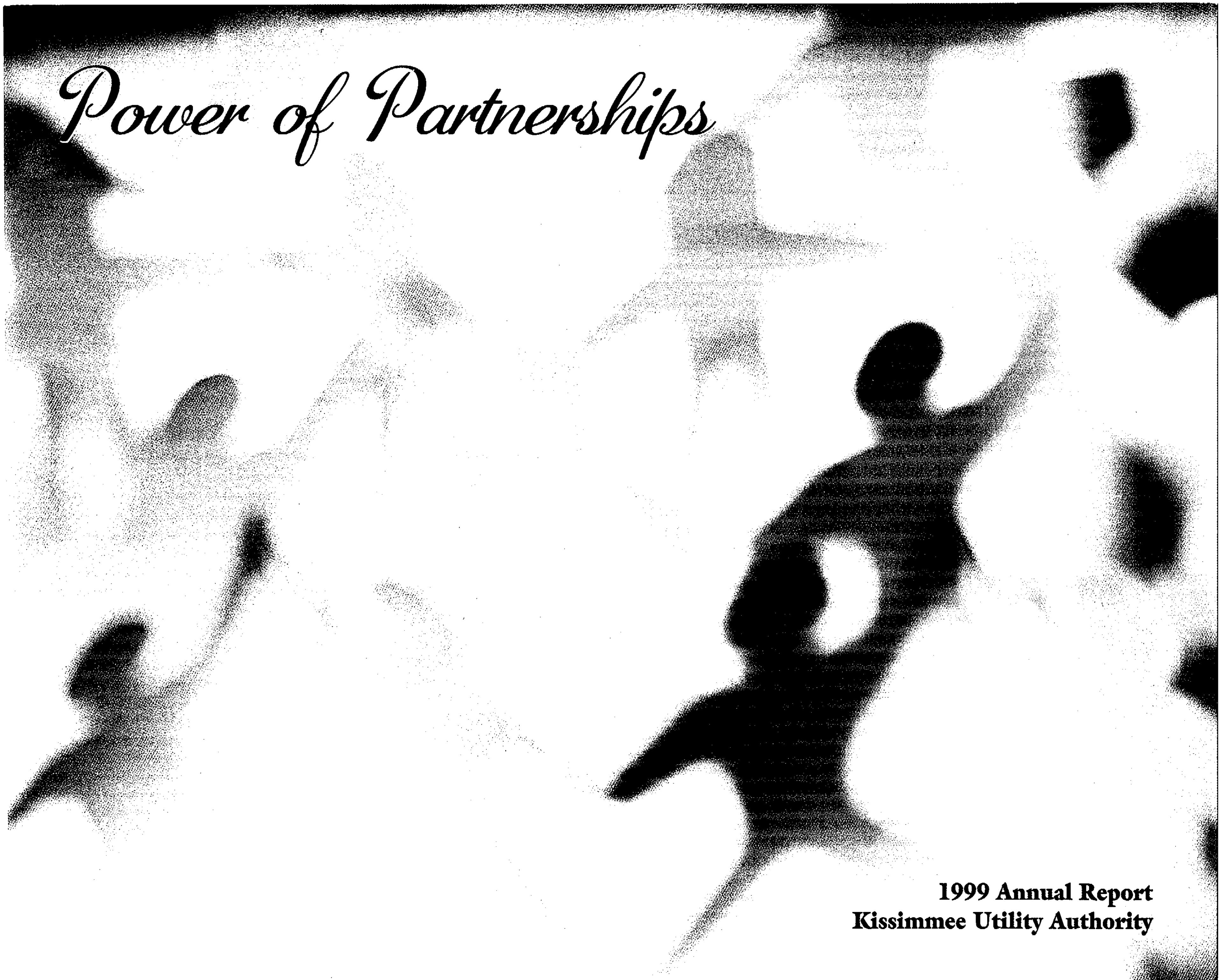
Power of Partnerships



1999 Annual Report
Kissimmee Utility Authority

BOARD OF DIRECTORS

(left to right): Dr. George Gant, Vice-Chairman; Larry Walter, Chairman; James C. Welsh, President & General Manager; Frank Attkisson, Mayor of Kissimmee; Richard Hord, Director; Don Shearer, Assistant Secretary; Domingo Toro, Secretary; Edward Brinson, Attorney.

ABOUT KUA

KUA owns, operates and manages the electric system established by the city of Kissimmee in 1901. KUA is the seventh largest municipally-owned utility in Florida, and our 281 employees serve approximately 53,000 electric, water and Internet customers in Kissimmee and surrounding area. KUA's total generating capacity is 180 megawatts. The authority owns and operates two power production facilities: the Roy B. Hansel Generating Station in Kissimmee and the Cane Island Power Park in Intercession City. KUA is governed by a six-person board of directors.

A Letter from the Authority

With change in the air and a new century only one year away, KUA is working aggressively to ensure its continuing success in the next millennium. With the introduction of our new Internet service provider – *KUA.net* – in 1999, KUA has brought the wonders of the World Wide Web to residents throughout Central Florida. We currently serve over 3,500 residential and commercial Internet customers in a four-county area.

Osceola county continues to experience vibrant growth, driven by Florida's attractive climate, natural beauty, and exceptional quality of life. A new city hall and courthouse complex are scheduled to be completed in 2000, and KUA has begun construction on a new 250-megawatt generating unit at the Cane Island Power Park.

We are fortunate to be in a marketplace that offers so many exciting opportunities. We would like to personally thank our customers, business partners, and employees for their commitment and contributions over the past year. Looking to the future, KUA is well positioned for the years ahead. In this annual report, you will learn more about the innovative partnerships that have allowed KUA to maintain its position as one of the nation's leading municipal utilities.

Larry W. Walter
Board Chairman

James C. Welsh
President & General Manager

Power of Partnerships

"An organization that is committed to creative partnerships will ride the wave of the future. They will go beyond the realm of assumptive thinking and welcome the dawn of innovation . . . because there is nothing more empowering than an idea whose time has come."

Unknown

POWER OF PARTNERSHIPS. 1999 was a challenging year of growth, change and innovation at KUA. We continue to look to the future as we prepare ourselves for a deregulated energy market. We also are stepping out in new directions with creative products and services that provide added convenience for our customers. October 1998 saw the debut of our newest business venture – KUA.net – a full-service Internet service provider serving the residents of Orange, Osceola, Polk and Seminole counties. In its first year, KUA.net has quickly become the 12th largest ISP in Central Florida (out of 42!). At the same time, we have strengthened our relationships with local businesses and community organizations and formed exciting, new partnerships. Many of these partnerships are highlighted in this report. We think you will agree that there truly is power in partnerships. **ONLINE POLL.** KUA partnered with the editorial staff of the *Osceola News-Gazette* to create an interactive online news poll on the KUA.net web site. A poll question is printed each Thursday in the newspaper and between 500-1,000 readers register their opinion via online vote each week. The results of the poll are posted online and in the following week's newspaper. This partnership drives significant visitor traffic to our web site. **HURRICANE RESTORATION.** KUA line crews assisted crews from City Electric System in Key West for several weeks in October 1998 to help restore widespread power outages caused by Hurricane Georges. **PROJECT SOAR.** To inform students in the community about available college scholarship funds, KUA joined with the Foundation for Osceola Education, Inc. to create "Project SOAR" - Scholarship Opportunities Are Real. Over

1,100 community volunteers, including many employees of KUA, visited the homes of every student in grades 6-12 enrolled in an Osceola county public school to distribute printed scholarship information as well as an interactive CD developed by KUA.net. Project SOAR was featured in the City of Kissimmee's All America City application in 1999. **TORNADO ANNIVERSARY.** To commemorate the one-year anniversary of one of Florida's most devastating tornadoes, KUA partnered with the Lakeside Estates Homeowners Association to host an *"I Survived the Tornado"* celebration in February. The event was held on the grounds of Cypress Elementary School – a school located directly in the path of the tornado that sustained significant damage from the storm. Today, much of the area has been completely rebuilt. KUA provided free bucket truck rides to the residents of Lakeside so that they could witness firsthand an aerial view of their restored community. Residents were also treated to food, entertainment, a number of informational booths, and a chance to meet with local elected officials. **DISASTER DRILL DAY.** KUA held its fourth annual disaster drill in April. The purpose of the drill is to test emergency equipment, measure response time, and evaluate communication within the utility. The drill involved a wide range of activities including a simulation of power line and substation damage, repair of utility vehicles in the field, back-up of all internal computer records, answering customer outage "calls" and logging them into a database system, production of sandbags at both power plants, and the testing of all emergency generators. KUA is one of only a few municipal utilities in the state to schedule regular disaster training. This year a contingent from Gainesville Regional Utilities (GRU) visited during our drill to observe and take the information back to their utility for implementation. KUA's disaster drill will be expanded in 2000 to include partnerships with other local governmental and emergency agencies. **HURRICANE GUIDES.** In 1999, KUA again joined with the Orlando Utilities Commission (OUC) to produce an 8-page hurricane guide. The guide contained tips on how to prepare for a hurricane, including evacuation hints, a disaster supplies checklist, and

Power of Partnerships

local emergency telephone numbers. The guide also contained a storm tracking chart and a map of Osceola county emergency shelters. The full-color publication was inserted twice in the local newspaper and distributed via KUA's Customer Service Center. **SMALL BUSINESS DEVELOPMENT CENTER.** In an effort to encourage economic growth, KUA partnered with the Kissimmee/Osceola County Chamber of Commerce to create Central Florida's first small business development center. The center, which opened in August, was designed specifically for individuals wishing to start a small business or for existing small business owners who wish to expand their business. The business center features computer systems donated by KUA equipped with assorted business software and high-speed Internet access from KUA.net. The center also has a computer printer, scanner, fax machine, and other office equipment as well as business-related books, audio and videotapes. An adjacent conference room provides an excellent business meeting location. **CONGRESSIONAL STAFF TOUR.** KUA partnered with the Florida Municipal Electric Association to host a Congressional Staff Tour in August. Representatives from Washington flew in for a 3-day tour of municipal utilities throughout Florida. The tour included representatives from the Congressional Budget Office and House Commerce Committee and the offices of several Florida elected representatives, including Peter Deutsch, Bill McCollum, Carrie Meek, and John Mica. The group toured KUA's Energy Control Center and Cane Island Power Park, and received a technology update on KUA.net. The tour also included visits to utilities in Gainesville, Leesburg, Orlando, and Mt. Dora. **GOVERNMENT ACCESS CHANNEL.** 1999 was KUA's official debut in the television business! KUA, the City of Kissimmee, and the Osceola School District have partnered to bring a local government cable access channel to the residents of Osceola county. The channel will debut in the summer of 2000 for all cable subscribers of Time Warner Communications. Broadcast facilities for the new channel will be housed in Kissimmee's new city hall. Programming time on the channel will be used by KUA and the other entities

to extend their public service message to area residents. Programming will consist of community information, special events, live broadcasts, emergency information, and educational opportunities for students. The channel will also have the capability of broadcasting local Board and Commission meetings to more effectively bring government to the people of Osceola county. The channel will use the television production classes and facilities of Osceola's five high schools to produce some of the local programming.

TRICK OR TREAT BAGS. KUA teamed up with the National Crime Prevention Council in 1999 to provide area children with free reflective trick or treat bags. These bags not only gave children and their parents important Halloween safety tips, but also helped make them more visible at night as they walked through the neighborhoods.

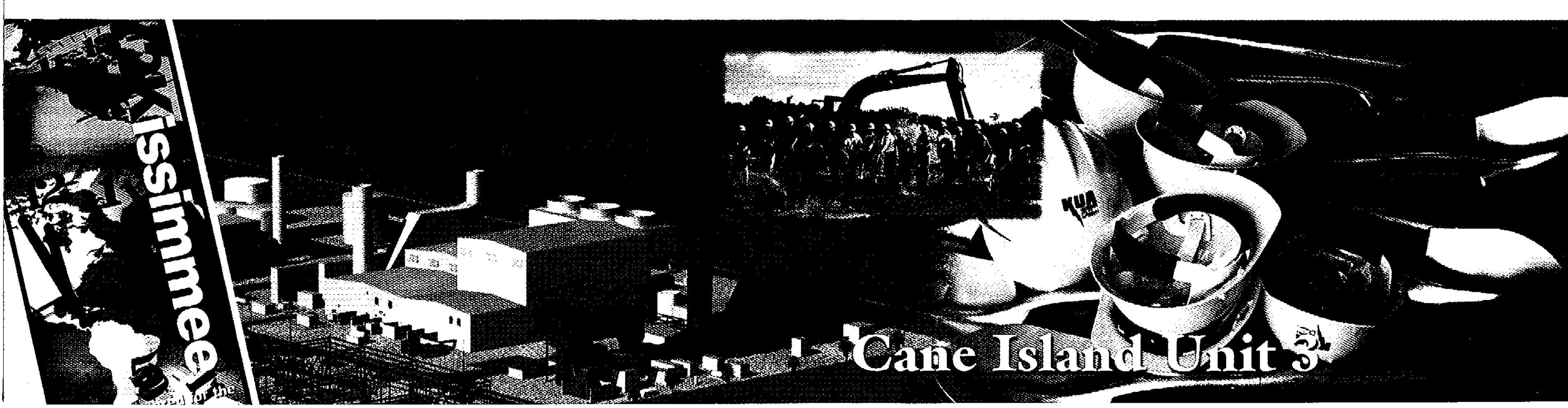
ONLINE BANKING. KUA.net partnered with Republic Bank of Florida in 1999 to offer online banking services to the residents of Orange, Osceola, Polk and Seminole counties. The innovative partnership, believed to be the first in the nation, combines the 26 years of banking experience of Republic Bank with high-speed Internet access and software from KUA.net. KUA.net members using the online banking service receive a monthly discount on their Internet access, and they can pay all their bills right from KUA.net's member home page. Using military grade encryption to maintain confidentiality and peace of mind, customers can:

- Check their balances, see which transactions have cleared, reconcile accounts
- Transfer funds between accounts
- Pay recurring and non-recurring bills electronically from their account
- Produce reports that show their expenses by category

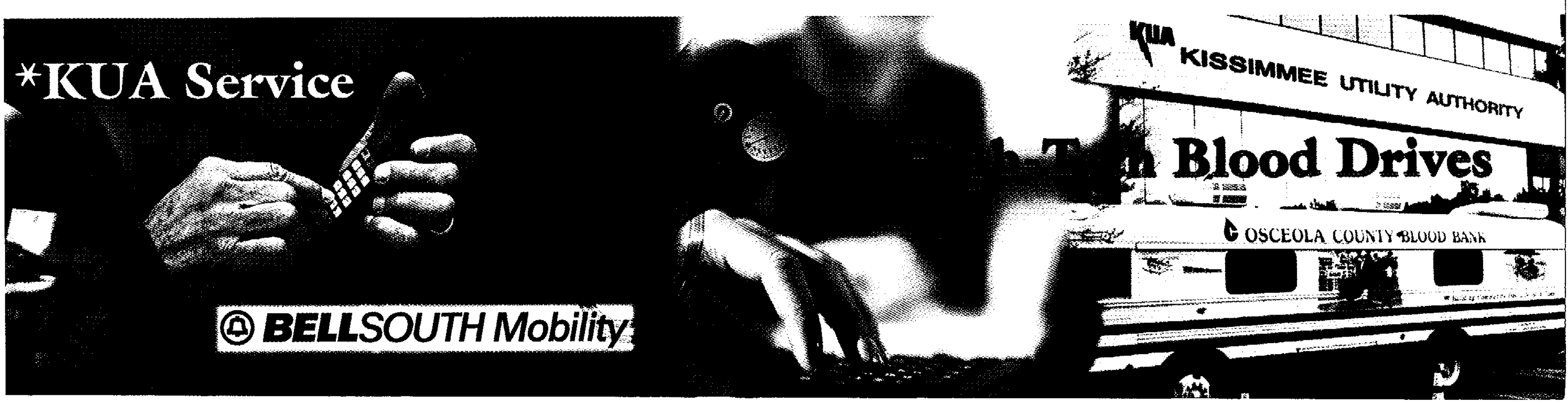
Interested individuals can sample the online banking service at computer kiosks located in the lobby of each Republic Bank branch in Central Florida and at KUA's Customer Service Center in Kissimmee.

FLEE TO BE FREE. KUA teamed with local law enforcement agencies and the Osceola School District in 1998 and 1999 to develop the "Flee to be Free" campaign. Flee

to be Free is a child abduction prevention campaign aimed at students in both public and private schools in Osceola county. The program is designed to prevent child abduction by forming a partnership between children, parents, caregivers, law enforcement and the community, teaching our children ways to avoid and escape abduction. This year's campaign reached over 15,000 children. **Y2KISSIMMEE CAMPAIGN.** KUA and the City of Kissimmee joined forces in 1999 to create a "Y2Kissimmee" resident information campaign. Using utility bill stuffers, newspaper advertising, resident newsletter articles, and a special web site, the campaign highlights the preparations and contingency plans made by both entities in preparation for the millennium rollover on December 31, 1999. As an added incentive to residents, KUA and the City will give away a new computer system – including a printer, scanner and digital camera – to one lucky resident. KUA and the City have been preparing for two years to provide uninterrupted services to the residents and thousands of visitors to the Kissimmee area. The "Y2Kissimmee" campaign features detailed information on the evaluation and testing of hardware and software used daily by KUA and the City in anticipation of the Y2K rollover. **CANE ISLAND UNIT 3**. KUA and the Florida Municipal Power Agency have agreed to construct a third generating unit at the Cane Island Power Park. The new generator, a 250-megawatt combined cycle unit, will be constructed adjacent to Unit 2 at Cane Island and is scheduled to be completed in June 2001. Unit 3 is being developed to meet both short- and long-term power needs and will be larger than all of KUA's existing power generation facilities combined. The unit will be powered by natural gas and the estimated construction cost is $127 million. KUA and FMPA share equal ownership in the Cane Island site. The energy produced by Cane Island not only serves the energy needs of Osceola county residents, but 150,000 residents in 10 other cities throughout the state of Florida. Construction on Unit 3 began on November 22, 1999. ***KUA SERVICE.** A cellular telephone call to KUA is now free to customers of BellSouth Mobility, thanks to a new partnership introduced by



KUA. Cellular customers can simply dial *KUA from anywhere in Central Florida and the call will be forwarded to KUA's main telephone number at no charge. Should a storm or accident cause local telephone service to fail, the *KUA service is a great way for utility customers to report power outages or downed power lines in their neighborhoods. It can also be used by KUA.net customers who wish to contact our help desk personnel without having to disconnect their computer from the Internet. **HIGH-TECH BLOOD DRIVES.** If you've ever been a blood donor, you know the actual donation time requires 15-30 minutes of waiting. In an effort to make the donation time more fun and pass more quickly, KUA.net partnered with the Central Florida Blood Bank to offer individuals free Internet surfing while they donate. Using laptop computers and a high-speed Internet connection, donors were able to donate with one arm while surfing the Internet with the other. This new concept is a great way for busy professionals to donate and still be able to stay connected to their office via e-mail or the World Wide Web. The partnership between KUA.net and the Central Florida Blood Bank has attracted a record number of donors. **VIVA OSCEOLA.** KUA partnered with the Kissimmee/Osceola County Chamber of Commerce to produce one of the largest Hispanic music festivals in Central Florida. Viva Osceola is an annual event that promotes the Hispanic culture and heritage while building bridges of communication with the community at large. Annual attendance tops 10,000. **KUA NAMED TOP 100 COMPANY.** For the second year in a row, KUA was named a Top 100 Company for Working Families by *Central Florida Family Magazine* in 1999. The magazine honors Central Florida companies who put workers and their family needs first. KUA was named the 11th best company in 1998. **OUTSTANDING BUSINESS PARTNER OF THE YEAR.** KUA was named "Outstanding Business Partner of the Year" by the Osceola School District in 1999. The award recognizes our "tireless efforts to enhance the education of Osceola's students." KUA will be honored by Florida's Education Commissioner at an awards banquet in March 2000 at Universal Studios Escape.



Power of Partnerships

Operating Highlights

ELECTRIC OPERATIONS *(In Dollars)*	Sept. 99	Sept. 98	% Increase (Decrease)
OPERATING REVENUE	$79,727,953	$77,332,454	3.1%
SELECTED OPERATING EXPENSES			
Fuel and Purchased Power	$33,794,393	$35,242,969	-4.1%
Departmental Operations	$20,518,976	$18,306,915	12.1%
INTEREST REVENUES	$3,496,931	$6,534,897	-46.5%
INTEREST EXPENSE	$11,911,654	$12,426,631	-4.1%
DEBT SERVICE COVERAGE	1.81	1.58	14.6%
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$1,957,473	$882,262	121.9%
PAYMENTS TO OTHER GOVERNMENTS	$7,815,173	$7,072,186	10.5%
UTILITY PLANT (Net)	$171,676,523	$170,322,498	0.8%
EQUITY	$132,089,541	$130,132,072	1.5%
LONG-TERM DEBT	$197,099,433	$201,572,982	-2.2%
TOTAL ASSETS	$365,795,255	$364,880,086	0.3%
TOTAL RETAIL SALES	$74,619,322	$72,362,289	3.1%
1. Residential	$39,353,061	$37,803,138	4.1%
Commercial/Industrial	$35,266,261	$34,559,152	2.0%
SYSTEM PEAK DEMAND (MW)	236	233	1.3%
TOTAL ENERGY SALES (MWH)	1,017,101	978,246	4.0%
2. Residential (MWH)	509,890	492,840	3.5%
Commercial/Industrial (MWH)	507,211	485,406	4.5%
AVERAGE MONTHLY CUSTOMERS	44,214	43,004	2.8%
3. Residential	36,132	34,855	3.7%
Commercial/Industrial	8,082	8,149	-0.8%
AVERAGE MONTHLY RESIDENTIAL USAGE (MWH)	1.176	1.178	
AVERAGE MONTHLY RESIDENTIAL BILL	$91	$90	1.1%
ANNUAL HEATING DEGREE DAYS	347	559	-37.9%
ANNUAL COOLING DEGREE DAYS	3,530	3,436	2.7%
GENERAL FUEL MIX (%)			
Natural Gas	71%	68%	4.4%
Coal	21%	26%	-19.2%
Nuclear	7%	6%	N/A
NET ENERGY FOR LOAD (MWH)	1,055,607	1,012,977	4.2%
Net Generation (MWH)	671,176	551,127	21.8%
Power Purchases (MWH)	479,341	527,146	-9.1%
Sales for Resale (MWH)	(94,910)	(65,296)	45.4%

Financial Highlights

(In Thousands of Dollars)	1998-99	1997-98	1996-97	1995-96	1994-95
OPERATING REVENUES:					
Residential	$39,353	$37,803	$36,026	$36,246	$32,508
General Services	11,597	11,234	11,258	10,571	9,740
General Services - Demand	12,776	14,723	15,890	15,217	14,638
General Services - Large Demand	7,889	5,692	5,687	4,996	4,560
Surcharge	1,959	1,932	1,823	1,834	1,788
Outdoor Lighting	1,045	979	944	871	800
Interdepartmental Sales					140
Sales for Resale	0	0	0	0	0
TOTAL METERED SALES	74,619	72,362	71,628	69,713	64,174
OTHER REVENUES	5,109	4,970	2,896	2,480	2,674
TOTAL METERED SALES	79,728	77,332	74,524	72,193	66,848
OPERATING EXPENSES:					
Fuel and Purchased Power	33,794	35,243	34,855	32,234	29,249
Operating and Maintenance	20,519	18,307	15,567	15,179	14,670
Depreciation and Amortization	10,644	10,380	9,894	10,703	8,683
Intergovernmental Transfers	7,815	7,072	6,571	6,498	6,095
Costs to be Recovered from Future Revenues	-5,010	-2,037	-3,339	-2,789	-3,484
TOTAL OPERATING EXPENSES	67,763	68,965	63,548	61,825	55,213
OPERATING INCOME	11,965	8,368	10,978	10,369	11,635
INVESTMENT INCOME	3,497	6,535	5,579	5,080	5,422
INCOME BEFORE INTEREST CHARGES	15,462	14,903	16,557	15,449	17,057
LESS INTEREST CHARGES					
Interest on Debt	11,912	12,427	5,671	13,604	13,741
Other Interest	1,593	1,594	1,422	1,421	1,420
Allowance for Borrowed Funds Used During Construction	0	0	-5,671	-7,680	-7,680
TOTAL	13,505	14,021	1,422	7,345	7,481
REINVESTED EARNINGS	1,957	882	9,464	8,104	9,576

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KUA
KISSIMMEE
UTILITY
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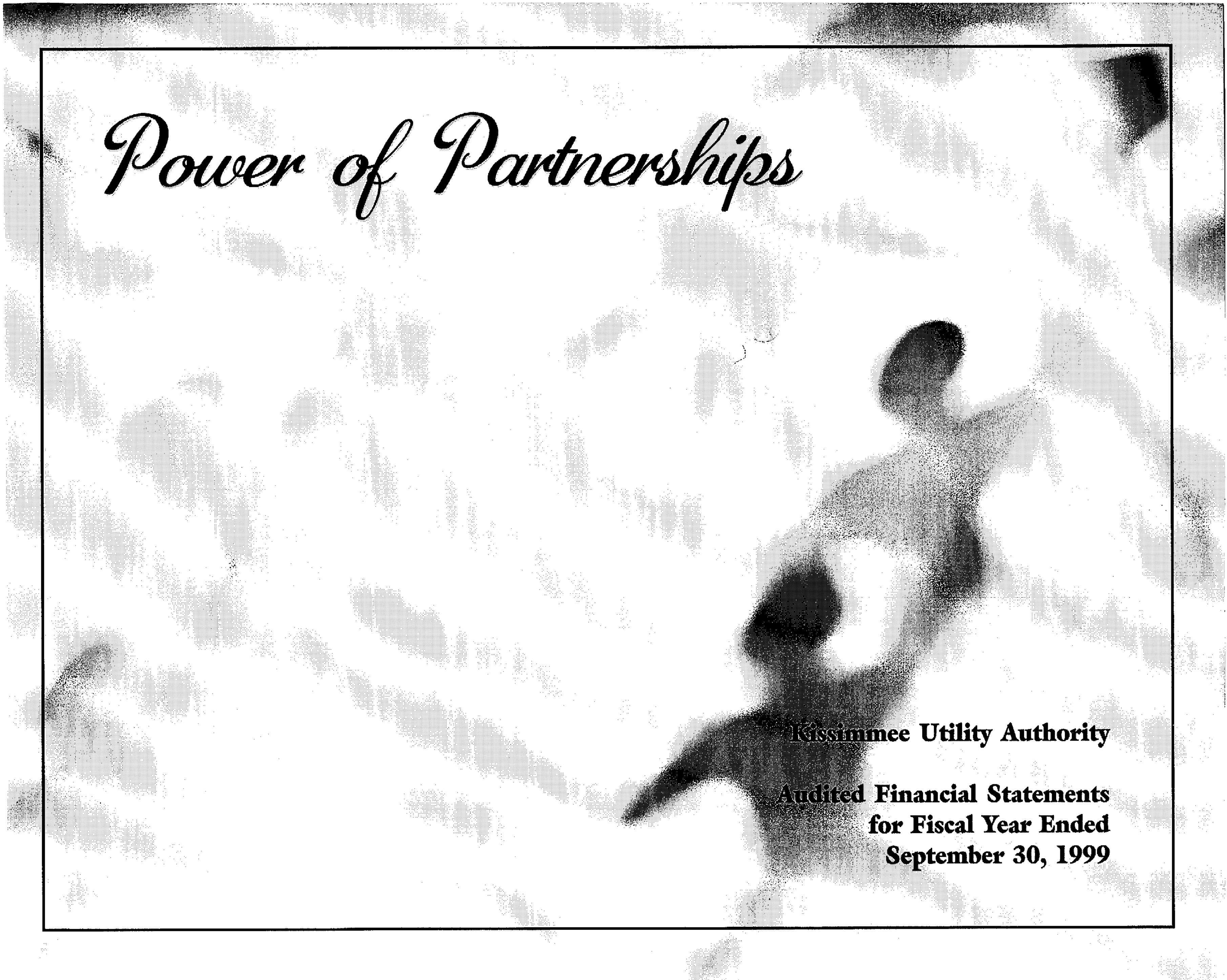
Power of Partnerships



Kissimmee Utility Authority

Audited Financial Statements
for Fiscal Year Ended
September 30, 1999

Report of Independent Certified Public Accountants

Board of Directors
Kissimmee Utility Authority

We have audited the accompanying combined balance sheets of Kissimmee Utility Authority as of September 30, 1999 and 1998, and the related combined statements of revenue, expenses and changes in accumulated reinvested earnings and cash flows for the years then ended. These combined financial statements are the responsibility of Kissimmee Utility Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Kissimmee Utility Authority as of September 30, 1999 and 1998, and the combined results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The Year 2000 Required Supplementary Information on pages B-31 and B-32 is not a required part of the combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, as amended, are not sufficiently specific and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that Kissimmee Utility Authority is or will become Year 2000 compliant, that Kissimmee Utility Authority's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which Kissimmee Utility Authority does business are or will become Year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 1999 on our consideration of Kissimmee Utility Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The other supplemental data section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of Kissimmee Utility Authority. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

Tampa, Florida
November 23, 1999, except for the second paragraph of Note 13 as to which the dates are December 1, 1999 and December 3, 1999.

Combined Balance Sheets - September 30, 1999 and 1998

ASSETS	1999	1998
UTILITY PLANT		
Property, plant and equipment	$261,439,304	$256,847,328
Less: accumulated depreciation	(103,021,666)	(92,983,633)
	158,417,638	163,863,695
Construction in progress	12,998,953	6,029,574
Inventory - nuclear fuel	259,933	429,229
TOTAL UTILITY PLANT	171,676,524	170,322,498
RESTRICTED ASSETS		
Cash and cash equivalents	5,690,144	31,460,976
Investments	44,087,217	34,735,266
Interest receivable	589,522	829,323
TOTAL RESTRICTED ASSETS	50,366,883	67,025,565
DESIGNATED ASSETS		
Cash and cash equivalents	3,912,166	11,574,234
Investments	68,291,288	43,775,331
Interest receivable	1,066,255	376,691
TOTAL DESIGNATED ASSETS	73,269,709	55,726,256
CURRENT ASSETS		
Cash and cash equivalents	2,206,237	4,185,333
Investments	3,820,800	9,018,900
Interest receivable	167,070	124,880
Accounts receivable	10,603,884	9,585,353
Less: allowance for doubtful accounts	(232,202)	(170,354)
Inventory	5,520,192	5,058,469
Other Current Assets	235,374	652,510
TOTAL CURRENT ASSETS	22,321,355	28,455,091
OTHER ASSETS		
Unamortized bond costs	3,113,313	3,247,421
Cost to be recovered from future revenue	44,230,562	39,220,640
Other	816,910	882,615
TOTAL OTHER ASSETS	48,160,785	43,350,676
TOTAL ASSETS	$365,795,256	$364,880,086

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

Combined Balance Sheets - September 30, 1999 and 1998, continued

CAPITALIZATION AND LIABILITIES	1999	1998
CAPITALIZATION		
Accumulated reinvested earnings - Reserved for debt service	$ 20,271,150	$ 20,271,150
- Unreserved	111,818,391	109,860,922
TOTAL ACCUMULATED REINVESTED EARNINGS	132,089,541	130,132,072
LIABILITIES		
LONG-TERM DEBT		
Revenue bonds payable	221,720,000	227,580,000
less: unamortized bond discount	(3,845,649)	(4,065,563)
unamortized loss on reacquired debt	(20,774,918)	(21,941,455)
TOTAL LONG-TERM DEBT	197,099,433	201,572,982
OTHER LONG-TERM LIABILITIES	58,803	97,126
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Current portion of revenue bonds	5,860,000	5,650,000
Accrued interest payable - revenue bonds	5,904,612	6,024,664
Advances for construction	2,265,643	920,335
Customer deposits	3,001,727	3,070,811
Accounts payable from construction funds	4,605	30,657
Other	1,500,000	1,500,000
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	18,536,587	17,196,467
DESIGNATED LIABILITIES (PAYABLE FROM DESIGNATED ASSETS)		
Other	7,457,106	6,476,334
TOTAL DESIGNATED LIABILITIES (PAYABLE FROM DESIGNATED ASSETS)	7,457,106	6,476,334
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable	7,054,013	5,393,519
Due to other governments	1,212,895	1,197,846
Accrued compensated absences	1,070,075	995,668
Deferred cost of power adjustment	231,336	863,921
Energy conservation cost recovery	136,785	253,027
Other accrued liabilities	848,682	701,124
TOTAL CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)	10,553,786	9,405,105
TOTAL LIABILITIES	233,705,715	234,748,014
COMMITMENTS AND CONTINGENT LIABILITES (NOTES 10, 11 & 13)		
TOTAL CAPITALIZATION AND LIABILITIES	$365,795,256	$364,880,086

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

Combined Statements of Revenue, Expenses and Changes in Accumulated Reinvested Earnings - September 30, 1999 and 1998

	1999	1998
OPERATING REVENUES		
Metered sales	$ 74,619,322	$ 72,362,286
Other operating revenues	5,108,626	4,970,168
TOTAL OPERATING REVENUES	79,727,948	77,332,454
OPERATING EXPENSES		
Power generation	22,274,458	20,429,325
Purchased power	19,662,702	20,826,416
Transmission/Distribution	3,484,439	3,102,684
Administrative and general	8,891,771	9,191,458
Intergovernmental transfers	7,815,172	7,072,186
Depreciation and amortization	10,644,457	10,380,077
TOTAL OPERATING EXPENSES	72,772,999	71,002,146
OPERATING INCOME	6,954,949	6,330,308
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	3,496,931	6,534,897
Interest expense	(11,911,654)	(12,426,631)
Other	(1,592,679)	(1,593,722)
Costs to be recovered from future revenue	5,009,922	2,037,411
TOTAL NONOPERATING REVENUE (EXPENSES)	(4,997,480)	(5,448,045)
REINVESTED EARNINGS	1,957,469	882,263
ACCUMULATED REINVESTED EARNINGS AT BEGINNING OF YEAR	130,132,072	129,249,809
ACCUMULATED REINVESTED EARNINGS AT END OF YEAR	$132,089,541	$130,132,072

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

Combined Statements of Cash Flows - September 30, 1999 and 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	$6,954,949	$6,330,308
ADJUSTMENTS TO RECONCILE REINVESTED EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	10,990,428	10,698,803
Net Amortization	(345,971)	(318,726)
Interest on customer and City of Kissimmee deposits	(102,430)	(135,566)
CHANGES IN CURRENT ASSETS (INCREASE)/DECREASE AND LIABILITIES INCREASE/(DECREASE):		
Accounts receivable, net	(956,683)	(518,772)
Inventory	(461,723)	1,704,555
Other assets	416,876	(442,899)
Deferred cost of power adjustment	(632,585)	437,555
Energy conservation cost recovery	(116,242)	55,515
Accounts payable	1,634,441	(1,239,142)
Due to other governments	15,049	82,100
Customer deposits	(69,084)	171,946
Other accrued liabilities	221,965	68,987
Other designated liabilities	980,772	2,773,868
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,529,762	19,668,531
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets and nuclear fuel	(17,191,976)	(10,677,440)
Advances for construction & advances from co-owners	5,496,514	1,932,196
Principal paid on revenue bonds	(5,650,000)	(4,855,000)
Interest paid on revenue bonds	(10,859,346)	(9,876,294)
Other debt costs	(72,121)	(4,384)
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES	(28,276,929)	(23,480,922)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	(100,658,277)	(91,305,000)
Proceeds from maturities of investment securities	69,311,761	87,527,089
Interest on investments	5,681,687	5,655,005
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(25,664,829)	1,877,094
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,411,996)	(1,935,297)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,220,543	49,155,840
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,808,547	$ 47,220,543

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity Definition: The accompanying combined financial statements present the financial position, results of operations and cash flows of the Kissimmee Utility Authority (KUA) in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, "The Financial Reporting Entity." The reporting entity for the KUA includes all functions in which the KUA exercises financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. As a result of applying the above reporting entity criteria, no other component units exist in which the KUA has any financial accountability which would require inclusion in the KUA's financial statements.

The accounting and reporting policies of the KUA conform with the accounting rules prescribed by the GASB. The KUA has elected under GASB No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," to apply all applicable GASB pronouncements, as well as all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Description of Business: The KUA is a municipal electric utility authority created effective October 1, 1985 by the City of Kissimmee Ordinance No. 1285 adopted on February 19, 1985 and ratified by the voters on March 26, 1985. The KUA serves customers in Kissimmee and the surrounding area. The KUA Board (Board) has 6 members. The Mayor of the City of Kissimmee is a non-voting Ex-Officio member. The 5 voting members are nominated by the Board and ratified by the City Commission. The KUA has exclusive jurisdiction, control and management of the electric utility. Under the definition of GASB No. 14, the KUA is properly excluded from the City of Kissimmee's financial statements.

On October 1, 1998 KUA began offering Internet access to the residents of Osceola, Orange, Polk and Seminole counties. The service, KUA.net, features high-speed internet access, e-mail, personal web pages, 24-hour help desk, free Internet classes, and convenient billing options. The member base at September 30, 1999 was 3,011 customers. By offering Internet services, KUA continues to expand its involvement in the community.

Regulation: According to existing laws of the State of Florida, the six members of the KUA act as the regulatory authority for the establishment of electric rates. The Florida Public Service Commission (FPSC) has authority to regulate the electric "rate structures" of municipal utilities in Florida. It is believed that "rate structures" are clearly distinguishable from the total amount of revenues which a particular utility may receive from rates, and that distinction has thus far been carefully made by the FPSC.

As noted above, the FPSC has jurisdiction to regulate electric "rate structures" of municipal utilities. In addition, the Florida Energy Efficiency and Conservation Act has given the FPSC exclusive authority to approve the construction of new power plants under the Florida Electrical Power Plant Siting Act. The FPSC also exercises jurisdiction under the National Energy Act, including electric use conservation programs.

Operations of the KUA are subject to environmental regulations by federal, state and local authorities and to zoning regulations by local authorities. Federal and state standards and procedures that govern control of the environment can change. These changes can arise from continuing legislative, regulatory and judicial action respecting the standards and procedures. Therefore, there is no assurance that the units in operation, under construction, or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations.

An inability to comply with environmental standards or deadlines could result in reduced operating levels or complete shutdown of individual electric generating units not in compliance. Furthermore, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

Basis of Accounting: The KUA consists of one Enterprise Fund, the Electric Enterprise Fund. The Electric Enterprise Fund includes the Electric System and the Internet Service Provider (ISP). The KUA maintains its accounts on an accrual basis in accordance with generally accepted accounting principles. The accounts are substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission and other regulatory authorities.

Budget: The KUA is required by charter to adopt an annual budget (budget). The budget is adopted on a basis consistent with generally accepted accounting principles.

The KUA follows these procedures in establishing the budget:

1. The President and General Manager submits to the Board of Directors a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the sources of funds to finance them.
2. During several workshops, which are open to the public, the staff and Board of Directors discuss and revise the submitted budget. A public hearing is conducted to obtain ratepayer comments.
3. The budget is approved by the Board of Directors and becomes the basis for operations for the ensuing fiscal year.

The President and General Manager is authorized to approve all budget transfers and all interdepartmental transfers are reported to the Board of Directors monthly. Budget amendments which increase the adopted budget are approved by the Board of Directors. Both budget transfers and budget amendments were made during the fiscal year. Operating expense budgets lapse at year end. Capital projects are budgeted for the project life rather than for the current fiscal year. The unexpended portion of project budgets do not lapse until the conclusion of the project.

Costs to be Recovered from Future Revenue: The KUA's electric rates are established based upon debt service and cash operating requirements. Depreciation and other non cash items are not considered in the cost of service calculation. This results in timing differences between when costs are included in the ratemaking process versus when costs are incurred. Costs to be recovered from future revenue consist principally of the difference between depreciation and the amortization of the gain and loss on bond refunding and the debt principal requirements included in the determination of rates. The recognition in income of outstanding amounts associated with costs to be recovered from future revenue will coincide with the inclusion of these amounts in rates charged to customers. This method was adopted in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation" in order to reflect the economics of regulation in the determination of reinvested earnings.

Revenues: The KUA accrues base revenue for services rendered but unbilled to provide a closer matching of revenues and expenses.

Utility Plant: Property, plant and equipment are stated at cost when purchased or constructed. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable property, plant and equipment are as follows:

Production	13 1/3 to 33 1/3
Transmission	29 2/3 to 50
Distribution	12 1/3 to 33 1/3
General	6 2/3 to 33 1/10

The cost of maintenance and repairs, including renewal of minor items of property, is charged to operating expense as incurred. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation.

Nuclear Fuel: Amortization of nuclear fuel is based on cost, which is prorated by fuel assembly batch in accordance with the thermal energy that each assembly produces. The KUA is currently paying 1 mill per KWh for residual future disposal costs in addition to estimated labor and waste burial costs.

Inventory: Inventory is stated at weighted average cost.

Unamortized Bond Costs: Unamortized bond discounts and issuance costs on long-term debt are amortized over the life of the issue on a straight-line basis. The KUA considered the effective interest method of amortizing bond discounts and determined that no material difference results from the continued use of the straight-line method.

Unamortized Loss of Reacquired Debt: Unamortized gains or losses on refunded debt are amortized to income over the remaining life of the new debt consistent with the methods used for setting rates. Unamortized gains and losses on bond refundings have been netted for financial statement purposes.

Reserves: A portion of accumulated reinvested earnings has been reserved for the highest maximum debt service in any year. This maximum occurs in fiscal year 2018.

Advances for Construction: The KUA receives funds from developers for electric line extensions and from co-owners of the Cane Island Units 1 and 2. These funds are recorded as reductions to gross plant costs and amortized over the life of related assets.

Deferred Cost of Power Adjustment: Deferred cost of power adjustment represents the KUA's cost of power adjustment revenues collected, but for which costs have not been incurred or costs that have been incurred, but for which cost of power adjustment revenues have not been collected.

Energy Conservation Cost Recovery: Energy conservation cost recovery represents the KUA's energy conservation cost revenues collected, but for which costs have not been incurred or costs that have been incurred, but for which energy conservation cost recovery revenues have not been collected.

Payments to the City of Kissimmee: By charter the KUA is required to pay to the City of Kissimmee a minimum of $6.24 per 1,000 KWh. This payment is treated as an operating and maintenance expense in the Statements of Revenue, Expenses and Changes in Accumulated Reinvested Earnings. The total amount paid to the City of Kissimmee was approximately $6,263,400 and $6,050,500 for the years ended September 30, 1999 and 1998, respectively. The amount owed to the City of Kissimmee was approximately $1,072,600 and $1,024,000 at September 30, 1999 and 1998, respectively.

The KUA collects revenues from customers who live outside the City of Kissimmee which corresponds to the City of Kissimmee Utility Tax. The KUA has agreed to transfer twenty-five percent of these revenues collected to the City of Kissimmee for Parks and Recreation use. The total amount paid to the City of Kissimmee was approximately $515,200 and $485,100 for the years ended September 30, 1999 and 1998, respectively. The amount owed to the City of Kissimmee was approximately $13,000 and $34,000 at September 30, 1999 and 1998, respectively.

The KUA collects revenues on behalf of the City of Kissimmee for City of Kissimmee utility services including water, sewer, solid waste and utility taxes. The City of Kissimmee also performs printing services for the KUA. The amount paid to the City of Kissimmee by the KUA for utility service revenues collected, printing services and other miscellaneous fees was approximately $26,687,200 and $25,970,800 for the years ended September 30, 1999 and 1998, respectively. The amount owed to the City of Kissimmee was approximately $127,300 and $140,500 at September 30, 1999 and 1998, respectively.

The KUA performs certain customer related services for the City of Kissimmee for which the City of Kissimmee paid the KUA approximately $730,700 and $860,000 for the years ended September 30, 1999 and 1998, respectively. The amount owed by the City of Kissimmee to the KUA was approximately $63,000 and $74,400 at September 30, 1999 and 1998, respectively.

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and whose original maturity is three months or less. These consist of repurchase agreements, the State Board of Administration Pool and the carrying amount of the KUA's deposits with financial institutions.

Investments: Investments are recorded at fair value, in accordance with GASB No. 31, "Accounting and Financial Reporting of Certain Investments and External Investment Pools". Fair value is determined based on quoted market prices. The Local Government Investment Pool operated by the Florida State Board of Administration is a 2a-7-like pool in accordance with GASB No. 31; therefore, it is not presented at fair value but at its actual pooled share price. Because KUA's financial statements are prepared under a regulatory basis of accounting pursuant to the provisions of Statement of Financial Accounting Standards No. 71, whereby certain income and expense amounts are deferred and not included in the determination of net income until such costs are recoverable, the net change to the investments carrying value is included in costs to be recovered from future revenues.

Compensated Absences: In accordance with GASB No. 16, "Accounting for Compensated Absences," the KUA accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The KUA has not normally, nor is it legally required to, accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for compensated absences is included in Current Liabilities (Payable from Current Assets) in the accompanying balance sheets.

Reclassifications: For comparability purposes certain reclassifications have been made to the 1998 financial statements to conform with the 1999 presentation.

2. CASH, CASH EQUIVALENTS, INVESTMENTS AND INTEREST RECEIVABLE

Florida Statutes, the KUA Charter and the KUA Investment Policy authorize the investment of excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of United States Government agencies, certain instruments guaranteed by the U.S. Government, the State Board of Administration (SBA) Pool, bankers' acceptances, and commercial paper. Revenue Bond Covenants also restrict the type and maturities of investments in the required trust funds (see Note 9).

Investments must be in the KUA's name and represented by bank trust receipts which enumerate the various securities held, except for the Crystal River Unit No. 3 Decommissioning Reserve which is held in trust, and is not in the name of KUA.

The Statutes also require depositories of public funds to provide collateral each month at least equal to 50 percent of the average daily balance of all public deposits in excess of deposit insurance. Any loss not covered by the pledged securities and deposit insurance would be assessed by the State Treasurer and paid by other qualified public depositories.

The components of the KUA's total cash, cash equivalents, investments and interest receivable at their respective carrying amounts at September 30, 1999 and 1998 are as follows:

	Restricted	Designated	Unrestricted	Total
1999				
Cash & Cash Equivalents	$ 5,690,144	$ 3,912,166	$2,206,237	$ 11,808,547
Investments	44,087,217	68,291,288	3,820,800	116,199,305
Interest Receivable	589,522	1,066,255	167,070	1,822,847
TOTALS	$50,366,883	$73,269,709	$ 6,194,107	$129,830,699
1998				
Cash & Cash Equivalents	$31,460,976	$11,574,234	$ 4,185,333	$ 47,220,543
Investments	34,735,266	43,775,331	9,018,900	87,529,497
Interest Receivable	829,323	376,691	124,880	1,330,894
TOTALS	$67,025,565	$ 55,726,256	$13,329,113	$136,080,934

The level of credit risk assigned to investments are defined and summarized as follows:

Category 1 - Insured or registered, with securities held by the KUA or its agent in the KUA's name.
Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the KUA's name.
Category 3 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the KUA's name.

	CATEGORY OF RISK (000's) 1	2	3	Total Market Value
1999				
U.S. Government Securities	-	$1,566	-	$1,566
U.S. Instrumental Securities	$113,377	-	$1,256	$114,633
Total Investments	$113,377	$1,566	$1,256	$116,199
1998				
U.S. Government Securities	-	$2,051	-	$ 2,051
U.S. Instrumental Securities	$84,343	-	$1,135	85,478
Total Investments	$84,343	$2,051	$1,135	$87,529

GASB No. 31, "Accounting and Financial Reporting for certain investments and External Investment Pools", requires that investments are recorded at fair value. The effect of adjusting the investments to fair value at September 30, 1999 and 1998 was a (decrease)/increase to the investments carrying value of approximately ($2,677,000) and $456,000, respectively.

The balance in the SBA was approximately $11,654,000 and $46,213,000 at September 30, 1999 and 1998 respectively, and is collateralized in accordance with Florida Statutes. All investments are delivered to the SBA's custody bank and held for the SBA's account according to their instructions. The KUA's SBA funds are invested in the SBA's Local Government Surplus Funds Investment Pool Trust Fund.

As of September 30, 1999, the Local Government Surplus Funds Investment Pool Trust Fund contained certain floating and variable rate notes, which could be classified as "derivative" investments under GASB Technical Bulletin No. 94-1. Per GASB Technical Bulletin No. 94-1, derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. Floating and variable rate notes were the only investments traded which could be classified as "derivative" investments.

Floating and variable rate notes are debt instruments with a variable interest rate generally tied to prevailing short-term interest rates. During the reporting period October 1, 1998 through September 30, 1999, all floating and variable rate notes owned by the Local Government Surplus Funds Investment Pool Trust Fund were index based floaters set off the fixed prime rate and/or one and three month LIBOR rates. These notes were purchased to add relative value to the portfolio.

The Local Government Surplus Funds Investment Pool Trust Fund's investment in floating rate notes at market totaled $982,681,517 which was less than cost of $983,063,410 for an unrealized loss of $381,893 at September 30, 1999. Generally, floating and variable rate instruments are priced at par close to reset dates. The investment in floaters represented approximately 10.33% of the total Pool investments.

Repurchase agreements result entirely from a banking services agreement requiring overnight repurchase agreements of securities guaranteed by the United States Government. The value of repurchase agreements held with the KUA's depository bank was approximately $896,000 and $0 at September 30, 1999 and 1998, respectively. Repurchase agreements are held in the name of the KUA's depository bank. The maximum repurchase agreement was $4,600,000 and $10,738,000 for 1999 and 1998, respectively.

At September 30, 1999 and 1998 the carrying amount of the KUA's deposits with financial institutions was approximately $101,000 and $927,000, respectively, and the bank balance was approximately $614,000 and $207,000, respectively. All bank balances are fully insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool.

3. RESTRICTED ASSETS

Restrictions are made in accordance with bond resolutions, contracts with developers and the Florida Municipal Power Agency (FMPA), agreements with customers, and in accordance with Nuclear Regulatory Commission (NRC) rules and regulations. Restricted assets, which consist of cash, cash equivalents, investments and interest receivable at September 30, 1999 and 1998 included the following:

	1999	1998
Debt Service Reserve	$20,271,150	$20,271,150
Sinking Fund	11,764,612	11,674,664
Construction Fund	10,297,936	28,369,704
Renewal, Replacement & Improvement	1,500,000	1,500,000
Advances for Construction	2,265,643	920,335
Customer Deposits	3,001,727	3,070,811
Crystal River Unit No. 3 Decommissioning	1,265,815	1,218,901
TOTAL	$50,366,883	$67,025,565

4. DESIGNATED ASSETS

Certain designations are made in the financial records during the fiscal year to identify a portion of cash, cash equivalents, investments and interest receivable intended to be used for specific purposes in a future period. Designated assets at September 30, 1999 and 1998 included the following:

	1999	1998
Capital Improvements	$48,953,299	$35,309,378
Co-Insurance	6,489,994	5,124,343
Decommissioning	445,461	420,775
Combined Cycle Maintenance	3,404,522	3,504,138
Crystal River Unit No. 3 Deferred Outage	1,025,206	973,168
EPPIC Excess Liability	49,201	-
Deregulation/Rate Stabilization	12,902,026	10,394,454
TOTAL	$73,269,709	$55,726,256

Effective September 30, 1999, the Board of Directors voted to restrict an additional $1,500,000 for the Co-Insurance Fund. A total of approximately $6,490,000 has been designated for this purpose.

Prior to 1998, the KUA recorded amounts related to Internal Revenue Code Section 457 deferred compensation plans as designated assets and a related designated liability. During 1998, the KUA adopted GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" which allowed for plans to be held in trust for the exclusive benefit of participants and their beneficiaries. In accordance with GASB No. 32, the plan amounts have been excluded from the accompanying financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	1999	1998
Nuclear Production	$ 5,872,656	$ 5,518,921
Steam Production	73,527,903	72,356,766
Other Production	68,106,395	68,385,899
Transmission Plant	40,323,437	40,220,048
Distribution Plant	54,208,510	51,811,229
General	19,400,402	18,554,465
SUBTOTAL	261,439,304	256,847,328
Less: Accumulated Depreciation	(103,021,666)	(92,983,633)
TOTAL	$158,417,638	$163,863,695

Depreciation expense for Property, Plant and Equipment totaled approximately $10,990,000 and $10,700,000 for years ended September 30, 1999 and 1998, respectively.

6. CONSTRUCTION PROJECT INTEREST COST

The KUA capitalizes, as part of construction costs, interest earnings on monies held in the construction fund. Recognition of this item as a contribution to the utility plant is consistent with the current accounting adopted under SFAS No. 71 (see Note 1). The KUA capitalized interest income of approximately $1,070,000 and $1,444,900 in 1999 and 1998, respectively.

7. PARTICIPATION AND POWER SUPPLY AGREEMENTS

The KUA is party to the following participation and power supply agreements at September 30, 1999:

A. **Cane Island Project (the Project):** During 1992, the KUA entered into a Participation Agreement with the FMPA for the joint construction, ownership and operation of the KUA's Cane Island Project. The Project is located at Cane Island, 14 miles west of the KUA's existing service territory on 990 acres of land. The Project is owned and operated by the KUA. The agreement resulted in a 50 percent ownership in generating facilities constructed on this site beginning with the first unit, a 40.6 MW combustion turbine which began commercial operation on January 1, 1995. The second unit is approximately 120 MW and is a combined cycle unit which began commercial operation on June 1, 1995. A planned third unit of approximately 240 MW will be a combined cycle unit which is planned for commercial operation in June 2001.

B. **Stanton Energy Center Unit No. 1 (SEC 1):** In 1984, the KUA entered into a Participation Agreement with Orlando Utilities Commission (OUC) to acquire a 4.8193% (20MW) undivided ownership interest in SEC 1 and to participate in the use of related common and external facilities. The KUA acquired its share of the SEC common facilities, related to its ownership of SEC 1. The capacity and energy of the KUA's ownership interest in SEC 1 is transmitted through OUC's transmission facilities to the KUA's transmission facilities. SEC 1 is part of the Stanton Energy Center, which involved the development of an approximately 3,200 acre plant site located approximately 20 miles northeast of the City of Kissimmee. In addition to SEC 1, the Stanton Energy Center is capable of accommodating two more units with a total capacity at the Stanton Energy Center of approximately 2000 MW. Each participant in the project financed their share of the cost independently and no liability exists for the debt service required by the other participants. The KUA's benefit in the Agreement is the added availability of capacity and energy of the facilities through its participation in future energy purchased and it does not otherwise maintain an ongoing financial interest or responsibility for the project. Stanton Energy Center began commercial operations on July 1, 1987. The KUA does not exercise significant influence or control over operating or financial policies of OUC.

C. **Crystal River Unit No.3 (CR3):** In 1975, the KUA entered into a Participation Agreement with Florida Power Corporation (FPC) to purchase a .6754% undivided interest in their 806 net MW nuclear powered electric generating plant designated Crystal River Unit No.3. The KUA is billed for its share of operating and capital costs. Capital costs are included in Property, Plant and Equipment and operating costs are included as power generation expenses. The KUA's benefit in the Agreement is the added availability of capacity and energy of the facilities through its participation in future energy purchases and it does not otherwise maintain an ongoing financial interest or responsibility for the project. The KUA does not exercise significant influence or control over the operating or financial policies of FPC.

D. **Indian River Combustion Turbine:** In 1988, the KUA entered into a Participation Agreement with OUC to acquire a 12.2% (11.7 MW) undivided ownership interest in the Indian River Combustion Turbine and participate in the use of related common and external facilities. Each participant in the project financed their share of the cost independently and no liability exists for the debt service required by the other participants. The KUA's benefit in the Agreement is the added availability of capacity and energy of the facilities through its participation in future energy purchases and it does not otherwise maintain an ongoing financial interest or responsibility for the project. The KUA does not exercise significant influence or control over the operating or financial policies of OUC.

E. **Florida Municipal Power Agency (FMPA):** In 1981, the KUA entered into a Power Supply Acquisition Agreement with the FMPA. The KUA is to receive approximately 7 MW of power from the St. Lucie nuclear power plant.

In 1991, the KUA entered into a second Power Supply Acquisition Agreement with the FMPA. The KUA is to receive a 16.4887% (3.8314% of FMPA's 23.2367% share) power entitlement, approximately 16.7 MW, in Stanton Energy Center Unit No. 2 (SEC 2). SEC 2 began commercial operation on June 1, 1996.

In 1995, the KUA entered into a Transfer Agreement with the City of Lake Worth for the transfer of all of the City of Lake Worth's share of the FMPA SEC 2 Project. The KUA acquired the City of Lake Worth's 8.2443% (1.9157% of FMPA's 23.2367% share) power entitlement share in SEC 2, approximately 2.3 MW.

Additionally, in 1995 the KUA entered into a Transfer Agreement with the City of Homestead for the transfer of approximately 50% of the City of Homestead's Power Entitlement Share of the FMPA SEC 1 and the SEC 2 Projects. The KUA acquired a 1.8072% power entitlement share in SEC 1, approximately 7.9 MW and 1.9157% (8.2443% of FMPA's 23.2367% share) power entitlement share in SEC 2, approximately 8.3 MW. As a result of the City of Homestead's Power Entitlement Share Transfer Agreement of the FMPA SEC 1 Project, KUA was required to reimburse the City of Homestead for equity funds previously paid in the amount of approximately $829,300. The equity funds paid are recorded as other assets and are amortized over the remaining life of SEC 1.

The KUA has a total power entitlement share of 7.66%, approximately 33.33 MW in SEC 2 and a total power entitlement share of 6.63%, approximately 28.83 MW in SEC 1. Costs associated with these agreements are included in purchased power expenses. The KUA does not exercise significant influence or control over the operating or financial policies of FMPA.

None of the participation agreements to which the KUA is a party meet the criteria of a joint venture as specified under GASB No. 14. The KUA lacks operational control over SEC 1, CR3 and Indian River.

According to the participation agreements, each participant must provide its own financing and each participants' share of expenses for operations of the plants are included in the corresponding operating expenses of its own income statement. The amounts of utility plant in service for CR3 and Indian River do not include the cost of common and external facilities for which participants pay user charges to the operating entity. Accumulated depreciation on utility plant in service is determined by each participant based on their depreciation methods and rates relating to their share of each plant.

Following is a summary of the KUA's proportionate share of the non-operated jointly owned plants at September 30:

	SEC 1	CR3	Indian River
1999			
Utility Plant in Service	$26,042,154	$5,872,656	$2,582,017
Less: Accum. Depreciation	(7,339,627)	(4,138,435)	(884,935)
Net Plant in Service	$18,702,527	$1,734,221	$1,697,082
1998			
Utility Plant in Service	$20,522,183	$5,518,921	$2,582,017
Less: Accum. Depreciation	(6,688,677)	(3,730,168)	(807,504)
Net Plant in Service	$13,833,506	$1,788,753	$1,774,513

8. PENSIONS

The KUA employees participate in the City of Kissimmee Retirement Plan for General Employees of the City of Kissimmee/Kissimmee Utility Authority (Plan), a multiple-employer cost sharing defined benefit Retirement Plan for both employees of the City of Kissimmee and the KUA. The Plan was established in 1968 and amended and restated in 1975 to cover substantially all full-time employees, except City of Kissimmee police officers and firefighters. Annual costs of the Plan are actuarially computed and include amortization of past service costs over a 30 to 40 year period beginning January 1, 1974. An actuarial study was conducted as of October 1, 1998. For Plan years 1998 and 1997, the KUA's required employer contributions were approximately $742,315 and $909,073, resulting in percentages of covered payroll of 8.2% and 10.3%, respectively.

As of October 1, 1998, the Plan included 799 employees at a total annual basic compensation of approximately $19,565,766. Of these numbers, the KUA employees were 320 at a total annual basic compensation of approximately $9,077,176. The current year payroll for all of the KUA employees was approximately $11,503,000. KUA membership in the Plan is comprised of the following:

Retirees receiving benefits	31
Beneficiaries receiving benefits	13
Vested terminated employees	34
Disabled employees receiving benefits	4
Active employees:	
Fully vested	229
Partially vested	9
Nonvested	0
	320

Normal retirement eligibility is defined as attainment of age 62 and completion of 10 years of credited service. Eligibility for early retirement is attained at age 55 and completion of 10 years of credited service. The Plan also provides for disability retirement and a death benefit. The KUA's contribution is calculated by the actuary based on membership. There are no employee contributions made to the Plan. The administrative cost of the Plan is allocated proportionately between the City of Kissimmee and the KUA and paid separately.

Vesting at 100% requires 10 years of credited service with vesting beginning at 25% at five years of credited service and increasing 15% per year. The monthly retirement benefit is computed by multiplying the average monthly rate of basic compensation (based on the best five years of credited service) times 2 ½% (.025) times credited service (maximum of 30 years) plus $100 per month to age 65 and $25 per month thereafter.

Members who retired on or before October 1, 1995 were granted a one-time increase in benefits effective October 1, 1996, equal to 2% of their monthly pension benefit for each year of retirement up to a maximum of 10%.

At the September 23, 1998 Board of Directors meeting, the Board approved Resolution 98-4 which authorized the separation of the Plan effective October 1, 1998. The plan was successfully separated October 1, 1998. The assets were split in January 1999. There is no significant actuarial impact on the plan due to the split. The following is a schedule of the Plan's total funding progress ($000s):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL Ratio to Covered Payroll
10/01/98	$ 44,343	$44,353	-	100.0%	$19,566	-
10/01/97	37,242	37,242	-	100.0%	19,037	-
10/01/96	30,721	30,721	-	100.0%	18,083	-
10/01/95	26,062	26,062	-	100.0%	17,301	-
01/01/95	22,872	22,872	-	100.0%	15,797	-
01/01/94	20,983	25,804	$4,821	81.3%	14,243	33.8%
01/01/93	18,276	20,041	1,765	91.2%	13,102	13.5%

The Aggregate Actuarial Cost Method was utilized for this valuation. This method does not identify or separately amortize unfunded actuarial liability. The significant assumptions are:

1. Life expectancy is calculated using the 1983 Group Annuity Mortality Table.
2. An interest return of 8.0% compounded annually.
3. A salary increase of 6% per year.

The following is a schedule of the Plan's annual total employer contributions ($000s):

Plan Year Ended	Annual Required Contribution	Contribution	Percentage Contributed
09/30/98	$1,601	$1,601	100.0%
09/30/97	1,968	1,968	100.0%
09/30/96	2,070	2,070	100.0%
09/30/95	1,450	1,450	100.0%
12/31/94	1,594	1,594	100.0%
12/31/93	1,506	1,506	100.0%
12/31/92	1,247	1,247	100.0%

The latest report (1998) may be obtained by writing to our offices at 1701 W. Carroll Street, Kissimmee, FL 34741 or by calling (407) 933-7777, ext. 1125.

9. LONG-TERM DEBT

The Revenue Bond resolutions provide for:

A. Establishment and maintenance of various funds:

(1) Revenue Fund records all operating revenues and expenses of the system;
(2) Sinking Fund records principal and interest requirements;
(3) Bond Amortization Fund records funds held for the retirement of term bonds;
(4) Reserve Fund records funds held for the maximum annual debt service requirement;
(5) Renewal, Replacement & Improvement Fund is to be used only for making improvements, extensions and replacements to the system; and
(6) Construction Fund records the cost of major additions to the System financed by revenue bonds.

B. Restrictions on the use of cash from operations in order of priority:

(1) Deposits are made to the Revenue Fund to meet current operations according to the Budget;
(2) Deposits to the Sinking Fund Account are required on or before the 25th day of each month equal to one-sixth (1/6) of the interest coming due on the next semi-annual interest payment date and one-twelfth (1/12) of the principal coming due on the next principal payment date;
(3) Deposits to the Bond Amortization Fund are required on or before the 25th of each month equal to one-sixth (1/6) of the amortization installment coming due on the next semi-annual payment date;
(4) Deposits to the Reserve Fund are to be made when required to maintain the Fund at the reserve requirements (maximum annual debt service); and
(5) Deposits to the Renewal, Replacement and Improvement Fund are required each month in an amount equal to one-twelfth (1/12) of the adopted budget for that fund. The total annual deposit may not be less than 5% of the gross revenues for the preceding fiscal year after deducting 100% of the fuel expense and the energy component of purchased power expenses incurred in such preceding fiscal year. However, no such monthly deposit shall be required when the amount in such fund shall at least equal $1,500,000.

C. Rate Covenant:

The KUA will at all times establish, fix, prescribe and collect rates and charges for the services and facilities furnished by the Electric System which, together with other income, are reasonably expected to yield annual Net Revenues in each Fiscal Year at least equal to 125% of the bond service requirement in the Bond Year which ends one day after such Fiscal Year.

D. Early redemption:

The bond ordinance provides for early redemption of outstanding bonds, except original issue discount bonds, at call rates varying from 100% to 102% of the instruments' face value, dependent upon the call date. Original issue discount bonds may be redeemed early at call rates of 80% to 100% of the face value, dependent upon the call date.

E. Investment restrictions:

(1) Funds of the Sinking Fund, Bond Amortization Fund, Reserve Fund and Renewal, Replacement & Improvement Fund are required to be continuously secured in the same manner as municipal deposits of funds are required to be secured by the Laws of the State of Florida; and
(2) Monies on deposit in the Sinking Fund and the Bond Amortization Fund shall be invested only in direct obligations of, or obligations on which the principal and interest are guaranteed by the United States of America and which do not permit redemption prior to maturity at the option of the KUA. Monies on deposit in the Revenue Fund, Reserve Fund and Renewal, Replacement & Improvement Fund may be invested as described above as well as in the following: obligations rating an "A" or better from Moody's Investors Service, Inc., bank time deposits represented by certificates of deposit and bankers acceptances, repurchase agreements, commercial paper which has the highest investment grade rating and shares of investment companies which invest principally in United States government securities.

Refunding and revenue bonds outstanding at September 30, 1999 and 1998 consist of the following serial and term bonds:

DESCRIPTION	FINAL MATURITY	ORIGINAL AMOUNT	1999	1998
Improvement & Refunding Revenue Bonds, Series 1991 5.55%-6.60%-4/1; 10/1	10/01/17	$ 75,550,000	$12,730,000	$13,570,000
Improvement & Refunding Revenue Bonds, Series 1993 3.90%-5.50%-4/1; 10/1	10/01/18	$145,800,000	140,725,000	142,485,000

DESCRIPTION	FINAL MATURITY	ORIGINAL AMOUNT	1999	1998
Refunding Revenue Bonds, Series 1993A 3.70%-5.30%-4/1; 10/1	10/01/17	$ 21,165,000	$ 20,935,000	$ 20,995,000
Refunding Revenue Bonds, Series 1997 3.85%-5%-4/1; 10/1	10/01/12	$ 56,180,000	53,190,000	56,180,000
Total Amount Outstanding			$227,580,000	233,230,000
Less: Current Portion			(5,860,000)	(5,650,000)
Long Term Debt			$221,720,000	$227,580,000

The annual long-term debt service requirements at September 30, 1999 are as follows:

2000	$ 17,668,916
2001	17,863,736
2002-2006	89,973,664
2007-2011	95,125,607
2012-2016	100,174,744
2017-2018	40,381,277
Total	361,187,944
Less: Amount Representing Interest	(139,467,944)
Long Term Debt	$221,720,000

The KUA refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future electric rate adjustments. Outstanding serial bonds, which were refunded through the full cash defeasance method on January 4, 1978 and through the net cash defeasance method on February 25, 1982, January 25, 1983, December 31, 1985, April 1, 1987, December 18, 1991, June 16, 1993, September 30, 1993, and August 27, 1997 are as follows:

Electric & Water Bond Issues*	1999	1998
1971	$ 850,000	$ 850,000
1973	890,000	1,410,000
1975	2,035,000	2,240,000
Electric Revenue Bonds		
1977 Series A	12,120,000	12,850,000
1979	1,775,000	1,865,000
1982	39,800,000	40,950,000
1982-A	55,200,000	57,360,000
1984	25,225,000	25,655,000
1985	31,395,000	32,100,000
1987	50,555,000	53,000,000
1991	58,780,000	58,780,000
	$278,625,000	$287,060,000

* *Prior to 1977 the KUA, which was a department of the City of Kissimmee until October 1, 1985, combined their Electric & Water Bond Issues.*

Since governmental obligations are held in escrow for the payment of principal and interest on these bonds, they are not liabilities to the KUA.

10. COMMITMENTS AND CONTINGENT LIABILITIES

The KUA has made certain commitments in connection with its continuing capital improvements program. The KUA estimates that capital expenditures for its ongoing business during 2000 will be approximately $48,400,000 and $62,000,000 for years 2001 through 2004.

The KUA is involved in litigation arising during the normal course of its business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Authority.

The KUA has purchase agreements with utilities whereby the KUA must pay capacity demand or reservation fees whether electricity or fuel is received from these utilities or not. The utilities involved and the approximate charges to be paid are as follows:

	Expiration Date	Minimum Annual Commitment
Orlando Utilities Commission (OUC)		
Schedule D	2003	$ 701,361
SEC I	NONE	197,805
Unit Purchase	2000	1,710,000
Indian River	NONE	113,031
Florida Power Corporation (FPC)	NONE	75,462
FMPA (St. Lucie, SEC 2)	NONE	9,889,560
Florida Gas Transmission (FGT)	2005*	3,483,829
Florida Gas Utility - Gas Project	2008	1,613,840
TOTAL		$17,784,889

* Extension Rights - Right of First Refusal

Several of the contracts are flexible and allow the KUA to contract more capacity for a short time if demand increases more sharply than anticipated, or if the KUA's generating resources become unavailable. In such an event, the minimum annual commitment would increase in proportion to the increased capacity purchased. The charges paid to OUC and FPC are recorded as purchased power while charges paid to FGT are recorded as power generation expenses.

The KUA owns a portion of Florida Power Corporation's nuclear power plant at Crystal River, Florida. This plant is scheduled to be decommissioned beginning in the year 2015 and ending 2022. The KUA will be liable for approximately $3,139,000 in decommissioning costs in 1998 dollars. In June 1988, the Nuclear Regulatory Commission (NRC) required utilities to provide financial assurance that decommissioning funds would be sufficient and available when needed for NRC required decommissioning activities. On July 12, 1990 the KUA and the FMPA entered into an agreement whereby the FMPA would act as agent for the KUA and certain other CR3 participants to coordinate the administration of a trust fund. Contributions to this trust fund are not available to the KUA for any other purpose except the decommissioning of CR3. The

KUA's carrying balance in this Trust at September 30, 1999 and 1998 including interest earnings was approximately $1,266,000 and $1,219,000, respectively. Future contributions will be made to this trust account as needed based on updated cost estimates and trust fund earnings.

As a result of its ownership interest in CR3 and St. Lucie purchase power agreement the KUA 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. The first layer of financial protection was the purchase of $200 million of public liability insurance from pools of commercial insurers. The second layer of financial protection is provided under an industry retrospective payment plan. Under that plan, owners are subject to an assessment of $252 million per incident with provision for payment of such assessment to be made over time as necessary to limit the payment in any one year to no more than $40 million per incident. The KUA's share of these assessments at September 30, 1999 and 1998 would be approximately $1,702,000 and $270,000, respectively for CR3 and $1,925,000 and $305,000, respectively for St. Lucie.

The KUA has recorded a liability at September 30, 1999 and 1998 of approximately $71,000 and $109,000, respectively, of which approximately $59,000 and $97,000, respectively, is long-term and a related deferred charge for its estimated portion of the costs for the decommissioning and decontamination of the United States Department of Energy nuclear fuel enrichment facilities as provided for by the National Energy Policy Act of 1992 (Energy Act) for its .6754% share of Crystal River Unit No.3. The Energy Act states, among other things, that utilities with nuclear reactors will contribute an aggregate total of $150 million annually, based upon an assessment, for a period of fifteen years, up to a total of $2.25 billion (in 1992 dollars), for such decommissioning and decontamination costs. The Energy Act also provides that these costs are a "necessary and reasonable current cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as other fuel costs." The KUA intends to recover these deferred costs through the Cost of Power Adjustment clause.

As of October 1, 1998, the KUA entered into an agreement with Phoenix Applied Technology, Inc. to purchase its dial-up Internet customers. In the agreement, the KUA agreed to give Phoenix a portion of the purchased customers' revenue for a two-year period. As of September 30, 1999, only one more year of the contract is outstanding and the remaining payments are estimated to be approximately $84,000.

On November 30, 1993, a gas turbine was in the process of being delivered to the KUA's Cane Island site when it was struck by an Amtrak Train. At the time of the accident, delivery had not been made to the KUA nor had the unit been accepted by the KUA; title to the gas turbine had passed to the KUA, however General Electric retained the risk of loss until the turbine was accepted by the KUA. On May 16, 1995, the National Transportation Safety Board determined that the probable cause of the accident was the failure of the transport company to notify the railroad (CSX) in advance of its intent to cross the railroad track and to ensure through CSX that it was safe to do so. On November 21, 1996 a jury in U.S. Federal Court found that KUA was not responsible for the accident. That same jury found the following entities responsible for causing the accident and assigned the following percentages of fault: Roundtree Transport & Rigging, Inc. – 59%; CSX Transportation, Inc. – 33%; Amtrak – 8%. A U.S. District Judge has ruled that an indemnification provision contained in a Private Road Grade Crossing Agreement between KUA and CSX is enforceable against KUA, with respect to this accident, and consequently KUA could be held responsible for both CSX and Amtrak's losses. In April 1999 KUA settled with substantially all remaining personal injury Plaintiffs for approximately $422,000. In management's best estimate of this matter, it will not exceed the amount set aside in the co-insurance reserve fund. See Note 13.

11. RISK MANAGEMENT

The KUA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The KUA has established a Co-insurance reserve to account for and finance its uninsured risks of loss for the transmission and distribution system as well as other uninsured losses. The reserve balance is approximately $6,490,000, $5,124,300, and $2,526,900 for the years ended September 30, 1999, 1998, and 1997, respectively. The Co-insurance reserve is the KUA's best estimate based upon available information and is increased by interest earnings. This is reflected as a liability under Designated Liabilities – Other on the Balance Sheet.

Following is a schedule showing the change in the reserve balance for years ended September 30, 1999, 1998, and 1997.

	Beginning Balance	Claims/ Payments	Increase In Reserve	Ending Balance
1999	$5,124,343	($676,222)	$2,041,873	$6,489,994
1998	2,526,937	(45,626)	2,643,259	5,124,343
1997	2,394,568	(26,899)	159,268	2,526,937

The KUA purchases commercial insurance for all other risks of loss, including general liability, excess liability, workers compensation, property insurance, employee health, life and accident insurance. Settled claims have not exceeded the commercial coverage insurance in any of the past three fiscal years.

12. SEGMENT INFORMATION

Segment information for KUA's Electric Enterprise Fund for the fiscal year ended September 30, 1999 is as follows:

	Electric System	ISP
Operating Revenue	$ 79,230,789	$ 497,159
Depreciation	10,600,365	44,092
Operating Income (Loss)	7,505,053	(550,104)
Reinvested Earnings	2,507,573	(550,104)
Current Capital Contributions	5,496,514	0
Additions to Plant	17,036,476	155,500
Total Assets	366,354,703	214,796
Net Working Capital	12,481,480	(713,910)
Long-Term Debt	197,099,433	0
Total Accumulated Reinvested Earnings	$132,687,951	$(598,410)

ISP operations officially began October 1, 1998. Consequently, the segment information does not reflect prior years.

13. SUBSEQUENT EVENTS

KUA received approval for $10 million in FMPA's Pooled Loan Project for the purpose of financing capital expenditures of KUA relating to KUA's share of the Cane Island Unit #3 electric generating project. In early October 1999, KUA made an initial draw from the pool for approximately $3.7 million to reimburse Cane Island #3 related expenditures.

On December 1, 1999, KUA entered into an agreement with Amtrak and CSX, related to the train accident discussed in Note 10, to extinguish all claims of those entities accrued to date, with the exception of any liability they might have for claims of damage to the turbine, brought by American Home Assurance Company (American Home, the insurer of the turbine). That settlement was for $540,000 and also extinguished any liability KUA might have had for the claims of Roundtree. On December 3, 1999, the U.S. District Judge ruled that the damages of American Home were $4,516,640. As a result of anticipated set offs and reductions necessitated by earlier rulings and available insurance, the potential judgment against KUA is expected to be approximately $731,000. KUA anticipates future appeals by various parties, including itself, related to rulings which have been rendered by the trial court in this case over the last five years. In management's best estimate of this matter, future adverse rulings against KUA will not exceed the amount set aside in the co-insurance reserve fund.