGP (which is titled Prepaid Natural Gas - PGP, in the Statement of Net Position) using the units of production method based upon estimated reserve levels as determined by PGP and its consultants. We evaluated the key assumptions embodied in this method of amortization and determined it to be reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements have been identified above. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements noted as a result of our audit procedures.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated January 12, 2015.

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

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, no such consultation occurred.

Other Audit Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedule of Amounts Due To (From) Participants and Five-Year Trend Analysis, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Board of Directors, Executive Committee, Audit and Risk Oversight Committee, and management of the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

January 12, 2015
Ocala, Florida

Purvis Gray & Company

MANAGEMENT LETTER

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

Report on the Financial Statements
We have audited the financial statements of the Florida Municipal Power Agency (the Agency), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated January 12, 2015.

Auditors' Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Florida Auditor General.*

Other Reports
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* and Independent Accountants' Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports, which are dated January 12, 2015, should be considered in conjunction with this management letter.

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

Official Title and Legal Authority
- Section 10.554(1)(i)4, *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, 2014, financial statements. There are no component units related to the Agency.

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

MANAGEMENT LETTER
(Concluded)

Financial Condition

- Section 10.554(1)(i)5.a, *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the Agency 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.

- Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), *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.

Annual Financial Report

- Section 10.554(1)(i)5.b, *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the Agency for the fiscal year ended September 30, 2014, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. We determined that the State of Florida Department of Financial Services does not require the Agency to file the annual financial report pursuant to Section 218.32(1)(a), Florida Statues.

Other Matters

- Section 10.554(1)(i)2., *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)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other applicable agencies, the Agency's Executive Committee, the Board of Directors and Audit and Risk Oversight Committee and applicable management, 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 12, 2015
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 September 30, 2014 financial statements, we offer the following recommendations to improve financial management, accounting procedures, and internal controls.

Prior Year Findings and Comments (Updated For Current Year)

2013-1 St Lucie Forward Sale Agreement Investments (Updated for 2014)
As more fully described in our 2013 Management Letter, the St. Lucie project is purchasing in its sinking fund, from 2004 to 2026, via a forward sale agreement (FSA), capital appreciation bonds (CABs) that have a significant concentration of California School District issuers. These purchases are designed to provide partial funding at maturity for the payment of St. Lucie term bonds that will mature about that same time. There are also additional purchases of California and other CABs outside of the FSA in the St. Lucie Debt Service and General Reserves by the Agency.

The current fair value of the bonds held at September 30, 2014, is approximately $113 million and the maturity value will be approximately $154 million. The FSA requires $3 million of additional purchases annually through 2026.

In general, CABs are purchased at a deep discount and pay no principal or interest until maturity when the face value of the bond is paid out. Because the ultimate payment at maturity is well in the future and dependent upon future events, CABs carry more inherent credit risk than other bonds that pay principal and interest periodically.

In our 2013 Management Letter, we expressed concern over the heavy concentration of California School District bonds and recommended that the Agency do further research on each issuer to gather more information about the geographic concentration and credit risks associated with these CABs. During 2014, the Agency staff performed additional research that has been reported to the Board, which determined that the bonds have the following characteristics:

- Substantially all of the bonds no longer maintain a Moody's AAA credit rating as a result of the downgrade of the bond insurers; however, most are now rated between AAA and A, with approximately 10% being rated AAA.
- Approximately $20 million of the bonds' maturity values maintain a Bloomberg Investment Grade, rating of IG5-IG-10 or Distressed, DS3, with IG1-IG10 being less risky to more risky and DS1-DS5 being less risky to more risky.
- Most of the bonds have bond insurance, although the quality of the insurer can vary and could be stressed in the event of a regional event affecting the bonds.

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MANAGEMENT LETTER COMMENTS
(Continued)

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

2013-1 St Lucie Forward Sale Agreement Investments (Updated for 2014) *(Concluded)*

- The bonds are serial bonds maturing between 2019 and 2026, with 52% maturing in 2026.

- Approximately 80% of the bonds are general obligation bonds, payable from annual budget appropriations of ad valorem taxes that will be levied and collected to pay-off the bonds within a year of the maturity date. Thus, final payment is fully dependent upon the prevailing physical or financial conditions existing in the state at that time.

- Approximately 20% of the bonds are either mortgage bonds, revenue bonds, or limited obligations having payment pledges other than general obligation ad valorem taxes such as rental payments, and other pledged revenues.

This research has provided additional information about the bonds that was not fully known previously and as can be seen above, has both comforting and concerning aspects as indicated above. Accordingly, we recommend that staff continue to monitor and look for changes in the following areas to update the Board and assess risk:

- The credit ratings of both the issuers and insurers.

- General economic data from California such as unemployment rates, housing values, tax trends and relevant political activities.

- Secondary market disclosure sites for any material events affecting the bonds.

- Annual audit report results and footnote disclosures of the major issuers.

We recommend that the Board continue to review the current and future information on the bonds for risk changes and make a determination if the current strategy for holding the existing bonds and purchasing more of the same over the next 10-11 years is within acceptable risk tolerances. We also recommend that the Agency continue to request from the FSA counterparty that CABs from outside California be delivered where possible on the remaining portion of the agreement to provide more geographic diversification.

Additionally, because there is significantly more inherent risk with CABs compared to bonds paying current principal and interest, we recommend that the Agency consider amending the investment policy to create two separate and distinct categories for CABs and current principal and interest bonds and consider how they might differ throughout the policy, rather than having both combined into a single category of "Municipal Bonds".

Current Year Findings and Comments

2014-1 Updated COSO Framework
In 2013, Committee of Sponsoring Organizations (COSO) released its updated framework to help organizations design and implement internal control in light of many changes in business and operating environments since the issuance of the original 1992 framework, broaden the application of internal control in addressing operations and reporting objectives, and clarify the requirements for determining

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Findings and Comments ***(Continued)***

2014-1 Updated COSO Framework ***(Concluded)***
what constitutes effective internal control. The COSO Framework provides principles-based guidance for designing and implementing effective internal controls. COSO developed the framework in response to senior executives' need for effective ways to better control their enterprises and to help ensure that organizational objectives related to operations, reporting, and compliance are achieved. This framework has become the most widely used internal control framework in the U.S. and has been adapted or adopted by numerous countries and businesses around the world.

Accordingly, we recommend that the Agency review the newly updated COSO framework and develop a plan to implement it for relevant key business functions. Because of the comprehensive nature of the framework, it is likely that this could be a multi-year project.

2014-2 Long-term Debt Levels
The Agency has significant investments in long-term generation facilities with a mix of nuclear, coal, and gas fired units, all of which carry significant long-term debt levels that extend well into the future, as can be seen in the long-term debt notes in the Agency's financial statements.

In recent years, the supply of natural gas has increased significantly as the result of shale fracking technology, which has driven the cost of gas down. Additionally, the EPA has proposed several regulations that, if enacted, have the potential to make coal fired generation cost prohibitive. At the same time, there are a variety of possible risks associated with the shrinking nuclear industry making its long-term future uncertain as well.

Given the low cost of natural gas and the regulatory and other threats to coal and nuclear fuels, we recommend that the Agency continue to monitor current events and its long-term debt levels for all coal and nuclear generation to ensure that debt maturities do not extend beyond the ever changing useful lives of those facilities. Also, as new information becomes available the Agency should modify where appropriate the useful depreciable lives of these facilities.

2014-3 Review of Categorization of Energy and Demand Costs
During our review of the Agency's billings process we noted that certain costs that could be considered energy related are classified as demand costs because they are somewhat fixed in nature. These costs include but are not limited to fixed natural gas transportation costs paid to Florida Gas Utility, Inc. (FGU), the related remarketing proceeds of excess gas by FGU, and the debt service cost associated with the Public Gas Partners, Inc. prepaid gas borrowing. We believe that these costs have as much of an energy component to them as they do demand and recommend that the Agency review the allocation of these and other expenses between the demand and energy categories. This is important because member billings are split between these and other categories and can vary based upon the various member load profiles.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

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

2014-4 Debt Report Refinements
The Agency's debt risk management policy requires that an annual Debt Report (the Report) be prepared and presented to Board and Executive Committee. The report provides demographics for all bonded indebtedness, interest rate swaps and debt ratio by project.

Based upon our review of this report, we believe the Report should be reviewed and modified for intricacies associated with the loss on refunding, deferred outflows, net costs recovered and inclusion of the capital leases, which were not included previously. We also believe that the Report would be enhanced by benchmarking the Agency against several other joint action power agencies' debt demographics, and ratio's calculated in a manner consistent with the Agency's methodology. 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 12, 2015
Ocala, Florida

Florida Municipal Power Agency

MEMORANDUM

TO: FMPA AROC & Executive Committee and Board of Directors

FROM: Mark Larson

DATE: January 13, 2015

ITEM: Audit Report and 2014 Management Letter

Staff Response to the Fiscal Year 2014 Management Letter Comments

---

Prior Year Findings and Comments

2013-1 St. Lucie Forward Sale Agreement Investments (Updated for 2014)

Audit recommendation for staff to continue to monitor and communicate to membership any information relevant to the securities held in this agreement that may impact risk and measures to mitigate that risk, including geographic diversification. Also, they recommend that the Board review current and future information and make a determination if the current strategy is within acceptable risk tolerances. An additional recommendation was to consider revising the company's Investment policy to create a separate category for CAB's.

Staff agrees. Staff is involved in both monitoring and communicating regularly on its Investment portfolio. Staff has done extensive research this year and will continue to monitor relevant information available and communicate it to the members. Staff will present an action item to the AROC no later than the May 2015 AROC meeting detailing updated information, and cost impacts for various options. Based on the AROC input it will be presented at a future Board meeting to allow for the Board to a make a determination if the current strategy is acceptable. The Investment policy comes up for its recurring annual review by the AROC in its September 2015 meeting for any potential revisions.

Current Year Comments

2014-1 Updated COSO Framework

Audit recommendation for staff to review the new COSO and develop a plan to implement it for relevant key business functions.

Staff agrees. Staff would also suggest utilizing the" Green Book" which are the Standards for Internal Control in the Federal Government to provide more specific guidance in integrating the COSO updates. Staff has been involved in the review of COSO and the Green Book this past year and intends to integrate it with an on-going project to implement Sarbanes-Oxley type

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documentation beginning in the finance area. The Regulatory Compliance department is also involved with the review and implementation in their compliance work. It should be noted that to be truly useful the COSO framework and Sarb-Ox type documentation is not just a multi-year project, but a perpetual responsibility to ensure all processes and procedures are current and applicable to the current goals of the entity.

2014-2 Long Term Debt Levels

Audit recommendation for staff to monitor current events and its long term debt levels for coal and nuclear generation to ensure debt maturities do not extend beyond the useful lives of the facilities. Also, modify where appropriate the depreciable lives of the facilities.

Staff agrees. This analysis will be conducted and presented to the Budget Committee in development of the 2016 budget.

2014-3 Review of Categorization of Energy and Demand Costs

Audit recommendation for staff to review the allocation of expenses between the Energy and Demand categories.

Staff agrees. Extensive work has been done in this area within the BMWG committee and presented to the EC. Additional analysis will be conducted incorporating the Management Letter comments and be presented to the AROC no later than the May 2015 meeting.

2014-4 Debt Report Refinements

Audit recommendation for staff to review the Debt report for inclusion of additional information. Items suggested include benchmarking to other power agencies and Capital Lease information.

Staff agrees. Staff will review for pertinent enhancements and a pro-forma report will be presented to the AROC no later than the September 2015 meeting.

Purvis Gray & Company

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Florida Municipal Power Agency's (the Agency) compliance with the requirements of Section 218.415, Florida Statutes, with regards to the Agency's investments during the year ended September 30, 2014. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014. However, please see Management Letter Comment 2013-1 containing recommendations

Purvis, Gray and Company, LLP

January 12, 2015
Ocala, Florida

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FLORIDA MUNICIPAL POWER AGENCY

Financial Statements

For The Fiscal Year Ended September 30, 2014

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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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Purvis Gray & Company

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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, 2014, 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.

Other Matters

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

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

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

January 12, 2015
Ocala, Florida

MANAGEMENT'S DISCUSSION & ANALYSIS

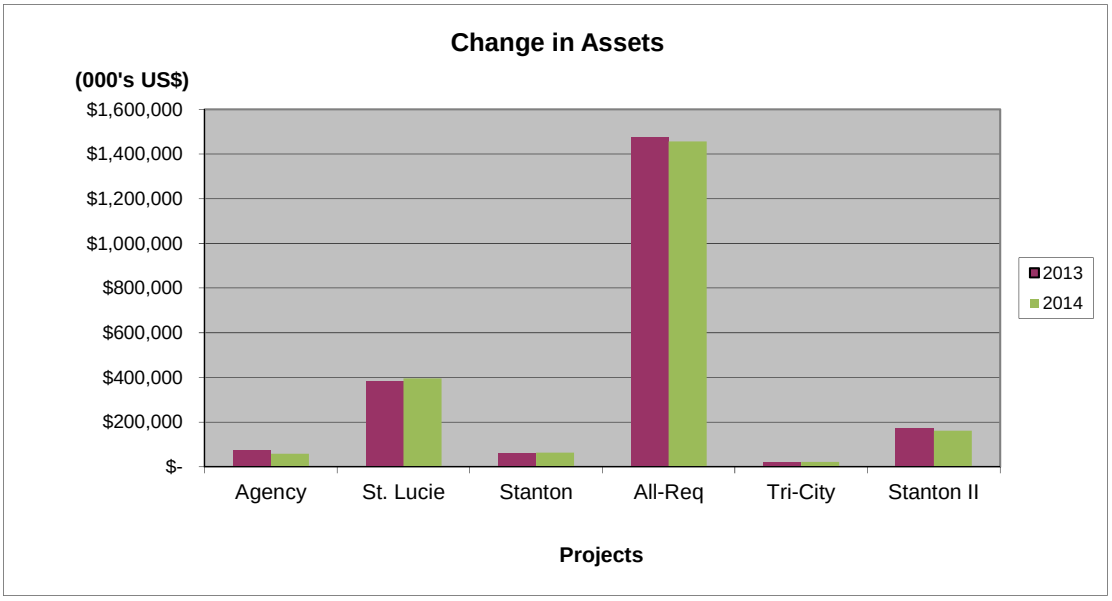
For Fiscal Year Ended September 30, 2014

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, 2014, of FMPA's Agency Fund and other projects decreased $27.4 million from the prior year. Decreases included $85.1 million of depreciation of Plant Asset and $19.1 million of rate stabilization funds returned to KUA. Increases in total assets included $25.4 million of new depreciable assets, $26.4 million of Long-Term Due from Participants and $25.0 million in cash and other current assets.



Change in Assets (000's US$)							
Year	**Agency**	**St. Lucie**	**Stanton**	**All-Req**	**Tri-City**	**Stanton II**	**Total**
2013	$ 73,495	$ 382,651	$ 60,556	$ 1,476,149	$ 20,858	$ 173,042	$ 2,186,751
2014	$ 58,920	$ 396,389	$ 63,297	$ 1,456,508	$ 21,818	$ 162,391	$2,159,323
Variance	($14,575)	$13,738	$2,741	($19,641)	$960	($10,651)	($27,428)

FINANCIAL HIGHLIGHTS (CONTINUED)

Total Liabilities at September 30, 2014, for FMPA's Agency Fund and other projects decreased by $35.9 million during the current fiscal year. The decrease in total liabilities is mainly due to bond principle payments. The St. Lucie Project's total liabilities increased $9.1 million due to a new debt issuance of $16.7 million for capital expenses. The Agency Fund's total liabilities decreased $14.7 million primarily due to a return of $17.1 million of rate stabilization funds to KUA.

Long-Term Liability balance outstanding at September 30, 2014, for FMPA's Agency Fund and Projects was $2.0 billion, a decrease of $33.0 million during the current fiscal year.

Long-Term Bonds balance, less current portion, was $1.7 billion, including All-Requirements balance of $1.2 billion.

Total Revenue for Agency and all projects decreased by $16.6 million for the current fiscal year, primarly due to the All-Requirements investement income decreasing $86.7 million from a mark to market gain of $64.4 million in fiscal year 2013 to a mark to market loss of $22.3 million in the current fiscal year on the ineffective swaps.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2014

FINANCIAL HIGHLIGHTS (CONTINUED)

Statement of Net Position
Proprietary funds
September 30, 2014
(000's US$)

2014	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Assets:							
Capital Assets, Net	$ 3,185	$ 89,129	$ 32,939	$ 864,876	$ 12,999	$ 106,356	$ 1,109,484
Current Unrestricted Assets	17,252	100,967	28,559	243,594	7,588	43,182	441,142
Non-Current Restricted Assets	38,372	147,606	1,799	46,280	1,231	8,730	244,018
Other Non Current Assets	111	58,687	-	301,758	-	4,123	364,679
Deferred Outflows of Resources	-	44,851	527	18,679	755	19,663	84,475
Total Assets & Deferred Outflows	$ 58,920	$ 441,240	$ 63,824	$ 1,475,187	$ 22,573	$ 182,054	$ 2,243,798
Liabilities:							
Long-Term Liabilities	$ 41,131	$ 428,520	$ 39,310	$ 1,342,161	$ 15,771	$ 170,477	$ 2,037,370
Current Liabilities	2,656	12,720	9,510	133,026	3,921	11,577	173,410
Deferred Inflows of Resources	-	-	15,004	-	2,881	-	17,885
Total Liabilities & Deferred Inflows	$ 43,787	$ 441,240	$ 63,824	$ 1,475,187	$ 22,573	$ 182,054	$ 2,228,665
Net Position:							
Investment in capital assets	$ 2,180	$ (216,012)	$ (11,924)	$ (333,367)	$ (4,937)	$ (37,245)	$ (601,305)
Restricted	-	90,349	7,879	83,795	4,106	13,820	199,949
Unrestricted	12,953	125,663	4,045	249,572	831	23,425	416,489
Total Net Position	$ 15,133	$ -	$ -	$ -	$ -	$ -	$ 15,133

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

2013	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Assets:							
Capital Assets, Net	$ 2,665	$ 103,963	$ 33,811	$ 912,545	$ 13,405	$ 107,030	$ 1,173,419
Current Unrestricted Assets	16,537	89,005	22,955	243,639	5,263	48,664	426,063
Non-Current Restricted Assets	53,555	122,730	3,790	52,933	2,190	12,945	248,143
Other Non Current Assets	738	66,953	-	267,433	-	4,403	339,527
Deferred Outflows of Resources	-	49,446	757	13,660	936	20,667	85,466
Total Assets & Deferred Outflows	$ 73,495	$ 432,097	$ 61,313	$ 1,490,210	$ 21,794	$ 193,709	$ 2,272,618 *
Liabilities:							
Long-Term Liabilities	$ 56,198	$ 418,156	$ 45,564	$ 1,352,328	$ 18,696	$ 179,960	$ 2,070,902
Current Liabilities	2,292	13,941	6,139	137,882	1,762	13,749	175,765
Deferred Inflows of Resources	-	-	9,610	-	1,336	-	10,946
Total Liabilities & Deferred Inflows	$ 58,490	$ 432,097	$ 61,313	$ 1,490,210	$ 21,794	$ 193,709	$ 2,257,613 *
Net Position:							
Investment in capital assets	$ 1,485	$ (186,086)	$ (13,517)	$ (304,854)	$ (4,220)	$ (46,956)	$ (554,148)
Restricted	-	67,453	6,190	55,770	2,012	20,101	151,526
Unrestricted	13,520	118,633	7,327	249,084	2,208	26,855	417,627
Total Net Position	$ 15,005	$ -	$ -	$ -	$ -	$ -	$ 15,005

* Restated due to revised OPEB calculation

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2014

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For Fiscal Year Ended September 30, 2014

(000's US$)

2014	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:							
Billings to participants	$ 13,251	$ 52,338	$ 30,967	$ 493,159	$ 10,971	$ 44,411	$ 645,097
Sales to others		2,235	419	25,767	150	657	29,228
Amounts to be recovered from (refunded to) participants		473	(1,005)	5,205	(258)	(1,055)	3,360
Investment Income (loss)	69	17,530	392	(32,150)	81	1,151	(12,927)
Total Revenue	$ 13,320	$ 72,576	$ 30,773	$ 491,981	$ 10,944	$ 45,164	$ 664,758
Expenses:							
Operation, maintenance & Nuclear Fuel Amortization	$ -	$ 16,325	$ 3,567	$ 55,621	$ 1,262	$ 5,871	$ 82,646
Purchased power, Transmission & Fuel Costs		4,931	15,723	337,452	5,678	26,099	389,883
Administrative & General	12,253	2,716	1,187	21,957	687	1,770	40,570
Depreciation & Decommissioning	244	25,731	2,647	54,252	1,041	5,082	88,997
Interest & Amortization	36	15,018	2,255	60,546	731	6,063	84,649
Write-off Development Project	659						659
Total Expense	$ 13,192	$ 64,721	$ 25,379	$ 529,828	$ 9,399	$ 44,885	$ 687,404
Change in net position before regulatory asset adjustment	$ 128	$ 7,855	$ 5,394	$ (37,847)	$ 1,545	$ 279	$ (22,646)
Net cost recoverable from future regulatory asset adjustment		(7,855)	(5,394)	37,847	(1,545)	(279)	22,774
Change in Net Positon After Regulatory Adj	$ 128	$ -	$ -	$ -	$ -	$ -	$ 128
Net position at beginning of year	15,005						15,005
Net position at end of year	$ 15,133	$ -	$ -	$ -	$ -	$ -	$ 15,133

Statements of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For Fiscal Year Ended September 30, 2013

(000's US$)

2013	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:							
Billings to participants	$ 12,528	$ 47,446	$ 23,745	$ 478,321	$ 9,662	$ 50,047	$ 621,749
Sales to others	3	2,568	430	7,960	143	711	11,815
Amounts to be recovered from (refunded to) participants		(3,784)	(915)	(4,708)	(683)	245	(9,845)
Investment Income (loss)	34	3,832	(164)	54,494	(54)	(450)	57,692
Total Revenue	$ 12,565	$ 50,062	$ 23,096	$ 536,067	$ 9,068	$ 50,553	$ 681,411
Expenses:							
Operation, maintenance & Nuclear Fuel Amortization	$ -	$ 13,011	$ 3,545	$ 59,802	$ 1,269	$ 5,337	$ 82,964
Purchased power, Transmission & Fuel Costs		5,662	9,284	296,518	3,551	24,174	339,189
Administrative & General	12,389	2,633	1,184	21,463	659	1,698	40,026
Depreciation & Decommissioning	259	23,465	2,526	53,877	998	4,855	85,980
Interest & Amortization	45	15,109	2,938	62,770	1,375	6,892	89,129
Write-off Development Project							
Total Expense	$ 12,693	$ 59,880	$ 19,477	$ 494,430	$ 7,852	$ 42,956	$ 637,288 *
Change in net position before regulatory asset adjustment	$ (128)	$ (9,818)	$ 3,619	$ 41,637	$ 1,216	$ 7,597	$ 44,123 *
Net cost recoverable from future regulatory asset adjustment		9,818	(3,619)	(41,637)	(1,216)	(7,597)	(44,251)
Change in Net Positon After Regulatory Adj	$ (128)	$ -	$ -	$ -	$ -	$ -	$ (128) *
Net position at beginning of year	15,133						15,133 *
Net position at end of year	$ 15,005	$ -	$ -	$ -	$ -	$ -	$ 15,005

* Restated due to revised OPEB calculation

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The **Statements of Revenues, Expenses and Changes in Fund Net Position** present information regarding how FMPA's net position has changed during the fiscal year ended September 30, 2014. All changes in net position are reported as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses that are reported in these statements for some items will only result in cash flows in future fiscal periods, such as unrealized gains or losses from investment activities, uncollected billings and earned but unused vacation.

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

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

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

MANAGEMENT'S DISCUSSION & ANALYSIS

For Fiscal Year Ended September 30, 2014

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 2014 and 2013 is shown on pages 6 and 7. A more detailed version of the major fund proprietary financial statements can be found on pages 14 through 16 of this report.

The **Notes to Financial Statements** provide additional information that is essential to understanding the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 17 through 56 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 liabilities decreased $35.9 million primarily due to payments of principle on Long-term debt. The Agency Fund, Stanton, All-Requirements Tri-City Project and Stanton II Project had total liabilities decrease. Total liabilities for the St. Lucie Project increased due to a new bond issuance for capital expenses.

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 decreased $136,000 from fiscal year 2013 to fiscal year 2014.

On September 30, 2014, long-term notes payable debt was $820,000, which is accounted for in the FMPA Agency Fund and represents the Loan outstanding for the Agency's office building.

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

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

The Project billed 643,993 Megawatt-hours (MWh) in fiscal year 2014. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 16% to $81.27 in fiscal year 2014. This was due to decreased capacity utilization in 2014 from timing of refueling outages.

The **Stanton Project** derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 441 Megawatt coal-fired power plant operated by its primary owner, Orlando Utilities Commission (OUC).

The Project billed 320,992 MWh in fiscal year 2014. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses decreased 27% to $96.47 per MWh in fiscal year 2014 resulting from decisions to increase coal fired power plant usage as coal prices became more economical during periods of the fiscal year, and longer than anticipated outages of other generating units in the Florida Municipal Power Pool(FMPP).

The **All-Requirements Project** (ARP) consists of 13 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 $91.25 per MWh in fiscal year 2014, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2014 were 5,404,370.

Billings to ARP participants in fiscal year 2014 were 3% higher, increasing from $478 million to $493 million.

The All-Requirements participant net cost of power increased to $92.25 per MWh in fiscal year 2014, a 1% increase from fiscal year 2013. This increase was primarily due to costs associated with the market price of natural gas supply. Purchased Power expenses decreased $10.8 million, a 28% decrease from the prior year primariy due to the expiration of the FPL contract capacity agreement. The fuel supply mix was 83.9% for natural gas, 15.7% for coal, 0.3% for renewables and 0.1% for oil.

After consideration of amounts to be refunded to or recovered from Project participants, the net position of the All-Requirements Project was zero (by design) again in fiscal year 2014. The All-Requirements project adjusts the Demand, Energy, and Transmission rates each month based on the current expenses, estimated future expenses, and over/under collections to meet its 60-day cash target. The over/under collection amounts are shown in the Statements of Revenues, Expenses and Changes in Fund Net Position as an addition or reduction to "Billings to Participants" and as "Due from Participants" or "Due to Participants" in the accompanying Statement of Net Position.

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 120,915 MWh in fiscal year 2014. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, decreased 38% to $90.73 per MWh during fiscal year 2014 resulting from decisions to increase coal fired power plant usage as coal prices became more economical during periods of the fiscal year, and longer than anticipated outages of other generating units in the Florida Municipal Power Pool(FMPP).

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 533,732 MWh in fiscal year 2014. The average all-inclusive billing rate, which includes budgeted Demand, Energy, and Transmission expenses, decreased by 17% to $83.21 per MWh in fiscal year 2014. This was caused by more capacity utilization in 2014.

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 2014, the St Lucie budget was amended late in the fiscal year to increase the expenditure budget by $750 thousand because of unanticipated higher reliability & exchange expenses. For fiscal year 2014, the Stanton II budget was amended late in the fiscal year to increase the expenditure budget by $1.0 million because of anticipated higher fuel and O & M expenses. The Stanton and TriCity budgets were increased $8.0 million & $3.0 million respectively due to higher fuel costs due to higher utilization of the Stanton I unit than expected.

CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets,** as of September 30, 2014, was $1.1 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 2014 decreased by 5.4% or $64.0 million. This was caused primarily by depreciation of plant assets.

CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

At September 30, 2014, FMPA had **Long-term debt** of $1.7 billion in notes, loans and bonds payable. The remaining principal payments on Long-term debt less current portion, net of unamortized premium and discount, and deferred outflows are as follows:

Project	Amount (000's US$)
Agency Fund	$ 820
St. Lucie Project	342,867
Stanton Project	39,310
All-Requirements Project	1,168,198
Tri-City Project	15,771
Stanton II Project	157,975
Total	$ 1,724,941

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

SIGNIFICANT EVENTS

In House Bill 5001, passed in 2014, the Florida legislature appropriated funds of $200,000 to the Auditor General of Florida to pay for subject matter experts to conduct a full audit of any entity created under section 361.10 of the Florida Stature. FMPA falls under that statute and was audited by the Auditor General from July 2014 through December 2014. A report of the audit was to be submitted to the Speaker of the Florida House of Representatives and the President of the Florida Senate on January 1, 2015. The report currently has not been submitted.

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, 2014:

Project	Amount (000's US$)
St. Lucie Project	$ 1,126
Total	$ 1,126

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

REQUEST FOR INFORMATION

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

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014
(000's US$)

	Business-Type Activities						
ASSETS & DEFERRED OUTFLOWS	**Agency Fund**	**St. Lucie Project**	**Stanton Project**	**All-Requirements Project**	**Tri-City Project**	**Stanton II Project**	**Totals**
Current Assets:							
Cash and cash equivalents	$ 2,271	$ 16,841	$ 4,104	$ 62,825	$ 1,479	$ 5,907	$ 93,427
Investments	12,494	67,694	13,314	31,610	1,618	23,282	150,012
Participant accounts receivable	1,893	4,276	2,470	32,658	877	4,226	46,400
Due from Participants		473					473
Fuel stock and material inventory			1,489	48,924	533	2,342	53,288
Other current assets	594	238	107	9,320	13	178	10,450
Restricted assets available for current liabilities		11,445	7,075	58,257	3,068	7,247	87,092
Total Current Assets	$ 17,252	$ 100,967	$ 28,559	$ 243,594	$ 7,588	$ 43,182	$ 441,142
Non-Current Assets:							
Restricted Assets:							
Cash and cash equivlents	$ 701	$ 65,349	$ 7,128	$ 56,586	$ 3,252	$ 8,313	$ 141,329
Investments	37,655	93,488	1,733	47,811	1,039	7,649	189,375
Accrued Interest	16	214	13	140	8	15	406
Less: Portion Classified as Current		(11,445)	(7,075)	(58,257)	(3,068)	(7,247)	(87,092)
Total Restricted Assets	$ 38,372	$ 147,606	$ 1,799	$ 46,280	$ 1,231	$ 8,730	$ 244,018
Utility Plant:							
Electric plant	$ -	$ 275,014	$ 82,492	$ 1,236,107	$ 33,307	$ 190,356	$ 1,817,276
General plant	7,572	21,996	17	4,219	20	91	33,915
Less accumulated depreciation and amortization	(4,387)	(208,821)	(49,570)	(375,450)	(20,328)	(84,091)	(742,647)
Net utility plant	$ 3,185	$ 88,189	$ 32,939	$ 864,876	$ 12,999	$ 106,356	$ 1,108,544
Construction work in progress		940					940
Total Utility Plant, net	$ 3,185	$ 89,129	$ 32,939	$ 864,876	$ 12,999	$ 106,356	$ 1,109,484
Other Assets:							
Net costs recoverable from future particpant billings	$ 111	$ 58,687	$ -	$ 213,638	$ -	$ 4,123	$ 276,559
Prepaid natural Gas - PGP				88,120			88,120
Total Other Assets	$ 111	$ 58,687	$ -	$ 301,758	$ -	$ 4,123	$ 364,679
Total Assets	$ 58,920	$ 396,389	$ 63,297	$ 1,456,508	$ 21,818	$ 162,391	$ 2,159,323
Deferred Outflows of Resources							
Deferred Outflows from Derivatives	$ -	$ 21,271	$ -	$ 13,040	$ -	$ 12,502	$ 46,813
Unamortized Loss on Advanced Refunding		23,580	527	5,639	755	7,161	37,662
Total Deferred Outflows	$ -	$ 44,851	$ 527	$ 18,679	$ 755	$ 19,663	$ 84,475
Total Assets & Deferred Outflows	$ 58,920	$ 441,240	$ 63,824	$ 1,475,187	$ 22,573	$ 182,054	$ 2,243,798
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Payable from unrestricted assets:							
Accounts payable & Accrued Liabilities	$ 2,471	$ 1,275	$ 1,430	$ 34,700	$ 550	$ 3,076	$ 43,502
Due to Participants			1,005	28,860	258	1,055	31,178
Capital Lease and other Obligations	185			11,209	45	199	11,638
Total Current Liabilities Payable from Unrestricted Assets	$ 2,656	$ 1,275	$ 2,435	$ 74,769	$ 853	$ 4,330	$ 86,318
Payable from Restricted Assets:							
Current portion of long-term revenue bonds	$ -	$ 7,125	$ 6,080	$ 37,515	$ 2,875	$ 5,090	$ 58,685
Accrued interest on long-term debt		4,320	995	20,742	193	2,157	28,407
Total Current Liabilities Payable from Restricted Assets	$ -	$ 11,445	$ 7,075	$ 58,257	$ 3,068	$ 7,247	$ 87,092
Total Current Liabilities	$ 2,656	$ 12,720	$ 9,510	$ 133,026	$ 3,921	$ 11,577	$ 173,410
Long-Term Liabilities Payable from Restricted Assets:							
Held in Trust for Decommissioning	$ 36,189	$ -	$ -	$ -	$ -	$ -	$ 36,189
Held in Trust for Rate Stabilization	2,183						2,183
Accrued Decommissioning Liability		64,382					64,382
Total Liabilities Payable from Restricted Assets	$ 38,372	$ 64,382	$ -	$ -	$ -	$ -	$ 102,754
Long-Term Liabilities Less Current Portion:							
Long-term debt	$ 820	$ 342,867	$ 39,310	$ 1,168,198	$ 15,771	$ 157,975	$ 1,724,941
Employee Related Obligations	1,939						1,939
Advances from Participants				20,967			20,967
FMV Derivative Instruments		21,271		152,996		12,502	186,769
Total Long-Term Liabilities	$ 2,759	$ 364,138	$ 39,310	$ 1,342,161	$ 15,771	$ 170,477	$ 1,934,616
Deferred Inflows of Resources							
Net cost refundable from future participant billings	-	-	15,004	-	2,881	-	17,885
Total Long-Term Liabilities & Deferred Inflows	$ 2,759	$ 364,138	$ 54,314	$ 1,342,161	$ 18,652	$ 170,477	$ 1,952,501
Total Liabilities and Deferred Inflows	$ 43,787	$ 441,240	$ 63,824	$ 1,475,187	$ 22,573	$ 182,054	$ 2,228,665
Net Position:							
Investment in Capital Assets	$ 2,180	$ (216,012)	$ (11,924)	$ (333,367)	$ (4,937)	$ (37,245)	$ (601,305)
Restricted		90,349	7,879	83,795	4,106	13,820	199,949
Unresticted	12,953	125,663	4,045	249,572	831	23,425	416,489
Total Net Position	$ 15,133	$ -	$ -	$ -	$ -	$ -	$ 15,133

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2014
(000's US$)

	Business-Type Activities						
	Agency Fund	St. Lucie Project	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
Operating Revenue:							
Billings to participants	$ 13,251	$ 52,338	$ 30,967	$ 493,159	$ 10,971	$ 44,411	$ 645,097
Sales to others		2,235	419	25,767	150	657	29,228
Amounts to be recovered from (refunded to) participants		473	(1,005)	5,205	(258)	(1,055)	3,360
Total Operating Revenue	$ 13,251	$ 55,046	$ 30,381	$ 524,131	$ 10,863	$ 44,013	$ 677,685
Operating Expenses:							
Operation and maintenance	$ -	$ 12,106	$ 3,567	$ 55,621	$ 1,262	$ 5,871	$ 78,427
Fuel expense			14,500	283,682	5,189	24,253	327,624
Nuclear fuel amortization		4,219					4,219
Spent fuel fees		166					166
Purchased power		4,254		27,523			31,777
Transmission services		511	1,223	26,247	489	1,846	30,316
General and administrative	12,253	2,716	1,187	21,957	687	1,770	40,570
Depreciation and amortization	244	21,876	2,647	54,252	1,041	5,082	85,142
Decommissioning		3,855					3,855
Total Operating Expense	$ 12,497	$ 49,703	$ 23,124	$ 469,282	$ 8,668	$ 38,822	$ 602,096
Total Operating Income (Loss)	$ 754	$ 5,343	$ 7,257	$ 54,849	$ 2,195	$ 5,191	$ 75,589
Non-Operating Income (Expense):							
Interest expense	$ (36)	$ (14,969)	$ (2,180)	$ (60,414)	$ (646)	$ (6,033)	$ (84,278)
Debt costs		(49)	(75)	(132)	(85)	(30)	(371)
Investment earnings	69	17,530	392	848	81	1,151	20,071
Loss on ineffective swaps				(35,916)			(35,916)
Amortization of swap terminations				2,918			2,918
Write-off Development Project	(659)						(659)
Total Non-Operating Income (Expenses)	$ (626)	$ 2,512	$ (1,863)	$ (92,696)	$ (650)	$ (4,912)	$ (98,235)
Change in net assets before regulatory asset adjustment	$ 128	$ 7,855	$ 5,394	$ (37,847)	$ 1,545	$ 279	$ (22,646)
Net cost recoverable from future participant billings	$	$ (7,855)	$ (5,394)	$ 37,847	$ (1,545)	$ (279)	$ 22,774
Change in Net Position After Regulatory Adj	$ 128	$	$	$	$	$	$ 128
Net Postion at beginning of year	15,005						15,005
Net Position at end of year	$ 15,133	$ -	$ -	$ -	$ -	$ -	$ 15,133

The accompanying notes are an integral part of these financial statements

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FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
September 30, 2014
(000's US$)

	Business-Type Activities- Proprietary Funds						
	Agency Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Cash Flows From Operating Activities:							
Cash Received From Customers	$ 13,190	$ 53,239	$ 30,593	$ 566,670	$ 11,039	$ 42,727	$ 717,458
Cash Paid to Suppliers	(4,952)	(20,464)	(19,340)	(420,592)	(7,727)	(29,612)	(502,687)
Cash Paid to Employees	(6,708)						(6,708)
Net Cash Provided by (Used in) Operating Activities	$ 1,530	$ 32,775	$ 11,253	$ 146,078	$ 3,312	$ 13,115	$ 208,063
Cash Flows From Investing Activities:							
Proceeds From Sales and Maturities Of Investments	$ 22,128	$ 103,234	$ 19,999	$ 212,167	$ 6,593	$ 29,170	$ 393,291
Crystal River 3 Decommissioning	1,963						1,963
RSA Deposits (Withdrawls) and Interest Earnings	(17,146)						(17,146)
Purchases of Investments	(43,582)	(66,005)	(19,825)	(267,383)	(6,434)	(29,939)	(433,168)
Income received on Investments	154	8,743	488	3,877	111	1,191	14,564
Net Cash Provided by (Used in) Investment Activities	$ (36,483)	$ 45,972	$ 662	$ (51,339)	$ 270	$ 422	$ (40,496)
Cash Flows From Capital & Related Financing Activities:							
Proceeds from Issuance of Bonds & Loans	$ -	$ 16,745	$ -	$ -	$ -	$ -	$ 16,745
Debt Costs		(49)	(75)	(132)	(85)	(30)	(371)
Capital Expenditures - Utility Plant	(767)	(11,261)	(1,775)	(6,583)	(635)	(4,408)	(25,429)
Long Term Gas Pre Pay - PGP				(4,690)			(4,690)
Principal Payments - Long Term Debt	(175)	(6,660)	(2,695)	(45,960)	(338)	(13,433)	(69,261)
Interest paid on Debt	(29)	(14,916)	(2,226)	(61,165)	(531)	(6,237)	(85,104)
Net Cash Provided (Used in) Capital & Related Financing Activities	$ (971)	$ (16,141)	$ (6,771)	$ (118,530)	$ (1,589)	$ (24,108)	$ (168,110)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (35,924)	$ 62,606	$ 5,144	$ (23,791)	$ 1,993	$ (10,571)	$ (543)
Cash and Cash Equivalents - Beginning	38,896	19,584	6,088	143,202	2,738	24,791	235,299
Cash and Cash Equivalents - Ending	$ 2,972	$ 82,190	$ 11,232	$ 119,411	$ 4,731	$ 14,220	$ 234,756
Consisting of:							
Unrestricted	$ 2,271	$ 16,841	$ 4,104	$ 62,825	$ 1,479	$ 5,907	$ 93,427
Restricted	701	65,349	7,128	56,586	3,252	8,313	141,329
Total	$ 2,972	$ 82,190	$ 11,232	$ 119,411	$ 4,731	$ 14,220	$ 234,756
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:							
Operating Income (Loss)	$ 754	$ 5,343	$ 7,257	$ 54,849	$ 2,195	$ 5,191	$ 75,589
Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:							
Depreciation	244	21,876	2,647	54,252	1,041	5,082	85,142
Asset Retirement Costs	3						3
Decommissioning		3,855					3,855
Amortization of Nuclear Fuel		4,219					4,219
Amortization of Pre Paid Gas - PGP				5,543			5,543
Write off Development Project	(659)						(659)
Fuel Enrichment		412					412
Changes in Assests and Liabilities Which Provided (Used) Cash:							
Inventory			1,068	(1,069)	261	870	1,130
Receivables From (Payable to) Participants	(29)	(2,218)	212	6,870	176	(1,286)	3,725
Prepaids	(60)	(455)	(19)	(4,106)	1	271	(4,368)
Accounts Payable and Accrued Expense	650	(3,150)	(142)	(6,970)	(543)	2,134	(8,021)
Net cost recoverable from future participant billings	627	2,893	230	36,709	181	853	41,493
Net Cash Provided By (Used In) Operating Activities	$ 1,530	$ 32,775	$ 11,253	$ 146,078	$ 3,312	$ 13,115	$ 208,063
Noncash Investing, capital and financing activities:							
Increase (Decrease) in mark to market values							
Non-Trust Investments	$ (85)	$ 8,755	$ (74)	$ (50)	$ (30)	$ (39)	$ 8,477
Interest Rate Derivative Contracts				(35,916)			(35,916)
Change in Effective Swaps		1,701		(6,059)		151	(4,207)

The accompanying notes are an integral part of these financial statements

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

This structure allows each member the option of whether to participate in a project, to participate in more than one project, or not to participate in any project. Each of the projects are independent from the other and the project bond resolutions specify that no revenues or funds from one project can be used to pay the costs of any other project. As of September 30, 2014, 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 Governmental Accounting Standards Board (GASB), the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Generally Accepted Accounting Principles of the United States (GAAP) using the economic resources measurement focus and the accrual basis of accounting. Application of the accounting methods for regulatory operations is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is governed by the Executive Committee and the Board of Directors.

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

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.

I. Summary of Significant Accounting Policies (continued)

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

2. Capital Assets

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

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

3. Inventory

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

4. Cash & Cash Equivalents

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

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

5. Investments

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

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

I. Summary of Significant Accounting Policies (continued)

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

6. Debt-Related Costs

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

7. Compensated Absences

Liabilities related to Compensated Absences are recognized as incurred in accordance with GASB Statement No. 16 and are included in accrued expenses. Regular, full-time employees in good standing, upon resignation or retirement, are eligible for vacation pay, and sick/personal pay. At September 30, 2014, the liability for unused vacation was $771,757 and $491,675 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.

I. Summary of Significant Accounting Policies (continued)

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

10. Income Taxes

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

11. Use of Estimates

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

12. Derivative Financial Investments

FMPA uses commodity futures contracts and options on forward contracts to hedge the effects of fluctuations in the price of natural gas purchases, as well as interest rate swap contracts to hedge the fluctuations in the interest rate of variable-rate debt. The Interest Rate Swap contracts require the Agency to pay a fixed interest rate and receive a variable interest rate, based upon the London Interbank Offered Rate (LIBOR), or the Consumer Price Index (CPI). GASB Statement No. 53 was adopted by FMPA beginning with the fiscal year ending September 30, 2010. All derivative financial instruments have been evaluated for effectiveness using criteria established in GASB Statement No. 53. Related gains or losses on the derivative instruments determined to be effective are recorded as either a reduction of, or an addition to, Net costs refundable from participant billings or interest expense.

13. Deferred Inflows and Deferred Outflows

GASB Statement No. 65 was adopted by FMPA beginning with the fiscal year ending September 30, 2013. The impacts on accounting and reporting for FMPA are as follows:

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

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

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

I. Summary of Significant Accounting Policies (continued)

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

14. Financial Reporting for Pension Plans

The Governmental Accounting Standards Board Statement #67 was adopted by FMPA beginning with the fiscal year ending September 30, 2014. FMPA has a Defined Contribution Pension Plan and therefore the impacts were minimal compared to entities that have a Defined Benefit Pension Plan. The impacts on accounting and reporting for FMPA were additional disclosures in footnote XII as follows:

-The number of plan members.

-The authority under which the pension plan was established or may be amended.

II. Nuclear Decommissioning Liability

A. St. Lucie Project

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

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement. Funds deposited, together with investment earnings in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the license extension to meet the Project's share of the decommissioning costs. This is reflected in the St. Lucie Project's Statement of Net Position as Restricted Cash and Investments ($64.4 million) and Accrued Decommissioning Expense ($64.4 million) at September 30, 2014. These amounts are to be used for the sole purpose of paying the St. Lucie nuclear decommissioning costs. Based on a site-specific study approved by the Florida Public Service Commission in 2010, Unit 2's future net decommissioning costs are estimated to be $1.9 billion or $635 million in 2010 dollars, and FMPA's share of the future net decommissioning costs is estimated to be $171 million or $56 million in 2010 dollars. The Decommissioning Trust is irrevocable and funds may be withdrawn from the Trust solely for the purpose of paying the St. Lucie Project's share of costs for nuclear decommissioning. Also, under NRC regulations, the Trust is required to be segregated from other FMPA assets and outside FMPA's administrative control. FMPA has complied with these regulations.

B. Crystal River Unit 3

The minority owners of the Crystal River Unit 3 (CR3) Power Plant are required to maintain nuclear decommissioning trust funds for their share of CR3's decommissioning liability. As a service to six of the eight CR3 municipal joint owners, FMPA manages the investment of the monies collected from the joint owners in the Decommissioning Trust. This is reflected in the Agency Fund Statement of Net Position as Restricted Cash and Investments and held in trust for decommissioning for the sole purpose of paying CR3's nuclear decommissioning costs by these owners. There is approximately $36.2 million in the accounts at September 30, 2014.

II. Nuclear Decommissioning Liability(continued)

B. Crystal River Unit 3(continued)

The eight CR3 municipal joint owners and several current and former wholesale customers of Duke, including the All-Requirements Project, entered into a settlement agreement with Duke which became effective September 26, 2014. Relevant to the CR3 decommissioning trusts, one aspect of the settlement agreement provides for the CR3 municipal joint owners' transfer of their CR3 ownership interests and decommissioning trust funds to Duke in exchange for, among other things, a cash settlement payment and release from all past, present and future CR3 costs and liabilities including CR3 decommissioning. The settlement payments and transfers will take place at final closing, which will occur after the Nuclear Regulatrory Commission (NRC) approves a nuclear license amendment. In the license amendment application, which was filed by Duke on November 7, 2014, Duke has requested NRC approval by April 30, 2015.

III. Capital Assets

A description and summary as of September 30, 2014, of Capital Assets by fund and project, is as follows:

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

A. Agency Fund

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

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

New capital undertakings are accounted for in the Development Projects in Progress account and included in the Other Assets section of the Statement of Net Postion. Depending on whether these undertakings become a project, costs are either capitalized or expensed. The activity for the Agency's general plant assets for the year ended September 30, 2014 was as follows:

	September 30, 2014			
	Beginning Balance	*Increases*	*Decreases**	*Ending Balance*
		(000's US$)		
Land	$ 653	$ -	$ -	$ 653
General Plant	6,152	767		6,919
General Plant in Service	$ 6,805	$ 767	$ -	$ 7,572
Less Accumulated Depreciation	(4,140)	(244)	(3) **	(4,387)
General Plant in Service, Net	$ 2,665	$ 523	$ (3)	$ 3,185

* Includes Retirements Less Salvage
** Salvage from prior years retirements

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, 2014, was as follows:

	September 30, 2014			
	Beginning Balance	*Increases*	*Decreases**	*Ending Balance*
	(000's US$)			
Land	$ 75	$ -	$ -	$ 75
Electric Plant	268,406	8,134	(1,601)	274,939
General Plant	1,209			1,209
Nuclear Fuel	21,799	2,661	(3,673)	20,787
Construction work in process	1,018	466	(544)	940
Electric Utility Plant in Service	$ 292,507	$ 11,261	$ (5,818)	$ 297,950
Less Accumulated Depreciation	(188,544)	(26,095)	5,818	(208,821)
Utility Plant in Service, Net	$ 103,963	$ (14,834)	$ -	$ 89,129

* Includes Retirements Less Salvage

Construction work in process is recorded on an estimate basis and reversed 3 months later when actual amounts are determined.

C. Stanton Project

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

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

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 1 plant asset activity for the year ended September 30, 2014, was as follows:

	September 30, 2014			
	Beginning Balance	*Increases*	*Decreases**	*Ending Balance*
	(000's US$)			
Land	$ 125	$ -	$ -	$ 125
Electric Plant	80,592	1,775		82,367
General Plant	17			17
Electric Utility Plant in Service	$ 80,734	$ 1,775	$ -	$ 82,509
Less Accumulated Depreciation	(46,923)	(2,647)		(49,570)
Utility Plant in Service, Net	$ 33,811	$ (872)	$ -	$ 32,939

* Includes Retirements Less Salvage

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, 2014, was as follows:

	September 30, 2014			
	Beginning Balance	*Increases*	*Decreases**	*Ending Balance*
	(000's US$)			
Land	$ 13,405	$	$ -	$ 13,405
Electric Plant	1,219,002	6,392	(2,692)	1,222,702
General Plant	4,028	191		4,219
Electric Utility Plant in Service	$ 1,236,435	$ 6,583	$ (2,692)	$ 1,240,326
Less Accumulated Depreciation	(323,890)	(54,252)	2,692	(375,450)
Utility Plant in Service, Net	$ 912,545	$ (47,669)	$ -	$ 864,876

* Includes Retirements Less Salvage

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 as follows:

- Electric Plant 40 years
- Computer Equipment 9 years

Tri-City Project plant asset activity for the year ended September 30, 2014, was as follows:

	September 30, 2014			
	Beginning Balance	*Increases*	*Decreases**	*Ending Balance*
		(000's US$)		
Land	$ 48	$ -	$ -	$ 48
Electric Plant	32,624	635		33,259
General Plant	20			20
Electric Utility Plant in Service	$ 32,692	$ 635	$ -	$ 33,327
Less Accumulated Depreciation	(19,287)	(1,041)		(20,328)
Utility Plant in Service, Net	$ 13,405	$ (406)	$ -	$ 12,999

* 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 as follows:

- Electric Plant 40 years
- Computer Equipment 9 years

Stanton Unit 2 plant asset activity for the year ended September 30, 2014, was as follows:

	September 30, 2014			
	Beginning Balance	*Increases*	*Decreases**	*Ending Balance*
		(000's US$)		
Land	$ 217	$ -	$ -	$ 217
Electric Plant	185,732	4,407		190,139
General Plant	90	1		91
Electric Utility Plant in Service	$ 186,039	$ 4,408	$ -	$ 190,447
Less Accumulated Depreciation	(79,009)	(5,082)		(84,091)
Utility Plant in Service, Net	$ 107,030	$ (674)	$ -	$ 106,356

* Includes Retirements Less Salvage

IV. Cash, Cash Equivalents and Investments

A. Cash and Cash Equivalents

At September 30, 2014, FMPA's Cash and Cash Equivalents consisted of demand deposit accounts and money market accounts which are authorized under FMPA bond resolutions. Cash and cash equivalents are held at two financial institutions. All of FMPA's demand deposits at September 30, 2014, 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, 2014, 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. These investments must not exceed 25% for any of FMPA's projects. As of September 30, 2014, 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.

IV. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

Agency Fund		
	Forward Delivery Agreement w/JP Morgan Chase & Co Held for Crystal River 3 decommissioning, which has different investment limits.	
	GECC	35.31%
St. Lucie Project		
	None	
Stanton Project		
	None	
All-Requirements Project		
	Mountcliff Funding, LLC	12.59%
Tri-City Project		
	None	
Stanton II Project		
	None	

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

1. Agency Fund

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2014, are as follows:

	September 30, 2014	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 701		
US Gov't/Agency Securities	19,945	550	Aaa/AA+/AAA
Commercial Paper	17,710		
Total Restricted	$ 38,356		
Unrestricted			
Cash and Cash Equivalents	$ 2,271		
US Gov't/Agency Securities	12,494	618	Aaa/AA+/AAA
Total Unrestricted	$ 14,765		
Total	$ 53,121		

IV. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

2. St. Lucie Project

In addition to normal operational cash needs for the project, investments are being accumulated in order to pay-off the balloon maturity of the Project's debt in 2026. The primary investments being used for this are zero coupon municipal bonds. Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2014, are as follows:

	September 30, 2014	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 65,349		
US Gov't/Agency Securities	31,275	1,086	Aaa/AA+/AAA
Municipal Bonds	62,213	4,091	*
Total Restricted	$ 158,837		
Unrestricted			
Cash and Cash Equivalents	$ 16,841		
US Gov't/Agency Securities	15,162	1,309	Aaa/AA+/AAA
Municipal Bonds	52,032	2,388	*
Commercial Paper	500	20	
Total Unrestricted	$ 84,535		
Total	$ 243,372		

*The Municipal Bond ratings range from a best of Aa1/AAA/AAA to a worst of A3/AA-/BB+.

3. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2014, are as follows:

	September 30, 2014	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 7,128		
US Gov't/Agency Securities	641	600	Aaa/AA+/AAA
Municipal Bonds	1,092	401	*
Total Restricted	$ 8,861		
Unrestricted			
Cash and Cash Equivalents	$ 4,104		
US Gov't/Agency Securities	10,158	1,508	Aaa/AA+/AAA
Municipal Bonds	3,156	2,047	*
Total Unrestricted	$ 17,418		
Total	$ 26,279		

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

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, 2014, are as follows:

	September 30, 2014	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 56,586		
US Gov't/Agency Securities	43,521	172	Aaa/AA+/AAA
Municipal Bonds	4,290	417	*
Total Restricted	$ 104,397		
Unrestricted			
Cash and Cash Equivalents	$ 62,825		
US Gov't/Agency Securities	20,567	798	Aaa/AA+/AAA
Municipal Bonds	1,043	1,598	*
Commercial Paper	10,000	5	
Total Unrestricted	$ 94,435		
Total	$ 198,832		

*The Municipal Bond ratings range from a best of Aa1/AAA/AAA to a worst of Aa3/A+/A+.

5. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2014, are as follows:

	September 30, 2014	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 3,252		
US Gov't/Agency Securities	936	335	Aaa/AA+/AAA
Municipal Bonds	103	670	*
Total Restricted	$ 4,291		
Unrestricted			
Cash and Cash Equivalents	$ 1,479		
US Gov't/Agency Securities	1,299	818	Aaa/AA+/AAA
Municipal Bonds	319	2,055	*
Total Unrestricted	$ 3,097		
Total	$ 7,388		

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

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, 2014, are as follows:

	September 30, 2014	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 8,313		
US Gov't/Agency Securities	7,425	242	Aaa/AA+/AAA
Municipal Bonds	224	396	*
Total Restricted	$ 15,962		
Unrestricted			
Cash and Cash Equivalents	$ 5,907		
US Gov't/Agency Securities	19,472	1,591	Aaa/AA+/AAA
Municipal Bonds	3,310	2,161	*
Commercial Paper	500	14	
Total Unrestricted	$ 29,189		
Total	$ 45,151		

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

V. Derivative Financial Instruments

FMPA uses derivative instruments to hedge the effects of fluctuations in interest rates and the price of natural gas. In accordance with GASB Statement No. 53, market values of derivative instruments are included on the Statement of Net Position as either an asset or a liability depending on whether FMPA would receive or pay to terminate the instrument on the Statement of Net Position date. If the derivative instruments are determined under the Standard to be effective hedges a deferred cash outflow or a liability is recorded. If the derivative instrument is determined to be not effective under the Standard, then the market value adjustment flows through investment income. The following table shows the classification of the various derivative instruments on the Statement of Net Position.

	Agency Fund	St. Lucie Project	Stanton Project	All -Req Project	Tri-City Project	Stanton II Project
Deferred Outflows from Derivatives						
Interest Rate Swaps - Effective	$ -	$ 21,271	$ -	$ 13,040	$ -	$ 12,502
Total Deferred Outflows from Derivatives	$ -	$ 21,271	$ -	$ 13,040	$ -	$ 12,502
Fair Market Value Derivative Instruments Liabilities						
Hybrid Swap Liability	$ -	$ -	$ -	$ 40,690	$ -	$ -
Market Value Adjustment for Effective Swaps		21,271		13,040		12,502
Interest Rate Swaps - Ineffective				99,266		
Total Fair Value	$ -	$ 21,271	$ -	$ 152,996	$ -	$ 12,502

V. Derivative Financial Instruments (continued)

A. Swap Agreements

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

Credit Risk

The swap agreements are subject to credit risk. Counterparty credit ratings and the maximum loss due to credit risk as of September 30, 2014, 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, 2014. 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.

V. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

Market Access Risk

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

Rollover Risk

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

GASB Statement No. 53 Effectiveness Testing

The Agency performed effectiveness tests using the Synthetic Instrument Method on all interest rate swaps for its three projects that have these agreements. All swaps were deemed effective, with the exception of forward starting swaps effective in 2015. The forward starting swaps were deemed ineffective by definition, in that with the cancellation of the Taylor Energy Center project they were no longer associated with any particular construction project and therefore bond instrument. There was $35.9 million recognized in Investment Income as an increase in the fair market value for the current period with a resulting increase in fair market value derivative instruments. In addition, the swaps associated with ARP 2008C, 2008D and 2008E required recognition of hybrid loans in 2011 for the change in market value from the original bond date to the date of refundings. The hybrid loan amounts totaled $57.0 million less amortization of $16.3 million for a net of $40.7 million. The remaining effective swaps reflect a market value of negative $13.0 million.

1. St. Lucie Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000							
$ 16,650	7/3/2006	3.444%	72% LIBOR*	10/1/2021	$ (2,133)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
Series 2002							
$ 11,975	7/2/2007	3.481%	72% LIBOR*	10/1/2021	$ (1,564)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
11,975	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(1,655)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
11,975	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(1,684)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
7,825	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(1,003)	Goldman Sachs Bank USA	Baa1/A-/A
11,308	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(1,563)	Goldman Sachs Bank USA	Baa1/A-/A
11,308	7/2/2007	3.481%	72% LIBOR*	10/1/2021	(1,477)	Goldman Sachs Bank USA	Baa1/A-/A
11,308	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(1,591)	Goldman Sachs Bank USA	Baa1/A-/A
67,125	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(8,601)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
$ 144,799					$ (19,138)		
Total Termination Value of Swaps					$ (21,271)		
Prior Year Termination Value of Swaps					$ (22,972)		
Change in Fair Market Value					$ 1,701		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/14

V. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

2. All-Requirements Project

Swaps Currently Effective

(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2006A							
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(110)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
7,935	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(245)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
6,980	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(310)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(110)	Morgan Stanley	Baa2/A-/A
7,930	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(255)	Morgan Stanley	Baa2/A-/A
5,175	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(225)	Morgan Stanley	Baa2/A-/A
$ 41,180					$ (1,255)		
Series 2008C							
$ 33,180	10/1/2006	3.701%	72% LIBOR*	10/1/2027	$ (5,969)	Goldman Sachs Bank USA	Baa1/A-/A
11,050	10/1/2006	3.665%	72% LIBOR*	10/1/2026	(1,909)	JP Morgan Chase & Co.	Aa3/A/A+
2,684	10/1/2006	3.656%	72% LIBOR*	10/1/2026	(460)	JP Morgan Chase & Co.	Aa3/A/A+
224	10/1/2006	3.612%	72% LIBOR*	10/1/2026	(37)	JP Morgan Chase & Co.	Aa3/A/A+
33,180	10/1/2006	3.649%	72% LIBOR*	10/1/2027	(5,805)	Morgan Stanley	Baa2/A-/A
33,180	10/1/2006	3.697%	72% LIBOR*	10/1/2027	(5,958)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
20,125	10/1/2006	3.669%	72% LIBOR*	10/1/2025	(2,759)	UBS AG	A2/A/A
19,050	10/1/2006	3.737%	72% LIBOR*	10/1/2035	(4,382)	Wells Fargo Bank, NA	Aa3/AA-/AA-
$ 152,673					$ (27,279)		
Series 2011A-2							
$ 42,000	10/1/2006	5.175%	100% LIBOR*	10/1/2025	$ (10,875)	Wells Fargo Bank, NA	Aa3/AA-/AA-
Series 2011A-1 & 2011B							
$ 15,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	$ (3,042)	JP Morgan Chase & Co.	Aa3/A/A+
25,000	10/1/2006	3.709%	72% LIBOR*	10/1/2030	(5,194)	JP Morgan Chase & Co.	Aa3/A/A+
30,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	(6,085)	JP Morgan Chase & Co.	Aa3/A/A+
$ 70,000					$ (14,321)		
Swaps Currently Ineffective							
Bonds Authorized							
Series Not Yet Designated							
$ 50,000	10/1/2015	3.829%	72% LIBOR*	10/1/2045	$ (11,114)	Bank of America N.A.	Baa2/A-/A
50,000	10/1/2015	3.816%	72% LIBOR*	10/1/2045	(11,025)	Bank of New York	A1/A+/AA-
50,000	10/1/2015	3.849%	72% LIBOR*	10/1/2045	(11,251)	Credit Agricole	A2/A/A
50,000	10/1/2015	3.800%	72% LIBOR*	10/1/2045	(10,915)	Citibank N.A. NY	A2/A/A
50,000	10/1/2015	3.794%	72% LIBOR*	10/1/2045	(10,874)	Dexia Credit Local, NY	Baa2/BBB/A
50,000	10/1/2015	3.819%	72% LIBOR*	10/1/2045	(11,044)	JP Morgan Chase & Co.	Aa3/A/A+
50,000	10/1/2015	3.846%	72% LIBOR*	10/1/2045	(11,227)	Merrill Lynch Capital Services, Inc.	Baa2/A-/A
50,000	10/1/2015	3.805%	72% LIBOR*	10/1/2045	(10,949)	Morgan Stanley	Baa2/A-/A
50,000	10/1/2015	3.793%	72% LIBOR*	10/1/2045	(10,867)	Sun Trust Bank	Baa1/BBB+/BBB+
$ 450,000					$ (99,266)		
Total Swap Terminaton Value					$ (152,996)		
Effective Swaps					$ (13,040)		
Hybrid Loans					(40,690)		
Ineffective Swaps					(99,266)		
					$ (152,996)		
Prior Year Termination Value of Swaps					$ (113,939)		
Change in Fair Market Value					$ (39,057)		

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/14

V. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

3. Stanton II Project

Swaps Currently Effective

(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000							
$ 7,648	10/1/2006	4.049%	72% LIBOR*	10/1/2027	$ (1,827)	Bank of America N.A.	A2/A/A
10,227	10/1/2006	4.071%	72% LIBOR*	10/1/2027	(2,468)	JP Morgan Chase & Co.	Aa3/A/A+
$ 17,875					$ (4,295)		
Series 2004							
$ 27,662	8/5/2004	3.863%	72% LIBOR*	10/1/2027	$ (4,104)	Bank of America N.A.	A2/A/A
27,663	8/5/2004	3.863%	72% LIBOR*	10/1/2027	(4,103)	UBS AG	A2/A/A
$ 55,325					$ (8,207)		
Total Swap Termination Value					$ (12,502)		
Prior Year Termination Value of Swaps					$ (12,653)		
Change in Fair Market Value					$ 151		

*floating to fixed

**() denotes that termination value payable to the dealer if swap had been terminated 9/30/14

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 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 natural gas supplies, however all futures contracts that FMPA enters into will be financially settled before physical settlement is required by the Exchange. Any gain or loss of value in these futures contracts are ultimately rolled into the price of natural gas burned in the Project's electric generators.

All transactions are entered into as hedges against the volatitlity of natural gas prices. The Agency at September 30, 2014 did not have any futures or options contracts outstanding.

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

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

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

VII. Restricted Net Position

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. These funds are to be used for specific purposes and certain restrictions define the order in which available funds may be used. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2014, all FMPA projects were in compliance with requirements of the bond resolution.

Segregated restricted net position at September 30, 2014, 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	$ -	$ 81,890	$ 7,078	$ 91,821	$ 3,070	$ 13,522
Reserve & Contingency Funds		12,313	1,796	12,716	1,229	2,455
Decomissioning Fund	36,189	64,848				
Rate Stabilization Accounts	2,183					
Accrued Interest on Long-term debt		(4,320)	(995)	(20,742)	(193)	(2,157)
Accrued Decommissioning Expenses	(36,189)	(64,382)				
Rate Stabilization Accounts	(2,183)					
Total Restricted Net Assets	$ -	$ 90,349	$ 7,879	$ 83,795	$ 4,106	$ 13,820

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.

VII. Restricted Net Position (continued)

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

VIII. Long-Term Debt

A. Debt

FMPA enters into Long-term debt to fund different projects. The type of Long-term debt differs among each of the projects. A description and summary of Long-term debt at September 30, 2014, is as follows:

1. Agency Fund

	2014 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Wells Fargo Loan 2010	$ 1,180	$ -	$ (175)	$ 1,005	$ 185
	$ 1,180	$ -	$ (175)	$ 1,005	$ 185

Loan Payable to Well Fargo Bank

The Agency Fund has one loan payable to Wells Fargo Bank at September 30, 2014. Interest is payable semi-annually at a fixed rate of 3.3%. Principal is payable in five annual payments ranging from $185,000 to $220,000 with the final payment due July 1, 2019.

VIII. Long-Term Debt (continued)

2. St. Lucie Project

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
	(000's US$)				
Revenue Bonds					
Refunding 2000	$ 16,650	$ -	$ -	$ 16,650	$ -
Refunding 2002	144,800			144,800	
Bonds 2009A	31,350		(2,845)	28,505	2,985
Bonds 2010A	17,290		(1,680)	15,610	1,740
Bonds 2011A	33,200		(725)	32,475	1,315
Bonds 2011B	24,305			24,305	
Bonds 2012A	58,870			58,870	
Bonds 2013A		16,745		16,745	1,085
Total Principal	$ 326,465	$ 16,745	$ (5,250)	$ 337,960	$ 7,125
Less Deferred Premiums And Discounts	13,442		(1,410)	12,032	
Total Revenue Bonds	$ 339,907	$ 16,745	$ (6,660)	$ 349,992	$ 7,125
Unamortized loss on advanced refunding	$ (26,474)	$ -	$ 2,894	$ (23,580)	$ -

The 2000 and 2002 bonds are variable rate bonds and the variable interest rates ranged between .058% and .240% for the year ended September 30, 2014. The 2009A bonds have an interest rate of 5% from 2013 through 2021. The 2010A bonds have a fixed interest rate of 2.72% from 2013 through 2021. The 2011A and 2011B bonds are fixed, and have a series of maturity dates from 2013 to 2026. The rates for the 2011A bonds range from 2.125 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%.

VIII. Long-Term Debt (continued)

3. Stanton Project

	2014 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Refunding 2008	32,305		(1,485)	30,820	1,565
Bonds 2009A	7,630		(915)	6,715	965
Bonds 2013A	7,175			7,175	3,550
Wells Fargo Bank Taxable	822		(248)	574	
Total Principal	$ 47,932	$ -	$ (2,648)	$ 45,284	$ 6,080
Less Deferred Premiums And Discounts	153		(47)	106	
Total Bonds and Loans	$ 48,085	$ -	$ (2,695)	$ 45,390	$ 6,080
Unamortized loss on advanced refunding	$ (757)	$ -	$ 230	$ (527)	$ -

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

Loan Payable to Wells Fargo Bank

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

VIII. Long-Term Debt (continued)

A. Debt (continued)

4. All-Requirements Project

	2014 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Refunding Jul 2003A	$ 13,690	$ -	$ (6,675)	7,015	$ 7,015
Bonds 2006A	60,725		(14,205)	46,520	14,265
Bonds 2008A	503,965		(1,505)	502,460	1,480
Bonds 2008B	52,920		(7,815)	45,105	8,800
Bonds 2008C	153,595		(280)	153,315	290
Bonds 2009A	150,665		(3,925)	146,740	4,120
Bonds 2009B	15,235			15,235	
Bonds 2011A-1	29,590		(96)	29,494	100
Bonds 2011B	44,385		(144)	44,241	150
Bonds 2011A-2	42,250		(15)	42,235	15
Bonds 2013A	15,000			15,000	1,280
Total Principal	$ 1,082,020	$ -	$ (34,660)	$ 1,047,360	$ 37,515
Capital Leases and Other					
KUA - TARP	$ 172,697	$ -	$ (10,254)	$ 162,443	$ 10,640
Keys - TARP	4,008		(506)	3,502	527
St. Lucie County	654		(40)	614	42
Total Other Liabilities	$ 177,359	$ -	$ (10,800)	$ 166,559	$ 11,209
Total Principal & Capital Lease	$ 1,259,379	$ -	$ (45,460)	$ 1,213,919	$ 48,724
Less Deferred Premiums And Discounts	3,503		(500)	3,003	
Total Revenue Bonds & Capital Lease	$ 1,262,882	$ -	$ (45,960)	$ 1,216,922	$ 48,724
Unamortized loss on advanced refunding	$ (6,679)	$ -	$ 1,040	$ (5,639)	$ -

The 2008C, 2011A-1, 2011B, and 2011A-2 bonds are variable rate bonds, and the variable interest rates ranged from .020% to 1.160% for the year ended September 30, 2014.

VIII. Long-Term Debt (continued)

A. Debt (continued)

4. All-Requirements Project (continued)

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

KUA – TARP Capital Lease Obligation

Effective October 1, 2008, the Capacity and Energy Sales Contract with KUA was revised. Under the revised contract, KUA receives agreed upon-fixed payments over preset periods relating to each of their generating units. FMPA assumed all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2014, amount to $221.3 million and the present value of these payments is $162.4 million. The net book value of the assets under the capital lease amounted to $137.4 million at September 30, 2014.

Keys – TARP Capital Lease Obligation

Effective January 1, 2011, the Capacity and Energy Sales Contract with Keys Energy Services was revised. Under the contract, Keys Energy Services receives agreed-upon fixed payments over preset periods relating to each of their generating units. FMPA assumed all cost liability and operational management of the generating units. FMPA is accounting for this transaction as a capital lease. Total minimum payments remaining under the agreement at September 30, 2014 amount to $4.0 million and the present value of these payments is $3.5 million. The net book value of the assets under the capital lease amounted to $3.2 million at September 30, 2014.

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, 2014, eleven 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 JPMorgan Chase line expires in July 2016. The Wells Fargo line expires in December 2015.

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

The letter of credit will expire on May 19, 2015.

VIII. Long-Term Debt (continued)

A. Debt (continued)

5. Tri-City Project

	2014 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Bonds 2009A	2,255		(290)	1,965	290
Bonds 2013A	16,460			16,460	2,585
Wells Fargo Taxable	294		(43)	251	45
Total Principal	$ 19,009	$ -	$ (333)	$ 18,676	$ 2,920
Less Deferred Premiums And Discounts	20		(5)	15	
Total Bonds and Loans	$ 19,029	$ -	$ (338)	$ 18,691	$ 2,920
Unamortized loss on advanced refunding	$ (936)	$ -	$ 181	$ (755)	$

The 2009A and 2013A revenue bonds are fixed at interest rates which range from 1.8% to 4.0% 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.

VIII. Long-Term Debt (continued)

A. Debt (continued)

6. Stanton II Project

	2014 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds					
Refunding 2000	$ 17,875	$ -	$ -	$ 17,875	$ -
Refunding 2003	7,765		(7,765)		
Refunding 2004	55,325		(2,500)	52,825	
Bonds 2009A	5,795			5,795	250
Refunding 2012A	77,520		(1,435)	76,085	4,840
Wells Fargo Taxable	1,290		(190)	1,100	199
Total Principal	$ 165,570	$ -	$ (11,890)	$ 153,680	$ 5,289
Less Deferred Premiums And Discounts	11,127		(1,543)	9,584	
Total Bonds and Loans	$ 176,697	$ -	$ (13,433)	$ 163,264	$ 5,289
Unamortized loss on advanced refunding	$ (8,014)	$ -	$ 853	$ (7,161)	$ -

The 2000 and 2004 revenue bonds carry variable interest rates which ranged from .088% to .369% for the year ended September 30, 2014. The 2012 revenue bonds are fixed, and have a maturity date of 2027. The rates for the bonds range from 4.0% 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 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.

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, 2014 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued (000's US$)	Balance at September 30, 2014
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, 2014, are as follows:

(000's US$)

Fiscal Year Ending September	St. Lucie Project		Stanton Project		All-Req Project		Tri-City Project		Stanton II Project	
	Principal	Interest Including Swaps, Net	Principal	Interest Including Swaps, Net	Principal	Interest Including Swaps, Net	Principal	Interest	Principal	Interest Including Swaps, Net
2015	7,125	13,474	6,080	1,944	37,515	50,313	2,875	417	5,090	6,599
2016	9,240	13,170	6,265	1,774	39,270	48,561	2,970	320	7,675	6,296
2017	7,290	12,831	7,410	1,490	41,055	46,759	3,035	259	8,075	5,964
2018	10,180	12,491	7,785	1,106	42,965	44,784	3,095	196	8,450	5,630
2019	7,825	12,142	8,185	694	159,565	39,695	3,160	130	8,775	5,269
2020 - 2024	217,765	41,026	8,985	240	274,900	143,973	3,290	62	51,525	19,812
2025 - 2029	78,535	8,754			239,590	95,689			62,990	6,839
2030 - 2034					203,650	19,133				
2035 - 2039					8,850	480				
Total Principal & Interest	$ 337,960	$ 113,888	$ 44,710	$ 7,248	$ 1,047,360	$ 489,387	$ 18,425	$ 1,384	$ 152,580	$ 56,409
Less:										
Interest		(113,888)		(7,248)		(489,387)		(1,384)		(56,409)
Unamortized Loss on refunding	(23,580)		(527)		(5,639)		(755)		(7,161)	
Add:										
Unamortized Premium (Discount), net	12,032		106		3,003		15		9,584	
Total Net Debt Service Requirement at September 30, 2014	$ 326,412	$ -	$ 44,289	$ -	$ 1,044,724	$ -	$ 17,685	$ -	$ 155,003	$ -

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, 2014, are as follows:

(000's US$)

Fiscal Year Ending September	Agency Fund Principal	Agency Fund Interest Including Swaps, Net	St. Lucie Project Principal	St. Lucie Project Interest Including Swaps, Net	Stanton Project Stanton Project	Stanton Project Interest	All-Req Project Principal	All-Req Project Interest Including Swaps, Net	Tri-City Project Principal	Tri-City Project Interest	Stanton II Project Principal	Stanton II Project Interest Including Swaps, Net	Totals
2015	185	33	7,125	13,474	6,080	1,954	48,724	58,842	2,920	421	5,289	6,615	151,662
2016	190	27	9,240	13,170	6,398	1,783	51,058	56,511	3,018	323	7,884	6,309	155,911
207	200	21	7,290	12,831	7,550	1,497	53,498	54,054	3,085	261	8,295	5,974	154,556
2018	210	14	10,180	12,491	7,932	1,110	56,077	51,411	3,148	197	8,680	5,637	157,087
2019	220	7	7,825	12,142	8,339	696	173,380	45,618	3,215	131	9,017	5,273	265,863
2020 - 2024			217,765	41,026	8,985	240	335,998	163,529	3,290	62	51,525	19,812	842,232
2025 - 2029			78,535	8,754			282,684	99,429			62,990	6,839	539,231
2030 - 2034							203,650	19,133					222,783
2035 - 2039							8,850	480					9,330
Total Principal & Interest	$ 1,005	$ 102	$ 337,960	$ 113,888	$ 45,284	$ 7,280	$ 1,213,919	$ 549,007	$ 18,676	$ 1,395	$ 153,680	$ 56,459	$ 2,498,655

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

*OUC has the contractual right to retire the Stanton Unit 1 Plant in 2017

IX. Commitments and Contingencies (continued)

B. 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. According to information provided by OUC, such existing commitments are currently scheduled to terminate on December 31, 2017. Through participation with OUC, FMPA's estimated cost share of these purchases by project for the next five fiscal years is summarized below.

	000's US$				
Project	**2015**	**2016**	**2017**	**2018**	**2019**
Stanton Project	$ 9,063	$ 6,105	5,743	1,448	None
All-Requirements Project	10,090	6,797	6,394	1,612	None
Tri-City Project	3,242	2,184	2,055	518	None
Stanton II Project	14,211	9,573	9,573	2,270	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. Lower Alabama Gas District has agrred to assign its interest in each Pool to the Gas Authority; this assignment is expected to be completed in October 2013.

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 Pool #1 was formed by all of the participants. PGP Pool #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 approximantly 20,000 mmBtu per day. FMPA's share of this amounts to 4,408 mmBtu per day.

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 Pool #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 PGP Pool #2 is approximantly 4,300 mmBtu per day. FMPA's share of this amounts to 1,075 mmBtu per day.

FMPA's share of the total investment costs amounts to approximately $96 million for PGP Pool #1, and $29 million for PGP Pool #2 as of September 30, 2014.

C. Contractual Service Agreements

The All-Requirements Project has signed, or accepted assignment of, Contractual Service Agreements (CSAs) 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 CSAs 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	52,508	75,917	87,263	23,595
Term if hours based	72,000		120,000	72,000
Cumulative Factored Starts		2,440		
Term if starts based		2,600		
Current Termination Amount (000's USD)	$868	$200	$3,406	$1,585
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.

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 and J.P. Morgan Chase (formerly Chase Manhattan Bank) entered into a Forward Delivery 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.

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, 2005, and July 1, 2026, on the semi-annual amounts deposited. It is expected that the amounts invested pursuant to the Forward Sale Agreement will be used to redeem bonds outstanding for this project in the future.

2. All-Requirements Project

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

Supplier	End of Contract		Minimum Contract Liability (000's US$)
Southern Company - Stanton A PPA	9/30/2023	$	73,934
Southern Company - Oleander 5 PPA	12/16/2027		115,123
Total Minimum Liability		$	189,057

- 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.

IX. Commitments and Contingencies (continued)

D. Other Agreements (continued)

2. All-Requirements Project (continued)

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

Pipeline	Ave Daily Volume (mmBtu/day)	Annual Cost (000's US$)	Expiration	Primary Delivery/Receiving Point
Fl Gas Transmission FTS-1	22,426	$ 3,857	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2	71,930	18,536	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2 Stanton A	14,950	3,177	Various	Stanton A
Transco	50,000	1,818	4/30/2026	FGT
TECO-Peoples Gas	-	750	6/30/2023	Treasure Coast
TECO- Peoples Gas	-	750	8/31/2021	Cane Island/Oleander
		$ 28,888		

- 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 installed capacity of 114.8 MW located in the Key West service territory, the All-Requirements Project believes it has sufficient existing generating capacity to fulfill the 60% on-island generation requirement well beyond the next decade.

- FMPA has entered into the Florida Municipal Power Pool (FMPP) Agreement, as amended, with the FMPP members. Pursuant to Amendment 6 – the most recent Amendment, excecuted June of 2013 – the term of the agreement is three years, ending June 1, 2016, with automatically-renewed three-year term extensions. The Agreement documents, among other things, how FMPP operating costs are accounted for and allocated among the members, and liability between the FMPP members.

- 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.

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. In February of 2013, Vero Beach signed a purchase and sale agreement to sell its electric system to FPL. However, Vero Beach has been unable to dispose of its interests in FMPA's non-All-Requirements Projects, which is a condition of the sale. Although there are no current proposals to complete the sale, the purchase and sale agreement between Vero Beach and FPL remains in effect until December 21, 2016. Any agreement tentatively reached, however, will require the approval of not only Vero Beach, FPL, and FMPA and its Project Participants, but numerous other parties as well.

- The City of Lake Worth has limited its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitation commenced January 1, 2014. The amount of capacity and energy the City is obligated to purchase under this conversion of their contract was determined to be zero in December 2013. Additionally, effective January 1, 2014, the Capacity and Energy Sales Contract between the City and FMPA terminated.

- 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. Based on the city's usage between December 2013 and November 2014, and Executive committee action in December 2014, the maximum hourly obligation will be 10.36 MWs. Concurrently with their notice of limitation, the City gave FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Contract that the term of its contract will not renew automatically each year after the initial contract term. The term of the City's contract is now fixed and will terminate on October 1, 2041.

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

- In the normal course of its business, FMPA has had claims or assertions made against them. In the opinion of management, the ultimate disposition of these currently asserted claims are either not substantiated or will not have a material impact on FMPA's financial statements.

IX. Commitments and Contingencies (continued)

E. Other Contingency Items

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

The CR3 municipal joint owners and several current and former wholesale customers of Duke, including the All-Requirements Project, entered into a settlement agreement with Duke, which became effective September 26, 2014. Under the terms of the settlement agreement, the CR3 municipal joint owners, wholesale customers and Duke waive all CR3-related claims that they may have against each other. In return, Duke will make settlement payments of $55 million to the CR3 municipal joint owners and $8.4 million to the wholesale customers. In addition, the CR3 municipal joints owners will transfer their CR3 ownership interests, as well as their nuclear decommissioning trust funds, to Duke, and will thereafter have no CR3 costs or liabilities – including CR3 decommissioning. The settlement payments and transfers will take place at final closing, which will occur after the Nuclear Regulatrory Commission (NRC) approves a nuclear license amendment. In the license amendment application, which was filed by Duke of November 7, 2014, Duke has requested NRC approval by April 30, 2015.

X. Capacity and Energy Sales Contracts

- The Capacity and Energy Sales Contract between the City of Lake Worth and FMPA terminated effective January 1, 2014, when Lake Worth limited its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Contract. Under the Capacity and Energy Sales Contract, FMPA utilized generation facilities owned by Lake Worth to meet the All Requirements Project's power needs, and Lake Worth was compensated through capacity credits for the power and reserves that it provided. With the termination of this Contract, FMPA no longer has Capacity and Energy Sales Contracts with any of its All-Requirements Power Participants.

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

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

X. Capacity and Energy Sales Contracts(continued)

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

XI. Mutual Aid Agreement

The All-Requirements Project has agreed to participate in a mutual aid agreement with six other utilities for extended generator outages of defined base-load generating units. The participants include the city of Tallahassee, Gainesville Regional Utilities, JEA, Lakeland Electric, Orlando Utilities Commission, and Municipal Electric Authority of Georgia. The All-Requirements Project has designated 120 MWs of Cane Island Unit 3, 140 MWs of Cane Island 4, and 300 MWs 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 MWs and 52 MWs (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 employees who have worked at least 1700 hours per year, excluding the General Manager and General Counsel, who become fully vested after six months of employment. The plan was established by the FMPA Executive Committee of the Board of Director's in 1984 and they have the authority to amend the plan. 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, 2014, was $6.7 million, which approximates covered payroll. The defined contribution Pension Plan has 95 active and non-active members with a plan balance.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee generally may contribute to the Deferred Compensation Plan, so that the combined annual contribution does not exceed $17,500 for 2014. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Contributions to the plan resulted in expenses for the Deferred Compensation Plan during fiscal year 2014 of $675,233. 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.

XII. Employment Benefits (continued)

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 No. 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 OPEB obligation has been recalculated and prior period financials have been restated downward by $401,000 for comparison purposes. 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	$ 286
Interest on net OPEB obligation	15
Annual OPEB expense	301
Contributions made	-
Increase in net OPEB Obligation	301
Net OPEB Obligation - Beginning of Year	1,638
Net OPEB Obligation - End of Year	$ 1,939

XIII. Risk Management

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

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

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

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

On June 2, 2014 the EPA issued a proposed plan called the Clean Power Plan to cut carbon pollution. If implemented as is, FMPA through its projects with coal power plants may have potential cost risk to be compliant.

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, 2014, for each of the projects is as follows:

Project	Amount (000's US$)
St. Lucie Project	$ 1,126
Total	$ 1,126

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 13 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, Leesburg and Starke.

XVI. Subsequent Events

In House Bill 5001, passed in 2014, the Florida legislature appropriated funds of $200,000 to the Auditor General of Florida to pay for subject matter experts to conduct a full audit of any entity created under section 361.10 of the Florida Stature. FMPA falls under that statute and was audited by the Auditor General from July 2014 through December 2014. A report of the audit was to be submitted to the Speaker of the Florida House of Representatives and the President of the Florida Senate on January 1, 2015. The report currently has not been submitted.

Supplementary Information

(unaudited)

Schedule of
Amounts Due to (from) Participants
Resulting from Budget/Actual Variances
Year Ended September 30, 2014
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Agency Fund			
Received from projects	$ 15,169	$ 13,228	$ (1,941)
Received from member assessments	23	23	-
Interest income	110	152	42
Other income	-	-	-
	$ 15,302	$ 13,403	$ (1,899)
General and administrative	$ 13,412	$ 12,253	$ 1,159
Depreciation & amortization expense	-	244	(244)
Invested in Capital Assets	$ 1,606	767	839
Principal on Debt	$ 175	175	-
Other Adjustments		(164)	164
	$ 15,193	$ 13,275	$ 1,918
Net Revenue	$ 109	$ 128	$ 19
St. Lucie Project			
Participant billing	$ 50,662	$ 50,553	$ (109)
Reliability exchange contract sales	3,126	4,020	894
Interest income	1,147	(888)	(2,035)
	$ 54,935	$ 53,685	$ (1,250)
Operation and maintenance, fuel	$ 18,293	$ 18,298	$ (5)
Spent fuel fees	625	166	459
Purchased power	3,126	4,254	(1,128)
Transmission service	569	511	58
General and administrative	2,708	2,499	209
Deposit to renewal and replacement fund	-	-	-
Deposit to decommissioning fund	-	-	-
Deposit to general reserve fund & FSA	12,000	12,000	0
Deposit to debt service fund	20,980	19,796	1,184
	$ 58,301	$ 57,524	$ 777
Net Due to Participants Resulting from Budget/Actual Variances	$ (3,366)	$ (3,839)	$ (473)

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, 2014
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Stanton Project			
Participant billing & sales to others	$ 31,681	$ 31,386	$ (295)
Interest income	67	131	64
	$ 31,748	$ 31,517	$ (231)
Operation and maintenance, fuel	$ 18,632	$ 18,067	$ 565
Transmission service	1,192	1,223	(31)
General and administrative	1,201	1,187	14
Deposit to debt service fund	8,886	8,198	688
	$ 29,911	$ 28,675	$ 1,236
Net Due to Participants Resulting from Budget/Actual Variances	$ 1,837	$ 2,842	$ 1,005
All-Requirements Project			
Participant billing & sales to others	$ 537,221	$ 518,926	$ (18,295)
Interest Income	433	896	463
	$ 537,654	$ 519,822	$ (17,832)
Member Capacity	$ 24,192	$ 23,584	$ 608
Contract Capacity	19,757	21,388	(1,631)
ARP Owned Capacity	48,414	41,088	7,326
Debt & Capital Leases	112,454	112,261	193
Direct Charges & Other	22,119	19,083	3,036
Gas Transportation	35,870	32,003	3,867
Fuels	244,496	245,064	(568)
Purchased Power	2,861	4,218	(1,357)
Transmission	27,491	26,338	1,153
	$ 537,654	$ 525,027	$ 12,627
Net Due to Participants Resulting from Budget/Actual Variances	$ -	$ (5,205)	$ (5,205)

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, 2014
(000's US$)

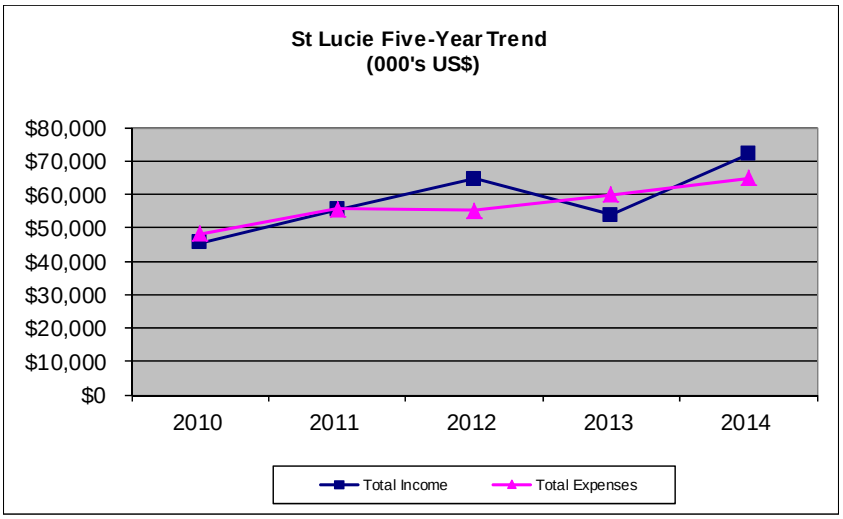
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Tri-City Project			
Participant billing & sales to others	$ 11,224	$ 11,121	$ (103)
Interest income	181	87	(94)
	$ 11,405	$ 11,208	$ (197)
Operation and maintenance, fuel	$ 6,963	$ 6,451	$ 512
Transmission service	439	489	(50)
General and administrative	675	687	(12)
Deposit to debt service fund	3,325	3,320	5
Deposit to renewal and replacement fund	-	-	-
	$ 11,402	$ 10,947	$ 455
Net Due to Participants Resulting from Budget/Actual Variances	$ 3	$ 261	$ 258
Stanton II Project			
Participant billing & sales to others	$ 45,366	$ 45,068	$ (298)
Interest income	124	665	540
	$ 45,490	$ 45,733	$ 242
Operation and maintenance, fuel	$ 30,142	$ 30,124	$ 18
Transmission service	1,870	1,846	24
General and administrative	1,744	1,770	(26)
Deposit to debt service fund	13,460	12,663	797
Deposit to renewal and replacement fund	-		-
	$ 47,216	$ 46,403	$ 813
Net Due to Participants Resulting from Budget/Actual Variances	$ (1,726)	$ (670)	$ 1,055

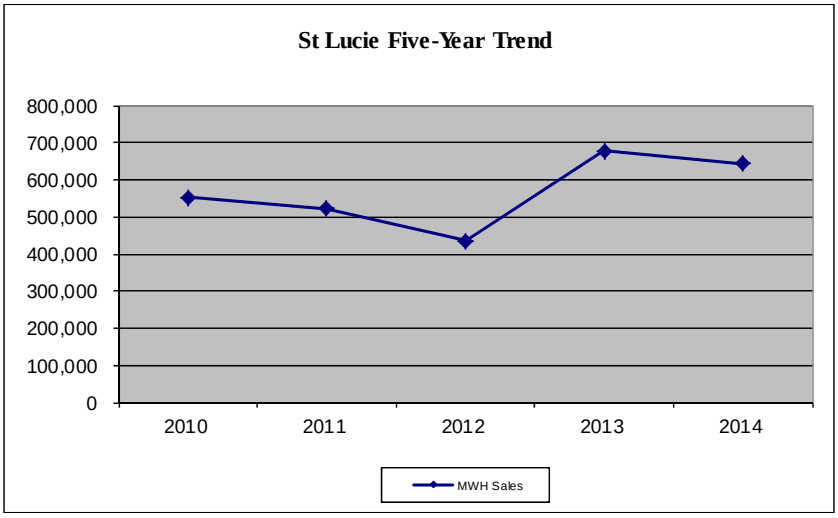
Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

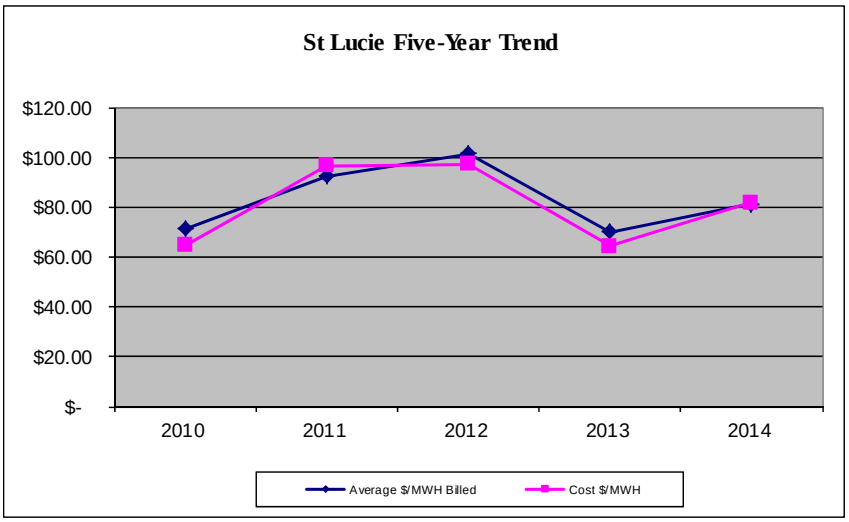
FIVE-YEAR TREND ANALYSIS

(000's US$ except for MWH Sales and Average $/MWH)	2010	2011	2012	2013	2014
St. Lucie Project					
Capital Assets	$ 95,064	$ 109,567	$ 114,529	$ 103,963	$ 89,129
Total Assets & Deferred Outflows	$ 375,239	$ 418,086	$ 443,340	$ 432,097	$ 441,240
Long-Term Liabilities	$ 313,987	$ 356,522	$ 432,430	$ 418,156	$ 428,520
Total Liabilities & Deferred Inflows	$ 375,239	$ 418,086	$ 443,340	$ 432,097	$ 441,240
Billings to Participants	$ 39,383	$ 48,244	$ 44,207	$ 47,446	$ 52,338
Sales to Others	2,258	1,259	2,015	2,568	2,235
Total Operating Revenues	$ 41,641	$ 49,503	$ 46,222	$ 50,014	$ 54,573
Purchased Power	$ 3,452	$ 4,182	$ 1,117	$ 4,176	$ 4,254
Production-Nuclear	9,164	13,294	11,359	9,529	12,106
Nuclear Fuel Amortization	3,763	2,915	3,700	4,357	4,385
Transmission	431	560	546	611	511
General & Administrative	2,530	3,238	3,389	2,633	2,716
Depreciation & Decommissioning	14,215	16,450	19,571	23,465	25,731
Total Operating Expenses	$ 33,555	$ 40,639	$ 39,682	$ 44,771	$ 49,703
Net Operating Revenues	$ 8,086	$ 8,864	$ 6,540	$ 5,243	$ 4,870
Investment Income	$ 3,825	$ 5,927	$ 18,373	$ 3,832	$ 17,530
Total Other Income	$ 3,825	$ 5,927	$ 18,373	$ 3,832	$ 17,530
Interest Expense	$ 11,940	$ 12,360	$ 13,284	$ 13,453	$ 13,486
Amortization & Other Expense	2,642	2,570	2,259	1,656	1,532
Total Other Expenses	$ 14,582	$ 14,930	$ 15,543	$ 15,109	$ 15,018
Net Income (Loss)	$ (2,671)	$ (139)	$ 9,370	$ (6,034)	$ 7,382
Net Cost Recovered (Credited) in the Future	6,326	(1,955)	(7,499)	9,818	(7,855)
Due from (to) Participants	(3,655)	2,094	(1,871)	(3,784)	473
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	553,105	521,565	435,935	676,974	643,993
Average $/MWH Billed	$ 71.20	$ 92.50	$ 101.41	$ 70.09	$ 81.27
Cost $/MWH	$ 64.60	$ 96.51	$ 97.12	$ 64.50	$ 82.01

FIVE-YEAR TREND ANALYSIS



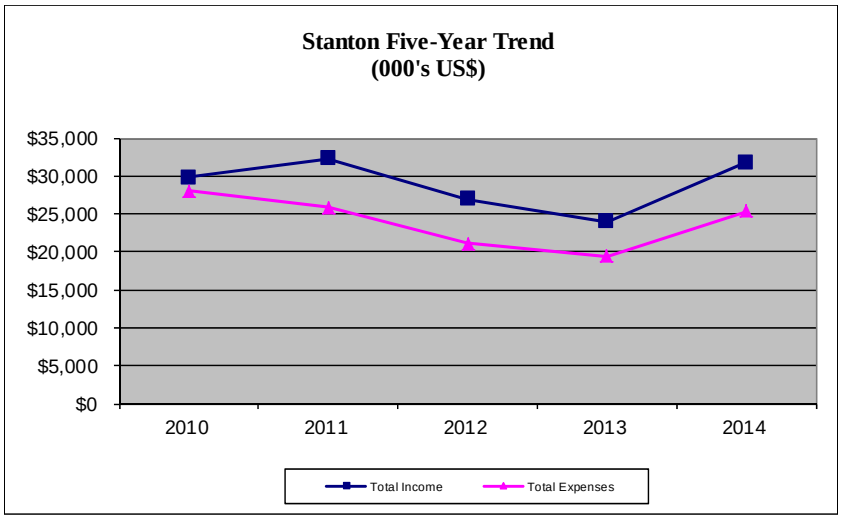


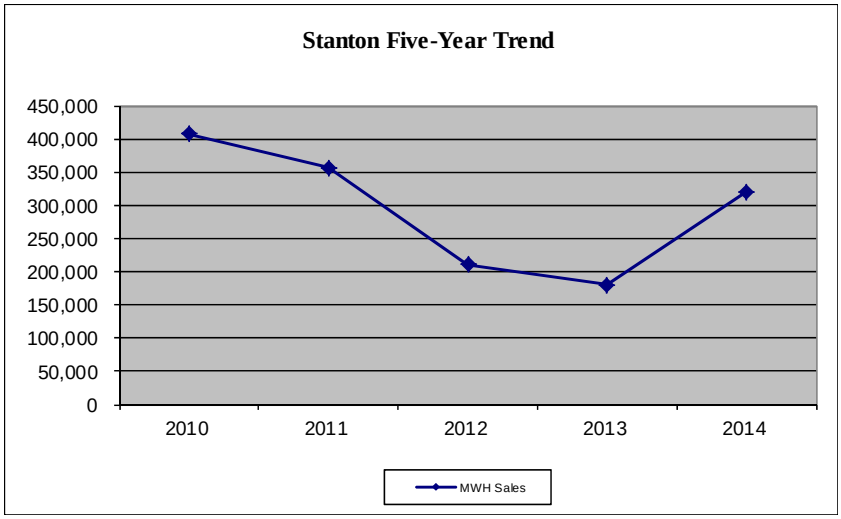


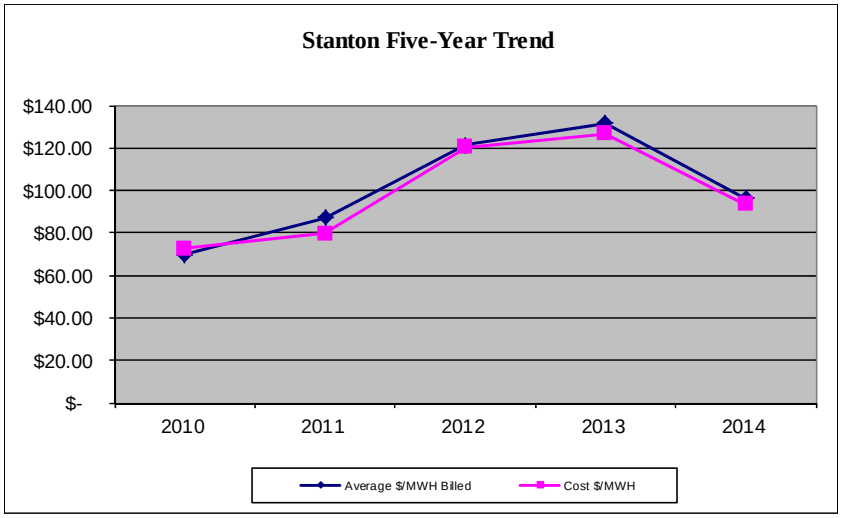
FIVE-YEAR TREND ANALYSIS

	2010	2011	2012	2013	2014
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton Project					
Capital Assets	$ 36,823	$ 34,420	$ 35,124	$ 33,811	$ 32,939
Total Assets & Deferred Outflows	$ 73,390	$ 72,255	$ 70,205	$ 61,313	$ 63,824
Long-Term Debt	$ 65,416	$ 59,601	$ 54,702	$ 45,564	$ 39,310
Total Liabilities & Deferred Inflows	$ 73,390	$ 72,255	$ 70,205	$ 61,313	$ 63,824
Billings to Participants	$ 28,470	$ 31,085	$ 25,579	$ 23,745	$ 30,967
Sales to Others	357	365	394	430	419
Total Operating Revenues	$ 28,827	$ 31,450	$ 25,973	$ 24,175	$ 31,386
Production-Steam	$ 6,250	$ 4,703	$ 4,025	$ 3,545	$ 3,567
Fuel Expense	13,381	12,873	8,707	8,061	14,500
Transmission	988	1,033	1,224	1,223	1,223
General & Administrative	1,107	1,095	1,154	1,184	1,187
Depreciation & Decommissioning	2,242	2,283	2,363	2,526	2,647
Total Operating Expenses	$ 23,968	$ 21,987	$ 17,473	$ 16,539	$ 23,124
Net Operating Revenues	$ 4,859	$ 9,463	$ 8,500	$ 7,636	$ 8,262
Investment Income	$ 972	$ 876	$ 962	$ (164)	$ 392
Total Other Income	$ 972	$ 876	$ 962	$ (164)	$ 392
Interest Expense	$ 3,488	$ 3,357	$ 3,090	$ 2,680	$ 1,997
Amortization & Other Expense	604	547	501	258	258
Total Other Expenses	$ 4,092	$ 3,904	$ 3,591	$ 2,938	$ 2,255
Net Income (Loss)	$ 1,739	$ 6,435	$ 5,871	$ 4,534	$ 6,399
Net Cost Recovered (Credited) in the Future	(2,781)	(3,755)	(5,671)	(3,619)	(5,394)
Due from (to) Participants	1,042	(2,680)	(200)	(915)	(1,005)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	407,099	356,409	210,924	180,203	320,992
Average $/MWH Billed	$ 69.93	$ 87.22	$ 121.27	$ 131.77	$ 96.47
Cost $/MWH	$ 72.49	$ 79.70	$ 120.32	$ 126.69	$ 93.34

FIVE-YEAR TREND ANALYSIS



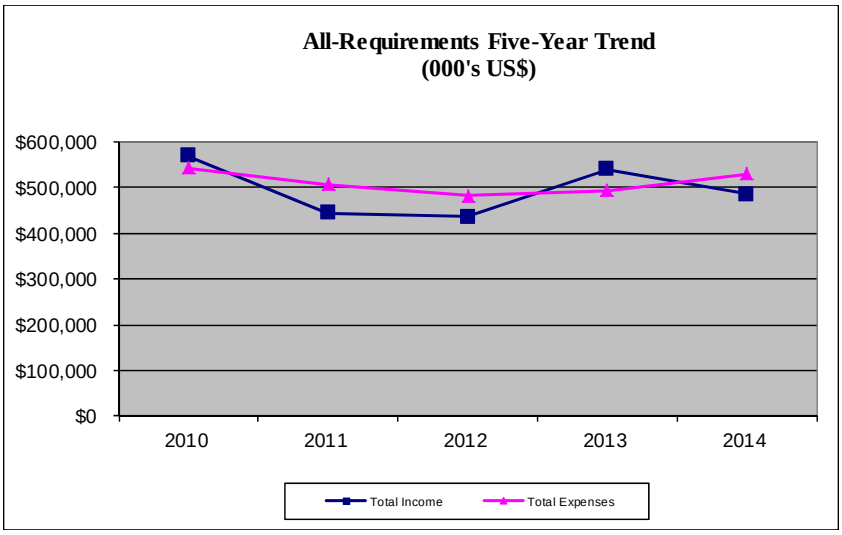


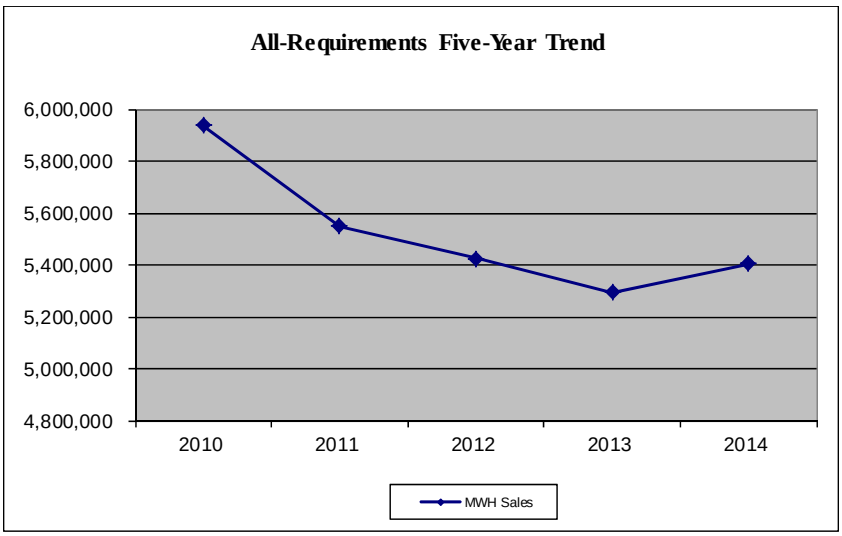


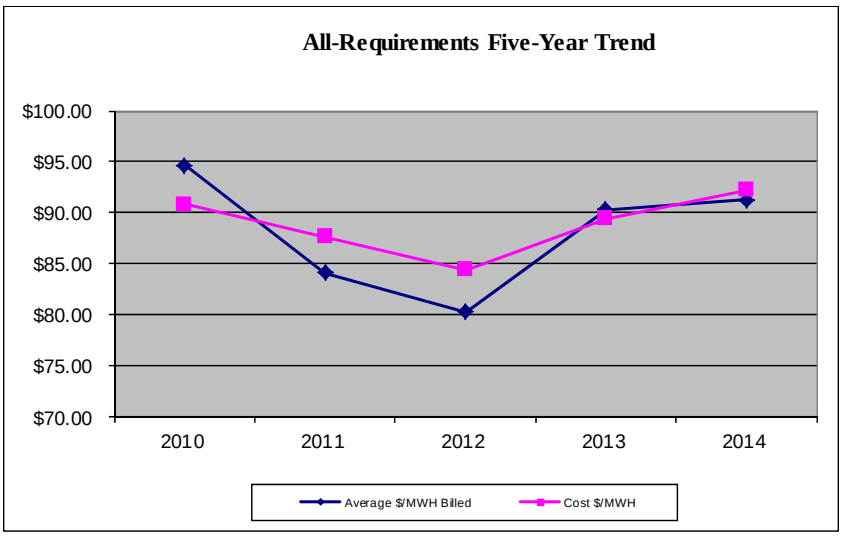
FIVE-YEAR TREND ANALYSIS

(000's US$ except for MWH Sales and Average $/MWH)	2010	2011	2012	2013	2014
All-Requirements Project					
Capital Assets	$ 982,915	$ 1,000,086	$ 956,182	$ 912,545	$ 864,876
Total Assets & Deferred Outflows	$ 1,669,477	$ 1,650,675	$ 1,641,997	$ 1,489,809	$ 1,475,187
Long-Term Debt	$ 1,483,415	$ 1,497,167	$ 1,483,283	$ 1,352,328	$ 1,342,161
Total Liabilities & Deferred Inflows	$ 1,669,477	$ 1,650,675	$ 1,641,997	$ 1,489,809	$ 1,475,187
Billings to Participants	$ 562,210	$ 467,025	$ 435,812	$ 478,321	$ 493,159
Sales to Others	7,887	15,419	14,068	7,960	25,767
Total Operating Revenues	$ 570,097	$ 482,444	$ 449,880	$ 486,281	$ 518,926
Purchased Power	$ 105,854	$ 60,901	$ 24,860	$ 38,327	$ 27,523
Production-Steam	57,674	53,357	59,511	59,802	55,621
Fuel Expense	261,660	253,392	229,663	230,847	283,682
Transmission	20,337	24,530	25,307	27,344	26,247
General & Administrative	17,356	25,769	20,528	21,463	21,957
Depreciation & Decommissioning	36,050	40,463	55,250	53,877	54,252
Total Operating Expenses	$ 498,931	$ 458,412	$ 415,119	$ 431,660	$ 469,282
Net Operating Revenues	$ 71,166	$ 24,032	$ 34,761	$ 54,621	$ 49,644
Investment Income	$ (259)	$ (38,221)	$ (12,695)	$ 54,494	$ (32,150)
Total Other Income	$ (259)	$ (38,221)	$ (12,695)	$ 54,494	$ (32,150)
Interest Expense	$ 42,856	$ 45,786	$ 64,523	$ 61,830	$ 59,873
Amortization & Other Expense	2,554	2,438	2,371	940	673
Total Other Expenses	$ 45,410	$ 48,224	$ 66,894	$ 62,770	$ 60,546
Net Income (Loss)	$ 25,497	$ (62,413)	$ (44,828)	$ 46,345	$ (43,052)
Net Cost Recovered (Credited) in the Future	(2,669)	43,088	22,617	(41,637)	37,847
Due from (to) Participants	(22,828)	19,325	22,211	(4,708)	5,205
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	5,938,070	5,549,464	5,424,379	5,293,772	5,404,370
Average $/MWH Billed	$ 94.68	$ 84.16	$ 80.34	$ 90.36	$ 91.25
Cost $/MWH	$ 90.83	$ 87.64	$ 84.44	$ 89.47	$ 92.21

FIVE-YEAR TREND ANALYSIS



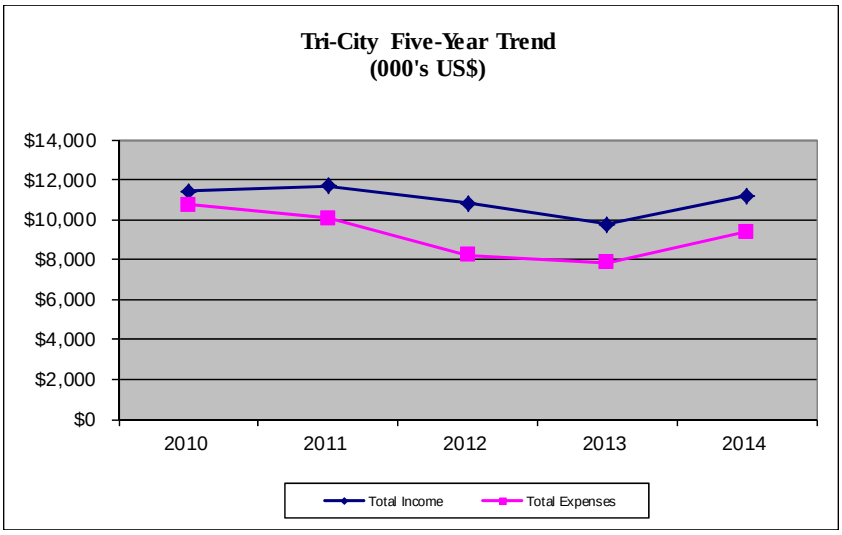


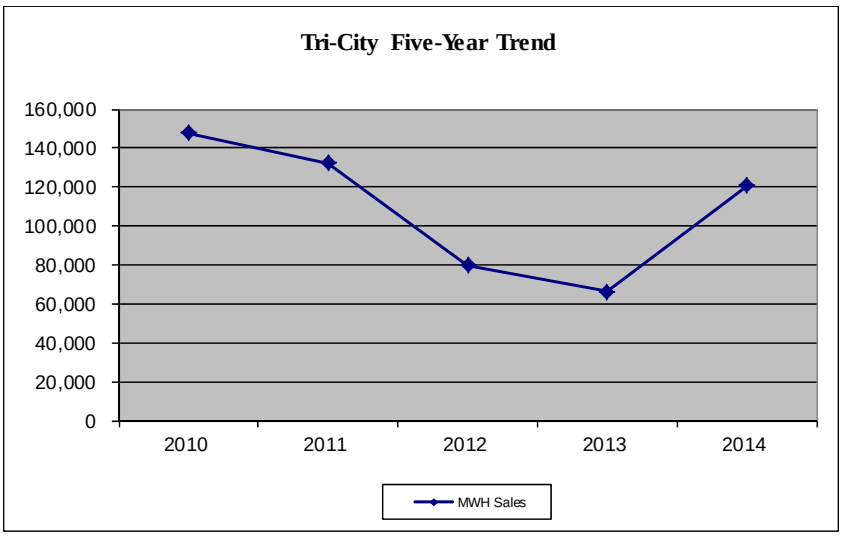


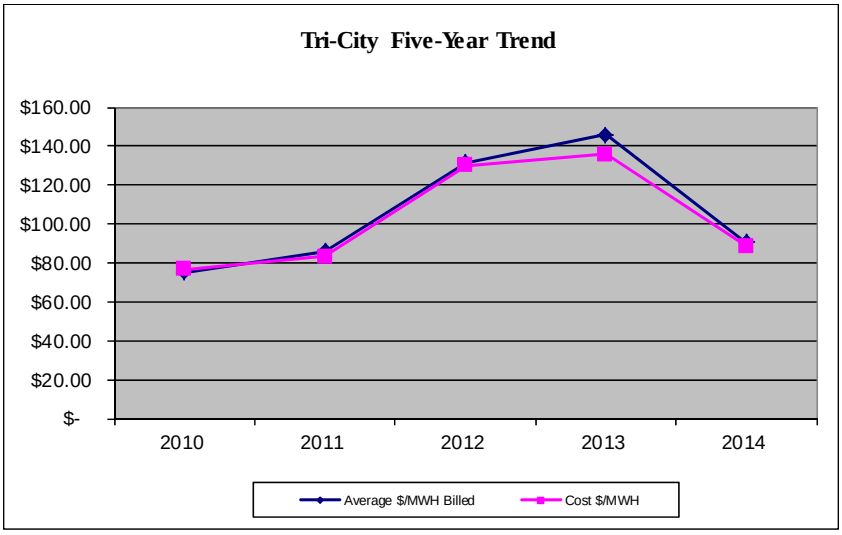
Five-Year Trend Analysis

	2010	2011	2012	2013	2014
(000's US$ except for MWH Sales and Average $/MWH)					
Tri-City Project					
Capital Assets	$ 14,770	$ 13,814	$ 13,969	$ 13,405	$ 12,999
Total Assets & Deferred Outflows	$ 28,985	$ 27,730	$ 26,829	$ 21,794	$ 22,573
Long-Term Debt	$ 25,471	$ 23,266	$ 25,802	$ 18,696	$ 15,771
Total Liabilities & Deferred Inflows	$ 28,985	$ 27,730	$ 29,829	$ 21,794	$ 22,573
Billings to Participants	$ 11,076	$ 11,377	$ 10,490	$ 9,662	$ 10,971
Sales to Others	128	132	141	143	150
Total Operating Revenues	$ 11,204	$ 11,509	$ 10,631	$ 9,805	$ 11,121
Production-Steam	$ 2,236	$ 1,685	$ 1,440	$ 1,269	$ 1,262
Fuel Expense	4,847	4,782	3,169	3,062	5,189
Transmission	394	425	490	489	489
General & Administrative	637	617	651	659	687
Depreciation & Decommissioning	900	914	942	998	1,041
Total Operating Expenses	$ 9,014	$ 8,423	$ 6,692	$ 6,477	$ 8,668
Net Operating Revenues	$ 2,190	$ 3,086	$ 3,939	$ 3,328	$ 2,453
Investment Income	$ 233	$ 195	$ 197	$ (54)	$ 81
Total Other Income	$ 233	$ 195	$ 197	$ (54)	$ 81
Interest Expense	$ 1,256	$ 1,222	$ 1,149	$ 1,021	$ 389
Amortization & Other Expense	459	421	379	354	342
Total Other Expenses	$ 1,715	$ 1,643	$ 1,528	$ 1,375	$ 731
Net Income (Loss)	$ 708	$ 1,638	$ 2,608	$ 1,899	$ 1,803
Net Cost Recovered (Credited) in the Future	(940)	(1,294)	(2,480)	(1,216)	(1,545)
Due from (to) Participants	232	(344)	(128)	(683)	(258)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	147,641	132,545	79,739	66,150	120,915
Average $/MWH Billed	$ 75.02	$ 85.83	$ 131.55	$ 146.06	$ 90.73
Cost $/MWH	$ 76.59	$ 83.24	$ 129.95	$ 135.74	$ 88.60

FIVE-YEAR TREND ANALYSIS



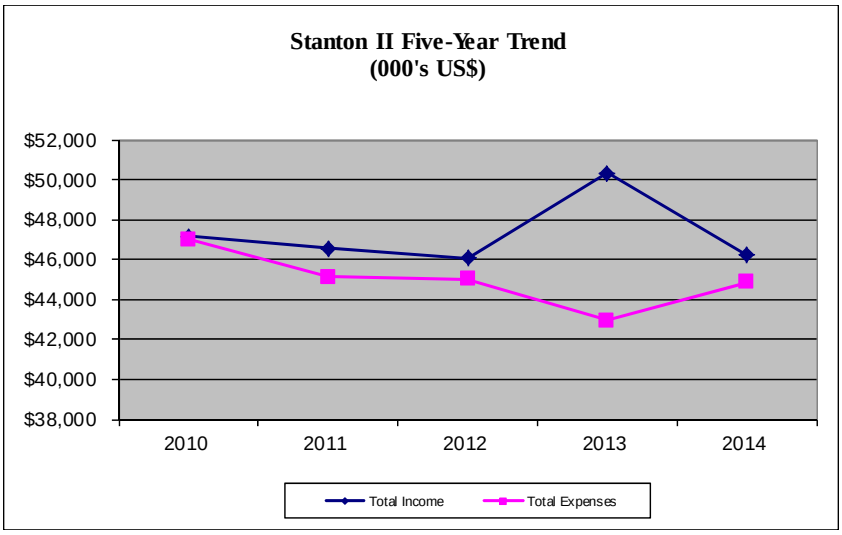


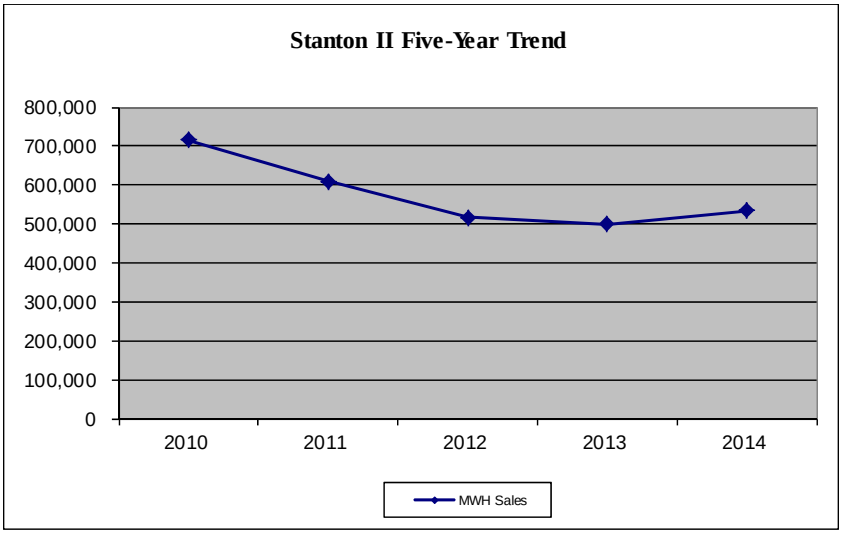


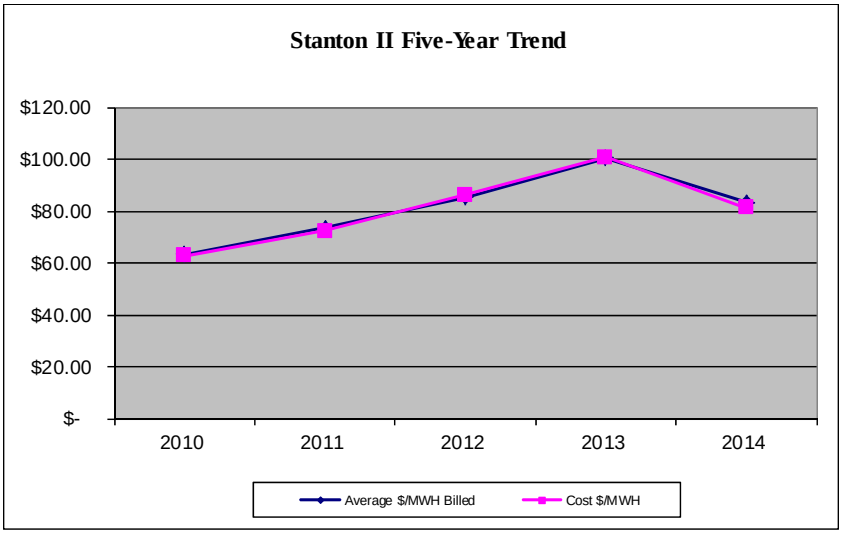
FIVE-YEAR TREND ANALYSIS

	2010	2011	2012	2013	2014
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton II Project					
Capital Assets	$ 114,231	$ 109,677	$ 108,648	$ 107,030	$ 106,356
Total Assets & Deferred Outflows	$ 198,165	$ 196,217	$ 204,895	$ 193,709	$ 182,054
Long-Term Debt	$ 189,676	$ 186,893	$ 197,417	$ 179,960	$ 167,977
Total Liabilities & Deferred Inflows	$ 198,165	$ 196,217	$ 204,895	$ 193,709	$ 182,054
Billings to Participants	$ 45,386	$ 44,707	$ 44,184	$ 50,047	$ 44,411
Sales to Others	555	576	618	711	657
Total Operating Revenues	$ 45,941	$ 45,283	$ 44,802	$ 50,758	$ 45,068
Production-Steam	$ 6,832	$ 6,432	$ 6,927	$ 5,337	$ 5,871
Fuel Expense	22,817	21,172	21,201	22,328	24,253
Transmission	1,493	1,541	1,848	1,846	1,846
General & Administrative	1,691	1,627	1,785	1,698	1,770
Depreciation & Decommissioning	4,621	4,638	4,718	4,855	5,082
Total Operating Expenses	$ 37,454	$ 35,410	$ 36,479	$ 36,064	$ 38,822
Net Operating Revenues	$ 8,487	$ 9,873	$ 8,323	$ 14,694	$ 6,246
Investment Income	$ 1,218	$ 1,291	$ 1,260	$ (450)	$ 1,151
Total Other Income	$ 1,218	$ 1,291	$ 1,260	$ (450)	$ 1,151
Interest Expense	$ 8,101	$ 8,321	$ 7,584	$ 7,199	$ 6,724
Amortization & Other Expense	1,447	1,384	965	(307)	(661)
Total Other Expenses	$ 9,548	$ 9,705	$ 8,549	$ 6,892	$ 6,063
Net Income (Loss)	$ 157	$ 1,459	$ 1,034	$ 7,352	$ 1,334
Net Cost Recovered (Credited) in the Future	356	(783)	(1,443)	(7,597)	(279)
Due from (to) Participants	(513)	(676)	409	245	(1,055)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	716,582	608,812	517,357	498,856	533,732
Average $/MWH Billed	$ 63.34	$ 73.43	$ 85.40	$ 100.32	$ 83.21
Cost $/MWH	$ 62.62	$ 72.32	$ 86.19	$ 100.81	$ 81.23

FIVE-YEAR TREND ANALYSIS







Compliance Report

Purvis Gray & Company

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Florida Municipal Power Agency (the Agency), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the Agency's management in a separate letter dated January 12, 2015.

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

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

Purvis, Gray and Company, LLP

January 12, 2015
Ocala, Florida

Purvis Gray & Company

MANAGEMENT LETTER

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

Report on the Financial Statements
We have audited the financial statements of the Florida Municipal Power Agency (the Agency), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated January 12, 2015.

Auditors' Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reports
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* and Independent Accountants' Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 12, 2015, should be considered in conjunction with this management letter.

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

Official Title and Legal Authority
- Section 10.554(1)(i)4, *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, 2014, financial statements. There are no component units related to the Agency.

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

MANAGEMENT LETTER
(Concluded)

Financial Condition

- Section 10.554(1)(i)5.a, *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the Agency 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.

- Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), *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.

Annual Financial Report

- Section 10.554(1)(i)5.b, *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the Agency for the fiscal year ended September 30, 2014, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. We determined that the State of Florida Department of Financial Services does not require the Agency to file the annual financial report pursuant to Section 218.32(1)(a), Florida Statues.

Other Matters

- Section 10.554(1)(i)2., *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)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other applicable agencies, the Agency's Executive Committee, the Board of Directors and Audit and Risk Oversight Committee and applicable management, 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 12, 2015
Ocala, Florida

Purvis Gray & Company

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 September 30, 2014 financial statements, we offer the following recommendations to improve financial management, accounting procedures, and internal controls.

Prior Year Findings and Comments (Updated For Current Year)

2013-1 St Lucie Forward Sale Agreement Investments (Updated for 2014)
As more fully described in our 2013 Management Letter, the St. Lucie project is purchasing in its sinking fund, from 2004 to 2026, via a forward sale agreement (FSA), capital appreciation bonds (CABs) that have a significant concentration of California School District issuers. These purchases are designed to provide partial funding at maturity for the payment of St. Lucie term bonds that will mature about that same time. There are also additional purchases of California and other CABs outside of the FSA in the St. Lucie Debt Service and General Reserves by the Agency.

The current fair value of the bonds held at September 30, 2014, is approximately $113 million and the maturity value will be approximately $154 million. The FSA requires $3 million of additional purchases annually through 2026.

In general, CABs are purchased at a deep discount and pay no principal or interest until maturity when the face value of the bond is paid out. Because the ultimate payment at maturity is well in the future and dependent upon future events, CABs carry more inherent credit risk than other bonds that pay principal and interest periodically.

In our 2013 Management Letter, we expressed concern over the heavy concentration of California School District bonds and recommended that the Agency do further research on each issuer to gather more information about the geographic concentration and credit risks associated with these CABs. During 2014, the Agency staff performed additional research that has been reported to the Board, which determined that the bonds have the following characteristics:

- Substantially all of the bonds no longer maintain a Moody's AAA credit rating as a result of the downgrade of the bond insurers; however, most are now rated between AAA and A, with approximately 10% being rated AAA.
- Approximately $20 million of the bonds' maturity values maintain a Bloomberg Investment Grade, rating of IG5-IG-10 or Distressed, DS3, with IG1-IG10 being less risky to more risky and DS1-DS5 being less risky to more risky.
- Most of the bonds have bond insurance, although the quality of the insurer can vary and could be stressed in the event of a regional event affecting the bonds.

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MANAGEMENT LETTER COMMENTS
(Continued)

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

2013-1 St Lucie Forward Sale Agreement Investments (Updated for 2014) *(Concluded)*

- The bonds are serial bonds maturing between 2019 and 2026, with 52% maturing in 2026.

- Approximately 80% of the bonds are general obligation bonds, payable from annual budget appropriations of ad valorem taxes that will be levied and collected to pay-off the bonds within a year of the maturity date. Thus, final payment is fully dependent upon the prevailing physical or financial conditions existing in the state at that time.

- Approximately 20% of the bonds are either mortgage bonds, revenue bonds, or limited obligations having payment pledges other than general obligation ad valorem taxes such as rental payments, and other pledged revenues.

This research has provided additional information about the bonds that was not fully known previously and as can be seen above, has both comforting and concerning aspects as indicated above. Accordingly, we recommend that staff continue to monitor and look for changes in the following areas to update the Board and assess risk:

- The credit ratings of both the issuers and insurers.

- General economic data from California such as unemployment rates, housing values, tax trends and relevant political activities.

- Secondary market disclosure sites for any material events affecting the bonds.

- Annual audit report results and footnote disclosures of the major issuers.

We recommend that the Board continue to review the current and future information on the bonds for risk changes and make a determination if the current strategy for holding the existing bonds and purchasing more of the same over the next 10-11 years is within acceptable risk tolerances. We also recommend that the Agency continue to request from the FSA counterparty that CABs from outside California be delivered where possible on the remaining portion of the agreement to provide more geographic diversification.

Additionally, because there is significantly more inherent risk with CABs compared to bonds paying current principal and interest, we recommend that the Agency consider amending the investment policy to create two separate and distinct categories for CABs and current principal and interest bonds and consider how they might differ throughout the policy, rather than having both combined into a single category of "Municipal Bonds".

Current Year Findings and Comments

2014-1 Updated COSO Framework
In 2013, Committee of Sponsoring Organizations (COSO) released its updated framework to help organizations design and implement internal control in light of many changes in business and operating environments since the issuance of the original 1992 framework, broaden the application of internal control in addressing operations and reporting objectives, and clarify the requirements for determining

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Findings and Comments ***(Continued)***

2014-1 Updated COSO Framework ***(Concluded)***
what constitutes effective internal control. The COSO Framework provides principles-based guidance for designing and implementing effective internal controls. COSO developed the framework in response to senior executives' need for effective ways to better control their enterprises and to help ensure that organizational objectives related to operations, reporting, and compliance are achieved. This framework has become the most widely used internal control framework in the U.S. and has been adapted or adopted by numerous countries and businesses around the world.

Accordingly, we recommend that the Agency review the newly updated COSO framework and develop a plan to implement it for relevant key business functions. Because of the comprehensive nature of the framework, it is likely that this could be a multi-year project.

2014-2 Long-term Debt Levels
The Agency has significant investments in long-term generation facilities with a mix of nuclear, coal, and gas fired units, all of which carry significant long-term debt levels that extend well into the future, as can be seen in the long-term debt notes in the Agency's financial statements.

In recent years, the supply of natural gas has increased significantly as the result of shale fracking technology, which has driven the cost of gas down. Additionally, the EPA has proposed several regulations that, if enacted, have the potential to make coal fired generation cost prohibitive. At the same time, there are a variety of possible risks associated with the shrinking nuclear industry making its long-term future uncertain as well.

Given the low cost of natural gas and the regulatory and other threats to coal and nuclear fuels, we recommend that the Agency continue to monitor current events and its long-term debt levels for all coal and nuclear generation to ensure that debt maturities do not extend beyond the ever changing useful lives of those facilities. Also, as new information becomes available the Agency should modify where appropriate the useful depreciable lives of these facilities.

2014-3 Review of Categorization of Energy and Demand Costs
During our review of the Agency's billings process we noted that certain costs that could be considered energy related are classified as demand costs because they are somewhat fixed in nature. These costs include but are not limited to fixed natural gas transportation costs paid to Florida Gas Utility, Inc. (FGU), the related remarketing proceeds of excess gas by FGU, and the debt service cost associated with the Public Gas Partners, Inc. prepaid gas borrowing. We believe that these costs have as much of an energy component to them as they do demand and recommend that the Agency review the allocation of these and other expenses between the demand and energy categories. This is important because member billings are split between these and other categories and can vary based upon the various member load profiles.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

<u>Current Year Findings and Comments</u> (*Concluded*)

2014-4 Debt Report Refinements
The Agency's debt risk management policy requires that an annual Debt Report (the Report) be prepared and presented to Board and Executive Committee. The report provides demographics for all bonded indebtedness, interest rate swaps and debt ratio by project.

Based upon our review of this report, we believe the Report should be reviewed and modified for intricacies associated with the loss on refunding, deferred outflows, net costs recovered and inclusion of the capital leases, which were not included previously. We also believe that the Report would be enhanced by benchmarking the Agency against several other joint action power agencies' debt demographics, and ratio's calculated in a manner consistent with the Agency's methodology. 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 12, 2015
Ocala, Florida

Purvis Gray & Company

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Florida Municipal Power Agency's (the Agency) compliance with the requirements of Section 218.415, Florida Statutes, with regards to the Agency's investments during the year ended September 30, 2014. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014. However, please see Management Letter Comment 2013-1 containing recommendations

Purvis, Gray and Company, LLP

January 12, 2015
Ocala, Florida

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Florida Municipal Power Agency

MEMORANDUM

TO: FMPA AROC & Executive Committee and Board of Directors

FROM: Mark Larson

DATE: January 13, 2015

ITEM: Audit Report and 2014 Management Letter

Staff Response to the Fiscal Year 2014 Management Letter Comments

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Prior Year Findings and Comments

2013-1 St. Lucie Forward Sale Agreement Investments (Updated for 2014)

Audit recommendation for staff to continue to monitor and communicate to membership any information relevant to the securities held in this agreement that may impact risk and measures to mitigate that risk, including geographic diversification. Also, they recommend that the Board review current and future information and make a determination if the current strategy is within acceptable risk tolerances. An additional recommendation was to consider revising the company's Investment policy to create a separate category for CAB's.

Staff agrees. Staff is involved in both monitoring and communicating regularly on its Investment portfolio. Staff has done extensive research this year and will continue to monitor relevant information available and communicate it to the members. Staff will present an action item to the AROC no later than the May 2015 AROC meeting detailing updated information, and cost impacts for various options. Based on the AROC input it will be presented at a future Board meeting to allow for the Board to a make a determination if the current strategy is acceptable. The Investment policy comes up for its recurring annual review by the AROC in its September 2015 meeting for any potential revisions.

Current Year Comments

2014-1 Updated COSO Framework

Audit recommendation for staff to review the new COSO and develop a plan to implement it for relevant key business functions.

Staff agrees. Staff would also suggest utilizing the" Green Book" which are the Standards for Internal Control in the Federal Government to provide more specific guidance in integrating the COSO updates. Staff has been involved in the review of COSO and the Green Book this past year and intends to integrate it with an on-going project to implement Sarbanes-Oxley type

documentation beginning in the finance area. The Regulatory Compliance department is also involved with the review and implementation in their compliance work. It should be noted that to be truly useful the COSO framework and Sarb-Ox type documentation is not just a multi-year project, but a perpetual responsibility to ensure all processes and procedures are current and applicable to the current goals of the entity.

2014-2 Long Term Debt Levels

Audit recommendation for staff to monitor current events and its long term debt levels for coal and nuclear generation to ensure debt maturities do not extend beyond the useful lives of the facilities. Also, modify where appropriate the depreciable lives of the facilities.

Staff agrees. This analysis will be conducted and presented to the Budget Committee in development of the 2016 budget.

2014-3 Review of Categorization of Energy and Demand Costs

Audit recommendation for staff to review the allocation of expenses between the Energy and Demand categories.

Staff agrees. Extensive work has been done in this area within the BMWG committee and presented to the EC. Additional analysis will be conducted incorporating the Management Letter comments and be presented to the AROC no later than the May 2015 meeting.

2014-4 Debt Report Refinements

Audit recommendation for staff to review the Debt report for inclusion of additional information. Items suggested include benchmarking to other power agencies and Capital Lease information.

Staff agrees. Staff will review for pertinent enhancements and a pro-forma report will be presented to the AROC no later than the September 2015 meeting.