KUA
KISSIMMEE
UTILITY
AUTHORITY

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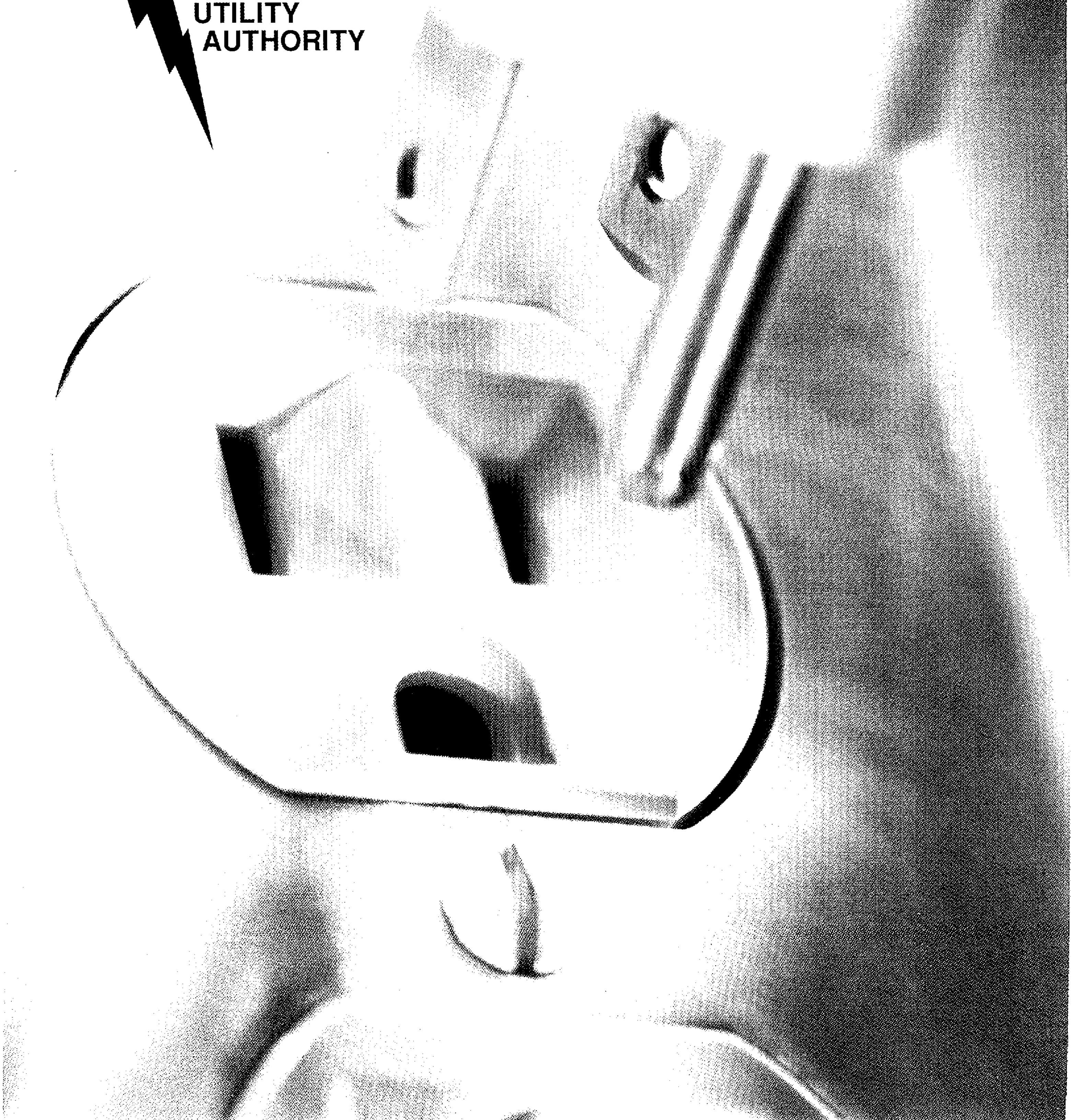
Kissimmee, FL 34741-6804
(407) 933-7777
www.kua.com



FINANCIAL HIGHLIGHTS

(In Thousands of Dollars)	1999-00	1998-99	1997-98	1996-97	1995-96
OPERATING REVENUES:					
Residential	$43,248	$39,353	$37,803	$36,026	$36,246
General Services	12,834	11,597	11,234	11,258	10,571
General Services - Demand	12,899	12,776	14,723	15,890	15,217
General Services - Large Demand	9,928	7,889	5,692	5,687	4,996
Surcharge	2,144	1,959	1,932	1,823	1,834
Outdoor Lighting	1,179	1,045	979	944	871
TOTAL METERED SALES	82,232	74,619	72,362	71,628	69,713
OTHER REVENUES	7,991	5,109	4,970	2,896	2,480
TOTAL METERED SALES	90,223	79,728	77,332	74,524	72,193
OPERATING EXPENSES:					
Fuel and Purchased Power	51,162	33,794	35,243	34,855	32,234
Operating and Maintenance	14,408	20,519	18,307	15,567	15,179
Depreciation and Amortization	10,961	10,644	10,380	9,894	10,703
Intergovernmental Transfers	6,540	7,815	7,072	6,571	6,498
TOTAL OPERATING EXPENSES	83,071	72,772	68,965	63,548	61,825
OPERATING INCOME	7,152	6,956	8,368	10,978	10,369
INVESTMENT INCOME	6,591	3,497	6,535	5,579	5,080
INCOME BEFORE INTEREST CHARGES	13,743	10,453	14,903	16,557	15,449
LESS INTEREST CHARGES					
Interest on Debt	13,103	11,912	12,427	5,671	13,604
Other Interest	1,592	1,593	1,594	1,422	1,421
Allowance for Borrowed Funds Used During Construction	-1,340	0	0	-5,671	-7,680
Costs to be Recovered from Future Revenues	-2,145	-5,010	-2,037	-3,339	-2,789
TOTAL	11,210	8,495	14,021	1,422	7,345
REINVESTED EARNINGS	2,533	1,958	882	9,464	8,104

PHOTO CREDITS:

Photography by
Skip Stowers

Chris M. Gent

ANNUAL REPORT:

Chris M. Gent
Doris W. Dominguez

financial highlights

Fiscal Year 2000 and 1999

Operating Highlights

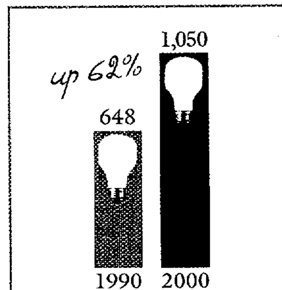
ELECTRIC OPERATIONS & ISP (In Dollars)	Sept. 00	Sept. 99	% Increase (Decrease)
OPERATING REVENUE	$90,223,235	$79,727,948	13.2%
SELECTED OPERATING EXPENSES			
Fuel and Purchased Power	$43,584,708	$33,794,393	29.0%
Departmental Operations	$21,985,513	$20,518,976	7.1%
INTEREST REVENUES	$6,590,803	$3,496,931	88.5%
INTEREST EXPENSE	$11,763,039	$11,911,654	-1.2%
DEBT SERVICE COVERAGE	1.77	1.81	-2.2%
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$2,533,202	$1,957,469	29.4%
PAYMENTS TO OTHER GOVERNMENTS	$6,539,646	$7,815,172	-16.3%
UTILITY PLANT (Net)	$200,634,184	$171,676,524	16.9%
EQUITY	$134,622,743	$132,089,541	1.9%
LONG-TERM DEBT	$223,380,485	$197,099,433	13.3%
TOTAL ASSETS	$405,668,578	$365,795,256	10.9%
TOTAL RETAIL SALES	$82,231,640	$74,619,322	10.2%
1. Residential	$44,405,487	$39,353,061	12.8%
Commercial/Industrial	$37,826,153	$35,266,261	7.3%
SYSTEM PEAK DEMAND (MW)	250	236	5.9%
TOTAL ENERGY SALES (MWH)	1,054,222	1,017,101	3.6%
2. Residential (MWH)	530,437	509,890	4.0%
Commercial/Industrial (MWH)	523,785	507,211	3.3%
AVERAGE MONTHLY CUSTOMERS	46,034	44,214	4.1%
3. Residential	38,104	36,132	5.5%
Commercial/Industrial	7,930	8,082	-1.9%
AVERAGE MONTHLY RESIDENTIAL USAGE (MWH)	1.160	1.176	
AVERAGE MONTHLY RESIDENTIAL BILL	$97	$91	6.7%
ANNUAL HEATING DEGREE DAYS	455	347	31.1%
ANNUAL COOLING DEGREE DAYS	3,131	3,530	-11.3%
GENERAL FUEL MIX (%)			
Natural Gas	73%	71%	2.8%
Coal	21%	21%	0.0%
Nuclear	6%	7%	N/A
NET ENERGY FOR LOAD (MWH)	1,104,778	1,055,607	4.7%
Net Generation (MWH)	677,866	671,176	1.0%
Power Purchases (MWH)	537,237	479,341	12.1%
Sales for Resale (MWH)	(110,325)	(94,910)	16.2%

Our Vision

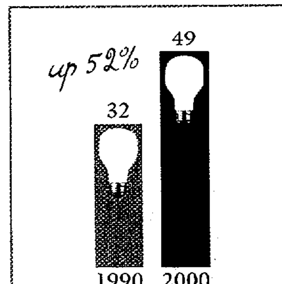
The right utility providing the right services at the right time.

Our Mission

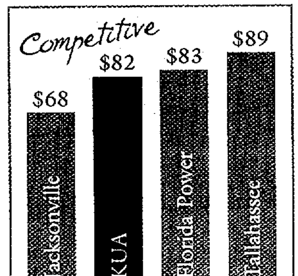
To provide reliable and economical services to our community while partnering with the community and the environment.



Electricity Sales
(million kilowatt-hours)

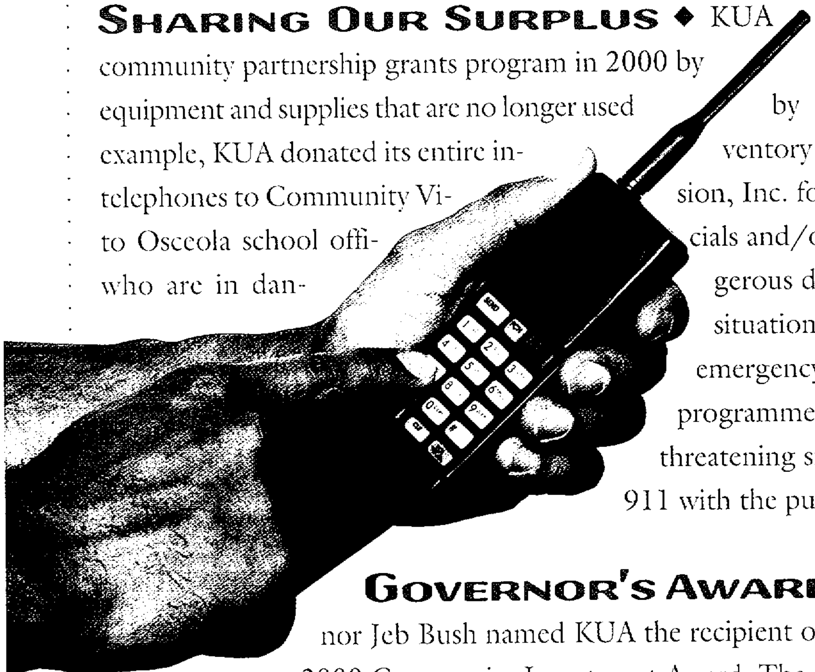


Customers
(average; thousands)

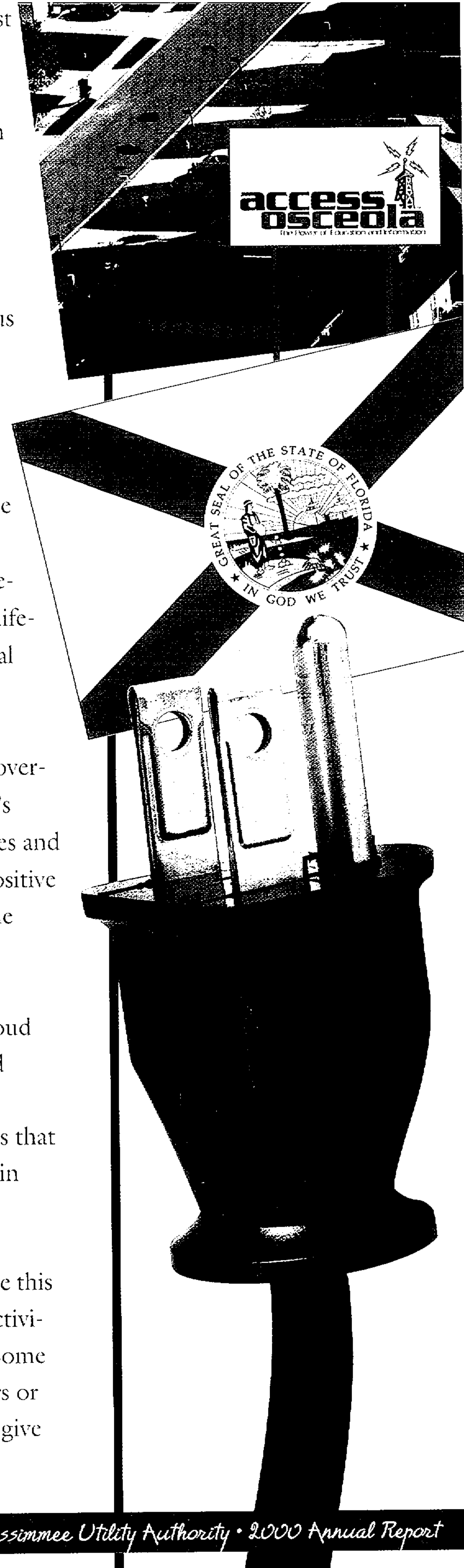


Rate Comparison
(residential; 1,000 kWh consumption)

PAINTING THE TOWN ◆ KUA has commissioned local artist Tom Copella to paint a giant 128' x 28' mural that will cover two sides of our Roy E. Hansel power plant on the western shore of Lake Tohopekaliga. The mural will feature the steamboat history of the lakefront. Copella began the 3,600-square foot mural in 2000 and the completed artwork will be officially dedicated in May 2001.



SHARING OUR SURPLUS ◆ KUA expanded its community partnership grants program in 2000 by donating surplus equipment and supplies that are no longer used by the utility. For example, KUA donated its entire inventory of used cellular telephones to Community Vision, Inc. for distribution to Osceola school officials and/or individuals who are in dangerous domestic violence situations. The donated emergency phones are pre-programmed so victims in life-threatening situations can dial 911 with the push of a button.

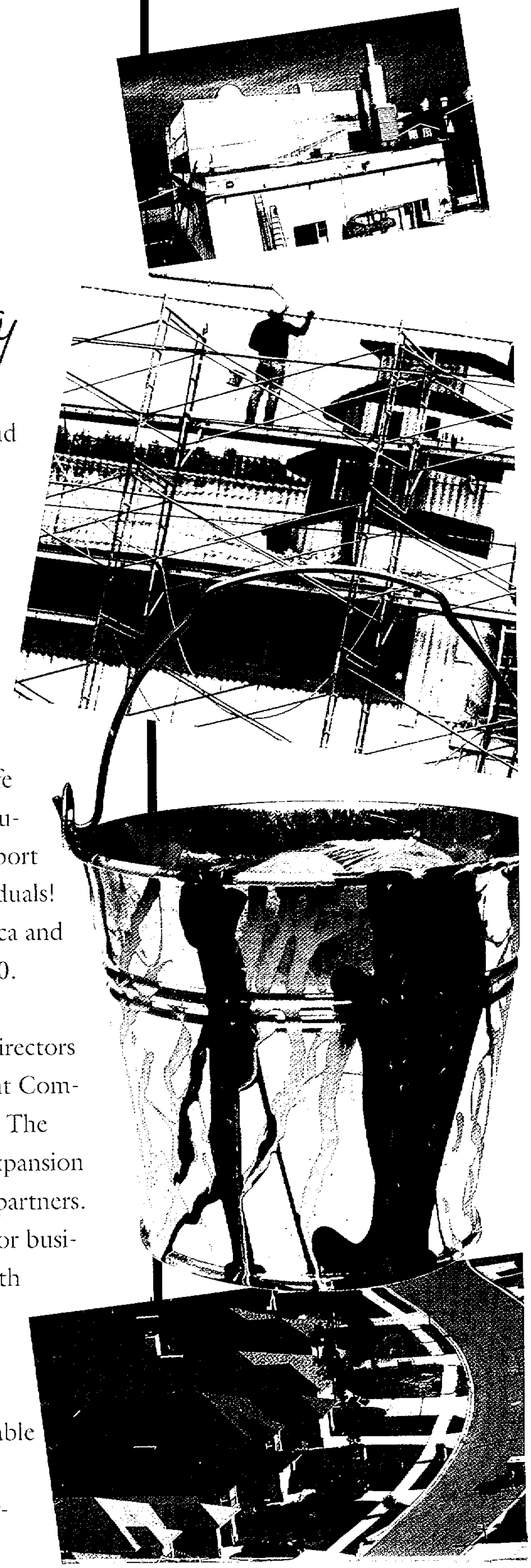


GOVERNOR'S AWARD ◆ Florida Governor Jeb Bush named KUA the recipient of the Governor's 2000 Community Investment Award. The award recognizes and honors a business for their voluntary involvement and initiative to create positive alternatives to crime for Florida's youths. More than 30 businesses statewide were nominated for this year's award.

COMMUNITY SERVICE AWARD ◆ KUA was the proud recipient of the 2000 Florida Community Service Award – an annual award presented by the Florida Municipal Electric Association, Inc., based in Tallahasssee. The award recognized "the outstanding programs and services that KUA provides to the community it serves." KUA also received this award in 1998 and 1999.

EMPLOYEE VOLUNTEERISM ◆ KUA's employees take this community to heart. They are involved as volunteers in a broad range of activities. Many give their time to local social and health service organizations. Some are involved in public safety programs. Others volunteer as student mentors or serve on school committees. ◆ We are proud of our many employees who give their free time to help their neighbors and community.

community connections



Working to strengthen the community

Since 1901, KUA has played a major role in the growth and vitality of Osceola county's economy and quality of life. As we approach our second century of service, KUA seeks to strengthen the community through programs in economic development, community relations, and environmental stewardship.

Community Support ◆ KUA and its employees are involved in a number of activities that help improve the quality of life in Osceola county. For example, during the 2000 United Way campaign, employees pledged $18,000, a 46% increase over our previous campaign record. Pledges are used to improve the quality of life for people with special needs in the community. ◆ Through our community partnership grants program, KUA distributed over $60,000 to support 45 organizations and events. These events reached over 150,000 individuals! ◆ A team of employees participated in the March of Dimes WalkAmerica and Junior Achievement Bowl-a-Thon in 2000 and raised more than $3,000.

Economic Development ◆ KUA's Board of Directors has approved a 4-year funding plan to assist the Economic Development Commission of Mid-Florida, Inc. in aggressively promoting Osceola county. The EDC provides key services and support, ranging from relocation and expansion expertise to export counsel to long-term planning with its community partners. The EDC will market the Osceola region worldwide as a top location for business. In addition, they will work with local companies to assist them with expansion plans and other business concerns.

Access Osceola ◆ KUA, the City of Kissimmee, and the Osceola School District have partnered to develop a government cable access channel for the residents of Osceola county. Programming will consist of community information, special events, live broadcasts, emergency information, and educational opportunities for students.

HOLIDAY PLANT TOURS ◆ As part of a national observance of Public Power Week, KUA opened the gates to its Hansel power plant one night each week during the months of October, November and December. The tours were designed for those residents interested in learning more about their community power plant and the generation of electricity. Thanks to the volunteer efforts of our power plant employees, the plant was decorated for the holidays with thousands of lights and tour participants received a bundle of candy canes.

PowerLine

News about the Kissimmee Utility Authority

October

KUA Celebrates 15th!

KUA kicked off its 15th anniversary in grand style on October 2 with an employee group photograph, the rededication of its historic steam whistle, and the unveiling of a new mural for downtown Kissimmee.

At 7:30 am, employees of the utility gathered together outside of the Carroll Street facility for a group photograph surrounded by an array of vehicles from our fleet. Employees were treated to a continental breakfast and an anniversary coffee mug, and all employees will receive a commemorative poster of the photo in November.

At noon that same day, a piece of Kissimmee's history came to life when KUA revived an old tradition of blowing a giant steam whistle 12:00 noon each day at our Roy Hansel power plant in downtow[n] Kissimmee. Decades of exposur[e to] the elements forced the whistle and the tradition to fall silent in the early 1990s, but the brass whistle was recently restored by KUA employees.

KUA announced at the whistle rededication the start of a giant painted mural that will cover two sides of the Hansel plant. Using the talents of local artist Tom Copella, ... will take approximately four months to complete.

Whistle blowing

You may have seen Copella's other murals at Lanier's Downtown Market Place and Makinson Hardware in downtown.

KUA's anniversary is also being celebrated with power plant tours for the public. Each Thursday evening in October, we are opening the gates to our Hansel plant to those residents interested in the generation of electricity. Demand for these tours was tremendous...all 160 tour spaces were filled in just one week!

KUA's anniversary is celebrated in conjunction with Public Power Week – an annual celebration of the American Public Power Association in Washington, ...00 munici... ...erating in

Employ[ee] Profile: Lisa Davis

Lisa Davis, Adm... Secretary in the Fin... ment, lives in Kissim... husband, Ken, and ...

Lisa and Ken's ... of Shannon, age 16 ... Chanda, age 24, a... 21. Lisa said if she ... living anywhere in ... would choose livi... water. If Lisa won ... would take care o... off bills, buy a bu... town and spend ... on the water.

Lisa's friends ... agree that one o... her apart from ... integrity. She is ... person and exp... Lisa juggles a v... not only worki... being a great w... friend, while ... degree. Lisa sa...

Inside

EMPLOYEE HELPS BREAK UP COUNTERFEIT RING ◆ Thanks to an observant employee, a currency counterfeit ring in Kissimmee was identified and shut down by the United States Secret Service in September 2000. Employee Karen Barnett took a cash payment on September 12 from a customer who attempted to pay a utility bill using several bogus bills. As a result of Karen's quick thinking, the Secret Service agents were contacted and were able to confiscate computerized counterfeit equipment at a home in Kissimmee. Agents arrested a total of three individuals, including the customer who passed the phony bills to KUA.

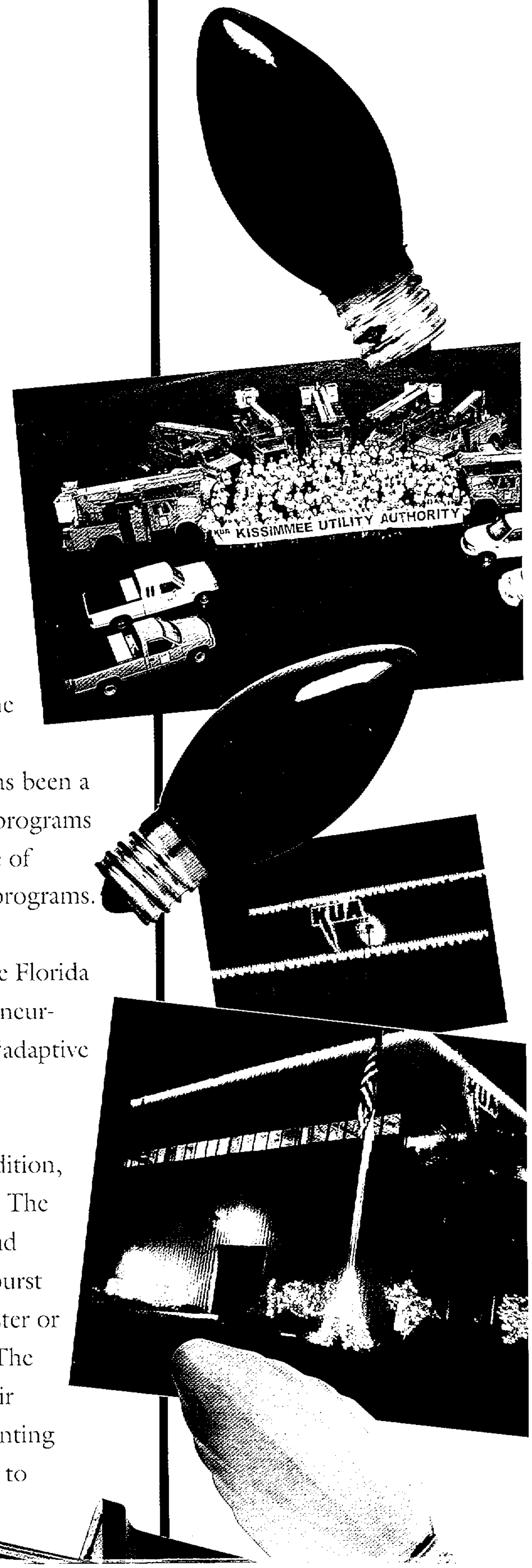
EMPLOYEE SUBSTATION ◆ Employees and the KUA Board of Directors gathered on April 20 to break ground on KUA's newest electric substation – the Employee Substation. The Board officially named the substation to honor past, present and future employees of the utility. The substation will be built on land owned by KUA at the corner of Boggy Creek and Hilliard Isle Roads in unincorporated Osceola county. The $14 million substation is expected to be operational in June 2001. The formal dedication of the substation will involve all employees and will coincide with the 100th anniversary of the utility.

HISTORIC STEAM WHISTLE ◆ Employees at our Roy E. Hansel power plant restored a steam whistle that has called the plant home since the early 1900s. Decades of exposure to the elements forced the whistle and its daily sounding to fall silent in the early 1990s. Employees removed the whistle, installed updated equipment, beedblasted and hand-rubbed the whistle's brass finish. The whistle was remounted at the top of the Hansel plant and sounded for first time at noon on October 2, 2000... this time using compressed air rather than steam.

employee connections

Employees are making a difference

KUA employees have always generously volunteered their time to a wide variety of causes. From hospice to hunger to helping children at risk, where there's a need, KUA is there. Our employees' dedication, commitment, and hard work are recognized and valued, not only in the work place, but also in the community we serve. We are understandably proud of our employees' selfless and diligent efforts, which have resulted in a better community for all of us.



We're a Top 100 Company ◆ For the third time in as many years, KUA was named among the region's top 100 companies for working families by *Central Florida Family Magazine*. KUA has been a leader, earning recognition from the judges for its offerings of unique programs for employee families, an ongoing employee reward system, wide range of benefits and options, in-house communications, and other innovative programs.

One of Florida's Best ◆ KUA was named by the Florida Municipal Electric Association (FMEA) as the "best utility for entrepreneurship" in Florida in 2000. FMEA noted in its *Relay* magazine that the "adaptive spirit of KUA employees is an example of how to build on success."

Lineman's Rodeo ◆ In a county steeped in rodeo tradition, the lineman of KUA held their very own version of the rodeo in 2000. The rodeo was one in which the participants straddled poles, not ponies, and where the danger did not come from bucking animals but the deadly burst of electrical power. And in a profession where a mistake can mean disaster or death, the combination of skill, safety and speed on the job is crucial. The annual event provides our linemen with the opportunity to exhibit their craft and showcase their skills as they compete for the honor of representing KUA at the annual International Lineman's Rodeo. ◆ KUA also plans to participate in the first annual Florida Lineman's Rodeo in March 2001.

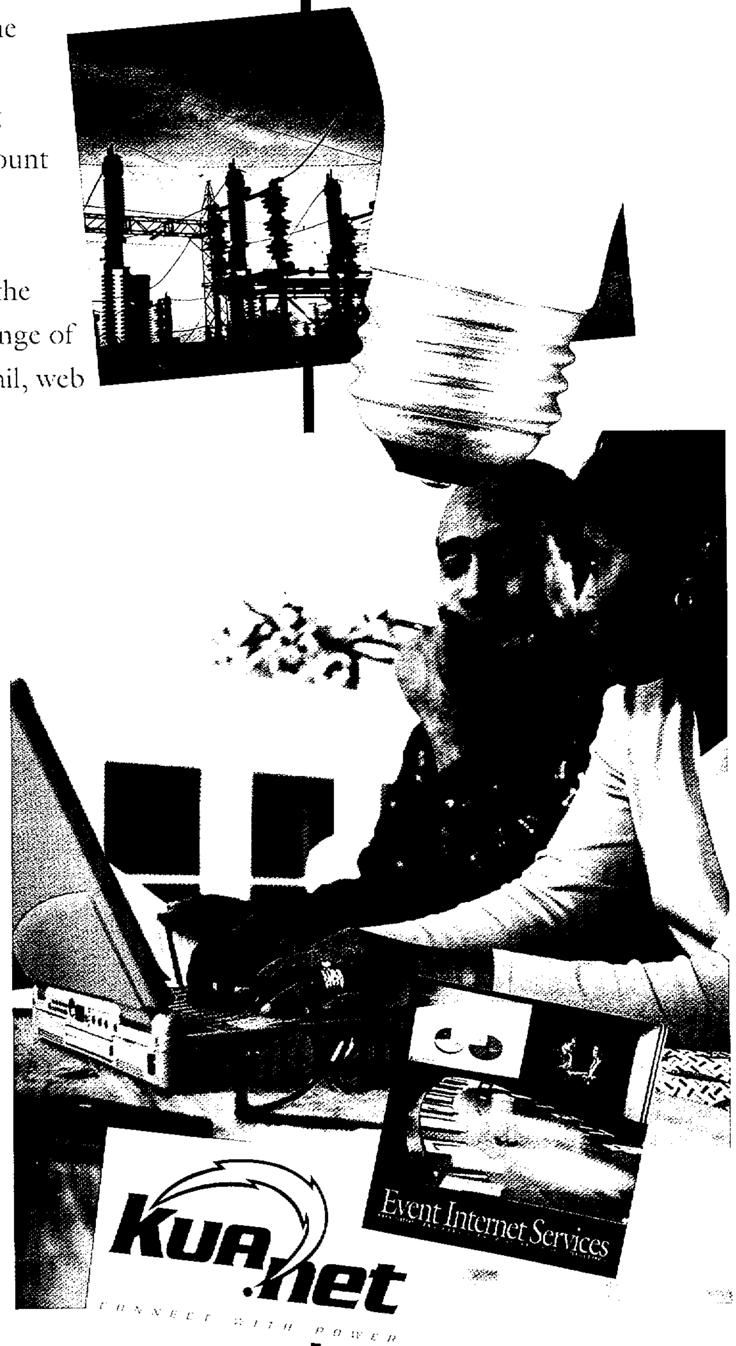
As people become more and more comfortable with computer technology, the internet has become an efficient and effective medium for connecting customers with information, products and services.

INTERNET BILLING ◆ Customers of KUA are now able to receive and pay their monthly utility bill via the World Wide Web. KUA was the first municipally-owned utility in Florida to provide online bill presentment and payment services to its customers. When KUA electronically sends the monthly utility bills via e-mail, customers are able to view the bill, print the bill, and download the bill data into an Excel, Lotus or Quicken software program for analysis and tracking purposes. The bill can also be paid online via a checking account or major credit card, or by mail.

INTERNET CONNECTIVITY ◆ KUA.net, the internet services division of KUA, continues to expand its range of services, including dial-up and high-speed connectivity, e-mail, web hosting, and web site design. ◆ The rapid growth of internet services has impacted meeting and convention activities just as it has other business activities. In 2000, KUA.net began providing temporary high-speed internet access and networking services to businesses, trade shows, and conventions throughout the region, including the NETglobal 2000 conference and the Honda Campus All-Star Challenge NCT, both at Walt Disney World.

WIRELESS INTERNET ◆ KUA.net began testing high-speed wireless internet service for residents living within a 1-mile radius of our Carroll Street headquarters. Transmitting equipment has been installed at the top of several utility poles in the Renee Terrace and Shadow Bay developments of Kissimmee.

INTERNET CLASSES FOR THE DEAF ◆ KUA.net expanded its free internet training opportunities in 2000 to include classes for the hearing-impaired. The classes are taught by instructors who are deaf, with assistance from KUA employees. Individuals do not have to be customers of KUA.net to participate.

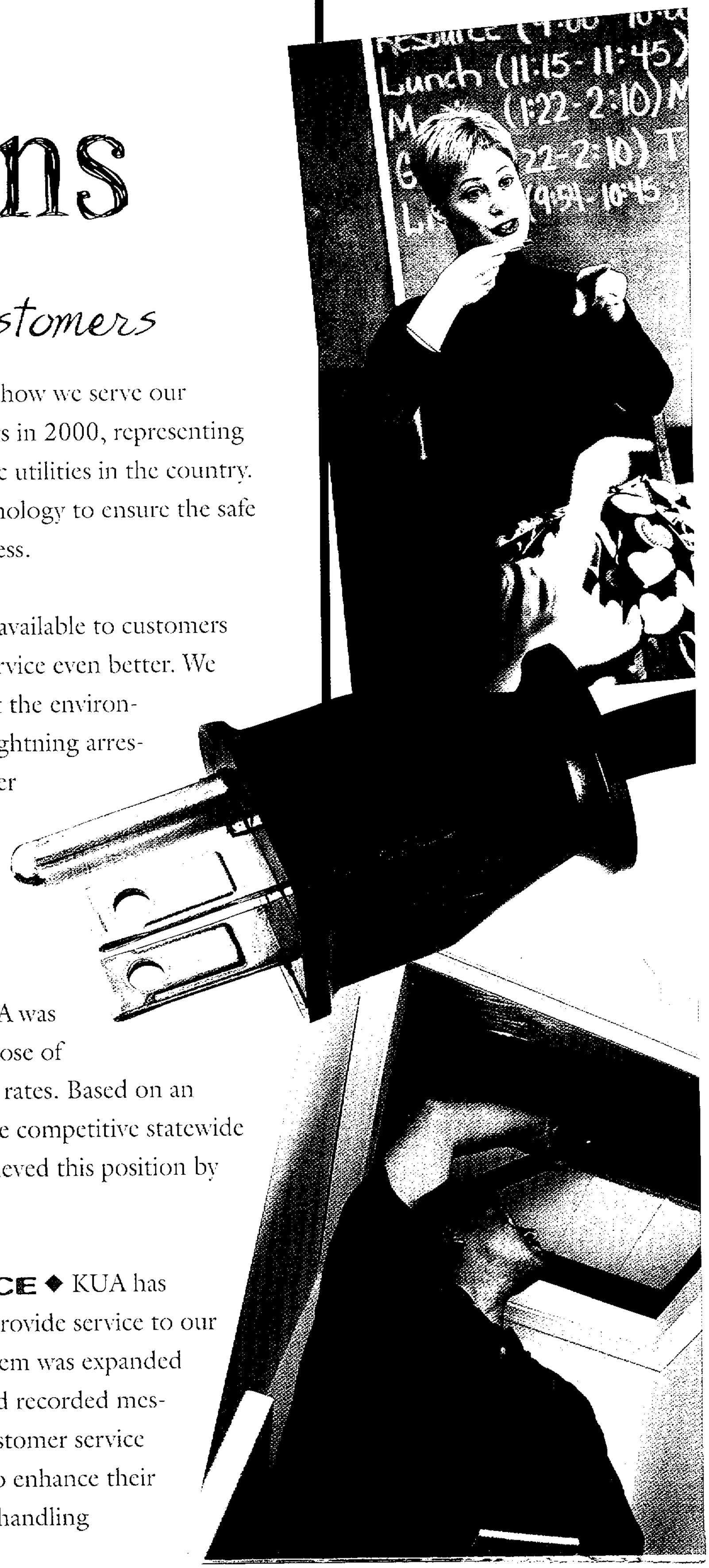


customer connections

Enhancing service to our customers

We believe that the true measure of our performance is how we serve our customers. KUA added almost 1,500 customer accounts in 2000, representing an increase of 3.1%, a rate faster than most other electric utilities in the country. While managing growth, we're applying the latest technology to ensure the safe and reliable delivery of energy to your home and business.

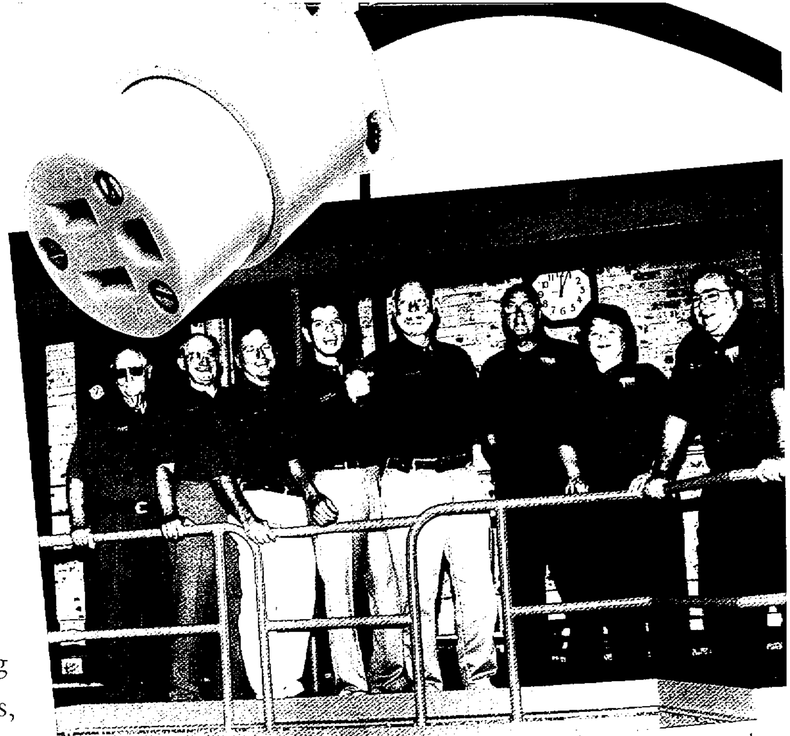
INCREASED RELIABILITY ◆ Power is available to customers 99.98% of the time, but KUA is working to make its service even better. We continue our aggressive tree trimming program to limit the environmental impact on electric service. We regularly install lightning arrestors throughout our system to reduce momentary power outages. In addition, we are currently constructing a $14 million electric substation in the eastern portion of our service area to enhance service quality and reliability.



MAINTAINING LOW RATES ◆ KUA was created by the residents of Kissimmee for the sole purpose of providing reliable electric service at the lowest possible rates. Based on an annual average, our residential and commercial rates are competitive statewide and among the lowest in Central Florida. We have achieved this position by controlling our costs for operations and maintenance.

IMPROVED CUSTOMER SERVICE ◆ KUA has improved several key functions within the utility that provide service to our customers. For example, the automated telephone system was expanded in 2000 to make the complete list of menu options and recorded messages available in both English and Spanish. ◆ Our customer service representatives recently completed intensive training to enhance their knowledge and to ensure their overall effectiveness in handling customer calls.

board of directors



(left to right) Ed Brinson, Attorney; Dr. George Gant, Vice-Chairman; Frank Attkisson, Mayor of Kissimmee; Jim Welsh, President & General Manager; Larry Walter, Chairman; Don Shearer, Assistant Secretary; Nancy Gemskie, Director; Domingo Toro, Secretary.

A Letter from the Authority

The statement on the cover of this annual report says it all: CONNECTIONS.

It only takes a look at our accomplishments in 2000 to recognize KUA's position as one of the nation's leading municipal utilities. Our connections with our customers, our employees, and our community continue to grow as you will see detailed in this report.

2000 was, without question, a good one for KUA:

- Our Year 2000 (Y2K) rollover was a complete success.
- We established a new system peak of 250 megawatts on July 20.
- Construction continues on a third generating unit at Cane Island and a new electric substation.
- KUA.net expanded its internet services to support trade shows/conventions at Walt Disney World and throughout Central Florida.
- KUA celebrated its 15th anniversary on October 1, 2000.

We are proud of the service we provide to this community. Enjoy reading our annual report.

Larry W. Walter
Chairman

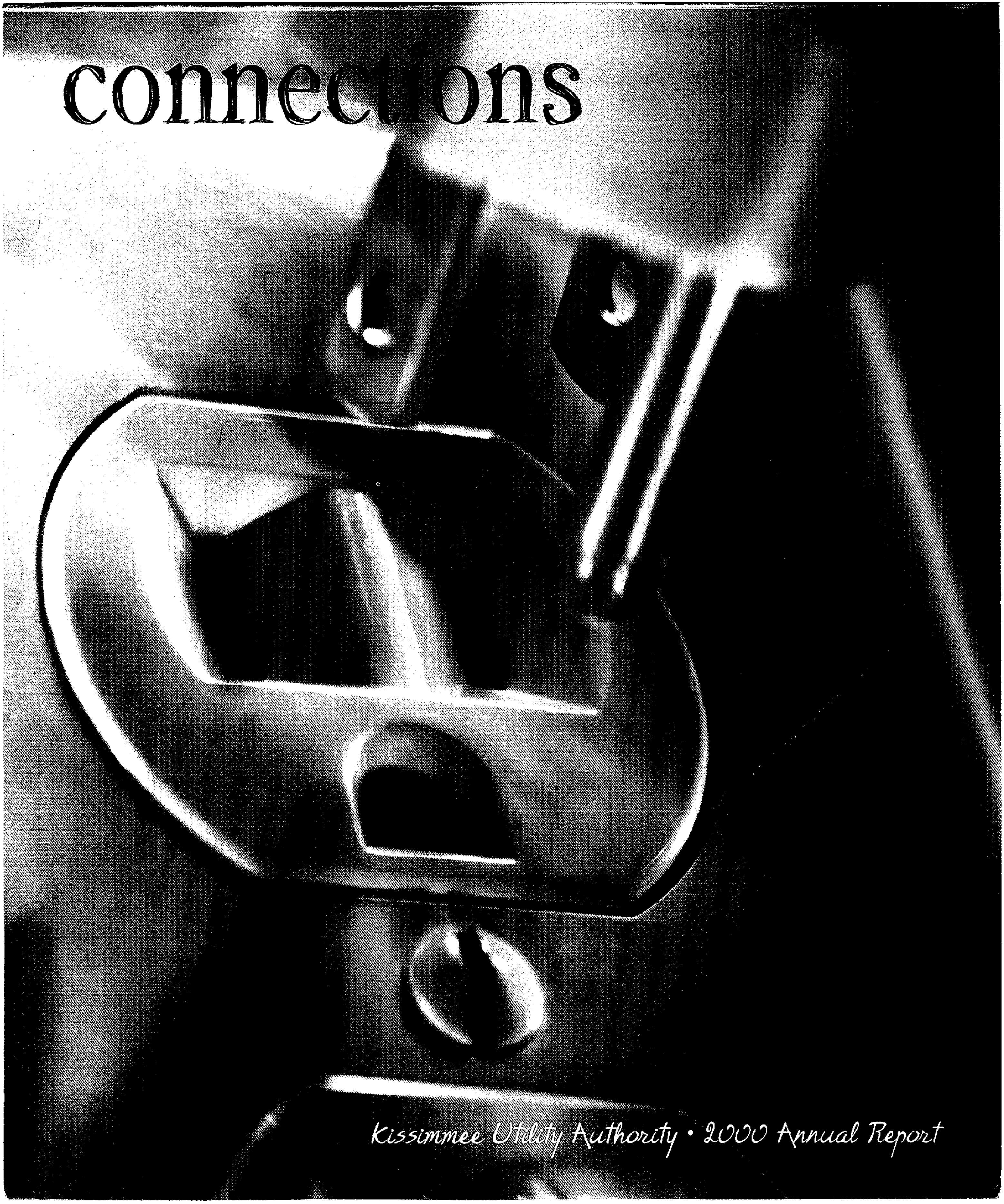
James C. Welsh
President & General Manager

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 E. Hansel Generating Station in Kissimmee and the Cane Island Power Park in Intercession City. KUA is governed by a six-person board of directors.

connections

connections



Kissimmee Utility Authority • 2000 Annual Report

connections

Kissimmee Utility Authority

Audited Financial Statements
for Fiscal Year Ended September 30, 2000

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, 2000 and 1999, 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 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 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, 2000 and 1999, and the combined results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2000 on our consideration of Kissimmee Utility Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

November 22, 2000, except for the information in Note 13, for which the date is November 29, 2000

PricewaterhouseCoopers LLP

Combined Balance Sheets - September 30

ASSETS	2000	1999
UTILITY PLANT		
Property, plant and equipment	$266,020,831	$261,439,304
Less: accumulated depreciation	(113,674,132)	(103,021,666)
	152,346,699	158,417,638
Construction in progress	48,243,755	12,998,953
Inventory - nuclear fuel	43,730	259,933
TOTAL UTILITY PLANT	200,634,184	171,676,524
RESTRICTED ASSETS		
Cash and cash equivalents	13,145,417	5,690,144
Investments	39,470,574	44,087,217
Interest receivable	568,759	589,522
TOTAL RESTRICTED ASSETS	53,184,750	50,366,883
DESIGNATED ASSETS		
Cash and cash equivalents	6,476,507	3,912,166
Investments	65,148,824	68,291,288
Interest receivable	1,160,541	1,066,255
TOTAL DESIGNATED ASSETS	72,785,872	73,269,709
CURRENT ASSETS		
Cash and cash equivalents	1,388,837	2,206,237
Investments	7,853,800	3,820,800
Interest receivable	162,154	167,070
Accounts receivable	11,642,641	10,603,884
Less: allowance for doubtful accounts	(248,622)	(232,202)
Inventory	5,650,624	5,520,192
Other Current Assets	1,461,354	235,374
TOTAL CURRENT ASSETS	27,910,788	22,321,355
OTHER ASSETS		
Unamortized bond costs	3,013,241	3,113,313
Cost to be recovered from future revenue	46,375,791	44,230,562
Defined cost of power adjustments	986,452	0
Other	777,500	816,910
TOTAL OTHER ASSETS	51,152,984	48,160,785
TOTAL ASSETS	$405,668,578	$365,795,256

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

Combined Balance Sheets - September 30, continued

CAPITALIZATION AND LIABILITIES	2000	1999
CAPITALIZATION		
Accumulated reinvested earnings - Reserved for debt service	$ 20,271,150	$ 20,271,150
- Unreserved	114,351,593	111,818,391
TOTAL ACCUMULATED REINVESTED EARNINGS	134,622,743	132,089,541
LIABILITIES		
LONG-TERM DEBT		
Revenue bonds payable	246,614,601	221,720,000
Less:unamortized bond discount	(3,625,735)	(3,845,649)
unamortized loss on reacquired debt	(19,608,381)	(20,774,918)
TOTAL LONG-TERM DEBT	223,380,485	197,099,433
OTHER LONG-TERM LIABILITIES	46,634	58,803
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Current portion of revenue bonds	6,120,000	5,860,000
Accrued interest payable - revenue bonds	5,774,458	5,904,612
Advances for construction	1,033,727	2,265,643
Customer deposits	3,227,291	3,001,727
Accounts payable from construction funds	420,399	4,605
Other	1,500,000	1,500,000
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	18,075,875	18,536,587
DESIGNATED LIABILITIES (PAYABLE FROM DESIGNATED ASSETS)		
Other	9,159,055	7,457,106
TOTAL DESIGNATED LIABILITIES (PAYABLE FROM DESIGNATED ASSETS)	9,159,055	7,457,106
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable	16,935,336	7,054,013
Due to other governments	1,226,174	1,212,895
Accrued compensated absences	1,144,000	1,070,075
Deferred cost of power adjustment	0	231,336
Energy conservation cost recovery	136,348	136,785
Other accrued liabilities	941,928	848,682
TOTAL CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)	20,383,786	10,553,786
TOTAL LIABILITIES	271,045,835	233,705,715
COMMITMENTS AND CONTINGENT LIABILITES (NOTES 10, 11 & 13)		
TOTAL CAPITALIZATION AND LIABILITIES	$405,668,578	$365,795,256

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

Combined Statements of Revenue, Expenses and Changes in Accumulated Reinvested Earnings - for the Years Ended September 30

	2000	1999
OPERATING REVENUES		
Metered sales	$ 82,231,640	$ 74,619,322
Other operating revenues	7,991,595	5,108,626
TOTAL OPERATING REVENUES	90,223,235	79,727,948
OPERATING EXPENSES		
Power generation	27,981,888	22,274,458
Purchased power	23,180,441	19,662,702
Transmission/Distribution	4,028,666	3,484,439
Administrative and general	10,379,226	8,891,771
Intergovernmental transfers	6,539,647	7,815,172
Depreciation and amortization	10,961,345	10,644,457
TOTAL OPERATING EXPENSES	83,071,213	72,772,999
OPERATING INCOME	7,152,022	6,954,949
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	6,590,931	3,496,931
Interest expense	(11,763,039)	(11,911,654)
Other	(1,591,813)	(1,592,679)
Costs to be recovered from future revenue	2,145,229	5,009,922
TOTAL NONOPERATING REVENUE (EXPENSES)	(4,618,820)	(4,997,480)
REINVESTED EARNINGS	2,533,202	1,957,469
ACCUMULATED REINVESTED EARNINGS AT BEGINNING OF YEAR	132,089,541	130,132,072
ACCUMULATED REINVESTED EARNINGS AT END OF YEAR	$134,622,743	$132,089,541

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

Combined Statements of Cash Flows - for the Years Ended September 30

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	$7,152,022	$6,954,949
ADJUSTMENTS TO RECONCILE REINVESTED EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	11,306,478	10,990,428
Net Amortization	(345,133)	(345,971)
CHANGES IN CURRENT ASSETS (INCREASE)/DECREASE AND LIABILITIES INCREASE/(DECREASE):		
Accounts receivable, net	(1,022,337)	(956,683)
Inventory	(130,432)	(461,723)
Other assets	(2,427,651)	416,876
Deferred cost of power adjustment	(1,217,788)	(632,585)
Energy conservation cost recovery	(437)	(116,242)
Accounts payable	555,248	1,634,441
Due to other governments	13,279	15,049
Customer deposits	56,288	(171,514)
Other accrued liabilities	167,170	221,965
Other designated liabilities	1,701,949	980,772
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,808,656	18,529,762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets and nuclear fuel	(62,046,641)	(17,191,976)
Advances for construction & advances from co-owners	31,946,682	5,496,514
Proceeds from debt issue	31,014,601	0
Principal paid on revenue bonds	(5,860,000)	(5,650,000)
Interest paid on revenue bonds	12,373,547	(10,859,346)
Other debt costs	(105,291)	(72,121)
NET CASH USED FOR CAPITAL & RELATED FINANCING ACTIVITIES	(17,424,196)	(28,276,929)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	0	(100,658,277)
Proceeds from maturities of investment securities	4,257,073	69,311,761
Interest on investments	6,560,681	5,681,687
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	10,817,754	(25,664,829)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,202,214	(35,411,996)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,808,547	47,220,543
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 21,010,761	$ 11,808,547
SUPPLEMENTAL SCHEDULE OF NONCASH INFORMATION:		
Construction in progress included in accounts payable	$ 10,943,135	$ 1,426,115

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

Notes to the Combined 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.

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 and Seminole counties. KUA has recently expanded into Volusia and Polk 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, 2000 was 3,153 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 five voting 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 two Enterprise Funds including the electric utility 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.

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.

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 uses 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 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 and changes in the fair value of investments. 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	12 1/3 to 33 1/3
Transmission	29 2/5 to 50
Distribution	22 1/4 to 32 1/4
General	6 2/3 to 33 1/3

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 $6,573,800 and $6,263,400 for the years ended September 30, 2000 and 1999, respectively. The amount owed to the City of Kissimmee was approximately $1,097,500 and $1,072,600 for the years ended September 30, 2000 and 1999, respectively.

The KUA collects Osceola County Public Service tax revenues on behalf of Osceola County from customers who live outside the City of Kissimmee. In accordance with an Interlocal Agreement between Osceola County and the KUA, twenty-five percent of these revenues collected are transferred to the City of Kissimmee for Parks and Recreation use. The total amount transferred to the City of Kissimmee was approximately $53,000 and $515,200 for the years ended September 30, 2000 and 1999, respectively. The amount owed to the City of Kissimmee was approximately $0 and $13,000 at September 30, 2000 and 1999, 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 $28,667,900 and $26,687,200 for the years ended September 30, 2000 and 1999, respectively. The amount owed to the City of Kissimmee was approximately $128,700 and $127,300 at September 30, 2000 and 1999, respectively.

The KUA performs certain customer related services for the City of Kissimmee for which the City of Kissimmee paid the KUA approximately $746,200 and $730,700 for the years ended September 30, 2000 and 1999, respectively. The amount owed by the City of Kissimmee to the KUA was approximately $62,500 and $63,000 at September 30, 2000 and 1999, respectively. The City of Kisssimmee also owes the KUA $1,084,000, which represents funds KUA loaned to the City at 0% interest rate related to a customer overbilling and overpayment in prior years.

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 interest revenue and costs to be recovered from future revenues with no impact on reinvested earnings.

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.

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, 2000 and 1999 are as follows:

	Restricted	Designated	Unrestricted	Total
2000				
Cash & Cash Equivalents	$ 13,145,417	$ 6,476,507	$ 1,388,837	$21, 010, 761
Investments	39,470,574	65,148,824	7,853,800	112,473,198
Interest Receivable	568,759	1,160,541	162,154	1,891,454
TOTALS	$53,184,750	$72,785,872	$ 9,404,791	$135,375,413
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

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 Fair Value
2000				
U.S. Government Securities	-	$1,319	-	$ 1,319
U.S. Instrumental Securities	109,555	-	1,599	111,154
Total Investments	$109,555	$1,319	$1,599	$112,473
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

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, 2000 and 1999 was an increase/(decrease) to the investments carrying value of approximately $189,000 and ($2,677,000), respectively.

The balance in the SBA was approximately $20,926,000 and $11,654,000 at September 30, 2000 and 1999 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, 2000 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, 1999 through September 30, 2000 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 $300,001,000 which was more than cost of $300,000,000 for an unrealized gain of $1,000 at September 30, 2000. Generally, floating and variable rate instruments are priced at par close to reset dates. The investment in floaters represented approximately 3.05% 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 $0 and $896,000 at September 30, 2000 and 1999, respectively. Repurchase agreements are held in the name of the KUA's depository bank. The maximum repurchase agreement was $11,047,000 and $4,600,000 for 2000 and 1999, respectively.

At September 30, 2000 and 1999 the carrying amount of the KUA's deposits with financial institutions was approximately $0 and $101,000, respectively, and the bank balance was approximately ($141,000) and $614,000, 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, 2000 and 1999 included the following:

	2000	1999
Debt Service Reserve	$20,271,150	$20,271,150
Sinking Fund	11,894,459	11,764,612
Construction Fund	13,656,639	10,297,936
Renewal, Replacement & Improvement	1,500,000	1,500,000
Advances for Construction	1,033,727	2,265,643
Customer Deposits	3,227,291	3,001,727
Crystal River Unit No. 3 Decommissioning	1,601,484	1,265,815
TOTAL	$53,184,750	$50,366,883

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, 2000 and 1999 included the following:

	2000	1999
Capital Improvements	$44,322,820	$48,953,299
Co-Insurance	8,231,416	6,489,994
Decommissioning	473,286	445,461
Combined Cycle Maintenance	3,809,992	3,404,522
Crystal River Unit No. 3 Deferred Outage	-	1,025,206
EPPIC Excess Liability	76,273	49,201
Deregulation/Rate Stabilization	15,872,085	12,902,026
TOTAL	$72,785,872	$73,269,709

Effective September 30, 2000, the Board of Directors voted to restrict an additional $2,000,000 for the Co-Insurance Fund. A total of approximately $8,231,000 has been designated for this purpose.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	2000	1999
Nuclear Production	$ 6,006,416	$ 5,872,656
Steam Production	73,341,520	73,527,903
Other Production	68,101,588	68,106,395
Transmission Plant	40,333,936	40,323,437
Distribution Plant	58,094,456	54,208,510
General	20,142,915	19,400,403
SUBTOTAL	266,020,831	261,439,304
Less: Accumulated Depreciation	(113,674,132)	(103,021,666)
TOTAL	$152,346,699	$158,417,638

Depreciation expense for Property, Plant and Equipment totaled approximately $11,306,000 and $10,990,000 for years ended September 30, 2000 and 1999, respectively.

6. CONSTRUCTION PROJECT INTEREST COST

On September 30, 1999 the KUA entered into FMPA's variable rate Pooled Loan Program to fund the initial construction of Cane Island Unit 3. In accordance with SFAS No. 17, the KUA capitalized $1,339,792 in interest costs for the year ended September 30, 2000.

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 $1,310,000 and $1,070,000 in 2000 and 1999, respectively.

7. PARTICIPATION AND POWER SUPPLY AGREEMENTS

The KUA is party to the following participation and power supply agreements at September 30, 2000:

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 3.8314% 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 1.9157% power entitlement share in SEC 2, approximately 8.3 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% 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.

In summary, 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 1.9157%, approximately 8.83 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
2000			
Utility Plant in Service	$21,498,270	$6,006,416	$2,588,005
Less: Accum. Depreciation	(7,201,397)	(4,523,194)	(1,468,985)
Net Plant in Service	$14,296,873	$1,483,222	$1,697,082
1999			
Utility Plant in Service	$21,409,667	$5,872,656	$2,835,312
Less: Accum. Depreciation	(6,651,130)	(4,138,435)	(1,096,285)
Net Plant in Service	$14,758,537	$1,734,221	$1,739,027

8. PENSIONS

Plan Description - The Kissimmee Utility Authority Pension Plan (the "Plan") is a single employer defined benefit pension plan. The Plan provides for pension, death and disability benefits. Participation in the Plan is required as a condition of employment. The Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The Plan is governed by a five member pension board.

Funding Policy - The KUA is obligated to fund all Plan costs based upon actuarial valuations. The KUA is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The KUA's contribution rate for the year ended September 30, 1999 was 7.1 percent of earnings. The Plan has been a non-contributory Plan since 1986.

Annual Pension Cost - For 1999, the KUA's annual pension cost of approximately $665,110 was equal to the KUA's required and actual contributions. The required contribution was determined as part of the October 1, 1999 acutrial valuation using the Aggregate Acturial Cost Method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), and (b) projected salary increases of 6% per year.

The latest report (1999) 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 requirements;
(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, 2000 and 1999 consist of the following serial and term bonds:

DESCRIPTION	**FINAL MATURITY**	**ORIGINAL AMOUNT**	**2000**	**1999**
Improvement & Refunding Revenue Bonds, Series 1991 5.55%-6.60%-4/1; 10/1	10/01/08	$ 75,550,000	$11,745,000	$ 12,730,000
Improvement & Refunding Revenue Bonds, Series 1993 3.90%-5.50%-4/1; 10/1	10/01/18	$145,800,000	138,890,000	140,725,000
Refunding Revenue Bonds, Series 1993A 3.70%-5.30%-4/1; 10/1	10/01/17	$ 21,165,000	20,875,000	20,935,000
Refunding Revenue Bonds, Series 1997 3.85%-5%-4/1; 10/1	10/01/12	$ 56,180,000	50,210,000	53,190,000
Pooled Loan Program	10/01/18	$ 35,000,000	31,014,601	0
Total Amount Outstanding			252,734,601	227,580,000
Less: Current Portion			(6,120,000)	(5,860,000)
Long Term Debt			$246,614,601	$221,720,000

The annual long-term debt service requirements at September 30, 2000 are as follows:

2001	17,863,736
2002-2006	104,320,635
2007-2011	109,548,613
2012-2016	114,704,640
2017-2018	46,233,444
Total	392,671,067
Less: Amt. Representing Long Term Interest	(142,071,067)
Less: Pooled Loan Face Value Less Draw (*)	($3,985,399)
Long Term Debt	$246,614,601

(*) Note: This amount represents the difference between the principal amount of the Pooled Loan ($35,000,000) and amount drawn down as of 9/30/00 ($31,014,601).

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*	**2000**	**1999**
1971	$ 850,000	$ 850,000
1973	340,000	890,000
1975	1,815,000	2,035,000
Electric Revenue Bonds		
1977 Series A	12,120,000	12,120,000
1979	1,680,000	1,775,000
1982	38,630,000	39,800,000
1982-A	52,975,000	55,200,000
1984	24,750,000	25,225,000
1985	30,635,000	31,395,000
1987	48,090,000	50,555,000
1991	58,780,000	58,780,000
	$270,665,000	$278,625,000

* *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 2001 will be approximately $52,000,000 and $46,000,000 for years 2002 through 2005.

On August 21, 2000, the KUA Board of Directors approved a future power supply concept under which KUA and FMPA, working with OUC as Participants, would each own 3.5% (approximately 22 MW) of, and buy back 6.5% (approximately 41 MW) from, a nominal 632 MW combined cycle unit to be constructed by Southern Company Services, Inc., at OUC's Stanton Energy Center Site. The unit is currently scheduled for commercial operation in October of 2003. Negotiations are currently underway between the parties for various agreements for the ownership and operation of the plant as well as the purchased power.

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:

	Date	**Commitment**
Orlando Utilities Commission (OUC)		
Schedule D	2003	$ 711,045
SEC I	NONE	197,805
Unit Purchase	2000	456,000
Indian River	NONE	113,031
Florida Power Corporation (FPC)	NONE	76,145
FMPA (St. Lucie, SEC 2)	NONE	10,798,033
Florida Gas Transmission (FGT)	2005*	4,614,518
Florida Gas Utility (FGU) - Gas Project	2008	3,353,073
Aquila Power Corporation	2001	600,000
TOTAL		$20,919,650

* 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 and FGU 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 $3,250,000 in decommissioning costs in 1999 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, 2000 and 1999 including interest earnings was approximately $1,601,000 and $1,266,000, 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, 2000 and 1999 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, 2000 and 1999 of approximately $59,000 and $71,000, respectively, of which approximately $47,000 and $59,000, 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.

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. On December 1, 1999, KUA entered into an agreement with Amtrak and CSX 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. On

October 4, 2000 a U.S. District Judge ruled that KUA's liability relateed to the accident and due to the idemnification provision discussed above was approzimately $425,911. This ruling is currently under appeal. 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, it will not exceed the amount set aside in the co-insurance reserve fund. See Note 13.

On November 17, 2000 equipment needed for the construction of Cane Island Unit 3 was being delivered to the Cane Island site when it was struck by an Amtrak train. It is management's opinion that KUA has no direct responsibility related to this accident. However, KUA could be held responsible for both CSX and Amtrak's losses due to the indemnification provision discussed in the previous paragraph. Until the appeal of the adverse ruling by the U.S. District Judge is settled, KUA's exposure on this accident cannot be estimated.

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 $8,231,000 and $6,490,900 for the years ended September 30, 2000 and 1999, respectively. The Co-insurance reserve is the KUA's best estimate based upon available information and is increased by interest earnings each year. This reserve is reflected as a liability under Designated Liabilities – Other on the Balance Sheet.

Following is a schedule showing the change in the reserve balance:

Years Ended September 30	Beginning Balance	Claims/ Payments	Increase In Reserve	Ending Balance
2000	$6,489,994	($857,749)	$2,599,171	$8,231,416
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 four fiscal years.

12. SEGMENT INFORMATION

Segment information for KUA's Electric Enterprise Fund for the fiscal year ended September 30, 2000 and 1999 is as follows:

	2000		1999	
	Electric System	ISP	Electric System	ISP
Operating Revenue	$ 89,332,967	$ 890,268	$ 79,230,789	$ 497,159
Depreciation	10,862,809	98,536	10,600,365	44,092
Operating Income (Loss)	7,588,818	(436,796)	7,505,053	(550,104)
Reinvested Earnings	2,969,998	(436,796)	2,507,573	(550,104)
Current Capital Contributions	31,946,682	0	5,496,514	0
Additions to Plant	61,945,506	101,135	17,036,476	155,500
Total Assets	406,626,046	243,798	366,354,703	214,796
Net Working Capital	8,680,308	(1,153,306)	12,481,480	(713,910)
Long-Term Debt	223,380,485	0	197,099,433	0
Total Accumulated Reinvested Earnings	135,657,949	(1,035,206)	132,687,951	(598,410)

13. SUBSEQUENT EVENTS

On October 25, 2000 the KUA Board of Directors approved a $70,000,000 Commercial Paper Program. These funds were used to retire KUA's participation in FMPA's Pooled Loan Program for $35,000,000 and to fund the remaining costs of Cane Island Unit 3. On November 29, 2000 the last payment to FMPA was made.

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