

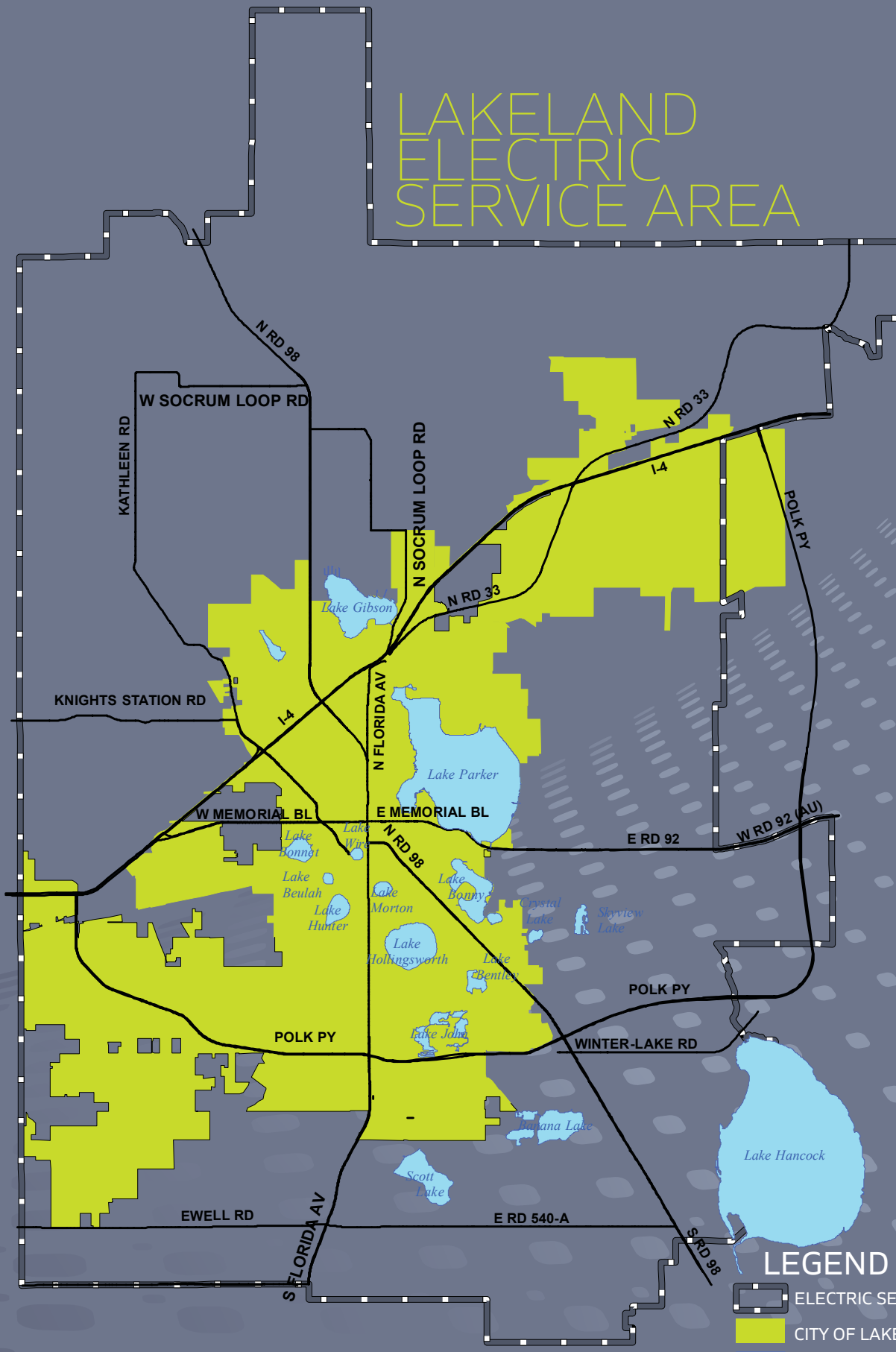
POWERED FOR LIFE

2015
LAKELAND
ELECTRIC
ANNUAL
REPORT





DEPARTMENT OF ELECTRIC UTILITIES
AN ENTERPRISE FUND OF THE CITY OF LAKELAND, FLORIDA



LAKELAND ELECTRIC SERVICE AREA



LEGEND

-  ELECTRIC SERVICE BOUNDARY
-  CITY OF LAKELAND
-  LAKES
-  ROADS

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VISION

**Powering our community
with excellence in energy solutions.**

MISSION

**We are committed to provide safe, reliable, competitive and
environmentally responsible energy solutions
to enrich our customers' quality of life.**

VALUES



HOW WE GOT HERE



1904

**CITY COUNCIL VOTES 5-2 IN FAVOR OF
A CITY-OWNED POWER PLANT**



1949

**CONSTRUCTION OF LAKE PARKER
POWER PLANT BEGINS**

1922

**NEW CITY CHARTER ADOPTED THAT
ESTABLISHED CITY COMMISSION AND
CITY MANAGER**



1940

**LIGHT AND WATER DEPARTMENT'S
CONTRIBUTIONS TO THE CITY'S
GENERAL FUND DOUBLES**

1916

**THE LAKE MIRROR POWER PLANT
WAS COMPLETED. IT CONSISTED OF
TWO 250KW GENERATORS**



1955

**FIVE SUBSTATIONS ARE
CONSTRUCTED TO HELP DISTRIBUTE
POWER TO LAKELAND CUSTOMERS**



1966

NEW TERRITORY AGREEMENT WITH TAMPA ELECTRIC ESTABLISHES LAKELAND ELECTRIC SERVICE AREA OF 255 SQUARE MILES



1990

LAKELAND ELECTRIC MOVES INTO ITS NEW BUILDING ON LAKE MIRROR

1997

LAKELAND'S POPULATION HAS GROWN TO 75,000 AND IS NAMED AS A TOP 10 PLACE TO LIVE BY MONEY MAGAZINE

1972

LAKELAND ELECTRIC IS NOW VALUED AT 11,000 TIMES THE ORIGINAL COST

1998

LAKELANDELECTRIC.COM GOES LIVE AND PROVIDES A CONNECTION TO ITS CUSTOMERS OVER THE INTERNET



2012

SMART METERS ARE INSTALLED AT ALL CUSTOMER LOCATIONS FOR SMARTGRID PROGRAM



2014

LAKELAND ELECTRIC TURNS 110 YEARS OLD

CELEBRATING
110
YEARS OF SERVICE

2008

SOLAR FARMS ADD TO LAKELAND ELECTRIC'S ENERGY PRODUCTION PORTFOLIO INCLUDING THE LARGEST AT LAKELAND LINDER REGIONAL AIRPORT





March 2016

To the Ratepayers of Lakeland Electric:

Lakeland Electric is pleased to present you with our Popular Annual Financial Report (PAFR) for the fiscal year, which ended September 30, 2015. In this report, we have provided the highlights of Lakeland Electric's major initiatives, statistical data and financial condition.

In order to comply with the Generally Accepted Accounting Principles (GAAP), Lakeland Electric releases a detailed Comprehensive Annual Financial Report (CAFR) each fiscal year. The CAFR breaks down the specifics of Lakeland Electric's financial position and operating activities. This PAFR, by its summary nature, is not intended to conform to GAAP and associated reporting standards set forth by applicable governing bodies. The financial information presented here is a summary of the information found in the CAFR.

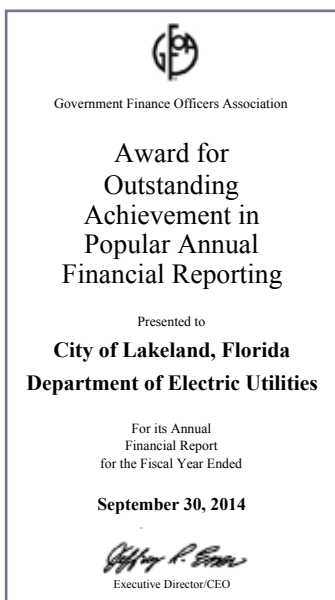
We hope this report will give you a better understanding of Lakeland Electric and its financial condition. We believe many of the new initiatives highlighted here will help Lakeland Electric stay committed to our mission of providing affordable, dependable and sustainable power.

We welcome your comments and suggestions.

You may find other information regarding Lakeland Electric, including this report (PAFR), annual budget and CAFR, on the City of Lakeland's website: www.lakelandgov.net

Respectfully Submitted,

Gina Jacobi, MBA
AGM Fiscal Operations



BY THE
NUMBER
S

3
BILLION
RETAIL kWh
PRODUCED

544
EMPLOYEES

124,965 CUSTOMERS



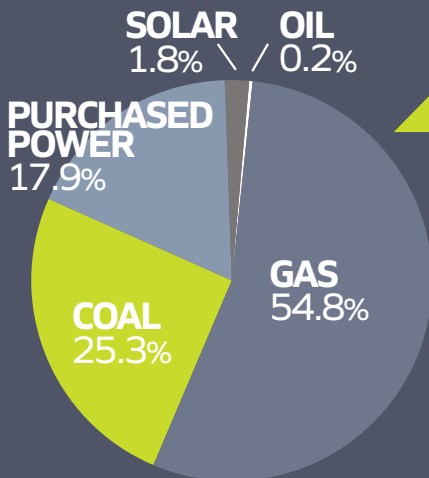
COMSUMPTION



\$309.5M OPERATIONAL REVENUES



\$254.7M OPERATIONAL EXPENSES



\$124.5M FUEL EXPENSES

\$27.9M PRODUCTION EXPENSES

\$23.4M DELIVERY EXPENSES

Lakeland Electric Customers:

2015 was a great year of energy savings for our customers in the Lakeland Electric service territory. As the largest department in the City of Lakeland, Lakeland Electric is called a “municipal utility” (also known as a “muni”) and that means that, as a customer of Lakeland Electric, you are also an owner of the utility. We had several new initiatives that were implemented in 2015 to benefit you, our customer. Our employees made an outstanding effort to serve the community and ensure Lakeland Electric's services are affordable, dependable and sustainable.

The excess production of natural gas meant electric generation fuel prices plummeted. The change in price was advantageous to all as Lakeland Electric was able to accumulate a 15% fuel reserve while steadily decreasing prices throughout the year. Our practice was to offer small reductions using our quarterly adjustment process, which also allowed us to monitor any sudden price increases due to weather anomalies such as the 2014 “polar vortex”. The run up in prices never happened, and by the end of 2015 we were offering a fuel rate that decreased by 12% from January. The downward trend in fuel prices was partially offset by a base rate increase that took effect in February of 2015. Lakeland Electric is as affordable as we have ever been and our pricing plans are competitive across Florida in the 1st quartile. Lakeland Electric even had two of our rates in the lowest price category.

Many of our initiatives were aimed at making life more convenient when it comes to paying your bill. In August 2015, Lakeland Electric launched a new payment program called Pay As You Go (PAG), for customers who want to take more control of their bills. Our Interactive Kiosks were developed throughout 2015 and will officially hit the streets in Spring 2016. In partnership with the City of Lakeland, the Kiosks will allow customers to remotely retrieve account information, pay by cash, check, or credit card at kiosks throughout the Lakeland Electric service territory. Both of these programs allow customers to utilize our existing on-line smart meter data to help monitor their electricity usage.

In September, Lakeland Electric commissioned its third large solar array called the Bella Vista Solar Farm. This brought our total grid sized solar contribution to over 11 MW and our eye is on more. With our rate increase, we created a residential demand rate for new solar entrants to use going forward. The demand is based on peak periods of the day. As a result, our peak demand should reduce and overall energy prices should lower as well.

This “Beat the Peak” concept works well with the Clean Power Plan as a component of carbon reduction that should positively impact



the higher CO2 emitting generating units. Additionally, we created a Utility of The Future Task Force to begin a long term examination of our revenue needs and our customer's potential expectations. Technologies are advancing very well to support a slow shift in energy production, consumption and storage. Lakeland Electric intends to be a dependable resource for our customers, with the least amount of impact.

Our generation portfolio performed well during the year. As always, our participation in an economic power pool provides an advantage to nearly three quarters of a million customers in Florida. Regardless of the outcome of the Clean Power Plan, Lakeland Electric is very well situated to adapt to the regulations as they become clear. All this adds up to a dependable utility providing great service to our friends and neighbors, our owners.

In 2015, our customer service agents were quick to answer the phones while providing first contact resolution 96% of the time. Part of providing the great customer service we are known for includes being proactive in maintaining a dependable infrastructure. Our linemen kept our reliability metrics in the first quartile. Focusing on infrastructure also includes upgrading the system to withstand strong storms, which improves dependability, especially during Florida's annual hurricane season. Throughout 2015, we proactively replaced over 500 deteriorated wood poles and trimmed trees along 420 miles of our overhead major power lines. Additionally, there was an increase in new construction work within active subdivisions as well as new commercial development.

Our field crews worked throughout the year making necessary upgrades to 3 miles of 69 kV transmission lines and 6.3 miles of distribution lines. It is important to mention that, since the completion of these maintenance projects, our system's efficiency is improving. As a result, our customers are experiencing shorter and less frequent outages.

Existing home inventories are declining, housing starts are picking up slowly and businesses are moving to Lakeland to leverage the I-4 corridor in Central Florida. Speculative distribution and warehouse building is taking off. Existing commercial customers have expansion plans either in progress or ready to go. I believe this is because Lakeland continues to be a great place to live and work. As we say here, #lovelakeland!

A handwritten signature in black ink, appearing to read "Paul King". The signature is written in a cursive, flowing style.

LAKELAND ELECTRIC EXECUTIVE TEAM



JOHN MCMURRAY
ASSISTANT GENERAL MANAGER
ENERGY DELIVERY

ALAN SHAFFER
DEPUTY GENERAL MANAGER

DAVID KUS
ASSISTANT GENERAL MANAGER
CUSTOMER SERVICE

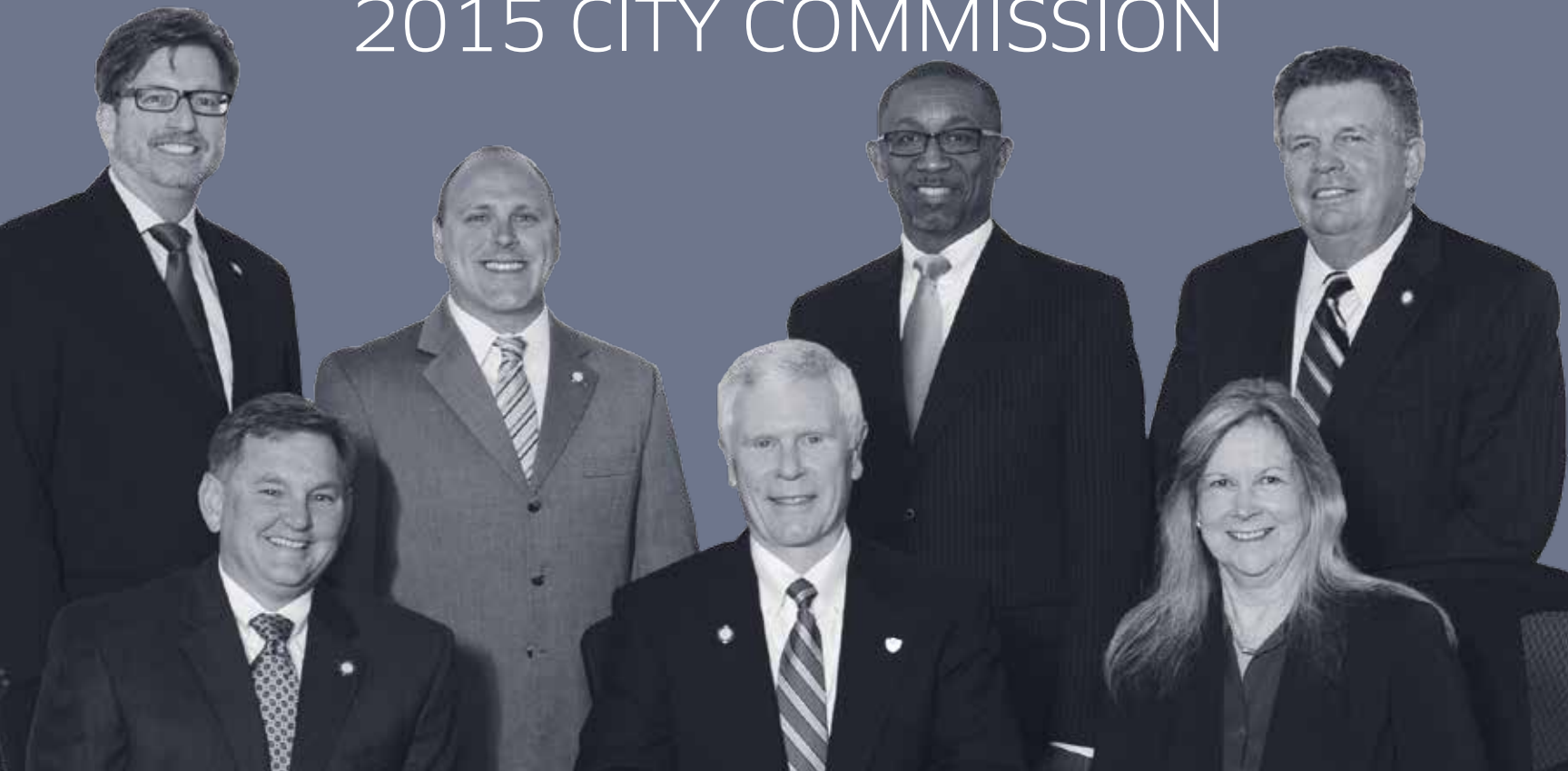
GINA JACOBI
ASSISTANT GENERAL MANAGER
FISCAL OPERATIONS

MIKE BECKHAM
ASSISTANT GENERAL MANAGER
PRODUCTION

BETSY LEVINGSTON
DIRECTOR OF TRAINING
& WORKFORCE DEVELOPMENT

JOEL IVY
GENERAL MANAGER

2015 CITY COMMISSION



JIM MALLESS
COMMISSIONER
AT LARGE

JUSTIN TROLLER
COMMISSIONER
AT LARGE

PHILLIP WALKER
COMMISSIONER
NORTHWEST DISTRICT

DON SELVAGE
COMMISSIONER
SOUTHWEST DISTRICT

KEITH MERRITT
COMMISSIONER
NORTHEAST DISTRICT

HOWARD WIGGS
MAYOR

EDIE YATES
COMMISSIONER
SOUTHEAST DISTRICT



AFFOR
DEPEN
SUSTAIN



D A B L E

D A B L E

N A B L E

Lakeland Electric contributes to your quality of life by ensuring your electric costs remain affordable, your power is provided in a dependable and a sustainable way, and your community continues to thrive.

As the largest department in the City of Lakeland, Lakeland Electric is called a “municipal utility” (also known as a “muni”) and that means, as a customer of Lakeland Electric, you are also an owner of the utility.

As a municipal utility, Lakeland Electric measures our success by how much money stays within Lakeland through low rates and contributions to the city budget, unlike a private power utility whose money goes to stockholders across the country and around the world.



AFFOR



DEPENDABLE

Lakeland Electric is a very successful municipal utility and consistently has some of the most competitive electric rates in the state. As of September 30, 2015, our rates were among the lowest in Florida despite a 5% base rate increase that went into effect February 1, 2015. Lakeland Electric's low rates can be attributed to a number of factors: a dependable low-cost power supply provided by the utility's own gas- and coal-fired power plants, participation in the Florida Municipal Power Pool and our continued focus on cost control and efficiencies. Since 2008, Lakeland Electric has been successfully promoting Rapid Process Improvement (RPI) measures and has saved over \$35 million in costs over that time period.

MAKING POWER AFFORDABLE

Lakeland Electric knows our customers have different needs when it comes to paying their bills. For that reason, we have created multiple pricing plans and payment methods that fit the various needs of our customers while also providing ways for them to lower their monthly utility bill.

NEW PAYMENT METHODS:

Pay As You Go

In August 2015, Lakeland Electric launched a new payment program for our residential customers called Pay As You Go (PAG). This program offers no late payment fees because you pay upfront (minimum deposit of \$25), no monthly billing statements, no deposit, and the ability to purchase electricity and other utilities at your convenience. PAG allows customers to monitor and manage their daily utility needs to stay within their budget.

Interactive Kiosks

Lakeland Electric also spent 2015 preparing for the launch of an interactive kiosk project. The project benefits customers by providing a cost effective solution to remotely pay their utility bill and retrieve account information. Customers can pay by cash, check or credit card at kiosks that are strategically placed in high traffic areas throughout Lakeland Electric's service territory. In late Spring 2016, the kiosks will be installed and ready for use at the City of Lakeland Training Center, Kelly Recreational Complex, Larry R. Jackson Library, and the Lakeland Electric Administration Building drive-through.

NEW WEBSITE

As a customer of Lakeland Electric, you have many new choices when it comes to your electricity. You can choose a new price plan, like peak demand, and a new payment method, like Pay As You Go. You can also choose how and when to use your electricity, like during an off-peak period or by running appliances individually and not all at the same time.

But how do you know what choice will be the best for you and potentially save you the most money, given your lifestyle? Lakeland Electric is working on the answer to this!

Lakeland Electric has begun working on a new website that will launch in mid-2016. The site will feature personalized decision-making tools, individual usage monitoring tools, and new educational content that will help you decide what plans and programs would be most beneficial for you!

RATES RANKINGS*

8TH

LOWEST RESIDENTIAL

5TH

LOWEST SMALL COMMERCIAL

3RD

LOWEST MID-SIZE COMMERCIAL

4TH

LOWEST LARGE INDUSTRIAL

*When compared to other electric utilities in Florida.



PROJECT CARE & ROUND UP FOR PROJECT CARE

Many of our customers sometimes need a helping hand. We recognize this at Lakeland Electric and participate in many projects throughout the year to help those in our community who are having a hard time making ends meet. From Christmas gifts for under privileged children to participating in local events, such as food bank distributions, to raising funds to help pay electric bills for the elderly and/or disabled, Lakeland Electric recognizes the importance of helping those in need.

Lakeland Electric employees developed a program called Project Care that assists people with paying their electric bills. This program, administered by Catholic Charities of Central Florida, provides eligible Lakeland Electric customers who are 60 and older and/or disabled with assistance. Our employees hold internal fund raising events all year long in order to ensure there is money available for our customers who need a helping hand.

Believing our customers would want to help with this worthwhile endeavor as well, our employees also created Round Up for Project Care, was developed by our employees as is a way for our customers to voluntarily participate in providing funds to help low-income seniors and disabled members of our community pay their utility bills. Through the Round Up for Project Care program, Lakeland Electric automatically rounds-up participating customer's utility bills to the next dollar amount.

If you are interested in participating in the Round Up for Project Care program, please visit our website at www.LakelandElectric.com.



DEPENDEN

A woman in a red jacket and headset is smiling while working at a computer in a call center. She is sitting at a desk with a keyboard and mouse. In the background, other call center agents are visible at their desks, some wearing headsets. The office has cubicles and a potted plant.

D A B L E

There are certain hometown advantages you have as a Lakeland Electric customer. Being a municipal utility means Lakeland Electric has a strong commitment to our local community and a high level of public accountability. We give full attention to ensuring our customer service is world class and have a national reputation for reliable, customer-focused service. Lakeland Electric consistently scores as one of the best utilities in the nation in regard to customer satisfaction, with scores of 89% or better. We also are known for our quick response from our crews who live within and are an important part of our community. In 2015, our customers experienced an average of about one outage a year with an average duration time of 62 minutes. Both are excellent achievements according to an annual benchmarking study of 40 utilities.

Lakeland Electric is one of 191 of the nation's more than 2,000 municipal utilities to earn the Reliable Public Power Provider (RP3®) designation from the American Public Power Association (APPA). The RP3 designation recognizes municipal utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development and system improvement. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

DEPENDABLE INFRASTRUCTURE

We are constantly maintaining and enhancing our reliability by taking care of our existing plants and powerlines to ensure you can always depend on us to be there. In 2015, Lakeland Electric spent \$40 million in capital expenditures on infrastructure maintenance.

STORM HARDENING EFFORTS

Every year, maintenance projects are planned to inspect and replace aging transmission poles and wires to ensure they are delivering electricity safely and efficiently to our customer's homes and businesses. This focus on infrastructure also includes upgrading the system to withstand strong storms, which improves dependability, especially during Florida's annual hurricane season.

OUTAGE NOTIFICATIONS

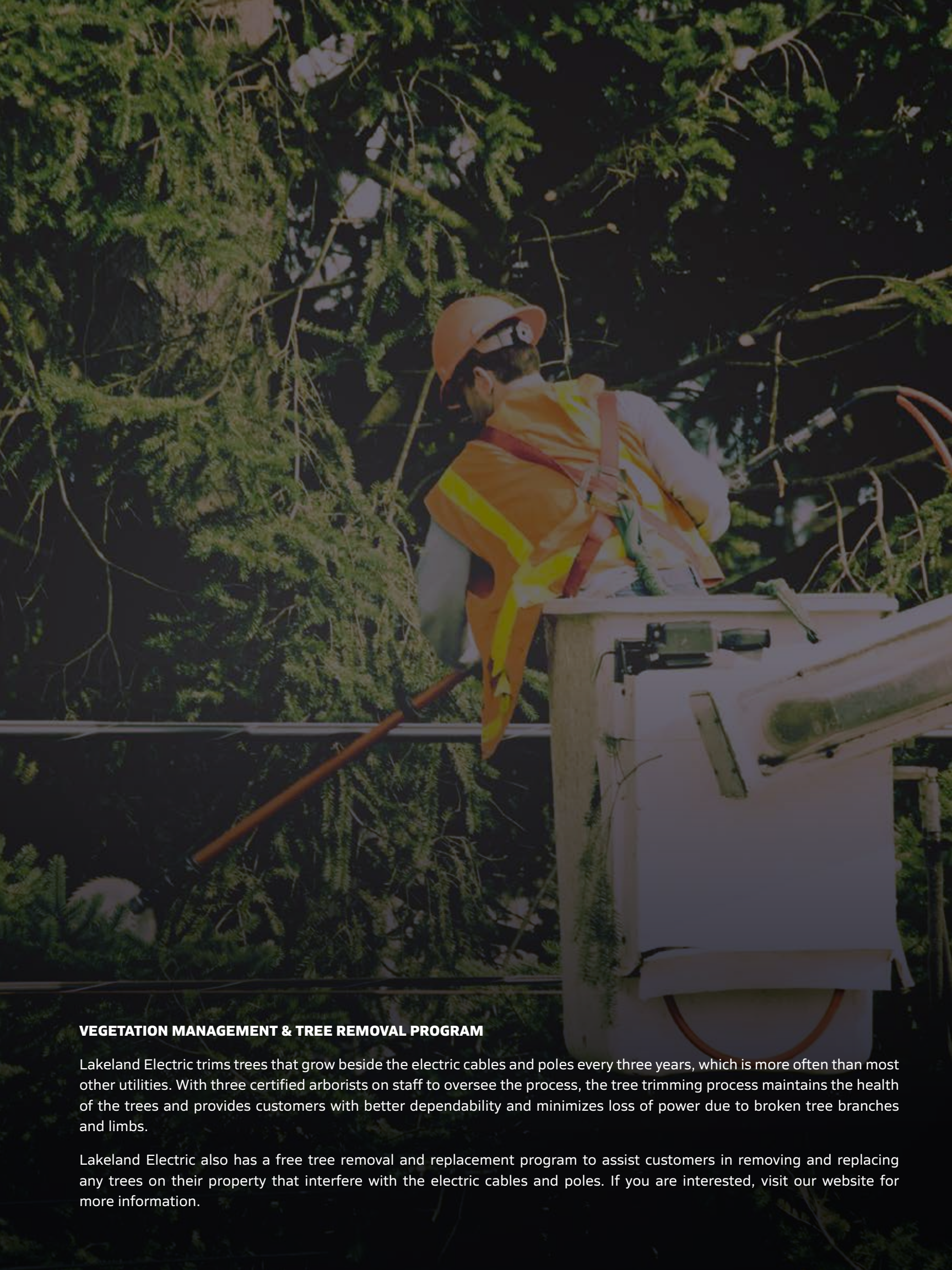
One of the most talked-about topics in the utility industry is notifying customers quickly and effectively when an outage affects their home or business. Thanks to technology developed over the last year by our employees at Lakeland Electric, getting information about an outage is now easier than ever!

Simply visit our website, log into your account, and click on "My Settings", then click on "My Service Notifications", and you can sign up for text, voice mail, and email outage notifications. These notifications will advise you that our crews know you are experiencing an outage. We will also provide an estimated amount of time you will experience the outage. And, once your power is restored, you will receive a final notification that the outage has been resolved. However, if you are still experiencing outage issues at that time, you will be advised to call our outage management team for further support.



Home Customers






VEGETATION MANAGEMENT & TREE REMOVAL PROGRAM

Lakeland Electric trims trees that grow beside the electric cables and poles every three years, which is more often than most other utilities. With three certified arborists on staff to oversee the process, the tree trimming process maintains the health of the trees and provides customers with better dependability and minimizes loss of power due to broken tree branches and limbs.

Lakeland Electric also has a free tree removal and replacement program to assist customers in removing and replacing any trees on their property that interfere with the electric cables and poles. If you are interested, visit our website for more information.



SUSTAIN

Being a municipal utility, there are many sustainable elements woven into our work. We provide the community efficient service with some of the lowest rates in the state, and consistently provide high dependability in regard to our generation and delivery of power. We align with the City of Lakeland's community goals, and demonstrate sound business practices. Great examples of these practices include the approval in Fiscal Year 2015 by the Lakeland Electric's Utility Committee of new rate plans as well as the creation of a fuel reserve fund.

Lakeland Electric also has solid credentials with bond ratings agencies and we are positioned well for the future and for our customers thanks to our strong energy production fleet, like McIntosh Unit 5 and Unit 3, and our ability to diversify how we produce and procure power.

Customers can also depend on us because we have strength in numbers. We have 30 sister municipal utilities across the state and 2000 across the nation. We all work together to ensure you benefit from economies of scale and have access to resources during emergency situations. Because of this, municipal utilities usually have the fastest recovery times for major storm-related power outages.



N A B L E

With a strong environmental-protection track record, due in part to a diligent staff as well as the public accountability and local decision-making that are key attributes of a municipal utility, full attention is given to the utility's impact on the environment as well as the health and well-being of our customers. To that end, we work hard to develop and maintain strong relationships with our environmental partners and ensure we are in compliance with our Federal and State oversight agencies.

For example, during 2015, Lakeland Electric upgraded the McIntosh Unit 3 power plant to fully comply with the Environmental Protection Agency's Mercury and Air Toxics Standards rule. Following implementation, the power plant's emissions of mercury and sulfur dioxide were significantly reduced. Additionally, particulate matter, like dust and fly ash, monitoring equipment was also installed.

Lakeland Electric is a large local employer, with employees who have built lifelong careers with us and raised their families in the community. Municipal utilities like Lakeland Electric attract new businesses because they are considered more stable and customer-centric than privately owned utilities.

THE UTILITY OF THE FUTURE: BEAT THE PEAK

The utility industry is at the beginning of a new era, thanks in part to technology and advances in the science of power generation.

Improvements in the cost and performance of solar generation are creating new alternatives for on-site power generation. Increased energy efficiency and new uses for electricity, including plug-in electric vehicles, are altering demands on the power system. Additionally, distributed energy storage may be poised for a breakthrough that could enable widespread adoption. More than any time in the past, you – our customer – will take on a bigger role when it comes to managing your electric costs.

In order to stay one step ahead of the transformation, Lakeland Electric is embracing the changes facing the utility industry. Lakeland Electric is expanding the use of alternative energy by undertaking a pilot battery storage project to test the impact energy storage might have on the distribution system. Lakeland Electric is also exploring the benefits associated with “peak shaving”, shifting how and when you use electricity to lower the overall highest point or “peak” demand required to power all of Lakeland Electric’s territory.

As our community grows, the need increases for additional sources of power. This could mean building a new power plant or finding new market providers in order to have the power Lakeland needs. But, if you begin to monitor how and when you use electricity, particularly during the peak, your monthly bill will remain affordable, the need to find alternative sources of power may not be needed and your utility, community, and local economy will remain sustainable.

ALTERNATIVE ENERGY: SOLAR

Solar Farms

Lakeland Electric has a long history of developing solar projects in the community. The ultimate goal is to integrate 20 megawatts (MW) of solar capacity into our energy mix by end of fiscal year 2016. That is enough to power 7000 houses when the sun is shining on a summer day! Currently, we have a total of 11.6 MW of solar generation installed at a number of facilities throughout our service territory. In 2015, Lakeland Electric completed construction of the 6 MW Bella Vista Solar Farm in Northwest Lakeland. In the spring of 2016, Lakeland Electric will complete construction of a 3.15 MW Airport Phase 3 Solar Farm on Medulla Road. By the end of 2016, 3.5 percent of our daytime summer load will be generated through solar power.

Solar Hot Water Heater Program

For a monthly fee of \$34.95, Lakeland Electric offers a solar hot water heater program for its residential customers. It is the most efficient way for Lakeland homeowners to adopt solar water heating. With no up-front charges, zero maintenance costs, the program delivers reliable hot water, as well as environmental benefits that result in reduced carbon footprints for our customers, this program has an impact on our community unlike any other.





LAKELAND ELECTRIC ENERGY ACADEMY AT TRAVISS CAREER CENTER

Lakeland Electric is a proud partner with the Polk County School Board in creating the Energy Academy program at Traviss Career Center.

Lakeland Electric offers opportunities in a variety of technical positions in Production (generating plants), Delivery (wires, poles, substations), Customer Service (meter reading, call center), and more. These are good solid careers in the power industry students can apply for following graduation.

There are also many opportunities to grow and develop for future leadership positions. Lakeland Electric is continually looking for qualified applicants. The goal of developing this Energy Academy is to help students prepare for positions while they're still in high school. This develops a pipeline of qualified applicants for the utility industry.

Lakeland Electric's commitment to the Energy Academy at Traviss Career Center is strong. This program is important for Lakeland Electric and the surrounding communities. Not only will it provide our company with a pathway to future job candidates, but it will benefit students by providing them the academic tools and technical skills they need to be successful in a variety of careers.

LAKELAND ELECTRIC POWER ACADEMY AT TENOROC HIGH SCHOOL

In April of 2015, Lakeland Electric Power Academy was the first learning academy in the United States to receive National Accreditation from the National Career Academy Coalition! Lakeland Electric partnered with Tenoroc High School and the Polk County School Board to create this outstanding learning academy.

The Lakeland Electric Power Academy has four key elements central to development and implementation - a small learning community, a college-prep curriculum with a career theme, an advisory board that forges partnerships with employers, higher education institutions, and the broader community and a sequenced, comprehensive work-based learning component.

The Power Academy opens the door to local students to be hired by Lakeland Electric and begin their careers in energy. It also provides a foundation for students interested in pursuing college degrees in engineering and other advanced science degrees.

FINANCIAL ACTIVITY

Operating revenues increased by \$3.2 million or 1% compared to 2014. Retail megawatt hours (MWh) sales improved by 3.3% compared to 2014, due to warmer weather and a 1% increase in customer count. Lakeland Electric's non-fuel operating expenses, which included a \$3.6 million non-cash impairment loss associated with the retirement of McIntosh Unit 1, increased by \$7.2 million or 8.8%. Fuel and purchase power expenses decreased by \$9.9 million in 2015 due, in large part, to a decline in natural gas prices. For Fiscal Year 2015, the overall financial condition of Lakeland Electric improved by \$10.7 million. Operating income was \$54.8 million in 2015, up from \$50.2 million in the previous year.

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION • SEPTEMBER 30, 2011 - 2015
(IN THOUSANDS)

	2015	2014	2013	2012	2011
OPERATING REVENUES					
Sales of energy - retail	\$296,955	\$295,628	\$281,798	\$270,211	\$317,542
Sales of energy and capacity sales - wholesale	5,521	3,840	13,372	13,606	15,875
Other electric operating revenue	7,027	6,870	6,886	6,520	7,465
	309,503	306,338	302,056	290,337	340,882
OPERATING EXPENSES					
Fuel and purchased power	124,528	134,396	135,104	124,143	161,967
Non fuel expenses	89,451	82,226	77,257	77,137	80,018
Depreciation (net)	40,734	39,482	37,817	36,886	35,704
	254,713	256,104	250,178	238,166	277,689
	54,790	50,234	51,878	52,171	63,193
OPERATING INCOME					
NON-OPERATING ACTIVITY					
Investment and other income	4,227	15,549	748	8,597	8,768
Interest and amortization	(18,787)	(21,578)	(22,737)	(26,447)	(26,827)
Transfers to other funds	(29,506)	(25,517)	(24,095)	(24,201)	(24,962)
	\$10,725	\$18,688	\$5,794	\$10,120	\$20,172
CHANGE IN NET POSITION					

KEY FINANCIAL TERMS:

OPERATING REVENUE - Revenues that are earned as a result of the utilities business operations

OPERATING EXPENSES - Expenditures that the utility incurs as a result of business operations

DEPRECIATION - Allocation of cost of an asset over its useful life

INVESTMENT INCOME - Earnings on the utility's investments

DIVIDEND - Yearly payment from the utility to city government based on MWh consumption

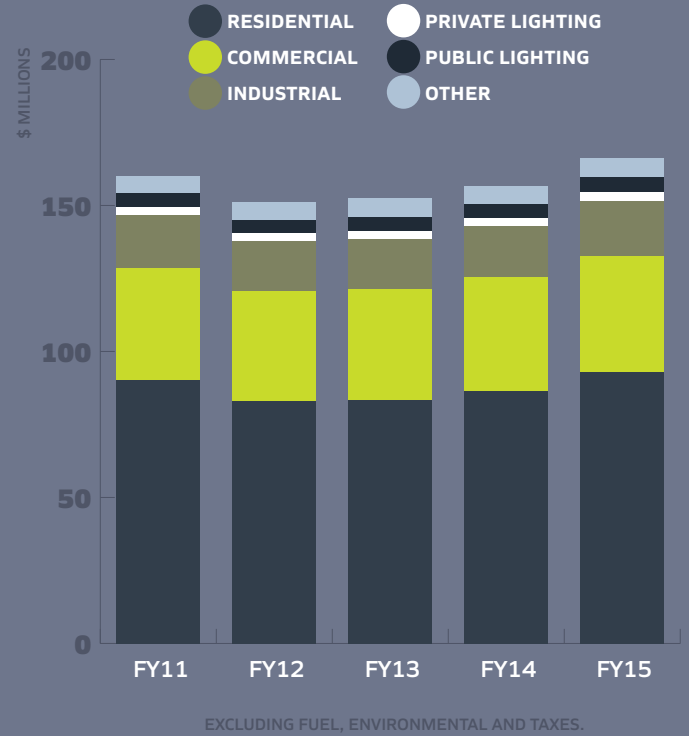
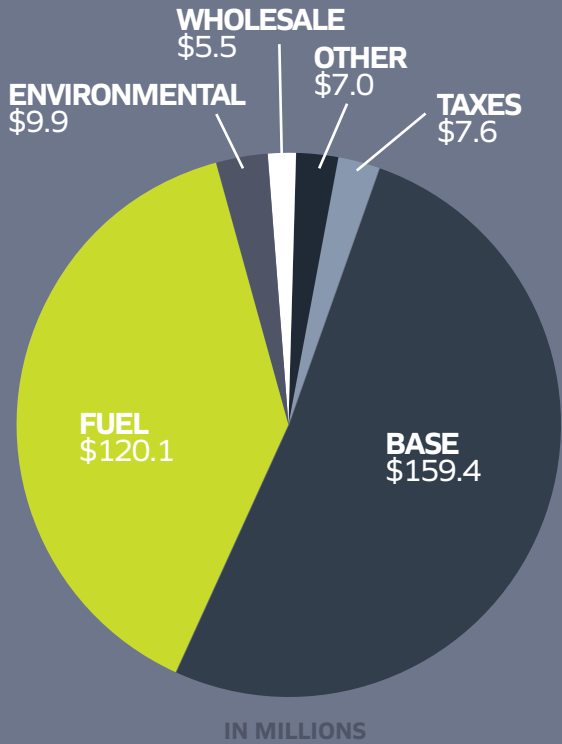
ASSET - Resources that the utility owns

LIABILITY - The utilities legal debts or obligations

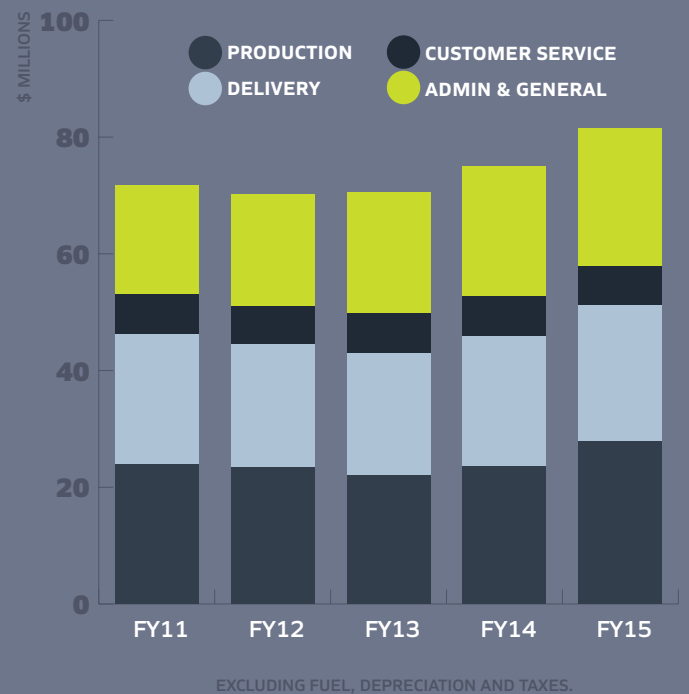
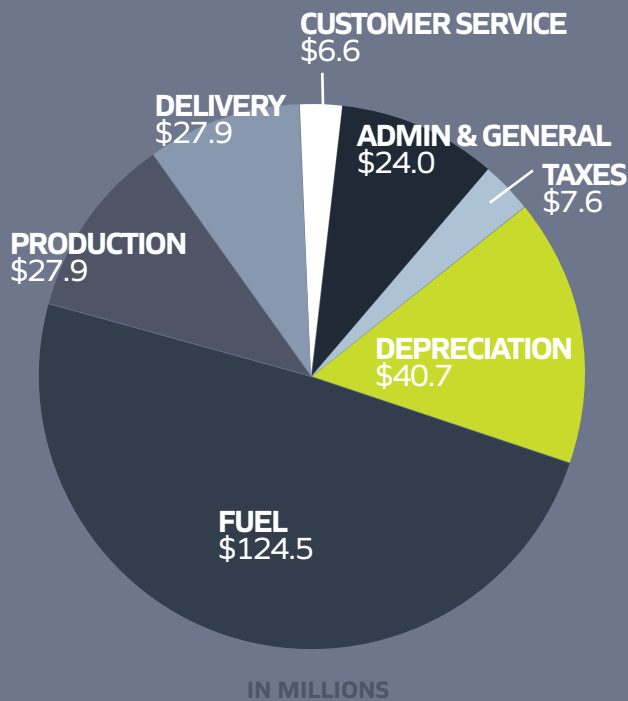
NET POSITION - The difference between the utilities assets and deferred outflows, and liabilities and deferred inflows

DEFERRED INFLOWS/OUTFLOWS - Flows of resources into and out of the utility during the fiscal year that are related to future periods

REVENUE SOURCES



EXPENSE BREAKDOWN



FINANCIAL ACTIVITY

STATEMENT OF NET POSITION • SEPTEMBER 30, 2011 - 2015
(IN THOUSANDS)

	2015	2014	2013	2012	2011
ASSETS					
Current assets	\$150,372	\$147,389	\$153,401	\$168,382	\$159,498
Utility plant, net	666,644	675,503	678,435	682,761	679,733
Other noncurrent assets	86,158	88,358	86,430	90,745	96,476
	903,174	911,250	918,266	941,888	935,707
DEFERRED OUTFLOWS OF RESOURCES	70,498	57,770	57,681	82,993	95,041
LIABILITIES					
Current liabilities	42,995	60,064	88,981	114,097	116,970
Noncurrent liabilities	550,149	510,039	505,548	535,035	553,299
	593,144	570,103	594,529	649,132	670,269
DEFERRED INFLOWS OF RESOURCES	66,541	46,442	47,629	47,599	42,448
NET POSITION					
Net assets invested in capital assets, net of related debt	203,263	192,567	164,258	140,206	120,302
Unrestricted	110,724	159,908	169,531	187,944	197,729
	\$313,987	\$352,475	\$333,789	\$328,150	\$318,031

** GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which was effective for Lakeland Electric's financial year ending September 30, 2015, requires Lakeland Electric to report a "Net Pension Liability" balance. The columns for fiscal years prior to 2015 reflect audited balances as previously reported.

CREDIT RATINGS

AA

STABLE

STANDARD & POOR'S

AA-

STABLE

FITCH

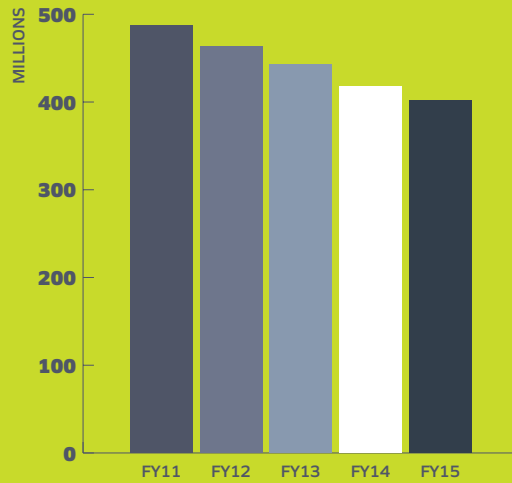
Aa3

STABLE

MOODY'S

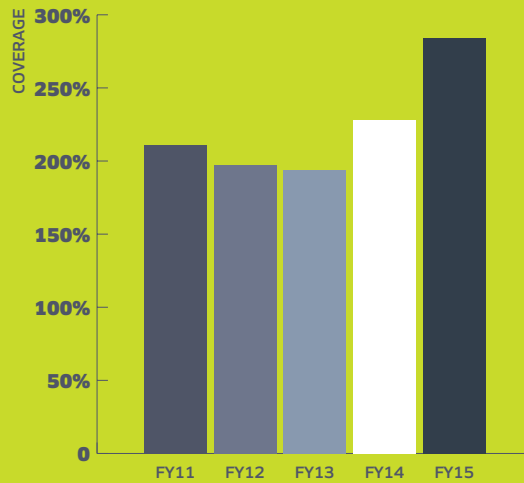
LONG TERM DEBT

At the end of 2015, the amount of debt outstanding totaled \$401.3 million. Approximately 45% of Lakeland Electric's debt consisted of floating rate notes and the remainder was fixed rate. In February 2016, \$95 million of the floating rate debt was refinanced reducing the percentage of variable rate debt outstanding to 23%.



DEBT SERVICE COVERAGE

This ratio is a measurement that demonstrates an entity's ability to pay its annual debt service made up of both principal and interest. Lakeland Electric's bond covenant requires debt service coverage of at least 150%, but through a conservative approach to finances, an internal benchmark of 200% has been long established. Debt Service coverage exceeded the benchmark at 284% in 2015.



**2015
LAKELAND
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ANNUAL
REPORT**



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DEPARTMENT OF ELECTRIC UTILITIES
AN ENTERPRISE FUND OF THE CITY OF LAKELAND, FLORIDA