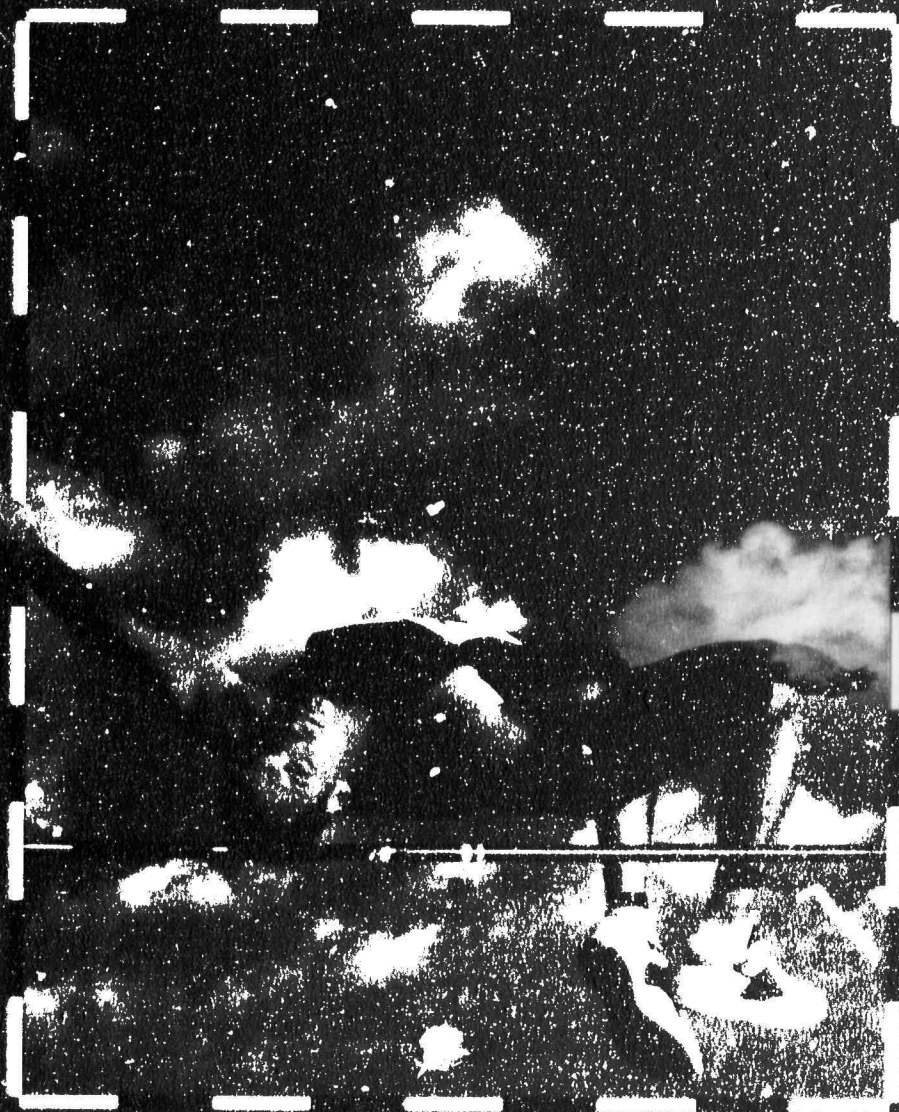


RAISING THE BAR



1995

ANNUAL

REPORT

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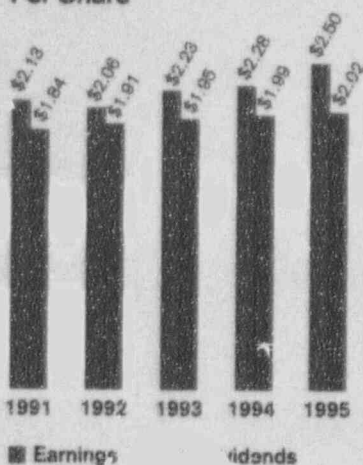
INVESTOR HIGHLIGHTS

(Dollar, in millions, except per share amounts)

	1995	1994	Annual Growth Rates (in percent)	
			1994-1995	1990-1995
OPERATING RESULTS				
Utility revenues	\$2,271.7	\$2,080.5	9.2	5.9
Diversified revenues	783.9	691.0	13.4	21.0
Net income	238.9	212.0	12.7	7.7
DATA PER SHARE				
Earnings:				
Utility	\$2.27	\$2.05	10.7	1.1
Diversified	.23	.23	-	5.0
Consolidated	2.50	2.28	9.6	3.2
Dividends	2.02	1.99	1.5	2.6
Book value	21.55	20.85	3.4	3.2
Closing stock price	35 $\frac{1}{2}$	30	17.9	6.8
Stock price range	29% - 35%	24% - 33%		
FINANCIAL POSITION AT DECEMBER 31				
Assets	\$5,791.1	\$5,718.7	1.3	2.8
Total capitalization	4,085.7	4,095.7	(.2)	2.2
Capitalization structure:				
Short-term debt	4.5%	2.6%		
Long-term debt	41.2	45.4		
Preferred stock	3.4	3.5		
Common stock equity	50.9	48.5		
OTHER STATISTICS				
Return on common equity	11.8%	11.1%		
Dividend yield	5.7%	6.7%		
Average common shares outstanding (in millions)	95.7	93.0	2.9	4.4
Employees	7,174	7,394	(3.0)	(1.9)

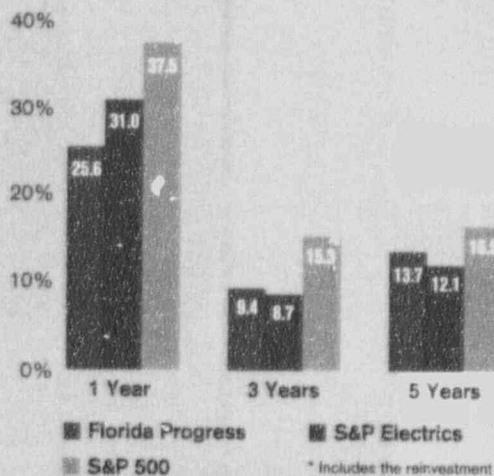
See Note 7 to the Financial Statements for business segment information.

**Earnings and Dividends
Per Share**



Average Annual Total Returns*

For the periods ended December 31, 1995



* Includes the reinvestment of dividends

he theme of this year's annual report is "Raising the Bar." It signifies our willingness to compete at higher levels in order to reach new heights of success. It symbolizes our corporate commitment to reach deep inside and push ourselves to achieve our personal best.

As the elite athlete depicted on the cover suggests, we have worked hard to condition ourselves both physically and mentally. We know the areas in which we excel and where we need to improve to compete against the best. We continue to set higher standards for ourselves and establish goals that challenge us to achieve greater and greater accomplishments.

We are taking advantage of new technology to raise our standard of performance. We also are going about our business with a new level of intensity, knowing that ultimately only the strongest will succeed and prosper.

Like the top athlete, our objective goes beyond mere winning. We will be satisfied with nothing less, but we want more. We want to know that we have reached our full potential and have established new standards for excellence.

Inside this report, you will find many examples of superior performance. You also will find

how strength and flexibility are being applied to increase shareholder value.

RAISING THE BAR

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FLORIDA PROGRESS CORPORATION

Florida Progress Corporation is a diversified electric utility holding company with assets of \$5.8 billion. Founded in 1982, the St. Petersburg, Florida-based company has annual revenues of \$3 billion.

Florida Progress is built on a strong foundation made up of Florida Power Corporation, the second largest investor-owned electric utility in Florida, and Electric Fuels Corporation, an energy and transportation company with operations in rail and marine services and coal mining. In addition, the diversified operations of Florida Progress include life insurance, commercial lending and leasing, and real estate.

Florida Power is strategically positioned in one of the fastest growing areas of the country. The company serves more than 1.2 million customers in west central Florida from its headquarters in St. Petersburg. The total population of the service area is 4.5 million and is projected to grow to 5.1 million by the year 2000.

The company's service area covers approximately 20,000 square miles and includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. The company has an excellent reputation for providing quality service at competitive rates.

Advantages:

- Growing customer base within service territory: 2.1 percent annually
- Strong sales growth potential: 3-4 percent per year
- Limited number of industrial customers, reducing the company's vulnerability to competition
- Cost-effective, efficient power plants
- Limited competitive threat from imported bulk power due to restricted transmission capacity into Florida
- Management committed to cost control
- A reasonable regulatory environment

Electric Fuels, also based in St. Petersburg, is an energy and transportation company with operations in 16 states. Founded in 1976, the company's primary businesses are coal mining and the procurement of coal, rail and river transportation of coal and dry bulk cargo, and various rail and marine services and manufacturing of railcar parts.

The company has earned an average return on equity of 13.3 percent during the past three years. Long-term plans call for the company to expand its existing operations and to pursue market expansion opportunities within its areas of expertise.

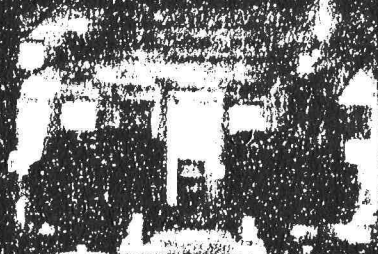
Advantages:

- Assets of more than \$800 million
- River terminal network serving utility and industrial customers
- Modern fleet of approximately 500 river barges
- Owns and manages approximately 1,800 railcars
- Leader in the rail services industry
- Management committed to growth

Founded in 1909, Mid-Continent Life Insurance Company sells policies through independent agents located in 37 states. Mid-Continent is headquartered in Oklahoma City. Nearly all of the company's financial portfolio is in investment-grade securities.

Advantages:

- \$14.7 billion of life insurance policies in force
- Has held A+ (Superior) rating from A.M. Best Company for 17 consecutive years
- Low administrative costs
- Competitive sales commissions



Revisions to Florida Progress Corporation's long-range strategic plan led to substantial changes in the company's diversification activities beginning in 1991. The company began an orderly withdrawal from its lending and leasing business and from its real estate holdings. At the end of 1995, the company's investment portfolio had been reduced by \$583 million. The company's remaining investments total \$558 million.

FLORIDA POWER SERVICE AREA



LETTER TO SHAREHOLDERS

To Our Shareholders:

Nineteen ninety-five was a year of solid achievement for our utility operation. Florida Power Corporation continued to find ways to raise the level of its performance. While we recognize that the company is operationally and financially strong today, we know we must prepare it for the competition that is beginning to characterize the utility industry.

The process of preparing for change has been both exhilarating and stressful. Each new challenge calls for us to use our creative energy to solve problems and take advantage of the opportunities that are created.

The process has not been easy. Organizational changes have been necessary, including a reduction of the work force. The changes that we have made, we believe, will produce substantial success in the years ahead and ensure that Florida Power will be in a position to prosper no matter what shape a more competitive industry might take.

The theme of this annual report is "Raising the Bar." It represents our commitment to set performance standards higher than they ever have been before. It also signifies our willingness to continue to raise our level of performance to stay ahead of the competition.

Throughout this report, you will see examples of athletes who have trained and conditioned themselves to perform at peak levels. At the same time, you will be introduced to a number of employees who have raised their own standards of excellence to reach higher and higher levels of performance. Their results can be seen in increased value to you, our shareholders, and in lower costs and improved service to our customers.

RAISING PERFORMANCE

Our performance in 1995 was excellent. Florida Progress Corporation achieved a 25.6 percent return on your investment. The company's common stock price finished

the year with a series of 52-week highs. Lower interest rates, the results of cost-cutting measures, the market's confidence in our competitive position and our prospects for future growth contributed to our performance.

CONSOLIDATED EARNINGS RISE

Consolidated earnings for 1995 totaled \$238.9 million, or \$2.50 per share, compared with \$212 million, or \$2.28 per share, in 1994, a 9.6 percent increase in earnings per share. The increase in earnings reflected improved operating results from both Florida Power and Electric Fuels Corporation.

Florida Power contributed \$217.3 million, or \$2.27 per share. This compares with \$190.7 million, or \$2.05 per share, in 1994. The increase is attributed largely to higher sales brought on by the improving economy and customer growth in our service area. In 1995, retail kilowatt-hour sales rose 7.8 percent over the previous year. The beneficial results related to the earlier streamlining and restructuring of the company also contributed to our favorable earnings.

Electric Fuels, our energy and transportation company, continued to be a solid performer in the face of depressed market conditions for coal in 1995. Despite the weak coal market, the company was able to contribute \$24 million, or 25 cents per share, to earnings. This compares with \$22.6 million, or 25 cents a share, in 1994. The excellent performance of the company's marine and rail operations allowed earnings to improve.

Earnings from the company's other diversified operations remained unchanged.

RAISING THE DIVIDEND RATE

By achieving our earnings growth and making moderate increases in the dividend, we have been able to continue lowering the payout ratio. In 1995, the payout was 81 percent. This represents a significant reduction from 1992, when the payout peaked at 93 percent.

In February 1996, the Florida Progress board of directors increased the annual dividend rate on our company's common stock by 4 cents per share. This will

increase the annual dividend rate to \$2.06 per share. While the board is proud of the company's track record of increasing the dividends paid per share for 43 consecutive years, it also recognizes that our dividend policy must be considered in light of a more competitive industry.





Florida Progress Chairman and Chief Executive Officer Dr. Jack B. Critchfield, right, meets with The Honorable Peter Rudy Wallace, Speaker of the Florida House of Representatives.

Each year, the board will continue to re-examine the dividend policy to ensure that our dividend payout and dividend rate are appropriate, given our business plan, projected earnings growth and outlook for the electric utility industry.

POSITIONED FOR CHANGE

Legislative, regulatory and market forces are moving the investor-owned electric utility industry toward a new era that could result in dramatic and sweeping change.

Transmission access is an important issue for Florida Power because the company has the second largest trans-

mission network in Florida. In 1995, the Federal Energy Regulatory Commission proposed new rules designed to open the nation's transmission network to all wholesale customers and proposed other changes to promote comparable treatment for all network users. This was done in order to facilitate a competitive wholesale power market. We generally support the commission's effort, but have some reservations. Our overriding concern is that the commission's final policy be fair and equitable to Florida Power and its customers. We intend to participate in the debate on this issue, which will be held in Washington in 1996.

In several states, pressure is building to allow third parties to begin using utility transmission systems to wheel power to large retail customers in order to give them a range of service and pricing options. The rates for our industrial and large commercial customers are already among the lowest in Florida. Also, we have a relatively small number of these customers in our service area.

The largest share of our business is made up of residential and commercial customers. Many of these customers are served under terms of franchise agreements with municipalities and counties.

In December, the city of Clearwater renewed its franchise for another 30 years. Revenue from this community, the second largest we serve, accounts for about 5 percent of our business. The city found our favorable rates, excellent service and willingness to meet its needs strong reasons to renew the agreement. We believe other cities will feel the same way when their agreements come up for renewal.

Our existing power plants are efficient and cost effective. We believe that we are well positioned for deregula-

INNOVATION

Florida Progress Corporation is committed to finding innovative ways to do business. The Progress companies have raised the bar and improved their performance by using creativity, ingenuity and hard work. The levels of achievement reached today, however, are only forerunners of greater things to come.

tion in this part of our company. We also are building a new generating complex in Polk County. The first phase of the project will be completed in late 1998. Its projected cost will be much lower than what others in Florida have paid to build new generation recently. The units making up the project will use combined-cycle technology and burn natural gas, which provides high efficiency and low emissions.

Some of the capacity from the Polk County site will be used to meet the requirements of a new wholesale contract signed in 1995. Florida Power negotiated the sale of an additional 455 megawatts to Seminole Electric Cooperative, beginning in 1999.

Florida Power is prepared for competition today. Our goal for the future is to be even better positioned to serve customers in a more competitive industry. The threat of increasing competition has given our organization a new level of common purpose, with each business unit finding ways to work interdependently to meet the new challenges.

We have made changes in the way we do business that have enhanced and improved Florida Power's operational and financial strength. This required a concerted effort by our employees to raise the bar on their performance in 1995.

ELECTRIC FUELS CORPORATION

We are continuing our strategy of enlarging the operations of Electric Fuels. The company further expanded its rail services and marine businesses in 1995.

We believe the best opportunities for growth within our diversified operations involve enlarging the existing business units within Electric Fuels. We will continue to acquire and develop new operations as long as they meet our stringent operational and financial criteria.

During the last three years, Electric Fuels has increased its earnings per share an average of 21.3 percent per year. During the same period, the company's average total return on equity was 13.3 percent. We believe Electric Fuels can continue to achieve double-digit earnings growth.

Electric Fuels' outstanding results have established a performance benchmark for all our diversified operations. In order to remain a part of our team, these companies must do well against their competition and demonstrate an ability to enhance consolidated earnings growth and exceed the returns of our regulated utility.

MID-CONTINENT LIFE INSURANCE COMPANY

When we acquired Mid-Continent Life Insurance Company in 1986, it was a small, conservative insurance company selling a popular, low-cost death benefit insurance policy. Since that time, Mid-Continent has more than doubled in size by continuing to sell its market-accepted product and by increasing its distribution area.

Over the past few years, the life insurance industry has become more competitive and, for the first time, Mid-Continent experienced a decline in new sales. It became clear that we needed to change the strategic direction of the company if we were to remain successful long-term.

In March 1995, we selected James Harlin to lead the company. He brings 25 years of insurance experience to the company, including 15 years as a chief actuary. In 1995, a comprehensive business plan was developed that combines new products and ideas with the company's existing strengths.

In 1996, Mid-Continent will begin selling a new insurance product called "BasicLife." It resembles the product that had been the company's primary policy for the past 12 years, but offers more flexibility and guarantees to policyholders. The new policy should be appealing to both new and existing customers. "BasicLife" will be the company's core product and other complementary life products will be introduced on an ongoing basis.

Nineteen ninety-six will be a year of transition for Mid-Continent. We believe that these changes are necessary to maintain and build market share and profitability in an increasingly competitive life insurance business.

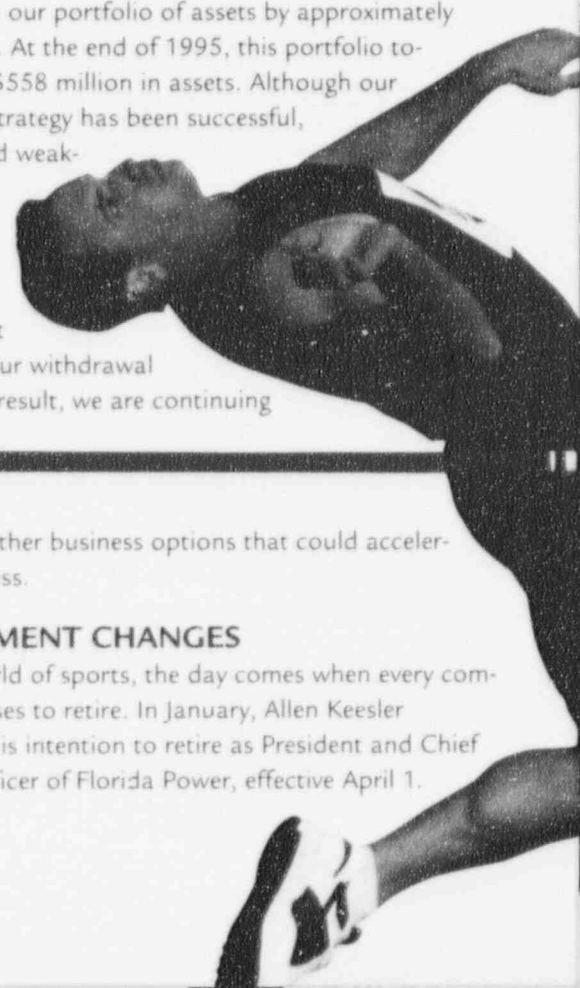
PROGRESS CREDIT CORPORATION

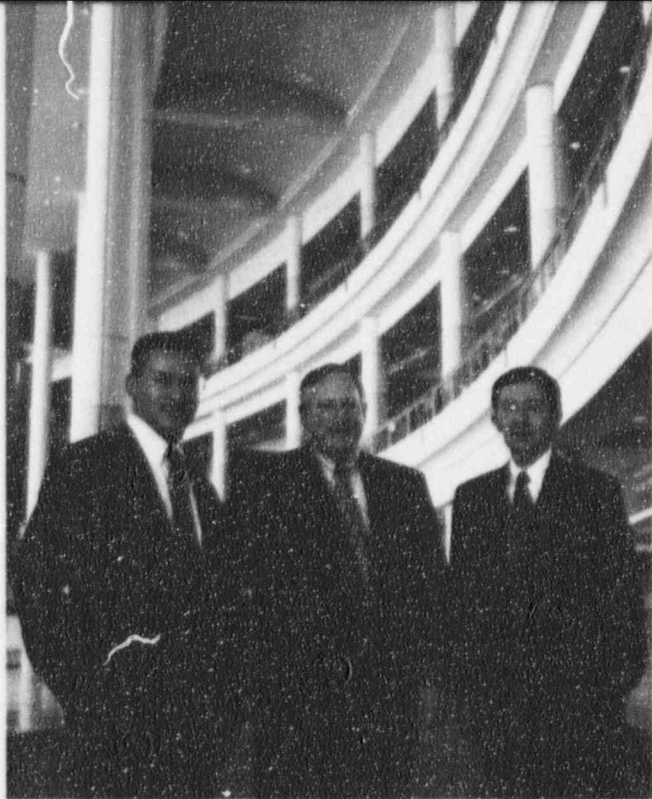
We have continued an orderly withdrawal strategy from the lending and leasing, and real estate portions of our business. Since announcing our exit strategy in 1991, we have reduced our portfolio of assets by approximately \$583 million. At the end of 1995, this portfolio totaled about \$558 million in assets. Although our current exit strategy has been successful, the continued weakness in the airline industry and commercial real estate market has slowed our withdrawal efforts. As a result, we are continuing

to examine other business options that could accelerate the process.

MANAGEMENT CHANGES

As in the world of sports, the day comes when every competitor chooses to retire. In January, Allen Keesler announced his intention to retire as President and Chief Executive Officer of Florida Power, effective April 1.





Florida Progress President Richard Korpan, center, tours the Orange County Convention Center with Florida Power Project Engineer Lyndon B. DuPont, left, and Principal Account Specialist Jay W. McGaffin, right.

Allen has done an outstanding job of serving the company for 33 years.

Since becoming President eight years ago, he has accomplished many things. In the past few years, he led the company through a very challenging period of restructuring and cost reduction in preparation for competition. His efforts have helped position the company for future success. Allen also has served the utility industry well. A recent example can be seen in the national leadership role he has played in the area of nuclear waste disposal. He has been a great asset to the company and we wish him the very best in his retirement.

Dick Korpan will become Chairman of the Florida Power board. In addition to his executive responsibilities at Florida Progress, he will also serve as Chief Executive Officer of Florida Power as part of a leadership transition

period for up to one year. Florida Power Senior Vice President, Energy Distribution, Joe Richardson will succeed Allen as President. Joe also will serve as Chief Operating Officer of Florida Power.

READY TO COMPETE

On balance, 1995 was a good year for your company. From our point of view, the future appears to be quite challenging as we position ourselves to take advantage of the opportunities in the new competitive environment that is developing. Our success in the future will be determined by what we do today. We believe as the bar continues to be raised, we will be ready to compete.

We invite you to read the next section of this annual report. In it, you will find many examples of how our employees and companies have raised the bar to reach new standards of performance in order to build value for our shareholders. We think you will be impressed and pleased by what you learn.

Dr. Jack B. Critchfield
Chairman and Chief Executive Officer

Richard Korpan
President and Chief Operating Officer

February 8, 1996

INNOVATION

the kind of innovation the company is committed to is exemplified by many of our great Olympic athletes. The high jump was dramatically changed at the 1968 Olympic Games in Mexico City, when Dick Fosbury shocked the world by going over the crossbar on his back, head first. Up until then, almost every high jumper in the world jumped feet first. Fosbury won the Gold Medal and today almost every high jumper in the world has adopted his style.

R A I S I N G T H E B A R

Florida Progress Corporation is like a high jumper who has fixed his attention on a crossbar set at a new, higher level. The goal is to clear the bar and reach the very highest level possible.

One way we know that we have been successful in meeting the challenge of competition is to look at our accomplishments in terms of how much value they add for our shareholders. We also measure success by how much we have improved the level of customer service.

Outstanding performers always strive to raise the standard of performance in everything they do. Innovation, strength and flexibility: these are some of the characteristics of winners. Each day, they find new ways to raise the bar and challenge themselves to go beyond present limits; they want to achieve more.

In the following pages you will read about employees who exemplify the spirit of competition. They have committed themselves to winning by adding value for our customers and our shareholders.

POWERFUL PARTNERSHIPS

The great inventor Thomas Edison had a personal philosophy summed up in the phrase, "If there is a better way, find it."

Florida Power is putting Edison's creed into practice at its new Polk County Energy Complex. So far, finding a better way has resulted in cost reductions totaling millions of dollars.

Most of the savings have come as the result of the utility's efforts to lower capital costs from the original projections made in 1992, when planning for the complex began. Substantial savings have been achieved through the use of new technology and favorable price reductions in the cost of plant components.

Another part of the savings came from an idea developed by the Project Team, which is led by Project Manager Dennis Dingle. The team created a Value Engineering Incentive Program. The intention was to get all parties involved in the design and construction process to look actively for better ways to do things, especially ways that save money.

When an idea resulted in a documented savings, an incentive payment was made to the contributing party.

Since work began on the project in early 1995, approximately 20 ideas have been submitted. These ideas have resulted in a savings of \$1.6 million. Interestingly, most of the cost-cutting ideas came from the project team who felt challenged to find a better way. Florida Power has paid \$142,000 in incentive payments to outside vendors since the program began.

The Polk County site is being developed on an 8,000-acre tract near the city of Bartow, Florida. The property had been mined extensively for phosphate, so construction of the energy complex will help the land and promote habitat restoration.

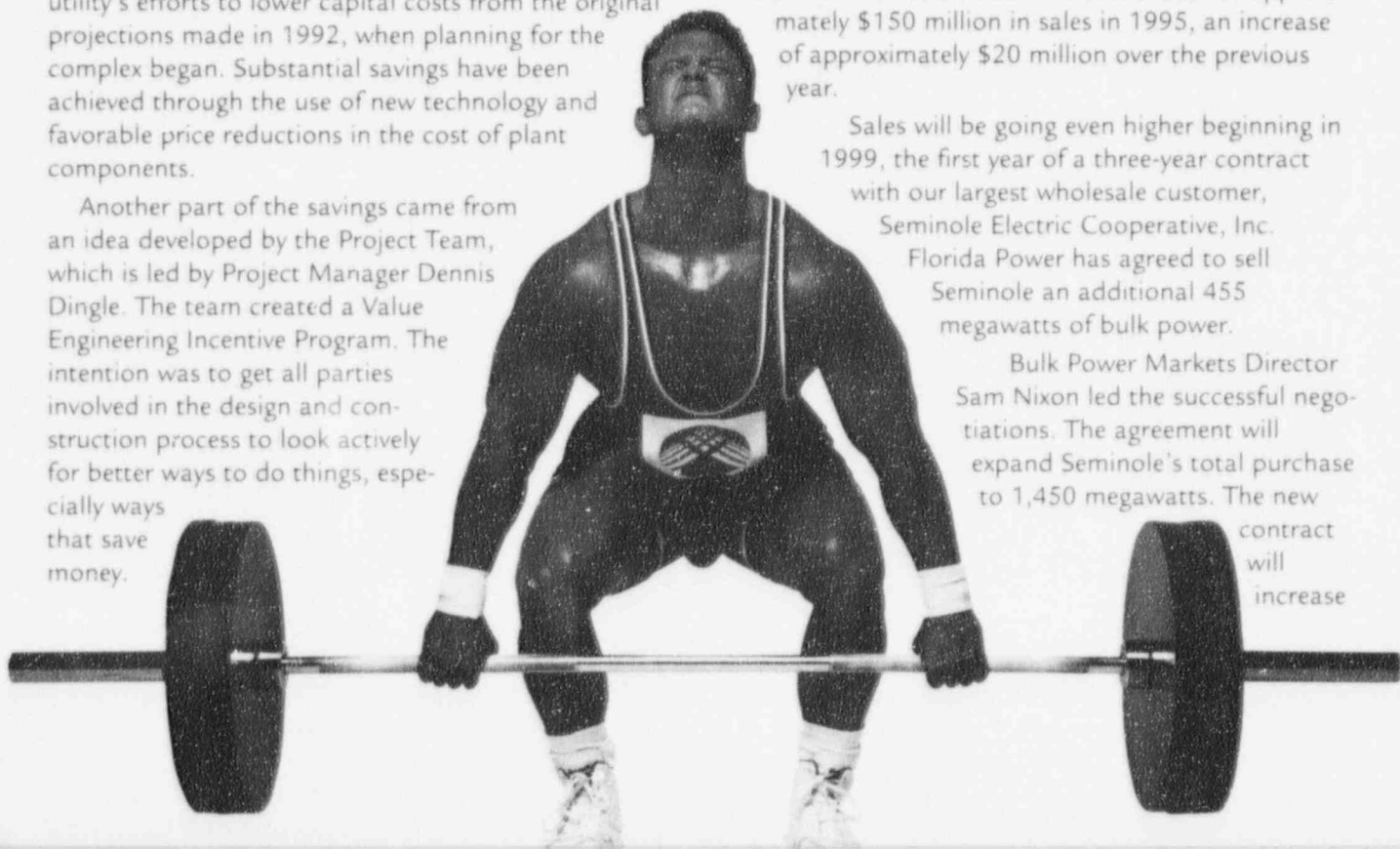
The first phase of the project calls for construction of two combustion turbines, one steam turbine and two heat-recovery steam generators. This block of natural gas-fired generators will be capable of generating 470 megawatts of power. Additional power blocks could be added if needed. The site has a build-out capacity of 3,000 megawatts. The new Polk County unit, which is scheduled to be in commercial operation in late 1998, will be the most efficient unit on the Florida Power system.

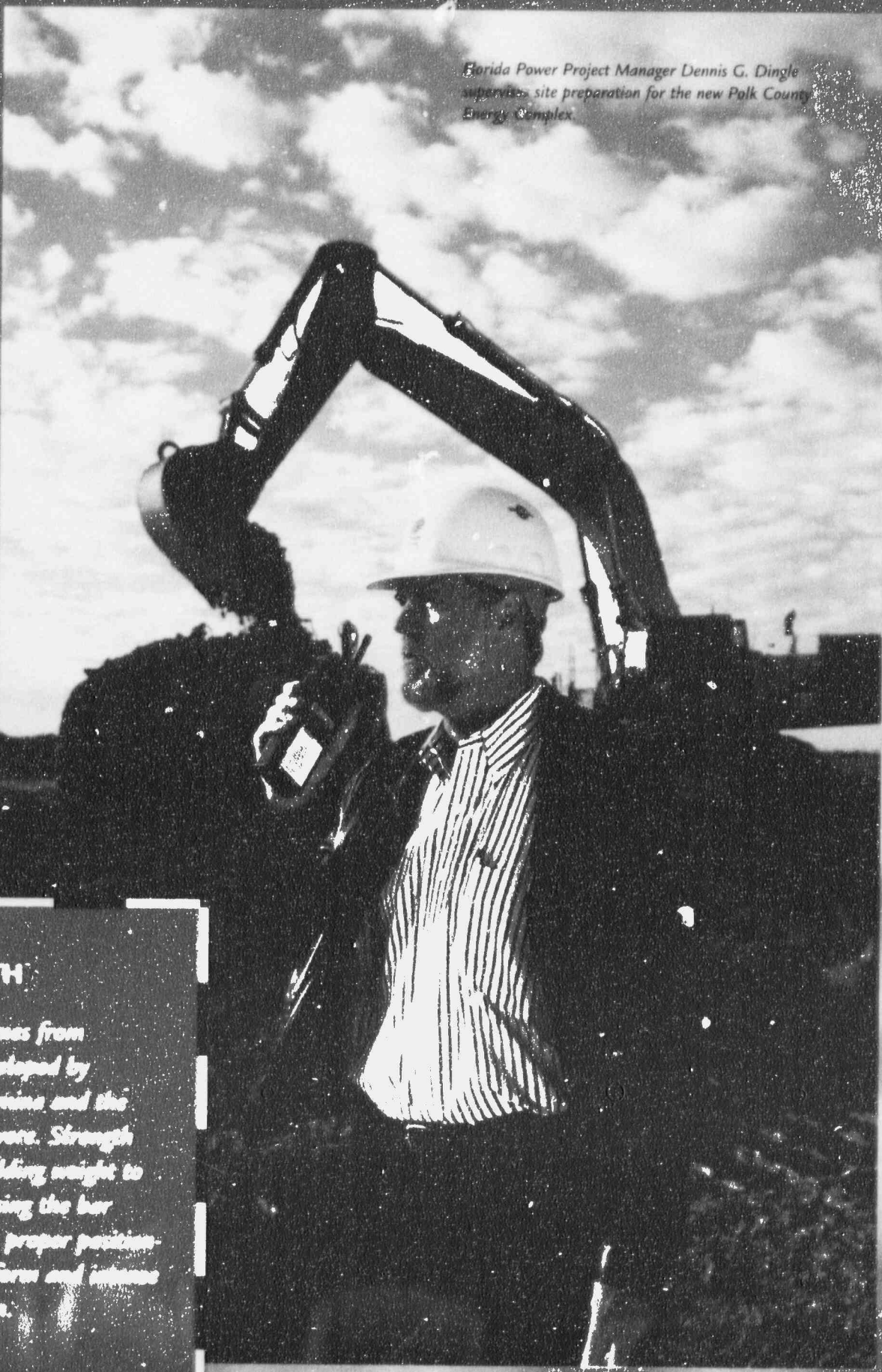
LIFTING WHOLESALE POWER SALES TO A NEW LEVEL

Florida Power's wholesale business produces about 7 percent of the company's annual operating revenue. Our 16 wholesale customers accounted for approximately \$150 million in sales in 1995, an increase of approximately \$20 million over the previous year.

Sales will be going even higher beginning in 1999, the first year of a three-year contract with our largest wholesale customer, Seminole Electric Cooperative, Inc. Florida Power has agreed to sell Seminole an additional 455 megawatts of bulk power.

Bulk Power Markets Director Sam Nixon led the successful negotiations. The agreement will expand Seminole's total purchase to 1,450 megawatts. The new contract will increase

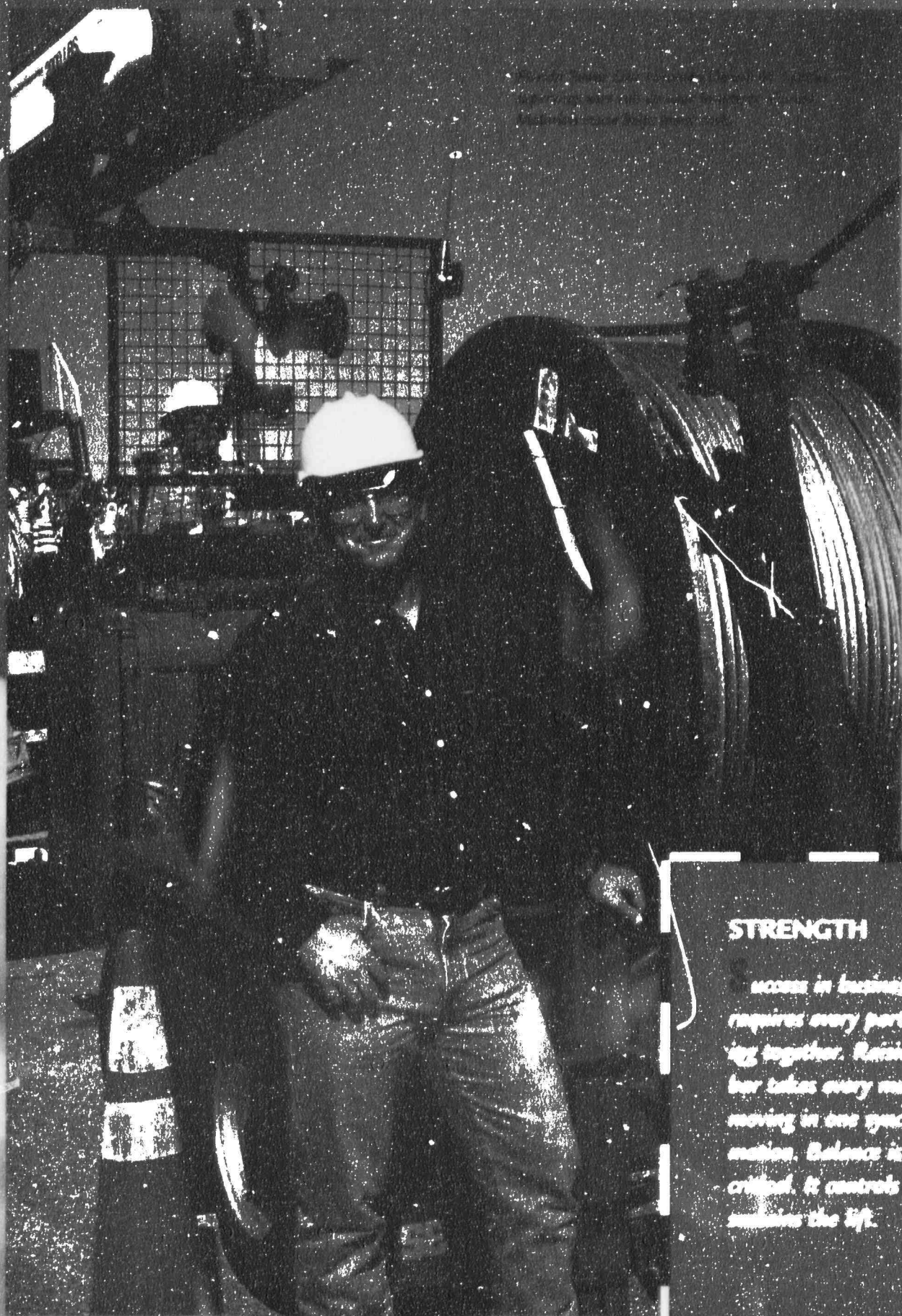




*Florida Power Project Manager Dennis G. Dingle
supervises site preparation for the new Polk County
Energy Complex.*

STRENGTH

Success comes from strength developed by tenacity, stamina and the will to persevere. Strength is built by adding weight to the bar. Raising the bar takes power, proper positioning, correct form and intense concentration.



STRENGTH

Success in business requires every part working together. Raising the bar takes every muscle moving in one synchronous motion. Balance is critical. It controls and sustains the lift.

Florida Power's wholesale revenues by more than 40 percent when it goes into effect. The wholesale part of our business is expected to increase to an 8 percent share in 1999 because of the sale.

STRETCHING THE LIMITS ON REUSE OF MATERIALS

Successful athletes know how to get the most out of every ounce of energy expended. Recently, a team of Florida Power employees put their muscle to work by devising new ways to reuse old materials. One area that seemed especially promising involved the reuse of wire.

The team felt that it would be possible to reuse aluminum wire taken down in highway-widening projects if the wire was in good condition and if it could be removed in usable lengths.

To test the feasibility of the idea, a group of employees in the North Florida Region developed procedures to roll up the old wire as it was being removed from the poles. Some of the wire is placed back into inventory for reuse. In other cases, the team determined that it would be more beneficial to move the old wire directly onto the new poles.

When these techniques become employed on a system-wide basis, the company will realize a substantial reduction in material costs.

EXCELLENCE IN ADVERSITY

It's easy to perform well when conditions are at their best. Unfortunately, conditions are not always favorable. Great performers

always seem to be able to rise above adversity and perform well, no matter what the conditions.

Florida Power crews had ample opportunity to demonstrate their ability to rise above adversity in



Nineteen ninety-five was a very active year for hurricanes and tropical storms.

1995. The year was one of the busiest in many years in terms of tropical storms and hurricanes. The Florida Power service area was hit by three major storms during the year: Allison in June, Erin in August and Opal in October.

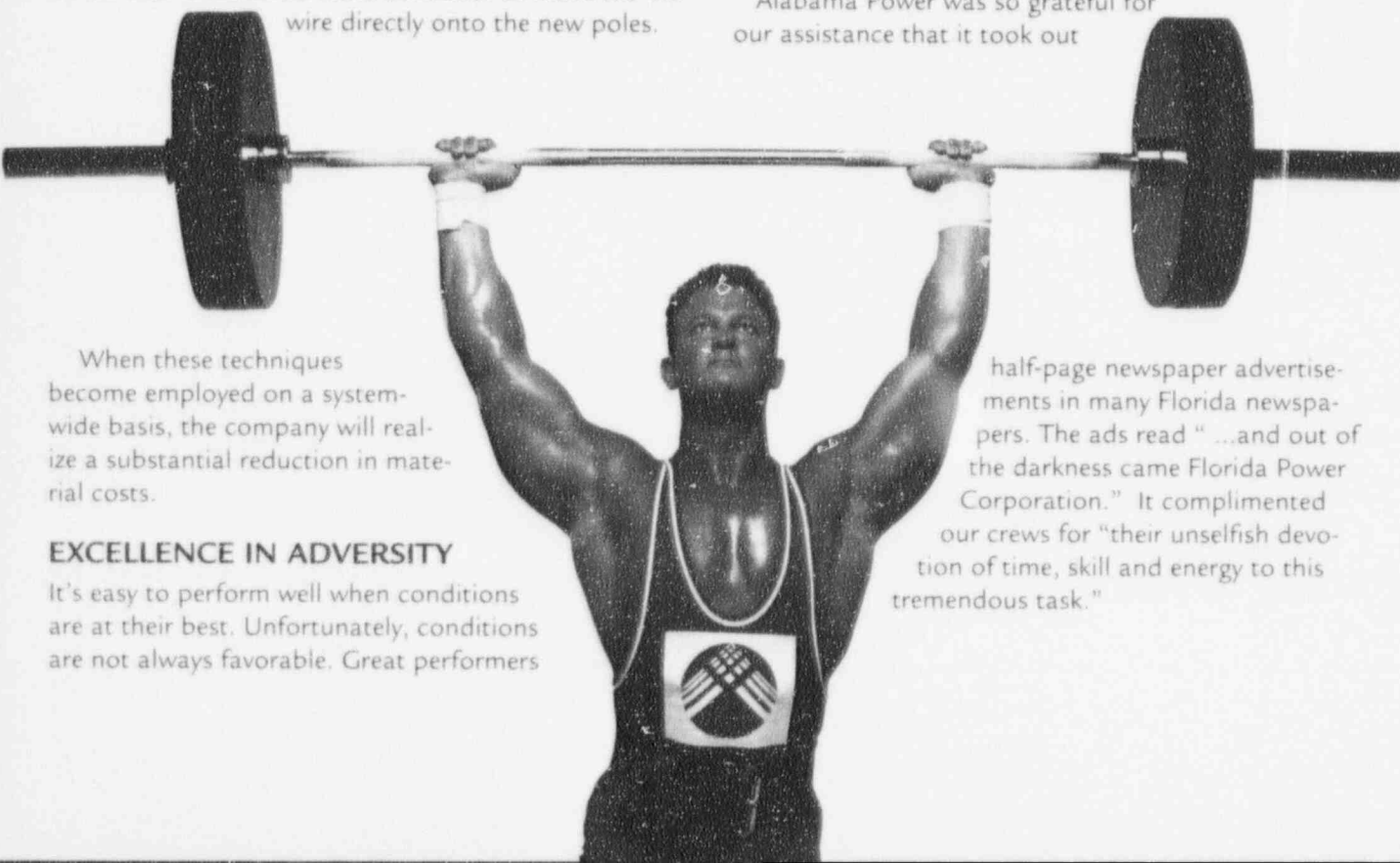
Florida Power suffered the worst damage from Hurricane Erin. Three hundred twenty-five thousand customers were without service at some point following the storm. Much of the damage was caused by

downed trees. Damage to Florida Power from Erin was estimated at \$3.7 million.

Hurricane Opal was much more destructive, but most of the devastation was in the Panhandle, west of the Florida Power service area. This gave Florida Power crews an opportunity to help other Gulf Coast utilities, including Gulf Power Company and Alabama Power Company.

Alabama Power was so grateful for our assistance that it took out

half-page newspaper advertisements in many Florida newspapers. The ads read " ...and out of the darkness came Florida Power Corporation." It complimented our crews for "their unselfish devotion of time, skill and energy to this tremendous task."



NUCLEAR UNIT TAKES A GIGANTIC LEAP IN EFFICIENCY

In many sports, the great performers improve as they gain wisdom and experience.

Florida Power's Crystal River Nuclear Plant is in this category. The unit, which began service in 1977, achieved a capacity factor of 100 percent in 1995.

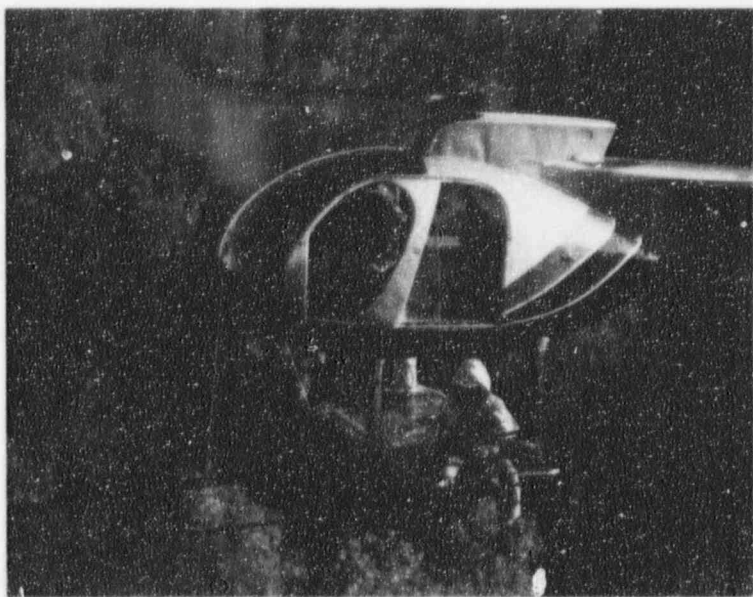
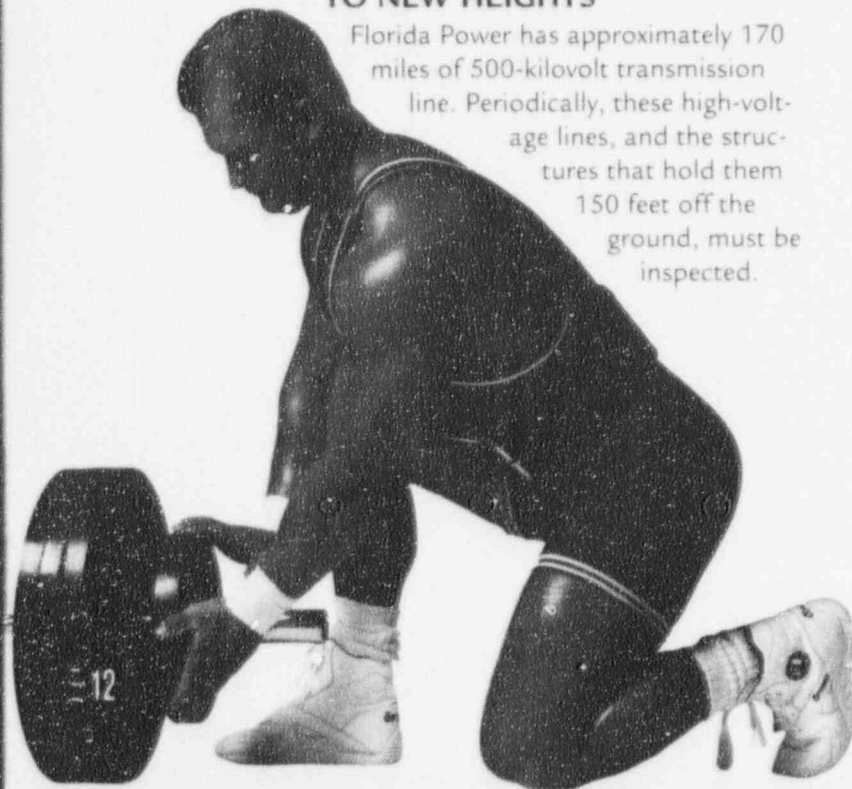
The plant staff worked hard to raise the performance bar this year. Their decision to perform more maintenance activities while the plant was operating eliminated the need for periodic maintenance outages that previously kept the plant out of service for up to 50 days during its normal 24-month operating cycle. Improved planning and training have made on-line maintenance a very safe and cost-efficient alternative.

There are many other examples of how innovation is helping to improve plant performance. One involves verification that all materials used in nuclear safety-related applications meet very exacting quality standards. Staff Nuclear Engineer Michael Clary oversees the testing process using sophisticated equipment like a scanning electron microscope, an X-ray fluorescent spectrometer and a four-channel oscilloscope.

Much of this equipment is now doing double duty. It is being used to perform failure analysis. Clary says both activities previously had been sent to off-site testing labs, or consultants were brought to the plant. Bringing these activities in-house has resulted in lower costs and reduced time in waiting for critical results.

TAKING TRANSMISSION MAINTENANCE TO NEW HEIGHTS

Florida Power has approximately 170 miles of 500-kilovolt transmission line. Periodically, these high-voltage lines, and the structures that hold them 150 feet off the ground, must be inspected.



Helicopters make fast work of transmission line repairs, resulting in a major savings of time and money.

Using conventional transmission bucket trucks, it takes about eight and a half months to completely inspect the transmission system and make any repairs.

This year, the job was done in three and a half weeks with the aid of a helicopter. Transmission Maintenance Project Engineer Thomas Harrison says the company was looking for the fastest, most cost-effective method to get the job done. This led him to a company that specializes in aerial inspection of power lines.

A three-person inspection crew does the work. The pilot brings the small observation helicopter to within a few feet of a transmission tower. A spotter, using gyro-stabilized binoculars, visually inspects the structure and describes any problems through the headset in his helmet. The spotter's findings are entered immediately into a computer operated by the third member of the crew.

Harrison says time is not the only savings. This innovative practice has allowed the company to reduce the cost of transmission tower inspection and repairs by more than 60 percent.

GETTING THE JUMP ON RENEWING A FRANCHISE AGREEMENT

On December 7, 1995, the city of Clearwater signed a new 30-year franchise agreement with Florida Power. Clearwater, the second largest city in the company's service area, accounts for approximately 5 percent of Florida Power's total annual revenue. Renewal of the franchise, which was set to expire in the summer of 1996, was clearly a top priority for us.



Florida Power Vice President Janice B. Case, right, and The Honorable Rita Garvey, Mayor of Clearwater, discuss terms of the recently renewed 30-year franchise between the city and Florida Power.

STRENGTH

Being strong means steadily increasing the weight. The motivation may be an internal desire to become stronger or an external challenge. Whatever the motivation, a positive response yields positive results.

12



Florida Power Customer Service Administration
Manager Brian A. Burek oversees operations of the
Customer Service Center in Winter Park, Florida.

FLEXIBILITY

Success requires flexibility. The business environment is constantly changing and successful companies are flexible enough to change with it. They have a clear vision and the will and ability to take advantage of what they see.

Florida Power Suncoast Region Vice President Janice Case led the successful effort to retain the franchise by demonstrating to city officials that the residents of their community would be best served by continuing to receive electric service from Florida Power.

Our low commercial and industrial rates were another strong factor in the city's decision. Competitive rates are of utmost importance in promoting the economic development of a community. The company's proven track record of providing reliable service also played a major role in renewal of the agreement.

Competitive rates and reliable service will continue to be major components in the decision-making process of renewing franchise agreements. On both counts, we are confident that Florida Power will continue to be the undisputed provider of choice and that we will see our existing franchises renewed.

RAISING THE BAR ON CUSTOMER SERVICE CAPABILITY

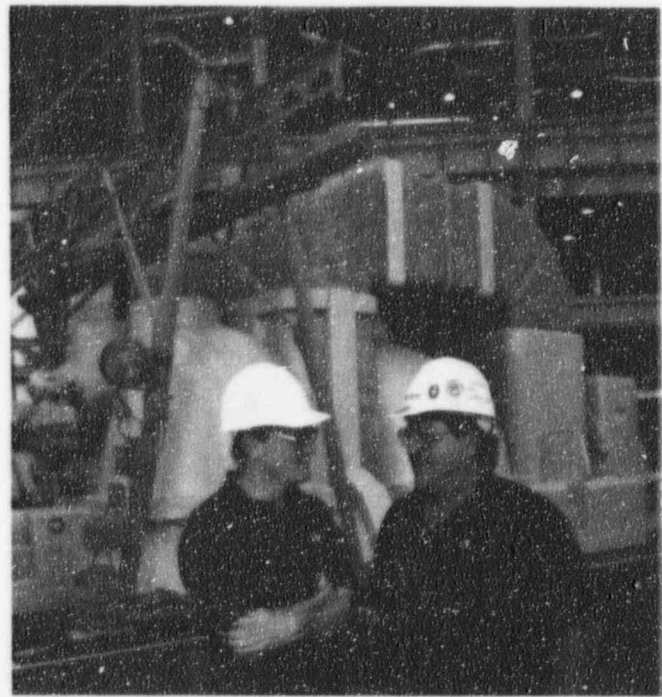
On March 17, 1995, Florida Power took a quantum leap in customer service. On that day, it put its new Customer Service System into operation.

The computer-operated system, which took nearly three years to develop, is the most advanced of its kind in the country. Conversion to the new system was a massive undertaking. As expected, there were startup problems that resulted in some declines in service levels. Employees in both the customer service and information technology areas rose to the challenge. Many worked nights and weekends until the worst of the problems were resolved.

The new system allows customer service representatives to do a more thorough job of serving Florida Power's 1.2 million customers. One of its most innovative features is an application that allows representatives anywhere in the state to electronically assign, schedule and dispatch work to the specific employee work group designated to serve that customer.

The system also allows for most work to be done on a real time basis which means that it is no longer necessary to wait for the computer to process transactions overnight.

The new system was developed in partnership with Andersen Consulting.



Florida Power engineers Robert W. Phillips, left, and Richard F. Bryer, right, discuss plans for a turbine outage at the Florida Crushed Stone cogeneration plant near Brooksville, Florida.

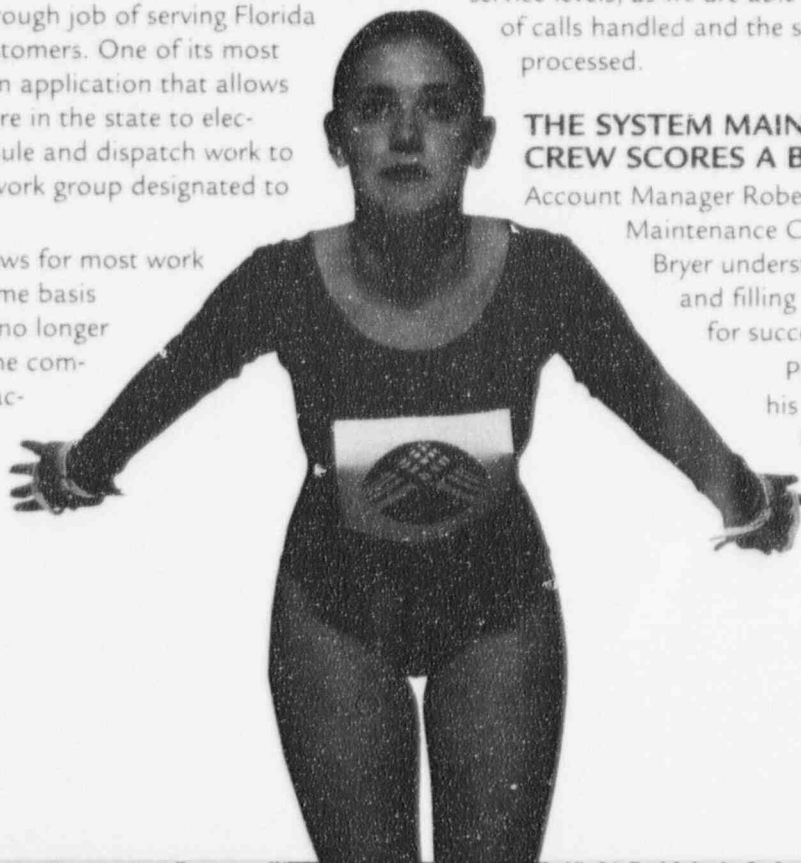
Dozens of utilities have expressed interest in using this system, and several major utilities have purchased it.


The system has allowed for some innovative organizational changes. In late 1995, it was announced that the company's four Customer Service Centers would be consolidated into two large centers linked by the computer and phone system. One center will be located in Winter Park, the other in Clearwater. Linking the centers will allow us to make significant improvements in service levels, as we are able to increase the volume of calls handled and the speed in which they are processed.

THE SYSTEM MAINTENANCE CREW SCORES A BIG WIN

Account Manager Robert Phillips and Outage Maintenance Coordinator Richard Bryer understand that finding a need and filling it can be a sure formula for success.

Phillips found that one of his industrial customers, Florida Crushed Stone, owner of a large lime-rock mine and cement-processing operation near Brooksville, Florida, had a special need.





Florida Power Senior Account Specialist Robert A. Goffey discusses energy conservation recommendations with Sandra Leones, Principal of Plumb Elementary School in Clearwater.

FLEXIBILITY

Flexibility comes from conditioning and practice. Companies that want to succeed must train and condition themselves to successfully execute complex, high-speed moves while maintaining perfect control and form.

Every few years, the 133-megawatt power plant at the site must be shut down for a turbine overhaul. Phillips learned that his customer was not satisfied with the work that had been done by its regular outage contractor. He contacted Bryer, who coordinates fossil power plant outages for Florida Power, to see if the company's System Maintenance Crew, which specializes in turbine overhauls, would be interested in bidding on the project. Bryer was, and the crew ultimately won the contract.

Bryer says this is a great opportunity to provide a value-added service to a key customer. It also helps the company provide more steady employment for many of the contract laborers who make up the bulk of the crew. Recent plant retirements have meant less work and a higher likelihood that these skilled workers would be recruited to work in other parts of the country.

The outage is scheduled to be conducted over four weeks in March 1996. Bryer says the crew is definitely interested in doing additional contract work when it does not conflict with the company's power plant outage schedule.

GAINING NEW STRENGTH IN CUSTOMER RELATIONS

In 1995, Florida Power gained a winning edge by moving closer to some key customers.

In May, Florida Power employee Robert Godfrey became the Energy Manager for the Pinellas County school system. The move was more than an act of good corporate citizenship. It reflects how important the school system is to us. With 128 schools and a number of administrative facilities, the Pinellas school system is our largest single customer in Pinellas County.

Prior to assuming the post as part of a one-year pilot project, Godfrey, a 25-year veteran of the company, was an energy services specialist. His full-time assignment, before assuming his new duties, was to work with the schools. Godfrey says he thought he thoroughly understood the needs of the school system but admits, since assuming the position full time, he has gained a totally new perspective on the school system's needs.

Since taking over the position, Godfrey helped form a regional committee of school system energy managers. He also helped form an energy committee made up of representatives from the entire Pinellas County school system.

DIVERSIFIED OPERATIONS

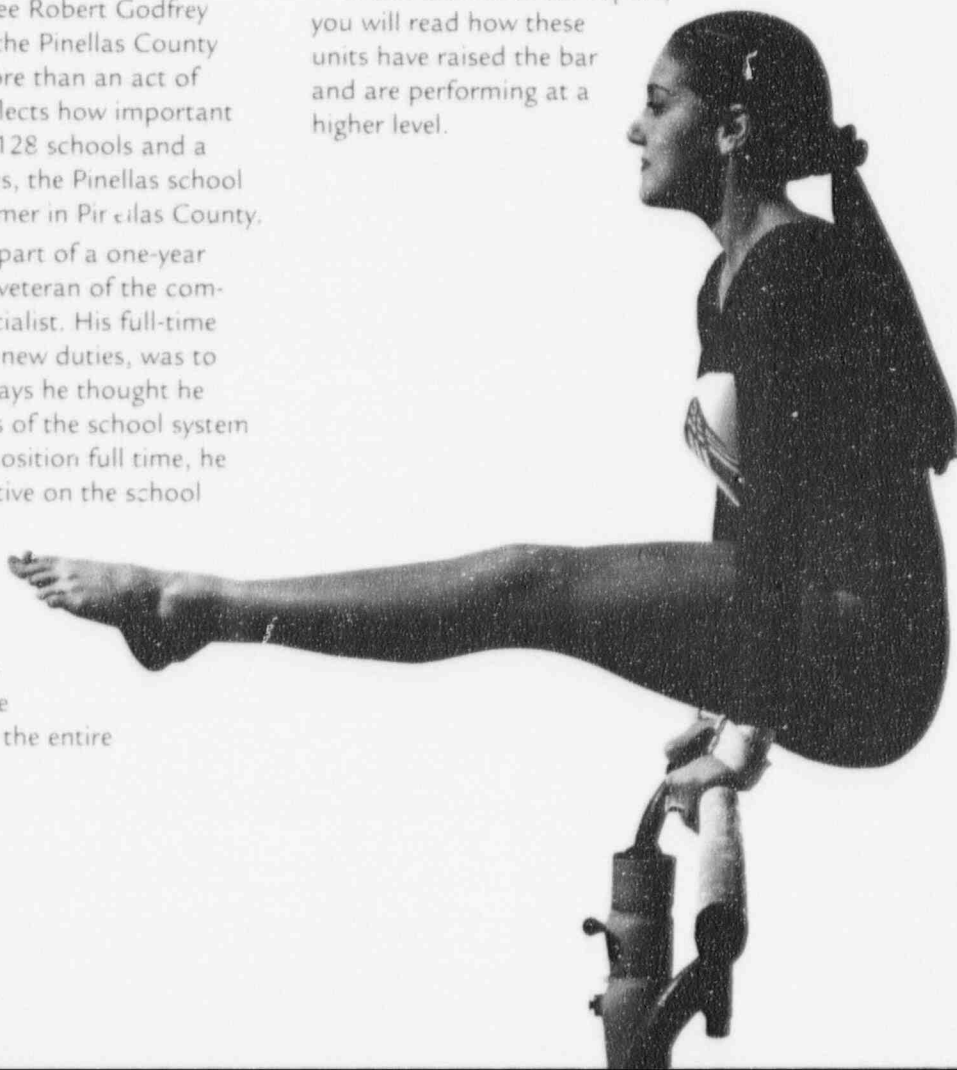
The nonutility activities of Florida Progress continue to play an important role in the company's future. The competitive bar is set very high for these companies. Their success is measured not only against the competition in their respective markets, but also in terms of their strategic fit and their ability to enhance consolidated returns and to exceed the earnings growth rate of the regulated utility.

Electric Fuels has demonstrated success in all three areas. Its diversified activities include the mining and procurement of coal, rail services and marine transportation.

A deeply depressed national coal market kept the coal business unit from making significant contributions to earnings in 1995. A Total Quality Management program will be instituted throughout the mining operations in 1996. Operational changes and cost reductions resulting from the program, as well as product quality enhancements, are expected to result in improved production and earnings.

The rail services and marine transportation units of the company were outstanding performers in 1995. Both units added substantial value to shareholders and have allowed the company to position itself for significant growth in the years ahead.

In this section of the report, you will read how these units have raised the bar and are performing at a higher level.



RAIL SERVICES BUILDS MUSCLE

Billy Ainsworth believes there is always room for improvement, and his customers love it. That's because he and the approximately 1,500 employees he leads as President of Progress Rail Services in Albertville, Alabama, are continually seeking new and better ways to meet their customers' needs.

Progress Rail was formed in 1993 when Electric Fuels acquired the assets of Steel Processing Services, the company Ainsworth founded 10 years earlier. The acquisition and merger with Electric Fuels' existing railcar repair and parts reconditioning business more than doubled the size of the company and made it the largest integrated processor and supplier of railroad materials in the country. It also gave the company the financial and operational muscle to greatly expand the scope of its operation.

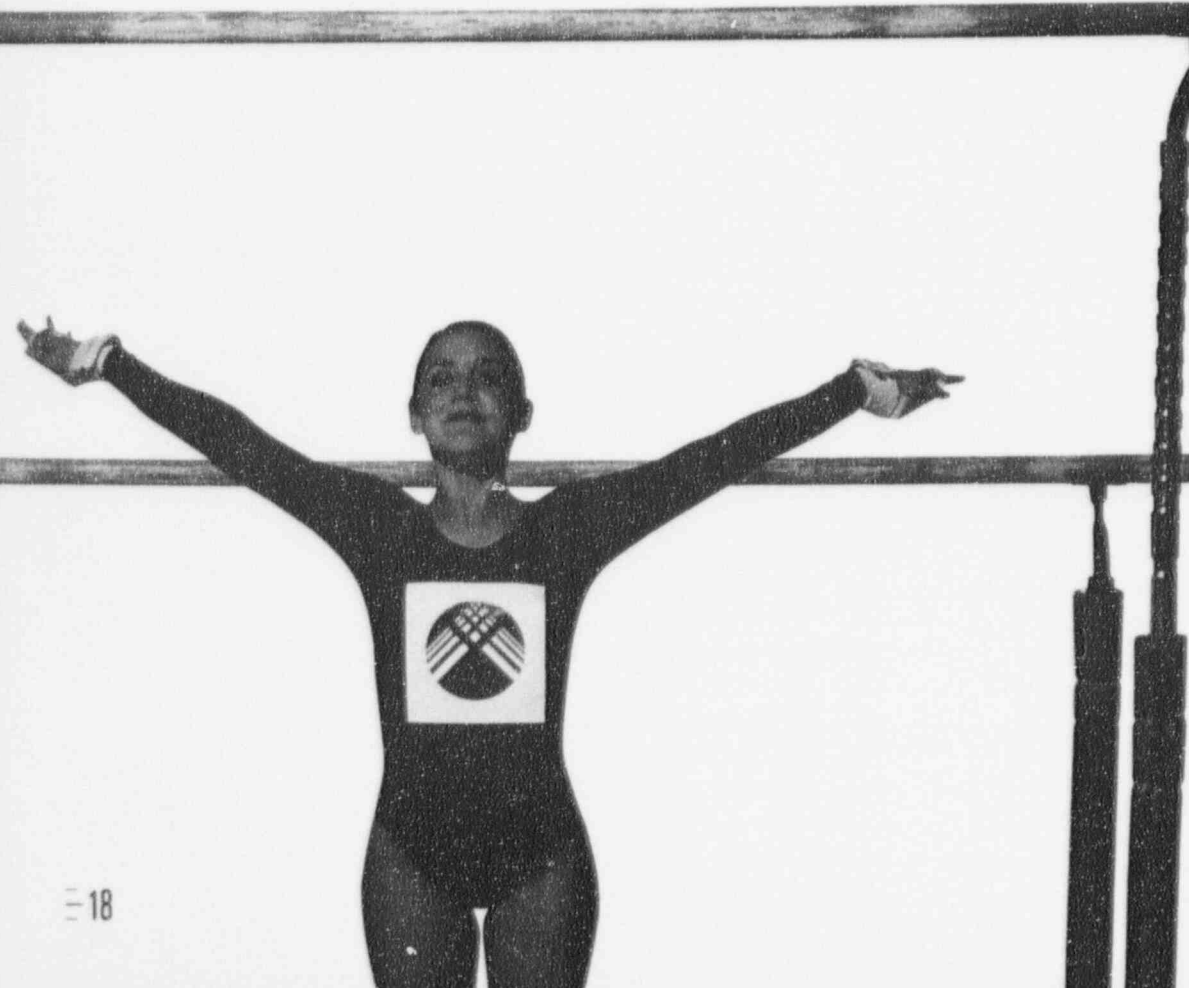
Ainsworth attributes the company's success to the hard work of its employees, their ability to work as a team and an intense focus on the customer. "If we don't take care of our customers, someone else will," says Ainsworth.

An extremely important attribute of the business involves delivering a high-quality product on a timely basis. A critical factor in customer satisfaction is the speed of service. Progress Rail has built a solid reputation for on-time delivery, minimum delays, comprehensive services and the largest in-stock inventories in the country.

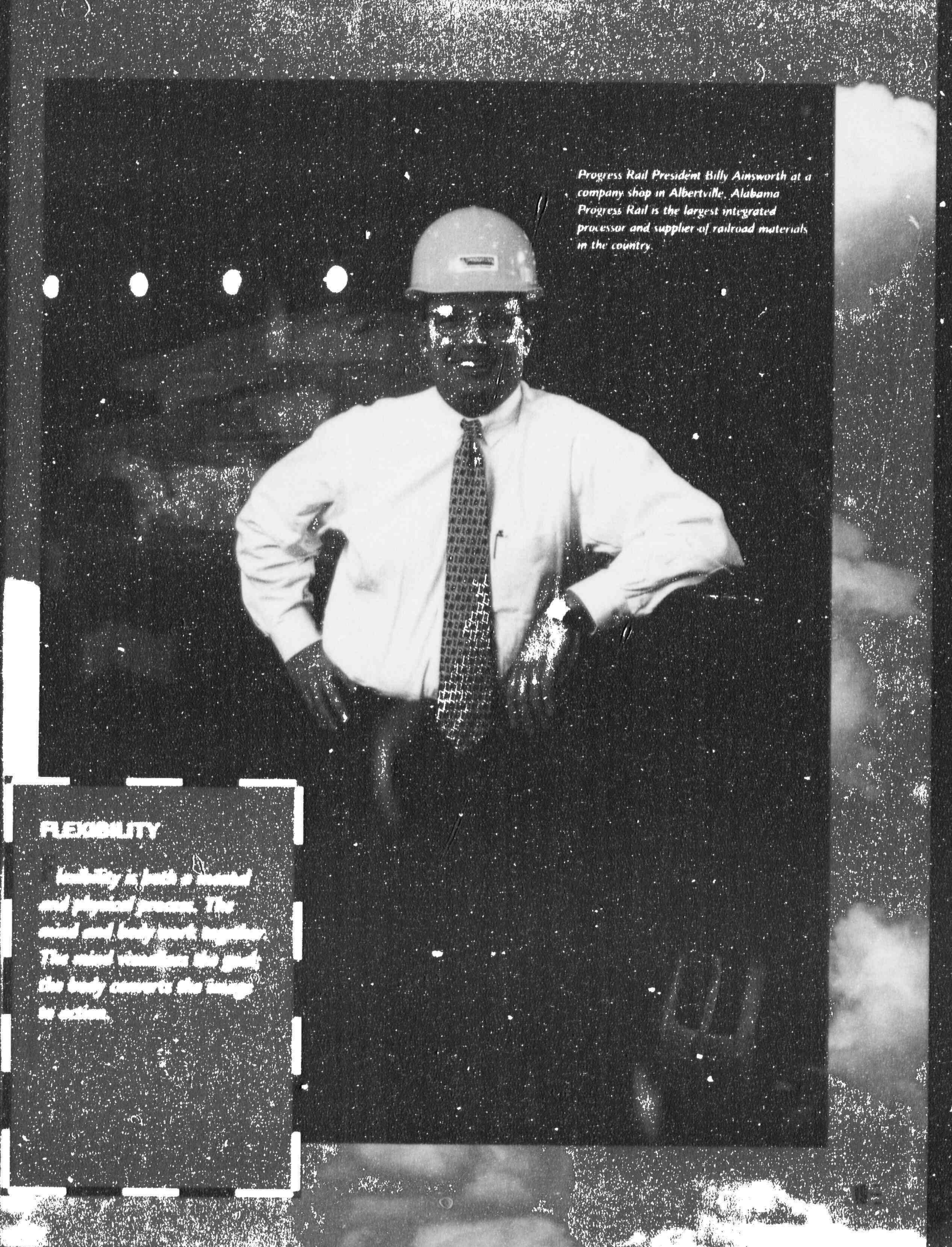
"We never take our customers for granted, and we never become complacent with the way things are, no matter how good they may seem. We are always looking for better ways to serve our customers and lower our costs," Ainsworth adds.

Ainsworth says the company is not hesitant to take advantage of new opportunities. "When we see an opportunity that fits our business plan, we go for it. If it meets our objectives, we will find a way to make it happen." An example of this can be seen in the way Progress Rail helped a number of its major customers avoid lengthy delays in the delivery of certain trackwork products. Suppliers were not able to keep up with demand. Sensing an opportunity, Progress Rail recently constructed a large trackwork plant to capture a share of this market.

Progress Rail provides a growing number of specialized services to its customers. FM Industries, a Progress Rail subsidiary, is recognized nationally as a specialist in the manufacture of hydraulic cushioning units for railroad freight cars. A new rail pickup unit, specifically designed and built for Progress Rail, allows the company to offer a highly specialized service that was available previously on a very limited basis. Shortline and regional railroads, and a number of Class 1 railroads without such a unit, can now rent this unit along with a trained and qualified operator to remove existing rail in a highly automated and efficient manner. This allows the railroad to restore its line to service in a more timely manner.



Other examples of the company's "can do" spirit involve a series of strategic acquisitions in the western United States. In December 1995, Progress Rail purchased the assets of the Glover Group, a railcar repair company based in Sidney, Nebraska. The assets included maintenance and repair facilities in Sidney and Northport, Nebraska. Progress Rail also purchased a 15-mile shortline railroad that serves the Sidney facility and industrial shippers that use the Burlington



Progress Rail President Billy Ainsworth at a company shop in Albertville, Alabama. Progress Rail is the largest integrated processor and supplier of railroad materials in the country.

FLEXIBILITY

Flexibility is both a mental and physical process. The mind and body work together. The mind visualizes the goal, the body converts the image to action.

Northern and Union Pacific railroads. Earlier in the year, Progress Rail also purchased the assets of a railcar repair facility in Pueblo, Colorado, and railcar wheel shops in Pueblo and Sidney. These acquisitions enhance Progress Rail's ability to serve new customers in that part of the country.

BARGING IN ON SUCCESS

Electric Fuels' subsidiary, Marine Equipment Management Corporation (MEMCO), is steering a course toward continued success in river transportation. The St. Louis-based company is the principal component of the inland marine strategic business unit. The company has a fleet of approximately 600 hopper barges and 21 towboats that move coal, grain and other dry-bulk commodities on the country's inland waterway system.

The company's fleet is modern and efficient. The average age of its vessels is seven years, less than one half the industry average. Investments in modern, high-quality equipment have made the company a premier carrier.

The company operates five dry docks at its main barge and boat repair facility at Harvey, Louisiana. It also has three additional dry docks and other repair equipment at strategic locations on the Mississippi River in and around New Orleans. These operations repair MEMCO boats and barges and also service unaffiliated marine customers.

MEMCO's strategic plan is focused on increasing the size of its barge fleet in an orderly fashion. The company is committed to obtaining new equipment designed to meet the specific needs of its customers. By entering into long-term contracts with high-quality companies in different industries, MEMCO will have a stable and growing income stream that will provide an attractive return on existing assets, as well as the new barges the company plans to add in the future.

MEMCO acquired six additional inland towboats in late 1995. This increased the size of the company-owned line-haul boat fleet by 40 percent. The addition has enabled MEMCO to increase the number of trips, which improves its barge utilization.

The company's new barge equipment allows loading to a deeper draft than standard river barges. In 1996, MEMCO instituted a program to work with its customers in the loading of barges in order to get the maximum safe



A MEMCO towboat pushes a full load of coal down the Ohio River at Cincinnati.

load the river will allow. This helps squeeze extra revenue from each load with little, if any, incremental operating cost. The program is an example of how MEMCO is helping to increase profitability and return to the shareholders without the need for additional capital.

RAISING THE BAR

Bars represent barriers, set limits and establish boundaries. But, they also represent goals and objectives, and give us a sense of purpose and direction. They can represent challenges that we rise to meet. The Florida Progress companies and employees take the latter view. Their performance in 1995 exemplifies the positive things that can happen when the bar is raised.

The next section of the annual report is called Management's Discussion and Analysis. It will provide you with a review of important operating highlights from 1995 and discuss how management is preparing to meet the competitive future. It includes answers to important questions posed to some of our executive officers.

MANAGEMENT'S DISCUSSION & ANALYSIS

OPERATING RESULTS

Florida Progress' 1995 consolidated earnings were \$238.9 million, compared with \$212 million in 1994 and \$196.6 million in 1993. Florida Power earned \$217.3 million in 1995, compared with \$190.7 million in 1994 and \$181.5 million in 1993. Earnings from diversified operations were \$21.6 million in 1995, compared with \$21.3 million in 1994 and \$14.3 million in 1993.

EARNINGS PER SHARE

	1995	1994	1993
Florida Power Corporation	\$2.27	\$2.05	\$2.06
Electric Fuels Corporation	.25	.25	.17
Mid-Continent Life Insurance Co.	.07	.08	.10
Progress Credit Corporation	(.05)	(.05)	(.06)
Corporate and other	(.04)	(.05)	(.05)
Diversified	.23	.23	.16
Income before accounting change	2.50	2.28	2.22
Change in accounting	-	-	.01
Consolidated	\$2.50	\$2.28	\$2.23

Florida Power's results improved in 1995 and 1994, mainly due to increased energy sales from customer growth, higher average customer usage and a stronger economy. Also contributing to the higher earnings were savings realized from the utility's cost-control initiatives.

Beginning in late 1993, Florida Power started streamlining its operations to lower its costs and improve efficiencies. As a result, the utility's work force has been reduced by about 1,100 employees, or 20 percent, since year-end 1993. Restructuring costs lowered annual earnings by \$11.5 million, or \$.12 a share, in 1994 and by \$3.4 million, or \$.04 a share, in 1993.

In 1994, subsidiaries of Florida Power withdrew as equity partners from a proposed natural gas pipeline project. The write-off of the investments lowered Florida Power's 1994 net earnings by \$3.9 million, or \$.04 per share.

In 1995, Florida Power began amortizing \$23.9 million of accumulated costs for the canceled Lake Tarpon-Kathleen transmission line. (See Utility Regulatory Matters.) The costs, which are being amortized over four years, totaled \$6.9 million in 1995.

The financial return on the utility's common equity was 12.7 percent in 1995, compared with 11.9 percent in 1994 and 12.1 percent in 1993. Increases in retail energy sales and ongoing cost-cutting initiatives allowed Florida Power to improve its return on equity in 1995.

Excluding results from real estate, and lending and leasing operations — businesses from which Florida Progress is withdrawing — diversified returns on equity were 10.9 percent in 1995, 11.5 percent in 1994 and 10.1 percent in 1993.

FLORIDA POWER CORPORATION

Utility Competition

As the electric utility industry moves toward increasing competition, Florida Power is well-positioned today. The utility has competitive electric rates, a manageable construction program, strong growth potential, reasonable state regulation and financial strength. The challenge for Florida Power will be to remain proactive in dealing with the changes and taking advantage of new opportunities.

The most sweeping changes in 1995 were taken by federal regulators on behalf of wholesale customers. The Federal Energy Regulatory Commission proposed changes in its rules for transmission service. The commission's actions are aimed at facilitating a competitive wholesale power market.

The proposed rules will give greater flexibility and more choices to wholesale power customers. Florida Power intends to compete for wholesale business when it can earn a reasonable return. In 1995, Florida Power entered into a three-year agreement to provide an additional 455 megawatts of power to its largest wholesale customer, beginning in 1999. This contract will increase annual wholesale revenues by more than 40 percent and is projected to expand this business segment to about 8 percent of total sales in 1999.

A major portion of Florida Power's business is covered under terms of franchise agreements with municipalities and counties. In December, the city of Clearwater renewed its franchise agreement for another 30 years. Revenues covered by this agreement account for about 5 percent of Florida Power's business. Florida Power believes its quality service and competitive rates will be important factors to other franchisees when their agreements come up for renewal. No franchise agreements representing significant revenues are due to expire for the next five years.

Florida Power's existing generating units are efficient and cost effective, making the plants well-positioned for competition. Florida Power has received regulatory approval to build a new generating complex in Polk County. This new facility is expected to provide the utility with lower cost generation than what other energy suppliers in Florida have paid to build new generation recently.

Some third parties would like to begin using utility transmission systems to wheel power to large retail cus-



Allen J. Keesler, Jr.
President and Chief Executive Officer,
Florida Power Corporation

Q: What are Florida Power's priorities for getting ready for a more competitive market?

A: Florida Power is operating from a position of strength, but must continue controlling costs to be prepared for competition. Since 1993, we have reduced our work force about 20 percent. Strict control over expenses will enable the company to allocate more funds to key strategic areas like customer service, marketing and improving our competitive position in power-generation. Lowering our operating and capital spending allows us to avoid the need for a base rate increase.

While controlling costs is important, we are also focused on strategies to expand the business. The state of Florida has a fast-growing population. Our annual customer growth rate is projected to be nearly twice the national average for electric utilities. We plan to focus on the business opportunities in Florida in marketing and selling services to our growing customer base.

Q: What effect will your decision to retire have on the direction of Florida Power?

A: I believe the company will continue in the positive direction it has been moving for the past several years. I am certain the new leadership team will continue the process of building a stronger organization that is capable of meeting the challenges that are ahead. Joe Richardson is an excellent choice to succeed me as President. He brings 20 years of experience in both the utility and diversified operations of the company. I feel he is the right person to lead our company into its second century. Dick Korpan will make the transition in leadership smooth as he assumes the position of CEO while Joe establishes himself in his new position.

When I retire on April 1, after 33 years of service, I will leave confident that the new leadership team will do an outstanding job of running the company. The past several years have been very challenging for us. We have gone through a period of major restructuring and cost reduction. As difficult as it was, I believe the company is in an excellent position to take advantage of the opportunities that will come from increased competition.

tomers. Several states are evaluating retail wheeling as a way to provide a choice of electricity suppliers to large customers, in order to promote increased services and lower energy prices. Because Florida utilities already provide competitive electric rates, we believe there is less incentive for change in this state. Furthermore, Florida Power's industrial and commercial rates are already among the lowest in Florida. The utility also has a relatively small number of large customers in its service area.

As the electric utility industry becomes more competitive, Florida Power is committed to strengthening its position by reducing costs and improving efficiencies in producing and delivering power. Florida Power expects to earn its authorized return on equity while maintaining competitive prices and offering high-quality, reliable service.

Utility Regulatory Matters

In Florida Power's 1992 retail rate case, the Florida Public Service Commission authorized a 12-percent regulatory return on equity for the utility with an allowed range

between 11 and 13 percent. In 1995, Florida Power's retail regulatory return on equity was 12.5 percent.

State regulators approved Florida Power's request to change the utility's load management program, beginning in April 1995. The program is intended to defer the need to build additional generation by lowering peak demand of electricity. Recent improvements in technology have allowed electric utilities to build generation less expensively. Because of these changes, Florida Power redesigned its load management program. The utility reduced customer credits and introduced sales thresholds to reflect more accurately the value of each participant's contribution to the program. Overall, these program costs will be reduced about \$20 million annually.

In 1995, the state commission also approved Florida Power's petition for amortization of the accumulated costs for the canceled Lake Tarpon-Kathleen transmission line. Due to numerous legal and regulatory delays, the total projected costs for the line had increased to more than \$85 million, up from the initial estimate of \$30 million. Florida Power is implementing a more cost-effective alternative to enhance system reliability.

The commission approved a new site-specific decommissioning study for the Crystal River Nuclear Plant that increased Florida Power's retail portion of total annual decommissioning expense to \$20.5 million per year, effective January 1995. Florida Power increased its wholesale portion in a comparable manner to \$1.2 million per year. In both 1994 and 1993, decommissioning expense, as approved by state and federal regulators, totaled \$11.9 million. (See Note 4 to the Consolidated Financial Statements on page 38.)

Florida Power has the second-largest transmission network in Florida. Florida Power filed an open access transmission service tariff in 1995 that complies with the new rules for nondiscriminatory wholesale transmission service. The Federal Energy Regulatory Commission has accepted Florida Power's tariff, subject to the final rules that are expected to be adopted by federal regulators in 1996. (See Note 10 on page 42.)

As a result of settlement agreements approved by the commission, Florida Power recognized increases in wholesale revenues of \$9.5 million in 1995 and \$8.2 million in 1994, compared with the preceding year. (See Note 10 on page 42.)

Utility Revenues and Sales

Florida Power's operating revenues were \$2.3 billion in 1995, compared with \$2.1 billion in 1994 and \$2 billion in 1993. Revenues rose in 1995 and 1994, primarily because of increased retail kilowatt-hour sales from customer growth, increased average usage and a stronger economy during both years.

The utility's retail kilowatt-hour sales increased by 7.8 percent in 1995 and by 3.1 percent in 1994. Customer growth was 2.2 percent in 1995 and 2.4 percent in 1994. Florida Power's annual customer growth rate continues to be about twice the national average in the electric utility industry.

At the request of the Florida Public Service Commission, Florida Power implemented a revenue decoupling plan for residential customers in 1995. Revenue decoupling is a ratemaking concept that eliminates the direct link between kilowatt-hour sales and revenues. The concept removes the disincentive for utilities to urge customers to conserve electricity. The commission ordered a three-year test for residential revenue decoupling, beginning in January 1995. Under the plan, abnormal weather variances will no longer impact earnings with respect to residential revenues. Since the utility's forecast is based on normalized weather, Florida Power does not expect residential revenue decoupling to have a material effect on results for the three-year test period. (See Note 1 on page 34.)

Fuel and Purchased Power

Florida Power recovers substantially all fuel and purchased power costs through fuel and capacity cost adjustment clauses established by state and federal regulators. Therefore, fluctuations in these costs have little impact year to year on net income, but are important from a competitive standpoint.

Fuel and purchased power costs increased by \$147.7 million in 1995 and \$66.5 million in 1994, compared



Joseph H. Richardson
Senior Vice President, Energy Distribution,
Florida Power Corporation

Q: What is the greatest challenge to Florida Power in the areas of customer service and marketing?

A: The greatest challenge is to develop new products and services to meet the needs of a more sophisticated and demanding customer, while at the same time managing costs to remain competitive.

We believe there are opportunities in two-way communication with customers. Advancements in technology will make it possible to provide instantaneous service to customers in areas such as reconnection and disconnection, meter reading, outage detection and load management. The new technology will serve as a platform for even more sophisticated pricing services in the future that will give customers maximum flexibility and control over the use and cost of electricity.

For commercial and industrial customers, we will be enhancing existing services such as power quality and reliability. We will seek business alliances, where we find it to be strategically advantageous, and we will continue to work hard to retain our present customers.

We want to be an energy technology expert for our customers and to provide them with the highest levels of service, reliability and choice. We intend to be the clear provider of choice in Florida.

with each preceding year. The growth was primarily due to increased purchased power costs and higher system requirements.

Florida Power has long-term contracts to purchase 1,164 megawatts of power from cogenerators. At the end of 1995, nearly all of the facilities were in service.

The cost of cogeneration facilities raised Florida Power's system average cost for generation in 1995 and is anticipated to escalate faster than the utility's cost for its own power plants.

Florida Power projects that its retail rates will increase only about 1 percent annually over the next five years, despite escalating cogeneration costs. Management recognizes that it is important for the company to minimize all of its operating costs, including purchased power, to continue to offer competitive rates.

The cogeneration purchased power contracts employ separate pricing methodologies for capacity payments and energy payments. Three cogenerators are disputing the energy pricing methodology in separate lawsuits. (See Note 11 on page 43.)

Other Utility Expenses

Other utility operation and maintenance expenses decreased by \$38.9 million in 1995 and \$3.1 million in 1994, compared with the preceding years.

Recoverable energy conservation program costs decreased by \$20.4 million in 1995, compared with 1994, due to the previously mentioned changes in the utility's load management program. These changes had no significant impact on earnings because Florida Power recovers substantially all of these costs through a clause in electric rates similar to the fuel adjustment clause.

Excluding these recoverable energy conservation program costs, other utility operation and maintenance expenses decreased by \$18.5 million in 1995, compared with the previous year. These expenses also decreased by \$7.8 million in 1994, compared with 1993, even after recognizing the one-time costs for the voluntary early-retirement option and restructuring plan that totaled \$18.7 million in 1994. The lower operation and maintenance expenses resulted from the utility's companywide, cost-reduction efforts during the past several years.

Florida Power expects that other operation and maintenance costs, excluding conservation expenses, will decline in 1996 as part of the company's ongoing cost-cutting initiatives. Beyond 1996, the utility's goal is to limit increases in these costs to less than the national inflation rate.

Depreciation expense increased by \$32.2 million in 1995 and \$21.3 million in 1994, compared with the preceding years. Higher depreciation expense is due to plant additions, primarily new combustion turbine units in

1994, and in 1995, increased nuclear decommissioning costs and amortization of the canceled Lake Tarpon-Kathleen transmission line.

Because Florida Power completed several major construction projects in recent years and is reducing construction expenditures wherever prudent, the allowance for funds used during construction decreased by \$3.6 million in 1995 and \$4.7 million in 1994, compared with the preceding years.

DIVERSIFIED OPERATIONS

Electric Fuels Corporation

Florida Progress continues its strategy to expand the operations of Electric Fuels Corporation, the company's energy and transportation unit. Electric Fuels has three primary business units: coal, marine transportation and rail services. Florida Progress is building Electric Fuels' existing operations through internal expansion and is pursuing new market opportunities within the business segments through acquisitions. This strategy will enable Electric Fuels to better serve the needs of its customers and accelerate growth into new markets.

Since 1993, Electric Fuels has focused its acquisitions in the rail services business. In 1995, a subsidiary of Electric Fuels acquired the assets of two rail services companies in Nebraska and Colorado. The assets include three railcar repair and maintenance facilities, two railcar wheel shops and a shortline railroad that services customers on the Burlington Northern and Union Pacific railroads. These acquisitions will allow the rail services unit to expand into new markets in the western states.

In late 1994, Florida Progress acquired FM Industries, Inc., a Fort Worth, Texas-based manufacturer and reconditioner of cushioning units for railcars. The acquisition was accounted for as a pooling of interests and increased Electric Fuels' 1994 earnings by \$2.4 million, or \$.03 per share. The 1993 financial statements were not restated for this acquisition.

In 1993, a subsidiary of Electric Fuels acquired the assets of Steel Processing Services, Inc., an Alabama-based railcar repair and parts reconditioning company. (See Note 1 on page 35.)

Electric Fuels' rail services operations, including these recent acquisitions, produced about \$300 million in revenues in 1995.

Additional equipment, increased demand and higher rates for transporting barge freight improved the results of Electric Fuels' marine transportation operations in 1995. The planned purchase of 100 new, high-capacity barges, each year in both 1996 and 1997, and options to purchase additional barges, as well as increased operating efficiencies, should allow Electric Fuels to continue to grow the earnings of this business unit.



Jeffrey R. Heinicka
Senior Vice President and
Chief Financial Officer, Florida Progress
Corporation and Florida Power Corporation

Q: What are your expectations for earnings and dividend growth over the next three to five years?

A: The prospects look favorable in light of the improved financial results of the past few years. Florida Progress has achieved a 6.7 percent annual compound earnings per share growth rate for the last three years. Florida Power has taken the lead in this effort by working hard to lower its operating costs and capital spending. This has resulted in a much stronger financial position for the utility, which will give it more flexibility in the future. Electric Fuels also is playing a key role through its strong earnings growth.

Several years ago, we recognized that our dividend payout was too high. In 1992, the payout was 93 percent of earnings. Since then, we have followed a strategy of lowering the payout while working to increase earnings. The strategy has been successful. In 1995, the payout was 81 percent. Improved earnings have allowed us to continue to increase the dividends paid per share, while lowering the payout.

We see sustained earnings growth in our five-year business plan. Our confidence in earnings growth will continue to be one of several important considerations used in setting dividend policy. While we are pleased with our results and future prospects, we recognize that our earnings projections and dividend policy must be evaluated in light of ongoing changes in our industry.

Earnings from Electric Fuels' coal operations were lower in 1995 due to a depressed national coal market. Operational changes and cost reductions from a quality management program will be instituted in the mining

operations in 1996 to increase coal production and earnings.

Earnings for Electric Fuels in 1995 were \$24 million, compared with \$22.6 million in 1994 and \$14.9 million in 1993. The increase in 1995 was largely because of better results from Electric Fuels' inland marine division.

Electric Fuels' return on equity for 1995 was 13.8 percent and has averaged 13.3 percent during the last three years.

Mid-Continent Life Insurance Company

Mid-Continent's earnings for 1995 were \$6.5 million, compared with \$7.3 million in 1994 and \$8.5 million in 1993.

Mid-Continent has developed a new comprehensive five-year business plan to improve its market position. During 1996, Mid-Continent will replace its existing policy with a new product called "BasicLife." The new policy will be Mid-Continent's core product. Other complementary products will be introduced in the future. Mid-Continent believes the new policy will be successful because it offers better features and greater flexibility to customers.

Progress Credit Corporation

Since announcing its strategy for an orderly withdrawal from the lending and leasing and real estate businesses in 1991, Progress Credit Corporation has decreased its assets by about \$583 million, or 51 percent of its original portfolio.

The portfolio, which totaled \$558 million at the end of 1995, contains primarily commercial aircraft loans and leases, first mortgage real estate loans and real estate assets. At the end of 1995, Progress Credit had loan and lease loss reserves of \$32 million. Management believes its reserves are adequate to continue the company's withdrawal strategy, as long as there is no significant further deterioration in the airline and real estate industries.

Any sale of Progress Credit's assets is expected to result in subsequent lower revenues and interest expense for the company. The impact on net income depends on the timing of these sales and the relationship between the returns on the assets sold, carrying costs incurred and the interest rates on the associated debt repaid.

Because most of Progress Credit's remaining real estate properties are located in growth areas, management believes the market for its holdings should improve. The current commercial real estate market may require the company to hold these properties, and absorb the related carrying costs, until the properties can be sold for a fair value.

Other

The major provision of the Omnibus Budget Reconciliation Act of 1993 was an increase in the maximum corporate income tax rate from 34 percent to 35 percent, effective

tive January 1, 1993. The related impact on accounting for long-term leveraged leases lowered Florida Progress' 1993 net earnings by \$3.2 million, or \$.04 per share.

Even though the inflation rate has been relatively low during the last three years, inflation continues to affect Florida Progress by reducing the purchasing power of the dollar and increasing the cost of replacing assets used in the business. This has a negative effect on Florida Power because regulators generally do not consider this economic loss when setting utility rates. However, such losses are partly offset by the economic gains that result from the repayment of long-term debt with inflated dollars.

Florida Progress adopted several new accounting standards during the last three years and others are expected to be adopted in 1996. (See Note 1 on page 34.)

Several company subsidiaries, including Florida Power, have been notified by the U.S. Environmental Protection Agency that each is or may be a potentially responsible party for the cleanup costs of several contaminated sites. (See Note 11 on page 44.)

Florida Progress has off-balance sheet risk related to debt of unconsolidated partnerships. (See Note 11 on page 43.)

LIQUIDITY AND CAPITAL RESOURCES

Cash from operations has been the primary source of capital for Florida Progress. Other sources of capital have included proceeds from the sales of properties and businesses, debt financings, issuance of common stock and the orderly liquidation of the lending and leasing portfolio.

Florida Progress has been issuing new equity in recent years primarily to fund Florida Power's construction program. Due to reductions in the utility's most recent construction program forecast, Florida Power does not expect to have any significant equity or debt requirements over the next five years. Florida Progress' goal is to maintain capital structures for its utility and diversified operations that will enable its subsidiaries to preserve their current credit ratings, which are listed below:

	Standard & Poor's	Moody's	Duff & Phelps
Florida Power Corporation			
First mortgage bonds	AA	Aa3	AA
Medium-term notes	A+	A1	A+
Commercial paper	A-1+	P-1	D-1+
Progress Capital Holdings, Inc.			
Medium-term notes	A	A2	
Commercial paper	A-1	P-1	

In a May 1994 public offering, Florida Progress sold 3.6 million shares of common stock with net proceeds of \$92.2 million. During the last three years, the company also raised \$142 million of equity capital through its stock purchase and dividend reinvestment plan, called the Progress Plus Stock Plan. In December 1994, Florida Progress issued 700,000 shares to acquire FM Industries.

Florida Progress contributed \$50 million in 1995, \$130 million in 1994 and \$60 million in 1993 to Florida Power from the proceeds of the holding company's public stock offerings and the Progress Plus Stock Plan. These funds were used to further strengthen Florida Power's financial position.

Florida Progress' common equity, as a percent of total capital, was 50.9 percent as of December 31, 1995, and 48.5 percent at the end of 1994. Short-term debt, as a percent of total capital, was 4.5 percent in 1995 and 2.6 percent in 1994. Long-term debt was 41.2 percent in 1995, compared with 45.4 percent in 1994.

Florida Power Corporation

Florida Power's construction expenditures for 1995 totaled about \$283 million. This was primarily for distribution lines and other facilities related to the utility's growing customer base. The utility's five-year construction program includes planned expenditures of \$265 million, \$332 million, \$291 million, \$258 million and \$230 million for 1996 through 2000. Florida Power forecasts that all of these construction expenditures will be financed with internally generated funds.

The new construction program, totaling \$1.4 billion for the 1996-2000 forecast period, is significantly lower than the prior five-year total of \$1.8 billion for the 1995-1999 period. The major reductions were due to lower estimates for the planned Polk County Energy Complex, the cancellation of the Lake Tarpon-Kathleen transmission line and the cancellation of a power plant fuel conversion. Florida Power was able to cancel the transmission line and plant conversion because other, more cost-effective solutions were found. By prudently reducing construction expenditures, Florida Power will be able to lower its long-term revenue requirements for depreciation, taxes, insurance and return on investment. These reductions will provide a more competitive cost structure for the future.

The Clean Air Act of 1990 requires electric utility companies to reduce sulfur dioxide emissions. Florida Power expects to meet these requirements with minimal capital expenditures.

In 1995, Florida Power's net cash flow to capital expenditures was 125 percent. In addition to funding its construction commitments with cash from operations, Florida Power received equity from Florida Progress and accesses the capital markets through the issuance of commercial paper, medium-term notes and first mortgage bonds.

Florida Power has a public \$200-million, medium-term note program, providing for the issuance of either fixed or floating interest rate notes, with maturities that may range from nine months to 30 years.

Florida Power's interim financing needs are funded primarily through its commercial paper program. The utility has a 364-day revolving bank credit facility and a five-year facility, \$200 million each, which are used to back up commercial paper. (See Note 2 on page 36.)

In 1995, due to additional cash generated by operations, Florida Power was able to lower its total debt levels by about \$145 million, compared with year-end 1994. Florida Power expects to be able to continue reducing its total debt in the future.

Florida Power's embedded cost of long-term debt was 7.2 percent as of December 31, 1995, compared with 7.1 percent at year-end 1994.

Diversified Operations

Progress Capital Holdings, Inc., is a downstream holding company of Florida Progress that finances the activities of the diversified operations and consolidates the collective financial strength of these operations. Progress Capital has the benefit of a support agreement with Florida Progress, which helps to lower the cost of capital to each of the company's diversified businesses. Progress Capital funds diversified operations primarily through the issuance of commercial paper and medium-term notes.

Progress Capital has a private \$400-million, medium-term note program for the issuance of notes with maturities that may range from nine months to 30 years.

Progress Capital also has two revolving bank credit facilities: a 364-day, \$100-million facility and a five-year, \$300-million facility. These facilities are used to back up Progress Capital's commercial paper program. (See Note 2 on page 36.)

In 1995, total diversified capital expenditures were \$46.2 million, primarily for operations at Electric Fuels. Net proceeds from leases, loans and securities were \$45 million, \$28.1 million and \$21.5 million in 1995, 1994 and 1993, respectively, mainly due to the orderly divestiture of the finance unit's assets.

In 1996, diversified capital expenditures are expected to be about \$50 million, with most of these planned expenditures designated for operations of Electric Fuels. The marine transportation business unit will add 100 new barges in 1996 to continue to grow its business and take advantage of market opportunities. Electric Fuels' rail services and coal operations also will be upgrading and replacing facilities and equipment to reduce operating expenses and position these businesses for future market expansions. These expenditures are expected to be funded through cash generated internally and from outside financing sources.



Richard D. Keller
President and Chief Executive Officer,
Electric Fuels Corporation

Q: What has been Electric Fuels' growth strategy over the past few years and where do you see the company growing in the next five years?

A: We have an aggressive growth strategy for our company. We have been most active in our rail services business. Acquisitions made since 1993 have helped us become the largest integrated rail services company in the country. We have approximately 1,500 employees located in 13 states and offer a full range of rail services including repair, parts reconditioning and manufacturing and leasing. We are also increasing our production of new and reconditioned track materials. We made several acquisitions in late 1995 that will help us expand our operations and serve customers in the western United States.

Our marine services business has also expanded with our efforts focusing on the Ohio and lower Mississippi rivers. Our fleet, made up of approximately 600 barges, is among the most modern and efficient on the river. Our barges are specially designed to be able to carry higher volumes of dry-bulk cargo when river conditions permit. Since 1992, we have added approximately 300 new high-capacity barges to the fleet. In addition, we have exercised options to purchase 100 new barges in 1996 and 100 more in 1997. Our goal is to provide our customers with the most efficient and cost-effective service on the river, while consistently meeting our earnings objectives.

REPORTS FROM MANAGEMENT AND AUDITORS

MANAGEMENT'S REPORT

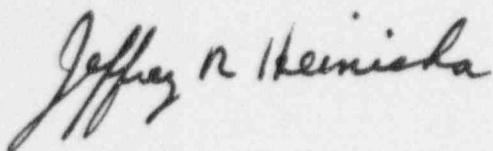
To Our Shareholders:

Management is responsible for the integrity and objectivity of the financial and operating information contained in this 1995 Annual Report to Shareholders, including the consolidated financial statements covered by the Auditors' Report. These statements were prepared in accordance with generally accepted accounting principles and necessarily include amounts that are based on judgments and estimates by management.

Florida Progress Corporation maintains internal control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed as authorized and are properly recorded and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. These policies and procedures include a Code of Conduct program intended to ensure employees adhere to the highest standards of personal and professional integrity. The design, monitoring and revision of internal control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The company also maintains an internal auditing function that evaluates and formally reports on the adequacy and effectiveness of internal controls, policies and procedures.

In addition, the audit committee of the board of directors, consisting solely of outside directors, meets periodically with management, the internal auditors and the independent auditors to review matters related to internal controls, audit results, financial statements and financial reporting. Annually, the audit committee recommends to the board of directors the selection of independent auditors. Both the independent auditors and the internal auditors periodically meet alone with the audit committee and have free access to the committee at any time.

For Management,



Jeffrey R. Heinicka
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Florida Progress Corporation:

We have audited the accompanying consolidated balance sheets of Florida Progress Corporation and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the years in the three-year period ended December 31, 1995. These financial statements are the responsibility of Florida Progress Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Progress Corporation and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1993, Florida Progress Corporation and subsidiaries changed their methods of accounting for income taxes.

KPMG Peat Marwick LLP

St. Petersburg, Florida
January 22, 1996

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

FLORIDA PROGRESS CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

(In millions, except per share amounts)

	1995	1994	1993
REVENUES:			
Electric utility	\$2,271.7	\$2,080.5	\$1,957.6
Diversified	783.9	691.0	491.4
	3,055.6	2,771.5	2,449.0
EXPENSES:			
Electric utility:			
Fuel used in generation	433.7	431.9	460.8
Purchased power	440.7	294.6	209.5
Deferred fuel	(1.7)	(1.5)	(11.8)
Other operation	358.7	388.8	378.0
Operation	1,231.4	1,113.8	1,036.5
Maintenance	114.1	122.9	136.8
Depreciation	293.7	261.5	240.2
Taxes other than income taxes	176.2	162.8	152.6
	1,815.4	1,661.0	1,566.1
Diversified:			
Cost of sales	642.3	571.2	390.1
Other	74.3	63.3	50.2
	716.6	634.5	440.3
INCOME FROM OPERATIONS	523.6	476.0	442.6
INTEREST EXPENSE AND OTHER:			
Interest expense	142.0	144.8	141.1
Allowance for funds used during construction	(7.3)	(10.9)	(15.6)
Preferred dividend requirements of Florida Power	9.7	10.1	13.4
Other expense (income), net	3.9	10.3	(2.5)
	148.3	154.3	136.4
INCOME BEFORE INCOME TAXES	375.3	321.7	306.2
Income taxes	136.4	109.7	110.4
INCOME BEFORE ACCOUNTING CHANGE	238.9	212.0	195.8
CUMULATIVE EFFECT OF INCOME TAX ACCOUNTING CHANGE	-	-	.8
NET INCOME	\$ 238.9	\$ 212.0	\$ 196.6
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	95.7	93.0	88.3
EARNINGS PER AVERAGE COMMON SHARE:			
Income before accounting change	\$2.50	\$2.28	\$2.22
Change in accounting for income taxes	-	-	.01
	\$2.50	\$2.28	\$2.23

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

CONSOLIDATED BALANCE SHEETS

FLORIDA PROGRESS CORPORATION

DECEMBER 31, 1995 AND 1994

(Dollars in millions)

	1995	1994
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	\$5,867.5	\$5,603.4
Less: Accumulated depreciation	2,179.7	1,981.6
Accumulated decommissioning for nuclear plant	165.2	135.2
Accumulated dismantlement for fossil plants	104.4	92.4
	3,418.2	3,394.2
Construction work in progress	131.8	222.1
Nuclear fuel, net of amortization of \$348.7 in 1995 and \$322.8 in 1994	59.1	52.9
	3,609.1	3,669.2
Other property, net of depreciation of \$189.9 in 1995 and \$163.5 in 1994	455.2	420.9
	4,064.3	4,090.1
CURRENT ASSETS:		
Cash and equivalents	4.7	14.4
Accounts receivable, net	309.5	262.2
Current portion of leases and loans receivable	43.0	15.3
Inventories, primarily at average cost:		
Fuel	63.0	75.2
Utility materials and supplies	101.3	110.4
Diversified materials	113.2	68.1
Other	44.8	42.8
	679.5	588.4
OTHER ASSETS:		
Investments:		
Leases and loans receivable, net	340.8	438.0
Marketable securities	188.2	148.3
Nuclear plant decommissioning fund	161.1	123.6
Joint ventures and partnerships	73.7	74.5
Deferred insurance policy acquisition costs	106.4	91.9
Other	177.1	163.9
	1,047.3	1,040.2
	\$5,791.1	\$5,718.7

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

(Dollars in millions)

CAPITAL AND LIABILITIES

1995

1994

COMMON STOCK EQUITY:

Common stock without par value, 250,000,000 shares authorized,
96,420,627 shares outstanding in 1995 and 95,175,360 in 1994

\$1,187.6**\$1,148.1**

Retained earnings

888.4**842.9**

Unrealized gain (loss) on securities available for sale

2.1**(6.6)****2,078.1****1,984.4****CUMULATIVE PREFERRED STOCK OF FLORIDA POWER:**

Without sinking funds

113.5**113.5**

With sinking funds

25.0**30.0****LONG-TERM DEBT****1,685.2****1,859.6****TOTAL CAPITAL****3,901.8****3,987.5****CURRENT LIABILITIES:**

Accounts payable

168.5**147.1**

Customers' deposits

85.3**76.9**

Income taxes payable

14.4**12.7**

Accrued interest

47.5**47.3**

Other

119.3**84.1****435.0****368.1**

Notes payable

-**55.3**

Current portion of long-term debt

183.9**52.9****618.9****476.3****DEFERRED CREDITS AND OTHER LIABILITIES:**

Deferred income taxes

694.3**744.1**

Unamortized investment tax credits

101.5**110.0**

Insurance policy benefit reserves

265.0**222.5**

Other postretirement benefit costs

84.8**67.8**

Other

124.8**110.5****1,270.4****1,254.9****COMMITMENTS AND CONTINGENCIES (Note 11)****\$5,791.1****\$5,718.7**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FLORIDA PROGRESS CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

(In millions)

	1995	1994	1993
OPERATING ACTIVITIES:			
Income before accounting change	\$238.9	\$212.0	\$195.8
Adjustments for noncash items:			
Depreciation and amortization	359.1	321.7	299.9
Deferred income taxes and investment tax credits, net	(80.0)	(32.3)	(49.1)
Increase in accrued other postretirement benefit costs	17.0	20.4	23.6
Net change in deferred insurance policy acquisition costs	(14.5)	(10.4)	(12.9)
Net change in deferred insurance policy benefit reserves	42.5	36.0	25.8
Changes in working capital, net of effects from acquisition or sale of businesses:			
Accounts receivable	(44.3)	(17.4)	(26.1)
Inventories	(29.8)	(10.1)	12.2
Accounts payable	19.4	(4.2)	17.7
Other	43.1	(11.5)	23.4
Other operating activities	11.6	28.3	(7.4)
	563.0	532.5	502.9
INVESTING ACTIVITIES:			
Property additions (including allowance for borrowed funds used during construction)	(335.4)	(368.1)	(462.4)
Proceeds from sales of properties and businesses	13.8	16.3	35.8
Purchase of leases, loans and securities	(56.2)	(74.1)	(128.6)
Proceeds from sale or collection of leases, loans and securities	101.2	102.2	150.1
Acquisition of businesses	(9.2)	(17.1)	(80.5)
Investments in joint ventures and partnerships	(5.2)	(5.2)	(24.1)
Distributions from joint ventures and partnerships	.4	3.9	26.0
Other investing activities	(11.0)	(10.8)	(13.5)
	(301.6)	(352.9)	(497.2)
FINANCING ACTIVITIES:			
Issuance of long-term debt	-	103.7	385.7
Repayment of long-term debt	(55.5)	(86.7)	(473.2)
Increase (decrease) in commercial paper with long-term support	1.0	(61.2)	154.0
Redemption of preferred stock	(5.0)	(5.0)	(80.5)
Sale of common stock	38.4	138.0	59.1
Dividends paid on common stock	(193.4)	(185.9)	(172.3)
Increase (decrease) in short-term debt	(55.3)	(75.6)	124.2
Other financing activities	(1.3)	(1.6)	(1.7)
	(271.1)	(174.3)	(4.7)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(9.7)	5.3	1.0
Beginning cash and equivalents	14.4	9.1	8.1
ENDING CASH AND EQUIVALENTS	\$ 4.7	\$ 14.4	\$ 9.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	\$135.5	\$135.2	\$138.1
Income taxes (net of refunds)	\$214.7	\$171.5	\$155.1

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FLORIDA PROGRESS CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

(Dollars in millions, except per share amounts)

	Common Stock	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Cumulative Preferred Stock of Florida Power Without Sinking Funds	With Sinking Funds
Balance, December 31, 1992	\$ 949.2	\$ 788.4	\$ -	\$ 133.5	\$ 82.5
Net income		196.6			
Common stock issued - 1,729,716 shares	59.1				
Cash dividends on common stock (\$1.95 per share)		(172.3)			
Preferred stock redeemed - 675,000 shares		(.5)		(20.0)	(47.5)
Balance, December 31, 1993	1,008.3	812.2	-	113.5	35.0
Net income		212.0			
Common stock issued - 5,215,788 shares	138.9				
Common stock issued in pooling of interests - 700,000 shares	.9	4.1			
Cash dividends on common stock (\$1.99 per share)		(185.4)			
Unrealized loss on marketable securities available for sale			(6.6)		
Preferred stock redeemed - 50,000 shares					(5.0)
Balance, December 31, 1994	1,148.1	842.9	(6.6)	113.5	30.0
Net income		238.9			
Common stock issued - 1,245,267 shares	39.5				
Cash dividends on common stock (\$2.02 per share)		(193.4)			
Unrealized gain on marketable securities available for sale			8.7		
Preferred stock redeemed - 50,000 shares					(5.0)
Balance, December 31, 1995	\$1,187.6	\$ 888.4	\$ 2.1	\$ 113.5	\$ 25.0

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General — Florida Progress Corporation (the Company) is an exempt holding company under the Public Utility Holding Company Act of 1935. Its largest subsidiary, representing 74% of total assets, is Florida Power Corporation (Florida Power), a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy primarily within Florida.

The consolidated financial statements include the financial results of the Company and its majority-owned operations. All significant intercompany balances and transactions have been eliminated. Investments in 20%- to 50%-owned joint ventures are accounted for using the equity method.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Accounting for Regulatory Assets and Liabilities — Florida Power is regulated by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). The utility follows the accounting practices set forth in Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation" (FAS 71). This standard allows utilities to capitalize or defer certain costs or revenues if it is probable that these items will be recovered through the ratemaking process.

At December 31, 1995, Florida Power had \$99 million of regulatory assets and \$47 million of regulatory liabilities. The company expects to fully recover these assets and refund the liabilities through customer rates under current regulatory practice.

If Florida Power no longer applied FAS 71 due to competition, regulatory changes or other reasons, the utility would make certain adjustments. These adjustments would include the write-off of all or a portion of its regulatory assets and liabilities and the evaluation of property, plant and equipment and the write down, if necessary, of these assets to their fair value.

Utility Plant — Utility plant is stated at the original cost of construction, which includes payroll and related costs such as taxes, pensions and other fringe benefits, general and administrative costs, and an allowance for funds used during construction. Substantially all of the utility plant is pledged as collateral for Florida Power's first mortgage bonds.

The allowance for funds used during construction represents the estimated cost of equity and debt for utility plant under construction. Florida Power is permitted to earn a return on these costs and recover them in the rates charged for utility services while the plant is in service. The average rate used in computing the allowance for funds was 7.8% for 1995 and 1994 and 7.9% for 1993.

Utility Revenues, Fuel and Purchased Power Expenses — Revenues include amounts resulting from fuel, purchased power and energy conservation adjustment clauses, which are designed to permit full recovery of these costs. The adjustment factors are based on projected costs for a six- or 12-month period. The cumulative difference between actual and projected costs is included on the balance sheet as a current asset or current liability. Any difference is billed or refunded to customers during the subsequent period.

Beginning in 1995, the FPSC ordered Florida Power to conduct a three-year test of revenue decoupling for its residential customers. Decoupling eliminates the direct link between kilowatt-hour sales and revenues. A nonfuel revenue target is determined by multiplying a revenue per customer amount by the total number of residential customers. Monthly residential customer bills are calculated just as they were before decoupling. Differences between target revenues and actual revenues are collected or refunded over a 12-month period through the conservation clause. The difference between target revenues and actual revenues is included as a current asset or current liability on the balance sheet. The revenue per customer amount is adjusted annually for a growth factor.

Florida Power accrues the nonfuel portion of base revenues for services rendered but unbilled.

The cost of fossil fuel for electric generation is charged to expense as consumed. The cost of nuclear fuel is amortized to expense based on the quantity of heat produced for the generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core.

Earned Income on Finance Leases — Earned income, including any residual values expected to be realized, and the related deferred investment tax credits are amortized as revenues over the term of the lease to provide an approximate level return on the net investment. Residual values are determined principally on the basis of independent appraisals.

Income Taxes — Deferred income taxes are provided on all significant temporary differences between the financial and tax basis of assets and liabilities using presently enacted tax rates in accordance with Financial Accounting Standard No. 109, "Accounting for Income Taxes," which was implemented in 1993.

Deferred investment tax credits, subject to regulatory accounting practices, are amortized to income over the lives of the related properties.

Depreciation and Maintenance — The Company provides for depreciation of the cost of properties over their estimated useful lives primarily on a straight-line basis. Florida Power's annual provision for depreciation, including a provision for nuclear plant decommissioning costs and fossil plant dismantlement costs, expressed as a percentage of the average balances of depreciable utility plant, was 5% for 1995 and 4.8% for 1994 and 1993.

Florida Power charges maintenance expense with the cost of repairs and minor renewals of property. The plant accounts are charged with the cost of renewals and replacements of property units. Accumulated depreciation is charged with the cost, less the net salvage, of property units retired.

Florida Power accrues a reserve for maintenance and refueling expenses anticipated to be incurred during scheduled nuclear plant outages.

Insurance Premiums, Policy Acquisition Costs and Benefit Reserves — Life insurance premiums are recognized as revenue over the premium-paying periods of the policies. The Company defers recoverable costs in its insurance operations that directly relate to the production of new business. These costs are amortized over the expected premium-paying period. Reserves are established out of each premium payment to provide for the present value of future insurance policy benefits, using reasonable assumptions for future investment yield, mortality, withdrawals and the risk of adverse deviation.

Profit from Real Estate Sales — Profit from the sale of real estate is recognized only upon the closing of a sale, the transfer of ownership rights to the purchaser and receipt of an adequate cash down payment.

Accounting for Certain Investments — The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company's investments in debt and equity securities are classified and accounted for as follows:

Type of Security	Accounting Treatment
Debt securities held to maturity	Amortized cost
Trading securities	Fair market value with unrealized gains and losses included in earnings
Securities available for sale	Fair market value with unrealized gains and losses, net of taxes, reported separately in shareholders' equity

See Note 5 on page 38 for securities held to maturity or available for sale at 1995 and 1994 year-ends. The Company had no investments in assets classified as trading securities at December 31, 1995 and 1994.

Accounting for Disposition of Long-Lived Assets — The Financial Accounting Standards Board (FASB) has a current project addressing the accounting for obligations related to the decommissioning of nuclear power plants.

Florida Power records a provision for nuclear decommissioning costs over the expected life of its nuclear plant. Currently, the accumulated provisions for nuclear decommissioning costs are recorded as a reduction of Electric Plant in Service on the balance sheet. One alternative, if adopted, would require Florida Power's 90.4% share of estimated nuclear decommissioning costs totaling \$366 million in 1995 dollars to be recorded as a liability, with a corresponding plant asset. There would be no impact on earnings or cash flows. The FASB is expected to reach a decision in 1996.

Impaired Loans — Effective January 1, 1995, the Company adopted Financial Accounting Standard No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by Financial Accounting Standard No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure." These standards require the Company to compute present values for impaired loans when determining the allowance for credit losses. At December 31, 1995, approximately \$59 million of loans receivable were impaired, and the Company has assigned approximately \$5 million of the allowance for loan losses to these loans. Because the Company's allowance is adequate for any such impairment, there was no earnings impact as a result of implementing these standards.

Impaired Assets — The Company will be required to adopt Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of," in 1996. This standard requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through future cash flows from the use and disposition of the asset. The adoption of this standard is not expected to have a material impact on earnings.

Stock Compensation — The Company will be required to adopt Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation," in 1996. This standard allows companies to account for stock issued to employees using a new fair value method, or the method currently in use. The Company has not determined which method it will use, but does not expect a material impact on earnings from the adoption of this standard.

Business Acquisitions — The Company and its subsidiaries acquired several businesses in 1995, 1994 and 1993. All acquisitions were accounted for as purchases except the acquisition of FM Industries, Inc., in December 1994, which was accounted for on a pooling of interests basis. Because the effect of restating data related to the FM Industries acquisition is not material, 1993 results are not restated.

The 1994 Statement of Cash Flows does not reflect the value of the 700,000 shares of common stock issued for the acquisition of FM Industries. The market value of these shares at the date of issuance was \$21.1 million.

NOTE 2 DEBT

The Company's long-term debt at December 31, 1995 and 1994, is scheduled to mature as follows:

	Interest Rate	1995	1994
<i>(In millions)</i>			
Florida Power Corporation:			
First mortgage bonds:			
Maturing through 1999:			
1995	4.74%	\$ -	\$ 34.4
1997	6.13%	16.7	16.7
1999	6.50%	75.0	75.0
Maturing 2002 and 2003	6.50% (a)	280.0	280.0
Maturing 2008	6.88%	80.0	80.0
Maturing 2021 through 2023	7.98% (a)	400.0	400.0
Pollution control revenue bonds:			
Maturing 2014 through 2027	6.59% (a)	240.9	240.9
Notes maturing:			
1995-1996	8.34% (a)	30.6	31.6
1997-2008	7.46% (a)	47.3	47.3
Commercial paper, supported by revolver maturing November 30, 2000	5.82% (a)	145.2	200.0
Discount, net of premium, being amortized over term of bonds		(6.0)	(6.7)
		1,309.7	1,399.2
Progress Capital Holdings:			
Notes maturing:			
1995-1996	8.25% (a)	140.0	146.0
1997-2004	6.99% (a)	136.0	136.0
Commercial paper, supported by revolver maturing November 30, 2000	5.83% (a)	239.6	183.8
Other debt, maturing through 2006	8.79% (a)	43.8	47.5
		1,869.1	1,912.5
Less: Current portion of long-term debt		183.9	52.9
		\$1,685.2	\$1,859.6

(a) Weighted average interest rate at December 31, 1995.

The Company's consolidated subsidiaries have lines of credit totaling \$800 million, which are used to support commercial paper. The lines of credit were not drawn on as of December 31, 1995. Interest rate options under the line of credit arrangements vary from subprime or money market rates to the prime rate. Banks providing lines of credit are compensated through fees. Commitment fees on lines of credit vary between .06 and .10 of 1%.

The lines of credit consist of four revolving bank credit facilities, two each for Florida Power and Progress Capital Holdings, Inc. (PCH). The Florida Power facilities, \$200 million each, are for terms of 364 days and five years. The PCH facilities consist of \$100 million with a 364-day term and \$300 million with a five-year term. In 1995, both 364-day facilities were extended to November 1996. In addition, both five-year facilities were extended to November 2000. Based on the duration of the underlying backup credit facilities, \$384.8 million of outstanding commercial paper at December 31, 1995, and \$383.8 million of outstanding commercial paper at December 31, 1994, are classified as long-term debt.

Florida Power has a public \$200-million, medium-term note program providing for the issuance of either fixed or

floating interest rate notes. These notes have maturities ranging from nine months to 30 years. The program has approximately \$170 million available for future issuance.

PCH has a private \$400-million, medium-term note program providing for the issuance of notes with maturities ranging from nine months to 30 years. A balance of \$126 million is available for issuance under this program at either fixed or floating rates.

The combined aggregate maturities of long-term debt for 1996 through 2000 are \$183.9 million, \$52.8 million, \$16.1 million, \$129.8 million and \$393.8 million, respectively. In addition, about 14% of Florida Power's outstanding first mortgage bonds have an annual 1% sinking fund requirement. These requirements, which total \$1.3 million annually for 1996 and 1997 and \$1 million annually for 1998 through 2000, are expected to be satisfied with property additions.

Florida Progress has a support agreement with PCH that requires the parent company to maintain a minimum net worth at PCH. At December 31, 1995, PCH's net worth was \$106.6 million higher than the amount required under this agreement.

NOTE 3 PREFERRED AND PREFERENCE STOCK AND SHAREHOLDER RIGHTS

A summary of outstanding Cumulative Preferred Stock of Florida Power follows:

Dividend Rate	Current Redemption Price	Authorized	Shares Outstanding	Outstanding December 31	
				1995	1994
(In millions)					
Without sinking funds, not subject to mandatory redemption:					
4.00%	\$104.25	40,000	39,980	\$ 4.0	\$ 4.0
4.40%	\$102.00	75,000	75,000	7.5	7.5
4.58%	\$101.00	100,000	99,990	10.0	10.0
4.60%	\$103.25	40,000	39,997	4.0	4.0
4.75%	\$102.00	80,000	80,000	8.0	8.0
7.40%	\$102.48	300,000	300,000	30.0	30.0
7.76%	\$102.21	500,000	500,000	50.0	50.0
				\$113.5	\$113.5
With sinking funds, subject to mandatory redemption:					
7.08%	\$104.72(a)	500,000	250,000	\$ 25.0	\$ 30.0

(a) \$102.36 after November 15, 1996; \$100.00 after November 15, 2001.

The authorized capital stock of the Company includes 10 million shares of preferred stock, without par value, including 2 million shares designated as Series A Junior Participating Preferred Stock. No shares of the Company's preferred stock are issued and outstanding. However, under the Company's Shareholder Rights Agreement, each share of common stock has associated with it approximately two-thirds of one right to purchase Series A Junior Participating Preferred Stock, subject to adjustment, which is exercisable in the event of certain attempted business combinations. If exercised, the rights would cause substantial dilution of ownership, thus adversely affecting any attempt to acquire the Company on terms not approved by the Company's Board of Directors. The rights have no voting or dividend rights and expire in December 2001, unless redeemed earlier by the Company.

The authorized capital stock of Florida Power includes three classes of preferred stock: 4 million shares of Cumulative Preferred Stock, \$100 par value; 5 million shares of Cumulative Preferred Stock, without par value; and 1 million shares of Preference Stock, \$100 par value. No shares of Florida Power's Cumulative Preferred Stock, without par value, or Preference Stock are issued and outstanding, while a total of 1.4 million shares of the Cumulative Preferred Stock, \$100 par value, are issued and outstanding in various series as detailed in the table above.

Preferred stock redemption requirements for 1997 to 2000 are \$2.5 million per year.

NOTE 4 NUCLEAR OPERATIONS

Jointly Owned Plant — The following information relates to Florida Power's 90.4% proportionate share of the Crystal River Nuclear Plant at December 31, 1995 and 1994:

(In millions)	1995	1994
Utility plant in service	\$656.6	\$654.1
Construction work in progress	18.3	13.1
Unamortized nuclear fuel	59.1	52.9
Accumulated depreciation	310.9	285.2
Accumulated decommissioning	165.2	135.2

Net capital additions for Florida Power were \$7.8 million in 1995 and \$21.7 million in 1994, and depreciation expense, exclusive of nuclear decommissioning, was \$28.4 million in 1995 and \$27.3 million in 1994. Each co-owner provides for its own financing. Florida Power's share of the asset balances and operating costs is included in the appropriate consolidated financial statements. Amounts exclude any allocation of costs related to common facilities.

Decommissioning Costs — Florida Power's nuclear plant depreciation expenses include a provision for future decommissioning costs, which are recoverable through rates charged to customers. Florida Power is placing amounts collected in an externally managed trust fund. The recovery from customers, plus income earned on the trust fund, is intended to be sufficient to cover Florida Power's share of the future dismantlement, removal and land restoration costs. Florida Power has a license to operate the nuclear unit through December 3, 2016, and contemplates decommissioning beginning at that time.

In November 1995, the FPSC approved a new site-specific study that estimated total future decommissioning costs at approximately \$2.0 billion, which corresponds to \$404.6 million in 1995 dollars. Florida Power increased its share of the retail portion of annual decommissioning expense to the FPSC-approved level of \$20.5 million, effective January 1995. Florida Power also has adjusted the wholesale portion of this expense in a comparable manner, increasing it to \$1.2 million annually.

Under the previous study, Florida Power's share of total annual decommissioning expense, as authorized by the FPSC and the FERC, was \$11.9 million for 1994 and 1993.

Fuel Disposal Costs — Florida Power has entered into a contract with the U.S. Department of Energy (DOE) for the transportation and disposal of spent nuclear fuel. Disposal costs for nuclear fuel consumed are being collected from customers through the fuel adjustment clause at a rate of \$.001 per net nuclear kilowatt-hour sold and are paid to the DOE quarterly. Florida Power currently is storing spent nuclear fuel on site and has sufficient storage capacity in place or under construction for fuel consumed through the year 2010.

NOTE 5 FINANCIAL INSTRUMENTS

Estimated fair value amounts have been determined by the Company using available market information and discounted cash-flow analysis. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates may be materially different than the amounts that the Company could realize in a current market exchange. Estimating fair values for loans associated with the airline industry is difficult due to the limited number of transactions. Management, therefore, has estimated a range of values for these loans.

The Company currently has no derivative financial instruments, such as futures, forwards, swaps or options contracts.

At December 31, 1995 and 1994, the Company had the following financial instruments with estimated fair values that differ from the carrying amounts:

(In millions)	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS:				
Loans receivable:				
Commercial finance business:				
Real estate	\$106.8	\$106.6	\$118.4	\$117.1
Airline	46.8	14 to 44	58.4	14 to 43
Life insurance business:				
Loans secured by real estate	6.0	7.8	7.8	8.6
Policy loans	10.2	11.1	10.4	8.5
		139.5		148.2
	169.8	to 169.5	195.0	to 177.2
Allowance for loan losses	(31.1)	—	(32.6)	—
		\$139.5		\$148.2
Total loans receivable	\$138.7	to 169.5	\$162.4	to 177.2
Marketable securities:				
Available for sale	\$296.3	\$296.3	\$216.9	\$216.9
Held to maturity	53.0	58.6	55.0	51.8
CAPITAL AND LIABILITIES:				
Florida Power preferred stock with sinking funds	\$ 25.0	\$ 26.1	\$ 30.0	\$ 29.6
Long-term debt:				
Florida Power Corporation	1,309.7	1,352.8	1,399.2	1,298.5
Progress Capital Holdings	559.4	566.2	513.3	504.0

NOTE 6 LEASES AND LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

At December 31, 1995 and 1994, investments in leases and loans receivable were as follows:

(In millions)	1995	1994
Finance leases:		
Rentals receivable	\$214.0	\$238.1
Unguaranteed residual values	109.7	153.5
Unearned income	(62.5)	(78.7)
Deferred investment tax credits	(14.7)	(20.5)
Total finance leases	246.5	292.4
Loans receivable:		
Commercial finance business	153.6	176.8
Life insurance business	16.2	18.2
Total loans receivable	169.8	195.0
Allowance for losses	(32.5)	(34.1)
	383.8	453.3
Less: Current portion	43.0	15.3
	\$340.8	\$438.0

Rentals receivable from finance leases represent unpaid rentals less principal and interest on nonrecourse third-party debt. Progress Credit Corporation's (PCC) share of rentals receivable is subordinate to the debt holders who have security interests in the leased properties.

Finance leases consist primarily of leveraged investments in aircraft. The majority of the aircraft leases have remaining terms of 10 to 15 years, with a maximum of 23 years. Net contractual maturities of rentals receivable under these contracts are \$12.6 million, \$11.1 million, \$10.4 million, \$13.7 million and \$13.1 million for 1996 through 2000, respectively, and \$153.1 million in total thereafter.

PCC's commercial finance loans are secured by first mortgage liens on the related commercial real estate or by security interests in aircraft, aircraft engines or spare parts. These loans are further collateralized, where applicable, by an assignment to PCC of the borrowers' lease agreements, and, in some cases, third-party guaranties.

At December 31, 1995 and 1994, PCC's portfolio included investments in the airline and commercial real estate industries as follows:

(In millions)	1995	1994
Airline industry:		
Finance leases	\$205.3	\$254.2
Loans receivable	46.8	58.4
Joint ventures	36.3	37.6
Equipment on operating leases	6.2	7.4
	\$294.6	\$357.6
Commercial real estate industry:		
Finance leases	\$ 15.4	\$ 16.2
Loans receivable	106.8	118.4
	\$122.2	\$134.6

New transactions are not being initiated unless they facilitate PCC's orderly withdrawal strategy. Due to conditions in the airline industry and the real estate market, PCC has experienced delinquencies in ongoing lease and loan payments as well as loan principal maturities. PCC has negotiated the restructuring of certain transactions. Although most of the outstanding real estate and aircraft loans mature during the next five years, PCC expects that some of the borrowers may not be able to retire the loans at maturity. PCC will pursue its options for any nonperforming assets, including restructuring, remedial actions and remarketing.

As of December 31, 1995, PCC's portfolio includes \$90.2 million in loans and leases performing under restructured agreements. All restructured assets are performing in accordance with their new terms and the restructurings will not materially reduce PCC's future annual revenue.

During 1995, 1994 and 1993, PCC provided \$5.5 million, \$9.9 million and \$5.9 million, respectively, for possible loan and lease losses and had write-offs totaling \$7.1 million, \$8 million and \$4.2 million, respectively. The Company believes PCC's existing reserve of \$32 million is adequate to cover its planned orderly withdrawal from these businesses, assuming no significant further deterioration in the airline and real estate industries.

Leases and loans generally are placed on nonaccrual status when management believes the collectibility of interest or principal is unlikely. There were no assets on nonaccrual status at December 31, 1995 and 1994.

NOTE 7 BUSINESS SEGMENTS

The Company's principal business segments are utility and diversified operations. The utility is engaged in the generation, purchase, transmission, distribution and sale of electric energy. Electric Fuels Corporation's (Electric Fuels) operations include bulk commodities transportation, rail products and services and the mining, procurement and transportation of coal to Florida Power and other unaffiliated customers. Other diversified operations include activities in leveraged leasing, commercial finance, life insurance, real estate and technology development.

The Company's business segment information for 1995, 1994 and 1993 is summarized below. No single customer accounted for 10% or more of unaffiliated revenues.

(In millions)	1995	1994	1993
Revenues:			
Utility	\$2,271.7	\$2,080.5	\$1,957.6
Diversified:			
Electric Fuels:			
Coal sales to electric utility	236.8	249.4	244.9
Sales to unaffiliated customers	607.0	534.1	335.8
Other diversified	179.1	159.4	157.7
	3,294.6	3,023.4	2,696.0
Eliminations	(239.0)	(251.9)	(247.0)
Revenues from external customers	\$3,055.6	\$2,771.5	\$2,449.0
Income from operations:			
Utility	\$ 456.3	\$ 419.5	\$ 391.5
Diversified:			
Electric Fuels	52.1	41.6	30.3
Other diversified	15.7	14.9	20.8
	523.6	476.0	442.6
Interest and other expense	148.3	154.3	136.4
Income before income taxes	\$ 375.3	\$ 321.7	\$ 306.2
Identifiable assets:			
Utility	\$4,284.7	\$4,284.0	\$4,254.2
Diversified:			
Electric Fuels	573.6	489.4	397.2
Other diversified	932.8	945.3	987.4
	\$5,791.1	\$5,718.7	\$5,638.8
Depreciation and amortization:			
Utility	\$ 329.7	\$ 294.8	\$ 276.5
Diversified:			
Electric Fuels	21.2	19.7	16.4
Other diversified	8.2	7.2	7.0
	\$ 359.1	\$ 321.7	\$ 299.9
Capital additions:			
Utility	\$ 289.2	\$ 327.2	\$ 440.7
Diversified:			
Electric Fuels	40.5	38.1	19.5
Other diversified	5.7	2.8	2.2
	\$ 335.4	\$ 368.1	\$ 462.4

NOTE 8 INCOME TAXES

(In millions)	1995	1994	1993
Components of income tax expense:			
Payable currently:			
Federal	\$192.5	\$127.7	\$140.7
State	23.9	14.3	18.8
	216.4	142.0	159.5
Deferred, net:			
Federal	(63.9)	(20.6)	(39.2)
State	(7.6)	(2.1)	(5.1)
Effect of change in tax rate on deferred assets/liabilities	-	-	4.7
	(71.5)	(22.7)	(39.6)
Amortization of investment tax credits, net	(8.5)	(9.6)	(9.5)
	\$136.4	\$109.7	\$110.4

The primary differences between the statutory rates and the effective income tax rates are detailed below:

	1995	1994	1993
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefits	2.7	2.4	2.8
Amortization of investment tax credits	(2.5)	(3.1)	(3.0)
Effect of change in tax rate on deferred assets/liabilities	-	-	1.5
Other	.2	(1.2)	(1.8)
Effective income tax rates	35.4%	33.1%	34.5%

The following summarizes the components of deferred tax liabilities and assets at December 31, 1995 and 1994:

(In millions)	1995	1994
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	\$565.5	\$564.8
Difference in accounting for leveraged leases	184.3	226.6
Other	110.9	88.0
Total deferred tax liabilities	\$860.7	\$879.4
Deferred tax assets:		
Accrued book expenses	\$144.9	\$114.1
Unbilled revenues	20.8	17.7
Other	33.0	32.4
Total deferred tax assets	\$198.7	\$164.2

At December 31, 1995 and 1994, Florida Progress had net noncurrent deferred tax liabilities of \$694.3 million and \$744.1 million and net current deferred tax assets of \$32.3 million and \$28.9 million, respectively. The Company expects the results of future operations will generate sufficient taxable income to allow for the utilization of deferred tax assets.

NOTE 9 RETIREMENT BENEFIT PLANS

Staff Reductions — The Company recognized pension and other postretirement benefit expenses of \$5.6 million in 1993 and \$15.5 million in 1994 related to an early retirement option. In addition, in late 1994, Florida Power eliminated approximately 300 positions. As a result, the Company recognized severance costs of \$5 million, which was partially offset by a reduction of \$1.8 million in related accrued pension and postretirement benefit costs.

Pension Benefits — The Company and certain of its subsidiaries have a noncontributory defined benefit pension plan covering most employees. The benefits are based on length of service, compensation and Social Security benefits. The participating companies make annual contributions to the plan based on an actuarial determination and consideration of tax regulations and funding requirements under federal law. Based on actuarial calculations and the funded status of the pension plan, the Company was not required to contribute to the plan for 1995, 1994 or 1993.

Shown below are the components of the net pension expense calculations for those years:

(In millions)	1995	1994	1993
Service cost	\$ 13.4	\$17.2	\$16.3
Interest cost	30.1	29.3	27.5
Actual losses (earnings) on plan assets	(124.4)	6.6	(60.7)
Net amortization and deferral	77.7	(54.3)	17.9
Net pension cost (benefit)	(3.2)	(1.2)	1.0
Staff reduction cost, net	—	10.0	.1
Net pension cost (benefit) recognized	\$ (3.2)	\$ 8.8	\$ 1.1

The following weighted average actuarial assumptions at January 1 were used in the calculation of pension expense:

	1995	1994	1993
Discount rate	8.25%	7.25%	7.75%
Expected long-term rate of return	9.00%	9.00%	9.00%
Rate of compensation increase	5.00%	5.00%	5.50%

The following summarizes the funded status of the pension plan at December 31, 1995 and 1994:

(In millions)	1995	1994
Accumulated benefit obligation:		
Vested	\$315.8	\$267.8
Nonvested	30.6	34.7
	346.4	302.5
Effect of projected compensation increases	94.7	82.6
Projected benefit obligation	441.1	385.1
Plan assets at market value, primarily listed		
stocks and bonds	585.0	480.0
Plan assets in excess of projected benefit obligation	\$143.9	\$ 94.9
Consisting of the following components:		
Unrecognized transition asset	\$ 35.4	\$ 40.3
Unrecognized prior service cost	(6.9)	(7.5)
Effect of changes in assumptions and difference		
between actual and estimated experience	123.9	73.8
Accrued pension costs	(8.5)	(11.7)
	\$143.9	\$ 94.9

Due to changes in interest rates, the Company used a discount rate of 7.25% and a 4.5% weighted average rate of compensation increase to calculate the pension plan's 1995 year-end funded status. The change in the discount rate from 8.25% at December 31, 1994, to 7.25% at December 31, 1995, increased the projected benefit obligation by \$60 million and is expected to increase the annual pension costs by \$8 million, beginning in 1996. The change in the weighted average rate of compensation increase from 5% at December 31, 1994, to 4.5% at December 31, 1995, decreased the projected benefit obligation by \$17 million and is expected to decrease the annual pension costs by \$4 million, beginning in 1996.

Other Postretirement Benefits — The Company and some of its subsidiaries provide certain health care and life insurance benefits for retired employees. Employees become eligible for these benefits when they reach normal retirement age while working for the Company.

The net postretirement benefit costs for 1995, 1994 and 1993 are detailed below:

(In millions)	1995	1994	1993
Service cost	\$ 5.1	\$ 5.3	\$ 5.6
Interest cost	13.5	12.9	11.8
Amortization of unrecognized transition obligation	6.1	6.1	6.5
Actual earnings on plan assets	(.3)	—	—
Staff reduction cost	—	3.7	5.5
	\$24.4	\$28.0	\$29.4

The following summarizes the plan's status, reconciled with amounts recognized in the Company's balance sheet at December 31, 1995 and 1994:

(In millions)	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	\$ 96.6	\$ 92.7
Fully eligible active plan participants	2.6	1.5
Other active plan participants	91.4	74.2
Plan assets at fair value	(3.2)	(1.5)
	187.4	166.9
Unrecognized transition obligation	(103.6)	(107.8)
Unrecognized net gains	1.0	8.7
Accrued postretirement benefit cost	\$ 84.8	\$ 67.8

The following weighted average actuarial assumptions were used in the calculation of the year-end status of other postretirement benefits:

	1995	1994
Discount rate	7.25%	8.50%
Rate of compensation increase	4.50%	5.00%
Health care cost trend rates:		
Pre-Medicare	11.50%-5.00%	12.25%-5.75%
Post-Medicare	8.25%-4.75%	9.00%-5.50%

The transition obligation is being accrued through 2012. A one-percentage point increase in the assumed health care cost trend rate for each future year would have increased the 1995 current service and interest cost by approximately \$3 million and the accumulated postretirement benefit obligation as of December 31, 1995, by about \$28 million. The change in the discount rate from 8.5% at December 31, 1994, to 7.25% at December 31, 1995, increased the projected benefit obligation by \$28 million and is expected to increase annual postretirement benefit costs by \$2 million, beginning in 1996.

Due to different retail and wholesale regulatory rate requirements, Florida Power began making quarterly contributions in 1994 to an irrevocable external trust fund for wholesale ratemaking, while continuing to accrue postretirement benefit costs to an unfunded reserve for retail ratemaking. Florida Power contributed approximately \$1.4 million in 1995 and \$1.6 million in 1994 to the trust fund.

NOTE 10 RATES AND REGULATION

Retail Rates — Florida Power's currently approved retail rates provide the opportunity to earn a regulatory return on equity of 12%, with an allowed range between 11% and 13%. The utility's retail regulatory return on equity was 12.5% for 1995.

Wholesale Rates — In 1995, the FERC approved Florida Power's two 1995 settlement agreements. The new rates, effective January 1, 1995, are designed to increase annual revenues by approximately \$9.5 million primarily to recover additional purchased power capacity costs. In 1994, the FERC approved Florida Power's 1994 and 1993 settlement agreements with its wholesale customers that provide for rates designed to increase annual revenues by \$9.8 million and \$5.7 million, respectively.

In March 1995, the FERC proposed new rules that will require the electric industry to provide open access to the nation's interstate transmission network. Each utility under FERC jurisdiction will be required to file a nondiscriminatory open access transmission tariff, making its transmission system available to all wholesale buyers and sellers of electric energy. In October 1995, the FERC accepted Florida Power's revised comparability tariff for implementation, subject to refund, effective November 1995. Florida Power expects that the FERC will hold hearings to review the proposed tariff by the end of the second quarter 1996. Florida Power expects that the new tariff will not have a material effect on Florida Power's revenues or earnings.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Fuel, Coal and Purchased Power Commitments — Florida Power has entered into various long-term contracts to provide the fossil and nuclear fuel requirements of its generating plants and to reserve pipeline capacity for natural gas. In most cases, such contracts contain provisions for price escalation, minimum purchase levels and other financial commitments. Estimated annual payments, based on current market prices, for Florida Power's firm commitments for fuel purchases and transportation costs, excluding delivered coal and purchased power, are \$4 million, \$11 million, \$18 million, \$18 million and \$17 million for 1996 through 2000, respectively, and \$182 million in total thereafter. Additional commitments will be required in the future to supply Florida Power's fuel needs.

Electric Fuels has entered into several contracts with outside parties for the purchase of coal. Electric Fuels also has entered into several operating leases, and rental or royalty agreements, relating to transportation equipment and coal procurement and processing. The annual obligations under these contracts and leases, including transportation costs, are \$231.2 million, \$176.3 million, \$104.5 million, \$83.2 million and \$67.7 million for 1996 through 2000, respectively, and \$126.6 million in total thereafter. The total cost incurred for these commitments was \$235.2 million in 1995, \$199.2 million in 1994 and \$213.2 million in 1993.

Florida Power has long-term contracts for about 480 megawatts of purchased power with other utilities, including a contract with The Southern Company for approximately 400 megawatts of purchased power annually through 2010. This represents 4.6% of Florida Power's total current system capacity. Florida Power has an option to lower these Southern purchases to approximately 200 megawatts annually, beginning in 2000, with a three-year notice. The purchased power from Southern is supplied by generating units with a capacity of approximately 3,500 megawatts and is guaranteed by Southern's entire system, totaling more than 30,000 megawatts.

As of December 31, 1995, Florida Power had entered into purchased power contracts with certain cogenerators for 1,164 megawatts of capacity with expiration dates ranging from 2002 to 2025. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments are subject to the qualifying facilities meeting certain contract obligations. In most cases, these contracts account for 100% of the generating capacity of each of the facilities. Of the 1,164 megawatts under contract, 1,049 megawatts are currently available. All commitments have been approved by the FPSC. Florida Power does not plan to increase the level of purchased power currently under contract.

Florida Power incurred purchased power capacity costs totaling \$260.1 million in 1995, \$138.6 million in 1994 and \$74.3 million in 1993. The following table shows minimum expected future capacity payments for purchased power commitments. Because the purchased power commitments have relatively long durations, the total present value of these payments using a 10% discount rate also is presented. These amounts assume that all units are brought into service as contracted and meet contract performance requirements:

(In millions)	Purchased Power Capacity Payments		
	Utilities	Cogenerators	Total
1996	\$ 64	\$ 221	\$ 285
1997	67	238	305
1998	65	250	315
1999	66	262	328
2000	37	276	313
2001-2025	359	9,745	10,104
Total	\$658	\$10,992	\$11,650
Total net present value			\$ 3,372

The FPSC allows these capacity payments to be recovered through a capacity cost recovery clause, which is similar to, and works in conjunction with, energy payments recovered through the fuel adjustment clause.

The cogeneration purchased power contracts employ separate pricing methodologies for capacity payments and energy payments. Two cogenerators filed suit against Florida Power in state court and a third in federal court challenging the energy pricing methodology.

Another cogenerator entered into a standard offer cogeneration contract with Florida Power and subsequently indicated its intention to build a 115-megawatt facility. The FPSC's rules limit standard offer cogeneration projects to 75 megawatts, and Florida Power filed a petition seeking an FPSC ruling that Florida Power's standard offer contract is not available if the cogenerator constructs a larger facility. Florida Power also has filed a lawsuit in federal court in connection with this dispute.

Management does not expect the results of these legal actions will have a material impact on earnings.

Utility Construction Program — Substantial commitments have been made in connection with Florida Power's construction program. In 1996, total construction expenditures of \$265 million are projected, primarily for electric plant and nuclear fuel.

Off-Balance Sheet Risk — Several of the Company's subsidiaries are general partners in unconsolidated partnerships and joint ventures. The Company or subsidiaries have agreed to support certain loan agreements of the partnerships and joint ventures. The debt support agreements totaled \$33.4 million and \$31.9 million at December 31,

1995 and 1994, respectively, of which \$26.1 million and \$24.9 million were guaranties, and \$7.3 million and \$7 million were stand-by letters of credit, respectively. If the other partners fail to perform their obligations and if the partnership assets, consisting primarily of land and buildings, were worthless, those subsidiaries could be liable for an additional \$37.4 million as of December 31, 1995, which represents partnership liabilities in excess of amounts mentioned earlier. The Company considers these credit risks to be minimal, based upon the asset values supporting the partnership liabilities.

Insurance — Florida Progress and its subsidiaries utilize various risk management techniques to protect assets from risk of loss, including the purchase of insurance. Risk avoidance, risk transfer and self-insurance techniques are utilized depending on the Company's ability to assume risk, the relative cost and availability of methods for transferring risk to third parties, and the requirements of applicable regulatory bodies.

Florida Power self-insures its transmission and distribution lines against loss due to storm damage and other natural disasters. Florida Power is accruing \$6 million annually to a storm damage reserve and may defer any losses in excess of the reserve.

Under the provisions of the Price Anderson Act, which limits liability for accidents at nuclear power plants, Florida Power, as an owner of a nuclear plant, can be assessed for a portion of any third-party liability claims arising from an accident at any commercial nuclear power plant in the United States. If total third-party claims relating to a single nuclear incident exceed \$200 million (the amount of currently available commercial liability insurance), Florida Power could be assessed up to \$79.3 million per incident, with a maximum assessment of \$10 million per year.

Florida Power is a member of NEIL, an industry mutual insurer, which provides business interruption and extra expense coverage in the event of a major accidental outage at a covered nuclear power plant. Florida Power is subject to a retroactive premium assessment under this policy in the event of adverse loss experience. Florida Power's present maximum share of any such retroactive assessment is \$2.6 million per policy year.

Florida Power also maintains nuclear property damage insurance and decontamination and decommissioning liability insurance totaling \$2.1 billion. The first layer of \$500

million is purchased in the commercial insurance market with the remaining excess coverage purchased from NEIL. Florida Power is self-insured for any losses that are in excess of this coverage. Under the terms of the NEIL policy agreements, Florida Power could be assessed up to \$8.1 million in any policy year if a loss in excess of NEIL's available surplus is incurred. In the event of multiple losses in any policy year, Florida Power's retroactive premium could total up to \$15.9 million.

Florida Power has never been assessed under these nuclear indemnities or insurance policies.

Contaminated Site Cleanup — The Company is subject to regulation with respect to the environmental effects of its operations. The Company's disposal of hazardous waste through third-party vendors can result in costs to clean up facilities found to be contaminated. Federal and state statutes authorize governmental agencies to compel responsible parties to pay for clean up of certain abandoned or uncontrolled hazardous waste sites.

Florida Power and former subsidiaries of the Company, whose properties were sold in prior years, have been identified by the U.S. Environmental Protection Agency as potentially responsible parties at certain sites. In addition to these designated sites, there are other sites where Company affiliates may be responsible for additional environmental cleanup, including a coal gasification plant site that Florida Power previously owned and operated. There are five parties which have been identified as potentially responsible for this gas site, including Florida Power. Liability for the cleanup costs of these sites is joint and several.

The Company believes that its subsidiaries will not be required to pay a disproportionate share of the costs for cleanup of these sites. The Company's best estimates indicate that its proportionate share of liability for cleaning up all sites ranges from \$2.5 million to \$4.5 million. It has reserved \$2.8 million against these potential costs. Further study of the coal gasification plant site could lead to increasing Florida Power's liability for cleanup costs. It is too early to predict the outcome of the study. Estimates of these additional costs are not available, but are not expected to have a material effect on the Company's financial position, operations or liquidity.

QUARTERLY FINANCIAL DATA (Unaudited)

(In millions, except per share amounts)	March 31	Three Months Ended		
		June 30	September 30	December 31
1995				
Revenues	\$703.2	\$742.9	\$862.6	\$746.9
Income from operations	110.3	123.6	180.9	108.8
Net income	46.6	55.2	91.1	46.0
Earnings per average common share	.49	.58	.95	.48
Dividends per common share	.505	.505	.505	.505
Common stock price per share:				
High	32%	32%	32%	35%
Low	29%	29%	29%	32%
1994				
Revenues	\$639.2	\$693.2	\$756.2	\$682.9
Income from operations	91.3	121.8	155.2	107.7
Net income	36.5	53.7	75.8	46.0
Earnings per average common share	.41	.58	.80	.49
Dividends per common share	.495	.495	.495	.505
Common stock price per share:				
High	33%	30%	29%	30%
Low	29%	24%	25%	27%

The business of Florida Power is seasonal in nature and comparisons of earnings for the quarters do not give a true indication of overall trends and changes in the Company's operations.

SELECTED DATA 1985 — 1995

	Annual Growth Rates (in percent)				
	1990-1995	1985-1995	1995	1994	1993
FLORIDA PROGRESS CORPORATION					
Summary of operations (in millions):					
Utility revenues	5.9	4.2	\$2,271.5	\$2,080.5	\$1,957.6
Diversified revenues (continuing)	21.0	17.3	783.9	691.0	491.4
Income from continuing operations	5.8	4.0	238.9	212.0	195.8
Income (loss) from discontinued operations and change in accounting			-	-	.8
Net income	7.7	4.0	238.9	212.0	196.6
Balance sheet data (in millions):					
Total assets	2.8	4.7	\$5,791.1	\$5,718.7	\$5,638.8
Capitalization:					
Short-term capital	(23.0)	(1.1)	\$ 183.9	\$ 108.2	\$ 201.6
Long-term debt	4.9	3.3	1,685.2	1,859.6	1,866.6
Preferred stock	(9.9)	(6.3)	138.5	143.5	148.5
Common stock equity	7.8	7.4	2,078.1	1,984.4	1,820.5
Total capitalization	2.2	4.2	\$4,085.7	\$4,095.7	\$4,037.2
Common stock data:					
Average shares outstanding (in millions)	4.4	3.4	95.7	93.0	88.3
Earnings per share:					
Utility	1.1	.1	\$2.27	\$2.05	\$2.06
Diversified (continuing)	5.0	8.7	.23	.23	.17
Discontinued operations			-	-	-
Consolidated	3.2	.6	2.50	2.28	2.23
Dividends per common share	2.6	3.3	2.02	1.99	1.95
Dividend payout			81.0%	87.7%	87.6%
Dividend yield			5.7%	6.7%	5.9%
Book value per share of common stock	3.2	4.1	\$21.55	\$20.85	\$20.40
Return on common equity			11.8%	11.1%	11.1%
Common stock price per share:					
High			35%	33%	36%
Low			29%	24%	31%
Close	6.8	5.6	35%	30	33%
Price earnings ratio (year-end)			14.2	13.2	15.1
Other year-end data:					
Number of employees	(1.9)	(.1)	7,174	7,394	7,825
Number of registered shareholders	(.7)	(1.7)	40,523	44,148	44,371
FLORIDA POWER CORPORATION					
Electric sales billed (millions of KWH):					
Residential	3.8	5.0	14,938.0	13,863.4	13,372.6
Commercial	3.3	3.5	8,612.1	8,252.1	7,884.8
Industrial	2.3	2.0	3,864.4	3,579.6	3,380.8
Total retail sales	3.5	4.7	29,499.5	27,675.2	26,528.3
Total electric sales	3.6	4.3	32,402.6	30,014.6	28,647.8
Residential service (average annual):					
KWH sales per customer	1.5	2.0	13,282	12,597	12,420
Revenue per customer	4.5	2.4	\$1,114	\$1,038	\$983
Ratio of earnings to fixed charges (SEC method)					
Embedded cost of long-term debt	(1.8)	(2.0)	7.2%	7.1%	6.8%
Embedded cost of preferred stock	(1.1)	(3.1)	6.8%	6.8%	6.8%
Operating data:					
Net system capability (MW)	2.3	2.1	7,347	7,295	7,563
Net system peak (MW)	9.0	2.9	7,722	6,955	6,729
Construction expenditures (in millions)	1.3	3.9	\$283.4	\$319.5	\$426.4
Net cash flow to capital expenditures	12.3	(1.0)	125%	103%	63%
Average number of customers	2.3	3.1	1,271,784	1,243,891	1,214,653
Number of full-time employees	(3.5)	(1.1)	4,658	4,972	5,807

1992	1991	1990	1989	1988	1987	1986	1985
\$1,774.1	\$1,718.8	\$1,709.1	\$1,627.0	\$1,468.5	\$1,472.2	\$1,530.5	\$1,504.9
321.2	355.9	301.7	274.3	270.1	245.5	186.0	159.0
175.7	174.5	179.8	186.1	178.6	184.1	180.7	160.9
-	(2.4)	(15.0)	1.0	1.2	3.7	.5	-
175.7	172.1	164.8	187.1	179.8	187.8	181.2	160.9
\$5,333.0	\$5,024.9	\$5,045.9	\$4,610.4	\$4,272.3	\$4,067.2	\$3,855.5	\$3,666.6
\$ 201.9	\$ 68.2	\$ 681.0	\$ 498.6	\$ 366.5	\$ 269.0	\$ 89.5	\$ 205.0
1,656.4	1,659.1	1,326.2	1,125.8	1,048.8	1,093.0	1,240.3	1,220.9
216.0	231.0	233.5	233.5	233.5	233.5	233.5	265.1
1,737.6	1,587.7	1,424.3	1,372.3	1,316.9	1,264.7	1,156.4	1,014.2
\$3,811.9	\$3,546.0	\$3,665.0	\$3,230.2	\$2,965.7	\$2,860.2	\$2,719.7	\$2,705.2
85.4	80.8	77.0	76.6	76.6	75.4	73.3	68.4
\$1.99	\$2.03	\$2.15	\$2.19	\$2.21	\$2.20	\$2.25	\$2.25
.07	.13	.18	.24	.13	.24	.21	.10
-	(.03)	(.19)	.01	.01	.05	.01	-
2.06	2.13	2.14	2.44	2.35	2.49	2.47	2.35
1.905	1.843	1.777	1.72	1.667	1.613	1.54	1.46
93.0%	87.0%	82.9%	70.4%	71.0%	64.7%	61.4%	62.2%
5.9%	6.0%	7.2%	6.6%	7.3%	7.6%	6.1%	7.4%
\$19.85	\$19.14	\$18.37	\$17.92	\$17.20	\$16.51	\$15.51	\$14.42
10.6%	11.4%	11.8%	13.9%	13.9%	15.5%	16.4%	16.8%
33%	31%	27	26%	25%	29%	31%	20%
27%	24%	22%	22%	21%	19%	20%	15%
32%	31%	25%	26%	23%	21%	26%	20%
15.8	14.7	11.9	10.9	9.9	8.7	10.7	8.7
7,301	7,350	7,879	7,490	7,974	8,116	8,030	7,208
44,870	42,176	41,970	43,005	44,929	46,147	46,586	48,052
12,825.8	12,623.9	12,415.5	11,786.9	11,065.6	10,318.8	9,819.2	9,175.0
7,544.1	7,489.2	7,328.7	6,989.8	6,479.4	6,016.4	5,573.0	5,106.6
3,254.5	3,303.0	3,455.7	3,766.1	3,680.6	3,349.4	3,122.3	3,166.0
25,414.0	25,179.1	24,878.3	24,123.3	22,691.7	21,039.6	19,833.8	18,716.0
27,375.5	27,350.2	27,143.7	26,510.5	26,130.9	24,103.7	23,170.0	21,272.4
12,214	12,257	12,319	12,059	11,754	11,356	11,255	10,940
\$884	\$899	\$896	\$845	\$814	\$827	\$914	\$883
3.84	3.87	3.89	3.79	3.79	4.08	4.29	3.81
7.5%	7.7%	7.9%	8.1%	8.0%	8.1%	8.7%	8.8%
7.3%	7.3%	7.2%	7.2%	7.2%	7.2%	8.4%	9.3%
7,002	6,623	6,571	6,309	6,086	5,966	5,961	5,989
6,982	6,056	5,026	6,817	6,188	5,087	5,977	5,813
\$472.9	\$345.9	\$265.3	\$249.6	\$197.0	\$188.5	\$189.4	\$194.1
52%	66%	70%	94%	103%	117%	116%	138%
1,182,170	1,159,237	1,135,499	1,101,817	1,060,971	1,023,222	980,427	940,976
5,806	5,677	5,570	5,553	5,512	5,395	5,323	5,215

BOARD OF DIRECTORS

Dr. Jack B. Critchfield, 62, is Chairman of the Board and Chief Executive Officer of Florida Progress. He served as a Florida Power Corporation director from 1975 to 1978 before joining the utility in 1983. He is a director of Barnett Banks, Inc., in Jacksonville, Florida. A company director since 1988, he is chairman of the Executive Committee.

Willard D. Frederick, Jr., 61, is a citrus grower and investor. He served as mayor of the city of Orlando from 1980 to 1992 and was a board member of the Orlando Utilities Commission. He retired as a Partner from the law firm of Holland & Knight in April 1995. He is a director of Atlantic Gulf Communities Corporation, Blue Cross Blue Shield of Florida and Sprint/United Telephone. He is also incoming Chairman of the Board of Trustees of Rollins College. A company director since January 1995, he is a member of the Compensation and Compliance Committees.

Michael P. Graney, 52, is a Partner in the law firm of Simpson Thacher & Bartlett in Columbus, Ohio. Specializing in utilities law, litigation and antitrust, he is a member of the American, District of Columbia, Ohio and Columbus Bar Associations and the Federal Energy Bar Association. A company director since 1991, he is chairman of the Nominating Committee and a member of the Executive and Compliance Committees.

Allen J. Keesler, Jr., 57, is President and Chief Executive Officer of Florida Power. Since joining Florida Power in 1963, he has held several positions in engineering and operations. In 1982, he was promoted to President and Chief Executive Officer of Talquin Corporation and served in that position until returning to Florida Power in 1988. He is a director of SouthTrust Corporation. A Florida Power director since 1988 and a company direc-

tor since 1992, he is a member of the Finance & Budget Committee.

Richard Korpan, 54, is President and Chief Operating Officer of Florida Progress. He joined the company in 1989 as Executive Vice President and Chief Financial Officer. He previously served as President and Chief Executive Officer of Pacific Diversified Capital Company, a subsidiary of San Diego Gas & Electric Company. He is a director of SunTrust Bank, Tampa Bay and Acordia of Central Florida, Inc. A company director since 1989, he is a member of the Executive and Finance & Budget Committees.

Clarence V. McKee, 53, is Chairman and Chief Executive Officer of McKee Communications, Inc., a television and radio investment firm in Tampa, Florida. He is a director of American Heritage Life Insurance Company and Barnett Banks, Inc., both in Jacksonville. A company director since 1989, he is chairman of the Compensation Committee and a member of the Audit Committee.

Vincent J. Naimoli, 58, is Chairman, President and Chief Executive Officer of Anchor Industries International, Inc., and Harvard Industries, Inc., Tampa-based operating and holding companies. He is also Managing General Partner of the Tampa Bay Devil Rays, Ltd. baseball ownership group, St. Petersburg, Florida. A company director since 1992, he is a member of the Compensation, Finance & Budget and Nominating Committees.

Richard A. Nunis, 63, is Chairman of Walt Disney Attractions in Orlando, Florida. He is a director of The Walt Disney Company and SunTrust Bank, Central Florida, N.A. in Orlando. A company director since 1989, he is chairman of the Finance & Budget Committee and a member of the Executive and Compensation Committees.

Charles B. Reed, 54, is Chancellor of the State University System of Florida in Tallahassee, Florida. He previously served as Chief of Staff and Deputy Chief to Florida Governor Bob Graham. A company director since 1992, he is a member of the Finance & Budget and Nominating Committees.

Joan D. Ruffier, 56, is a General Partner in Sunshine Cafes, an Orlando-based food and beverage concession business, which has operations at two Florida airports. A certified public accountant, she is a former chairman of the Board of Regents of the State University System of Florida. She is a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta. A company director since 1990, she is chairman of the Compliance Committee and a member of the Audit and Finance & Budget Committees.

Robert T. Stuart, Jr., 63, is a retired Chairman and Chief Executive Officer of Mid-Continent Life Insurance Company in Oklahoma City, which Florida Progress acquired in 1986. A company director since 1986, he is a member of the Executive Committee.

Jean Giles Wittner, 61, is President of Wittner & Company, a St. Petersburg firm involved in real estate management, insurance brokerage and consulting. She previously served as President and Chief Executive Officer of a savings association until it was sold in 1986. She is a director of Raymond James Bank, F.S.B. in St. Petersburg. A Florida Power director since 1977 and a company director since 1982, she is chairman of the Audit Committee and a member of the Compensation and Compliance Committees.

OFFICERS

Dr. Jack B. Critchfield
Chairman and Chief Executive Officer

Richard Korpan
President and Chief Operating Officer

Jeffrey R. Heinicka
Senior Vice President and
Chief Financial Officer

Kenneth E. Armstrong
Vice President, General Counsel and
Secretary

Darryl A. LeClair
Vice President, Mergers, Acquisitions and
Divestitures, and President, Progress
Credit Corporation

Larry J. Newsome
Vice President, Tax Administration

John Scardino, Jr.
Vice President and Controller

James V. Smallwood
Vice President and Treasurer

Allen J. Keesler, Jr.
President and Chief Executive Officer,
Florida Power Corporation

Richard D. Keller
President and Chief Executive Officer,
Electric Fuels Corporation

James L. Harlin
President and Chief Executive Officer,
Mid-Continent Life Insurance Company

Dudley E. Bryant
President and Chief Executive Officer,
Advanced Separation Technologies
Incorporated

INVESTOR INFORMATION

PROGRESS **STOCKPLAN**

The company offers the Progress Plus Stock Plan as an economical, convenient and flexible way to purchase shares of Florida Progress common stock. Plan participants can purchase stock directly from the company and reinvest all or a portion of their quarterly dividends without paying typical brokerage fees. Those eligible for the plan are:

- Registered shareholders of Florida Progress

- Nonshareholders who are Florida residents

- Employees of the company and its subsidiaries

The plan is offered only by means of a prospectus, which can be obtained by contacting the company.

Correspondence concerning the plan, dividend checks, address changes and financial publications should be directed to:

Investor Services

Florida Progress Corporation

P. O. Box 33028

St. Petersburg, Florida 33733-8028

(800) 352-1121 or (813) 824-6418

Investor Services Fax (813) 824-6401

TRANSFER AGENT AND REGISTRAR

Inquiries concerning the transfer of common stock certificates of Florida Progress or preferred stock certificates of Florida Power should be directed to:

Chemical Mellon Shareholder Services, LLC

Overpeck Centre

85 Challenger Road

Ridgefield Park, New Jersey 07660

(800) 851-9672

COMMON STOCK DIVIDENDS

Record dates are normally on or about the fifth day of March, June, September and December. Quarterly dividend checks are mailed to reach shareholders on or about the 20th day of March, June, September and December.

COMMON STOCK LISTED

New York Stock Exchange

Pacific Stock Exchange

Ticker symbol: FPC

Newspaper listing: Flaring

ANNUAL REPORT ON FORM 10-K

A copy of the company's 1995 Form 10-K, without exhibits, will be supplied without charge to shareholders requesting it. Requests should be addressed to Investor Services.

LIFE INSURANCE INFORMATION

Inquiries concerning life insurance policies issued by Mid-Continent Life Insurance Company should be directed to:

Marketing Department

Mid-Continent Life Insurance Company

1400 Classen Drive

Oklahoma City, Oklahoma 73106

(800) 735-9701

AUDITORS

KPMG Peat Marwick LLP

St. Petersburg, Florida

ANALYSTS' CONTACT

Mark A. Myers (813) 866-4245

Manager, Investor Relations

Investor Relations-Fax (813) 866-4986

CORPORATE OFFICES

Barnett Tower

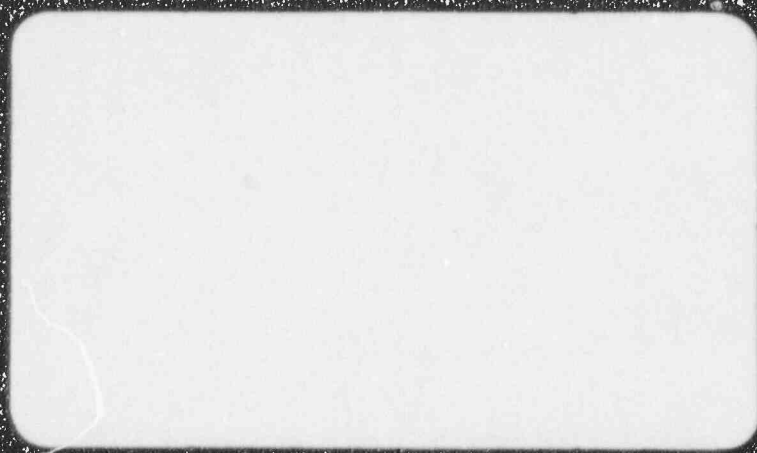
One Progress Plaza

St. Petersburg, Florida 33701

(813) 824-6400



P.O. BOX 33028 ST. PETERSBURG FLORIDA 33733-8028



 Purvis
Gray &
Company

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CITY OF ALACHUA
ALACHUA, FLORIDA**

SEPTEMBER 30, 1995

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CITY OF ALACHUA
ALACHUA, FLORIDA
SEPTEMBER 30, 1995**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

We have audited the accompanying general purpose financial statements of the City of Alachua, Florida as of September 30, 1995 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types is fairly presented at cost or estimated historical cost, due to insufficient detail within the City's property records.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the propriety of amounts recorded as property, plant and equipment in the proprietary fund types, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Alachua, Florida as of September 30, 1995, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
1415 Piedmont Drive, East, Suite 2 • Tallahassee, Florida 32312 • (904) 385-0554

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

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Alachua, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effect of such adjustments, if any, related to the matter discussed in the third paragraph, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 1995 on our consideration of the City of Alachua, Florida's internal control structure and a report dated December 8, 1995 on its compliance with laws and regulations.

December 8, 1995
Gainesville, Florida

Purvis, Gray and Company

GENERAL PURPOSE FINANCIAL STATEMENTS

These basic statements provide a summary overview of the financial position of all funds and account groups as well as the operating results of all funds and cash flows of the proprietary fund types. They also serve as an introduction to and summary of the more detailed statements included in the accompanying information section.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1995
CITY OF ALACHUA, FLORIDA

	Governmental			Proprietary Fund Types Enterprise	Fiduciary Fund Type Agency	Account Groups		Totals	
	Fund Types					General	General	(Memorandum Only)	
	General	Special Revenue	Debt Service			Fixed Assets	Long-Term Debt	1995	1994
Assets									
Cash and Cash Equivalents	\$ 275,719	\$ 38,134	\$ 57,960	\$ 139,881				\$ 511,694	\$ 220,537
Investments	105,500		92,922	123,292	\$ 117,747			439,461	303,130
Receivables (Net of Allowances For Uncollectibles Parenthetically Indicated):									
Taxes and Special Assessments	19,782			22,940				42,722	3,640
Accounts (\$45,120)				714,968				714,968	558,416
Accrued Interest and Penalties	264							264	264
Other Receivables	18,588			8,903				27,491	60,242
Due From Other Funds				35,350				35,350	333,341
Due From Other Governments	92,378	11,667						104,045	48,758
Inventory of Utility Supplies				196,674				196,674	206,132
Prepaid Expenses	70,497			37,556				108,053	118,903
Unbilled Revenue				210,237				210,237	161,799
Restricted Assets:									
Cash and Cash Equivalents				434,721				434,721	611,812
Investments				1,954,404				1,954,404	2,455,598
Accrued Interest				7,057				7,057	6,234
Property, Plant and Equipment - Cost Less Accumulated Depreciation For Proprietary Fund Types; Cost For General Fixed Assets Account Group				11,632,892		\$ 3,023,120		14,656,012	14,065,526
Unamortized Bond Issue Costs				455,499				455,499	476,443
Amount Available For Retirement of General Long-Term Debt							\$ 150,882	150,882	145,571
Amount to be Provided For Retirement of General Long-Term Debt							1,516,260	1,516,260	1,486,916
Total Assets	\$ 582,728	\$ 49,801	\$ 150,882	\$ 15,974,374	\$ 117,747	\$ 3,023,120	\$ 1,667,142	\$ 21,565,794	\$ 21,295,262

See accompanying notes.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1995
CITY OF ALACHUA, FLORIDA
(Concluded)

	Governmental			Proprietary Fund Types Enterprise	Fiduciary Fund Type Agency	Account Groups		Totals	
	Fund Types		General Fixed Assets			General Long-Term Debt	(Memorandum Only)		
	General	Special Revenue					1995	1994	
Liabilities and Fund Equity									
Liabilities									
Cash Overdraft				\$ 237,672			\$ 237,672	\$ 231,420	
Accounts Payable	\$ 374,035			258,193			632,228	328,897	
Other Accrued Expenses				27,456			27,456	33,164	
Due to Other Funds				35,350			35,350	333,341	
Payable From Restricted Assets:									
Accrued Interest				462,207			462,207	469,605	
Current Portion of Bonds Payable				235,001			235,001	220,000	
Customer Deposits				125,910			125,910	119,405	
Deferred Revenues and Credits	8,891			237,040			245,931	397,114	
Note Payable - Other						\$ 14,361	14,361	17,690	
Note Payable - Arcadia						1,130,000	1,130,000	1,165,000	
Note Payable - FLGFA						388,709	0	389,689	
Note Payable - Sales Tax						70,516	70,516	0	
Note Payable - First National								14,589,256	
Revenue Bonds Payable				14,365,730		63,556	14,365,730	102,449	
Accrued Compensated Absences				40,671			104,227	104,708	
Deferred Compensation					\$ 117,747		117,747		
Total Liabilities	<u>382,926</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>16,025,230</u>	<u>\$ 117,747</u>	<u>1,667,142</u>	<u>18,193,045</u>	<u>18,501,738</u>	
Fund Equity									
Contributed Capital				1,865,485			1,865,485	1,865,485	
Investment in General Fixed Assets						3,023,120	3,023,120	2,914,952	
Retained Earnings:									
Reserved For Debt Service and Contingencies							604,312	606,696	
Unreserved							(2,520,653)	(2,962,655)	
Fund Balances:									
Reserved	128,428		150,882				279,310	379,232	
Designated	5,160						5,160	10,706	
Undesignated	66,214	49,801					116,015	(20,892)	
Total Fund Equity	<u>199,802</u>	<u>49,801</u>	<u>150,882</u>	<u>(50,856)</u>	<u>0</u>	<u>3,023,120</u>	<u>3,372,749</u>	<u>2,793,524</u>	
Total Liabilities and Fund Equity	<u>\$ 582,728</u>	<u>\$ 49,801</u>	<u>\$ 150,882</u>	<u>\$ 15,974,374</u>	<u>\$ 117,747</u>	<u>\$ 1,667,142</u>	<u>\$ 21,565,794</u>	<u>\$ 21,295,262</u>	

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1995
CITY OF ALACHUA, FLORIDA**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	1995	1994
Revenues					
Taxes and Special Assessments	\$ 1,277,246	\$ 11,667	\$ 0	\$ 1,288,913	\$ 1,179,842
Licenses and Permits	82,662	0	0	82,662	55,610
Intergovernmental	495,666	0	0	495,666	409,441
Charges For Services	133,062	0	0	133,062	113,637
Fines and Forfeitures	94,541	0	0	94,541	97,067
Interest and Miscellaneous	61,893	768	5,987	68,648	42,247
Total Revenues	<u>2,145,070</u>	<u>12,435</u>	<u>5,987</u>	<u>2,163,492</u>	<u>1,897,844</u>
Expenditures					
Current:					
General Government	386,549	0	0	386,549	378,224
Public Safety	1,341,133	0	0	1,341,133	1,142,399
Physical Environment	45,325	0	0	45,325	59,032
Transportation	303,701	0	0	303,701	265,566
Parks and Recreation	184,012	0	0	184,012	136,770
Debt Service	0	0	121,495	121,495	108,175
(Total Expenditures)	<u>(2,260,720)</u>	<u>0</u>	<u>(121,495)</u>	<u>(2,382,215)</u>	<u>(2,090,166)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(115,650)</u>	<u>12,435</u>	<u>(115,508)</u>	<u>(218,723)</u>	<u>(192,322)</u>
Other Financing Sources (Uses)					
Transfers In	178,113	0	119,286	297,399	296,803
Transfers Out	(119,286)	0	0	(119,286)	(118,690)
Proceeds From New Debt	0	0	393,000	393,000	19,000
Proceeds From Capital Lease	70,516	0	0	70,516	0
Payments on Current Refunding	0	0	(382,520)	(382,520)	0
Bond Issue Costs	0	0	(8,947)	(8,947)	0
Total Other Financing Sources (Uses)	<u>129,343</u>	<u>0</u>	<u>120,819</u>	<u>250,162</u>	<u>197,113</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>13,693</u>	<u>12,435</u>	<u>5,311</u>	<u>31,439</u>	<u>4,791</u>
Fund Balances, Beginning of Year	<u>186,109</u>	<u>37,366</u>	<u>145,571</u>	<u>369,046</u>	<u>364,255</u>
Fund Balances, End of Year	<u>\$ 199,802</u>	<u>\$ 49,801</u>	<u>\$ 150,882</u>	<u>\$ 400,485</u>	<u>\$ 369,046</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1995
CITY OF ALACHUA, FLORIDA**

	General Fund			Debt Service Fund			Totals (Memorandum Only)	
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	1995	1994
Revenues								
Taxes	\$ 1,197,070	\$ 1,277,246	\$ 80,176	\$ 0	\$ 0	\$ 0	\$ 1,277,246	\$ 1,171,445
Licenses and Permits	67,000	82,662	15,662	0	0	0	82,662	55,610
Intergovernmental	654,051	495,666	(158,385)	0	0	0	495,666	409,441
Charges For Services	63,400	133,062	69,662	0	0	0	133,062	113,637
Fines and Forfeitures	100,000	94,541	(5,459)	0	0	0	94,541	97,067
Interest and Miscellaneous	71,310	61,893	(9,417)	0	5,987	5,987	67,880	42,247
Total Revenues	<u>2,152,831</u>	<u>2,145,070</u>	<u>(7,761)</u>	<u>0</u>	<u>5,987</u>	<u>5,987</u>	<u>2,151,057</u>	<u>1,889,447</u>
Expenditures								
Current:								
General Government	365,680	386,549	(20,869)	0	0	0	386,549	378,224
Public Safety	1,283,080	1,341,133	(58,053)	0	0	0	1,341,133	1,142,399
Physical Environment	71,347	45,325	26,022	0	0	0	45,325	59,032
Transportation	286,751	303,701	(16,950)	0	0	0	303,701	265,566
Parks and Recreation	179,596	184,012	(4,416)	0	0	0	184,012	136,770
Debt Service	0	0	0	118,180	121,495	(3,315)	121,495	108,175
(Total Expenditures)	<u>(2,186,454)</u>	<u>(2,260,720)</u>	<u>(74,266)</u>	<u>(118,180)</u>	<u>(121,495)</u>	<u>(3,315)</u>	<u>(2,382,215)</u>	<u>(2,090,166)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(33,623)</u>	<u>(115,650)</u>	<u>(82,027)</u>	<u>(118,180)</u>	<u>(115,508)</u>	<u>2,672</u>	<u>(231,158)</u>	<u>(200,719)</u>
Other Financing Sources (Uses)								
Transfers In	178,113	178,113	0	118,180	119,286	1,106	297,399	296,803
Transfers Out	(118,180)	(119,286)	(1,106)	0	0	0	(119,286)	(118,690)
Proceeds From Refunding Debt	0	0	0	0	393,000	393,000	393,000	0
Proceeds From Capital Leases	0	70,516	70,516	0	0	0	70,516	19,000
Payments on Current Refunding	0	0	0	0	(382,520)	(382,520)	(382,520)	0
Bond Issue Costs	0	0	0	0	(8,947)	(8,947)	(8,947)	0
Total Other Financing Sources (Uses)	<u>59,933</u>	<u>129,343</u>	<u>69,410</u>	<u>118,180</u>	<u>120,819</u>	<u>(2,639)</u>	<u>250,162</u>	<u>197,113</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 26,310</u>	<u>13,693</u>	<u>\$ (12,617)</u>	<u>\$ 0</u>	<u>5,311</u>	<u>\$ 33</u>	<u>19,004</u>	<u>(3,606)</u>
Fund Balances, Beginning of Year		<u>186,109</u>			<u>145,571</u>		<u>331,680</u>	<u>335,286</u>
Fund Balances, End of Year		<u>\$ 199,802</u>			<u>\$ 150,882</u>		<u>\$ 350,684</u>	<u>\$ 331,680</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1995
CITY OF ALACHUA, FLORIDA**

	Proprietary Fund Type Enterprise	Total (Memorandum Only) 1994
Operating Revenues	<u>\$ 5,644,363</u>	<u>\$ 5,312,109</u>
Operating Expenses		
Power Production Expense	2,849,207	2,743,333
Treatment	229,952	228,615
Distribution and Collection	295,267	330,250
Warehousing	59,128	55,979
Customer Accounts	163,186	158,121
General and Administrative	242,996	300,625
Depreciation	463,018	444,501
Taxes	112,575	104,439
(Total Operating Expenses)	<u>(4,415,329)</u>	<u>(4,365,863)</u>
Operating Income	<u>1,229,034</u>	<u>946,246</u>
Nonoperating Revenue (Expenses)		
Special Assessments	134,977	0
Connection Charges	80,356	0
Interest Income	143,696	104,021
Interest on Long-Term Debt	(949,750)	(965,457)
Amortization of Bond Issue Costs	(20,945)	(20,884)
Miscellaneous Income	363	370
Total Nonoperating Revenue (Expenses)	<u>(611,303)</u>	<u>(881,950)</u>
Income Before Operating Transfers	617,731	64,296
(Operating Transfers Out)	<u>(178,113)</u>	<u>(178,113)</u>
Net Income (Loss)	439,618	(113,817)
Retained Earnings (Deficit), Beginning of Year	<u>(2,355,959)</u>	<u>(2,242,142)</u>
Retained Earnings (Deficit), End of Year	<u><u>\$ (1,916,341)</u></u>	<u><u>\$ (2,355,959)</u></u>

See accompanying notes.

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1995
CITY OF ALACHUA, FLORIDA**

	Proprietary Fund Type Enterprise	Total (Memorandum Only) 1994
Cash Flows From Operating Activities		
Operating Income	\$ 1,229,034	\$ 946,246
Adjustments to Reconcile Operating Income to Net Cash Provided By Operations:		
Depreciation of Plant	463,018	444,501
Amortization of Decommissioning Costs	3,586	3,586
Provision For Losses on Accounts Receivable	18,100	16,000
Change in Current Assets - (Increase) Decrease:		
Accounts Receivable and Unbilled Revenue	118,509	(78,022)
Inventory (Net of Material Salvaged From Retirements of \$5,286)	14,744	(17,285)
Prepaid Power Costs	26,914	(34,654)
Other Prepaid Expenses	(3,433)	3,771
Change in Current Liabilities - Increase (Decrease):		
Accounts Payable and Other Accrued Expenses	(279,298)	(21,797)
Customer Deposits	6,505	3,604
Net Cash Provided By Operating Activities	<u>1,597,679</u>	<u>1,265,950</u>
 Cash Flows From Noncapital Financing Activities		
Connection Charges	80,356	0
Miscellaneous Income	363	370
Operating Transfers In From Other Funds	10,200	0
Operating Transfers Out to Other Funds	(188,313)	(178,113)
Net Cash (Used In) Noncapital Financing Activities	<u>(97,394)</u>	<u>(177,743)</u>
 Cash Flows From Capital and Related Financing Activities		
Extension and Replacement of Plant - Net of Contributions Received in Aid of Construction	(947,671)	(481,414)
Plant Removal Costs	(2,949)	(1,270)
Principal Payments on Bonds	(220,000)	(189,000)
Interest Paid	(945,672)	(913,537)
Bond Issue Costs	0	(20,738)
Operating Transfers Out to Other Funds	(109,793)	(154,089)
Operating Transfers in From Other Funds	109,793	154,089
Net Cash (Used In) Capital and Related Financing Activities	<u>(2,116,292)</u>	<u>(1,605,959)</u>

See accompanying notes.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1995
CITY OF ALACHUA, FLORIDA
(Concluded)

	Proprietary Fund Type Enterprise	Total (Memorandum Only) 1994
Cash Flows From Investing Activities		
Investments Purchased	\$ (1,379,100)	\$ (1,271,239)
Investments Matured	1,757,001	1,577,001
Interest Income	151,314	116,475
Net Cash Provided By Investing Activities	<u>529,215</u>	<u>422,237</u>
 Net (Decrease) in Cash, Cash Overdraft and Cash Equivalents	 (86,792)	 (95,515)
 Cash, Cash Overdraft and Cash Equivalents, October 1, 1994	 <u>423,722</u>	 <u>519,237</u>
 Cash, Cash Overdraft and Cash Equivalents, September 30, 1995	 <u>\$ 336,930</u>	 <u>\$ 423,722</u>
 Reconciliation of Cash, Cash Overdraft and Cash Equivalents (Above) to Combined Balance Sheet		
 Captions on Combined Balance Sheet		
Cash and Cash Equivalents	\$ 139,881	\$ 43,330
Restricted Assets - Cash and Cash Equivalents	434,721	611,812
(Cash Overdraft)	(237,672)	(231,420)
Total	<u>\$ 336,930</u>	<u>\$ 423,722</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS CITY OF ALACHUA, FLORIDA

Note 1 - Summary of Significant Accounting Policies

The City of Alachua, Florida (the City) is a political subdivision of the State of Florida located in Alachua County. The legislative branch of the City is composed of a five-member elected commission. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

The City's major operations include various utility services - electric, water and wastewater as well as police protection, road and street maintenance, parks, recreation and other general government services. The City contracts with Alachua County for the provision of fire service at a fixed cost to the City which is renegotiated annually. The City leases the fire station and equipment to the County at no cost. Sanitation services are provided by a private company, but billed by the City to its customers. The City retains an administrative fee on sanitation services.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

Reporting Entity

As outlined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992, the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB No. 14, to determine whether the entity a) is part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include a) the legal separateness of the organization, and b) the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit or the potential component unit's fiscal dependency on the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

■ Community Redevelopment Agency

The Community Redevelopment Agency (the Agency) was created by the City of Alachua Commission in 1982. In evaluating this potential component unit, it was determined that the Agency is not a separate legal entity as it generally cannot transact business in its own name and, therefore, should be included as part of the primary government for reporting purposes. The Agency is presented in the general purpose financial statements of the City as a special revenue fund.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Reporting Entity (Concluded)

■ **Public Finance Authority For Affordable Housing (the Authority)**

This potential component unit was created by the City Commission in 1992. The Authority is a separate legal entity capable of suing and being sued and able to purchase property in its own name. By charter, the Authority's Board is composed of the City Commission and the Commission has oversight over all financial activities. Accordingly, the Authority is a component unit of the City. There have been no financial transactions in the Authority during 1995, or since its creation; therefore, no amounts related to the Authority are reported in the accompanying general purpose financial statements.

Fund Accounting

The City's accounting records are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity, with a self-balancing set of accounts recording all financial resources with all related liabilities, reserves and residual entities, or balances or changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives. Amounts received from or payable to other funds are shown in the accounts of an individual fund and separately presented in the accompanying general purpose financial statements until liquidated by payment or an interfund transfer.

The following fund types and account groups are used in accounting for the financial operations of the City.

■ **Governmental Fund Types**

- **General Fund** - to account for all financial resources not properly accounted for in another fund.
- **Special Revenue Fund** - to account for the proceeds of specific revenue resources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City uses this fund to account for the activities of the Agency.
- **Debt Service Fund** - to account for the accumulation of resources and payment of general obligation bond principal and interest from these resources. The City uses the debt service fund to account for the accumulation of resources and the payment of principal and interest on the Gulf Breeze and FLGFA loans.

■ **Proprietary Fund Types**

- **Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's electric, water and wastewater utility services are accounted for in these funds. In addition, a new fund for Turkey Creek water and wastewater utility services was established in 1993.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Concluded)

■ **Fiduciary Fund Types**

- **Agency Fund** - to account for assets held by the City as an agent for other individuals, private organizations, other governments, and/or other funds. The City employees' deferred compensation plan is accounted for in this fund.

■ **Account Groups**

- The **Account Groups** are used to establish accounting control and accountability for the government's general fixed assets and general long-term debt. These account groups are not considered funds since they do not reflect available financial resources and related liabilities.

Measurement Focus

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Governmental fund types are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, such statements are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds, and long-term liabilities expected to be financed from governmental fund types are accounted for in the general long-term debt account group.

The proprietary fund types are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on the balance sheet. The reported fund equity (net total assets) is segregated into contributions and retained earnings components. The proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The fiduciary fund type for the City, an agency fund, is custodial in nature and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The governmental fund types are maintained on the modified accrual basis of accounting. Under this method of accounting, revenues are generally recognized when they become measurable and available as net current assets. Revenues which are susceptible to accrual, i.e., being recorded when earned, include property and utility taxes, refuse collection fees and lot clearing and certain other fees. Expenditures are generally recorded on an accrual basis, i.e., when incurred, except as follows:

- Principal and interest on long-term debt are recognized when due;
- accumulated vacation and sick pay is not recorded in the general fund since the current amount is immaterial.

The proprietary fund types are maintained on the accrual basis of accounting. This method of accounting relates costs and expenditures to the period in which benefits of the outlays are received. It is intended to provide an accurate matching of these benefits with associated revenues. Under the accrual basis of accounting, revenues are recognized when earned and measurable, and expenses are recognized when incurred.

Proprietary fund types follow all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board (APB) Opinions; and
- Accounting Research Bulletins.

Pursuant to GASB Statement No. 20, the City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989 to its proprietary fund type activities.

Budgeting

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution, which sets spending limits by department.
- The City Manager is authorized to transfer budgeted amounts within any department in any fund, but may not revise total departmental expenditures without the approval of the City Commission. The budgetary information for all governmental fund types in the combined statement of revenues, expenditures and changes in fund balances is reported as amended.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgeting (Concluded)

- Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. Encumbrances are not recorded.
- The budgets for governmental funds which include the general fund and debt service fund that were either adopted or amended during the year by the City Commission were prepared on the same basis of accounting utilized by those specific fund types. Comparisons of budgetary data to actual are not required to be reported for proprietary fund types. There was no budget adopted for the special revenue fund.

Receivables

Customer accounts receivable are recorded at their net realizable value reduced by an allowance for uncollectible accounts. Property taxes receivable are recorded, if material, offset by deferred revenue for the amount which is not measurable and available at September 30, 1995.

Inventory

Inventory in the general fund is charged to expenditures when purchased. Inventory in the proprietary fund types consists of supplies held for repairs or capital improvements, plus nuclear fuel.

Property, Plant and Equipment and Depreciation

Property, plant and equipment in the proprietary fund types are recorded at historical cost or at fair market value on the date donated. Ordinary maintenance and repairs are charged to expenses as incurred.

Provision has been made for the depreciation of such property, plant and equipment using the straight-line method with a half-year convention. The straight-line rate is computed using the period of years considered as the normal service life of the property. Such rates are as follows:

Nuclear Plant and Equipment	2.7% to 3.6%
Electric Distribution Plan	2% to 4%
Water Plant	3% to 10%
Wastewater Plant	2.5%
Other Equipment	10% to 20%

Construction work in progress is not depreciated until completed and placed into service. Utility plant acquired through grants is depreciated along with other utility plant purchased or constructed.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment and Depreciation (Concluded)

All other property and equipment owned by the City is reflected at cost in the general fixed assets account group and shown as an expenditure in the fund purchasing the property or equipment. Certain improvements such as streets, sidewalks and other infrastructure assets are capitalized along with other general fixed assets. No provision for depreciation is made for any general fixed assets.

Bond Discount and Issue Costs Amortization

The bond issue costs on the Utility Revenue Bonds of 1993 and 1986 are being amortized over the lives of the bonds using the straight-line method. The bond discounts on the Utility Revenue Bonds are being amortized over the life of the bonds using the effective interest method.

Capitalized Interest During Construction

The City accounts for capitalized interest during construction in accordance with Statement of Financial Accounting Standards No. 34, *Capitalization of Interest Costs*, and Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. No interest expense was capitalized during 1995 on construction-in-progress in any fund or account group.

Long-Term Liabilities

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type liabilities. They are instead reported as liabilities in the general long-term debt account group.

Compensated Absences

The City accrues accumulated unpaid vacation and sick pay when incurred, if material, in the proprietary funds and the general long-term debt account group. Amounts representing the current liability for unused annual and sick leave in governmental fund types are immaterial. Therefore, the entire liability for governmental fund types is recorded in the general long-term debt account group.

Personnel policies allow permanent, full-time employees to accumulate a maximum of twenty-five days vacation leave and sixty days sick leave. One week of vacation time is granted if sixty days sick leave is accumulated. Employees are paid the balance of their accumulated vacation leave, in full, upon termination. Also upon termination, employees are paid the balance of their accumulated sick leave, up to a maximum of eighty hours.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Utility revenues are recognized when customers are billed unless there has been a significant change in meter reading rates. In that event, unbilled or deferred revenues are recorded for consistency.

Restricted grant revenues which are received, but not expended, are recorded as deferred revenues in the liability section of the balance sheet.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for the 1995 fiscal year was 5.5 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Alachua County Property Appraiser incorporates the City millages into the total tax levy, which includes the County and the County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Total Columns on the Combined Statements

Total columns on the combined statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. The totals for 1994 are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements.

Note 2 - Deposits and Investments

All monies collected by the City are required to be deposited in accordance with the laws of the State of Florida. Florida Statutes authorize the City to invest in the following:

- Direct obligations of, or obligations guaranteed by, the U.S. Government;
- Interest-bearing time deposits or savings accounts in qualified institutions;
- Obligations of the Federal Farm Credit Banks;
- Obligations of the Federal National Mortgage Association; and
- The Local Government Surplus Funds Trust Fund.

Deposits

At year end, the carrying amount of the City's deposits was \$95,608 and the bank balance was \$435,983. All deposits of the City are maintained in qualified public depositories. In addition, the City had \$465,207 deposited with a fiscal agent as of September 30, 1995 for the payment of revenue bonds and other interest on October 1.

The Florida Security for Public Deposits Act; Chapter 280 of the Florida Statutes, provides that qualified public depositories must maintain eligible collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the City's name nor specify which collateral is held for the City's benefit. In the event of default, the Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the City for any deposits not covered by depository insurance or collateral pledged by the depository as previously described.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 2 - Deposits and Investments (Concluded)

Investments

Investments are carried at cost or amortized cost. The carrying amount and market value of investments owned by the City of Alachua at September 30, 1995 was as follows:

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of Deposit, 2.90% to 6.00% Interest, Varying Maturities Through September 1996	\$ 1,503,153	\$ 1,503,153
State Board of Administration of Florida Local Government Pooled Investment Account, Variable Interest Rate (5.68% at September 30, 1995)	147,928	147,928
Florida Municipal Power Agency (FMPA) CR-3 Pooled Investment Account	115,731	115,731
United States Treasury Bonds, \$575,000 Par Value, 7.625% Interest, Maturing February 15, 2007	564,312	610,578
City of Arcadia - Debt Service Reserve	92,922	92,922
ICMA Deferred Compensation Account	117,747	117,747
Totals	<u>\$ 2,541,793</u>	<u>\$ 2,588,059</u>

All the above investments are insured or registered, or held by the City or its agent in the City's name. The State Board of Administration's deposits in Tallahassee are maintained in an investment pool which invests primarily in commercial paper, repurchase agreements, bankers acceptance notes and U.S. Government obligations. The FMPA account represents a 2.1714% interest in an investment pool which invests primarily in mid-and long-term U.S. Government obligations. The securities in the pool are registered in the name of SunTrust, N.A. as trustee for the FMPA (CR-3) participants. The City of Arcadia debt service reserve account is an investment pool held by the Trustee for the City of Arcadia bond issue, which is invested in FNMA mortgage notes. The ICMA deferred compensation account is an investment pool managed by the International City Managers Association.

The State Board of Administration account is classified with "cash and cash equivalents" on the balance sheet because the investment has an original maturity of ninety days or less.

Note 3 - Inventory

Inventory in the proprietary fund types at September 30, 1995 consists of the following:

Electric Utility Supplies	\$ 122,945
Water/Sewer Supplies	20,189
Nuclear Fuel	30,377
Nuclear Plant Materials Inventory	23,163
Total	<u>\$ 196,674</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 3 - Inventory (Concluded)

The utility supplies and plant inventory are valued at cost as determined by the average unit cost method. The City's portion of nuclear fuel inventory at the CR-3 nuclear generating facility is recorded at amortized cost.

Note 4 - Detail of Property, Plant and Equipment

General Fixed Assets Accounting Group

A summary of changes in general fixed assets for the year follows:

	<u>Balance</u> <u>10/1/94</u>	<u>Additions</u>	<u>(Removals and</u> <u>Adjustments)</u>	<u>Balance</u> <u>9/30/95</u>
City Park - Structures and Improvements	\$ 19,885	\$ 0	\$ 0	\$ 19,885
City Hall - Building	157,625	0	0	157,625
City Hall - Equipment, Furnishings and Vehicles	68,505	0	0	68,505
Fire Station	72,169	0	0	72,169
Police Station	69,094	0	0	69,094
Rolling Green - Land and Buildings	647,699	0	0	647,699
Rolling Green - Improvements	14,653	0	0	14,653
Parking Lots - Land	43,189	0	0	43,189
Street Paving and Sidewalks	994,189	0	0	994,189
Fire Trucks and Other Equipment	178,865	0	0	178,865
Mosquito Spraying Equipment	8,725	0	0	8,725
Land - Other	171,791	50,925	0	222,716
Police Department - Cars and Equipment	285,355	59,741	(9,913)	335,183
Streets and Roads Equipment	82,973	0	0	82,973
Miscellaneous	11,709	0	0	11,709
Parks and Recreation - Equipment	30,107	0	0	30,107
Physical Environment - Equipment	58,419	13,870	(6,455)	65,834
Total Property, Plant and Equipment - At Cost	<u><u>\$ 2,914,952</u></u>	<u><u>\$ 124,536</u></u>	<u><u>\$ (16,368)</u></u>	<u><u>\$ 3,023,120</u></u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 4 - Detail of Property, Plant and Equipment (Concluded)

Proprietary Fund Types

A summary of property, plant and equipment in the proprietary fund types at September 30, 1995 follows:

Nuclear Generating Plant and Equipment	\$ 589,945
Electric Distribution Plant and Equipment	5,644,096
Water Plant and Equipment	3,233,433
Wastewater Plant and Equipment	4,677,471
Turkey Creek Water and Wastewater Plant and Equipment	2,117,982
	<u>16,262,927</u>
(Accumulated Depreciation)	(4,630,035)
Total Utility Plant - Cost Less	
Accumulated Depreciation	<u><u>\$ 11,632,892</u></u>

Nuclear generating plant and equipment represents the cost of the City's .0779% undivided interest in the Florida Power Corporation CR-3.

Note 5 - Long-Term Debt

General Long-Term Debt:

The following tabulation summarizes the changes in the City's general long-term debt account group during the year ended September 30, 1995:

	<u>Balance</u> <u>10/1/94</u>	<u>New</u> <u>Debt</u>	<u>(Principal</u> <u>Paid)</u>	<u>Balance</u> <u>9/30/95</u>
City of Arcadia, Florida, Dedicated Pool Local Govern- ment Revenue Bonds, Series 1993	\$1,165,000	\$ 0	\$ (35,000)	\$1,130,000
Florida Local Government Finance Authority, Government Unit Loan Program	389,689	0	(389,689)	0
Sales Tax Revenue Note, Series 1995	0	393,000	(4,291)	388,709
Note Payable - First National	0	70,516	0	70,516
Note Payable - Other	17,690	0	(3,329)	14,361
Compensated Absences	60,108	3,448	0	63,556
Totals	<u><u>\$1,632,487</u></u>	<u><u>\$ 466,964</u></u>	<u><u>\$ (432,309)</u></u>	<u><u>\$1,667,142</u></u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt: (Continued)

■ **City of Arcadia, Florida - Dedicated Pool Local Government Revenue Bonds, Series 1993**

On July 1, 1993, the City of Alachua, Florida executed a loan agreement with the City of Arcadia, Florida (the Sponsor), and NationsBank of Florida, N.A. (the Trustee), to borrow \$1,200,000 from the Sponsor's \$45,455,000 Local Government Revenue Bonds, Series 1993, Dedicated Pool. The Sponsor issued the bonds on August 10, 1993 and deposited the proceeds with the Trustee to fund the pool, available to governmental entities for financing and refinancing certain qualified projects.

The City of Alachua used the proceeds to refinance the balance due on a loan from the City of Gulf Breeze, originally issued to finance street and drainage improvements. The City of Arcadia loan is evidenced by a Governmental Unit Note, which is payable solely from the City's local option gas tax revenues and guaranteed entitlement revenues (the Pledged Revenues).

The loan agreement required the establishment of the following accounts:

Revenue To collect the pledged revenues.

Sinking To accumulate sufficient monies to pay interest on the next semiannual interest date (December 1 and June 1), to pay principal coming due annually and to make required "reserve payments," if any.

Reserve To initially accumulate the maximum annual debt service requirement of \$92,922.

In accordance with the loan agreement, money on deposit in the revenue account must be disbursed in the following order:

- To satisfy current debt service requirements of the note;
- to provide for the reserve payments, if any, when due (in the event the reserve account is insufficient);
- to the payment of any additional parity bonds;
- to the payment of any junior lien obligations; and
- for any other lawful purpose.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt: (Continued)

■ **City of Arcadia, Florida - Dedicated Pool Local Government Revenue Bonds, Series 1993 (Concluded)**

The note carries a true interest cost rate of 5.375% and matures on December 1, 2014. The following tabulation summarizes remaining interest and principal payment requirements of the note:

Fiscal Year Ending September 30	Principal	Interest	Total
1996	\$ 35,000	\$ 54,846	\$ 89,846
1997	35,000	53,576	88,576
1998	40,000	52,122	92,122
1999	40,000	50,503	90,503
2000	35,000	48,930	83,930
Thereafter	945,000	442,654	1,387,654
Totals	<u><u>\$1,130,000</u></u>	<u><u>\$ 702,631</u></u>	<u><u>\$1,832,631</u></u>

■ **Florida Local Government Finance Authority - Government Unit Loan Program**

On September 26, 1990, the City adopted Resolution R-90-17 authorizing the borrowing of \$425,000 from the Florida Local Government Finance Authority (FLGFA), Governmental Unit Loan Program, to provide funds for the repayment of a \$300,000 General Obligation Note to First National Bank of Alachua, Florida, and to finance certain other qualified projects, primarily street improvements. FLGFA, a public body corporate and politic of the State of Florida (the Sponsor) had issued \$427,500,000 Government Unit Loan Program Revenue Bonds, Series 1986 A through E on December 1, 1986, and deposited the proceeds with SunTrust (the Trustee) for the purpose of financing or refinancing qualified projects for any public agency of a state or local government. The loan is evidenced by a Governmental Unit Note which is payable solely from the City's half-cent sales tax revenues (the Pledged Revenues).

The note was originally payable over 305 months beginning November 1, 1990 at a variable interest rate (5.28% at May 31, 1995). However, on May 31, 1995, the note became subject to a mandatory tender and subsequent redemption, as a result of the termination and nonreplacement of the issue's remarketing agent.

The City paid the outstanding principal balance of \$382,520 plus unamortized issue costs of \$3,582 pursuant to the provisions of the mandatory tender.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt: (Concluded)

■ **Sales Tax Revenue Note, Series 1995**

On May 24, 1995, the City adopted Resolution R-95-9, authorizing the issuance of a \$400,000 Sales Tax Revenue Note, Series 1995. The note was issued at the par amount of \$393,000, and used to refinance the City's outstanding FLGFA loan, plus pay note issuance and loan redemption costs.

The note is secured by a lien upon the pledge of the City's local government half-cent sales tax. Principal and interest are payable on the first of each month in level monthly installments for fifteen years. Interest accrues at a fixed rate of 5.20% (based on a 360 day year) for the first five years of the note, and is reset on June 1, 2000 and June 1, 2005 to the five-year U.S. Treasury index on those dates. The City may prepay the note in whole or in part, at any time, without penalty.

Following is a tabulation of the remaining principal and interest requirements of the note (interest requirements assume a 5.20% rate throughout the entire term):

Fiscal Year Ending September 30	Principal	Interest	Total
1996	\$ 17,860	\$ 20,119	\$ 37,979
1997	18,881	19,098	37,979
1998	19,901	18,078	37,979
1999	20,975	17,004	37,979
2000	22,108	15,871	37,979
Thereafter	288,984	81,229	370,213
Totals	\$ 388,709	\$ 171,399	\$ 560,108

■ **Note Payable - First National Bank of Alachua**

This unsecured note is payable over forty-eight months beginning October 18, 1995 at \$1,638 per month including 5.35% interest. The proceeds were used to purchase four vehicles.

■ **Note Payable - Other**

This unsecured note is payable over sixty months beginning May 6, 1994 at \$385 per month including 8% interest.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt - Summary

The following tabulation indicates the principal retirement of general long-term debt by fiscal year (excluding compensated absences):

Fiscal Year Ending September 30	City of Arcadia Loan	1995 Sales Tax Revenue Note	Notes Payable	Total Principal
1996	\$ 35,000	\$ 17,860	\$ 19,823	\$ 72,683
1997	35,000	18,881	21,033	74,914
1998	40,000	19,901	22,310	82,211
1999	40,000	20,975	21,711	82,686
2000	35,000	22,108	0	57,108
Thereafter	945,000	288,984	0	1,233,984
Totals	\$ 1,130,000	\$ 388,709	\$ 84,877	\$ 1,603,586

Proprietary Fund Types:

■ **Utility Acquisition Bonds, Series 1993**

On October 18, 1993, the City adopted Resolution R-93-24 authorizing the issuance of \$1,300,000 Utility Acquisition Bonds, Series 1993 (the 1994 bonds) to provide the necessary funds for the acquisition of the private water and wastewater systems in the Turkey Creek recreational residential community in the City. The bonds are secured by the gross revenues of the combined electric, water and wastewater utility systems of the City, but is subordinate to the secured interests of the bondholders in the other outstanding revenue bonds of the City.

The bonds were issued without premium or discount and are payable at 7% interest, with interest payable semiannually beginning April 1, 1994 and principal payable annually beginning October 1, 1994.

The following tabulation summarizes principal and interest payments on the 1994 bonds:

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types: (Continued)

■ **Utility Acquisition Bonds, Series 1993 (Continued)**

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 20,000	\$ 88,900	\$ 108,900
1997	25,000	87,325	112,325
1998	25,000	85,575	110,575
1999	25,000	83,825	108,825
2000	30,000	81,900	111,900
2001	30,000	79,800	109,800
2002	35,000	77,525	112,525
2003	35,000	75,075	110,075
2004	40,000	72,450	112,450
2005	40,000	69,650	109,650
2006	45,000	66,675	111,675
2007	45,000	63,525	108,525
2008	50,000	60,200	110,200
2009	55,000	56,525	111,525
2010	55,000	52,675	107,675
2011	60,000	48,650	108,650
2012	65,000	44,275	109,275
2013	70,000	39,550	109,550
2014	75,000	34,475	109,475
2015	80,000	29,050	109,050
2016	85,000	23,275	108,275
2017	90,000	17,150	107,150
2018	95,000	10,675	105,675
2019	105,000	3,675	108,675
Totals	<u>\$ 1,280,000</u>	<u>\$ 1,352,400</u>	<u>\$ 2,632,400</u>

■ **Utility Refunding Revenue Bonds, Series 1993**

On March 31, 1993, the City adopted Resolution R-93-3, authorizing the issuance of \$9,500,000 Utility Refunding Revenue Bonds, Series 1993. The bonds were issued at a par amount of \$9,000,000 to provide a portion of the funds required: a) to advance refund the City's outstanding Utility Revenue Bonds, Series 1990 and a portion of the City's outstanding Utility Refunding Revenue Bonds, Series 1986; b) to construct and install certain facilities constituting water and wastewater capital improvements; and c) to pay a portion of the costs of issuance.

Gross revenues of the system, plus utilities service taxes are pledged as collateral for the revenue bonds on a parity and rank equally as to lien on, and source and security for payment with the City's outstanding Series 1979 bonds and the remaining Series 1986 bonds.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types: (Continued)

■ **Utility Refunding Revenue Bonds, Series 1993 (Concluded)**

The \$9,000,000 issue consists of \$1,355,000 of serial bonds maturing from 1994 to 2009, with stated interest rates of 3% to 5.5%, \$1,635,000—5.625% Term Bonds due April 1, 2012, sold at a price of 98.5% of par and \$6,010,000—5.75% Term Bonds, due April 1, 2020 at 99% of par. The Term Bonds are subject to mandatory redemption prior to their stated maturity dates as shown below.

Interest is payable semiannually on each April 1 and October 1, with principal due annually on October 1. The following tabulation summarizes principal and interest payments on the 1993 bonds.

Fiscal Year Ending September 30	Principal	Interest	Total
1996	\$ 20,000	\$ 508,435	\$ 528,435
1997	15,000	507,635	522,635
1998	20,000	506,990	526,990
1999	20,000	506,090	526,090
2000	20,000	505,150	525,150
2001	25,000	504,190	529,190
2002	25,000	502,965	527,965
2003	20,000	501,715	521,715
2004	25,000	500,695	525,695
2005	25,000	499,395	524,395
2006	25,000	498,070	523,070
2007	390,000	486,726	876,726
2008	205,000	479,666	684,666
2009	490,000	464,494	954,494
2010	515,000	437,544	952,544
2011	545,000	408,575	953,575
2012	575,000	377,919	952,919
2013	610,000	345,575	955,575
2014	640,000	310,500	950,500
2015	680,000	273,700	953,700
2016	720,000	234,600	954,600
2017	760,000	193,200	953,200
2018	805,000	149,500	954,500
2019	850,000	103,213	953,213
2020	945,000	54,337	999,337
Totals	\$ 8,970,000	\$ 9,860,879	\$ 18,830,879

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types: (Continued)

■ **Utility Refunding Revenue Bonds, Series 1993 (Concluded)**

	Allocated Between Proprietary Funds		
	Par	(Unamortized Discount)	Carrying Value
Electric Fund	\$ 6,168,525	\$ (58,137)	\$ 6,110,388
Wastewater Fund	1,683,131	(15,863)	1,667,268
Turkey Creek Fund	1,118,344	(10,541)	1,107,803
Totals	<u>\$ 8,970,000</u>	<u>\$ (84,541)</u>	<u>\$ 8,885,459</u>

The 1993 bonds are considered additional parity bonds, issued under the authority of Original Resolution R-86-10 (which authorized the issuance of the Utility Refunding Revenue Bonds of 1986). The covenants and pledges contained in the original resolution regarding the establishment and maintenance of various funds and accounts for the 1986 bonds are applicable to the 1993 bonds. The reserve account established in the original resolution is applicable pro-rata to the 1993 bonds, and the payments made into said reserve account are increased proportionately to provide a reserve for both the 1993 bonds and the remaining 1986 bonds equal to the maximum annual combined bond service requirement.

In addition to the refunding proceeds, \$1,003,318 was deposited into a construction fund established by the bond resolution to be used for water and wastewater capital improvements.

■ **Utility Refunding Revenue Bonds of 1986**

On May 19, 1986, the City adopted a resolution to issue the Utilities Refunding Revenue Bonds, Series 1986. These bonds were issued pursuant to a multi-purpose plan including the advance refunding of certain of the City's utility refunding and revenue bonds. The refunding portion of the proceeds was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1983 bonds and all other refunded bonds are considered to be defeased, and the trust account assets and liabilities of the defeased bonds are not included in the financial statements of the City.

The 1986 bonds were issued on a parity and rank equally as to lien on and source and security for payment from gross revenues and excise taxes as the Utilities Revenue Bond of 1979. Gross revenues of the electric, water and wastewater utility systems, plus utilities service taxes are pledged as collateral for the refunding bonds which have a coupon rate ranging from 6.15% to 7.80%.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types: (Continued)

■ **Utility Refunding Revenue Bonds of 1986 (Continued)**

The \$7,750,000 issue consisted of \$1,795,000 of serial bonds maturing from 1991 to 2000, and \$5,955,000 of term bonds, \$2,495,000 due in 2007 and \$3,460,000 due in 2016, but which are subject to mandatory redemption in earlier years as tabulated below at no premium.

All of the outstanding term bonds due in 2016, with the exception of \$255,000, subject to mandatory redemption in 2008, were advance refunded through the issuance of the \$9,000,000 Utility Refunding Revenue Bonds, Series 1993.

The following tabulation summarizes remaining interest and principal payment requirements of the 1986 issue:

Fiscal Year Ending September 30	Principal	Interest	Total
1996	\$ 180,000	\$ 292,379	\$ 472,379
1997	195,000	279,259	474,259
1998	205,000	264,731	469,731
1999	225,000	249,151	474,151
2000	245,000	231,995	476,995
2001	255,000	213,252	468,252
2002	275,000	193,490	468,490
2003	300,000	172,177	472,177
2004	320,000	148,928	468,928
2005	350,000	124,128	474,128
2006	375,000	95,002	470,002
2007	620,000	67,940	687,940
2008	255,000	19,890	274,890
Totals	\$ 3,800,000	\$ 2,352,322	\$ 6,152,322

Allocated Between Proprietary Funds

	Par	(Unamortized Discount)	Carrying Value
Electric Fund	\$ 2,065,300	\$ (24,310)	\$ 2,040,990
Wastewater Fund	1,734,700	(20,418)	1,714,282
Totals	\$ 3,800,000	\$ (44,728)	\$ 3,755,272

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types: (Continued)

■ **Utility Refunding Revenue Bonds of 1986 (Concluded)**

The bond resolution required the establishment of the following accounts:

Revenue	To collect electric, water and wastewater revenues.
Operation and Maintenance	To pay for cost of operation and maintenance of the utility system.
Bond and Interest Sinking	To accumulate sufficient monies to pay interest on the next semiannual interest date (October 1 and April 1) and to pay principal coming due on serial bonds.
Bond Amortization	To accumulate monies for payment of amortization installments coming due on term bonds.
Reserve	To accumulate monies to (1) pay cost of repairs and replacement to utility system; (2) pay for improvements to the system; (3) pay bond principal and interest when other accounts are insufficient.

In accordance with the bond resolution, operating revenues from the utility system must be disbursed in the following order:

- To satisfy current debt service requirements of serial and term bonds;
- to fund a reserve account equal to the maximum annual bond service requirement;
- to meet operating and maintenance expenses before depreciation;
- for any other lawful purpose.

■ **Utilities Revenue Bond of 1979**

On August 6, 1979, the City adopted a resolution to issue the Utilities Revenue Bond of 1979. The bond was issued on December 17, 1979, to partially finance the cost of the construction of additions to the utility system.

Net utility revenues and utilities service taxes are pledged as collateral for the revenue bond which has a coupon rate of 5%. The lien on revenues by the 1979 bond is equal to the Utilities Refunding Revenue Bonds of 1986 and 1993. Amounts deposited in the revenue fund created by the bond resolution must be disbursed in the following order:

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types: (Continued)

■ **Utilities Revenue Bond of 1979 (Concluded)**

- To meet operating expenses;
- to satisfy debt service requirements;
- to fund a reserve account to be used for repairs, improvements and to satisfy debt service.

The issue consists of \$830,800 of Serial Bonds - \$150,800 of which has been paid and the remainder which matures as indicated in the following schedule:

Fiscal Year Ending September 30	Principal	Interest	Total
1996	\$ 15,000	\$ 34,000	\$ 49,000
1997	16,000	33,250	49,250
1998	17,000	32,450	49,450
1999	18,000	31,600	49,600
2000	18,000	30,700	48,700
2001	19,000	29,800	48,800
2002	21,000	28,850	49,850
2003	21,000	27,800	48,800
2004	23,000	26,750	49,750
2005	24,000	25,600	49,600
2006	25,000	24,400	49,400
2007	26,000	23,150	49,150
2008	27,000	21,850	48,850
2009	29,000	20,500	49,500
2010	30,000	19,050	49,050
2011	32,000	17,550	49,550
2012	33,000	15,950	48,950
2013	35,000	14,300	49,300
2014	37,000	12,550	49,550
2015	38,000	10,700	48,700
2016	40,000	8,800	48,800
2017	43,000	6,800	49,800
2018	45,000	4,650	49,650
2019	48,000	2,400	50,400
Totals	<u><u>\$ 680,000</u></u>	<u><u>\$ 503,450</u></u>	<u><u>\$ 1,183,450</u></u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Concluded)

Proprietary Fund Types: (Concluded)

■ **Utility Revenue Bond of 1979 (Concluded)**

**Summary of Principal Maturities Required For Next
Five Years on Long-Term Debt**

	Principal Required During Fiscal Year Ending September 30				
	1995	1996	1997	1998	1999
General Long-Term Debt	\$ 72,683	\$ 74,914	\$ 82,211	\$ 82,686	\$ 57,108
Utility Acquisition Bonds, Series 1993	20,000	25,000	25,000	25,000	30,000
Utility Refunding Revenue Bonds, Series 1993	20,000	15,000	20,000	20,000	20,000
Utility Refunding Revenue Bonds, Series 1986	180,000	195,000	205,000	225,000	245,000
Utility Revenue Bond, Series 1979	15,000	16,000	17,000	18,000	18,000
Totals	<u>\$ 307,683</u>	<u>\$ 325,914</u>	<u>\$ 349,211</u>	<u>\$ 370,686</u>	<u>\$ 370,108</u>

■ **Interest**

Interest paid (governmental fund types) or accrued (enterprise funds) amounted to \$74,653 in the debt service fund, \$1,295 in the general fund and \$908,211 in the proprietary fund types (including amortization of bond discounts) for the fiscal year ended September 30, 1995. All interest in the proprietary fund types was charged to interest expense.

Note 6 - Restricted Assets

The required balances and the actual carrying values of the restricted asset accounts in the enterprise funds at September 30, 1995 are as follows:

	Electric		Water		Wastewater		Turkey Creek		Totals	
	Required	Actual	Required	Actual	Required	Actual	Required	Actual	Required	Actual
Revenue Bond Accounts:										
Construction Account	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 103,528	\$ 103,528	\$ 103,528	\$ 103,528
Sinking Fund	264,217	254,217	24,875	0	236,189	239,536	64,800	64,800	590,081	558,553
Reserve Account	217,995	217,995	43,320	40,000	731,841	731,841	57,165	57,165	1,050,321	1,047,001
Bond Amortization Account	0	0	0	0	564,312	564,312	0	0	564,312	564,312
Interest Receivable	0	0	0	0	0	7,057	0	0	0	7,057
Customer Deposits	125,910	0	0	0	0	0	0	0	125,910	0
C&S Decommissioning Account	115,731	115,731	0	0	0	0	0	0	115,731	115,731
Impact Fee Fund	41,921	0	0	0	0	0	0	0	41,921	0
Total Required	<u>\$ 765,774</u>		<u>\$ 68,195</u>		<u>\$ 1,532,342</u>		<u>\$ 225,493</u>		<u>\$ 2,591,804</u>	
Total Actual		<u>\$ 587,943</u>		<u>\$ 40,000</u>		<u>\$ 1,542,746</u>		<u>\$ 225,493</u>		<u>\$ 2,396,182</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 6 - Restricted Assets (Concluded)

The deficiencies in the various restricted asset accounts are the result of the City utilizing these funds for operating expenditures in violation of bond covenants, contractual agreements and City ordinances.

It is the City's policy to record all debt service cash accounts related to the 1990 issue in the electric fund, the 1986 issue in the wastewater fund, and the 1979 issue in the water fund. Cash accounts relating to the 1993 issue have been allocated to the electric fund (if related to the refunding of the 1990 issue), the wastewater fund (if related to the refunding of the 1986 issue) and to the Turkey Creek fund (if new money).

The CR-3 Decommissioning Account is required by state law to accumulate funds for the City's share of the decommissioning costs of the CR-3 nuclear power plant. The City's contribution to this account was \$3,586 plus interest during 1995. The required cash balance in the decommissioning account is offset by a deferred credit on the balance sheet.

The impact fee fund represents prepaid impact fees and is also offset by a deferred credit.

Note 7 - Interfund Receivables and Payables

Interfund transactions are normally recorded through a consolidated cash account instead of interfund receivables and payables. Following is a summary of interfund receivables and payable at September 30, 1995:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Enterprise - Turkey Creek - Water/Wastewater (Operating Account)	Enterprise - Electric	\$ 35,350

Following is a summary of interfund transfers during 1995:

<u>Transfers Out</u>	<u>Transfers In</u>				
	<u>Governmental</u>		<u>Enterprise</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Electric</u>	<u>Wastewater</u>	<u>Total</u>
Governmental					
General	\$ 0	\$ 119,286	\$ 0	\$ 0	\$ 119,286
Enterprise					
Electric:					
Noncapital Financing	178,113	0	0	10,200	188,313
Turkey Creek Water/ Wastewater					
Capital Financing	0	0	109,793	0	109,793
Totals	<u>\$ 178,113</u>	<u>\$ 119,286</u>	<u>\$ 109,793</u>	<u>\$ 10,200</u>	<u>\$ 417,392</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 8 - Fund Balances - Reserves and Designations

Fund balances are reserved and designated within the governmental fund types as follows:

	<u>General</u>	<u>Debt Service</u>
Reserved		
Prepaid Expenses	\$ 70,497	\$ 0
Fire Station Improvements	57,931	0
Debt Service	0	150,882
Total Reserved Fund Balances	<u>\$ 128,428</u>	<u>\$ 150,882</u>
Designated		
Police Operations	<u>\$ 5,160</u>	<u>\$ 0</u>

Reserves earmark a portion of fund equity as 1) not available for appropriation or expenditure; or 2) legally restricted to a specific future use. Designations of fund equity represent management's tentative spending plan.

Note 9 - Changes in Fund Equity - Enterprise Funds

Following is a summary of the changes in fund equity - enterprise funds for the year ended September 30, 1995:

Fund Equity - October 1, 1994	\$ (490,474)
Net Income - All Enterprise Funds	439,618
Fund Equity - September 30, 1995	<u>\$ (50,856)</u>

Note 10 - Excess of Expenditures Over Budget and Deficit Equity Balances

For excesses of actual expenditures over budgeted appropriations for governmental fund types, please see page 6 of the financial statements.

The following individual fund shows deficit equity balances at September 30, 1995 in the amounts shown:

<u>Fund</u>	<u>Type</u>	<u>Deficit</u>
Enterprise		
Electric	Unreserved Retained Earnings	\$ 2,532,383
Wastewater	Unreserved Retained Earnings	808,328
Turkey Creek Water/Wastewater	Unreserved Retained Earnings	161,552

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 11 - Segment Information - Proprietary Fund Types

	Electric	Water	Wastewater	Turkey Creek Water/ Wastewater
	Fund	Fund	Fund	Fund
Operating Revenues	\$ 4,717,784	\$ 264,557	\$ 452,127	\$ 209,895
Depreciation	194,967	99,665	124,613	43,773
Operating Income (Loss)	1,112,024	(23,139)	61,329	78,820
Nonoperating Revenues (Expenses)	(372,582)	(4,882)	(143,939)	(89,900)
Operating Transfers In (Out)	(78,520)	0	10,200	(109,793)
Net Income (Loss)	660,922	(28,021)	(72,410)	(120,873)
Property, Plant and Equipment				
Additions	198,996	3,529	0	798,970
Contributions - Current Year	3,869	0	0	0
Net Working Capital	1,000,545	79,617	(211,200)	(35,350)
Total Assets	6,545,881	2,184,930	4,905,466	2,338,097
Bonds Payable - Long-Term Portion	8,039,793	665,000	3,295,627	2,365,310
Total Equity	(2,532,383)	1,478,092	1,164,987	(161,552)
Total Retained Earnings (Deficit)	(2,532,383)	1,021,610	(244,016)	(161,552)

Note 12 - Electric Power Agreements

City of Gainesville

The City entered into a wholesale electric service contract with the City of Gainesville, Florida, on January 21, 1987, for the purchase of the majority of the City's electric power requirements beginning January 6, 1988. The City constructed a 138 x 69 - 12.47Y/7.2kV substation to receive the power, which was placed into operation on that date. The substation is located in such a manner that the City has reasonable access to the transmission lines of both the City of Gainesville and Florida Power Corporation. A portion of the substation is owned by the City of Gainesville. The initial term of the contract was five years, with options for additional annual extensions. The contract was renegotiated on October 2, 1992 and extended for an additional fifteen years, beginning December 31, 1992. Provisions in the contract allow for price adjustments for increases and decreases in the City of Gainesville's fuel and operating costs. Total payments to the City of Gainesville for 1995 were \$2,502,737.

Crystal River Unit #3 Participation Agreement

The City is a participant in an agreement with Florida Power Corporation which was entered into on July 31, 1975. Under terms of the agreement, the City acquired an 0.0779% ownership interest and generation entitlement share in the nuclear steam electric generating unit. Participants are entitled to energy output of the unit based upon their respective generation entitlement share.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 12 - Electric Power Agreements (Concluded)

Florida Power Corporation has been appointed by the participants to act as their agent and has sole authority to manage, control, maintain and operate the unit. Operating costs of the unit, in general, are shared in proportion to each generation entitlement share on a monthly basis. Common and external facilities of the generating unit are solely owned by Florida Power Corporation and participants share in the operating and maintenance expenses of such facilities. Nuclear fuel payments and capital acquisition costs are required of participants in advance. Total payments for 1995 were \$118,117.

The City's share of plant decommissioning costs to be paid during the years 2015 through 2022 is being accumulated in an account administered by the FMPA. FMPA has determined the appropriate account balance to be \$115,731 at September 30, 1995. The cash account is offset by a deferred credit on the balance sheet of \$115,731 at September 30, 1995.

St. Lucie No. 2 Power Purchase Agreement

The City has negotiated a long-term agreement with Florida Power and Light Corporation through the FMPA to purchase .3044 megawatts of generating capacity and a corresponding amount of energy monthly from the St. Lucie No. 2 nuclear generating plant. The plant became operational in 1984. Total payments for 1995 were \$159,339.

The City has signed certain documents with FMPA relating to the St. Lucie Project that provide that if the agency defaults on certain bond payments, the City would be required to satisfy payment on their share (.431%) of the bonds. The par amount of the outstanding bonds at September 30, 1995 was approximately \$300 million.

Note 13 - Defined Benefit Pension Plan

All full-time employees of the City of Alachua participate in the Florida State Retirement System (the System), a multiple-employer defined benefit public retirement system. The payroll for employees covered by the System for the year ended September 30, 1995 was \$436,390 for special risk employees, \$83,183 for senior management and \$794,932 for all other employees. The City's total payroll for all employees was \$1,418,735.

All full-time employees of the City are eligible to participate in the System. Special risk employees who retire at or after age 55, with ten years of creditable service; and all other employees who retire at or after age 62, with ten years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to the product of: (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 13 - Defined Benefit Pension Plan (Concluded)

appropriate period; and (3) the appropriate benefit percentage. Benefits fully vest on reaching ten years of service. Vested employees may retire after ten years of creditable service and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by Florida Statute.

The City is required by Florida Statute to contribute 27.49% of special risk; 24.54% of senior management; and 17.57% of all other employee earnings during calendar year 1995 (27.59%; 23.63%; and 17.66%, respectively, for calendar year 1994). The contribution requirement for the year ended September 30, 1995 was \$280,123; \$120,051 for special risk employees; \$20,224 for senior management; and \$139,848 for all other employees.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employees. The System does not make special measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at June 30, 1993 (the latest actuarial valuation) for the System as a whole was \$39.7 billion. The System's net assets available for benefits on that date (at cost) were \$29.1 billion (market was \$34.7 billion), leaving an unfunded pension benefit obligation of \$10.6 billion (\$5.0 billion at market). The City's 1995 contribution represented less than 1% of total contributions required of all participating entities.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is not presently available. However, historical trend information commencing with 1986 is present in the System's June 30, 1994 annual financial report.

Note 14 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 14 - Deferred Compensation Plan (Concluded)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of the benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

The City has no liability for losses under the plan, but does have the duty of due care that would be required of any ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Note 15 - Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. Insurance against losses are provided for the following types of risk with the following carriers:

Florida League of Cities, Inc.

- Workers' Compensation and Employer's Liability
- General Liability and Automobile Liability
- Real and Personal Property Damage
- Automobile Physical Damage

Hilb, Rogal and Hamilton Company of Gainesville, Florida, Inc.

- Public Employees' Blanket Bond
- Boiler and Machinery Policy - Electric Substation
- Public Official Liability
- Law Enforcement Officers' Professional Liability and Other Mandated Coverage
- Accidental Death and Dismemberment
- Auxiliary Reserve Policy

Hunt Insurance Group, Inc.

- Law Enforcement Officers' Professional Liability

The City's coverage for Workers' Compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to date of the City's experience for this type of risk.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Concluded)

Note 15 - Risk Management (Concluded)

The City's coverage for Law Enforcement Officers' Professional Liability administered by Hunt Insurance Group, Inc. is through the Florida Police Chiefs' Self-Insurance Fund. The nature of the City's participation in this public entity risk pool, including the rights and responsibilities of the City and the pool have not been determined.

ACCOMPANYING INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS

These statements provide a more detailed view of the "general purpose financial statements" presented in the previous section. Combining statements are presented when there is more than one fund of a given fund type. An individual fund statement is presented for the general fund to provide detail budgetary comparisons.

**BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 1995 AND 1994
CITY OF ALACHUA, FLORIDA**

	<u>1995</u>	<u>1994</u>
Assets		
Cash in Bank, Including Certificates of Deposit:		
Police Department Trust Fund	\$ 5,160	\$ 10,706
Alachua Meadows Account	105,500	105,500
Other	270,559	76,486
Receivables:		
Utility Taxes	19,782	12,700
Accrued Interest	264	264
Other	18,588	7,731
Due From Other Governments	92,378	48,758
Prepaid Expenses	<u>70,497</u>	<u>57,866</u>
Total Assets	<u><u>582,728</u></u>	<u><u>320,011</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	374,035	113,350
Accrued Expenses	0	10,573
Occupational Licenses Collected in Advance	<u>1,891</u>	<u>9,979</u>
Total Liabilities	<u><u>382,926</u></u>	<u><u>133,902</u></u>
Fund Balance		
Reserved For Prepaid Expenses	70,497	57,866
Reserved For Police Education	0	631
Reserved For Special Assessment Expenditures	0	118,369
Reserved For Fire Station Improvements	57,931	56,795
Designated For Police Department Operations	5,160	10,706
Undesignated	<u>66,214</u>	<u>(58,258)</u>
Total Fund Balance	<u><u>199,802</u></u>	<u><u>186,109</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 582,728</u></u>	<u><u>\$ 320,011</u></u>

**STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1995, WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1994
CITY OF ALACHUA, FLORIDA**

	1995			1994
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Taxes				
Property Taxes - Current	\$ 667,070	\$ 683,975	\$ 16,905	\$ 613,229
Property Taxes - Delinquent	10,000	2,667	(7,333)	5,977
Franchise Fees	27,000	33,057	6,057	30,169
Utility Taxes	385,000	451,240	66,240	421,891
Local Option Gas Taxes	108,000	106,307	(1,693)	100,179
Total Taxes	<u>1,197,070</u>	<u>1,277,246</u>	<u>80,176</u>	<u>1,171,445</u>
Licenses and Permits				
Occupational Licenses	18,000	19,901	1,901	17,012
Building Permits	49,000	62,761	13,761	38,598
Total Licenses and Permits	<u>67,000</u>	<u>82,662</u>	<u>15,662</u>	<u>55,610</u>
Intergovernmental				
Federal Grants:				
U.S. Department of Justice - COPS - Phase I	198,270	79,798	(118,472)	0
U.S. Department of Justice - COPS - FAST	48,447	7,919	(40,528)	0
Alachua County School Board (D.A.R.E.)	0	0	0	15,000
Alachua County (CCPO)	0	397	397	44,086
Total Federal Grants	<u>246,717</u>	<u>88,114</u>	<u>(158,603)</u>	<u>59,086</u>
State Grants:				
DCA Sports Grant	27,600	27,600	0	0
Solid Waste	9,447	9,458	11	9,792
Total State Grants	<u>37,047</u>	<u>37,058</u>	<u>11</u>	<u>9,792</u>
State-Shared Revenue:				
Cigarette Tax	15,121	14,585	(536)	14,327
State Revenue Sharing	114,640	122,993	8,353	111,396
Mobile Home Licenses	3,400	2,989	(411)	4,306
Alcoholic Beverage Tax	6,000	4,187	(1,813)	4,785
Half-Cent Sales Tax	228,126	224,806	(3,320)	202,335
Rebate on Municipal Vehicles	3,000	934	(2,066)	3,414
Total State-Shared Revenue	<u>370,287</u>	<u>370,494</u>	<u>207</u>	<u>340,563</u>
Total Intergovernmental	<u>654,051</u>	<u>495,666</u>	<u>(158,385)</u>	<u>409,441</u>

STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1995, WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1994
CITY OF ALACHUA, FLORIDA
(Concluded)

	1995		Variance	1994
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues (Concluded)				
Charges For Services				
Police Services	\$ 10,800	\$ 71,051	\$ 60,251	\$ 70,332
Zoning Fees	8,000	10,325	2,325	832
Sanitation Revenue	16,000	22,473	6,473	14,245
Penalty Revenue	3,600	4,173	573	3,475
Mosquito Spraying	25,000	25,040	40	24,753
Total Charges For Services	<u>63,400</u>	<u>133,062</u>	<u>69,662</u>	<u>113,637</u>
Fines and Forfeitures				
Court Fines	100,000	94,541	(5,459)	97,067
Miscellaneous				
Interest	10,000	10,231	231	10,614
Miscellaneous Revenue	16,310	6,934	(9,376)	5,555
Sports Center Revenue	25,000	16,313	(8,687)	23,237
Administrative Fee	0	174	174	22
Contributions and Donations	20,000	28,241	8,241	0
Total Miscellaneous	<u>71,310</u>	<u>61,893</u>	<u>(9,417)</u>	<u>39,428</u>
Total Revenues	<u>\$ 2,152,831</u>	<u>\$ 2,145,070</u>	<u>\$ (7,761)</u>	<u>\$ 1,886,628</u>

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1995, WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1994
CITY OF ALACHUA, FLORIDA**

	1995		Variance Favorable (Unfavorable)	1994
	Budget	Actual		Actual
Expenditures				
Current:				
General Government				
Legislative:				
Personal Services	\$ 46,054	\$ 52,769	\$ (6,715)	\$ 44,344
Operations	19,965	19,854	111	18,681
Capital Outlay	0	0	0	498
Total Legislative	<u>66,019</u>	<u>72,623</u>	<u>(6,604)</u>	<u>63,523</u>
Executive:				
Personal Services	50,575	41,506	9,069	49,119
Operations	14,576	15,864	(1,288)	11,949
Total Executive	<u>65,151</u>	<u>57,370</u>	<u>7,781</u>	<u>61,068</u>
Finance and Administration:				
Personal Services	63,227	77,064	(13,837)	66,190
Operations	37,565	42,874	(5,309)	35,899
Capital Outlay	0	0	0	170
Total Finance and Administration	<u>100,792</u>	<u>119,938</u>	<u>(19,146)</u>	<u>102,259</u>
Legal and Code Enforcement:				
Personal Services	8,948	8,068	880	12,129
Operations	43,085	46,731	(3,646)	40,179
Total Legal and Code Enforcement	<u>52,033</u>	<u>54,799</u>	<u>(2,766)</u>	<u>52,308</u>
Comprehensive Planning:				
Personal Services	24,060	33,041	(8,981)	18,064
Operations	35,384	27,162	8,222	31,941
Total Comprehensive Planning	<u>59,444</u>	<u>60,203</u>	<u>(759)</u>	<u>50,005</u>
Other General Government:				
Operations	16,300	16,993	(693)	23,134
Capital Outlay	0	0	0	24,000
Debt Service	5,941	4,623	1,318	1,927
Total Other General Government	<u>22,241</u>	<u>21,616</u>	<u>625</u>	<u>49,061</u>
Total General Government	<u>365,680</u>	<u>386,549</u>	<u>(20,869)</u>	<u>378,224</u>
Public Safety				
Law Enforcement:				
Personal Services	958,022	903,940	54,082	849,524
Operations	138,221	187,314	(49,093)	133,470
Capital Outlay	4,000	59,741	(55,741)	2,318
Total Law Enforcement	<u>1,100,243</u>	<u>1,150,995</u>	<u>(50,752)</u>	<u>985,312</u>

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1995, WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1994
CITY OF ALACHUA, FLORIDA
(Concluded)**

	1995			1994
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures (Concluded)				
Current: (Concluded)				
Public Safety (Concluded)				
Fire Control:				
Operations	\$ 141,083	\$ 145,604	\$ (4,521)	\$ 134,019
Protective Inspections:				
Operations	34,416	37,998	(3,582)	14,691
Other Public Safety:				
Personal Services	5,068	3,408	1,660	5,061
Operations	2,270	3,128	(858)	3,316
Total Other Public Safety	7,338	6,536	802	8,377
Total Public Safety	1,283,080	1,341,133	(58,053)	1,142,399
Physical Environment				
Personal Services	44,320	23,316	21,004	33,315
Operations	27,027	22,009	5,018	19,313
Capital Outlay	0	0	0	6,404
Total Physical Environment	71,347	45,325	26,022	59,032
Transportation				
Personal Services	154,731	154,688	43	137,877
Operations	132,020	135,838	(3,818)	126,489
Capital Outlay	0	13,175	(13,175)	1,200
Total Transportation	286,751	303,701	(16,950)	265,566
Parks and Recreation				
Personal Services	64,919	68,515	(3,596)	65,052
Operations	64,677	64,572	105	64,454
Capital Outlay	50,000	50,925	(925)	7,264
Total Parks and Recreation	179,596	184,012	(4,416)	136,770
Total Expenditures	<u>\$ 2,186,454</u>	<u>\$ 2,260,720</u>	<u>\$ (74,266)</u>	<u>\$ 1,981,991</u>

**COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 1995, WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 1994
CITY OF ALACHUA, FLORIDA**

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Turkey Creek Water/ Wastewater</u>	<u>Totals</u>	
					<u>1995</u>	<u>1994</u>
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 70,615	\$ 69,266			\$ 139,881	\$ 43,330
Investments	90,000		\$ 33,292		123,292	0
Receivables (Net of Allowance For Uncollectibles as Parenthetically Indicated):						
Accounts (\$45,120)	714,968				714,968	558,416
Special Assessments	22,940				22,940	22,940
Other Receivables	8,903				8,903	52,511
Due From Other Funds	35,350				35,350	333,341
Inventory, At Cost	176,485	20,189			196,674	206,132
Prepaid Power Costs	11,931				11,931	38,845
Other Prepaid Expenses	25,625				25,625	22,192
Unbilled Revenue	210,237				210,237	161,799
Total Current Assets	<u>1,367,054</u>	<u>89,455</u>	<u>33,292</u>	<u>\$ 0</u>	<u>1,489,801</u>	<u>1,439,506</u>
Restricted Assets						
Cash and Cash Equivalents	254,217		239,536	(59,032)	434,721	611,812
Investments	333,726	40,000	1,296,153	284,525	1,954,404	2,455,598
Accrued Interest			7,057		7,057	6,234
Total Restricted Assets	<u>587,943</u>	<u>40,000</u>	<u>1,542,746</u>	<u>225,493</u>	<u>2,396,182</u>	<u>3,073,644</u>
Property, Plant and Equipment						
Utility Plant in Service	6,234,041	3,233,433	4,677,471	2,117,982	16,262,927	15,265,300
(Accumulated Depreciation)	(1,911,433)	(1,177,958)	(1,457,382)	(83,262)	(4,630,035)	(4,164,682)
Construction in Progress					0	49,956
Total Property, Plant and Equipment - Cost Less Depreciation	<u>4,322,608</u>	<u>2,055,475</u>	<u>3,220,089</u>	<u>2,034,720</u>	<u>11,632,892</u>	<u>11,150,574</u>
Other Assets						
Unamortized Bond Issue Costs	268,276	0	109,339	77,884	455,499	476,443
Total Assets	<u>\$ 6,545,881</u>	<u>\$ 2,184,930</u>	<u>\$ 4,905,466</u>	<u>\$ 2,338,097</u>	<u>\$ 15,974,374</u>	<u>\$ 16,140,167</u>

**COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 1995, WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 1994
CITY OF ALACHUA, FLORIDA
(Concluded)**

	Electric	Water	Wastewater	Turkey Creek Water/ Wastewater	Totals	
					1995	1994
Liabilities and Fund Equity						
Current Liabilities, Payable From Current Assets						
Cash Overdraft			\$ 237,672		\$ 237,672	\$ 231,420
Accounts Payable	\$ 258,193				258,193	215,547
Other Accrued Expenses	27,456				27,456	22,591
Deferred Credits and Developer Deposits	56,002	\$ 845			56,847	83,995
Due to Other Funds				\$ 35,350	35,350	333,341
Accrued Compensated Absences	24,858	8,993	6,820		40,671	42,341
Total Current Liabilities, Payable From Current Assets	<u>366,509</u>	<u>9,838</u>	<u>244,492</u>	<u>35,350</u>	<u>656,189</u>	<u>929,235</u>
Current Liabilities, Payable From Restricted Assets						
Accrued Interest	254,275	17,000	114,437	76,495	462,207	469,605
Bonds Payable - Current Portion	111,584	15,000	85,923	22,494	235,001	220,000
Customer Deposits	125,910				125,910	119,405
Total Current Liabilities, Payable From Restricted Assets	<u>491,769</u>	<u>32,000</u>	<u>200,360</u>	<u>98,989</u>	<u>823,118</u>	<u>809,010</u>
Long-Term Liabilities						
Deferred Credit - CR-3 Decommissioning Costs	115,331				115,331	103,301
Deferred Contributions - Special Assessments	22,940				22,940	157,917
Deferred Contribution - Impact Fee	41,922				41,922	41,922
Utilities Revenue Bond of 1979, Less Current Portion		665,000			665,000	680,000
Utility Refunding Revenue Bonds of 1986, Less Current Portion	1,943,160		1,632,112		3,575,272	3,748,504
Utility Revenue Bonds of 1993, Less Current Portion	6,096,633		1,663,515	1,105,310	8,865,458	8,880,752
Utility Revenue Bonds of 1994, Less Current Portion				1,260,000	1,260,000	1,280,000
Total Long-Term Liabilities	<u>8,219,986</u>	<u>665,000</u>	<u>3,295,627</u>	<u>2,365,310</u>	<u>14,545,923</u>	<u>14,892,396</u>
Total Liabilities	<u>9,078,264</u>	<u>706,838</u>	<u>3,740,479</u>	<u>2,499,649</u>	<u>15,025,230</u>	<u>16,630,641</u>
Fund Equity						
Contributions:						
Customers		36,774	924,325		961,099	961,099
Capital Project Fund		37,758			37,758	37,758
EDA and HUD		135,050	304,278		439,328	439,328
Farmers Home Administration		246,900	180,400		427,300	427,300
Total Contributions	<u>0</u>	<u>456,482</u>	<u>1,409,003</u>	<u>0</u>	<u>1,865,485</u>	<u>1,865,485</u>
Retained Earnings:						
Reserved For Debt Service and Contingencies		40,000	564,312		604,312	606,696
Unreserved	(2,532,383)	981,610	(808,328)	(161,552)	(2,520,653)	(2,962,655)
Total Retained Earnings (Deficit)	<u>(2,532,383)</u>	<u>1,021,610</u>	<u>(244,016)</u>	<u>(161,552)</u>	<u>(1,916,341)</u>	<u>(2,355,959)</u>
Total Fund Equity	<u>(2,532,383)</u>	<u>1,478,092</u>	<u>1,164,987</u>	<u>(161,552)</u>	<u>(50,850)</u>	<u>(490,474)</u>
Total Liabilities and Fund Equity	<u>\$ 6,545,881</u>	<u>\$ 2,184,930</u>	<u>\$ 4,905,466</u>	<u>\$ 2,338,097</u>	<u>\$ 15,974,374</u>	<u>\$ 16,140,167</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1995, WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 1994
CITY OF ALACHUA, FLORIDA**

	Electric	Water	Wastewater	Turkey Creek Water/ Wastewater	Totals	
					1995	1994
Operating Revenues						
Utility Billings	\$ 4,668,172	\$ 264,557	\$ 452,127	\$ 209,895	\$ 5,594,751	\$ 5,209,212
Hookup Charges and Other	49,612	0	0	0	49,612	102,897
Total Operating Revenues	<u>4,717,784</u>	<u>264,557</u>	<u>452,127</u>	<u>209,895</u>	<u>5,644,363</u>	<u>5,312,109</u>
Operating Expenses						
Electric Power Expenses:						
Nuclear Power Generation and Transmission	292,158	0	0	0	292,158	92,119
Purchased Power and Other	2,557,049	0	0	0	2,557,049	2,651,214
Treatment	0	41,779	126,466	61,707	229,952	228,615
Distribution and Collection	200,698	34,400	37,181	22,988	295,267	330,250
Warehousing	37,342	13,219	8,453	114	59,128	55,979
Customer Accounts	92,758	40,561	29,843	24	163,186	158,121
General and Administrative	118,213	58,072	64,242	2,469	242,996	300,625
Depreciation	194,967	99,665	124,613	43,773	463,018	444,501
Taxes	112,575	0	0	0	112,575	104,439
(Total Operating Expenses)	<u>(3,605,760)</u>	<u>(287,696)</u>	<u>(390,798)</u>	<u>(131,075)</u>	<u>(4,415,329)</u>	<u>(4,365,863)</u>
Operating Income (Loss)	<u>1,112,024</u>	<u>(23,139)</u>	<u>61,329</u>	<u>78,820</u>	<u>1,229,034</u>	<u>946,246</u>
Nonoperating Revenues (Expenses)						
Special Assessments	134,977	0	0	0	134,977	0
Connection Charges	0	28,104	6,827	45,425	80,356	0
Interest Income	24,039	1,389	96,652	21,616	143,696	104,021
Interest and Fiscal Charges	(520,392)	(34,375)	(241,370)	(153,613)	(949,750)	(965,457)
Amortization of Bond Issue Costs	(11,569)	0	(6,048)	(3,328)	(20,945)	(20,884)
Miscellaneous Income	363	0	0	0	363	370
Total Nonoperating Revenues (Expenses)	<u>(372,582)</u>	<u>(4,882)</u>	<u>(143,939)</u>	<u>(89,900)</u>	<u>(611,303)</u>	<u>(881,950)</u>
Income (Loss) Before Operating Transfers	<u>739,442</u>	<u>(28,021)</u>	<u>(82,610)</u>	<u>(11,080)</u>	<u>617,731</u>	<u>64,296</u>
Operating Transfers In (Out)						
Transfers In	109,793	0	10,200	0	119,993	154,089
Transfers Out	(188,313)	0	0	(109,793)	(298,106)	(332,202)
Total Operating Transfers In (Out)	<u>(78,520)</u>	<u>0</u>	<u>10,200</u>	<u>(109,793)</u>	<u>(178,113)</u>	<u>(178,113)</u>
Net Income (Loss)	<u>660,922</u>	<u>(28,021)</u>	<u>(72,410)</u>	<u>(120,873)</u>	<u>439,618</u>	<u>(113,817)</u>
Retained Earnings (Deficit), Beginning of Year	<u>(3,193,305)</u>	<u>1,049,631</u>	<u>(171,606)</u>	<u>(40,679)</u>	<u>(2,355,959)</u>	<u>(2,242,142)</u>
Retained Earnings (Deficit), End of Year	<u>\$ (2,532,383)</u>	<u>\$ 1,021,610</u>	<u>\$ (244,016)</u>	<u>\$ (161,552)</u>	<u>\$ (1,916,341)</u>	<u>\$ (2,355,959)</u>