



ANNUAL REPORT TO BONDHOLDERS



LAKELAND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

ANNUAL REPORT TO BONDHOLDERS

OF THE

CITY OF LAKELAND, FLORIDA

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

GREGORY M. FINCH, CPA
FINANCE DIRECTOR

MICHAEL C. BROSSART, CPA
ASSISTANT FINANCE DIRECTOR

CITY COMMISSION AND ADMINISTRATION

R. L. (BUDDY) FLETCHER
Mayor

GOW B. FIELDS
Commissioner

EDITH YATES
Commissioner

JAMES S. VERPLANCK
Commissioner

GLENN E. HIGGINS
Commissioner

JUSTIN TROLLER
Commissioner

HOWARD R. WIGGS
Commissioner

DOUGLAS B. THOMAS
City Manager

TONY DELGADO
Deputy City Manager

STANLEY HAWTHORNE
Assistant Manager

TIM MCCAUSLAND
City Attorney

PALMER DAVIS
Assistant City Attorney

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April 30, 2009

On Behalf of the Members of the City Commission, I am pleased to present the 2008 Annual Report to Bondholders. This report provides information to you, the investor, relating to the City's finances and outstanding bond indebtedness. We, in the City of Lakeland, are proud of our accomplishments during the last year. It is our goal to continue to provide a high level of service to our community at a fair price.

The City team is committed to making Lakeland a vibrant, culturally inclusive world-class community. We understand that to achieve this vision, we must be mission driven and results oriented. To facilitate growth and development of the City, we must be pro-active and not reactive. We must anticipate the future in our comprehensive planning, visioning, and long range financing of City infrastructure. We must secure the future of our children and grandchildren through cooperative efforts among all levels of government and private enterprise. We must develop and maintain partnerships and strategic alliances which address common goals and priorities.

Many governments across the country have experienced financial difficulties relating to the recent economic recession. The City of Lakeland also has its challenges; however, I am confident that the financial position of our City is sound and that we have the resources to achieve our goals and objectives while ensuring that our obligations to investors are met in a timely manner.

We thank you for your past support and interest in the City of Lakeland. We also pledge to you and our citizens to continue the past tradition of superior management, and sound fiscal policy as we carry out our responsibilities as stewards of the City's future.

Sincerely,

Ralph L. "Buddy" Fletcher
Mayor



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PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The ANNUAL REPORT TO BONDHOLDERS has been prepared by the City of Lakeland, Florida (City) to provide information concerning the City, its financial operations, and its indebtedness.

The Securities and Exchange Commission (SEC) issued interpretive guidance in 1994 regarding continuing disclosure requirements under rule 15c2-12. This rule provides that a Broker¹ may not act as a Participating Underwriter¹ in a primary offering of municipal securities with an aggregate principal amount of \$1,000,000 or more, unless the underwriter reasonably determines that the issuer of such municipal securities has undertaken in a written agreement or contract, to provide to each Nationally Recognized Municipal Securities Information Repository [NRMSIR] certain disclosure information as enumerated in the rule. The effect is to require continuing disclosure, to the secondary market, for issuers of municipal securities.

The City of Lakeland has covenanted for the benefit of bondholders to provide certain financial information and operating data relating to the City in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each nationally recognized municipal securities information repository approved by the Securities and Exchange Commission (the “NRMSIRs”), as well as any state information depository that is established in the State (the “SID”). Currently, there are no such SIDs. The City has agreed to file notices of certain enumerated material events, when and if they occur, with the NRMSIRs or the Municipal Securities Rulemaking Board, and with the SIDs, if any. In conjunction with the continuing disclosure requirement, the City entered into an agreement with Digital Assurance Certification, L.L.C. (“DAC”) in October 2002, providing for DAC to act as a Dissemination Agent for the City.

¹See SEC rules for definitions of capitalized terms in the Purpose of Annual Report to Bondholders section.

INTRODUCTION

The following report represents the Twelfth ANNUAL REPORT TO BONDHOLDERS prepared by the City. This report is designed to provide useful information to current and potential investors, rating agencies, bond insurers, municipal analysts, and other interested parties. In achieving this objective, the ANNUAL REPORT TO BONDHOLDERS also fulfills SEC requirements to provide updated information to the secondary bond market that is consistent with other official statements relating to the City's indebtedness.

Included in the ANNUAL REPORT TO BONDHOLDERS is background information about the City and its services, key staff, and demographics. Financial information, particularly data related to revenues that have been pledged to support debt service requirements on outstanding bonds, is also included. Additionally, the ANNUAL REPORT TO BONDHOLDERS includes details about each outstanding bond issue for which the City has a legal obligation. All of the information is presented as of the fiscal year ending September 30, 2008, unless otherwise noted.

In addition to the ANNUAL REPORT TO BONDHOLDERS, City is filing a copy of its "Comprehensive Annual Financial Report" (CAFR) for the fiscal year ended September 30, 2008. The CAFR is being transmitted as a separate document in an effort to preserve the conciseness of the ANNUAL REPORT TO BONDHOLDERS and also to make pertinent financial information available that may be of interest to the reader. The ANNUAL REPORT TO BONDHOLDERS is a supplementary document and should be reviewed in conjunction with the CAFR, and not as a replacement of the CAFR.

The ANNUAL REPORT TO BONDHOLDERS together with the accompanying CAFR represent a complete picture of the City's finances. Anyone requesting financial information about the City will be referred to these documents. Copies of the ANNUAL REPORT TO BONDHOLDERS are being furnished to current or potential bondholders upon request, rating agencies, insurers of municipal debt, and to Nationally Recognized Municipal Securities Information Repositories [NRMSIRs]. Anyone interested in receiving this report should make a request in writing to the address provided below. If it is determined that any future requested information is not included in this document or the CAFR, but should be made available to the "market," a response will be provided through a filing with the NRMSIRs and the requester will be notified accordingly.

City of Lakeland
Finance Director
228 South Massachusetts Avenue
Lakeland, Florida 33801-5012

Certain information presented in the ANNUAL REPORT TO BONDHOLDERS was obtained from sources external to the City that are believed by the City to be reliable. The City has not undertaken an independent review or investigation to determine the accuracy of the information that has been obtained from other sources. Neither the City nor the elected or appointed officials make any representations or warranties with respect to the accuracy or completeness of that information.

To the extent that certain portions of the ANNUAL REPORT TO BONDHOLDERS constitutes summaries of documents, reports, resolutions or other agreements relating to the operations or outstanding debt of the City, this report is qualified by reference to each such document, copies of which may be obtained from the Director of Finance.

The ANNUAL REPORT TO BONDHOLDERS contains certain capitalized terms that are not defined within this report. Such terms are defined in the ordinances or resolutions of the City authorizing the issuance of the respective bonds.

GENERAL & STATISTICAL INFORMATION

The City of Lakeland was incorporated in 1885 as a political subdivision of the State of Florida. The City is operated using a Commission-Manager form of government. This system provides a centralized professional administration and a seven member City Commission. Four Commission members are elected from single member districts and the other three members are elected at large. All Commissioners serve four-year terms of service. The Mayor is elected by popular vote and is recognized as the head of City government for all ceremonial occasions. The City employs a full-time manager, appointed by the Commission, who is the chief executive and administrative officer of the City.

The City of Lakeland provides a full range of municipal services including public works, public safety, health and social services, recreation and cultural activities. In addition, the City's enterprise activities include electric and water utilities, airport operations, and sanitation services.

PRINCIPAL OFFICIALS

The legislative power of Lakeland is vested in a commission of seven members. The City Commission generally meets on the first and third Monday of each month in the commission chambers at City Hall, 228 South Massachusetts Avenue. The following table lists the elected officials of the City as of September 30, 2008:

<u>District</u>	<u>Elected Officials</u>	<u>Service</u>	<u>Term Expires</u>
At large	Ralph L. (Buddy) Fletcher (Mayor)	19 years	December 2009
Northwest	Gow B. Fields	16 years	December 2011
Northeast	Glenn E. Higgins	5 years	December 2011
Southwest	James Verplanck	7 years	December 2009
Southeast	Edith Yates	3 years	December 2009
At large	Justin Troller	1 year	December 2011
At large	R. Howard Wiggs	13 years	December 2009

SENIOR MANAGEMENT – CITY

DOUGLAS B. THOMAS - CITY MANAGER

Doug Thomas became City Manager in December 2003. Doug was selected after a nationwide search for a replacement for retiring City Manager, Roger Haar. Before accepting this position, Doug served as City Manager for the City of Alma, Michigan for over 14 years. His academic credentials include attainment of a Master's of Public Administration from the American University, Washington, D.C. in 1983 with a concentration in Urban Affairs, and a Bachelor of Arts in Political Science and History from Bowling Green State University, Ohio in 1981

ANTHONY J. DELGADO - DEPUTY CITY MANAGER

Anthony Delgado has over 20 years experience in public administration. He started with the City in 1997, as Assistant Director of the Lakeland Center. He was appointed Assistant City Manager in November 2000. He has a Bachelor of Science Degree in Parks and Community/Commercial Recreation from Southern Illinois University.

STANLEY HAWTHORNE – ASSISTANT MANAGER

Stanley Hawthorne was appointed as Assistant to the City Manager in January 2005 and became an Assistant City Manager in September 2007. Before accepting this position, Stanley served as District General Manager for the Sun 'n Lake of Sebring Improvement District. He has more than 12 years of city management experience and leadership in high growth Florida communities. He holds a Bachelor of Science Degree in Social Science and Economics from Troy State University in Alabama and Master of Arts in Public Administration from the University of Virginia. He is a Certified Government Financial Manager and a graduate of the Senior Executive Institute at the Darden Business School. Stanley is very involved in community service activities and several professional affiliations.

GREGORY M. FINCH - FINANCE DIRECTOR

Greg Finch started with the City in 1985, as Assistant Finance Director. He was appointed Finance Director in December 2003. Prior to that, he spent 6 years with the accounting firm of Evans, Parrish & Fisk, Lakeland, Florida. He is a certified public accountant and holds a Bachelor of Science Degree in Accounting from Florida Southern College.

MICHAEL C. BROSSART - ASSISTANT FINANCE DIRECTOR

Mike Brossart started with the City in 1996. He was appointed Assistant Finance Director in December 2003. Prior to working for the City, Mike was the Accounting Manager for a large tile manufacturer. Mike is a certified public accountant and holds Bachelor of Science Degree's in both Accounting and Marketing from Florida Southern College.

DON ECKERT - ASSISTANT FINANCE DIRECTOR, ELECTRIC

Don Eckert was appointed Assistant Finance Director - Electric for the City of Lakeland in June, 2006. In this capacity, Don is responsible for all financial aspects of Lakeland Electric's operations. Prior to joining the City, Don had over ten years experience in the Electric Utility industry. He has a Bachelor's degree in Business Administration from the University of Michigan and a Master's of Accountancy from the University of Southern California.

SENIOR MANAGEMENT – ELECTRIC UTILITIES

The management of Lakeland Electric was reorganized in anticipation of deregulation in the State of Florida. This was deemed necessary in order for the Department to compete effectively in the public power industry. The Department was reorganized to group its divisions into four business units (Energy Supply, Energy Delivery, Customer Service, and Corporate Services).

JAMES STANFIELD - GENERAL MANAGER, ELECTRIC UTILITIES

Jim Stanfield joined Lakeland Electric in March, 2001 as the Director of Legislative and Regulatory Affairs. Jim was appointed interim General Manager in November 2003, and was permanently assigned to this position in March 2004. Jim holds a Bachelor of Science in Journalism and Juris Doctorate from the University of Florida. Jim was accepted by the American Bar Association in 1975. Jim has over 30 years of experience in the Electric Utility industry with the Cities of Gainesville, Florida Municipal Utilities Association, Salt River Project (Phoenix, Arizona), and Florida Power Corporation (now Progress Energy Florida).

JAMES M. PENNINGTON – DEPUTY GENERAL MANAGER, ELECTRIC

Jim Pennington was appointed Deputy General Manager of Lakeland Electric in March, 2006. Prior to that, Jim had served as the Assistant Finance Director - Electric for the City of Lakeland since November, 2003. Prior to coming to Lakeland, Jim has held a variety of financial leadership positions, including Chief Financial Officer for two startup businesses and has nearly two decades of financial experience in the electric utility business including serving as Vice President and Corporate Controller for Central Vermont Public Service. Jim earned his Bachelor's Degree in Accounting from Indiana University and a Masters Degree in Business Administration from Rensselaer Polytechnic Institute in Troy, NY.

ANTONIO CANDALES – ASSISTANT GENERAL MANAGER - PRODUCTION

Tony Candales was appointed Assistant General Manager – Production in May, 2006. Tony oversees that entire Production Division within Lakeland Electric. Prior to joining the City, Tony had over 20 years of experience working in Electric Utility industry. Tony has a Bachelor's degree in Electrical Engineering as well as a Bachelor's degree in Construction Management. Tony also completed his Engineer in Training in the State of Florida.

ALAN SHAFFER – ASSISTANT GENERAL MANAGER - DELIVERY

Alan Shaffer was appointed Assistant General Manager - Delivery in 2003. As Assistant General Manager - Delivery, he is responsible for the coordination and direction of all functions pertaining to the planning, construction, maintenance, and operation of the Lakeland Electric transmission and distribution systems. Prior to assuming his present role, he was Manager of Substation Operations. He began his career as an electric engineer with Lakeland Electric in 1979 after receiving a Bachelor's Degree in Engineering from the University of South Florida. He also holds a Master's Degree in Engineering Management and has been a registered Professional Engineer since 1983.

DAVID KUS – ASSISTANT GENERAL MANAGER - CUSTOMER SERVICE

David Kus was appointed Assistant General Manager - Customer Service in January, 2007. As Assistant General Manager - Customer Service, he is responsible for overseeing all of the utility's customer service operations and offices, including the call center and billing and collections functions. He is also responsible for directing the utility's focus on major accounts and economic development. David has over 21 years experience in leading Customer Service Operations in both investor-owned and municipal utilities. David has a Bachelor's Degree from the University of Michigan.

BETSY LEVINGSTON – ASSISTANT GENERAL MANAGER – GENERAL SERVICES

Betsy Levingston began her career with the City in 1989. She became Administrative Assistant to the Managing Director of Lakeland Electric in 1995. In December 2000 Betsy was appointed Manager of Staff Support Services. Betsy has a bachelor degree in Business Administration from the Ferris State College in Big Rapids, MI and a Master of Arts degree in General Studies: Leadership and Development from the Ohio State University in 1985. Betsy is a Certified Senior Professional of Human Resources and Public Personnel Professional.

SENIOR MANAGEMENT – WATER/WASTEWATER UTILITIES

GREGORY BOETTCHER – DIRECTOR OF WATER UTILITIES

Greg Boettcher has served as Lakeland's Water Utilities Director since March of 2008. Prior to joining the City, he held similar positions in Florida, Arkansas and Missouri; in addition to several years as a consulting engineer. He holds an undergraduate degree in Engineering from the University of Missouri and a Masters degree in Public Administration from the University of Arkansas.

SENIOR MANAGEMENT – PUBLIC WORKS DEPARTMENT

RICHARD E. LILYQUIST, P.E. – PUBLIC WORKS DIRECTOR

Richard Lilyquist was appointed Public Works Director in October 1998. He was previously County Engineer for Highlands County, Florida and more recently served as the Director of Environmental Services/County Engineer for Spartanburg County, South Carolina. He also has experience working for private firms performing civil engineering duties. He holds a Master of Engineering and a Bachelor of Science in Civil Engineering from the University of Florida, and is a registered professional engineer in the States of Florida and South Carolina.

ECONOMIC CONDITION AND OUTLOOK FOR POLK COUNTY

The City of Lakeland is located in Polk County at the geographic center of the Sunshine State along the I-4 corridor between the cities of Tampa and Orlando. Lakeland is the largest city in Polk County with an estimated population of 93,508 as of December 2008 and covers an area of approximately 74.33 square miles.

The City of Lakeland is the wholesale and retail trade center for the surrounding area which is supported by agriculture, cattle production, citrus production, phosphate mining, diversified industry, and tourism. The City is also a warehousing and distribution center, with over 10,000,000 square feet of warehousing facilities within the service area being utilized.

Executive and administrative headquarters of the State of Florida Department of Citrus, Florida Citrus Mutual, Florida Phosphate Council, Inc., Publix Supermarkets, FedEx, Advanced Discount Auto Parts and other produce and shipping companies are located in the City or adjacent urban areas. There are nine major phosphate extractive and processing facilities within a 12-mile radius of the City. The Lakeland area benefits from over 300 diversified manufacturing and industrial concerns which produce a great variety of products. Among those firms are Country Hearth (bread); GTECH (print lotto tickets), JBT Food Tech (FMC) (citrus processing and labeling), Keymark of FL (aluminum extrusions), KeySafety Systems of FL (airbags), Lakeland Ledger Publishing (newspaper publishing), Juice Bowl Products (fruit juices), Pepperidge Farm, Inc. (bread, cookies, and crackers), and Tampa Maid Foods (seafood processing and packaging). A more comprehensive list of the largest employers in the Lakeland area can be found on the website of the Lakeland Area Economic Development Council at www.lakelandedc.com

POPULATION

The population growth in Polk County over the last five years has remained strong. Polk County's population for 2008 was not available. In 2007, it was approximately 581,058, an increase of about 16,009 compared to an increase of about 23,209 new residents in 2006.

EMPLOYMENT

The average level of employment during 2008 was 254,530, that is a decrease of 14,544 compared to 2007 was 269,074.

UNEMPLOYMENT

The average unemployment for the County in 2008 was 18,301, which represents an increase of 6,284 from 2007. The average unemployment rate was 6.7%, up from 3.5% and 4.5% in 2006 and 2007, respectively.

HOUSING STARTS

There were 1,227 building permits issued for single family homes in Polk County during 2008. This represents a decrease of 38.37% compared to the 1,991 permits issued in 2007.

POLK COUNTY STATISTICAL AREA ECONOMIC TRENDS

	2006	2007	2008
Population ¹	565,049	581,058	*
Population Change	+23,209	+16,009	*
Employment ²	260,766	269,074	254,530
Employment Change	+13,014	+8,308	-14,544
Unemployment Rate ²	3.5%	4.5%	6.7%
Total Housing Starts ³	4,448	1,991	1,227

Source: ¹University of Florida, BEBR
²State of Florida, Labor Market Info
³Polk County Building Division
 *Information not available

EDUCATION

Public schools are administered by the School Board of Polk County for the county-wide school district. There are 32 public elementary schools, 12 public middle schools, 9 public high schools and 9 Charter Schools in the Lakeland area. In addition, there are several private elementary, middle and senior high schools. Florida Southern College, a four-year liberal arts institution, is located in Lakeland. A regional campus for the University of South Florida is located in the Lakeland area together with Polk Community College. Southeastern University, a private biblical studies institution, is also located in Lakeland. Lakeland Regional Medical Center, one of the largest private not for profit hospitals in the State, is owned by the City, but is operated by a not-for-profit corporation pursuant to a lease and franchise agreement between the corporation and the City.

TRANSPORTATION

Transportation facilities include CSX Railroad; Greyhound-Trailways bus line; Lakeland Linder Regional Airport; Interstate Highway 4; Polk County Parkway; other Federal and State primary highways and toll roads; and access to major airport terminal facilities in Tampa and Orlando and seaport facilities in the Tampa Bay area. The City and County have joined together to form the Lakeland Area Mass Transit District to provide public transportation throughout the City and surrounding areas of unincorporated Polk County.

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GENERAL FUND – REVENUES AND OTHER FINANCING SOURCES

<u>Fiscal Year ¹</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeits</u>	<u>Miscellaneous</u>	<u>Other Financing Sources</u>	<u>Total</u>
2008	\$ 33,875,629	\$ 3,300,692	\$ 9,709,731	\$ 3,982,580	\$ 963,902	\$ 1,660,613	\$ 34,961,003	\$ 88,454,150
2007	33,005,043	3,785,223	10,546,754	4,065,328	994,160	1,879,704	28,361,145	82,637,357
2006	29,237,557	4,464,447	10,655,304	3,856,070	1,356,977	1,327,415	30,459,809	81,357,579
2005	27,463,900	2,954,750	9,643,087	3,206,424	1,016,958	745,896	29,832,516	74,863,531
2004	26,177,314	2,467,512	8,759,356	2,707,179	1,020,071	830,479	28,401,795	70,363,706
2003	23,268,025	2,223,201	8,246,861	2,344,922	1,049,606	841,572	27,434,853	70,363,706
2002	20,802,918	2,413,095	8,410,050	2,405,521	1,017,180	1,024,558	25,179,660	65,409,040
2001	18,526,620	2,143,017	8,490,130	2,543,268	1,174,308	1,630,245	22,533,533	61,252,982
2000	17,076,077	2,300,251	9,146,573	2,155,860	1,182,458	1,559,995	21,452,470	57,041,121
1999	16,366,275	2,190,881	8,336,026	2,334,269	1,045,254	1,487,268	20,408,900	54,873,684
1998	15,303,436	1,876,562	7,823,299	2,136,239	923,004	1,881,713	19,480,294	52,168,873

SCHEDULE OF PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS

Fiscal Year Ending September 30	Municipal	Lakeland Area Mass Transit District	Lakeland Downtown Development District	Total	Polk County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	Lake Deeson Water Basin
2008	3.230	0.500	1.874	5.604	6.867	0.387	7.634	0.183	—
2007	3.545	0.500	1.956	6.001	8.477	0.284	7.770	0.195	—
2006	3.545	0.488	1.956	5.989	8.330	0.284	7.770	0.195	—
2005	3.545	0.500	1.956	6.001	8.727	0.284	8.078	0.195	—
2004	3.545	0.488	1.956	5.989	7.727	0.284	8.206	0.195	0.422
2003	2.995	0.488	1.956	5.989	7.727	0.284	8.317	0.195	0.420
2002	2.995	0.488	1.956	5.439	7.727	0.422	8.578	0.195	0.420
2001	2.995	0.488	1.956	5.439	7.727	0.422	8.722	0.195	0.420
2000	2.995	0.488	1.956	5.439	7.727	0.422	8.846	0.195	0.420
1999	2.995	0.488	1.956	5.439	7.977	0.422	9.072	0.195	0.430
1998	2.995	0.488	1.956	5.439	7.977	0.422	9.431	0.195	0.450

SOCIOECONOMIC DATA

Fiscal Year	Population ¹	Per Capita Personal Income ²	Median Age ³	Education Level (in years of formal schooling) ³	School Enrollment ⁴	Unemployment Rate ¹
2008	93,508	*	39.24	*	36,605	7.90%
2007	93,428	*	37.61	*	38,000	4.80%
2006	91,623	*	38.34	*	34,686	4.10%
2005	90,851	25,323	*	12.856	33,059	4.10%
2004	89,731	25,777	*	*	32,151	5.00%
2003	88,741	23,991	*	*	31,239	5.60%
2002	85,517	23,285	*	*	30,533	5.90%
2001	82,706	23,294	*	*	29,268	5.10%
2000	78,452	22,609	*	*	30,871	4.20%
1999	77,487	20,625	*	*	26,102	5.50%
1998	77,113	19,905	*	*	25,985	5.00%
1997	75,265	19,126	*	*	25,883	5.90%

¹City of Lakeland, Community Development

²University of Florida, BEBR

³Central Florida Economic Development Council Demographics

⁴Polk County School Board

* Information not available

TEN LARGEST TAXPAYERS

SEPTEMBER 30, 2008

Taxpayer Name	Type of Business	2008			1999		
		Assessed Value of Real And Personal Property	Rank	Percentage of Total Assessed Value of Real And Personal Property	Assessed Value of Real And Personal Property	Rank	Percentage of Total Assessed Value of Real And Personal Property
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	\$ 292,637,537	1	4.84%	\$ 34,072,420	3	1.53%
Rooms To Go Furniture Corp.	Retail/Distribution-Furniture	60,818,696	2	1.01%			
Casto Oakbridge Venture LTD	Retail/General Merchandise	55,417,233	3	0.92%			
Watson Clinic	Medical Facility	50,240,203	4	0.83%	19,315,590	4	0.87%
Verizon	Telecommunications	48,460,596	5	0.80%			
H-D Lakeland Mall Joint Venture	Retail/General Merchandise	41,107,514	6	0.68%			
Carlton Arms of North Lakeland	Real Estate-Apartment Complex	34,148,630	7	0.56%			
Lakeland Property Partners LLC	Real Estate	29,580,830	8	0.49%			
Lakeland Ledger Publishing Corp	Print Media	28,619,029	9	0.47%			
US Industrial Reit II	Warehouse Distribution	26,472,131	10	0.44%			
H - D Lakeland Mall	Retail/General Merchandise	-			39,459,260	1	1.77%
Drummond Coal Company	Real Estate	-			36,292,630	2	1.63%
WalMart	Retail/General Merchandise	-			16,813,910	5	0.76%
Paddock Club Lakeland	Real Estate	-			14,208,910	6	0.64%
Watkins Motor Lines	Transportation	-			12,073,850	7	0.54%
Huntington Bank	Banking	-			10,429,040	8	0.47%
Breed Automotive	Manufacturing	-			10,161,220	9	0.46%
Ramco-Gershenson	Retail/General Merchandise	-			9,884,310	10	0.44%
		<u>\$ 667,502,399</u>		<u>11.04%</u>	<u>\$ 202,711,140</u>		<u>9.11%</u>



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FINANCIAL INFORMATION

REPORTING ENTITY

The financial statements present the City (the primary government) and its component units, the Lakeland Area Mass Transit District and the Lakeland Downtown Development Authority. Component units are legally separate government entities that provide services within the incorporated boundaries of the City of Lakeland, and which are either financially dependent on the City or are subject to the governance of the same City Commission which directs the activities of the municipal government. The Lakeland Area Mass Transit District is reported discretely in the financial statements, while the Lakeland Downtown Development Authority is blended in the financial statements of the City.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City employs a staff of Internal Auditors whose responsibility is to audit City operations and procedures, provide findings, and recommend improvements in internal controls or other procedures as deemed appropriate. These audits include detailed reviews of established financial policies and procedures to ensure compliance with: agreements and contracts; ordinances and resolutions; federal and state regulations; budgetary procedures; cash collection and disbursement procedures; purchasing policies; payroll policies; and bond covenants. The staff is independent of the Finance Department and reports directly to the City Manager's office and is also monitored by an advisory committee.

BUDGETARY CONTROL

Budgetary control is maintained through an annual budget ordinance passed by the City Commission which establishes budgets at the departmental level of control within funds. Generally, line item transfers within departments may be accomplished during the fiscal year without legislative approval. However, budget adjustments affecting payroll and equipment accounts require City Manager approval. Adjustments to capital expenditure accounts in excess of \$5,000 and additional appropriations involving departmental or fund totals are subject to City Commission approval.

With respect to the Department of Electric Utilities and Water and Wastewater Utilities, the City Manager has the authority to approve budget transfers between operating and capital accounts without regard to amount as long as the overall budget authority as set forth in the budget ordinance is not exceeded.

MILLAGE

The City adopted the following millage rates for the respective fiscal years as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Gross Taxable Property	\$ 6,045,214,497	\$ 5,287,388,491	\$ 4,309,816,685
Property tax millage (rates per \$1,000) operating purposes	<u>3.230</u>	<u>3.545</u>	<u>3.545</u>

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, AND THEIR UNDERLYING BASIS OF ACCOUNTING

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). This board issues and enforces the rules for accounting and disclosure to be followed by all state and local government entities.

In June 1999 the GASB issued Statement 34 entitled *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The City implemented this new standard for the fiscal year ending September 30, 2002. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the City's overall financial position and results of operations.
- Fund financial statements that focus on individual, "major" fund types of the City, with only non-major funds presented in aggregate totals. The traditional accounting policies and procedures that are unique to governmental operations are utilized within the financial statements.
- Government-Wide financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc). These statements are intended to provide accounting data that is prepared using uniform application of the same accounting policies adopted by entities in the private sector.

Both the government-wide and fund financial statements categorize activities as either governmental or business-type based on their nature and funding practices. The City's planning and zoning, police and fire protection, parks and recreation, public works, and general governmental functions are classified as governmental activities since they generally cannot pass the full cost of providing those services directly to the users of those services in the form of a user fee. The electric, water, wastewater, solid waste, sanitation, parking, airport, civic center and golf course activities are classified as business type activities because they are able to assess user fees that are intended to satisfy at least the majority of their annual operating costs.

The City's comprehensive Annual Financial Report is published under separate cover. The financial information contained within this report is comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. A summation of the more significant information contained that report appears on the following pages.

GOVERNMENT-WIDE STATEMENTS

In the government-wide Statement of Net Assets, both the government and business-type activities are presented on a consolidated basis in separate columns. This statement is prepared using the economic resources measurement focus, which means that all assets and liabilities (including fixed assets and long-term debt) are included in the Statement of Net Assets. This accounting methodology is much more consistent with methodology used for business accounting in the private sector than "traditional" governmental accounting methodology.

Within this statement, the net assets of the City (assets minus liabilities) are reported in three separate components – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City utilizes restricted resources first to satisfy financial obligations whenever possible.

The government-wide Statement of Activities reports the degree to which the gross expenses, including depreciation, of the significant governmental and business-type functions provided by the City are financed by the program revenues and the operating and capital grants that are directly related to the costs of providing each function. The statement then reports

the extent to which the resulting net costs of these functions (gross expenses less directly-related program revenues and grants) are financed by general revenues of the City (i.e. taxes, interest income, etc.) This statement is prepared using the full accrual basis of accounting, which determines the timing of the recording of revenues and expenditures/expenses. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when an obligation is incurred. These accounting methods are also more consistent with the methodologies used for business accounting in the private sector than “traditional” governmental accounting methodology.

Within the government-wide Statement of Activities, the City has elected not to include an allocation of indirect expenses to related functions. Administrative fees are charged by the General Fund to other funds, which are eliminated (reducing the revenue and expense of the General Fund) to recover the direct costs of providing services to those funds (i.e. finance, personnel, legal, technology management, etc). All other internal transactions related to services provided by internal service funds of the City to other functions within the City are also eliminated, insuring that the related expenses appear only once and are categorized within the appropriate functional activity.

A condensed Statement of Net Assets and Statement of Activities for the City for the fiscal year ended September 30, 2008 are presented in the following tables:

	Primary Government			Component Unit
	Governmental	Business-type Activities	Total	Mass Transit District
ASSETS				
Current Assets	\$ 65,719,444	\$ 137,890,163	\$ 203,609,607	\$ 8,000,976
Noncurrent assets				
Asset apportionments	13,949,128	152,977,589	166,926,717	2,724,063
Restricted assets	11,065,967	90,001,632	101,067,599	-
Capital assets	218,310,463	949,582,930	1,167,893,393	7,949,176
Other noncurrent assets	3,614,226	18,822,066	22,436,292	-
Total assets	<u>312,659,228</u>	<u>1,349,274,380</u>	<u>1,661,933,608</u>	<u>18,674,215</u>
LIABILITIES				
Current liabilities	18,988,804	34,303,508	53,292,312	727,173
Noncurrent liabilities				
Liabilities payable from apportioned assets, due within 12 months	353,208	34,418,318	34,771,526	-
Liabilities payable from apportioned assets, due beyond 12 months	-	10,926,999	10,926,999	-
Restricted liabilities	934,905	60,760,713	61,695,618	-
Other noncurrent liabilities	46,492,743	648,986,235	695,478,978	272,144
Total liabilities	<u>66,769,660</u>	<u>789,395,773</u>	<u>856,165,433</u>	<u>999,317</u>
NET ASSETS				
Invested in capital assets, net of related debt	177,531,626	366,448,166	543,979,792	7,929,011
Restricted	12,165,908	16,329,251	28,495,159	-
Unrestricted	56,192,034	177,101,190	233,293,224	-
Total net assets	<u>\$ 245,889,568</u>	<u>\$ 559,878,607</u>	<u>\$ 805,768,175</u>	<u>\$ 7,929,011</u>

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities				
General government	\$ 14,308,089	\$ 1,680,442	\$ 1,281,022	\$ -
Public safety	50,087,373	4,775,136	2,324,376	-
Physical environment	8,859,138	4,062,137	468,076	175,737
Transportation	11,028,403	15,993	127,046	5,989,014
Economic environment	8,350,212	-	2,339,326	-
Human services	173,079	-	-	-
Culture/recreation	18,524,018	2,744,462	1,695,631	2,122,820
Interest on long-term debt	2,380,179	-	-	-
Total governmental activities	<u>113,710,491</u>	<u>13,278,170</u>	<u>8,235,477</u>	<u>8,287,571</u>
Business-type activities:				
Electric	361,744,405	384,493,828	-	1,628,236
Water and Wastewater	35,503,619	41,978,360	-	8,446,629
Parking	832,374	599,263	-	-
Lakeland Center	8,940,199	5,227,990	63,405	-
Lakeland Linder Regional Airport	5,560,091	4,082,099	-	480,583
Solid Waste	11,540,790	13,626,126	-	-
Cleveland Heights Golf Course	2,743,827	2,364,526	-	-
Total business-type activities	<u>426,865,305</u>	<u>452,372,192</u>	<u>63,405</u>	<u>10,555,448</u>
Total primary government	<u>\$ 540,575,796</u>	<u>\$ 465,650,362</u>	<u>\$ 8,298,882</u>	<u>\$ 18,843,019</u>
Component unit:				
Mass Transit District	<u>\$ 13,195,275</u>	<u>\$ 3,359,677</u>	<u>\$ 3,595,917</u>	<u>\$ 437,000</u>
Total component unit	<u>\$ 13,195,275</u>	<u>\$ 3,359,677</u>	<u>\$ 3,595,917</u>	<u>\$ 437,000</u>
General revenues:				
Property taxes				
Franchise taxes				
Motor fuel taxes				
Utility taxes				
Tourism taxes				
State shared revenues (unrestricted)				
Payments from Lakeland Regional Medical Center				
Investment earnings				
Miscellaneous				
Net transfers (to)/from other funds				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets, beginning of year (Note 2)				

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (11,346,625)	\$ -	\$ (11,346,625)	\$ -
(42,987,861)	-	(42,987,861)	-
(4,153,188)	-	(4,153,188)	-
(4,896,350)	-	(4,896,350)	-
(6,010,886)	-	(6,010,886)	-
(173,079)	-	(173,079)	-
(11,961,105)	-	(11,961,105)	-
(2,380,179)	-	(2,380,179)	-
<u>(83,909,273)</u>	<u>-</u>	<u>(83,909,273)</u>	<u>-</u>
-	24,377,659	24,377,659	-
-	14,921,370	14,921,370	-
-	(233,111)	(233,111)	-
-	(3,648,804)	(3,648,804)	-
-	(997,409)	(997,409)	-
-	2,085,336	2,085,336	-
-	(379,301)	(379,301)	-
-	<u>36,125,740</u>	<u>36,125,740</u>	<u>-</u>
<u>(83,909,273)</u>	<u>36,125,740</u>	<u>(47,783,533)</u>	<u>-</u>
-	-	-	(5,802,681)
-	-	-	(5,802,681)
24,497,791	-	24,497,791	3,626,542
261,713	-	261,713	-
5,243,212	-	5,243,212	-
14,720,615	-	14,720,615	-
-	444,978	444,978	-
7,455,652	-	7,455,652	-
10,769,231	-	10,769,231	-
2,972,829	7,407,595	10,380,424	163,895
4,598,201	1,352,205	5,950,406	(27,448)
<u>27,229,869</u>	<u>(27,229,869)</u>	<u>-</u>	<u>-</u>
<u>97,749,113</u>	<u>(18,025,091)</u>	<u>79,724,022</u>	<u>3,762,989</u>
<u>13,839,840</u>	<u>18,100,649</u>	<u>31,940,489</u>	<u>(2,039,692)</u>
<u>232,049,728</u>	<u>541,777,958</u>	<u>773,827,686</u>	<u>19,714,590</u>
<u>\$ 245,889,568</u>	<u>\$ 559,878,607</u>	<u>\$ 805,768,175</u>	<u>\$ 17,674,898</u>

FUND FINANCIAL STATEMENTS

These statements report information at a higher level of detail, focusing on separate reporting of individual major funds, rather than consolidating financial data into two very broad categories of governmental and business-type activities. Those funds that are considered non-major are consolidated into a single column.

The financial transactions of the City are reported in individual funds within the City's accounting system. Each fund is accounted for by providing a separate, self-balancing set of accounts comprising the assets, liabilities, reserves, fund equity, revenues and expenditures/expenses of each fund. GASB 34 sets forth the minimum criteria used to determine whether the individual funds are considered major versus non-major, based on the value of assets, liabilities, revenues and expenditures/expenses of each fund considered in relation to all funds taken as a whole. Those major funds for which detailed financial information is provided based on these criteria are the City's General Fund, Electric Utility Fund, and Water/Wastewater Utility Fund.

Within the fund financial statements, funds are also classified into fund types. Different basis of accounting are applied to the various fund types, based on the nature of the financial information needed to sustain the types of services provided. The various funds are classified based on fund types as follows:

GOVERNMENTAL FUNDS

Within the fund financial statements, the accounting policies applied to governmental funds is intended to capture only those transactions that will occur in the short-term, and the ability to finance those activities as needed. The financial focus applied to governmental funds is called the modified accrual basis of accounting. Revenues are susceptible to accrual in the accounting period in which they become available and measurable, which generally means those revenues that are collected within 60 days after year end. The City accrues an asset equal to the value of all material revenue to which it is entitled. Intergovernmental revenues included in this accrual are recognized as revenue while all other types are deferred. Major sources of revenue that meet the availability criterion include investment earnings, federal and state grants, state shared revenues, and the City's share of State collected taxes. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due and the long-term portion of accumulated unpaid vacation and sick pay which is recognized when paid.

Within governmental fund types, assets and liabilities are recorded using the flow of current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

The governmental fund types utilized by the City are broken down as follows:

- General Fund – a “catch-all” fund used to account for all financial activities and resources not required to be accounted for in other funds.
- Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose, such as gas taxes that are expended on transportation-related services.
- Debt Service Fund – accounts for the accumulation of resources needed to make that component of principal and interest payments on long term debt which will be payable in the current year.

Condensed Governmental Funds Financial Statements for the fiscal year ended September 30, 2008 are presented in the following tables:

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS	\$ 30,627,639	\$ 49,080,138	\$ 79,707,777
LIABILITIES	<u>\$ 14,758,017</u>	<u>\$ 17,384,069</u>	<u>\$ 32,142,086</u>
FUND BALANCES			
Reserved	1,092,337	16,132,516	17,224,853
Unreserved			
Designated	3,760,032	13,194,997	16,955,029
Undesignated	11,017,253	-	11,017,253
Special revenue funds	-	2,368,556	2,368,556
Total fund balances	<u>15,869,622</u>	<u>31,696,069</u>	<u>47,565,691</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30,627,639</u>	<u>\$ 49,080,138</u>	<u>\$ 79,707,777</u>
REVENUES			
Taxes	\$ 33,875,629	\$ 10,847,702	\$ 44,723,331
Licenses and permits	3,300,692	-	3,300,692
Intergovernmental	9,709,731	11,228,713	20,938,444
Charges for services	3,982,580	5,030,996	9,013,576
Fines and forfeits	963,902	-	963,902
Miscellaneous	1,660,613	16,483,540	18,144,153
Total revenues	<u>53,493,147</u>	<u>43,590,951</u>	<u>97,084,098</u>
EXPENDITURES			
Current	\$ 83,366,925	\$ 13,013,123	\$ 96,380,048
Capital outlay	472,463	23,134,140	23,606,603
Debt service	-	5,533,176	5,533,176
Total expenditures	<u>83,839,388</u>	<u>41,680,439</u>	<u>125,519,827</u>
Excess (deficiency) of revenues over expenditures	<u>(30,346,241)</u>	<u>1,910,512</u>	<u>(28,435,729)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	-	4,331,905	4,331,905
Transfers from other funds	34,961,003	3,111,153	38,072,156
Transfers to other funds	(2,275,910)	(8,755,401)	(11,031,311)
Total other financing sources and uses	<u>32,685,093</u>	<u>(1,312,343)</u>	<u>31,372,750</u>
Net change in fund balances	2,338,852	598,169	2,937,021
FUND BALANCE, beginning of year	13,530,770	31,097,900	44,628,670
FUND BALANCE, end of year	<u>\$ 15,869,622</u>	<u>\$ 31,696,069</u>	<u>\$ 47,565,691</u>

PROPRIETARY FUNDS

Within the fund financial statements, the financial focus for proprietary funds is identical to the full accrual, “private sector” focus applied within the government-wide statements. Revenues are recognized when they are earned and expenses are recognized when they are incurred, without application of the “measurable and available” criteria applied to governmental funds. Accordingly, full recognition is given to fixed assets (and depreciation thereof) and all long-term liabilities. The emphasis is on recovering the costs of supplying needed services over the long-term from user fees charged directly to the persons using those services.

The proprietary fund types utilized by the City are broken down as follows:

- Enterprise Funds account for operations for which a fee is charged to external users for goods or services, i.e. utility services provided to residents in the geographic areas served by the City’s electric, water and wastewater utilities.
- Internal Service Funds account for operations for which a fee is charged to internal users for goods or services. This includes the administrative cost of purchasing and acquisition; the purchase, maintenance and fueling of motorized equipment used by various City departments; the cost of self-insured risk programs administered by the City; and an internal loan program. To the extent possible, the ultimate costs of these services are reported in the appropriate functional activity.

Condensed Proprietary Funds financial statements for the fiscal year ended September 30, 2008 are presented in the following tables:

	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets	\$ 113,217,224	\$ 12,266,803	\$ 11,691,618	\$ 137,175,645	\$ 17,398,500
Noncurrent assets:					
Asset Apportionment	106,756,986	18,105,467	26,179	124,888,632	37,209,161
Restricted assets	56,452,946	27,112,828	827,584	84,393,358	5,608,274
Capital assets	610,084,782	238,177,248	81,661,659	929,923,689	19,659,241
Other noncurrent assets	9,845,049	1,370,670	1,805,227	13,020,946	12,175,683
Total assets	<u>896,356,987</u>	<u>297,033,016</u>	<u>96,012,267</u>	<u>1,289,402,270</u>	<u>92,050,859</u>
LIABILITIES					
Current liabilities	24,003,606	2,125,999	4,449,993	30,579,598	9,429,199
Noncurrent liabilities				-	
Liabilities from apportioned assets	30,121,013	4,460,268	-	34,581,281	6,466,731
Restricted liabilities	17,052,391	38,266,544	803,178	56,122,113	4,638,600
Other noncurrent liabilities	565,362,351	71,976,646	18,657,955	655,996,952	12,717,493
Total liabilities	<u>636,539,361</u>	<u>116,829,457</u>	<u>23,911,126</u>	<u>777,279,944</u>	<u>33,252,023</u>
NET ASSETS					
Invested in capital assets, net of related debt	120,909,745	155,497,548	70,552,411	346,959,704	19,488,462
Restricted	-	15,335,745	23,832	15,359,577	969,674
Unrestricted	138,907,881	9,370,266	1,524,898	149,803,045	38,340,700
Total net assets	<u>\$ 259,817,626</u>	<u>\$ 180,203,559</u>	<u>\$ 72,101,141</u>	<u>\$ 512,122,326</u>	<u>\$ 58,798,836</u>

	Department of Electric Utilities Fund	Water and Wastewater Utilities Fund	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES	\$ 384,493,828	\$ 41,978,360	\$ 25,900,004	\$ 452,372,192	\$ 47,009,008
OPERATING EXPENSES	326,130,686	31,716,938	28,154,802	386,002,426	50,703,972
Operating income (loss)	58,363,142	10,261,422	(2,254,798)	66,369,766	(3,694,964)
NONOPERATING REVENUES (EXPENSES)	(30,187,030)	(789,212)	6,791	(30,969,451)	2,745,134
Income (loss) before contributions, transfers, and other	28,176,112	9,472,210	(2,248,007)	35,400,315	(949,830)
Capital grants and contributions	1,628,236	8,446,629	480,583	10,555,448	-
Transfers from other funds:	-	-	3,410,910	3,410,910	465,250
Transfers to other funds	(23,429,800)	(5,978,876)	(1,398,799)	(30,807,475)	(59,210)
	(21,801,564)	2,467,753	2,492,694	(16,841,117)	406,040
Change in net assets	6,374,548	11,939,963	244,687	18,559,198	(543,790)
NET ASSETS, beginning of year	253,443,078	168,263,596	71,856,454	493,563,128	59,342,626
NET ASSETS, end of year	\$ 259,817,626	\$ 180,203,559	\$ 72,101,141	\$ 512,122,326	\$ 58,798,836

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FIDUCIARY FUNDS

Within the fund financial statements, fiduciary fund types are used to report assets that are held in trust or in an agency capacity by the City on behalf of designated beneficiaries. These consist of pension and other post-employment benefit funds maintained on behalf of retired City employees; and an agency fund use to accumulate impact fee revenues collected on behalf of Polk County, Florida. The same financial focus applied to proprietary funds types is applied to fiduciary fund.

Fiduciary Funds financial statements for the fiscal year ended September 30, 2008 are presented in the following table:

	Pension and Other Employees Benefit Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 10,806,695	\$ 11,726,938
Investments	475,464,876	-
Accrued interest receivable	1,205,545	-
Receivables	194,411	272
Due from other governments	241,464	-
Total assets	<u>487,912,991</u>	<u>11,727,210</u>
LIABILITIES		
Accounts payable	138,014	-
Accrued liabilities	10,653,690	-
Due to other funds	2,072,044	-
Due to other governmental units	-	20,304,362
Total liabilities	<u>12,863,748</u>	<u>20,304,362</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 475,049,243</u>	<u>\$ -</u>
ADDITIONS		
Contributions:		
State of Florida	\$ 1,543,567	
Employer	15,219,761	
Plan Members	8,728,854	
Total contributions	<u>25,492,182</u>	
Net investment income (loss)	<u>(105,476,155)</u>	
Miscellaneous income	<u>283,163</u>	
Total contributions, net	<u>(79,700,810)</u>	
DEDUCTIONS		
Benefits paid	28,276,917	
Refunds, former plan members	1,010,242	
Administrative Costs	609,315	
Interest on DROP disbursements	159,719	
Transfers to other funds	59,130	
Total deductions	<u>30,115,323</u>	
Change in net assets	(109,816,133)	
NET ASSETS, beginning of year	<u>584,931,926</u>	
NET ASSETS, end of year	<u>\$ 475,115,793</u>	

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide a further level of detail necessary to better understand the information provided within the government-wide financial statements and fund financial statements.

Included in the notes to the financial statements is a note addressing the financial condition and results of operations of the one component unit of the City.

COMPONENT UNIT

The Lakeland Area Mass Transit District was created under the authority of Chapter 125, Florida Statutes. The City of Lakeland's governing board appoints a voting majority of the organization's governing body and is able to impose its will on the organization. There are no significant financial transactions occurring between the City and the District.

The condensed Statement of Net Assets and Statement of Activities for the component units of the City for the fiscal year ended September 30, 2008 are presented in the following tables:

	Business-type Activities (Lakeland Area Mass Transit District)
ASSETS	
Current assets	<u>\$ 8,000,976</u>
Noncurrent assets:	
Asset Apportionment	2,724,063
Restricted assets	-
Capital assets	<u>7,949,176</u>
Total noncurrent assets	<u>10,673,239</u>
Total assets	<u>18,674,215</u>
LIABILITIES	
Current liabilities	727,173
Noncurrent liabilities	<u>272,144</u>
Total liabilities	<u>999,317</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,929,011
Restricted:	
Capital improvements	-
Unrestricted	<u>9,745,887</u>
Total net assets	<u>\$ 17,674,898</u>

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Business Type Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Business-type activities					
Lakeland Area					
Mass Transit District	13,195,275	3,359,677	3,595,917	437,000	(5,802,681)
Total	<u>\$ 13,195,275</u>	<u>\$ 3,359,677</u>	<u>\$ 3,595,917</u>	<u>\$ 437,000</u>	<u>(5,802,681)</u>
General revenues:					
Property taxes					3,626,542
Investment earnings					163,895
Miscellaneous					(27,448)
Total general revenues and transfers					<u>3,762,989</u>
Change in net assets					(2,039,692)
Net assets, beginning of year					<u>19,714,590</u>
Net assets, end of year					<u>\$ 17,674,898</u>

ADDITIONAL INFORMATION

In addition to the three major types of data included in the basic financial statements, the annual financial report also includes supplementary information intended to provide additional information on the financial condition and results of operations of the city. This information is organized within the report as follows:

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Included in this section of the report is a schedule that compares the annual operating budget adopted by the City for the General Fund to the actual revenues and expenditures reported for the year.

This section also includes information regarding the performance of those defined benefit pension funds that are sponsored by the City.

COMBINING STATEMENTS

Included in this section is detailed financial information for each of the various funds maintained by the City that have been aggregated into consolidated columns within the fund financial statements. The level of detail appearing within these statements is generally compatible with the level of detail appearing in the fund financial statements, allowing the totals to be traced back and forth from these two sections of the report.

CASH MANAGEMENT

The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with paying agents, money market funds, as well as each Fund's equity in pooled cash.

The various funds of the City have combined their resources into a pool for the purpose of maximizing investment earnings on daily cash balances. The investment pool is comprised of money market funds, time deposits, notes, bonds, and other securities. Amounts invested in money market funds are reported at cost, all other investments are recorded at fair value. Revenue from pooled investments is allocated on the basis of the participation by each fund. Each fund's pro-rata share of pooled investments earnings is included in the caption "cash and cash equivalents". These amounts are considered a cash equivalent because each fund can withdraw cash at any time without prior notice or penalty.

Investments owned by individual funds, comprised of time deposits, notes, bonds, and other securities, are reported at fair value. Amounts invested with the SBA and money market funds are reported at cost, which approximates fair value. Fixed income, equity and equity securities are reported at fair value.

Revenue from investments owned by the individual funds is recorded in the respective fund as it is earned.

Several forms of legal and contractual provisions govern the types of investments in which the City may directly invest. Allowable investments consist of direct obligations of the Federal Government, interest bearing time deposits, obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association, repurchase agreements and the Florida State Board of Administration Investment Pool (SBA). The SBA is part of the Local Government Surplus Funds Trust Fund which is governed by Chapter 19-7 of the Florida Administrative Code. The pension trust funds are also authorized for investment in corporate stocks and bonds, money market funds and other qualified securities.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Safekeeping receipts or other evidence of ownership will be audited on a semi-annual basis with a variance report issued to the Investment Administrator.

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The following investments held by the various funds of the City as of September 30, 2008 are collateralized by registered securities held by the City or its agents in the City's name:

Investment Type	Reported Amount - Fair Value		Investment Maturities (in years)			
	Primary Government	Component Unit	Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 2,757,851	\$ -	\$ 448,285	\$ 2,272,988	\$ 13,818	\$ 22,760
US Treasury Bonds	1,965,965	-	-	411,196	1,521,842	32,927
US Government Backed Bonds	825,298	-	-	-	300,186	525,112
Federal Farm Credit Bank	18,888,915	-	-	13,963,915	4,925,000	-
Federal Home Loan Bank	71,160,976	-	-	37,852,282	33,308,694	-
Federal Home Loan Mortgage Association	39,986,250	-	-	23,195,697	8,694,888	8,095,665
Federal National Mortgage Association	56,149,835	-	8,204,168	8,255,888	25,746,394	13,943,385
Certificates of Deposit	1,343,510	-	-	1,343,510	-	-
Municipal Bonds	85,427,971	-	70,801,200	13,333,562	1,219,615	73,594
Corporate Notes and Bonds	64,216,346	-	6,788,700	15,694,297	19,126,733	22,606,616
Corporate Stocks	233,990,922	-	233,990,922	-	-	-
Foreign Stocks	2,760,540	-	2,760,540	-	-	-
Repurchase Agreements (1)	4,966,637	-	1,977,000	-	2,989,637	-
Foreign Securities	8,764,675	-	174,360	3,386,078	2,947,940	2,256,297
Sub-total	<u>\$ 593,205,691</u>	<u>\$ -</u>	<u>\$ 325,145,175</u>	<u>\$ 119,709,413</u>	<u>\$ 100,794,747</u>	<u>\$ 47,556,356</u>

Other investments are collateralized by securities that exist in physical or book entry form and thus cannot be held in the City's name. The breakdown of these investments, held as of September 30, 2008, is as follows:

Investment Type	Primary Government	Component Unit	Less than 1	1-5	6-10	More than 10
State Board of Administration (2)						
Local Govt. Investment Pool (Fund A)	13,885,043	7,156,401	21,041,444	-	-	-
Fund B	1,909,490	287,774	-	-	2,197,264	-
FMIvT Local Govt. Investment Pool	612,870	-	612,870	-	-	-
Money Market Funds (3)	8,821,458	-	8,821,458	-	-	-
Mutual Funds (3)	147,151,399	-	147,151,399	-	-	-
Comingled Trust Funds (3)	10,395,534	-	10,395,534	-	-	-
Accrued Interest Receivable (4)	1,818,874	-	1,818,874	-	-	-
Sub-total	<u>\$ 184,594,668</u>	<u>\$ 7,444,175</u>	<u>\$ 189,841,579</u>	<u>\$ -</u>	<u>\$ 2,197,264</u>	<u>\$ -</u>
Total Investments	<u>\$ 184,920,466</u>	<u>\$ 7,444,175</u>	<u>\$ 189,841,579</u>	<u>\$ 325,798</u>	<u>\$ 2,197,264</u>	<u>\$ -</u>

(1) The repurchase agreement total includes repurchase agreements collateralized by government-backed securities having fair values of \$2,989,637 and \$1,977,000 as of September 30, 2008.

- (2) Funds are invested in the SBA's local governments surplus trust fund investment pool, Fund A (the LGIP) and the Fund B surplus funds trust fund (the Fund B). The LGIP is considered a SEC 2a7-like fund, thus the fair value of the position in the external investment pool is the same as the value of the pool shares. The rate of interest fluctuates daily. The interest rate on September 30, 2008 for SBA's local governments surplus trust fund investment pool was 2.43%. The Fund B is accounting for as a fluctuating NAV pool. The fair value factor for September 30, 2008 was .798385. There is no interest paid on the Fund B. Recoveries are treated as a return on principal. The Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2008. The SBA's duties related to the Local Government Surplus Funds Trust Fund are defined in Sections 218.40-218.41, Florida Statutes. The executive director is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes and is responsible for all internal measurement, regulatory and rules defined in these sections of the Florida Statutes.
- (3) The rate of return on the money market funds, commingled trust funds, and mutual funds fluctuates during the year based on market conditions. Also, there is no stated maturity date for this type of investment. These funds may be invested, withdrawn, or reinvested at the discretion of the City.
- (4) Represents accrued interest accounted for within the internally managed investment pool. This asset is allocated to participating funds on a pro-rata basis and is included within the investment caption.

RISK MANAGEMENT

The City is currently self-insured for worker's compensation, general liability, auto, public officials' liability, and pension fund trustees' liability. The City relies on the State of Florida's sovereign immunity statute, which limits governmental liability to \$100,000 per person and \$200,000 for multiple claims arising out of one incident. In order to reduce the City's potential exposure, excess workers' compensation insurance and airport liability insurance has been purchased through a conventional carrier.

Significant losses from other forms of risk, including property damage, are also covered by commercial insurance. The City has also purchased a stop-loss policy to reduce the City's exposure to large losses on health insurance claims. This policy reimburses the City for expenses related to claims exceeding \$200,000.

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DEBT ADMINISTRATION

The City has not had any outstanding general obligation bond debt since fiscal year 1971. The following revenue bond issues are outstanding for fiscal year ended 2008 (in thousands):

Issue	2007	Issued	Retired	2008
Electric Refunding Revenue				
Bonds, Series 1999A	192,655	-	600	192,055
Energy System Refunding Revenue				
Bonds, Series 1999B	51,185	-	11,130	40,055
Energy System Refunding Revenue				
Bonds, Series 1999C	64,525	-	5,095	59,430
Energy System Revenue Bonds,				
Series 2001B	30,000	-	-	30,000
Energy System Revenue and Refunding				
Bonds, Series 2006	44,870	-	475	44,395
Energy System Revenue and Refunding				
Bonds, Series 2008A	-	-	-	100,000
Energy System Revenue and Refunding				
Bonds, Series 2008B	-	-	-	100,000
Total Electric Bonds	<u>\$ 522,710</u>	<u>\$ -</u>	<u>\$ 17,300</u>	<u>\$ 565,935</u>
Water and Wastewater Revenue Refunding & Improvement Bonds, Series 2002	<u>\$ 62,845</u>	<u>\$ -</u>	<u>\$ 2,645</u>	<u>\$ 60,200</u>
Utility Tax Revenue Refunding and Improvement Bonds, Series 2002A	10,600	-	930	9,670
Utility Tax Revenue Refunding and Improvement Bonds, Series 2002B	15,020	-	165	14,855
Total Utility Tax Revenue Bonds	<u>\$ 25,620</u>	<u>\$ -</u>	<u>\$ 1,095</u>	<u>\$ 24,525</u>
Tourist Development Tax Revenue Bonds, Series 2002C	4,300	-	335	3,965
Total Tourist Development Bonds	<u>\$ 4,300</u>	<u>\$ -</u>	<u>\$ 335</u>	<u>\$ 3,965</u>
Capital Improvement Revenue Bonds, Series 1997	<u>\$ 29,975</u>	<u>\$ -</u>	<u>\$ 2,135</u>	<u>\$ 27,840</u>
Total	<u>\$ 645,450</u>	<u>\$ -</u>	<u>\$ 23,510</u>	<u>\$ 682,465</u>

The City's revenue bond issues are described individually in the remainder of this report.

LOAN PROGRAMS

The City had the following loans outstanding as of September 30, 2008:

Lender	Series	Issue Amount	Maturity Date	Interest Rates	Year-end Balances
Governmental Activities:					
Sunshine State Governmental Financing Commission	1999	\$ 4,120,000	09/01/14	Variable rate	\$ 936,814
Sunshine State Governmental Financing Commission	2001	9,760,000	10/31/16	Variable rate	6,382,000
Oxford Lumber		300,000	11/05/08	3.50%	300,000
Nally Property		455,000	01/01/18	N/A	280,000
					<u>7,898,814</u>
Business-type Activities:					
Wastewater Revolving Loan Program		13,655,627	03/31/15	2.450%	4,777,102
Wastewater Revolving Loan Program		16,262,174	09/30/27	2.960%	27,063,362
Sunshine State Governmental Financing Commission	1995	6,955,000	07/15/15	Variable rate	2,555,000
Sunshine State Governmental Financing Commission	1999	4,120,000	09/01/14	Variable rate	2,003,186
Sunshine State Governmental Financing Commission	2000	4,750,000	10/31/20	Variable rate	1,194,000
Sunshine State Governmental Financing Commission	2003	5,000,000	11/30/13	Variable rate	5,000,000
Textron Financial		435,750	04/15/11	5.850%	319,003
GE Capital		38,165	03/21/11	N/A	4,333
					<u>42,915,986</u>
					<u>\$ 50,814,800</u>

SUNSHINE STATE GOVERNMENTAL FINANCING COMMISSION, SERIES 1995

On June 26, 1995, the City executed a supplemental loan agreement with the Sunshine State Governmental Financing Commission in the amount of \$6,955,000. The proceeds were used to finance the acquisition and renovation of buildings containing commercial and industrial rental space at the Lakeland Airside Center. Since the loan date, revenues collected from land acquisition grants have been used to repay a portion of the loan. As of September 30, 2006, \$2,555,000 remains outstanding on this loan. This loan is structured as an interest only loan with a balloon payment due in July 2015. Debt service is being paid from the City's Internal Loan Fund.

SUNSHINE STATE GOVERNMENTAL FINANCING COMMISSION, SERIES 1999

On September 21, 1999, the City entered into a loan agreement with the Sunshine State Governmental Financing Commission in the amount of \$4,120,000. The proceeds were used to finance the acquisition of a new radio system (\$1,854,000) and to provide infrastructure improvements to Cleveland Heights Golf Course (\$2,266,000), a city owned facility. The radio system was amortized over a 10-year period in substantially level debt service payments. In 2005, the portion of the loan (\$1,854,000) for the new radio system was paid in full. The golf course loan is structured as an interest only payment with a balloon payment after 15 years. Either loan may be pre-paid without penalty. Debt Service on the loan obligation is paid from Cleveland Heights Golf Course and Internal Loan Funds.

SUNSHINE STATE GOVERNMENTAL FINANCING COMMISSION, SERIES 2000

On December 12, 2000, the City entered into a loan with the Sunshine State Governmental Financing Commission in the amount of \$4,750,000 for the purpose of constructing a 27,500-sq. ft. terminal building at the Lakeland Linder Regional Airport. The loan carries a variable rate of interest and will be amortized over a 20-year period. Debt service on the loan obligation is paid from the Lakeland Linder Regional Airport Fund

SUNSHINE STATE GOVERNMENTAL FINANCING COMMISSION, SERIES 2001

On October 26, 2002, the City executed a supplemental loan agreement with the Sunshine State Governmental Financing Commission in the amount of \$9,760,000. The proceeds are to be used to finance major renovations to Joker Marchant Stadium, spring training home of the Detroit Tigers major league baseball team and the Lakeland Tigers minor league team. The loan carries a variable, taxable rate of interest, payable monthly over a fifteen year period commencing November of 2001. Principal payments are to be made annually in an amount that generates level debt service over the term of the loan. The loan is to be repaid from three sources; a grant awarded to the City from the Florida Office of Trade, Tourism, and Economic Development; funds from the County's Tourist Development Tax provided by the interlocal agreement with Polk County, Florida; and from the proceeds of a long-term lease agreement with the Detroit Tigers.

SUNSHINE STATE GOVERNMENTAL FINANCING COMMISSION, SERIES 2003

On December 31, 2003, the City entered into a loan with the Sunshine State Governmental Financing Commission in the amount of \$5,000,000 for the purpose of renovation of the New Florida Regency Hotel. The loan carries a taxable variable rate of interest and will be amortized over a 10-year period. Debt service on the loan obligation is paid from a variety of non-ad valorem revenues.

These loans were issued under a "covenant to budget and appropriate" from non-ad valorem revenues of the City, which is equivalent to a private sector "Corporate Promise to Pay".

WASTEWATER REVOLVING LOAN PROGRAM

In 1994, the City entered into an agreement with the State of Florida Department of Environmental Protection (FDEP) whereby the State would provide a low interest loan to the City to finance the cost of specified capital improvements to the wastewater system. The loan was executed in two installments carrying separate rates of interest, but with identical repayment terms. The loans carry a fixed interest rate of approximately 2.36% and 2.59% and are to be repaid over a period of 20 years.

In 2004, an additional agreement provided \$13,337,755 in funding for the design and construction of new Wastewater facilities. This loan has a fixed interest rate of 2.96 and is to be repaid over a period of 20 years

These loans are secured by a pledge of excess revenues of the wastewater system, and by a pledge of certain amounts deposited into a loan amortization account and loan amortization reserve established by the City for the purpose of funding future debt service on the loans. Amounts required for deposit are classified as a restricted asset.

NALLY PROPERTY

On December 01, 2002, the City entered into a lease purchase agreement for property appraised at \$210,000. The agreement did not state an interest rate. The interest rate is calculated as the difference between the total lease payments of \$2,500 per month for 182 months and the appraised value of \$210,000. Because the City has the option to purchase the property for \$1 at the end of the 182 months, the agreement is being treated as a capital lease. The interest will be treated as simple and deducted equally over the life of the lease. Lease payments are paid from the Public Improvement Fund.

TEXTRON FINANCIAL

On October 29, 2007, the City executed a four-year capital lease with Textron Financial in the amount of \$400,776. The capital lease was issued to finance the purchase of 120 golf carts. The lease carries an interest rate of 6.375%. Ownership transfers to the City at the termination of the lease with no additional payment required. Lease payments are paid from the Cleveland Heights Golf Course Fund.

INTERNAL LOANS

The City created an Internal Loan Fund during fiscal year 1996 for the purpose of financing relatively short-term capital projects. The corpus of this Fund was established from surplus revenue of the general government. Loans will be made to various Funds of the City requiring a financing mechanism without going to the bond market and incurring additional costs associated with the issuance of bonds. As loans are made, the interest rate and amortization period will be established.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeland, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2007. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

SUBSEQUENT EVENTS

In February of 2009, the City Commission amended the formula used to provide a post employment benefit designed to help pay a portion of medical costs incurred by retired employees. The revision to the formula converts the City's obligation from a percentage of the health insurance premium to a fixed dollar amount based on the retired employee's years of service during their tenure. This change had the effect of reducing the actuarial accrued liability associated with that explicit liability from \$34,295,504 to \$20,440,000. As a result of this change, the annual required contribution necessary to amortize the unfunded liability associate with this benefit will be fully funded from a 2% of payroll contribution deposited into the trust fund commencing in FY 2009.

In addition, the health insurance premiums charged for both active and retired employees were increased effective January 1, 2009. This change had the impact of reducing the actuarial accrued liability for the implicit subsidy by almost \$4 million. That obligation will continue to be funded on a pay-as-you go basis.

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COMPUTATION OF DIRECT AND OVERLAPPING DEBT

SEPTEMBER 30, 2008

DIRECT DEBT

<u>Tax Supported Ad Valorem Debt:</u>	\$	-
 <u>Non Self-Supported Bonded Revenue Debt:</u>		
Utilities Tax Revenue Refunding Bonds, Series 2002A	9,670,000	
Utilities Tax Revenue Bonds, Series 2002B	14,855,000	
Tourist Development Tax and Utilities Tax Revenue Refunding bonds, Series 2002C	3,965,000	
Capital Improvement Revenue Bonds, Series 1997	<u>27,840,000</u>	
 Total non self-supported bonded revenue debt		 56,330,000

Self-Supported Bonded Revenue Debt:

<u>Electric Utility Revenue Bonds:</u>		
Series 1999A	192,055,409	
Series 1999B	40,055,000	
Series 1999C	59,430,000	
Series 2001B	30,000,000	
Series 2006	44,395,000	
Series 2008A	100,000,000	
Series 2008B	100,000,000	
Water and Wastewater Revenue Refunding Bonds, Series 2002	<u>60,200,000</u>	
 Total self-supported bonded revenue debt		 <u>626,135,409</u>

TOTAL DIRECT BONDED DEBT 682,465,409

OVERLAPPING DEBT

District School Board of Polk County (applicable percentage 13% ¹)	<u>246,195,000</u>	<u>32,005,350</u>
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TOTAL DIRECT AND OVERLAPPING BONDED DEBT \$ 714,470,759

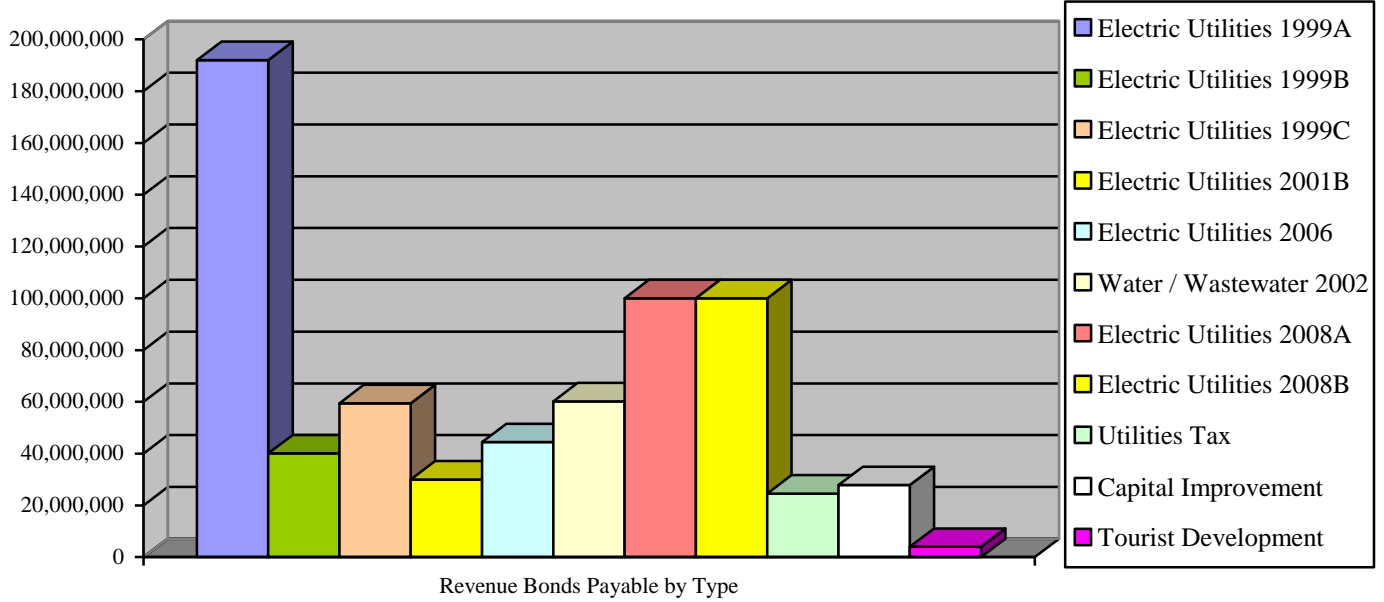
¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed values by the County's total taxable assessed value.

Source: Polk County School Board
Polk Country Property Appraiser

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REVENUE BONDS PAYABLE

SEPTEMBER 30, 2008

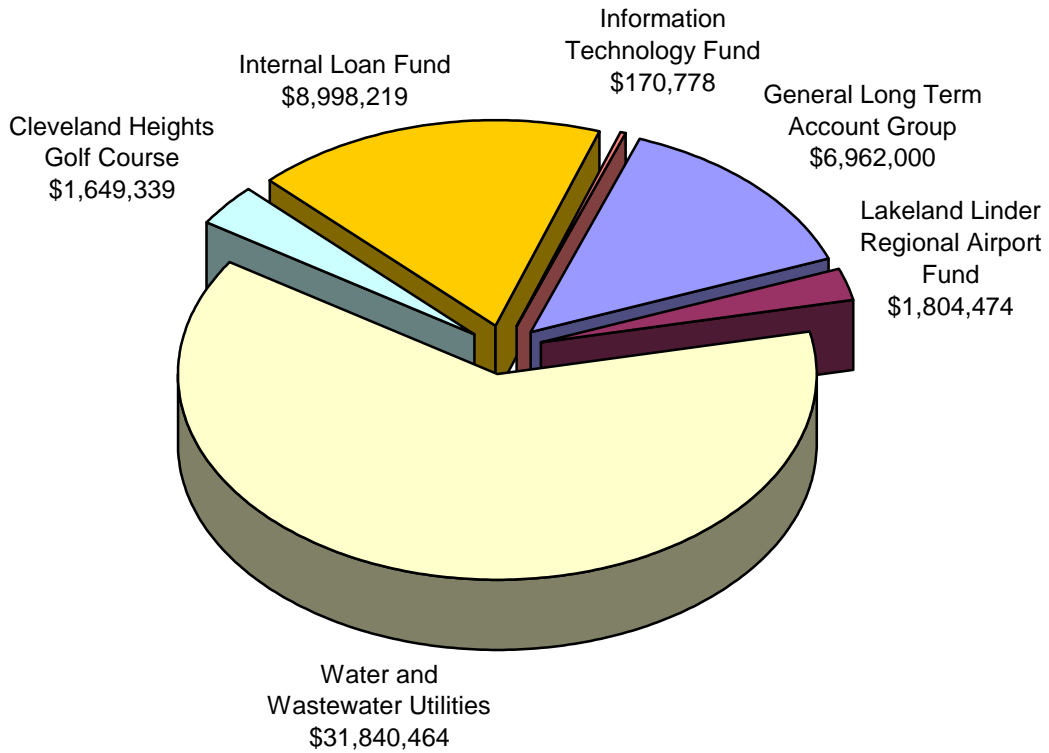
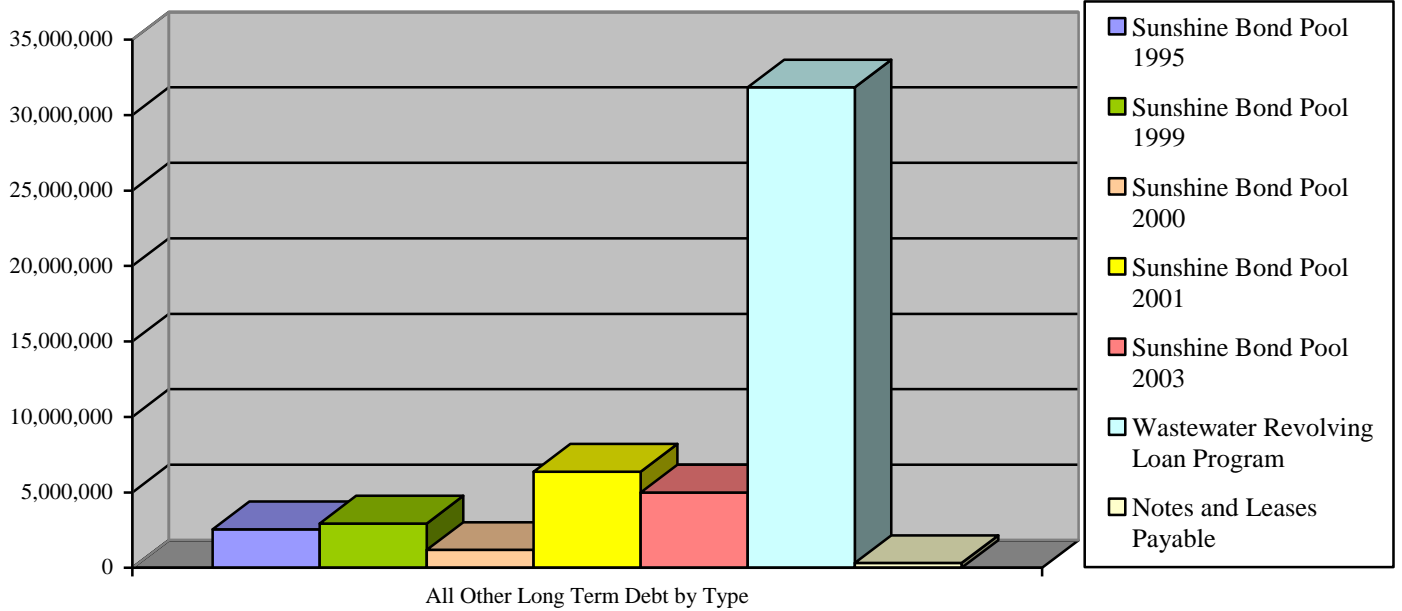


Water and Wastewater Utilities, \$60,200,000
 Lakeland Center, \$14,270,000
 Internal Loan Fund, \$42,695,000
 General Long Term Debt, \$2,325,000
 Electric Utilities, \$565,935,409

Revenue Bonds Payable by Fund

ALL OTHER LONG TERM DEBT

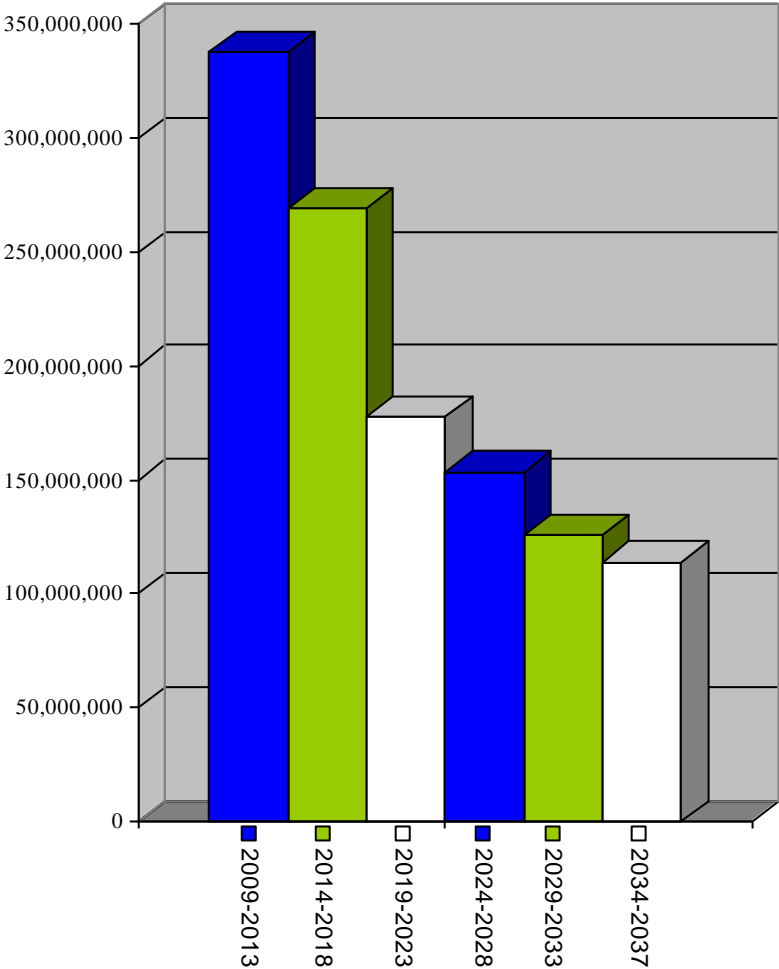
SEPTEMBER 30, 2008



All Other Long Term Debt by Fund

REQUIRED DEBT PAYMENTS TO MATURITY – ALL LONG TERM DEBT

SEPTEMBER 30, 2008



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STATISTICAL DATA

REVENUE BOND COVERAGE – ELECTRIC UTILITIES REVENUE BONDS

Fiscal Year	Net Revenues**				Coverage
	Available for Debt Service	Principal	Interest	Total	
2008	\$ 95,251,377	\$ 18,760,000	\$ 25,832,872	\$ 44,592,872	2.14 %
2007	76,058,287	17,300,000	25,041,849	42,341,849	1.80 %
2006 *	68,195,585	575,000	23,093,002	23,668,002	2.88 %
2005	70,275,504	15,095,000	22,439,513	37,534,513	1.87 %
2004	78,217,986	13,250,000	22,416,570	35,666,570	2.19 %
2003	83,203,722	11,745,000	23,940,419	35,685,419	2.33 %
2002	74,687,403	12,550,000	24,740,702	37,290,702	2.00 %
2001	85,911,139	10,085,000	25,381,228	35,466,228	2.42 %
2000	91,543,250	9,520,000	22,392,786	31,912,786	2.87 %
1999	94,495,229	8,335,000	23,700,878	32,035,878	2.95 %

*Excludes October 1, 2006 principal and interest requirement of \$16,095,408 on the 1999B series of bonds, which was refunded in August, 2006. The 2006 coverage calculation including that refunded debt service requirement was 1.78%. The 2001A and 2003 Energy System Variable Rate Revenue Bonds were refunded in conjunction with the issuance of the Series 2006 and 2006 A Energy System Revenue and Refunding Bonds.

**The definition of net revenues available for Debt Service per the bond ordinance includes an amount equivalent to 20% of certain net current assets of the Lakeland Electric Fund

REVENUE BOND COVERAGE – UTILITIES TAX AND TOURIST DEVELOPMENT TAX REVENUE BONDS

Fiscal Year	Net Revenues				Coverage
	Available for Debt Service	Principal	Interest	Total	
2008	\$ 15,160,620	\$ 1,460,000	\$ 584,994	\$ 2,044,994	7.41 %
2007	15,005,665	1,430,000	360,592	1,790,592	8.38 %
2006	14,638,554	1,405,000	487,804	1,892,804	7.73 %
2005	14,397,927	1,375,000	566,049	1,941,049	7.42 %
2004	13,934,282	1,535,000	579,292	2,114,292	6.59 %
2003	13,693,470	1,800,000	610,920	2,410,920	5.68 %
2002 *	11,857,680	1,200,000	1,069,196	2,269,196	5.23 %
2001 *	10,047,915	1,155,000	1,069,605	2,224,605	4.52 %
2000 *	9,689,522	1,070,000	1,111,158	2,181,158	4.42 %
1999 *	9,157,829	1,020,000	1,184,347	2,204,347	4.15 %

*Represent net revenues, principal, interest and coverage on the 1994 Utilities Tax and Tourist Development Tax Revenue Bonds, which were refunded in conjunction with the issuance of the Series 2002 Utilities Tax and Tourist Development Tax Revenue Refunding Bonds.

REVENUE BOND COVERAGE - WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

Fiscal Year	Net Revenues					Coverage
	Available for Debt Service	Principal	Interest	Total		
2008	\$ 17,720,622	\$ 2,705,000	\$ 2,982,888	\$ 5,687,888		3.12%
2007	20,480,187	2,645,000	3,055,625	5,700,625		3.59%
2006	16,330,825	2,575,000	3,120,000	5,695,000		2.87%
2005	15,943,059	2,520,000	3,173,551	5,693,551		2.80%
2004	14,739,985	2,445,000	3,259,126	5,704,126		2.58%
2003	13,343,601	2,370,000	3,342,075	5,712,075		2.34%
2002 ¹	14,519,194	980,833	1,493,804	2,474,637		5.87%
2001 *	5,509,566	1,020,000	1,166,728	2,186,728		2.52%
2000 *	5,909,566	970,000	1,223,474	2,193,474		2.69%
1999 *	5,186,776	935,000	1,227,833	2,162,833		2.40%

¹ There was not a full year of debt service requirement on these bonds in fiscal 2002.

* Represent net revenues, principal, interest and coverage on the 1993 Wastewater System Revenue Bonds, which were refunded in conjunction with the issuance of the Series 2002 Water and Wastewater Revenue Refunding and Improvement Bonds.

REVENUE BOND COVERAGE – 1997 CAPITAL IMPROVEMENT REVENUE BONDS

This issue is secured by a pledge on all non-ad valorem revenues budgeted and appropriated and deposited into the sinking funds established to pay principal and interest on this issue. (A covenant to budget and appropriate). As such, there is no numeric debt coverage requirement assigned to this bond issue.

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DEPARTMENT OF ELECTRIC UTILITIES (Lakeland Electric)

THE SYSTEM

General

The Department of Electric Utilities ("Lakeland Electric") is one of twelve operating departments of the City which have been organized to perform the services provided by the City government. The cost of services used by Lakeland Electric is recovered through user charges for electric power. Lakeland Electric is responsible for all operations of the System, including the following:

- Plant engineering
- Transmission & distribution engineering
- Operations and maintenance
- Customer service
- Load forecasting and evaluation
- Financial forecasting and management
- Accounting
- Customer rate design

As of September 30, 2008, Lakeland Electric had a staff of 588 (577 Full Time, 11 Part Time), including 87 professional employees with degrees in engineering, business and other related fields, 6 of whom are registered professional engineers in the State of Florida.

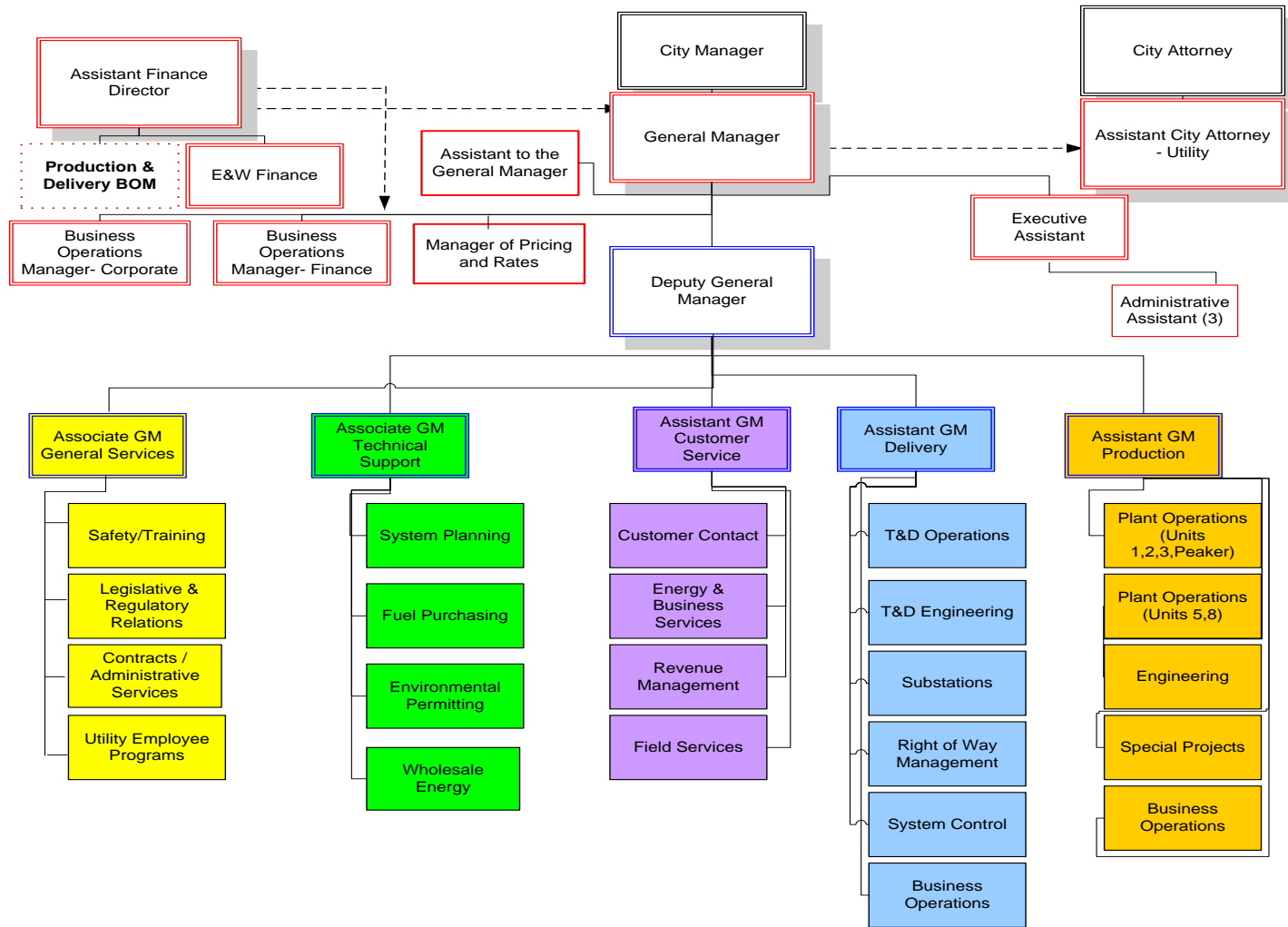
All financial reports covering operations of Lakeland Electric are prepared by the Finance Department of the City according to accounting methods prescribed by the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners. Monthly financial reports are submitted to the City Finance Director and the City Commission

Lakeland Electric's organizational structure is intended to create accountability and responsibility. The organization is structured along functional business lines. The functional business lines are referred to as Divisions and include Production, Delivery, Customer Service, Technical Support and General Services.

The following page contains a chart of Lakeland Electric's current organizational structure.

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Lakeland Electric Organizational Chart



Service Area

The System service territory consists of approximately 246 square miles including the incorporated area of the City and a number of unincorporated communities lying within a 15-mile radius of the City. The City is bisected by Interstate 4 connecting Tampa and Orlando and is located approximately halfway between the two cities. During Fiscal Year 2007-08, an average of 122,373 electric accounts were served. The System's service area is bordered on the north by Withlacoochee Rural Electric Cooperative, Inc., on the south by the City of Bartow, and on the east and west by Tampa Electric Company. The City has entered into territorial agreements with each of them.

GENERATION

The System's existing electric generating facilities are located on three sites bordering Lake Parker in the City and one site near the Lakeland airport. The Larsen Memorial Plant is located on the southeast shore of the lake and the McIntosh Plant is located on the north shore. The Winston Plant is located in the southwestern part of the service territory near the Lakeland airport. The System presently has a nameplate generator capacity of 984 Megawatts ("MW") (nameplate capacities are used throughout this section). For generator capacity of each facility see the table entitled "Existing Generation Facilities" below.

LARSEN PLANT

The Larsen Plant provides 113 MW of base to intermediate load capacity and 22 MW of peaking capacity. The 22 MW of peaking capacity are provided by gas turbines and are designed to be placed into service rapidly, since the System's peak demands have normally occurred in the winter and have been of relatively short duration. They also have black-start capability in case of total system outage. The Larsen Plant site has limited growth options with the existing infrastructure. Potentially, additional generation capacity of approximately 100 MW could be added to this site using existing technology.

MCINTOSH PLANT

The McIntosh Plant site consists of approximately 450 acres with 243 acres being added for expansion. The size and configuration of this site would allow for the addition of significant generation facilities using existing infrastructure. There is room for up to 1,000 MW of additional generation capacity; however there is only enough reuse water to handle cooling for approximately 500 MW of steam generation.

At the McIntosh Plant site, Unit No. 3 began commercial operations in September 1982 as a coal-fired steam turbine generator. Unit No. 3 was designed to burn high sulfur pulverized coal as its primary fuel. Low NO_x burners and overfire air were installed on the boiler to reduce its nitrogen oxide emissions. The design and construction of a selective catalytic reduction (SCR) system to further reduce nitrogen oxide emissions is underway in order to comply with applicable Clean Air Interstate Rule (CAIR) requirements and should be operational in mid 2009. Sulfur dioxide and particulate matter are removed from the boiler and flue gases by means of a wet limestone scrubber and electrostatic precipitator. The naturally oxidizing wet limestone scrubber was converted to forced oxidation and now produces gypsum. This has allowed the ability to sell combustion by-products (i.e. fly ash, bottom ash, and gypsum) and substantially minimize the amount of material that sent to landfill, thus significantly reducing future landfill capital and O&M cost.

Pursuant to a 50-year Participation Agreement between the City and the Orlando Utilities Commission (OUC), dated April 4, 1978 (Participation Agreement), the City owns a 60% undivided interest in Unit 3 while OUC owns the remaining 40%. The City's share, 219-megawatt output, provides very economical base load power. Pursuant to the Participation Agreement, the City is responsible for the operation, fueling, and maintenance of the unit and bills OUC for 40% of these costs.

McIntosh Plant Unit No. 5, is a 350 MW combined cycle generating plant with a Siemens Westinghouse 501G high efficiency combustion turbine. Unit No. 5 became available for full load commercial operation in May 2002.

WINSTON PLANT

The Winston Plant houses 20 diesel generators that provide 50 MW of peaking capacity designed for quick start capability. The site is designed to allow for a second facility of approximately the same size.

Gross Generation Requirements

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Unit No. 3 (McIntosh)	32%	42%	39%	38%	62%
Unit No. 5 (McIntosh)	43%	20%	23%	29%	18%
Other Lakeland Electric Units	5%	9%	9%	6%	3%
Purchases*	20%	29%	29%	27%	17%

* Nearly all of such purchases are through the FMPP

Source: Lakeland Electric

The following table sets forth the capacity factors of each of Lakeland Electric's own generating resources for the past five fiscal years. "Capacity factor" represents the percentage of a generating resource's capacity that was actually utilized.

Capacity Factors of Lakeland Electric Generating Resources

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Unit No. 3 (McIntosh)	78%	86%	87%	84%	88%
Unit No. 5 (McIntosh)	52%	22%	20%	39%	25%
Other Lakeland Electric Units	16%	9%	9%	9%	9%

Source: Lakeland Electric

The following table shows certain information regarding the City's existing generation facilities.

EXISTING GENERATION FACILITIES

Unit	Fuel		Installed	Nameplate Capacity (megawatts)	Equivalent Availability ¹	Remaining Useful Life ⁵
	Primary	Alternate				
<u>Larsen Plant:</u>						
<u>Combustion turbine:</u>						
Unit 2	FO2	NG	1962	12	99.13 %	—
Unit 3	FO2	NG	1962	12	99.99 %	—
Unit 8	NG	FO2	1992	86	99.28 %	8
<u>Steam condensing turbines:</u>						
Unit 8	WW	FO2	1992	26	99.21 %	
Total Larsen Plant Total				136		
<u>McIntosh Plant:</u>						
<u>Diesels:</u>						
Unit 1	FO2	—	1970	3	98.91 %	—
Unit 2	FO2	—	1970	3	99.18 %	—
<u>Combustion turbine:</u>						
Unit 1	FO2	NG	1973	20	99.66 %	1
Unit 5 ²	NG/WW	FO2	2001	350	51.92 %	28
<u>Steam condensing turbines:</u>						
Unit 1	NG	FO6	1971	90	90.35 %	1
Unit 2	NG	FO6	1976	114	97.36 %	1
Unit 3 ³	CO	NG	1982	219	81.19 %	7
Total McIntosh Plant Total				798		
<u>Winston Plant:</u>						
<u>Diesel :</u>						
Unit 1-20 ⁴	FO2		2001	50	98.50%	24
Total - all plants				984		83.02%

CO-Coal **NG**-Natural Gas **FO2**-Light Oil **FO6**-Fuel Oil **WW**-Wasted Heat Recovery

¹Represents the percentage of capacity that was available for generation.

²Commercial operation commenced in May 2001. Unit 5 was converted to a combined cycle unit in May 2002. Net winter capacity is 371 MW.

³Reflects the City's 60% share.

⁴Each peaking unit is 2.5 MW, but are combined and treated as one dispatchable unit of 50 MW capacity.

⁵Based on an independent depreciation study report dated May 30, 2007

Source: Lakeland Electric

System Capacity and Load. The Electric System has a current capacity of 984 megawatts. During the fiscal year ended September 30, 2008, the system net integrated winter peak load reached 684 megawatts and a summer peak of 615 megawatts. Except for incidental power purchases the Department has historically generated the Electric System's total energy requirements.

The following table indicates the historical electrical system demand and energy sales for the last ten fiscal years.

Historical System Demand and Energy Load

Fiscal Year Ending September 30	Winter Peak (MW)	Percent Increase (Decrease)	Summer Peak (MW)	Percent Increase (Decrease)	NEL (GWh) ²	Percent Increase (Decrease)
2008	684	5.5%	615	3.2%	3,005	(0.8)%
2007	648	(1.7)	596	(5.1)	3,032	5.1%
2006	680	4.9	628	(1.7)	2,881	3.5
2005	648	12.1	639	10.2	2,936	2.3
2004	578 ¹	(16.7)	580	0.2	2,870	(1.3)
2003	694	5.3	579	0.5	2,907	4.7
2002	659	0.6	576	5.5	2,777	3.1
2001	655	7.4	546	(1.1)	2,694	0.9
2000	610	(0.2)	552	3.4	2,533	2.8
1999	611	28.4	534	(0.2)	2,465	1.4

¹ Relatively low winter peak resulted from an unusually mild winter.

² NEL is "net energy load" and excludes sales for resale but includes losses.

Source: Lakeland Electric.

Transmission and Distribution System

230 and 69 kilovolt (kV) systems make up the primary transmission network for the System. There are currently 119 miles of 69 kV single and double circuit construction and most of the 69/12-kV substations have a minimum of two transmission sources.

At the present time, there are a total of 23 69/12-kV substations feeding 113 12.47 kV circuits. There are 1,276 miles of overhead and 598 miles of underground 12 kV distribution lines in service.

The System currently has 29.15 miles of 230 kV transmission lines connecting the West Substation to the McIntosh Plant, the McIntosh Plant to the Eaton Park Substation and the Eaton Park Substation to the Crews Lake Substation.

Interconnections and Interchange Agreements

The City has entered into various interconnection and interchange power agreements with neighboring electric utilities to coordinate and pool major power supplies generated throughout its region. These agreements ensure that the City has a sufficient bulk power supply to conform to appropriate reliability standards in the most economical manner. They also provide the City with opportunities for sale of excess power to all Florida utilities as well as most of the southeastern United States utilities. Additionally, these power agreements provide for sharing, assistance, and other benefits normally associated with the direct interconnection of electric utilities

The City currently has interchange agreements with the following utilities:

- Progress Energy
- Florida Power & Light Company
- Tampa Electric Company
- Orlando Utilities Commission (OUC)
- Jacksonville Electric Authority
- Seminole Electric Cooperative
- City of Tallahassee
- Gainesville Regional Utilities
- Reliant Energy
- Southern Energy Trading and Marketing
- City of Homestead
- Florida Municipal Power Agency
- Reedy Creek Improvement District
- TVA
- Oglethorpe
- Auburndale Power Partners
- Louisville Gas & Electric
- Utilities Com.-New Smyrna Beach
- The Energy Authority (TEA)

Lakeland Electric's interconnection capacity with neighboring utilities is approximately 660 MW. This capacity is made up of five 230 kV lines and three 69 kV lines. Lakeland Electric has two 230 kV ties with Progress Energy at Lakeland Electric's West Substation. One line ties with Progress Energy's Griffin Substation and the other with their Barcola Substation. Lakeland Electric's third 230 kV tie is with OUC and connects Lakeland Electric's McIntosh Substation with Orlando's Taft Substation via Tampa Electric Company's Lake Agnes Substation.. The fourth and fifth 230kv ties are with Tampa Electric Company connecting Lakeland Electric's Crews Lake Substation with Tampa Electric Company's Pebbledale and Recker Substations. All three of Lakeland Electric's 69 kV tie lines are with Tampa Electric Company. They connect Lakeland Electric's Orangedale Substation to Tampa Electric Company's Polk City Substation, the East Substation to Tampa Electric's Gapway Substation and the Crews Lake Substation to Tampa Electric's Sandhill Substation.

FUELS

FUELS – OIL AND NATURAL GAS

The City has a storage capacity of 197,885 barrels for No 6 residual oil, and 27,118 barrels for No 2 distillate. This storage capacity affords the Electric System a 21-day reserve for No 6 residual oil and a 6-8 day reserve for No 2 distillate at normal burn rates.

The City is currently obtaining all of its fuel oil through purchases via the spot market, and has no long term purchase contracts. In the opinion of Lakeland Electric, this currently provides the lowest cost for fuel oil consistent with usage, current price stabilization, and on-site storage. The Fuels Group continuously monitors the cost effectiveness of spot market purchasing.

The Florida Gas Transmission Company ("FGT") achieved "open access" status for their natural gas pipeline on August 1, 1990. This pipeline is an underground pipeline running from the Mobile Bay area of the Gulf Coast across the Florida Panhandle and down through the center of the state. The majority of the FGT supply comes from land-based wells. The City holds firm transportation rights on the FGT pipeline that varies by month, and falls under two rate classifications; FTS-1 and FTS-2, both under the jurisdiction of the Federal Energy Regulatory Commission. Thirty-seven percent (37%) of the City's FGT firm transportation rights are under the less expensive FTS-1 rate, and sixty-three percent (63%) is under FTS-2. The two contracts under FTS-1 expire in 2010 and the two contracts under FTS-2 expire in 2015 and 2017.

In June 2002, the Gulfstream Pipeline became operational. This pipeline crosses the Gulf of Mexico starting from the Mobile Bay region and making landfall just south of Tampa, Florida near Port Manatee. Unit 2008, most of the supply sources for the Gulfstream pipeline were

offshore, but new pipeline interconnects by Gulfstream have increased the supply of on-shore originating gas supply. Lakeland Electric is also connected to and has purchased firm transportation rights in this pipeline which provides a second source of natural gas and gives it access to additional gas suppliers. Also, this second pipeline reduces the risk of interruption of the gas supply. Gulfstream has only one jurisdictional rate under the Federal Energy Regulatory Commission for firm transportation service, and the City has contracted for a fixed volume for each month. The contract is in effect until 2022.

The City has formalized the policies and procedures utilized for a fuel hedging program. The Energy Authority (TEA) is under contract to provide consulting assistance, trade execution and back office support for a program that is focused on the purchase of natural gas. Under the terms of this program, time parameters have been adopted which will result in the hedging of approximately 70% of forecasted natural gas requirements one month prior to the closing of the current month, with lesser percentage requirements out to a maximum of thirty months prior to the closing of the current month. The program also utilizes a series of price triggers which, under certain market conditions, allows Lakeland Electric and TEA to hedge higher volumes of gas than what is otherwise required by time triggers. The program uses a combination of financial futures, commodity swap agreements, caps, collars, etc to achieve some level of stability in the ultimate cost of natural gas that is factored into the utility's rate structure. Lakeland Electric has the option of terminating commodity swap transactions at any time, at their market value. To the extent such termination result in an obligation to make a termination payment to the counterparty, such payments are considered an operation and maintenance expense and, accordingly, would be required to be paid prior to debt service on the Obligations.

The commodity swap transactions require that Lakeland Electric post collateral to the extent the mark-to-market value of outstanding contracts exceeds \$25,000,000 to the benefit of the counterparty. The City has a letter of credit facility that will provide the liquidity necessary to satisfy this obligation in the event the threshold is exceeded. In the event the letter of credit was ever drawn upon the City's principal repayment obligations will be considered a Cost of Operation and Maintenance and, accordingly, would be required to be paid prior to debt service on the Obligations. As of February 29, 2008, the utility's portfolio of hedge transactions consisted of commodity swap and option contracts for approximately 5.4 million mmbtu's of natural gas (which represents about 35% of a typical year's consumption) with a positive market value of approximately \$8.7 million. To date, Lakeland Electric has not been required to post any collateral.

Coal. The City estimates that McIntosh Unit No. 3 will burn approximately 950,000 to 1,100,000 tons of coal per year. Normally a 25 to 35-day coal supply reserve (75,000-110,000 tons) is maintained at the McIntosh Plant. The City is currently a party to two intermediate term contracts that expire on December 31, 2010 and a third contract that will expire at the end of 2009. All contain competitive pricing, and the total contracted tons will comprise approximately 60% of the annual needs for 2009, and 40% for 2010. The City began using petroleum coke as a fuel in 1995. Since then, the City has received over 750,000 tons of petroleum coke. The use of petroleum coke and coal as a blended fuel has resulted in significant savings for McIntosh Unit 3.

Primary coal sources are located in eastern Kentucky which affords the City a single rail line via CSX Transportation ("CSX"). The City entered into a five-year coal transportation contract effective January 1, 2009 with CSX. In May 1991, the City placed 198 new aluminum railcars into service which replaced 169 ten-year old steel railcars. The increased aluminum railcar fleet allows the City to enjoy cost discounts from CSX. Entering into the new coal transportation agreement, increasing the railcar fleet size, and utilizing aluminum railcars has resulted in a

substantially lower delivered coal cost since 1991. Under the terms of the newly signed contract with CSX, the City will increase the weight-carrying capacity of its rail cars from 263,000 lbs to 286,000 lbs, and the length of the trains from 95 cars to 110 cars by January 1, 2011.

The City also imports a portion of its solid fuel needs through the Port of Tampa. Delivery to the McIntosh Plant is by truck. The ability to have different options for the delivery of solid fuel allows for more competitive pricing from sources outside of central Appalachian mining, such as the Illinois Basin and South American imports.

Fuel Utilization. The following table shows the historical utilization of fuels by Lakeland Electric as a percentage of total generation based on megawatt hours (mWh). See "CAPITAL IMPROVEMENT PLANS" herein for general information regarding capital improvements that may effect fuel utilization.

Historical Fuel Utilization					
As a Percent of Total Generation (mWh)					
Fiscal Year Ending September 30	Coal	Oil	Natural Gas	Refuse	Petroleum Coke
2008	59%	0%	41%	0%	0%
2007	52%	1%	47%	0%	0%
2006	51%	3%	42%	0%	4%
2005	54%	5%	37%	0%	4%
2004	39%	3%	58%	0%	0%
2003	35%	7%	55%	0%	3%
2002	47%	2%	45%	0%	6%
2001	60%	5%	27%	1%	7%
2000	62%	3%	31%	1%	3%
1999	56%	3%	34%	1%	6%
1998	50%	6%	33%	1%	10%

Source: Lakeland Electric.

Conservation

In April 1993, the Florida Public Service Corporation (FPSC) adopted rules implementing the Florida Energy Efficiency and Conservation Act (FEECA) which requires each electric utility to establish numeric demand-side management goals. The goals are to be based on an estimate of the total cost effective kilowatt (kW) and kilowatt hours (kWh) savings reasonably achievable through demand-side management in each utility's service area over a 10-year period. These rules require the FPSC to set goals for each electric utility at least once every five years.

During the 1996 Legislative Session, the Florida Legislature modified Section 366.82 of the Florida statutes pertaining to FEECA to eliminate utilities with sales below 2,000,000 MWh's as of June 30, 1993. As of June 30, 1993, Lakeland's sales were 1,966,250 MWh, thereby releasing

Lakeland from complying with FEECA rules. Lakeland will, however continue evaluation conservation efforts. Those, which are cost effective, will be pursued.

Lakeland Electric has been, and continues to be, dedicated to reducing the System's weather-sensitive peak demand. Lakeland Electric continues to support its conservation and demand-side management programs implemented pursuant to FEECA. The Department continues to evaluate other potential programs to promote conservation, efficient use of energy, and the reduction of weather-sensitive peak demands as reflected in the Department's load and energy forecast for future years.

Wholesale Power Exchange

The City currently has bilateral contracts with nearly all of the municipally-owned and investor-owned utilities located within Florida for the exchange of wholesale power. Transactions are conducted directly by the City and through the FMPP described below. As Federal and State regulation of the Power Industry continues to change, it is likely that the process for purchasing power on the wholesale market will also change.

Florida Municipal Power Pool

On July 1, 1988, the City, OUC, and the Florida Municipal Power Agency implemented the Florida Municipal Power Pool (FMPP). As of January 1, 1996, the Kissimmee Utilities Authority joined the FMPP. The FMPP was developed to produce operational savings by better utilization of FMPP members' most economical generating units and cycling off of less efficient units. OUC is the FMPP's operator because it currently has an energy management system that can perform the control necessary to operate the FMPP. All FMPP members share the operation costs. The City provides the backup control system for OUC.

The City can withdraw from FMPP with a one year written notice or at any time upon mutual agreement of all members. In May 1998, the FMPP formed a marketing group to respond to the change in the bulk power market. This group has been very successful in selling pool energy resources on a non-firm basis. Participation in the FMPP has resulted in significant savings to the City.

See also "THE SYSTEM - Generation" for information regarding the relative amount of Lakeland Electric's energy needs that are met through FMPP.

Florida Reliability Coordinating Council

The National Electric Reliability Council has designated the State of Florida as an independent reliability region. The Florida Reliability Coordinating Council (FRCC) has been established to oversee the region to assure the reliability of electric power within the state. The City is a member of all FRCC Committees and has a representative on FRCC's Board of Directors.

Generation Mutual Aid Agreement

On October 17, 2002, the City, the City of Tallahassee, the Florida Municipal Power Agency, the City of Gainesville (Gainesville Regional Utilities), the Jacksonville Electric Authority, OUC, the Municipal Electric Authority of Georgia, and the Seminole Electric Cooperative, Inc. entered into a mutual aid agreement for extended generation outages. The purpose of the agreement is to provide mutual aid in the form of energy and price commitment in the event of an extended

outage (over 60 days and up to 365 days) of one of the designated base-load generating units. The agreement had an initial term of five years commencing October 2002, and was renewed in March of 2007 for another five years. The agreement is to provide a physical hedge against the exposure to a volatile energy market in the event of an extended outage of a base-load unit. The agreement is an example of how public power utilities work together for the benefit of their customers and communities. To date, Lakeland Electric has not needed to utilize any generation pursuant to the agreement.

Customers

Customers of the System are predominantly residential in number (82% in Fiscal Year 2008). Of the 122,373 average accounts in Fiscal Year 2008, 12,553 are commercial and industrial accounts providing approximately 38% of retail sales revenue. All City-owned facilities are metered and pay Lakeland Electric for services rendered on a current basis. The following table lists the ten largest users of electrical energy as of September 30, 2008, which in total represent approximately 17.65% of electric retail sales volume.

Ten Largest Electric Customers (as of September 30, 2008)

Customer	kWh Used in Fiscal 2008	kWh Used in Fiscal 2007	Percent Change from 2007	% Total 2008 kWh Sold	Peak Demand 2008 (Mw)
Publix Super Market ¹	194,767,598	191,882,187	1.50%	6.76%	30.3
City of Lakeland	74,262,248	75,867,627	-2.12%	2.58%	18.7
Polk County School Board	49,862,665	46,213,410	7.90%	1.73%	23.6
Lakeland Regional Medical Center	52,168,694	51,389,529	1.52%	1.81%	13.8
Fibertek Insulation LLC	41,234,400	45,669,600	-9.71%	1.43%	8.3
Key Safety Systems, Inc	29,467,600	30,448,800	-3.22%	1.02%	4.8
Florida Southern College	21,479,339	19,835,615	8.29%	0.75%	3.9
Winn Dixie Stores ²	15,278,200	15,209,000	0.45%	0.53%	2.9
Tampa Maid Foods, Inc.	16,070,788	18,132,665	-11.37%	0.56%	4.4
Watson Clinic Llp	<u>13,964,163</u>	<u>13,551,981</u>	<u>3.04%</u>	<u>0.48%</u>	<u>4.0</u>
Totals	508,555,695	508,200,414	-3.72%	17.65%	114.7

¹Consists of nine supermarkets and centralized office, warehouse, production and distribution facilities.

²Consists of six supermarkets.

Source: Lakeland Electric.

Wholesale Power Contract

In December of 1998, the City entered into a wholesale contract to provide up to 100 mw of power to the Florida Municipal Power Agency (FMPPA). This delivery of power under this contract commenced in December of 2000 and originally covered a ten year period ending

December 14, 2010. During Fiscal Year 2004, management negotiated with FMPA to reduce the length of the contract by three years so that it ran through December 14, 2007. The price per MWH was determined by a schedule which set forth the price components of capacity, fuel and operating & maintenance (O&M) costs.

The contract did not contain a fuel escalation clause. As a result, increases in the price of fuel were absorbed by the City as the seller. During the term of the contract, the City experienced fuel costs attributable to the contract which exceeded the contract fuel cost recovery by approximately \$152.8 million. Offsetting this under-recovery were revenues received under the contract for O&M costs in excess of actual O&M costs. Those excess revenues approximated \$38.1 million. Finally, after offsetting approximately \$21.6 million of capacity charges which were paid under the contract, Lakeland's negative cash flow attributable to the contract approximated \$93.1 million over the term of the contract.

The financial impact of the losses under this contract were not factored into the rate making process, avoiding any impact on customers of Lakeland Electric. The utility and the City mitigated a portion of the losses incurred under the contract by reducing operating costs and by reducing the dividend payment to the City by approximately \$20 million over the three year period 2005 through 2007. Despite these reductions the utility experience a decrease in unrestricted cash from approximately \$60 million at the end of 2001 to approximately \$40 million at the end of 2007. With the expiration of the contract, O&M costs, capital expenditure and dividend levels have been increased to amounts per kwh of retail sales that are consistent with industry standards.

Electric Rates

General. The level of rates charged to each class of customer for electricity is subject to periodic cost of service studies performed by Lakeland Electric. These studies, performed a minimum of every two years, evaluate the appropriateness of the current rate structure and the equitable allocation of costs among the various customer classes. These analyses form the basis of recommended rate adjustments. It is the policy of the City to establish electric rates that will be adequate to meet the cash flow requirements of the System, including sufficient funds to cover annual expenditures for operations and maintenance, debt service, renewal and replacement, transfers to the City's general fund and other reserves deemed necessary by Lakeland Electric to meet future capital requirements.

The Lakeland City Commission has sole responsibility for establishing rates for Lakeland Electric. The Florida Public Service Commission reviews Lakelands rates to insure that there is no cross-subsidy between classes of customers, but has no rate making jurisdiction.

Rate Formula. The basic rate formula applied by Lakeland Electric to all electric customers combines Usage and Environmental charges based on kW hours used and a fuel charge based on kW hours used to a minimum service charge. Additional charges are applied to specific user classes. Most significant among such additional charges is the demand charge billed to large commercial and industrial customers. Demand charges are derived by multiplying a specified charge per kW times the maximum kW consumed during any 30-minute interval during the billing period.

Electric rates are subject to a 10% utility tax on all purchases of electricity within the City and a 10% surcharge on purchases outside the City. The surcharges are calculated on only that portion of the fuel charge contained in the base rate on October 1, 1973. All other fuel is exempt. Utility

tax collections are not considered revenues of the System, but surcharges on purchases outside the City are included as revenues. Utility taxes and surcharges are billed to and paid by System customers.

Fuel Charge. No less than quarterly, Lakeland Electric prepares a fuel cost forecast for the next twelve months. If the projected cumulative recovery of retail fuel costs at the end of the twelve month period results in a projected cumulative under-recovery of fuel costs in an amount exceeding 0.5 mills of the forecasted annual sales volume, the City Commission is required by ordinance to implement an adjustment to the fuel charge component of the retail electric rates in an amount sufficient to reduce the forecasted under-recovery to an amount that falls below the threshold. As of January 1, 2009 the fuel charge was decreased from \$65.90 to \$60.90 with a cumulative over-recovery balance of \$2.9 million.

Comparison of Rates. A comparison of electric rates in effect as of January 1, 2009, based on the average monthly consumption levels for customers within Lakeland Electric’s service territory are as follows. The charges listed in the following table include basic rates plus a fuel adjustment charge.

	Residential 1,300 kWh	GS¹ 1,900 kWh	GSD² 35,000 kWh 150 kW	GSLD³ 925,000 kWh 1000 kW
Florida Utilities				
Jacksonville Electric Authority	\$ 149.29	\$ 210.27	\$ 3,982.10	\$ 79,686.25
Orlando Utilities Commission	\$ 139.35	\$ 203.17	\$ 3,422.15	\$ 69,998.61
Florida Power and Light*	\$ 143.35	\$ 217.60	\$ 3,815.10	\$ 76,217.72
Progress Energy*	\$ 178.34	\$ 256.18	\$ 4,164.07	\$ 98,782.87
Tampa Electric Company*	\$ 163.25	\$ 236.23	\$ 4,237.15	\$ 89,071.50
Gainesville Regional Utility	\$ 180.30	\$ 271.90	\$ 4,680.00	\$ 94,600.00
Lakeland, City of	\$ 154.31	\$ 226.77	\$ 3,976.62	\$ 81,996.90
Bartow, City of	\$ 170.71	\$ 280.95	\$ 4,991.88	\$ 103,898.76
Tallahassee, City of	\$ 203.24	\$ 265.44	\$ 4,858.90	\$ 97,989.89
Average	\$ 164.68	\$ 240.94	\$ 4,236.44	\$ 88,026.94

*Investor owned utility; Investor-owned utilities also charge an additional fee to customers which relates to the electric franchises granted to such utilities

¹Small commercial.

²Large commercial.

³Industrial.

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The breakdown of the above rates into the fuel and energy components is as follows:

	Residential 1,300 kWh	GS¹ 1,900 kWh	GSD² 35,000 kWh 150 kW	GSLD³ 925,000 kWh 1000 kW
Florida Utilities				
Lakeland - Energy	\$ 75.14	\$ 111.06	\$ 1,845.12	\$ 25,664.40
Lakeland - Fuel	79.17	115.71	\$ 2,131.50	\$ 56,332.50
Lakeland - Total	<u>\$ 154.31</u>	<u>\$ 226.77</u>	<u>\$ 3,976.62</u>	<u>\$ 81,996.90</u>
Average - Energy	\$ 83.16	\$ 154.21	\$ 2,026.81	\$ 29,635.80
Average - Fuel	81.53	119.95	\$ 2,209.63	\$ 58,391.14
Average - Total	<u>\$ 164.68</u>	<u>\$ 274.16</u>	<u>\$ 4,236.44</u>	<u>\$ 88,026.94</u>
Lakeland % of Average – Energy	90%	72%	91%	87%
Lakeland % of Average – Fuel	97%	96%	96%	96%
Lakeland % of Average – Total	94%	83%	94%	93%

Lakeland Electric’s fuel rates are approximately 4% lower than the average for the Florida utility’s in this comparison, which is the result of all utilities having to pay higher fuel costs. Also, Lakeland’s base rates are at least 6% lower than this group, despite the fact that Lakeland is one of the smaller utilities in this comparison. This competitive advantage with respect to base rates is a direct result of efficiency and effectiveness efforts conducted by the utility over the course of the past three years. Overall, Lakeland Electric's aggregate rates are slightly higher than the group.

Historical Rate Changes. The City has put into effect the following rate changes in recent years.

Fiscal <u>Year</u>	<u>Residential</u>			<u>General Service</u>		
	<u>%Increase (Decrease) In Base Rate</u>	<u>%Increase (Decrease) Fuel Charge</u>	<u>Net Change Total Rate %</u>	<u>% Increase (Decrease) In Base Rate</u>	<u>% Increase (Decrease) Fuel Charge</u>	<u>Net Change Total Rate %</u>
2008	0.8 %	14.7 %	8.5 %			
2007	7.3 %	(4.6) %	0.8 %	2.7%	(4.6)%	(2.1%)
2006	0.0 %	15.9 %	8.1 %	0.0	15.9	9.9
2005	0.0 %	21.7 %	10.0 %	0.0	21.7	12.4
2004	0.0 %	12.4 %	5.4 %	0.0	12.4	6.8
2003	0.0 %	41.4 %	14.5 %	0.0	41.4	19.0
2002	6.5 %	(24.7) %	(6.9) %	6.2	(24.7)	(10.6)
2001	0.0 %	51.0 %	17.1 %	0.0	51.0	22.5
2000	0.0 %	0.0 %	0.0 %	0.0	0.0	0.0
1999	0.0 %	0.0 %	0.0 %	0.0	0.0	0.0
1998	--	--	--	--	--	--

Source: Lakeland Electric.

Effective January 1, 2008, the fuel component of the rates were further reduced another 3.2 percent.

On June 3, 1996, the City Commission enacted Ordinance No. 3720 permitting the City to enter into contracts with customers of the System having a peak power demand of at least one megawatt and at least a 60% load factor which would offer reduced rates to such customers. The contract offers these customers reduced rates and requires them to purchase their power requirements from Lakeland Electric for a period of at least ten years. Such contracts are, by their nature, available only to the largest customers. It is anticipated that a portion of any revenue decreases resulting from such contracts would be recovered through reduced costs obtained from operating efficiencies, and the long-term nature of the contracts would provide the System with some assurance of a long-term commitment from these customers. As of September 30, 2007, seven customers, representing 18 accounts have unexpired contracts for 42.0 MW of demand, 275 gigawatts of energy, which represents approximately 6.6% of total retail energy sales. The City currently does not intend to enter into any additional contracts of this nature. All of the existing contracts will expire within the next four years.

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Operating Statistics

The following table presents a five-year history of the operation of the System:

Description	Fiscal Year Ended September 30				
	2004	2005	2006	2007	2008
60 Minute net peak demand (Mw)	580	648	680	648	684
Increase/(decrease) from prior year	-16.4%	11.7%	4.9%	-4.7%	5.6%
<u>Energy Sales (gWh):</u>					
Residential	1,403	1,424	1,444	1,435	1,394
Commercial and industrial	1,321	1,330	1,405	1,437	1,458
Other ¹	29	30	31	32	33
Total	2,753	2,784	2,880	2,904	2,885
Increase/(decrease) from prior year	1.0 %	1.1 %	3.4 %	0.8 %	-0.7%
<u>Average customers for period:</u>					
Residential	93,620	95,675	97,849	100,373	100,664
Commercial and industrial	11,339	11,519	11,892	12,504	12,553
Other ¹	10,378	10,237	9,960	9,364	9,156
Total	115,337	117,431	119,701	122,241	122,373
<u>Residential service:</u>					
Average kWh sales per customer	14,986	14,884	14,757	14,297	13,848
Average revenue per customer	\$ 1,495	\$ 1,603	\$ 1,794	\$ 1,734	\$ 1,734
Average revenue per kWh	0.0998	0.1077	0.1216	0.1213	0.1252
<u>Operating revenue (\$ 000):</u>					
Residential	\$ 88,768	\$ 90,254	\$ 92,826	\$ 94,056	\$ 95,689
Commercial and industrial	45,726	47,522	52,578	53,826	58,739
Other electric sales ¹	6,170	5,541	5,954	7,908	8,336
Sales for resale	36,737	42,333	39,440	36,899	22,508
Subtotal	177,401	185,650	190,798	192,689	185,273
Fuel charge	114,388	144,436	180,810	174,312	191,908
Other revenues	6,774	6,134	5,440	5,870	7,313
Total electric operating revenue	\$ 298,563	\$ 336,220	\$ 377,048	\$ 372,871	\$ 384,494

¹Includes private area lights, street lights, and municipal uses. Excludes sales for resale.

Source: Lakeland Electric.

Factors Affecting the Electric Utility Industry

General. The electric utility industry has been in the past, and in the future likely will be, affected by a number of factors which could impact the business affairs, financial condition, and competitiveness of an electric utility and the level of utilization of its generating facilities, including those of the City. These factors likely would affect individual utilities in different ways. Some of the more significant factors involve increased environmental requirements and varying efforts on national and local levels to restructure the electric utility industry from a significantly regulated monopoly to an industry in which there is open competition for power supply on both the wholesale and retail level. Although recent efforts for open competition at the retail level have been limited, there is still interest by various groups for open competition. Deregulation will not occur in Florida in the foreseeable future.

Additional factors impacting electric utilities include, but are not limited to: (1) effects of competition from other suppliers of electricity and new methods of producing low cost electricity, (2) effects of compliance with rapidly changing environmental, licensing, regulatory and legislative requirements, (3) regulatory changes and changes that might result from a national energy policy, (4) uncertain access to low cost capital for replacement of aging fixed assets, (5) increases in operating costs, (6) availability and cost of fuel supply, (7) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (8) "self-generation" by certain industrial and commercial customers, (9) issues relating to the ability to issue or maintain tax exempt obligations, (10) shifts in availability and relative costs of various fuels, (11) changes from projected load requirements and (12) restrictions on the ability to sell to non-governmental entities electricity from generation projects financed with outstanding tax exempt obligations. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility, including the System, and likely will affect individual utilities in different ways. The proposed Climate Security Act of 2007, as reported out of the Senate EPW Committee is a prime example of regulatory uncertainty. This bill failed to come to a vote due to economic concerns and the Boxer plan to put funds raised in the general treasury. Now in 2009 we continue to see climate change (cap and trade) and energy (renewable energy standard and smart grid) legislation. The driver here is "green jobs" and economic stimulus. The Markey bill in the House puts the penalty for a MT of CO₂ at \$50. His bill concerning RES puts the penalty per MWh at \$100. The proposal of a RES of 25% by 2025 will see most utilities in the southeast falling short, with the attendant expense of buying REC's from other regions of the country that are better suited for such a requirement (wind, solar, geothermal, hydro). Projected costs of CO₂ allowances in a 100% auction environment will have a significant upward impact on electric rates. It is quite possible that this will force the premature decommissioning of MAC3 (Lakeland's coal unit). The fact that the bond issue financing this unit will not be retired by this date makes the financial situation even more problematical. On the bright side, Lakeland has entered into a 24MW solar PV PPA and is aggressively pursuing other clean energy sources/projects that will assist in meeting the requirements of the regimes being posited at federal level.

The City cannot determine with certainty what effects such factors will have on its business operations and financial condition, including that of the System, but any effect(s) could be significant. The following is a brief discussion of some of these factors. However, this discussion is not intended to be comprehensive or definitive, and these matters are subject to change. Any such changes could be significant. Extensive information on the electric utility industry is, and will be, available from sources in the public domain, and potential purchasers of the Bonds should obtain and review such information.

Energy Policy Act of 1992. The Energy Policy Act of 1992 (the "1992 Energy Policy Act") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased wholesale electric competition. In particular, the 1992 Energy Policy Act provides the Federal Energy Regulatory Commission ("FERC") with the authority, upon application by an electric utility, federal power marketing agency, or other non-utility power generator, to require a transmitting utility to provide transmission services to the applicant essentially on a cost-of-service basis. Municipally-owned electric utilities are "transmitting utilities" for purposes of these provisions of the 1992 Energy Policy Act. At this time, FERC does not have the authority to regulate "retail wheeling," under which a retail customer of one utility could obtain power from another utility or non-utility power generator.

The 1992 Energy Policy Act also addressed nuclear power licensing and related regulations, energy efficiency standards and use of alternative transportation fuels. The City has no ownership interests in any nuclear power plants and currently has no intention of acquiring any such interests in the near term. Title XVI of the 1992 Energy Policy Act established voluntary greenhouse gas mitigation and reporting programs, and the City is participating in the United States Department of Energy greenhouse gas mitigation program entitled "Climate Challenge."

The energy efficiency title of the 1992 Energy Policy Act required states and utilities to consider adopting integrated resource planning ("IRP"), which allows utility investments in conservation and other demand-side management techniques to be at least as profitable as supply investments. The 1992 Energy Policy Act also established new efficiency standards in industrial and commercial equipment and lighting and required states to establish commercial and residential building codes with energy efficiency standards. Additionally, the 1992 Energy Policy Act required utilities to consider energy efficiency programs in their IRPs. The Florida Public Service Commission ("FPSC") has adopted an IRP and the City is already complying with its own IRP policy. Additional effects on the City and the System, if any, of these standards and requirements cannot be determined at this time.

Certain FERC Initiatives. On April 24, 1996, FERC issued two final rules, Orders No. 888 and 889, respectively, to address and implement the transmission access provisions of the 1992 Energy Policy Act. The final rules effect significant changes regarding transmission service performed by electric utilities subject to FERC's jurisdiction under the Federal Power Act. Among other things, FERC requires utilities to submit open-access, mandatory transmission tariffs. The goal of the rules, according to FERC, is to deny to an owner of transmission and generation facilities any unfair advantage over its competitors that exist by virtue of such owner's control of its transmission system.

Order No. 888 (i) requires the provision of open access transmission services on a non-discriminatory basis by all jurisdictional utilities by requiring all such utilities to file open access transmission tariffs that offer other entities seeking to effect wholesale power transactions the same transmission services they provide themselves, under comparable terms and conditions and (ii) requires non-jurisdictional utilities (including municipal and consumer-owned utilities) that purchase transmission service from FERC jurisdictional utilities under open access transmission tariffs and which own or control transmission facilities to, in turn, provide open access service to the transmitting utility under terms that are comparable to the service that the non-jurisdictional utility provides itself. Order No. 888 also includes provisions which, in effect, would permit utilities to recover so-called "stranded costs" for generating and other facilities from wholesale customers of a utility who opt to purchase from other power suppliers. The City has developed an open access transmission rate and tariff that conform to Order No. 888 requirements.

Order No. 889, implements standards of conduct for utilities that offer open access transmission services to ensure that transmission owners and their affiliates do not have an unfair competitive advantage in using transmission to sell power, notably the separating of marketing from transmission and power operations.

Municipally-owned electric utilities (including the System) are not subject to FERC jurisdiction under these rules but may be denied reciprocal transmission services from a FERC jurisdictional utility if they do not offer comparable transmission services. FERC stated that its overall objective in promulgating such rules was to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. In certain circumstances, the rules would require non-jurisdictional utilities to pay compensation to their present suppliers of wholesale power and energy for this stranded investment that may arise when the non-jurisdictional utilities exercise their option to switch to an alternative supplier of electricity. Accordingly, such rules could have a significant impact on such utilities' operations.

On December 20, 1999, FERC issued its Order No. 2000. Order No. 2000 represents a further measure in FERC's attempt to foster competition in wholesale power markets by encouraging all transmission-owning utilities (including municipal utilities) to join Regional Transmission Organizations ("RTOs"). Order No. 2000 contemplates RTOs as voluntary participation associations of power transmission owning entities comprised of public and non-public utility entities, which could more efficiently address operational and reliability issues confronting the industry, in particular by improving grid reliability, increasing efficiencies in transmission grid management, preventing discriminatory practices and improving market performance. The implications of Order No. 2000 were further clarified in July 2002, when FERC issued a Notice of Proposed Rulemaking ("NOPR") for a standard market design ("SMD") to accompany formation of RTOs. However, as described below, the Energy Policy Act of 2005 defused the impact of the NOPR by making the SMD non-mandatory.

Presently there are no active RTO development activities in the Southeastern United States. Two previous efforts to develop a RTO for the Southeastern United States failed. In each case, the City believes, that the effort failed because of the lack of demonstrable benefits from forming a RTO and the lack of consensus support and acceptance from all applicable state and federal agencies for the proposed RTO structure.

Energy Policy Act of 2005. The Energy Policy Act of 2005 (the "2005 Energy Policy Act") was signed into law on August 8, 2005. The 2005 Energy Policy Act, described by proponents as an attempt to combat growing energy problems, provides tax incentives and loan guarantees for energy production of various types and sets reliability standards for grids. The 2005 Energy Policy Act is intended to establish a comprehensive, long-range energy policy. It provides incentives for traditional energy production as well as newer, more efficient energy technologies, and conservation.

The 2005 Energy Policy Act introduces a new Section 211A of the Federal Power Act (the "FPA") entitled "Open Access by Unregulated Transmitting Utilities." Under Section 211A, FERC has the authority to require an otherwise non-jurisdictional owner, such as the City, owning or operating transmission facilities to provide transmission services at (i) rates that are comparable to those they charge themselves and (ii) terms and conditions that are comparable to those they charged themselves and that are not unduly discriminatory or preferential.

The 2005 Energy Policy Act also introduces a new Section 217 of the FPA entitled "Native Load Service Obligation." Under this provision, any load-serving entity with a service obligation, including an otherwise non-jurisdictional transmission owner, is entitled to use its transmission capacity to meet its native load service obligation in preference to other uses of the grid. A service obligation is defined in Section 217 to mean a requirement applicable to a utility under federal, state or local law, or under a long-term contract to provide electric service to end users or a distribution utility. The statutory right that an otherwise non-jurisdictional transmission owner has to use its transmission facilities to serve native load qualifies the obligation it has to provide open access transmission service under Section 211A of the FPA.

The Energy Policy Act of 2005 additionally introduces a new Section 215 of the FPA which authorizes the FERC to designate an Electric Reliability Organization ("ERO") that would propose reliability standards that would be reviewed by FERC before becoming final. All users, owners and operators of the bulk power system, including an otherwise non-jurisdictional transmission owner, must comply with the standards. The ERO may delegate to a regional entity the authority to propose reliability standards to the ERO and to enforce the reliability standards. States may take action to ensure reliability, as long as such action is not inconsistent with a reliability standard approved by FERC. The FERC has now designated NERC as the agency that oversees compliance issues. The FRCC has responsibility for peninsular Florida. This regime has and in the future will entail additional administrative costs to address the myriad requirements that must be addressed. Additional systemic controls will also be required. All come with additional costs.

It is not possible at this time to predict that final forms and possible effects of the consequent rules and programs that will be enacted in order to implement the provisions of the 2005 Energy Policy Act. Additionally, it is possible that one or more electric utility restructuring bills may be introduced in future sessions of Congress. The City cannot predict whether, or in what form, any bill may be introduced, or whether any such bill will be enacted into law. There can, therefore, be no accurate predictions as to the effect of any such legislation on the City and the System. See comments on current legislation above.

Overall competition in the electric utility industry continues to increase. Pursuant to FERC mandates, full open access to the electric transmission network, including the City's, is now available to all electric providers seeking to transmit electricity for resale. The authority to order retail wheeling, which allows a retail customer to be located in one utility's service area and to obtain power from another utility or non-utility source, is presently specifically excluded from the enhanced authority granted to FERC under the 1992 Energy Policy Act. How quickly competition continues to be implemented and how far competition will be extended is uncertain. As a result of these market forces, the City is continuing to pursue initiatives and strategies which will result in the System maintaining its favorable market position.

Recent Florida Legislative Developments. On November 10, 2005, Governor Jeb Bush signed an executive order calling for the creation of the 2005 Florida Energy Forum (the "Forum") to develop an energy plan and strategy for Florida. The panel host for the Forum was the Secretary of the Florida Department of Environmental Protection (the "FDEP"). Panel participants included, among others, utility representatives, FPSC representatives, oil and gas company representatives, state legislative representatives and local government representatives. As a result of the activities of the Forum, a report entitled, "Florida's Energy Plan" (the "Report") was issued on January 17, 2006 by the Florida Department of Environmental Protection.

The Report contained numerous recommendations for achieving a diverse and reliable energy future for the State that is built on underlying principles of conservation and efficiency. Such recommendations describe administrative actions for immediate implementation, proposals for legislative action during the 2006 legislative session and policy

improvements that will enhance electric power generation and transportation fuel supply to help provide energy over the long-term.

Based on the recommendations of the Forum contained in the Report, the Florida legislature during its 2006 legislative session passed an omnibus energy bill (S.B. 888), which is referred to herein as the "2006 Florida Energy Bill." The 2006 Energy Bill, among other things, created the Florida Energy Commission (the "FEC") to develop recommendations for legislation to establish a state energy policy based on the guiding principles of reliability, efficiency, affordability and diversity. Specifically, the 2006 Florida Energy Bill specifies certain issues for the FEC to consider including, among other things, fuel diversity and alternative energy technology, demand side management and efficiency, transmission and distribution facilities, the relationship between energy and growth management and research, development, and deployment of new or alternative energy technologies.

In accordance with the 2006 Florida Energy Bill, the FEC's initial report (due in December 2007) must, among other things, set forth recommendations on improvements to the electricity transmission and distribution system including recommended incentives to encourage utilities and local governments to work together in good faith on underground utility issues and must set forth the appropriate test for the FPSC to use in determining which energy efficiency programs are cost effective and should be implemented.

The 2006 Florida Energy Bill also requires the FPSC to direct a study of the transmission grid reliability, including hardening of infrastructure and steps to be taken to enhance the reliability of the transmission and distribution systems during extreme weather, including consideration of underground installation.

Other sections of the 2006 Florida Energy Bill (i) provide financial incentives for renewable energy technologies, energy efficient appliances, solar energy and alternative fuels, (ii) revise the safety standards for public utility transmission facilities and (iii) modify certain provisions of the Florida Electrical Power Siting Act and Transmission Line Siting Act.

It is uncertain at this time what impact the 2006 Florida Energy Bill will have on the City and the System. Additionally, it is possible that one or more electric utility restructuring bills may be introduced in future sessions of the Florida Legislature. The City cannot predict whether, or in what form, any bill may be introduced, or whether any such bill will be enacted into law. There can, therefore, be no assurance as to the effect of any legislation on the City and the System.

The FEC issued its report to the Legislature on schedule in December 2007. It is quite comprehensive and has been well received by that body. Governor Crist's Action Plan was presented at about the same time. In addition, Governor Crist issued three executive orders, including verbiage calling for a state mandated RPS and aggressive GHG reduction program. The GHG reduction measures called for in the Climate Security Act of 2007 include similar draconian requirements.

HB1735 passed in the 2008 legislative session. It replaced the FEC with the FECC (Florida Energy and Climate Commission). None of the members served on the FEC. Early sessions of this new body indicate that it will pursue the Crist agenda of a RPS and CO2 reduction. The former has been addressed by the FPSC and a recommendation rendered to the Legislature, as required, in January of this year. The Florida Department of Environmental Protection is working on CO2 reduction measures that must be submitted to the Legislature for action by the end of January 2010. It is possible that federal action may preempt state initiatives.

Rate Regulation. The City Commission, under existing Florida law, has the exclusive authority to establish the level of electric rates for the System. While the FPSC has no authority to set rates for a municipal electric utility, it does have jurisdiction over municipal electric utilities to prescribe uniform systems and classifications of accounts, to require electric power conservation and reliability, to approve territorial agreements, to settle territorial disputes, to approve the need for new steam-electric power plants and transmission lines and to prescribe rate structures for municipal utilities. The current rate structure for the System has been approved by the FPSC.

The Florida Supreme Court, while continuing to hold that the FPSC has no authority to regulate municipal utility "rates," that is the specific dollar amounts charged by a municipal electric utility for specific service, has held that the

FPSC has jurisdiction and authority to regulate the "rate structure" of a municipal electric utility, that is, the classification system used to justify charging different rates to different classes of customers. It is not clear at this time how broadly the Court may ultimately interpret "rate structures" to permit additional regulation of rates of municipal utilities by FPSC.

Environmental. Electric utilities (including the System) are subject to continuing environmental, conservation and other regulation and permitting requirements by federal, state and local authorities. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the City's facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain or maintain all required permits. An inability to comply with environmental standards or deadlines could result in fines and/or legal action as well as reduced operating levels or complete shutdown of individual electric generating units or water plant facilities not in compliance. Furthermore, clean air laws, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

There has been, and continues to be, concern by individuals, the scientific community and Congress regarding environmental damage resulting from the use of fossil fuels. The System's plants use fossil fuels. From time to time, there are a number of legislative proposals regarding the regulation of air, water and contaminants which affect the electric utility industry. In 1990 Congress enacted certain amendments that substantially revised the Federal Clean Air Act (the "1990 Amendments"). The 1990 Amendments sought to improve the ambient air quality throughout the United States by the year 2000. A main feature of the 1990 Amendments is the reduction of sulfur dioxide and nitrogen oxide emissions caused by electric utility power plants. The 1990 Amendments also provide facility operators with sulfur dioxide "allowances" based upon a facility's prior operating emission levels of 1985 and additional statutory allowances auctioned by Environmental Protection Agency (the "EPA") to provide for new units operating as applicable. The sulfur dioxide emissions from a facility are limited to these allocated sulfur dioxide allowances. Moreover, the 1990 Amendments allow facility operators to buy and sell excess sulfur dioxide allowances. The City has sold excess allowances each year since the purchase and sale program began. The City believes it was, and currently is, in compliance with all of the requirements of the 1990 Amendments.

In mid-2005, the EPA issued the final Clean Air Interstate Rule ("CAIR") and the Clean Air Mercury Rule ("CAMR"). CAIR requires reductions in the emissions of nitrogen oxides ("NOx") and sulfur dioxide ("SO2") from electric generating units ("EGUs"). Under CAIR, the EPA defines EGUs as stationary, fossil-fuel-fired boilers or turbines serving at any time since the start-up of a unit's combustion chamber or a generator with a nameplate capacity of more than 25 MW producing electricity for sale.

In accordance with CAIR, the first phase of NOx and SO2 emissions reductions must be implemented by 2009 and 2010, respectively. The EPA accelerated the NOx reductions by one year based on its determination that sources could meet a NOx cap in 2009 based on the average installation time for selective catalytic reduction. For SO2, the EPA concluded that sources might need until 2010 to obtain all permitting needed to install a flue gas desulfurization device. Second phase emissions reductions for both NOx and SO2 must be implemented by 2015.

For SO2, EPA calculated annual state SO2 budgets based on each state's allowances under Title IV of the Clean Air Act. A state's annual budget for the years 2010-2014 (Phase I) is based on a 50 percent reduction from Title IV allocations for all units in the state. A state's annual budget for 2015 and beyond (Phase II) is based on a 65 percent reduction of Title IV allowances allocated to units in the state. As with the annual NOx state budgets, EPA calculated ozone-season NOx state budgets through a fuel-adjusted heat input basis. The Agency established state budgets by multiplying state-level average historic ozone-season heat input data (summed by fuel) by different adjustment factors for the different fuels (1.0 for coal, 0.4 for gas, and 0.6 for oil). The total ozone-season state budgets were then determined by calculating each state's share of total fuel-adjusted heat input, and multiplying this share by the region-wide budget.

However, on July 11, 2008, the U.S. Court of Appeals for the D.C. Circuit issued an opinion (Opinion) striking down the Clean Air Interstate Rule (CAIR) in *North Carolina v. EPA*. While the Opinion addressed a range of disparate issues under CAIR, throughout the court emphasized that the language in the Clean Air Act's "good neighbor" provision

(specifically, in Section 110(a)(2)(D)(i)(I)), which the Agency sought to fulfill through CAIR, requires “[e]ach state [to] eliminate its own significant contribution to downwind pollution.” Repeatedly, and on many of the most important issues before the court, it concluded that EPA failed to satisfy this basic obligation. In September 2008 EPA and Industry intervenors filed petitions asking the court to re-hear the decision in *North Carolina v. EPA* vacating the Clean Air Interstate Rule (CAIR). Therefore, on October 21, 2008, the Court of Appeals for the D.C. Circuit requested that Petitioners seeking rehearing of the decision in *North Carolina v. EPA*, which vacated the Clean Air Interstate Rule (CAIR) and its associated Federal Implementation Plans, file briefs addressing two issues: (1) whether any party is seeking vacatur of the Clean Air Interstate Rule, and (2) whether the court should stay its mandate until EPA promulgates a revised rule. Additionally, the Court gave EPA permission to reply to any brief filed on the question of whether a stay of the Court’s mandate, which would prevent the vacatur from becoming effective, would be a sufficient remedy. Both EPA and environmental groups in their petitions requesting rehearing asserted that the three-judge panel erred in vacating CAIR in its entirety. Petitioners filed the requested briefs with the D.C. Circuit by November 5, 2008 and on December 23, 2008, the U.S. Court of Appeals for the D.C. Circuit ruled on petitions filed by EPA and Industry-intervenors requesting rehearing of *North Carolina v. EPA*, in which the Court vacated the Clean Air Interstate Rule (CAIR).

The Court granted EPA's petition to the extent that the case be remanded without vacatur for the agency to conduct further proceedings consistent with the Court's opinion in the case, and denied the remaining petitions. The Court determined that, notwithstanding the flaws of CAIR, remanding it without vacatur was preferable to retain the environmental benefits of the rule. As a result, CAIR went into effect on January 1, 2009 for the annual NOx budget trading program.

The State of Florida has adopted the Federal CAIR model cap and trade rule that meets the EPA's budgetary allowances and required emissions reductions. The CAIR rule will affect the cost of purchased power from EGUs and will have a material impact on the cost of power generated at affected electric generating units. The impact on the City's capital costs and operations as a result of these regulations are likely to be substantial. A portion of the proceeds of the Series 2006 Bonds and the expected Series 2008 Bonds are to be used to finance various capital improvements intended to satisfy some of the above-described regulations by installing ultra low NOX burners and SCR. Incremental operation and maintenance costs resulting from these new regulations could reach \$1,000,000 annually.

Additionally, The Clean Air Mercury Rule (CAMR) adopted May 19, 2005, establishes an emissions cap for mercury (Hg) to which all coal-fired electric utility units will be subject. The Hg cap will be implemented in two phases. The first phase cap is set at 38 tons per year (tpy) and becomes effective in 2010, coinciding with the first phase of the SO2 cap under the CAIR. The second phase of the Hg cap is set at 15 tpy and begins in 2018, three years after the Phase two CAIR caps for SO2 and NOx. Therefore, to ensure necessary CAIR and CAMR pollutants reductions, EPA has established budget allowances for each effected State that could be implemented through application of pollution controls on EGUs or a market driven cap and trade. However, in a unanimous decision, the U.S. Court of Appeals for the District of Columbia Circuit vacated both of EPA’s rules delisting coal- and oil-fired electric generating units from regulation under Section 112 of the Clean Air Act ("Delisting Rule) and the CAMR.

Therefore, this means that CAMR is no longer valid and EPA will have to regulate utilities emission of Hg and all the other hazardous emissions under the Delisting Rule which means, like SO2 and NOx, Lakeland Electric's fossil fuel units with greater than 25 MW name plate capacity would have emission limits for Hg and possibly heavy metals.

Additionally, there are several legislative proposals both at the State and Federal levels that propose to further regulate emissions of carbon dioxide (CO2). Certain of the proposals would require emission reductions that would likely require pollution control capital improvements and would impose additional taxes on annual emission of CO2 from electric utility units.

In the opinion of Lakeland Electric, the System is currently in compliance with all current Federal, state and local environmental regulations. The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect the City's operations and, if such laws or rules are enacted, what the additional capital and operating costs, if any, to the City might be in the future because of such action. The financial impact of the adopted proposals and future proposals to Lakeland Electric could be substantial.

LAKELAND ELECTRIC
SUMMARY OF RESULTS OF OPERATIONS
(In Thousands of Dollars)

	Fiscal Years Ended September 30				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Gross Revenues					
Electric retail-base rate	\$139,466	\$143,317	\$151,358	\$155,790	\$162,764
Electric retail-Fuel Charge	114,598	144,436	180,810	174,312	191,908
Electric wholesale	37,724	42,333	39,440	36,899	22,508
Other Electric ¹	6,774	6,134	5,440	7,571	7,313
Other	643	489	1,195	811	761
Investment Income	1,849	1,428	3,724	4,649	3,779
Total Gross Revenues	\$301,054	\$338,137	\$381,967	\$380,032	\$389,034
Operating Expenses ²					
Electric Production:					
Fuel ³	\$154,285	\$200,563	\$245,649	\$234,344	\$218,193
Energy Supply	21,897	22,279	21,145	21,400	21,879
Subtotal	\$176,182	\$222,842	\$266,794	\$255,744	\$240,072
Energy delivery	17,310	16,144	16,635	17,811	19,638
Customer Service	9,056	7,408	7,727	7,347	7,795
General and Administrative	20,633	21,481	22,606	23,070	26,278
Total Operating Expenses	\$223,181	\$267,875	\$313,762	\$303,972	\$293,783
Net Revenues Available for Debt Service and Other Purposes	\$77,874	\$70,262	\$68,205	\$76,060	\$95,251
Bond Service Requirement ⁴	35,667	37,534	39,762	42,186	44,422
Balance Available for Other Obligations, Capital Improvements and Expansion	\$42,207	\$32,728	\$28,443	\$33,874	\$50,829
Debt Service Coverage Ratio					
from Operations ^{4,5}	2.18	1.87	1.72	1.80	2.14
20 percent of fund balance ⁶	\$31,787	\$33,626	\$26,731	\$30,073	\$36,121
Net revenues plus 20 percent of fund balance ⁶	109,661	103,888	94,936	106,133	131,372
Bond Service Requirement	35,667	37,534	39,762	42,186	44,422
Debt Service Coverage Ratio ⁶	3.07	2.77	2.39	2.52	2.96

* Gross Revenues, Operating Expenses and Net Revenues Available for Debt Service and Other Purposes for the 2003 through 2007 Fiscal Years are derived from Lakeland Electric's audited financial statements.

¹ Other Electric includes customer connection charges but excludes impact fees.

² Does not include depreciation expense.

³ Includes purchased power and fuel handling.

⁴The Bond Service Requirement figure for Fiscal Year 2006 as disclosed above excludes the impact of the City's set aside of approximately \$16.1 million of funds to pay the scheduled debt service on the Series 1999A Bonds. The funds were derived from cash on hand and bond proceeds. The Bond Service Requirement would have been approximately \$16.1 million lower and the Debt Service Coverage Ratio would have been approximately 3.09 had the impact been factored in above.

⁵ Equals "Net Revenues Available for Debt Service and Other Purposes" divided by "Bond Service Requirement."

⁶ Pursuant to the Bond Ordinance, twenty percent (20%) of the Fund Balance (as defined in the Bond Ordinance) is used in determining compliance with the rate covenant set forth in the Bond Ordinance. See "SECURITY FOR THE 2008 BONDS - Rate Covenant" in the Official Statement.

Source: Lakeland Electric

The Summary of Results of Operations set forth in the immediately preceding table includes the impact of the annual losses incurred by Lakeland Electric with respect to the FMPA Contract, which Contract is described under "THE SYSTEM - Wholesale Power Contract" herein. The decline in total Net Revenues Available for Debt Service in fiscal years 2004 thru 2007 are the result of increases in losses incurred in conjunction with the FMPA Contract.

As mentioned under the section labeled "THE SYSTEM - Wholesale Power Contract" herein, the FMPA Contract expired in December of 2007. During its term the utility and the City mitigated a portion of the losses incurred under the contract by reducing operating costs and by reducing the dividend payment to the City by approximately \$20 million over the three fiscal year period 2005 through 2007. Despite these reductions the utility experienced a decrease in unrestricted cash from approximately \$60 million at the end of 2001 to approximately \$40 million at the end of fiscal year 2007

The liquidity amounts shown above exclude \$25 million set aside by the City in 2003 to accommodate the current refunding of a portion of the Series 1999B and 1999C Bonds maturing from October 1, 2009 thru October 1, 2012.

Liquidity requirements are mitigated by the City's ordinance requiring that fuel costs be recovered on a dollar-for-dollar basis based on quarterly projections of cost and mandated fuel rate changes necessary to insure that the cumulative under-recovery of fuel costs not exceed .5 mills of sales – approximately \$1.5 million. (See the section labeled Electric Rates – *Fuel Charge*).

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ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999 A

\$195,635,408.60

SERIAL & TERM CURRENT INTEREST BONDS — DATED APRIL 1, 1999

CAPITAL APPRECIATION BONDS — DATED MAY 13, 1999

CUSIP Numbers

511678PP	511678QK	511678PT	511678PY
511678PU	511678PQ	511678PV	511678PZ
511678QA	511678PR	511678PW	511678QL
511678QB	511678PS	511678PX	511678QC

PURPOSE

The Series 1999A Bonds were issued for the purpose of providing funds to: (i) refund all of the City's outstanding Electric & Water Revenue Bonds, Series 1989, Electric & Water Revenue Bonds, Series 1996, and Electric & Water Revenue Bonds, Series 1996B; and (ii) to pay certain costs and expenses related to the issuance of the Series 1999A Bonds.

SECURITY

The Series 1999A Bonds and the interest thereon are payable from certain revenues derived by the City from the operation of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the (i) Series 1999B Bonds and Series 1999C Bonds and (ii) its Series 2001B and (iii) its Series 2001A and (iv) its Series 2003 Bonds.

Revenues of the Water System were eliminated from the source of repayment for such Bonds upon the defeasance of the 1992 bonds in August of 2002.

INSURANCE

A municipal bond insurance policy from MBIA was purchased to unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the City.

RATINGS*

Moody's Investor Service: **A1**

Standard & Poor's Ratings Services: **AA**

Fitch Ratings: **A+**

*As of September 30, 2008

ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999 A (CONTINUED)

MANDATORY REDEMPTION

The Current Interest Bonds which mature on October 1, 2028 will be subject to mandatory redemption in part prior to maturity by lot at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning October 1, 2020 and on each October 1, thereafter in the following principal amounts in the year specified:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2020	\$ 3,775,000	2023	\$ 4,370,000	2026	\$ 5,060,000
2021	3,960,000	2024	4,585,000	2027	5,305,000
2022	4,160,000	2025	4,820,000	* 2028	5,570,000

* Final maturity.

MANDATORY REDEMPTION

The Current Interest Bonds which mature on October 1, 2036 will be subject to mandatory redemption in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning October 1, 2009 and on each October 1, thereafter in the following principal amounts in the years specified:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2029	\$ 5,855,000	2033	\$ 7,115,000
2030	6,145,000	2034	7,470,000
2031	6,455,000	2035	7,840,000
2032	6,775,000	* 2036	8,235,000

* Final maturity.

OPTIONAL REDEMPTION

The Capital Appreciation Bonds are not subject to optional redemption prior to maturity. The Current Interest Bonds maturing on or before October 1, 2009 are not subject to optional redemption prior to maturity.

The Current Interest Bonds maturing on or after October 1, 2010 are subject to optional early redemption prior to their respective dates of maturity on or after October 1, 2009 together with accrued interest to the redemption date as follows:

<u>Redemption Dates</u>	<u>Prices</u>
10/1/2009 — 9/30/2010	101 %
10/1/2010 — 9/30/2011	100.5 %
10/1/2011 — thereafter	100 %

ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999 A (CONTINUED)

AGENTS

Registrar:	The Bank of New York, New York, New York
Paying Agent:	The Bank of New York, New York, New York
Trustee:	The Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	Fishkind & Associates, Inc., Orlando, Florida & William R. Hough & Co., St. Petersburg, Florida
Managing Underwriter:	Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriters' Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Insurance:	MBIA Insurance Corporation, Armonk, New York

As a means to reduce borrowing costs on a portion of the Electric and Water Refunding Revenue Bonds Series 1999A the City entered into an interest rate swap in June 2004. Under the swap, the City pays CitiGroup Financial Products Inc. (the counterparty) a payment equal to \$159.265 million (the notional amount) times an interest rate equal to the BMA Municipal Bond index. In return, the counterparty pays the City an amount equal the notional amount times an interest rate equal to 67 percent of the three-month USD-LIBOR-BBA index, plus a spread of .046%. To the extent the relationship between BMA and LIBOR approximates a marginal tax rate of more than 33 percent; the net borrowing costs on the underlying debt will be reduced. The notional amount of the swap will always equal the amount of the outstanding amount of that component of the underlying issue consisting of term bonds which mature serially from October 2004 thru October 2036. Settlement payments are made semi-annually. As of September 30, 2008 the swap had a negative fair market value of \$2,718,866. The City was not exposed to credit risk because the swap had a negative fair value. The City is exposed to basis risk to the extent the relationship of BMA to LIBOR increases to greater than 33 percent. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or a rating downgrade by Moody's or S&P issued to either the City or the counterparty.

Bond Warrant Financing Agreement

On January 16, 2007, the City of Lakeland entered into a Bond Warrant Agreement with an underwriter, Goldman, Sachs & Co, in which the City granted an irrevocable option to the underwriter which, if exercised, would cause the City of Lakeland to issue parity revenue bonds of the Energy System in the amount of approximately \$158,600,000. The new bonds would be issued at terms and fixed interest rates that would generate an annual debt service requirement that equals the annual debt service requirement on the existing Energy System Revenue bonds Series 1999A. If the option is exercised, the bonds would be issued with effective dates of either October 1, 2009; October 1, 2010; October 1, 2011; or October 1, 2012 at the discretion of the underwriter.

In exchange for granting this option, the underwriter made a single, up-front payment of \$7,680,000 to the City of Lakeland.

Should the underwriter exercise its option under this agreement, the City can use the proceeds of the new bond issue to either call the Series 1999A bonds (which are callable any time after October 1, 2009) or use the proceeds to finance qualified capital improvements projects of the Electric Utility System.

The economics of the transaction are equivalent to the refunding the issue at a weighted average yield of approximately 4.25 percent, which approximates the MMD yield curve plus 13 basis points.

The City will recognize the proceeds of this transaction on the balance sheet of the Department of Electric Utilities as a deferred credit. To the extent the underwriter exercises its option to require issuance of new bonds that deferred credit will be amortized to the income statement of Department of Electric Utilities over the life of the new bond issue. The underwriter may exercise their option anytime between the dates of August 1, 2009 and August 1, 2012. In the event the underwriter does not exercise that option, the deferred credit will be a charge against income in it's entirety in the fiscal year ending September 30, 2012.

ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999 A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Compound Interest</u>	<u>Total</u>
10/01/08	625,000.00	3,897,646.88		4,522,646.88
04/01/09		3,884,756.25		3,884,756.25
10/01/09	6,700,718.75	3,884,756.25	3,914,281.25	14,499,756.25
04/01/10		3,884,756.25		3,884,756.25
10/01/10	6,307,218.00	3,884,756.25	4,312,782.00	14,504,756.25
04/01/11		3,884,756.25		3,884,756.25
10/01/11	5,952,510.00	3,884,756.25	4,667,490.00	14,504,756.25
04/01/12		3,884,756.25		3,884,756.25
10/01/12	5,626,268.45	3,884,756.25	4,988,731.55	14,499,756.25
04/01/13		3,884,756.25		3,884,756.25
10/01/13	5,308,194.60	3,884,756.25	5,311,805.40	14,504,756.25
04/01/14		3,884,756.25		3,884,756.25
10/01/14	5,020,498.80	3,884,756.25	5,599,501.20	14,504,756.25
04/01/15		3,884,756.25		3,884,756.25
10/01/15	10,710,000.00	3,884,756.25		14,594,756.25
04/01/16		3,630,393.75		3,630,393.75
10/01/16	11,225,000.00	3,630,393.75		14,855,393.75
04/01/17		3,349,768.75		3,349,768.75
10/01/17	11,785,000.00	3,349,768.75		15,134,768.75
04/01/18		3,069,875.00		3,069,875.00
10/01/18	12,340,000.00	3,069,875.00		15,409,875.00
04/01/19		2,761,375.00		2,761,375.00
10/01/19	12,960,000.00	2,761,375.00		15,721,375.00
04/01/20		2,437,375.00		2,437,375.00
10/01/20	3,775,000.00	2,437,375.00		6,212,375.00
04/01/21		2,343,000.00		2,343,000.00
10/01/21	3,960,000.00	2,343,000.00		6,303,000.00
04/01/22		2,244,000.00		2,244,000.00
10/01/22	4,160,000.00	2,244,000.00		6,404,000.00
04/01/23		2,140,000.00		2,140,000.00
10/01/23	4,370,000.00	2,140,000.00		6,510,000.00
04/01/24		2,030,750.00		2,030,750.00
10/01/24	4,585,000.00	2,030,750.00		6,615,750.00
04/01/25		1,916,125.00		1,916,125.00
10/01/25	4,820,000.00	1,916,125.00		6,736,125.00
04/01/26		1,795,625.00		1,795,625.00
10/01/26	5,060,000.00	1,795,625.00		6,855,625.00
04/01/27		1,669,125.00		1,669,125.00
10/01/27	5,305,000.00	1,669,125.00		6,974,125.00
04/01/28		1,536,500.00		1,536,500.00
10/01/28	5,570,000.00	1,536,500.00		7,106,500.00
04/01/29		1,397,250.00		1,397,250.00

ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999 A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT (CONTINUED)

10/01/28	5,570,000.00	1,536,500.00		7,106,500.00
04/01/29		1,397,250.00		1,397,250.00
10/01/29	5,855,000.00	1,397,250.00		7,252,250.00
04/01/30		1,250,875.00		1,250,875.00
10/01/30	6,145,000.00	1,250,875.00		7,395,875.00
04/01/31		1,097,250.00		1,097,250.00
10/01/31	6,455,000.00	1,097,250.00		7,552,250.00
04/01/32		935,875.00		935,875.00
10/01/32	6,775,000.00	935,875.00		7,710,875.00
04/01/33		766,500.00		766,500.00
10/01/33	7,115,000.00	766,500.00		7,881,500.00
04/01/34		588,625.00		588,625.00
10/01/34	7,470,000.00	588,625.00		8,058,625.00
04/01/35		401,875.00		401,875.00
10/01/35	7,840,000.00	401,875.00		8,241,875.00
04/01/36		205,875.00		205,875.00
10/01/36	8,235,000.00	205,875.00		8,440,875.00
	<u>\$ 193,785,408.60</u>	<u>\$ 156,911,790.72</u>	<u>\$ 28,794,591.40</u>	<u>\$ 379,491,790.72</u>

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ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1999 B

\$144,305,000

**TERM BONDS
DATED APRIL 1, 1999
CUSIP NUMBERS**

**511678QM 511678QQ 511678QT 511678QW
511678QN 511678QR 511678QU 511678QX
511678QP 511678QS 511678QV 511678QY
511678QZ**

PURPOSE

The City delivered the Series 1999B Bonds to the owners of, and in exchange for, the City's outstanding Electric and Water Revenue Bonds (Junior Subordinate Lien), Refunding Series 1996. This exchange was undertaken in connection with the City's preparation for the deregulation of the electric utility industry. As a result, a new bond ordinance became effective, replacing existing electric utility bond documents, which were too restrictive and inflexible. The exchange will enable the City to compete more effectively in the electric utility industry, as the industry becomes more deregulated and competitive.

SECURITY

The Series 1999A Bonds and the interest thereon are payable from certain revenues derived by the City from the operation of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the (i) Series 1999A Bonds and Series 1999C Bonds and (ii) its Series 2001B and (iii) its Series 2001A and (iv) its Series 2003 Bonds.

Revenues of the Water System were eliminated from the source of repayment for such Bonds upon the defeasance of the 1992 bonds in August of 2002.

INSURANCE

A municipal bond insurance policy from FSA was purchased to unconditionally and irrevocably guarantee the full and complete payment of principal and interest on the Series 1999B First Lien Bonds when due.

RATINGS*

Moody's Investor Service: Aaa Standard & Poor's Ratings Services: AAA Fitch Ratings: AAA

*As of September 30, 2008

MANDATORY REDEMPTION

Not applicable to this bond issue.

OPTIONAL REDEMPTION

Not applicable to this bond issue.

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1999 B (CONTINUED)

Agents

Registrar: The Bank of New York, New York, New York
Paying Agent: The Bank of New York, New York, New York
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors: Fishkind & Associates, Inc., Orlando, Florida
William R. Hough & Co., St. Petersburg, Florida
Dealer/Manager: Salomon Smith Barney, Inc. West Palm Beach, Florida
Dealer/Manager Counsel: Nabors, Giblin, and Nickerson, PA, Tampa, Florida
Insurance: Financial Security Assurance, Inc. (FSA), New York, New York

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/08	12,005,000.00	1,234,510.00	13,239,510.00
04/01/09		880,362.50	880,362.50
10/01/09	12,740,000.00	880,362.50	13,620,362.50
04/01/10		463,127.50	463,127.50
10/01/10		463,127.50	463,127.50
04/01/11		463,127.50	463,127.50
10/01/11		463,127.50	463,127.50
04/01/12		463,127.50	463,127.50
10/01/12		463,127.50	463,127.50
04/01/13		463,127.50	463,127.50
10/01/13	6,815,000.00	463,127.50	7,278,127.50
04/01/14		256,973.75	256,973.75
10/01/14	<u>8,495,000.00</u>	<u>256,973.75</u>	<u>8,751,973.75</u>
	<u>\$ 81,310,000.00</u>	<u>\$ 18,451,211.25</u>	<u>\$ 99,761,211.25</u>

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ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1999 C

\$64,525,000

**TERM BONDS
DATED APRIL 1, 1999
CUSIP NUMBERS**

**511678RA 511678RD
511678RB 511678RE
511678RC 511678RF**

PURPOSE

The City delivered the Series 1999C Bonds to the owners of, and in exchange for, the City's outstanding Electric and Water Revenue Bonds (Junior Subordinate Lien), Refunding Series 1996B. This exchange was undertaken in connection with the City's preparation for the deregulation of the electric utility industry. As a result, a new bond ordinance became effective, replacing existing electric utility bond documents, which were too restrictive and inflexible. The exchange will enable the City to compete more effectively in the electric utility industry, as the industry becomes more deregulated and competitive.

SECURITY

The Series 1999C Bonds and the interest thereon are payable from certain revenues derived by the City from the operation of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the (i) City's Series 1999A and Series 1999B and (ii) its Series 2001B Bonds and (iii) its Series 2001A Bonds and (iv) its Series 2003 Bonds.

Revenues of the Water System were eliminated from the source of repayment for such Bonds upon the defeasance of the 1992 bonds in August of 2002.

INSURANCE

A municipal bond insurance policy from FSA was purchased to unconditionally and irrevocably guarantee the full and complete payment of principal and interest on the Series 1999C First Lien Bonds when due.

RATINGS*

Moody's Investor Service: Aaa

Standard & Poor's Ratings Services: AAA

Fitch Ratings: AAA

*As of September 30, 2008

MANDATORY REDEMPTION

Not applicable to this bond issue.

OPTIONAL REDEMPTION

Not applicable to this bond issue.

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1999 C (CONTINUED)

AGENTS

Registrar: The Bank of New York, New York, New York
Paying Agent: The Bank of New York, New York, New York
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors: Fishkind & Associates, Inc., Orlando, Florida
William R. Hough & Co., St. Petersburg, Florida
Dealer/Manager: Salomon Smith Barney, Inc. West Palm Beach, Florida
Dealer/Manager Counsel: Nabors, Giblin, and Nickerson, PA, Tampa, Florida
Insurance: Financial Security Assurance, Inc. (FSA), New York, New York

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/08	5,370,000.00	1,797,757.50	7,167,757.50
04/01/09		1,635,315.00	1,635,315.00
10/01/09	5,775,000.00	1,635,315.00	7,410,315.00
04/01/10		1,460,621.25	1,460,621.25
10/01/10	14,865,000.00	1,460,621.25	16,325,621.25
04/01/11		1,010,955.00	1,010,955.00
10/01/11	16,180,000.00	1,010,955.00	17,190,955.00
04/01/12		521,510.00	521,510.00
10/01/12	17,240,000.00	521,510.00	17,761,510.00
	<u>\$ 64,525,000.00</u>	<u>\$ 22,611,723.75</u>	<u>\$ 87,136,723.75</u>

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ENERGY SYSTEM REVENUE BONDS, SERIES 2001B

\$30,000,000

**SERIAL BONDS
DATED MAY 1, 2001
CUSIP NUMBER**

**51166FAC 51166FAF
51166FAD 51166FAG
51166FAE 51166FAH**

PURPOSE

The Series 2001B Bonds were issued for the principal purpose of (i) financing certain capital improvements for the City's electric power system and (ii) paying certain costs and expenses related to the issuance of the Series 2001B Bonds.

SECURITY

The Series 2001B Bonds and the interest thereon are payable from certain revenues derived by the City from the operation of its electric power system on parity in all aspects as to the lien thereon and pledge thereof granted with respect to the (i) Series 1999A, Series 1999B and Series 1999C Bonds and (ii) Series 2001A Bonds and (iii) its series 2003 Bonds.

Revenues of the Water system were eliminated from the source of repayment for such Bonds upon the defeasance of the 1992 bonds in August of 2002.

INSURANCE

A municipal bond insurance policy from MBIA was purchased to unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the City.

RATINGS*

Moody's Investor Service: A1 Standard & Poor's Ratings Services: AA Fitch Ratings: A+

*As of September 30, 2008

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ENERGY SYSTEM REVENUE BONDS, SERIES 2001B (CONTINUED)

OPTIONAL REDEMPTION

The Series 2001B Bonds are subject to redemption prior to maturity on or after October 1, 2011, at the option of the City, in whole or in part at any time at a redemption price of par, together with accrued interest to the redemption date.

AGENTS

Registrar:	The Bank of New York, New York, New York
Paying Agent:	The Bank of New York, New York, New York
Trustee:	The Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	Fishkind & Associates, Inc., Orlando, Florida & William R. Hough & Co., St. Petersburg, Florida
Managing Underwriter:	Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriters' Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Insurance:	MBIA Insurance Corporation, Armonk, New York

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ENERGY SYSTEM REVENUE BONDS, SERIES 2001B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/08		780,550.00	780,550.00
04/01/09		780,550.00	780,550.00
10/01/09		780,550.00	780,550.00
04/01/10		780,550.00	780,550.00
10/01/10		780,550.00	780,550.00
04/01/11		780,550.00	780,550.00
10/01/11		780,550.00	780,550.00
04/01/12		780,550.00	780,550.00
10/01/12		780,550.00	780,550.00
04/01/13		780,550.00	780,550.00
10/01/13	6,565,000.00	780,550.00	7,345,550.00
04/01/14		600,012.50	600,012.50
10/01/14	5,655,000.00	600,012.50	6,255,012.50
04/01/15		444,500.00	444,500.00
10/01/15	4,130,000.00	444,500.00	4,574,500.00
04/01/16		341,250.00	341,250.00
10/01/16	4,325,000.00	341,250.00	4,666,250.00
04/01/17		233,125.00	233,125.00
10/01/17	4,550,000.00	233,125.00	4,783,125.00
04/01/18		119,375.00	119,375.00
10/01/18	4,775,000.00	119,375.00	4,894,375.00
	<u>\$ 30,000,000.00</u>	<u>\$ 16,745,875.00</u>	<u>\$ 46,745,875.00</u>

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ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2006

\$44,870,000

**REVENUE AND REFUNDING BONDS
DATED AUGUST 1, 2006**

CUSIP NUMBERS

**51166FAK5 51166FAL3 51166FAM1 51166FAN9 51166FAP4
51166FAQ2 51166FAR0 51166FAS8 51166FAT6 51166FAU3
51166FAV1 51166FAW9 51166FAX7 51166FAY5 51166FAZ2
51166FBA6 51166FBB4 51166FBC2 51166FBD0 51166FBE8
51166FBF5**

PURPOSE

The Series 2006A Bonds were issued for the principal purposes of (i) financing certain capital improvements for the electric power system of the City of Lakeland, Florida, (ii) refunding, on a current basis, a portion of the City's outstanding Energy System Refunding Revenue Bonds, Series 1999B, and (iii) paying certain costs and expenses related to the issuance of the Bonds.

SECURITY

The Bonds and the interest thereon are payable from the Trust Estate which consists principally of certain Revenues derived by the City from the operation of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined Parity Obligations.

INSURANCE

A municipal bond insurance policy from XL Capital Assurance, Inc was purchased to unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the City.

RATINGS*

Moody's Investor Service: A1

Standard & Poor's Ratings Services: A+

Fitch Ratings: A+

*As of September 30, 2008

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2006 (CONTINUED)

MANDATORY REDEMPTION

The Bonds maturing on October 1, 2031 are subject to mandatory sinking fund redemption in part, by lot, on October 1, 2026 and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
October 1, 2026	\$1,705,000	October 1, 2027	\$1,790,000
October 1, 2028	1,885,000	October 1, 2029	1,975,000
October 1, 2030	2,070,000	October 1, 2031*	2,175,000

*Final Maturity

The Bonds maturing on October 1, 2036 are subject to mandatory sinking fund redemption in part, by lot, on October 1, 2032 and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
October 1, 2032	\$2,285,000	October 1, 2033	\$2,395,000
October 1, 2034	2,510,000	October 1, 2035	2,630,000
October 1, 2036*	2,755,000		

*Final Maturity

OPTIONAL REDEMPTION

The Bonds maturing on or after October 1, 2017 are subject to redemption prior to maturity on or after October 1, 2016, at the option of the City, in whole or in part at any time at a redemption price of par, together with accrued interest to the redemption date, and without premium.

AGENTS

Registrar:	The Bank of New York, New York, New York
Paying Agent:	The Bank of New York, New York, New York
Trustee:	The Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	RBC Capital Markets, Jacksonville,, Florida
Managing Underwriter:	Goldman, Sachs and Company
Underwriters' Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Insurance:	XL Capital Assurance, Inc. New York

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2006 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

Maturity	Principal	Interest	Total
1-Oct-08	760,000	1,063,247	1,823,247
1-Apr-09		1,048,047	1,048,047
1-Oct-09	785,000	1,048,047	1,833,047
1-Apr-10		1,032,347	1,032,347
1-Oct-10	820,000	1,032,347	1,852,347
1-Apr-11		1,015,947	1,015,947
1-Oct-11	855,000	1,015,947	1,870,947
1-Apr-12		998,847	998,847
1-Oct-12	885,000	998,847	1,883,847
1-Apr-13		976,722	976,722
1-Oct-13	930,000	976,722	1,906,722
1-Apr-14		953,472	953,472
1-Oct-14	975,000	953,472	1,928,472
1-Apr-15		933,972	933,972
1-Oct-15	1,020,000	933,972	1,953,972
1-Apr-16		913,572	913,572
1-Oct-16	1,055,000	913,572	1,968,572
1-Apr-17		887,197	887,197
1-Oct-17	1,105,000	887,197	1,992,197
1-Apr-18		864,406	864,406
1-Oct-18	1,155,000	864,406	2,019,406
1-Apr-19		835,531	835,531
1-Oct-19	1,215,000	835,531	2,050,531
1-Apr-20		805,156	805,156
1-Oct-20	1,275,000	805,156	2,080,156

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ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2006 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT (CONTINUED)

Maturity	Principal	Interest	Total
1-Apr-21		773,281	773,281
1-Oct-21	1,335,000	773,281	2,108,281
1-Apr-22		739,906	739,906
1-Oct-22	1,405,000	739,906	2,144,906
1-Apr-23		704,781	704,781
1-Oct-23	1,475,000	704,781	2,179,781
1-Apr-24		667,906	667,906
1-Oct-24	1,545,000	667,906	2,212,906
1-Apr-25		629,281	629,281
1-Oct-25	1,625,000	629,281	2,254,281
1-Apr-26		588,656	588,656
1-Oct-26	1,705,000	588,656	2,293,656
1-Apr-27		546,031	546,031
1-Oct-27	1,790,000	546,031	2,336,031
1-Apr-28		501,281	501,281
1-Oct-28	1,885,000	501,281	2,386,281
1-Apr-29		454,156	454,156
1-Oct-29	1,975,000	454,156	2,429,156
1-Apr-30		404,781	404,781
1-Oct-30	2,070,000	404,781	2,474,781
1-Apr-31		353,031	353,031
1-Oct-31	2,175,000	353,031	2,528,031
1-Apr-32		298,656	298,656
1-Oct-32	2,285,000	298,656	2,583,656
1-Apr-33		244,388	244,388
1-Oct-33	2,395,000	244,388	2,639,388
1-Apr-34		187,506	187,506
1-Oct-34	2,510,000	187,506	2,697,506
1-Apr-35		127,894	127,894
1-Oct-35	2,630,000	127,894	2,757,894
1-Apr-36		65,431	65,431
1-Oct-36	2,755,000	65,431	2,820,431

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ENERGY SYSTEM VARIABLE RATE REFUNDING REVENUE BONDS, SERIES 2006A*

\$139,475,000

**VARIABLE RATE REFUNDING REVENUE BONDS
DATED AUGUST 1, 2006**

SERIES 2006A-1	SERIES 2006A-2
\$69,750,000	\$69,725,000
CUSIP NUMBERS	
51166FBG3	51166FBH1

PURPOSE

The Series 2006A Bonds were issued for the principal purpose of (i) refunding all of the City's outstanding Energy System Variable Rate Revenue Bonds, Series 2001A and all of the City's outstanding Energy System Variable Rate Revenue Bonds, Series 2003, and (ii) paying certain costs and expenses related to the issuance of the Series 2006A Bonds. The 2006A bonds were retired in April 2008

SECURITY

The Series 2006A Bonds and the interest thereon are payable from certain revenues derived by the City from the operations of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined Parity Obligations.

INSURANCE

A municipal bond insurance policy from XL Capital Assurance was purchased to unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the City.

RATINGS**

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**As of April 4, 2008, the 2006A bonds were redeemed; no ratings are outstanding.

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ENERGY SYSTEM VARIABLE RATE REFUNDING REVENUE BONDS, SERIES 2006A (CONTINUED)

MANDATORY REDEMPTION

The Series 2006A Bonds will be subject to mandatory sinking fund redemption in par, by lot, on October 1, 2021 and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

<u>Year</u>	<u>2006A-1 Amount</u>	<u>2006A-2 Amount</u>
2021	2,300,000	2,275,000
2022	2,350,000	2,375,000
2023	2,475,000	2,450,000
2024	2,550,000	2,575,000
2025	2,675,000	2,675,000
2026	2,800,000	2,775,000
2027	2,900,000	2,900,000
2028	3,025,000	3,025,000
2029	3,150,000	3,150,000
2030	3,275,000	3,300,000
2031	3,425,000	3,425,000
2032	3,575,000	3,575,000
2033	3,750,000	3,725,000
2034	8,225,000	8,250,000
2035	8,550,000	8,525,000
2036	4,850,000	4,875,000
2037	9,875,000*	9,850,000*

*Final Maturity

OPTIONAL REDEMPTION

The series 2006A Bonds in the Auction Reset Series ‘ARS’ Mode shall be subject to redemption, in whole or in part, in denominations of \$25,000 and any integral multiple thereof, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date, on the Interest Payment Date immediately following the end of an Auction Period; provided that after any optional redemption there shall be not less than \$10,000,000 in aggregate principal amount of a sub-series of Series 2006A Bonds outstanding in an ARS Mode unless otherwise consented to by the Broker-Dealer.

AGENTS

Registrar:	The Bank of New York, New York, New York
Paying Agent:	The Bank of New York, New York, New York
Trustee:	The Bank of New York, New York, New York
Auction Agent:	The Bank of New York, New York, New York
Issuer’s Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer’s Financial Advisors:	RBC Capital Markets, Jacksonville,, Florida
Managing Underwriter:	Goldman, Sachs and Company
Underwriters’ Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Insurance:	XL Capital Assurance, Inc. New York

ENERGY SYSTEM VARIABLE RATE ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2008A AND B

DATED JULY 30, 2008

SERIES 2008A	SERIES 2008B
\$100,000,000	\$100,000,000
CUSIP NUMBERS	
51166FBJ7	51166FBK4

PURPOSE

The Series 2008A and B Bonds were issued for the principal purpose of: (i) refunding all of the City's outstanding Energy System Variable Rate Revenue Bonds, Series 2006A; (ii) financing the acquisition, construction and equipping of various distribution and generation capital improvements to the Electric System; and (iii) paying certain costs and expenses related to the issuance of the Series 2008A and B Bonds.

SECURITY

The Series 2008A and B Bonds and the interest thereon are payable from certain revenues derived by the City from the operations of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined Parity Obligations.

LETTERS OF CREDIT

The City has entered into agreements with commercial banks to provide credit enhancement for the 2008A and B Bonds. The 2008A Bonds are payable from an irrevocable direct pay Letter of Credit issued by BNP Paribus which expires on July 29, 2011, unless renewed or extended. The 2008B Bonds are payable from an irrevocable direct pay Letter of Credit issued by SunTrust which expires on July 29, 2011, unless renewed or extended.

RATINGS*

	<u>2008A</u>	<u>2008B</u>
-		
Moody's Investor Service:	Aa1/VMIG-1	Aa2/VMIG-1
Standard & Poor's Ratings Services:	AA+/A1+	AA-/A1+
Fitch Ratings:	AAA/F-1+	AA/F-1+

*As of September 30, 2008

**ENERGY SYSTEM VARIABLE RATE ENERGY SYSTEM REVENUE AND REFUNDING BONDS,
SERIES 2008A AND B, (CONTINUED)**

MANDATORY REDEMPTION

The Series 2008A and B Bonds will be subject to mandatory sinking fund redemption in par, by lot, on October 1, 2009 and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

<u>Year</u>	<u>2008A Amount</u>	<u>2008B Amount</u>
2009	1,165,000	1,015,000
2010	1,125,000	1,120,000
2011	1,165,000	1,155,000
2012	1,195,000	1,195,000
2013	1,235,000	1,240,000
2014	1,275,000	1,275,000
2015	1,315,000	1,320,000
2016	1,360,000	1,355,000
2017	1,400,000	1,405,000
2018	1,450,000	1,445,000
2019	1,500,000	1,490,000
2020	1,545,000	1,540,000
2021	3,900,000	3,905,000
2022	4,030,000	4,025,000
2023	4,185,000	4,175,000
2024	4,330,000	4,335,000
2025	4,500,000	4,515,000
2026	4,675,000	4,680,000
2027	4,845,000	4,855,000
2028	5,035,000	5,035,000
2029	3,175,000	3,170,000
2030	3,310,000	3,310,000
2031	3,445,000	3,450,000
2032	3,600,000	3,590,000
2033	3,705,000	3,815,000
2034	8,255,000	8,260,000
2035	8,560,000	8,555,000
2036	4,860,000	4,865,000
2037*	9,860,000	9,905,000

*Final Maturity

**ENERGY SYSTEM VARIABLE RATE ENERGY SYSTEM REVENUE AND REFUNDING BONDS,
SERIES 2008A AND B, (CONTINUED)**

OPTIONAL REDEMPTION

The series 2008A and B Bonds in the Daily Mode or Weekly Mode are subject to redemption, in whole or in part, in Authorized Denominations on any 2008 Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date.

AGENTS

Registrar:	The Bank of New York, New York, New York
Paying Agent:	The Bank of New York, New York, New York
Trustee:	The Bank of New York, New York, New York
Auction Agent:	The Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	RBC Capital Markets, Jacksonville, Florida
Managing Underwriter:	Goldman, Sachs and Company
Underwriters' Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida

SWAP AGREEMENTS

As a means to hedge the variable rate risk exposure associated with the 2008A and B Bonds, the City has entered into several swap agreements. A number of these agreements were in effect prior to the issuance of the 2008A and B Bonds, and have been subsequently applied to the 2008A and B Bonds as a result of refunding activity. The swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or rating downgrades to either counterparty. The existing swap agreements are summarized in the chart below.

Notional	City Receives	City Pays	Start Date	End Date	Counterparty	Fair Market Value (To City) As of 09/30/2008
90,000,000	74.125% of 1 mo. LIBOR	SIFMA	06/14/2001	05/01/2021	Citigroup Financial Products	(2,578,000)
47,860,000	* 67% of 1 mo. LIBOR	3.740%	01/22/2003	10/01/2037	Citigroup Financial Products	(4,693,256)
30,000,000	* SIFMA	4.283%	03/23/2006	10/01/2035	Citigroup Financial Products	(1,999,744)
60,000,000	* SIFMA	4.283%	03/23/2006	10/01/2035	Goldman Sachs	(3,999,488)
62,140,000	* 67% of 1 mo. LIBOR	3.163%	07/30/2008	10/01/2037	Goldman Sachs	(1,137,555)

As a result of the swap agreements, the City will receive (on a combined basis) variable rate payments equal to between 67% and 74.125% of LIBOR times the principal amount of the outstanding 2008A & B Bonds. In return, the City will make fixed rate payments of between 3.163% and 4.283% times the principal amount of the outstanding bonds. These agreements fix the variable rate exposure of the 2008A and B bonds at the fixed rates noted above to the extent that the variable rate payments received by the City under the swap agreements are equal to the variable rates paid by the City on the 2008A and B Bonds. The City is subject to the basis risk between the LIBOR based variable rates it receives and the actual rates paid on the 2008A & B Bonds. Over time the variable rates paid and received are expected to be equivalent.

As of September 30, 2008, the City was not subject to credit risk with its counterparties because the fair market values of the swap agreements were negative.

WATER UTILITIES SYSTEM

ADMINISTRATION AND ORGANIZATION

Operation of the Water System is the immediate responsibility of the Water Utilities Department. The Water Utilities Department includes two divisions, the Water Operations Division and the Wastewater Operations Division.

The Water Operations Division of the Water Utilities Department currently has a staff of 121 employees. An assistant Director of Water Utilities heads the Water Operations Division. The Water Operations Division includes the following functional areas:

- Administration
- Engineering
- Water Production
- Water Distribution

SERVICE AREA

The City of Lakeland's Water System serves the incorporated area of the City of Lakeland and as well as a substantial area outside the City Limits. On April 1, 1980, an Interlocal Agreement was signed, which provides for the Department of Water Utilities to service current and future customers in certain defined unincorporated areas of Polk County.

The service area currently encompasses approximately 90 square miles, serving an estimated 164,393 people. The distribution system has a total of 3,971 fire hydrants and 52,271 active service meters. During FY 2008, the Water Utilities System served an average of 53,127 active metered accounts.

The City of Lakeland's Water System has interconnections with the Auburndale and Plant City water systems that are designated to provide additional reliability for both systems.

Certain water use restrictions imposed by the Southwest Florida Water Management District (SWFWMD) are currently in effect within the service area of the Water System. The City has adopted an ordinance that complies with these restrictions. The Department has taken into account the effect of such restrictions in its forecasts of future consumption.

The City of Lakeland Water Utilities' Water Use Permit (WUP) issued by the Southwest Florida Water Management District was issued in 1993 for a ten year term. Prior to that permit expiration in October 2003, the City submitted a renewal application with additional documentation and had responded to several requests for additional information over a period of years. Progress in the renewal process came to a halt. There were differing positions related to meeting the scientific criteria for the renewal. After a formal hearing with the Administrative Law Judge in August 2007, a final Recommended Order (R.O.) was issued by the judge in January 2008. Various meetings with the Water Management District administration were held during the next two months to finalize certain elements of the R.O. to allow for certain permitted quantities that were not considered or included in the R.O. On March 27, 2008, the new WUP was issued by the Governing Board of the WMD. This permit was for 30.2 MGD and for a 6 year duration.

As of July 2008, a new initiative was envisioned by several public and private parties related to the use of treated effluent for industrial cooling. The scope of this initiative was narrowed to result in a project for the Tampa Electric Company (TECO), the Southwest Florida Water Management District (SWFWMD), and the City of Lakeland (COL). Instead of the SWFWMD issuing a WUP to TECO for groundwater to use for cooling purposes, the COL would provide treated wastewater effluent from its wetland treatment system for

that purpose. In return, the SWFWMD would issue a new WUP to the COL for 35.03 MGD for 20 years. TECO would construct the piping system to transmit the water to their facility in South Polk County. The SWFWMD would co-fund the cost of building that infrastructure with TECO. By the end of the 2008 calendar year, the SWFWMD had issued a new, conditional WUP to the COL, with the agreement between the COL and TECO still in draft form.

WATER DISTRIBUTION

Water Distribution is responsible for the operation and maintenance of approximately 983 miles of water distribution piping and a comprehensive meter servicing and backflow prevention program. The leak detection program includes evaluating all service valves and meters over a time period of 3 to 4 years. The distribution staff consists of 56 employees (41 operating and 15 supervisory or administrative). Approximately 77% of the employees hold certifications as Distribution System Operators, water meter repair, and/or backflow preventer testing and repair. Water Distribution also provides a customer interface for those field inquiries related to the Water Utility and billing questions.

WATER ENGINEERING

Water Engineering is responsible for the designing and permitting of water mains, the relocation of mains, inspection of new facilities/distribution components, responding to public inquiries on utility locations, coordination of work performed by consultants and developers, and reviewing all commercial and multi-family developmental site plans. The staff includes a manager and 21 staff members.

FACILITIES - WATER

The existing Water System facilities consist of two water treatment production plants; the TB Williams WTP and the CW Combee WTP. Together for 2008, these plant provided an average of over 23 MGD to meet the demands of Lakeland's customers.

There are thirteen wells producing groundwater in the Northwest Wellfield for the Williams WTP. Eleven wells are 24-inch diameter and two wells are 20-inch. These wells provide for a combined capacity of 55 MGD of water from the Floridian Aquifer. The Combee WTP is supplied water from the Northeast Wellfield which contains five production wells. These five wells sited on 860-acre parcel are all 16-inch in diameter. Another 24-inch production well has been constructed at the Combee WTP site and is considered the Combee Wellfield. Newly permitted, it is not operational yet. Each well is capable of 4 MGD.

THOMAS B. WILLIAMS TREATMENT PLANT

The Thomas B. Williams water treatment plant, which has been in operation since April 1983, has a design capacity of 51 million gallons per day and is capable of supplying the total water needs of the City's primary system. The water treatment process at the Williams Facility consists of the following processes:

- Prechlorination
- Stabilization and corrosion control
- Filtration
- Split lime softening
- Clarification
- Fluoridation and Chlorination

Operation of the Williams Facility is facilitated by a telemetry/automated computer processing unit (CPU). The system components monitor and serve to control various parameters in the distribution system (i.e. pressures and water flow demand) with the treatment components (well pumpage/treatment flow rates and ground storage volumes) to optimize water supply. This includes controlling well pumps and high service pumps, as well as specific internal treatment processes, for example, automatic backwashing the filters.

In addition, the reliability of the Williams Facility is enhanced with standby auxiliary power provided by diesel generators in the event of power outages. The existing two 1250 KW generators provide auxiliary power to meet at least 50% of the maximum daily water pumpage, as required by the Florida Department of Environmental Protection. A third generator is set to directly power a High Service Pump that moves water from the clearwell out to the distribution system.

After the treatment process, the treated water is pumped to either of two 5.0 million-gallon ground storage tanks or the 0.7 million-gallon clearwell to be pumped to the distribution system. In addition to storage facilities at the Williams Facility, the Highlands Pump Station includes a 3.0 million-gallon ground storage equalization reservoir.

C.W. COMBEE WATER TREATMENT PLANT

The C.W. Combee Water Treatment Plant became operational in October 2005. The treatment plant is located on twenty acres approximately five miles south of the well field. The treatment plant was constructed with the proceeds of the Series 2002 Bonds. The plant is designed for 8 MGD. Two additional phases, 8 MGD each, are also incorporated in the design and can be constructed at a later date. The plant has a 5.0 million-gallon storage tank on site and a second ground storage tank is expected to be constructed at a later date.

The Combee WTP is designed and built to provide the same water treatment scheme of split lime softening as the Williams WTP. The process control system is newer and more advanced than the Williams WTP. It is a distributed control system produced by Emerson-Delta V. Currently, the Combee WTP is producing almost 4 MGD into the system.

The new 20-year Water Use Permit limits the Northeast Wellfield to a rate of only 4 MGD. The Northwest Wellfield is permitted for no more than 28.03. When operational, the Combee Well is permitted for 3 MGD.

TRANSMISSION AND DISTRIBUTION

The Water System has over 983 miles of transmission and distribution lines that serve customers and provide capacity for future expansion within the service area. Approximately 60 miles of 16-inch to 54-inch diameter transmission mains are in service, transporting finished water from the Thomas B. Williams water treatment plant throughout the distribution system. The Water System has two booster pumping stations, one of which has a 3.0 million-gallon storage tank for peaking. The following table indicates the current supply facilities.

<u>Supply Facility</u>	<u>Installed</u>	<u>Capacity</u>
<u>Treatment:</u>		
Thomas B. Williams Water Treatment Plant	1983	51 MGD
C. W Combee Water Treatment Plant	2005	8 MGD
<u>Storage:</u>		
Tanks	1983-88	13.7 MG
Tanks	2005	5.0 MG

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CAPITAL IMPROVEMENT PROGRAM

The Water facilities portion of the City's estimated capital improvement plan for the Fiscal Years 2008 through and including 2018 is anticipated to cost approximately \$61 million. 100% of these costs are expected to be financed from internally generated funds. The following is a general breakdown of the capital improvements and their approximate costs:

<u>Capital Improvement</u>	<u>Estimated Cost</u>
Production	\$15,600,000
Distribution	33,200,000
Engineering	<u>12,200,000</u>
Total	<u>\$61,000,000</u>

LARGEST WATER CUSTOMERS

<u>Customer</u>	<u>Gals (000) Fiscal Year Ending September 30 2008</u>
CITY OF LAKELAND ²	276,467
LAKELAND REGIONAL MEDICAL CENTER	146,900
BOCC ¹	107,728
FLORIDA SOUTHERN COLLEGE	70,080
POLK COUNTY SCHOOL BOARD	67,065
SKYVIEW UTILITIES	64,627
TAMPA MAID	46,076
PUBLIX SUPERMARKETS	36,742
AQUA SOURCE UTILITIES	35,729
WATSON CLINIC	33,973
FIBERTEK INSULATION	30,891
CITY OF PLANT CITY	28,859
CROTHALL LAUNDRY SERVICES	27,990
SOUTHEASTERN UNIVERSITY	27,807
KEY SAFETY SYSTEMS, INC.	23,413
MID AMERICA APT DBA PADDOCK CLUB	21,676
SUMMIT CONSULTING	20,589
	<u>1,066,612</u>

¹Consists of 12 meters throughout the service territory.

²All City-owned facilities are metered and pay the Department for services.

WATER RATES

The City Commission has exclusive authority to establish and revise the rates for water supplied by the Water Department. The base residential rate as of September 30, 2008 is \$1.49 per 1,000 gallons for inside the City Limits. The City also adopted an inverted rate structure as recommended by the Southwest Florida Water Management

District. The inverted rate schedule encourages water conservation by increasing consumption charges based on higher volumes of usage.

Effective January 1, 1986, the Water Department began charging Water Impact Fees in addition to system connection fees. These were increased August 1, 1989, with annual increases of approximately 5% through Fiscal Year 1994. Water Impact Fees are not pledged as security for the Senior Bonds.

On April 1, 1980, the City entered into an Interlocal Agreement with Polk County whereby the Water Department had an identified Water Service Area beyond the City Limits described by a boundary line.

The City also provides water to the County through various master meters, primarily for resale to Polk County Utility water customers outside the City's water service area. The current rate for such water is \$2.02 per 1,000 gallons, which may not be increased more than the lowest step in the Water Department's water rate schedule.

The following tables provide water rates and charges information.

Residential and Irrigation Consumption Charges (continued):

In addition to the Monthly Base Charge

Price Per 1000 Gallons

<u>Meter Size (inches)</u>	<u>Consumption</u>	<u>Inside City</u>	<u>Outside City</u>
6"	0 - 1588	\$1.43	\$1.93
	1589 - 2722	\$1.83	\$2.47
	2723 - 4310	\$2.28	\$3.07
	Above 4310	\$2.98	\$4.02
8"	0 - 7401	\$1.43	\$1.93
	7402 - 12688	\$1.83	\$2.47
	12689 - 20089	\$2.28	\$3.07
	Above 20089	\$2.98	\$4.02

Commercial Consumption Charges:

(In addition to the Monthly Base Charge)

Price per 1000 gallons

<u>Inside City</u>	<u>Outside City</u>
\$1.49	\$2.02

The following table presents a monthly charge comparison of the City with other Florida cities and counties having water treatment and softening facilities similar to the Water Department's as of September 30, 2008. These charges are based on a typical residential customer residing inside the City or Polk County limits and consuming 10,000 gallons per month.

<u>City/ City/County*</u>	<u>Monthly Charge¹</u>
Clearwater	\$ 47.03
West Palm Beach	33.93
Bartow	27.03
Coral Springs	23.47
Lakeland	21.96
Tallahassee	20.35
Gainesville ²	19.99
Orlando	17.48
Tampa	16.02

¹Not including utility tax.

²Treatment facilities similar to Lakeland

*Source: Department of Water Utilities

HISTORICAL WATER RATE INCREASES

Fiscal Year	Percentage
2008	.00%
2007	4.50%
2006	4.00%
2005	7.00%
2004	9.00%
2003	2.33%
2002	12.50%
2001	5.00%

WATER UTILITIES – OPERATING STATISTICS

The following table presents a five-year history of the operations of the Water System:

Description	Fiscal Year Ended September 30				
	2008	2007	2006	2005	2004
Water pumped or purchased:					
Pumped ¹	8,409.0	9,022.3	9,486.6	8,845.6	8,604.0
Lost-unaccounted or used ¹	(537.0)	(608.0)	(672.4)	(821.7)	(476.1)
Water sold ¹	7,872.0	8,414.3	8,814.2	8,023.9	8,127.9
Approximate peak demand ²	29.62	29.39	31.13	32.08	33.70
Customers (average for period)	53,127	52,783	52,121	50,928	49,824
Operating revenue	\$21,239,562	\$ 22,435,031	\$ 20,951,396	\$ 18,631,773	\$ 17,696,731
Other revenues ³	1,201,123	1,324,243	1,382,412	1,353,663	1,223,512
Total water operating revenue	\$ 22,440,685	\$ 23,759,274	\$ 22,333,808	\$ 19,985,436	\$ 18,920,243

¹Expressed in million gallons.

²Million gallons per day.

³Includes water system capacity fees.

*Does not include Polk City.

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WASTEWATER UTILITES SYSTEM

ADMINISTRATION AND ORGANIZATION

The Wastewater System is managed, operated, and maintained by the Wastewater Operations Division of the Water Utilities Department. The Wastewater Operations Division currently has a staff of 85 (this includes full-time, regular part-time, and seasonal personnel) as well as 4 contract personnel and 2 college interns. The Division is headed by an Assistant Director of Water Utilities for Wastewater Operations and includes six functional areas:

- Administration
- Engineering
- Wastewater treatment
- Wastewater collection system
- Wastewater laboratory
- Wetlands management

The Wastewater Collection System category is divided into three sections: wastewater collection line maintenance, pretreatment program, and pumping stations. The Wastewater Treatment category is divided into three sections: the Glendale Facility, the Northside Facility, and an integrated maintenance section.

SERVICE AREA

The City's Wastewater System service area includes the incorporated area of the City. Additionally, an Interlocal Agreement between the City and Polk County provides for the Wastewater Department to serve customers in unincorporated areas of the county. Currently the City has service agreements with customers outside the City, which total 42,259 connections to the collection and treatment systems as of September 30, 2008. This represents a 1% decrease from last year.

DEMOGRAPHICS

Population and wastewater flow rate projections for the City of Lakeland service area are presented in the following table¹.

Year	Projected Population Served by Treatment Facilities	Annual ADF (MGD)	Maxium 3-month ADF (MGD)
2008	103,349	13.64	15.86
2009	105,437	13.91	16.18
2010	107,566	14.19	16.52
2011	109,740	14.48	16.84
2012	111,956	14.77	17.19

¹ Source: Chastain Skillman Capacity Analysis Report, December 2007

Projecting wastewater flows based on population projections has been complicated due to current wastewater flow data that reflects a decrease in flow, in spite of increased population growth. This is attributed to the City's aggressive sewer rehabilitation program reducing inflow and infiltration (I&I) to the sewer collection system.

COLLECTION SYSTEMS

The wastewater collection system includes over 329 miles of 6-inch to 48-inch diameter gravity sewer, over 139 miles of 4-inch to 24-inch diameter force main, and approximately 151 pump stations. Telemetry data can be collected on 141 pump stations and 29 are equipped with standby power generators.

TREATMENT FACILITIES

The City owns and operates two wastewater treatment facilities:

<u>Facility</u>	<u>Capacity</u>
Glendale Water Reclamation Facility	13.7 million gallons per day
Northside Wastewater Reclamation Facility	8.0 million gallons per day

The treatment facilities consistently treat at required levels, often functioning at a greater rate of removal than required. In 1989, the Glendale Facility was awarded the Phelps Award by the Florida Pollution Control Association (FPCA) as the best secondary facility in the State, with the Northside Facility ranked second. In 1990 and 1991, the Northside Wastewater Reclamation Facility won the same award and the Glendale Facility ranked second. In 1992, the Northside Facility ranked second for the Phelps Award. The City of Lakeland Artificial Wetlands Treatment System received an Outstanding Public Interest Project Award from the State of Florida Bureau of Mine Reclamation in 1999.

GLENDALE WATER RECLAMATION FACILITY

The Glendale Water Reclamation Facility (WWRF) is an activated sludge biological treatment facility with a present permitted treatment capacity of 13.7 million gallons per day (MGD). Construction to upgrade the plant to 13.7 MGD capacity was completed in 1999. The treated effluent from the facility is discharged to a lined holding pond where it is held until discharged into the City's wetlands disposal system or used as makeup cooling water at the McIntosh power plant. At the present time, the Glendale Facility includes the following systems:

- A primary/secondary wastewater treatment system with provisions for biological nutrient removal thorough nitrification, denitrification and luxury uptake of phosphorous ;
- Disinfection facilities
- Sludge treatment and stabilization facilities
- An effluent disposal system, including a holding pond, effluent reuse and discharge pumps.

The wastewater treatment system includes the following processes:

- Influent pump station
- Screening
- Grit removal
- Primary clarification
- Intermediate lift station
- Anaerobic digestion
- Liquid sludge loadout
- Fine bubble activated sludge system
- Secondary clarification
- Chlorination
- Effluent pumping
- Sludge holding
- Sludge thickening

Raw wastewater enters the facility at the pretreatment system. The pretreatment system includes the following equipment:

- Mechanical screens
- Screen bypass channel
- Screenings conveyor and dumpster
- Odor control system
- Influent pump station wetwell and pumps
- Vortex grit chambers
- Grit concentrator and dewatering screen
- Grit dumpster

The raw wastewater enters the facility at the influent structure and flows through the mechanical screens into the pump station's wetwell. Flow entering the wetwell is pumped to the influent splitter box at the grit chambers, flows through the grit chambers, and discharges to a splitter box for the primary clarifiers. The odor control system is used to mitigate odor problems at the influent structure.

Material collected on the screens is discharged to a screenings conveyor, shredded, washed and routed to a dumpster. Grit captured in the grit chambers is discharged through the grit concentrator and the grit-dewatering screen to a second dumpster. The dumpsters are drained back into the influent pump station. The dumpsters are hauled to a landfill for disposal when full.

Screened and dewatered raw influent leaving the pretreatment system flows by gravity through an influent splitter box to the primary clarifiers. The primary clarifiers are used to settle approximately 60% of suspended solids. These settled solids are discharged to the anaerobic digesters.

Effluent from the primary clarifiers discharges to the intermediate pump station and is pumped to the secondary influent splitter box, then through the activated sludge system.

The activated sludge system includes three parallel aeration basins followed by four parallel secondary clarifiers. Effluent from the primary clarifiers is mixed with recycled settled activated sludge from the secondary clarifiers and is split between the activated sludge basins. The basins are suspended growth biological reactors where biological oxygen demand (BOD) is removed and where nitrogen is removed by nitrification and denitrification. The configurations of the basins and the location of the aeration zones in each basin allow the system to remove BOD and set up aerobic zones where ammonia is converted to nitrate and anoxic zones where the nitrate is converted to nitrogen gas. The system is controlled by controlling the amount of air provided to the reactors to oxidize organic matter in the wastewater.

The mixed liquor suspended solids generated in the aeration basins discharge to the clarifier splitter box and flow by gravity to the clarifiers. Solids in the mixed liquor entering the clarifiers settle to the bottom where it is collected in sumps. Sludge collected in the sumps is withdrawn by the sludge pumps and recycled to the activated sludge basins. Excess sludge is wasted to the waste activated sludge holding tanks directly from the return sludge sumps.

Scum and other floatables on the clarifier surface are collected by a skimming arm and discharged to a scum sump. Scum from these sumps is pumped to the sludge handling system.

Treated effluent leaving the clarifiers is combined and discharged to the effluent holding basins. The effluent may be pumped from these basins to the McIntosh power plant for reuse or to the wetlands treatment system. The effluent is chlorinated prior to discharge from the basins. Flow meters with recorders and totalizers monitor the various effluent flows.

The sludge handling system includes the following facilities:

- Aerated waste activated sludge holding tank;
- Gravity belt activated sludge thickeners;
- Anaerobic digesters.

Sludge collected from the primary clarifiers is wasted directly to the anaerobic digesters. Waste activated sludge is discharged to the aerated sludge holding tank, thickened in the gravity belt thickeners, and then discharged to the anaerobic digesters. Filtrate from the thickeners is returned to the influent of the facility. The facility is currently in the process of producing Class AA sludge as a result of the installation of a new anaerobic digestion system that was completed in 2007.

Class AA sludge is generated at the Glendale Facility and is disposed of by land application. Class AA sludge meets the most stringent pathogen reduction limits and constituent concentrations. Land application of Class AA biosolids has essentially no restrictions and may occur in areas that are accessed by the public. Class AA biosolids may possess a market value and be sold as fertilizers. Land application is conducted by commercial haulers under contract with the

City. The treatment plant staff is responsible for wasting, thickening, digesting, holding and monitoring the quality of the sludge.

The Glendale Facility includes a certified wastewater analysis laboratory which is well equipped, staffed and maintained.

Several key projects have been completed or underway to enhance the performance of the facilities:

- New scrubber for odor control was installed at the pretreatment facility. The unit replaced a 20-year old unit.
- The inlet channel structure and the grit chambers were resurfaced to address issues with corrosion.
- The intermediate pump station was rehabbed to address issues with corrosion. Variable frequency drives were installed allowing for a smoother flow transition to the downstream biological process.
- The fine bubble diffusers at the aeration basins are currently chemically treated to remove scaling that restricts the flow of air.
- Instrumentation improvements are underway
- The new Class AA anaerobic digestion system was constructed and is currently reaching the operating temperatures for which it was designed.
-

Also, a new 1.5 MGD pretreatment facility is currently under construction. The new facility, known as the Westside Pretreatment Facility, is a Siemens/USFilter extended aeration package plant. The Westside Pretreatment Facility is expected to reduce the organic loading received at the Glendale Facility from major industrial users by as much as 85%. Construction is expected to be completed by mid-2009.

NORTHSIDE WASTEWATER RECLAMATION FACILITY

The Northside WWRF has a permitted design capacity of 8.0 MGD limited by the solids treatment system. This system was designed to treat raw influent from the North Lakeland Service Area, diverting flow from the Glendale Facility and to provide the capacity for future growth in the northern sections of the City. Treated effluent from the facility is discharged to an effluent storage tank. Effluent held in the tank is reused as cooling make-up water by the McIntosh power plant that is located immediately south of the treatment facility. Excess effluent, exceeding the requirements at the power plant, is bypassed, for disposal, to the Lakeland wetlands system. Cooling make-up water requirements exceeding the flow from the Northside Facility are supplied from the Glendale Facility.

The Northside Facility includes the following systems:

- A secondary wastewater treatment facility with provisions for nitrification and partial denitrification.
- An effluent disposal system, including an effluent storage tank, effluent bypass, and effluent supplement system.
- Sludge holding, aeration, and thickening facilities.

Operators at the treatment facility are responsible for the treatment system, effluent storage tank, and sludge handling system. Power plant personnel are responsible for operation of the cooling tower reuse system. The wastewater treatment system includes the following processes:

- Screening
- Grit removal
- 2-stage anoxic/aerobic activated sludge
- Secondary clarification
- Sludge stabilization and thickening
- Effluent pumping
- Chlorination

Raw wastewater enters the facility from the influent force main at the pretreatment structure. The pretreatment structure houses the following equipment:

- Two mechanical bar screens
- Manual bar screen (bypass)
- Two vortex grit chambers
- Screenings conveyor and dumpster
- Grit classifier and dewatering unit
- Grit dumpster
- Odor control system

Force mains from the wastewater collection system discharge directly into the plant's pretreatment structure. The raw influent entering the structure flows through the mechanical screens and grit chambers. Gates in the pretreatment structure allow the operator to bypass the mechanical screens and/or grit chambers. When the mechanical screens are bypassed, the raw influent is discharged through the manual bar screen.

Material collected on the screens is discharged to the screenings conveyor and routed to a dumpster located below the structure. Captured grit is discharged to the grit-dewatering unit and discharged to a second dumpster. The dumpsters are drained at the plant lift station. The grit and screenings are transported to the Glendale Facility drying beds and the consolidated material is disposed in a sanitary landfill.

Screened and degritted raw influent is mixed with return activated sludge leaving the pretreatment structure and flows by gravity through the influent splitter box, the 2-stage activated sludge system, and the secondary clarifiers to the effluent pump station. The effluent pump station discharges the treated wastewater to the effluent storage tank for reuse at the power plant or disposal at the wetlands. Valves and gates in the piping system allow the operator to place the following units in service:

- Any of the four anoxic tanks
- Any of the oxidation ditches
- Any of the clarifiers

The activated sludge system includes four parallel 2-stage anoxic/aerobic treatment systems followed by four parallel secondary clarifiers. Each train of the system has a design capacity of 2.0 MGD.

Each train of the 2-stage system includes an anoxic first stage and aerobic second stage. The first stage is a completely mixed tank operated at a very low dissolved oxygen concentration that discharges directly to the second stage. The second stage is a fine bubble activated sludge system with an internal mixed liquor, which recycles back to the anoxic tank. The 2-stage configuration, with the internal recycle, allows the plant to nitrify in the fine bubble aerator where oxygen is present and also to denitrify in the anoxic tank where oxygen is absent.

The mixed liquor from the activated sludge tanks enters the effluent chambers and flows by gravity to the final clarifiers. Solids in the mixed liquor entering the clarifiers settle to the bottom where they are withdrawn to the return activated sludge (RAS) sumps. Telescoping valves in the sumps control the withdrawal rate. Sludge collected in the sumps is withdrawn by the sludge pumps and recycled to the pretreatment structure. Sludge is wasted to the sludge holding tanks directly from the RAS line. Flow meters, recorders, and totalizers are provided on both the RAS and waste activated sludge (WAS) lines to monitor and record the respective flow rates.

Scum and other floatables on the clarifier surface are collected by a skimming arm and discharged to scum hoppers. The scum hoppers are discharged to a scum pit, the contents of which are pumped to the sludge holding tanks.

Treated effluent leaving the clarifiers is combined and discharged to the effluent pump station wetwell. The effluent is chlorinated in the wetwell. The effluent pipeline is used to pump the effluent to the effluent storage tank. A flow meter with a recorder and totalizer monitors the effluent flow.

The effluent reuse and disposal system includes the following facilities:

- Effluent storage tanks
- Reuse pump station
- Bypass pump station
- Emergency generator
- Non-potable water pump station

The two effluent storage tanks receives all of the chlorinated effluent from the Northside Facility along with chlorinated effluent pumped from the Glendale Facility. The effluent in the storage tank is reused as cooling make-up water at cooling towers at the McIntosh Power Plant. The system is designed to provide a constant supply for reuse. This is accomplished by maintaining a fixed volume of 600,000 gallons in the 1.5 million-gallon storage tank. If the flow from the Northside Facility is too low to maintain the level, flow from the Glendale Facility is pumped into the tank. If the flow from the Northside Facility exceeds the amount required to maintain the storage volume, the excess flow is bypassed to the Glendale Facility effluent holding basins.

Operation of the Northside Facility reuse pump station and the Glendale Facility pump is automatic, responding to the cooling water requirements and the level in the storage tank. Operation of the bypass pump station is manual, requiring the Northside Facility operator to manually divert the flow and start the pumps.

The non-potable water pumps supply the treatment facility with non-potable water at the Northside WWRf. The effluent stored in the tanks serves as the system supply.

The sludge handling system includes two aerated sludge holding tanks, a polymer feed system, two gravity belt thickeners, four autoheated thermophilic aerobic digestion reactors (ATAD), and one holding tank for digested sludge.

The holding tanks are designed to provide normal and wet weather storage of both thickened and unthickened WAS. Thickening is accomplished by decanting the tanks or using the polymer feed and gravity belt thickeners. Decant from the tanks and the underflow from the thickeners are discharged to the plant sewer and returned to the pretreatment structure.

Class AA stabilized solids generated and wasted at the Northside Facility are disposed by land spreading. Commercial haulers under contract with the City conduct the land spreading. The treatment facility staff is responsible for wasting, thickening, stabilizing, holding, and monitoring the quality of the sludge. The haulers are responsible for proper disposal of the sludge.

An Operations Building on the facility site contains administrative offices along with the following:

- Laboratory facilities
- Operators' and meter rooms
- Maintenance storage space
- Men's and women's lockers/rest rooms
- A lunch/training room

The building serves as the center of facility operations and for the storage of operating records. The meter room, located next to the operators' room, contains the annunciator/monitoring panel along with plant flow meters. The panel displays the status of equipment throughout the system. Alarms on the panel require the operator to go to the equipment to diagnose and troubleshoot operating problems.

The most recent upgrade to the Northside Facility includes the addition of the chlorine contact chamber system. The system, placed in operation in the last quarter of 2007, comprises three chambers, each sized for an average flow of 8 MGD. All three chambers combined will handle a peak flow of 24 MGD. The system may provide 22.5 minutes of water detention at average flow with one chamber online and 22.5 minutes of water detention at peak flow with all three chambers utilized. A fourth ATAD tank and a second 1.5-MGD effluent storage tank for the treatment of sludge and the storage of treated effluent, respectively, were added during 2008. These improvements allowed the Facility to increase its permitted treatment capacity by 1.75 MGD, from 6.25 MGD to a total of 8.0 MGD.

EFFLUENT DISPOSAL SYSTEMS

Effluent disposal for the City's two treatment facilities is provided through two methods:

- Reuse as cooling make-up water for the McIntosh Power Plant; and
- Disposal/reuse to an artificial wetlands system located six miles south of the Glendale Facility.

The power plant make-up reuse water pumping system is designed to transfer approximately 8 MGD of secondary treated wastewater effluent from the Glendale Facility and the Northside Facility to Lakeland Electric and McIntosh Power Plant Unit Numbers 2,3, and 5. The wastewater effluent is used as make-up water for the unit's cooling tower.

Effluent from the two treatment facilities is pumped to a 1.5 million-gallon reuse storage tank located at the Northside Facility. Effluent is pumped on demand from this storage tank to the power plant. Excess effluent from the Northside Facility and blowdown from the power plant (McIntosh return) are discharged to the holding basins at the Glendale Facility for pumping to the wetlands system.

The artificial wetland system pump station consists of five vertical turbine pumps, pumping from the Glendale Facility holding basin through 4.3 miles of 36-inch force main and 2.1 miles of 42-inch force main to the artificial wetlands system. The wetlands system covers approximately 1,600 acres (1,400 wet acres) of former phosphate clay settling areas. It is divided into seven distinct cells through a series of earthen berms. The wetlands system uses a combination of biological and physical methods to remove pollutants from the treated effluent prior to discharge to the Alafia River.

The flow enters the wetland system via a cascade inlet structure, which adds dissolved oxygen to the water through the turbulent fall down the structure's 13 steps. The aerated water passes out of the inlet structure by overflowing weirs on either side of the inlet distribution box. From this structure, the water enters two long ditches that have overflow structures at 100-foot centers. The distribution ditches provide an even distribution of water to the first wetland cell. Water meanders through the first cell and is treated by the wetland grasses and plants. The water then collects in a ditch on the western side of the cell. This ditch delivers the water to control structures. The control structures allow the water to pass through the berm to a second distribution ditch, similar to the ditch adjacent to the inlet structure. Water passes through cell 2, is collected in a ditch connected to control structures, and passed into cell 3. This general collection and pass through scheme is repeated through the remaining cells up to cell 4. Operation of the remaining cells varies to meet operational demands.

At the south end of the final cell, an outlet structure measures the total flow via an "H" flume. The outlet structure also includes a meteorological station for monitoring weather data. The water then travels through an outfall ditch to the Alafia River. The artificial wetlands system currently has a permitted capacity of 20 MGD. The system is providing treatment beyond secondary levels and the effluent from this system often meets tertiary treatment levels.

The system's effluent monitoring station has been upgraded with automated digital data recording and funds are forecast to upgrade the outlet structures at several points in the ditch water distribution channel. A tracer study has been completed to evaluate the duration of hydraulic residence in the seven cells, which can be used to optimize their performance. In FY 2003, the aeration manifold in the effluent discharge was replaced, as well as diffusers; and the mechanical flow control gates on the effluent of each basin are being replaced with a stop-log flow control system.

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STATUS OF PERMITS

The City of Lakeland Wastewater System is regulated by the Florida Department of Environmental Protection (FDEP) through the permits listed below. The Northside Facility permit was issued in August 2003, whereas the Glendale/Wetlands permit was issued in May 2004. The application for the permit renewal of the Northside Facility has already been submitted whereas the application for the Glendale Facility is expected to be submitted in March 2008. Northside WWRf is operating under the old permit while the FDEP reviews the permit renewal application submitted by the City. There are no open requests for information and the City anticipates FDEP will issue the new permit by fall 2009. The City has proactively initiated and oversaw the preparation of all documentation including Capacity Analysis Reports, Operation & Maintenance Reports necessary for the renewal applications of both permits. CAR and O&M reports for both facility permit renewals were completed by Chastain Skillman in January 2008. .

<u>Facility</u>	<u>Agency</u>	<u>Type</u>	<u>Permit</u>	<u>Expiration</u>
Glendale	FDEP	Operation	FL0039772 DWIP	5/11/2009
Northside WWRf	FDEP	Operation	FLA 12985-002 DWIP	8/4/2008
Wetlands system	FDEP	Operation	FL0039772 DWIP	5/11/2009

STATUS OF OPERATIONS AND MAINTENANCE – TREATMENT

GENERAL

The information reported in this section is the result of site visits, personnel interviews, record and data reviews provided by the City's Water Utilities Department, as well as information from previous annual reports.

The incidence of hurricanes in the region prompted the evaluation of the effects on the City's Wastewater Collection. An internal report was prepared to evaluate the impact of these events on the wastewater system. The findings of this report were that more emphasis needs to be placed on controlling the high volumes of inflow (surface runoff entering the system through manhole covers, exposed broken pipe, defective pipe joints, cross connections with stormwater lines or illegal diversion of stormwater) occurring in the aftermath of hurricanes. The City has always emphasized controlling infiltration (groundwater entering the system through broken pipes, defective pipe joints or illegal connections of foundation drains) in budgeting capital improvements for the collection system. Both inflow and infiltration contribute to increased water flows in the wastewater system. The means of implementing reduction of non-sewer related flow in the wastewater system included ten measures. These measures could be classified relative to the responsibility of homeowners and developers and those under the City. The principal matters which the City plans to address are the following:

- Expand public collection system flow monitoring
- Initiate a smoke testing program for the collection system
- Enhance storm drainage
- Perform a public information campaign
- Eliminate contaminated stormwater connections
- Aggressively enforce wastewater meter requirements
- Provide more emergency power generation at lift stations

GLENDALE FACILITY

The performance of the facility through the last year of operation has been within permit limits. The year before and specifically in February 2006 the Facility exceeded the monthly average limits for biochemical oxygen demand (BOD) and total suspended solids (TSS) in the effluent as a result of excessive and unanticipated loadings in the influent to the Facility. Since then the City has implemented long-term corrective measures to assure that such issues will not occur in

the future. Plant construction activities completed in 1999, lesser than normal rainfall in 1999 and 2000, and a highly aggressive and successful sewer maintenance program by the wastewater collection division have all contributed to the dynamics in wastewater treatment operations. The end result has been a reduction in flow rate, between 1999 and 2001, of about 6% of the average daily flow. Considering that these fluctuations occurred concurrent with maintaining a high quality effluent is, indeed, a compliment to wastewater operations division staff. The skills and efforts of the operating staff are major reasons why the facility continues to operate well, despite system variations. As noted in the 2007 Updated Capacity Analysis Report, during the past two years, the rolling annual average daily flow at the Glendale Facility has been less than 70 percent of the permitted capacity. The average flowrate for 2007 was 7.23 MGD and 6.98 for 2008. Population and flow projections suggest that the hydraulic capacity of the Facility will not be reached in the near future. However, there has been a pressing need to address increased BOD and nitrogen loadings at the influent of the Facility. These loadings are expected to exceed the loadings based on which the Facility was designed.

The recommendations of the 2007 Updated Capacity Analysis Report are along the lines of the 2002 Capacity Analysis Report. The Westside Pretreatment Facility is expected to significantly reduce BOD and nitrogen loadings at the Glendale Facility. The City's pretreatment program has established a schedule of surcharges to significant industrial users that discharge "non-domestic" wastewater to the City sewer. This will discourage significant users to discharge to the City sewer without pretreatment and, even if they do so, the proper revenue will be collected to mitigate the impacts. In addition, a Re-Rating Study, completed in January 2008, indicated that the Glendale Facility could be expanded to provide 15 MGD of treatment capacity with relatively minor operational changes and limited equipment procurement.

Other on-going studies or projects related to the Glendale Facility include the following:

- Reuse of the biogas generated by the anaerobic digestion system to generate electricity
- Cost-benefit analysis of dewatering the Class AA biosolids prior to land application
- Re-evaluation of disinfection practices to assess whether alternate methods are safer or more economical than the present method
- Cost-benefit analysis for the construction of a flow equalization tank
- Cost-benefit analysis for upgrading the facility to provide advanced wastewater treatment and meet at the effluent limits of 5 mg/L for BOD, 5 mg/L for TSS, 3 mg/L for total nitrogen and 1 mg/L for total phosphorus
- Cost-benefit analysis for the construction of an additional treatment train

NORTHSIDE WWRF

The performance of the Northside Facility through the last two years of operation has also been excellent. The operating staff has achieved a high level of proficiency in the operation of the Northside Wastewater Reclamation Facility. The water quality of the effluent discharge was excellent. The City completed a Capacity Analysis Report for the Northside Facility in February 1993, which indicated that the capacity of the original system would be exceeded by the end of 1995 or early 1996. The City completed construction of the facility expansion in the fall of 1996. . In addition, construction is currently under completion that will allow this facility to be re-rated and expand its treatment capacity from 6.25 to 8 MGD. This expansion is facilitated by the addition of a fourth sludge treatment tank (ATAD) and an increase in the effluent storage capacity by adding a second effluent storage tank.

As outlined in the 2007 Updated Capacity Analysis Report the rolling annual average daily flow for the last five years has never exceeded 3.65 MGD. It is also noted that the strength of the wastewater received by the Northside Facility is much lower than that of the Glendale Facility and the design capacity of the Northside Facility in terms of flows and loadings is not expected to be exceeded in the next ten years.

An upcoming project at the Northside Facility includes the rehabilitation of the screen enclosure at the headworks that was damaged during the recent hurricanes. As with the Glendale Facility, the City is exploring the alternatives to:

- Upgrade the Northside Facility to provide advanced wastewater treatment by adding media filters upstream of the chlorine contact chamber.
- Add additional trains to further expand the capacity and meet future wastewater treatment demand.

WETLANDS

Operating and performance problems reported for the wetlands system in the 1992 Bondholders Report were corrected by the modification of flow control gates, replanting of submergent and emergent macrophytic plant species and the use of aquatic dyes to control algae which contributed to the problem with effluent total suspended solids (TSS). In addition, a mechanical aeration system and blowers were added to ensure compliance with effluent standards for dissolved oxygen. Investigation of the hydraulic retention times in the various cell through tracer studies have been completed. This data will assist in evaluating opportunities to enhance the wetland's performance. Various maintenance activities to upgrade control structures on the network of distribution ditches in the wetland are underway by replacing mechanical control gates with stop-loss gates. The operating data presented below, as well as past annual data, indicates that the concerns with effluent TSS were mitigated, but evaluation of the alternative measures are on-going should this problem reoccur. The toxicity attributes of the effluent are assessed using a bioassay at a contract laboratory using the static renewal 96-hour method.

Although the TSS problem has been under control, an issue with the levels of conductivity (total dissolved solids or salts) in the water at the Wetlands has emerged. No limits have been violated so far and the City is aware of and working proactively on the issue. It is noted that this problem requires a well-coordinated approach as the main source contributing to the conductivity is not the treatment facilities, but the McIntosh Power Plant where the treated effluent is reused for cooling before it reaches the Wetlands.

There has been significant procurement of landscape capital equipment and a structure to store and maintain the equipment for the facility. This equipment provides the means to maintain and control vegetation covering the berms between the wetland ponds. Excessive vegetation can contribute to weaken the berms and mask potential leakage requiring remediation.

On going and near future projects at the Wetlands include the following:

- Flow monitoring at the inlet structure to Wetlands. Two different flowmeters/locations are currently tested and the data collected are compared against data recorded at the Glendale Facility and by Polk County. It is noted that treated effluent from the Polk County's wastewater facilities is occasionally disposed at the City's Wetland System.
- Installation of a backup power generating unit that will support the blowers providing diffused air to the effluent during power outages. Site work, roofing, fencing and installation of the fuel tank are already complete. The installation of the actual generator unit is the only pending item.
- Installation of security cameras at critical points along the perimeter of the system and at the dirt yard
- Rehabilitation of the maintenance/shop facility
- Supply of potable water and installation of permanent sanitation facilities
- Procurement of a bigger vehicle that will allow transporting more people during tours and educational events

STATUS OF OPERATION AND MAINTENANCE - COLLECTION SYSTEM

The Wastewater collection system provides comprehensive maintenance for the City's wastewater pump stations and collection piping network. Most of the pump stations are equipped with telemetry which can access data from each pump station on pump run time, number of pumps starts and flow of wastewater through the station. This data is accessible at any time from a central location at the Glendale Facility. The telemetry system is also bi-directional with battery backup power supply. That is, the operation of the pump station can be controlled from the central location. All pump stations are equipped with high and low level alarms and equipped to operate on standby generators, if needed.

The smaller lift stations are inspected monthly and the master lift station weekly, by collection system personnel. Manufacturers of the pumps used in the system are standardized as much as practical to facilitate repair and maintenance. A standardized schedule for inspecting the collection piping network provides for cleaning and television inspection of internal piping, such that the entire system is completed in 10 to 11 year cycles. As deficiencies are noted, they are corrected. Odor control in the system has been accomplished with a commercial in-pipe treatment system at 99 injection points in the system. Further, the master lift stations are equipped with odor control scrubbers.

Major additions to the collection system include facilities that will be supporting the English Oaks project in the southwestern section of the City's service area. When built out, it will include the addition of approximately six (6) miles of a force main to convey the wastewater to the Glendale Facility. New pump stations are currently added and existing stations are being retrofitted to convey the wastewater flow from that part of the City to the Glendale Facility.

Pump station and pipeline modifications will also be associated with the new Westside Pretreatment Facility at the west part of the City that will also discharge to the Glendale Facility. For this, the Publix Pump Station that used to discharge to the Southwest Pump Station will now be feeding the Westside Pretreatment Facility. The Westside Pump Station will be receiving the effluent from the pretreatment plant.

CAPITAL IMPROVEMENT PLAN

The City has developed a comprehensive 10-year capital improvement plan, which included \$19,448,283 for projects in the 2008 budget that have been completed or are ongoing. The Engineering Division assists the Wastewater Division in formulating the capital improvement plan. Revenues and expenditures of the capital improvement plan are subdivided into five major categories:

- Sewer collection system
- Pump stations
- Wastewater treatment facilities
- Wetlands maintenance
- Miscellaneous (ie. Buildings, administration, maintenance and support)

Current Capital Improvement Projects include the force main expansion into the Northeast area of the Water Utilities service area. This expansion will allow the Department to service new developments planned for the area. Capital Improvement Projects (CIP) scheduled for FY 2009 total \$7,629,385. A total of \$98,237,933 of Capital Improvements are scheduled to be completed over the next 10 years. 51% of these costs are expected to be financed from internally generated funds. The remaining 49% is expected to be financed with proceeds from the Wastewater Revolving Loan Program.

The systematic approach to the management of capital projects results in lower operational costs. The goals of the Engineering Division are to complete all projects on time and on budget and to proactively maintain or upgrade the collection and treatment systems.

WASTEWATER CHARGES & RATES

GENERAL

The City of Lakeland's primary means of financing expenditures for improvements to, and operation and maintenance of, its wastewater utility system is through user charges, impact fees supplemented by revenue bonds and state loans.

Revised rates and charges are described more fully within the Ordinances and Resolutions as adopted by the Lakeland City Commission. FY 08 revised rates and charges were adopted by Resolution No. 4715.

USER CHARGES

The wastewater user charge rate is composed of a service charge component and a volumetric component, based on actual usage. The following sections detail the current rates and charges in effect. It should be noted that as of September 30, 2008 residential wastewater user charges have a maximum billing amount of \$42.68, based on the assumption that water consumption in excess of 12,000 gallons per month is used for irrigation or other outdoor uses and is not returned to the sewer system.

IMPACT FEES

Water pollution control charges (impact fees) are one-time charges for wastewater capacity, which includes costs for engineering, surveying, legal services, financial & administrative, and construction costs for new system capacity. Charges for upgrading the System, without adding additional capacity, are funded by user charges, not through impact fees. The current impact fee is established at \$1,480 per equivalent residential connection. Impact fees are also collected from customers who discharge wastes in excess of accepted norms. Those fees are identified in the Rates and Charges Table on the following page.

HIGH STRENGTH SURCHARGES

The City also charges user rates on the basis of wastewater strength. Those customers who generate wastewater stronger than established design parameters are charged monthly surcharges based on the actual strength of waste discharged. As of September 30, 2008, those surcharge amounts are identified in the Rates and Charges Table on the following page.

RATES AND CHARGES

Customer Classification	Inside City Fixed Charge Component(\$)	Outside City Fixed Charge Component(\$)	Volume In Components per 1,000 gallons	
			Inside City	Outside City
Single Family Dwelling Unit	\$11.96	\$14.95	\$2.56	\$3.19
Multiple Family Dwelling Unit	\$8.90	\$11.13	\$2.56	\$3.19
Commercial /Industrial Meter Size (inches)				
5/8 to 3/4	\$11.96	\$14.95	\$2.56	\$3.19
1	\$30.18	\$37.72	\$2.56	\$3.19
1-1/2	\$59.80	\$74.75	\$2.56	\$3.19
2	\$143.67	\$179.60	\$2.56	\$3.19
3	\$359.92	\$449.90	\$2.56	\$3.19
4	\$536.16	\$670.20	\$2.56	\$3.19
6	\$715.31	\$894.14	\$2.56	\$3.19
8	\$1,197.10	\$1,496.37	\$2.56	\$3.19

Maximum monthly residential single-family customer sewer charge is \$42.68 per month (in City) based on 12,000 gallons of usage

Notes

1. Sewer customers outside the City's corporate limits pay a 25 % surcharge.
2. Biochemical Oxygen Demand (BOD) charge is \$0.297/lb BOD.
3. Suspended Solids (TSS) charge is \$0.185 /lb TSS.
4. Total Nitrogen (TN) charge is \$0.412 /lb TN.
5. Residential impact fee (in City) is \$1,480 per unit.
6. Multi-family impact fee is \$1,388 per unit.
7. High strength BOD impact fee (above 300 mg/l) is \$300/lb BOD.
8. High strength TSS impact fee (above 300 mg/l) is \$70/lb TSS.
9. High strength TN impact fee (above 300 mg/l) is \$456/lb TN.

The following table presents a monthly charge comparison of the City with other Florida cities and counties having wastewater treatment facilities similar to the Wastewater Department's as of September 30, 2008. These charges are based on 5/8" to 3/4" meter and usage of 12,000 gallons per month.

City/ City/County	Monthly Charge
Clearwater	\$ 61.49
Tampa	60.57
Gainesville	59.56
Orlando	46.48
Tallahassee	52.37
Lakeland	42.68
West Palm Beach	35.84
Bartow	37.57
Coral Springs	38.75

HISTORICAL WASTEWATER RATE INCREASES

Fiscal Year	Percentage
2008	7.50%
2007	7.50%
2006	8.50%
2005	6.00%
2004	8.00%
2003	2.33%
2002	2.50%

CUSTOMER BASE

9/30/2001	32,846
9/30/2002	32,928
9/30/2003	33,403
9/30/2004	39,251
9/30/2005	39,866
9/30/2006	40,635
9/30/2007	42,738
9/30/2008	42,259

HISTORIC WASTEWATER TREATMENT FLOWS

2000	10.17
2001	10.43
2002	10.9
2003	13.25
2004	12.18
2005	11.5
2006	10.3
2007	10.2
2008	10.25

WATER AND WASTEWATER UTILITIES – RESULTS OF OPERATION

	2007	2008
Revenues and Expenses:		
Gross Revenues		
Wastewater Service Revenues	\$ 18,476,078	\$ 19,537,675
Investment Income - Wastewater (1)	496,233	363,217
Miscellaneous - Wastewater	481,100	287,061
Total Operating Revenues - Wastewater	\$ 19,453,411	\$ 20,187,953
Water Service Revenues	\$ 22,333,808	\$ 22,440,685
Investment Income - Water (1)	702,090	581,759
Miscellaneous - Water	461,347	84,027
Total Operating Revenues - Water	\$ 23,497,245	\$ 23,106,471
 Total Operating Revenues	 \$ 42,950,656	 \$ 43,294,424
Operating Expenses:		
Wastewater Operations	\$ 11,323,777	\$ 10,582,656
Administration - Wastewater	1,657,395	1,762,985
Customer Service & Accounting - Wastewater	398,597	397,984
Total Operating Expenses - Wastewater	\$ 13,379,769	\$ 12,743,624
Water Operations	\$ 8,025,688	\$ 8,347,634
Administration - Water	1,885,700	2,359,445
Customer Service & Accounting - Water	604,779	641,098
Total Operating Expenses - Water	\$ 10,516,167	\$ 11,348,177
 Total Operating Expenses	 \$ 23,895,936	 \$ 24,091,801

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A comparison of FY 2008 revenues and expenses was made to determine the adequacy of rates and charges to meet bond covenants and coverages. This table provides a financial summary for the fiscal year ending September 30, 2007. It should be noted that the debt service coverage ratio is quite favorable compared to required ratio of 1.0.

WATER AND WASTEWATER UTILITIES – RESULTS OF OPERATION (CONTINUED)

Revenues and Expenses:	2007	2008
Net Operating Revenues (NOR) Available For Debt Service	\$ 20,480,187	\$ 19,202,623
Available Connection Charges - Wastewater (2)	\$ 1,050,625	\$ 1,048,278
Available Connection Charges - Water (2)	2,320,958	1,735,837
Total Connection Charges	\$ 3,371,583	\$ 2,784,115
Total Revenues Available for Debt Service	\$ 23,851,770	\$ 21,986,738
Debt Service Requirement (3)	\$ 5,700,625	\$ 5,687,888
Amount Available for Renewal and Replacement Deposit and all of lawful purposes	\$ 18,151,145	\$ 16,298,850
Coverage by NOR Available For Debt Service (3)	3.59	3.38
Coverage by Total Revenues Available For Debt Service (2) (3)	4.18	3.87

(1) Includes all investment earnings available to pay debt service as prescribed in the Bond Ordinance.

(2) Pursuant to Florida law, only 58.50% of the debt service on the Series 2002 Bonds currently can be paid from Water Connection Charges. Because 58.50% of the Maximum Bond Service Requirement is currently greater than the Water Connection Charges shown in each fiscal year, 100% of all Water Connection Charges received in each fiscal year are used to pay the Maximum Bond Service Requirement. Because 18.43% of the Maximum Bond Service Requirement (\$1,064,635) for the Series 2002 Bonds is less than the actual Wastewater Connection Charges for 2000 and including 2001, only the amount of all Wastewater Connection Charges that would be available to pay the Maximum Bond Service Requirement for 2000 and including 2001 is used to pay the Maximum Bond Service Requirement.

(3) Represents Maximum Bond Service Requirement for the Series 2002 Bonds for fiscal years 1999 through and including 2001.

(4) Derived from audited financial statements.

Source: City of Lakeland, Florida



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WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

SERIES 2002

\$72,755,000

**TERM BONDS
DATED AUGUST 29, 2002
CUSIP NUMBERS**

511773AA1	511773AE3	511773AJ2	511773AN3	511773AS2	511773AW3
511773AB9	511773AF0	511773AK9	511773AP8	511773AT0	511773AX1
511773AC7	511773AG8	511773AL7	511773AQ6	511773AU7	511773AY9
511773AD5	511773AH6	511773AM5	511773AR4	511773AV5	

PURPOSE

The Series 2002 Bonds were issued to (i) finance the cost of acquisition, construction, and installation of improvements to the City's water and sewer utility system, (ii) refund, on a current basis, all of the City outstanding Wastewater System Revenue Bonds, Refunding Series 1993, and (iii) and pay certain costs and expenses relating to the issuance of the Series 2002 Bonds.

SECURITY

The Series 2002 Bonds will be secured by an irrevocable, valid, and binding lien on and security interest in the Gross Revenues derived from the operation of the Water and Wastewater Systems, certain Connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, all in the manner and to the extent provided in the Bond Ordinance.

BOND INSURANCE

N/A

RATINGS

Fitch Ratings: **AA**

Moody's Investors Service: **Aa3**

Standard & Poors Rating Services: **AA-**

OPTIONAL REDEMPTION

The Series 2002 Bonds maturing on or after October 1, 2013 are subject to a redemption at the option of the City on or after October 1, 2012, in whole or in part at any time, in such manner as may be determined by the City and by lot within a maturity if less than all of a maturity is to be redeemed, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

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WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2002 (CONTINUED)

MANDATORY REDEMPTION

The Series 2002 Bonds Term Bonds maturing on October 27, 2027 are subject to mandatory sinking fund redemption, in part by lot, prior to maturity, on October 1, 2023, and on October 1 of each year thereafter, at a price of par plus accrued interest on the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2023	\$1,890,000
2024	1,990,000
2025	2,090,000
2026	2,390,000
2027*	2,890,000

*Final Maturity

The Series 2002 Term Bonds maturing on October 1, 2032 and bearing interest at an annual rate of 5%, are subject to mandatory sinking fund redemption, in part by lot, prior to maturity, on October 1, 2028, and on October 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2028	\$1,245,000
2029	1,310,000
2030	1,375,000
2031	1,445,000
2032*	1,515,000

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WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2002 (CONTINUED)

*Final Maturity

The Series 2002 Term Bonds maturing on October 1, 2032 and bearing interest at an annual rate of 5.25%, are subject to mandatory sinking fund redemption, in part by lot, prior to maturity, on October 1, 2028, and on October 1 or each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2028	\$1,810,000
2029	1,900,000
2030	1,995,000
2031	2,095,000
2032*	2,200,000

*Final Maturity

AGENTS

Registrar:	Bank of New York, New York, New York
Paying Agent:	Bank of New York, New York, New York
Trustee:	Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland & Knight, LLP, Lakeland, Florida
Issuer's Financial Advisors:	Fishkind & Associates, Inc., Orlando, Florida William R. Hough & Co., St. Petersburg, Florida
Managing Underwriter:	Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriters' Counsel:	Nabors, Giblin & Nickerson, P.A., Tampa, Florida

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WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2002 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/09	2,875,000.00	2,826,481.00	5,701,481.00
10/01/10	3,010,000.00	2,679,356.00	5,689,356.00
10/01/11	3,165,000.00	2,524,981.00	5,689,981.00
10/01/12	3,325,000.00	2,362,731.00	5,687,731.00
10/01/13	3,485,000.00	2,188,125.00	5,673,125.00
10/01/14	3,680,000.00	2,000,044.00	5,680,044.00
10/01/15	2,665,000.00	1,833,488.00	4,498,488.00
10/01/16	465,000.00	1,753,650.00	2,218,650.00
10/01/17	480,000.00	1,733,269.00	2,213,269.00
10/01/18	500,000.00	1,711,519.00	2,211,519.00
10/01/19	525,000.00	1,688,128.00	2,213,128.00
10/01/20	1,650,000.00	1,637,831.00	3,287,831.00
10/01/21	1,725,000.00	1,558,706.00	3,283,706.00
10/01/22	1,805,000.00	1,474,869.00	3,279,869.00
10/01/23	1,890,000.00	1,384,750.00	3,274,750.00
10/01/24	1,990,000.00	1,287,750.00	3,277,750.00
10/01/25	2,090,000.00	1,185,750.00	3,275,750.00
10/01/26	2,390,000.00	1,073,750.00	3,463,750.00
10/02/27	2,890,000.00	941,750.00	3,831,750.00
10/01/28	3,055,000.00	790,862.00	3,845,862.00
10/01/29	3,210,000.00	629,600.00	3,839,600.00
10/01/30	3,370,000.00	460,231.00	3,830,231.00
10/01/31	3,540,000.00	282,369.00	3,822,369.00
10/01/32	3,715,000.00	95,626.00	3,810,626.00
	<u>\$ 67,940,000.00</u>	<u>\$ 48,300,082.00</u>	<u>\$ 116,240,082.00</u>

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UTILITIES TAX

UTILITIES TAX ORDINANCE SUMMARY

GENERAL

The Supplemental Utilities Tax Bond Ordinance amends the Utilities Tax Bond Ordinance and provides that “Utilities Tax” means “the utilities service tax imposed by the City on each and every purchase in the City of electricity, water, and metered and bottled gas (natural liquefied petroleum gas or manufactured) and the local communications tax imposed by the City on communications services pursuant to Section 202.19, Florida Statutes. Said term shall also apply to all taxes imposed by the City on the purchase of utility services, whether levied in the amounts prescribed by the Utilities Tax Ordinance or in any other amounts and whether imposed on the purchase of the same utilities services or any other or additional utilities services, by amendment to the Utilities Tax Ordinances.” The two components of Utilities Tax are discussed in greater detail below. The utilities service tax is referred to herein as the “Public Services Tax” and the local communications tax imposed pursuant to Section 202.19, Florida Statutes is referred to herein as the “Communications Tax.”

PUBLIC SERVICE TAX

The Public Services Tax is levied and collected under Section 166.231, Florida Statutes and Ordinances Nos. 2381, 2427, 2744, 2819, and 2955 of the City, enacted on September 20, 1982, January 3, 1983, November 4, 1985, July 21, 1986, and September 21, 1987, as amended and supplemented (collectively, the “Utilities Service Tax Ordinance”).

The Public Services Tax includes the tax as levied and collected by the City pursuant to the Utilities Service Tax Ordinance which, pursuant to the applicable statutes includes taxes on every purchase of electricity, water, metered or bottled gas (natural gas, liquefied petroleum gas or manufactured gas) in the amount of 10% of the payments received by the seller of utility service from the purchaser of such utility service, which tax, in every case, is required to be collected from the purchaser of such utility service and paid by such purchaser at the time of the purchaser’s paying the charge therefore to the seller, but not less often than monthly. The Utilities Service Tax Ordinance provides that it is unlawful for any seller of utility services to collect the price of any such sale without, at the same time, collecting the tax thereby imposed and levied in respect to such purchaser. Any seller failing to collect such tax at the time of collecting the price of any purchase shall be liable to the City for the amount of such tax in like manner as if the same had actually been paid to the seller.

The Utilities Service Tax Ordinance exempts from taxation:

- (i) Any increase in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973 (with fuel adjustment charges required to be separately stated on bills for utility services)
- (ii) Any service provided to the United States of America, the State of Florida, Polk County, Florida, the City, and any other political subdivision or agency thereof;
- (iii) Any services provided by any recognized church for use exclusively for church purposes;
- (iv) The purchase of local telephone service or other telecommunication service for use in the conduct of a telecommunication service for hire or otherwise for resale.

Section 166.231, Florida Statutes, also permits municipalities to exempt any amount, up to, and including, the first 500-kilowatt hours of electricity purchased per month for residential use but to date the City has implemented such exemption.

COMMUNICATIONS TAX

The Communications Services Tax Simplification Act, enacted by Chapter 2000-260, Laws of Florida, as amended by Chapter 2001-140, Laws of Florida, and now codified in part as Chapter 202, Florida Statutes (the "CSTA") established, effective October 1, 2001, a communications services tax on the sale of communications services defined in Section 202.11, Florida Statutes, and as of the same date repealed Section 166.231(9), Florida Statutes, which previously granted municipalities the authority to levy utility services tax on the purchase of telecommunication services. Section 202.19, Florida Statutes, authorizes counties and municipalities to levy a discretionary communications services tax (the "Communications Tax") on communications services, the revenues from which may be pledged for the repayment of current or future bonded indebtedness. Section 202.41, Florida Statutes provides that revenues received under the CSTA shall be deemed as a matter of law to replace any taxes and fees previously imposed but repealed by the CSTA (which includes the tax on telecommunication services previously authorized by Section 163.231(9), Florida Statutes) as security for the bonded indebtedness. The tax rate adopted by the City of Lakeland is 6.43%.

Prior to the effective date of the CSTA, the City exercised the option to levy a utility service tax at the rate of seven percent (7%) on the purchase of telecommunications services which originated or terminated within the City, excluding the variable usage charges for cellular mobile telephone or telecommunications services, specialized mobile radio and pagers and paging services. Telecommunications service was defined to be local telephone service, toll telephone service, telegram or telegraph service, teletypewriter, facsimile or computer exchange service, private communication service, cellular mobile telephone or telecommunication service and specialized mobile radio, pagers and paging service but excluding Internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer service.

One effect of the CSTA was to replace the former utility services tax on telecommunications services, including pre-paid calling arrangements, as well as any revenues from franchise fees on cable and telecommunications service providers and permit fees relating to placing or maintaining facilities in rights-of-way collected from providers of certain telecommunications services, with the local communications services tax. This change in law was intended to be revenue neutral to the counties and municipalities. The Communications Tax is applied to a broader base of communications services than the former utility services tax on telecommunications.

Communication services are defined as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term does not include:

- (a) Information services.
- (b) Installation or maintenance of wiring or equipment on a customer's premises.
- (c) The sale or rental of tangible personal property.
- (d) The sale of advertising, including, but not limited to, directory advertising.
- (e) Bad check charges.
- (f) Late payment charges.
- (g) Billing and collection services.
- (h) Internet access service, electronic mail service, electronic bulletin board service, or similar on-line services.

UTILITIES TAX COLLECTIONS

The following table is a record of Utilities Tax collected by the City for the past five Fiscal Years ending September 30.

	Utilities Tax and Tourist Development Tax Collections				
	Fiscal Years Ending September 30				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Electricity	\$ 7,324,452	\$ 7,004,301	\$ 6,598,518	\$ 6,341,371	\$ 6,286,860
Telecommunications	5,918,850	5,975,430	6,135,035	6,322,848	5,977,483
Water	1,186,935	1,264,074	1,155,269	1,052,041	994,654
Gas	91,707	6,544	37,534	4,677	4,227
Propane	198,671	315,414	235,498	235,983	230,050
Fuel Oil	0	0	20	563	1,004
	<u>14,720,615</u>	<u>14,565,763</u>	<u>14,161,873</u>	<u>13,957,484</u>	<u>13,494,278</u>
 Tourist Development Tax	 <u>440,000</u>	 <u>440,000</u>	 <u>440,000</u>	 <u>440,000</u>	 <u>440,000</u>
 Total	 <u><u>15,160,615</u></u>	 <u><u>15,005,763</u></u>	 <u><u>14,601,873</u></u>	 <u><u>14,397,484</u></u>	 <u><u>13,934,278</u></u>
 Annual Debt Service Requirement ¹	 <u><u>\$ 1,914,175</u></u>	 <u><u>\$ 1,892,804</u></u>	 <u><u>\$ 1,892,804</u></u>	 <u><u>\$ 1,941,049</u></u>	 <u><u>\$ 2,114,292</u></u>
 Coverage	 7.92	 7.93	 7.71	 7.42	 6.59

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UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2002 A

\$15,020,000

**SERIAL BONDS
DATED FEBRUARY 6, 2003
CUSIP NUMBERS**

511768DC4	511768DF7	511768DJ9	511768DM2	511768DQ3
511768DD2	511768DG5	511768DK6	511768DNO	511768DRI
511768DEO	511768DH3	511768DL4	511768DP5	511768DS9

PURPOSE

The Series 2002A Bonds were issued in order to provide funds to (i) refund all of the City's outstanding Utilities Tax Revenue Bonds, Series 1994A, (ii) fund a deposit to the 2002 Debt Service Reserve Account and (iii) pay cost associated with the issuance of the Series 2002A bonds, including the municipal bond insurance premium.

SECURITY

The Utilities Tax Revenue Refunding, Series 2002A Bonds and the interest thereon are payable solely from the Utilities Tax.

INSURANCE

A municipal bond insurance policy was purchased to unconditionally and irrevocably guarantee the full and complete payment required to be made.

RATINGS

Moody's Investors Service: **Aaa** Standard & Poor's Ratings Services: **AAA** Fitch: **AAA**

OPTIONAL REDEMPTION

The Series 2002A Bonds maturing on or after October 1, 2013, may be redeemed prior to their respective maturities, on or after October 1, 2012, at the option of the City, in whole or part at any time at the redemption prices of par, together with accrued interest to the redemption date.

AGENTS

Registrar:	Bank of New York, New York, New York
Paying Agent:	Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland a& Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	Fishkind & Associates, Inc., Orlando, Florida William R. Hough & Co., St. Petersburg, Florida
Managing Underwriter:	Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriters' Counsel:	Bryant, Miller and Olive, P.A., Orlando Florida
Insurance:	Ambac Assurance Corporation, New York, New York

UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2002A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENTS

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/08	945,000.00	173,387.50	1,118,387.50
04/01/09		161,575.00	161,575.00
10/01/09	965,000.00	161,575.00	1,126,575.00
04/01/10		147,100.00	147,100.00
10/01/10	995,000.00	147,100.00	1,142,100.00
04/01/11		130,931.25	130,931.25
10/01/11	1,035,000.00	130,931.25	1,165,931.25
04/01/12		112,818.75	112,818.75
10/01/12	1,065,000.00	112,818.75	1,177,818.75
04/01/13		92,850.00	92,850.00
10/01/13	1,110,000.00	92,850.00	1,202,850.00
04/01/14		71,760.00	71,760.00
10/01/14	1,150,000.00	71,760.00	1,221,760.00
04/01/15		49,335.00	49,335.00
10/01/15	770,000.00	49,335.00	819,335.00
04/01/16		33,935.00	33,935.00
10/01/16	800,000.00	33,935.00	833,935.00
04/01/17		17,535.00	17,535.00
10/01/17	835,000.00	17,535.00	852,535.00
	<u>\$ 12,395,000.00</u>	<u>\$ 2,934,267.50</u>	<u>\$ 15,329,267.50</u>

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UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2002 B

\$15,355,000

**SERIAL BONDS
DATED FEBRUARY 6, 2003
CUSIP NUMBERS**

511768DT7	511768DWO	511768DZ3	511768EC3	511768EF6	511768EJ8
511768DU4	511768DX8	511768EA7	511768ED1	511768EG4	511768EK5
511768DV2	511768DY6	511768EB5	511768EE9	511768EH2	511768EL3

PURPOSE

The Series 2002B Bonds are being issued to provide funds to (i) finance (a) the acquisition, construction and installation of public park facilities at Lake Mirror, (b) construction and installation of a radio tower to be used with the City's public safety 800 mbz radio system, (c) certain road improvements (d) construction of a new fire station in the northeast quadrant of the City, including acquisition of motorized equipment, and related improvements, fixtures, furnishings and equipment (collectively, the "Project"), (ii) fund the deposit to the 2002 Debt Service Reserve Account, and (iii) pay costs associated with the issuance of the Series 2002B Bonds, including the municipal bond insurance premium.

SECURITY

The Utilities Tax Revenue Refunding, Series 2002B Bonds and the interest thereon are payable solely from the Utilities Tax.

INSURANCE

A municipal bond insurance policy was purchased from AMBAC to unconditionally and irrevocably guarantee the full and complete payment required to be made.

RATINGS*

Moody's Investors Service: **Aaa Standard & Poor's Ratings Services: **AAA** Fitch: **AAA****

*Subsequent to September 30, 2007, Fitch Ratings reduced AMBAC's rating to AA.

OPTIONAL REDEMPTION

The Series 2002B Bonds maturing on or after October 1, 2013, may be redeemed prior to their respective maturities, on or after October 1, 2012, at the option of the City, in whole or part at any time at the redemption prices of par, together with accrued interest to the redemption date.

UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2002B (CONTINUED)

AGENTS

Registrar: Bank of New York, New York, New York
Paying Agent: Bank of New York, New York, New York
Issuer's Bond Counsel: Holland a& Knight LLP, Lakeland, Florida
Issuer's Financial Advisors: Fishkind & Associates, Inc., Orlando, Florida
William R. Hough & Co., St. Petersburg, Florida
Managing Underwriter: Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriters' Counsel: Bryant, Miller and Olive, P.A., Orlando Florida
Insurance: Ambac Assurance Corporation, New York, New York

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UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2002B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENTS

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/08	175,000.00	339,295.00	514,295.00
04/01/09		337,107.50	337,107.50
10/01/09	185,000.00	337,107.50	522,107.50
04/01/10		334,332.50	334,332.50
10/01/10	190,000.00	334,332.50	524,332.50
04/01/11		331,245.00	331,245.00
10/01/11	185,000.00	331,245.00	516,245.00
04/01/12		328,007.50	328,007.50
10/01/12	200,000.00	328,007.50	528,007.50
04/01/13		324,257.50	324,257.50
10/01/13	200,000.00	324,257.50	524,257.50
04/01/14		320,457.50	320,457.50
10/01/14	210,000.00	320,457.50	530,457.50
04/01/15		316,362.50	316,362.50
10/01/15	645,000.00	316,362.50	961,362.50
04/01/16		303,462.50	303,462.50
10/01/16	675,000.00	303,462.50	978,462.50
04/01/17		289,625.00	289,625.00
10/01/17	700,000.00	289,625.00	989,625.00
04/01/18		274,925.00	274,925.00
10/01/18	2,080,000.00	274,925.00	2,354,925.00
04/01/19		222,925.00	222,925.00
10/01/19	2,185,000.00	222,925.00	2,407,925.00
04/01/20		168,300.00	168,300.00
10/01/20	2,295,000.00	168,300.00	2,463,300.00
04/01/21		110,925.00	110,925.00
10/01/21	2,410,000.00	110,925.00	2,520,925.00
04/01/22		56,700.00	56,700.00
10/01/22	<u>2,520,000.00</u>	<u>56,700.00</u>	<u>2,576,700.00</u>
	<u>\$ 15,355,000.00</u>	<u>\$ 9,827,742.50</u>	<u>\$ 25,182,742.50</u>

TOURIST DEVELOPMENT TAX

Pursuant to Section 125.0104, Florida Statutes (Tourist Development Tax Act), the County levies a tourist development tax on the total rental charged to every lessee, tenant, or customer who rents, leases, or lets for consideration any living quarters or accommodation in any hotel, apartment, apartment hotel, motel, resort motel, apartment motel, rooming house, mobile home park, recreational vehicle park, or condominium located in the County for a term of six months or less.

POLK COUNTY ORDINANCE

Polk County Ordinance 93-45 along with subsequent amendments (Ordinance), established the Lakeland Subdistrict, which includes the greater urban area surrounding the City of Lakeland. The County Subdistrict comprises the remainder of Polk County (County). The County currently levies the tourist development tax at a rate of four percent in all areas of the County. The City is designated to receive the fourth cent of the tourist development tax collected in the Lakeland Subdistrict and one-half of the fourth cent of the tourist development tax collected within the County Subdistrict (collectively referred to as the Fourth Cent Tourist Development Tax). Pursuant to the Ordinance, this allocation became effective the first day of the month following completion of the validation of the Series 2002 Bonds.

INTERLOCAL AGREEMENT

Pursuant to the Interlocal Agreement between the City and the County, the Fourth Cent Tourist Development Tax (as described above) has been pledged by the County for payment of debt service on the Series 2002C Bonds in an aggregate amount to be not less than the lesser of the following:

- (i) The amount of annual debt service on that portion of the Series 2002C Bonds, the proceeds of which were used for the construction, renovation and expansion of a professional sports franchise facility; or
- (ii) Four hundred and forty thousand dollars (the “Minimum Annual Pledge”).

In addition, to the extent that the Fourth Cent Tourist Development Tax collected by the County is insufficient for the payment to the City of the Minimum Annual Pledge, the County has agreed to pay from the first and second cents of the tourist development tax imposed pursuant to the County Ordinance, an amount equivalent to that necessary to fund the difference between the amount of the Fourth Cent Tourist Development Tax collected and the Minimum Annual Pledge; provided, however, that the amount payable by the County to the City from the first and second cents of the Tourist Development Tax shall in no event exceed one hundred thousand dollars (\$100,000.00) per year.

In the event that the Fourth Cent Tourist Development Tax exceeds the Minimum Annual Pledge, the County, in its discretion, may pay such excess over to the City or be applied by the City for the payment of the debt service on the Series 2002C Bonds or apply the same to other indebtedness issued by the County or other entities for professional sports franchise facilities; provided, however, that the County has agreed that, in the event that the Fourth Cent Tourist Development Tax collected in any of the first through fifth years immediately succeeding the effective date of the Interlocal Agreement is less than the Minimum Annual Pledge, any excess of tax proceeds collected in any year after the fifth year up to an aggregate of the amounts of such deficiencies in each of the first through fifth years shall be deposited in the Tourist Development Tax Sinking Fund and used for payment of debt service on the Series 2002C Bonds.

No portion of the tourist development tax levied by the County other than that portion described above has been pledged by the County to the payment of the debt service on the Series 2002C Bonds.

LIMITATION ON USE OF FOURTH CENT OF TOURIST DEVELOPMENT TAX

The Fourth Cent Tourist Development Tax is levied pursuant to the Tourist Development Tax Act and the County Ordinance and may be used for the purpose of paying debt service on the Series 2002C Bonds issued for the expansion, renovation, and construction of the improvements to the Lakeland Civic Center-George Jenkins Arena.

REVENUES GENERATED

The following table indicates the total tourist development tax revenues generated from the one-cent and one-half cent of Tourist Development Tax collected within the City and County Subdistricts for the previous seven fiscal years ended September 30.

<u>Year</u>	<u>Area 1¢</u>	<u>Area ½¢</u>	<u>"Fourth Cent"</u>
2008	\$ 324,321	\$ 1,492,153	\$ 1,816,474
2007	334,561	1,104,077	1,438,638
2006	347,189	496,764	843,953
2005	352,310	518,895	871,205
2004	287,519	383,091	670,610
Totals	<u>\$ 1,645,900</u>	<u>\$ 3,994,980</u>	<u>\$ 5,640,880</u>

¹Minimum guarantee from Polk County is \$440,000 annually. To the extent that actual collections are below this amount, the County is obligated to make up the difference, up to \$100,000, from the first cent and the second cent of the Tourist Development Taxes levied.

Source: Polk County.

The total amount of tourist development tax collected within the County is subject to increase or decrease by the following:

- (i) Legislative changes resulting in an increase or decrease in the rate at which the tourist development tax is imposed;
- (ii) Changes in the rental rates, volume and usage of the living quarters and accommodations subject to the Tourist Development Tax Act, which is affected by changes in tourist and convention destinations as well as economic conditions.

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TOURIST DEVELOPMENT TAX AND UTILITIES TAX REVENUE REFUNDING BONDS, SERIES 2002C

\$5,660,000

**SERIAL BONDS
DATED FEBRUARY 6, 2003
CUSIP NUMBERS**

511759AT9	511759AW2	511759AZ5	511759BC5	511759BF8
511759AU6	511759AXO	511759BA9	511759BD3	511759BG6
511759AV4	511759AY8	511759BB7	511759BE1	511759BH4

PURPOSE

The Series 2002C Bonds are being issued to provide funds to (i) refund all of the City's outstanding Tourist Development Tax and Utilities Tax Revenue Bonds, Series 1994B (the "Refunded 1994B Bonds" and together with the Refunded 1994A Bonds, the "Refunded Bonds"), (ii) fund the deposit to the 2002 Debt Service Reserve Account, and (iii) pay costs associated with the issuance of the Series 2002C Bonds, including the municipal bond insurance premium.

SECURITY

The Utilities Tax Revenue Refunding, Series 2002C Bonds and the interest thereon are payable solely from the Utilities Tax.

INSURANCE*

A municipal bond insurance policy was purchased from AMBAC to unconditionally and irrevocably guarantee the full and complete payment required to be made.

*Subsequent to September 30, 2007, Fitch Ratings reduced AMBAC's rating to AA.

RATINGS

Moody's Investors Service: **Aaa Standard & Poor's Ratings Services: **AAA** Fitch: **AAA****

OPTIONAL REDEMPTION

The Series 2002B Bonds maturing on or after October 1, 2013, may be redeemed prior to their respective maturities, on or after October 1, 2012, at the option of the City, in whole or part at any time at the redemption prices of par, together with accrued interest to the redemption date.

AGENTS

Registrar: Bank of New York, New York, New York
Paying Agent: Bank of New York, New York, New York
Issuer's Bond Counsel: Holland a& Knight LLP, Lakeland, Florida
Issuer's Financial Advisors: Fishkind & Associates, Inc., Orlando, Florida
William R. Hough & Co., St. Petersburg, Florida
Managing Underwriter: Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriters' Counsel: Bryant, Miller and Olive, P.A., Orlando Florida
Insurance: Ambac Assurance Corporation, New York, New York

**TOURIST DEVELOPMENT TAX AND UTILITIES TAX REVENUE REFUNDING BONDS,
SERIES 2002C (CONTINUED)**

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENTS

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/08	340,000.00	72,311.25	412,311.25
04/01/09		68,061.25	68,061.25
10/01/09	350,000.00	68,061.25	418,061.25
04/01/10		62,811.25	62,811.25
10/01/10	360,000.00	62,811.25	422,811.25
04/01/11		56,961.25	56,961.25
10/01/11	375,000.00	56,961.25	431,961.25
04/01/12		50,398.75	50,398.75
10/01/12	385,000.00	50,398.75	435,398.75
04/01/13		43,180.00	43,180.00
10/01/13	400,000.00	43,180.00	443,180.00
04/01/14		35,580.00	35,580.00
10/01/14	415,000.00	35,580.00	450,580.00
04/01/15		27,487.50	27,487.50
10/01/15	430,000.00	27,487.50	457,487.50
04/01/16		18,887.50	18,887.50
10/01/16	445,000.00	18,887.50	463,887.50
04/01/17		9,765.00	9,765.00
10/01/17	465,000.00	9,765.00	474,765.00
	<u>\$ 4,630,000.00</u>	<u>\$ 1,121,673.75</u>	<u>\$ 5,751,673.75</u>

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CAPITAL IMPROVEMENT REVENUE BONDS

PLEGGED REVENUES

The pledged revenues consist of “Covenant Revenues” (Non-Ad Valorem Revenues budgeted and appropriated by the City, and deposited into the Sinking Fund Account to pay the principal of, premium, if any, and interest on the Series 1997 Bonds) and income received from the investment of moneys deposited in the funds and accounts established under the Ordinance (ordinance 3770 enacted December 2, 1996 and subsequent amendments).

Pursuant to the Ordinance, “Non-Ad Valorem Revenues” means legally available revenues of the City derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for payment by the City of debt service on the Series 1997 Bonds and Non-Ad Valorem Revenue Obligations. “Non-Ad Valorem Revenue Obligations” means obligations evidencing indebtedness for borrowed money, including the Series 1997 Bonds, the primary security for which is,

- (i) Provided by a covenant of the City to budget and appropriate Non-Ad Valorem Revenues of the City for the payment of debt service on such obligations, or
- (ii) Primarily secured or payable from another source of funds, but with respect to which the City has also covenanted to budget and appropriate Non-Ad Valorem Revenues of the City for the payment of debt service on such obligations, provided that obligations described in this clause (ii) shall only be considered Non-Ad Valorem Revenue Obligations to the extent the City has included in its budget (by amendment or otherwise) the payment of such Non-Ad Valorem Revenues pursuant to such covenant to pay debt service on such obligations.

COVENANT TO BUDGET AND APPROPRIATE

Until the Series 1997 Bonds are paid or deemed paid pursuant to the provisions of the Ordinance, the City has covenanted to appropriate in its annual budget, by amendment if necessary, to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its annual budget for each Fiscal Year, by amendment if necessary, and to deposit to the credit of the Sinking Fund Account created under the Ordinance, Non-Ad Valorem Revenues of the City in an amount which is equal to the Bond Service Requirements (as is more fully described in the Ordinance) with respect to the Bonds for the applicable Fiscal Year, plus an amount sufficient to satisfy all other payment obligations of the City under the Ordinance for the applicable Fiscal Year, including without limitation, to the extent applicable, the funding or the replenishment of the subaccounts in the Reserve Account in the manner described in the Ordinance.

Such covenant and agreement on the part of the City to budget and appropriate sufficient amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues in amounts sufficient to make all required payments under the Ordinance as when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the appropriate funds and accounts under the Ordinance; provided, however that such covenant shall not constitute a lien, either legal or equitable, or any of the City’s Non-Ad Valorem Revenues or any other revenues, nor shall it preclude the City from pledging in the future any of its Non-Ad Valorem Revenues or other revenues to other obligations, nor shall it give the Bondholders a prior claim on the Non-Ad Valorem Revenues.

All obligations of the City under the Ordinance shall be secured only by the Non-Ad Valorem Revenues actually budgeted and appropriated and deposited into the funds and accounts created under the Ordinance as provided therein. Law prohibits the City from expending moneys not appropriated or in excess of its current budgeted revenues and surpluses. The obligation of the City to budget, appropriate, and make payments under the Ordinance from its Non-Ad Valorem Revenues is subject to the availability of the Non-Ad Valorem Revenues after satisfying funding requirements for obligations having an express lien on or pledge of such revenues and after satisfying funding

requirements for essential government services of the City. The City has not covenanted to maintain any service or program now provided or maintained by the City, which generates Non-Ad Valorem Revenues.

NON-AD VALOREM REVENUES

The following table summarizes the available Non-Ad Valorem Revenues for the fiscal year ending September 30, 2008.

	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>
GENERAL FUND REVENUES					
Utility Taxes	\$ 13,494,278	\$ 13,957,483	\$ 14,161,883	\$ 14,565,661	\$ 14,720,615
Franchise Fees	235,506	283,085	320,781	304,911	261,713
Licenses & Permits	2,467,512	2,954,750	4,464,447	3,785,223	3,300,692
State Shared Revenues					
Half-Cent Sales Tax	5,148,418	5,696,157	6,004,380	5,611,881	5,068,350
Cigarette Taxes	1,683,783	2,210,905	2,330,366	2,309,247	2,115,087
Mobile Home License Fees	206,255	194,245	197,190	197,194	188,990
Alcoholic Beverage Licenses	52,481	55,968	60,222	68,439	68,974
Charges for Services	2,707,179	3,206,424	3,856,070	4,065,328	3,982,580
Fines & Forfeits	1,020,071	1,016,958	1,356,977	994,160	963,902
Miscellaneous					
Interest & change in market value	250,536	314,135	575,303	1,375,677	1,213,150
Rents	46,900	62,026	165,919	63,064	54,100
Sales of Fixed Assets	6,173	3,009	63,056	-	-
Other	526,870	366,726	523,137	440,963	391,368
Transfers from Enterprise and Other Funds	28,401,795	29,832,516	30,459,809	28,361,145	34,961,003
Sub-Total	<u>\$ 56,247,757</u>	<u>\$ 60,154,387</u>	<u>\$ 64,539,540</u>	<u>\$ 62,142,893</u>	<u>\$ 67,290,524</u>
PUBLIC IMPROVEMENT FUND					
Charges for Services	\$ 285,000	\$ 310,172	\$ 307,698	\$ 284,021	\$ 373,706
Sale of Fixed Assets	111,571	1,602,251	1,116,553	692,686	7,084
Interest & change in market value	234,258	155,855	434,490	536,593	490,741
Hospital Lease Payments	7,369,835	9,218,753	9,158,643	10,131,768	10,924,230
Other	1,751	6	-	338,723	1,296
Sub-Total	<u>\$ 8,002,415</u>	<u>\$ 11,287,037</u>	<u>\$ 11,017,384</u>	<u>\$ 11,983,791</u>	<u>\$ 11,797,057</u>
TRANSPORTATION FUND					
Interest & change in market value	\$ 67,592	\$ 61,283	\$ 214,314	\$ 364,511	\$ 76,610
Other	154,159	854,448	2,717,715	1,911,333	3,319,541
Sub-Total	<u>\$ 221,751</u>	<u>\$ 915,731</u>	<u>\$ 2,932,029</u>	<u>\$ 2,275,844</u>	<u>\$ 3,396,151</u>
Grand Total	<u>\$ 64,471,923</u>	<u>\$ 72,357,155</u>	<u>\$ 78,488,953</u>	<u>\$ 76,402,528</u>	<u>\$ 82,483,732</u>

Source: City of Lakeland Comprehensive Annual Financial Report (CAFR) for year ending

The following table summarizes the annual debt service requirements secured by Non-Ad Valorem debt as of September 30, 2008:

**City of Lakeland, Florida
Sunshine State Governmental Financing Loans
Dilution Test
September 30, 2008**

<u>Estimated Maximum Annual Debt Service</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding at 9/30/2008</u>	<u>Maturity Date</u>	<u>Max Debt Service Fiscal 2008</u>
Lakeland (1995) - Lakeland Airside Center	\$ 6,955,000	\$2,555,000	7/15/2015	\$ 506,173
Lakeland (1999) - Golf Course/ Radio System	4,120,000	2,940,000	9/1/2014	627,045
Lakeland (2000) - Airport Terminal	4,750,000	1,294,000	10/31/2020	196,415
Lakeland (2001) - Marchant Stadium Improvements (Taxable)	9,760,000	6,998,000	10/31/2016	1,267,839
Lakeland (2003) - Regency Hotel	5,000,000	5,000,000	11/30/2013	1,150,595
Sub-Total	<u>30,585,000</u>	<u>18,787,000</u>		<u>\$ 3,748,067</u>
Percent of total covenant-backed debt		25.0%		
 <u>Other Debt Service payable from non ad valorem revenues</u>				
Utilities Tax and Tourist Development Tax Revenue Refunding Bonds, Series 2002A, B, C	36,035,000	28,490,000		\$ 2,633,850
Capital Improvement Revenue Bonds, Series 1997	45,700,000	27,840,000		3,601,500
Sub-Total	<u>81,735,000</u>	<u>56,330,000</u>		<u>\$ 6,235,350</u>
 Total Projected Debt Service	 <u>\$ 112,320,000</u>	 <u>\$ 75,117,000</u>		 <u>\$ 9,983,417</u>
 200% Projected Debt				 <u>\$ 19,966,834</u>

CAPITAL IMPROVEMENT REVENUE BONDS, REFUNDING SERIES 1997

\$45,700,000

**SERIAL BONDS AND TERM BONDS
DATED JULY 15, 1997
CUSIP NUMBERS**

511662AA	511662AE	511662AJ	511662AN
511662AB	511662AF	511662AK	511662AP
511662AC	511662AG	511662AL	511662AQ
511662AD	511662AH	511662AM	511662AR

PURPOSE

The Series 1997 Bonds were issued for the purpose of providing funds: (i) to currently refund certain loans (“the Sunshine State Loans”) entered into by the City with the Sunshine State Government Financing Commission, which Sunshine State Loans financed various capital improvements within the City; (ii) to make deposit to the Reserve Account and (iii) to pay costs related to the issuance of the Series 1997 Bonds.

SECURITY

The Series 1997 Bonds and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

INSURANCE

A municipal bond insurance policy was purchased from MBIA to unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the City.

RATINGS

Moody’s Investors Service: **Aaa** Standard & Poor’s Ratings Services: **AAA**

MANDATORY REDEMPTION

The Series 1997 Bonds that mature on October 1, 2017 will be subject to mandatory redemption in part prior to maturity, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning October 1, 2013, and on each October 1 thereafter in the following principal amounts in the years specified:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
2013	\$ 2,820,000	2016	\$ 3,265,000
2014	2,960,000	2017	3,430,000
2015	3,110,000		

CAPITAL IMPROVEMENT REVENUE BONDS, REFUNDING SERIES 1997 (CONTINUED)

OPTIONAL REDEMPTION

The Series 1997 Bonds maturing on or prior to October 1, 2007, will not be subject to redemption prior to maturity. The Series 1997 Bonds maturing after October 1, 2008 are subject to redemption prior to their respective dates of maturity, on or after October 1, 2007, at the option of the City, in whole or in part at any time at the redemption prices (expressed as percentages of par value) together with accrued interest to the redemption date as follows:

<u>Redemption Date</u>	<u>Price</u>
10/1/2007 — 9/30/2008	102 %
10/1/2008 — 9/30/2009	101 %
10/1/2010 — thereafter	100 %

AGENTS

Registrar: Bank of New York, New York, New York
Paying Agent: Bank of New York, New York, New York
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland Florida
Issuer's Financial Advisor's: Fishkind & Associates, Inc., Orlando, Florida
William R. Hough & Co., St Petersburg, Florida
Underwriter: Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriter's Counsel: Edwards & Angell, Palm Beach, Florida
Insurance: MBIA Insurance Corporation, Armonk, New York

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CAPITAL IMPROVEMENT REVENUE BONDS, REFUNDING SERIES 1997 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/08	2,230,000.00	684,312.50	2,914,312.50
04/01/09		633,022.50	633,022.50
10/01/09	2,335,000.00	633,022.50	2,968,022.50
04/01/10		578,150.00	578,150.00
10/01/10	2,445,000.00	578,150.00	3,023,150.00
04/01/11		519,470.00	519,470.00
10/01/11	2,560,000.00	519,470.00	3,079,470.00
04/01/12		456,750.00	456,750.00
10/01/12	2,685,000.00	456,750.00	3,141,750.00
04/01/13		389,625.00	389,625.00
10/01/13	2,820,000.00	389,625.00	3,209,625.00
04/01/14		319,125.00	319,125.00
10/01/14	2,960,000.00	319,125.00	3,279,125.00
04/01/15		245,125.00	245,125.00
10/01/15	3,110,000.00	245,125.00	3,355,125.00
04/01/16		167,375.00	167,375.00
10/01/16	3,265,000.00	167,375.00	3,432,375.00
04/01/17		85,750.00	85,750.00
10/01/17	<u>3,430,000.00</u>	<u>85,750.00</u>	<u>3,515,750.00</u>
	<u>\$ 33,980,000.00</u>	<u>\$ 11,996,270.00</u>	<u>\$ 45,976,270.00</u>

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GLOSSARY OF TERMINOLOGY

ACCRUED INTEREST

The interest that has accumulated since the last interest payment up to, but not including, the settlement date and that is added to the contract price of a bond transaction. There are two methods for calculating accrued interest: the 30-day-month (360-day-year) method for corporate and municipal bonds, and the actual-calendar-days (365-day-year) method for government bonds. Income bonds, bonds in default and zero-coupon bonds trade without accrued interest.

ADVANCE REFUNDING

The refinancing of an existing municipal bond issue prior to its maturity or call date by using funds from the sale of a new bond issue. The proceeds of the new bond issue are used to purchase government securities, and the municipality puts the principal and interest received from these securities into an escrow account; it then uses these funds to pay off the original bond issue at the first call date.

AMBAC INDEMNITY CORPORATION (AMBAC)

A corporation that offers insurance on the timely payment of principal and interest obligations of municipal securities. Bonds insured by AMBAC usually receive an AAA rating from rating services.

BOND

A legal obligation (debt) of an issuing company or government to repay the principal of a loan to bond investors at a specified future date.

BOND COUNSEL

A lawyer or law firm experienced in the matters relating to the validity of, and the exclusion from gross income for federal income tax purposes of interest on, obligations of states and their political subdivisions.

BOND PURCHASE AGREEMENT

The agreement between the issuer of bonds and the underwriter or underwriters, who have agreed to purchase the bonds, setting forth the terms of the sale, including the price of the bonds, any premium or discount, the interest rate or rates, the conditions of closing, any restrictions on the liability of the issuer, and, occasionally, indemnity provisions if there is not a separate indemnity letter or agreement. (Also called “contract of purchase” or “underwriting agreement”)

BOND RATINGS

Evaluations by independent rating services of a bond’s investment quality and credit worthiness.

BONDHOLDER

The registered owners, or their authorized representatives, of Bonds.

BROKER-DEALER (BD)

A person or firm in the business of buying and selling securities. A firm may act as both broker (agent) and dealer (principal) but not in the same transaction. Broker-dealers normally must register with the SEC, the appropriate SRO's and with any state in which they do business.

CALL FEATURES

Provisions for the redemption by the issuer of a bond or bonds prior to the stated maturity of the securities. Provisions may be either mandatory or exercisable at the option of the issuer.

CALL PREMIUM

A dollar amount, usually stated as a percentage of the principal amount called, paid as a "penalty" or a "premium" for the exercise of a call provision.

CALLABLE BOND

A bond which may be redeemed by the issuer on specified date(s) prior to maturity.

CLOSING DATE

The date on which a new bond issue is delivered to the purchaser upon payment of the purchase price and the satisfaction of all conditions specified in the bond purchase agreement.

COMMITTEE ON UNIFORM SECURITIES IDENTIFICATION PROCEDURES (CUSIP)

A committee that assigns identification numbers and codes to all securities, to be used when recording all buy or sell orders.

COST OF ISSUANCE

The costs associate with the sale of a security, including printing, legal fees, cost of ratings, and other items.

COVENANTS

Pledges made by an issuer in regards to the operation of a project, system, or enterprise of the issuer. Such pledges are of interest to the bondholder as they assure that certain practices will be followed or avoided by the issuer.

COVERAGE

The margin of safety for payment of debt service, reflecting the number of times by which the annual revenues, either gross or net, exceed the annual debt service.

DIGITAL ASSURANCE CERTIFICATION (DAC)

An Ernst & Young LLP Company, that specializes exclusively in investor relations programs and compliance reporting for the municipal securities industry. DAC has a compliance reporting platform which assists issuers and other market participants in the required disclosures in accordance with SEC Rule 15c2-12, as amended.

DEALER

An individual or firm that is engaged in the business of buying and selling securities for its own account, either directly or through a broker or a firm or an individual who acts as a principal and charges the customer a markup or markdown.

DEBT FINANCING

Raising money for working capital or for capital expenditures by selling bonds, bills, or notes to individual or institutional investors.

DEBT SERVICE

Required payments for interest on and retirement of the principal amount of a debt obligation.

DEBT SERVICE ACCOUNT

The account used to pay a municipal revenue bond's semiannual interest and principal maturing in the current year; it also serves as a sinking fund for term issues.

DEBT SERVICE RESERVE FUND

The account into which funds are deposited to pay one year's debt service on a municipal revenue bond.

DEBT SERVICE SCHEDULE

A table outlining the retirement of bonded debt over a specified period of time, providing for annual or semi-annual payments of principal and interest to extinguish the debt.

DEFAULT

Failure by the issuer to pay principal or interest promptly when due or failure to fulfill other covenants previously agreed to.

DEFEASANCE

The termination of a debt obligation by issuing a new debt issue or creating a trust that generates enough cash flow to provide for the payment of principal and interest.

DENOMINATION

The face or dollar amount for bonds which are issued.

DISCOUNT

The difference between the lower price paid for a security and the security's face amount at issue.

DISCOUNT BOND

A bond that sells for a lower price than its face value.

EFFECTIVE DATE

The date the registration of an issue of securities becomes effective, allowing the underwriters to sell the newly issued securities to the public and confirm sales to investors who have given indications of interest.

END OF UNDERWRITING PERIOD

The latter of (i) the time the issuer of the municipal securities delivers the securities to the Participating Underwriters or (ii) the Participating Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the securities for sale to the public.

EXEMPT SECURITY

A security exempt from the registration requirements (although not from the antifraud requirements) of the Securities Act of 1933.

FACE VALUE

The dollar amount the issuer promises to pay the bondholder at maturity. Also called the par value.

FINAL OFFICIAL STATEMENT

A document or set of documents prepared by an issuer of municipal securities or its representatives that is complete as of the date delivered to the Participating Underwriter(s) and that sets forth information concerning the terms of the proposed issue of securities; information, including financial information or operating data, concerning such issuers of municipal securities and those other entities, enterprises, funds, accounts, and other persons material to an evaluation of the offering.

FINANCIAL ADVISOR

A consultant to an issuer of municipal securities who provides the issuer with advice with respect to the structure, timing, terms, or other similar matters concerning a new issue of securities.

FINANCIAL GUARANTY INSURANCE CORPORATION (FGIC)

An insurance company that offers insurance on the timely payment of interest and principal on municipal issues and unit investment trusts.

FINANCIAL SECURITY ASSURANCE, INC (FSA)

An insurance company that offers insurance on the timely payment of interest and principal on municipal issues and unit investment trusts.

FITCH INVESTORS SERVICE, INC

A rating service for corporate bonds, municipal bonds, commercial paper, and other debt obligations.

GENERAL OBLIGATION BOND (GO)

A bond secured by the pledge of the issuer's full faith, credit, and, usually, taxing power, which may be an unlimited ad valorem tax or a limited tax on real estate and personal property.

INDUSTRIAL DEVELOPMENT REVENUE BOND (IDB)

A debt security issued by a municipal authority, which uses the proceeds to finance the construction or purchase of facilities to be leased or purchased by a private company. The bonds are backed by the credit of the private company, which is ultimately responsible for principal and interest payments.

INSTITUTIONAL INVESTOR

A person or organization that trades securities in large enough share quantities or dollar amounts that it qualifies for preferential treatment and lower commissions. An institutional order can be of any size. Institutional investors are covered by fewer protective regulations because it is assumed that they are more knowledgeable and better able to protect themselves.

INSURANCE COVENANT

A provision of a municipal revenue bond's trust indenture that helps ensure the safety of the issue by promising to insure the facilities built.

INSURED BOND

A bond insured as to timely payment of principal, interest, and premium by private insurers.

INVESTMENT BANKER

A broker/dealer firm that underwrites new issues and provides financial counseling to issuers of securities. (underwriter)

ISSUER

A legal entity that borrows money through the issuance of debt obligations specified in section 3(a)(29) and rule 3b-5(a) of the Act.

MATERIAL INFORMATION

Any information or fact that could affect an investor's decision to trade a security.

MATURITY

The date upon which the principal of a municipal bond becomes due and payable to the bondholders.

MOODY'S INVESTORS SERVICES

A rating service for corporate bonds, municipal bonds, commercial paper, and other debt obligations.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (MBIA)

A corporation that offers insurance on the timely payment of principal and interest obligations of municipal securities. Bonds insured by MBIA usually receive an AAA rating from rating services.

MUNICIPAL BONDS

Debt obligations issued by states, counties, cities, political subdivisions, and territories of the United States.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)

A self-regulatory organization that regulates the issuance and trading of municipal securities. The Board functions under the supervision of the Securities and Exchange Commission; it has no enforcement powers.

NET DIRECT DEBT

The amount of debt obligations of a municipality, including general obligation bonds, notes, and short term notes. Self-supported debt from revenue bond issues is not included.

NON-CALLABLE BOND

A bond that cannot be called for redemption at the option of the issuer before its specified maturity date.

PAR

The dollar amount assigned to a security by the issuer. For a municipal security, the amount repaid to the investor when the bond matures.

PARITY BONDS

Municipal bonds which enjoy the same lien position as previously outstanding bonds.

PAYMENT DATE

The date at which the interest of a municipal bond is due to the bondholder.

PLEGGED REVENUES

Those revenues of an entity which are designated for the repayment of debt obligations.

PREMIUM

The amount by which the cost price (market value) exceeds the principal amount of a municipal bond.

PRINCIPAL

The face amount or par value of a municipal bond, exclusive of accrued interest.

PRIMARY OFFERING

An offering of municipal securities directly or indirectly by or on behalf of an issuer of such securities, including any remarketing of municipal securities (i) that is accompanied by a change in the authorized denomination of such securities from \$100,000 or more to less than \$100,000, or (ii) that is accompanied by a change in the period during which such securities may be tendered to an issuer of such securities or its designated agent for redemption or purchase from a period of nine months or less to a period of more than nine months.

RATE COVENANT

A covenant requiring the charging of rates or fees for the use of specific facilities or operations sufficient to achieve a stated minimum coverage.

RATING AGENCY

A nationally recognized agency that rates securities for safety of payment of principal, interest, or dividends at the request of the issuer.

RATING CATEGORY

One of the generic rating categories of any nationally recognized securities rating agency without regard to any refinement or graduation of such rating by a numerical modifier or otherwise.

REFUNDING

The retiring of a bond issue at the earliest call date or at maturity with funds from a new issue.

REGISTERED BOND

A bond which has a name printed on the certificate identifying the owner. The owner is “registered” with the issuer or its agent, either as to both principal and interest, or as to principal only.

REGISTRAR

The issuer or agent designated by the issuer, by ordinance or resolution, to maintain the registration books for the Bond issued or to perform other duties with respect to registering the transfer of Bonds.

RESERVE FUND

A fund that may be used to pay debt service if the pledged revenue sources do not generate sufficient funds to cover debt service.

REVENUE BOND

A bond secured by a pledged source of revenue.

SENIOR LIEN DEBT

A bond issue that shares the same collateral as other issues, but has a prior claim to the collateral in the event of default.

SERIAL BOND

A bond that has a series of maturities at intervals during the term of the bond.

STANDARD & POORS CORPORATION (S&P)

An independent company that rates stock and corporate and municipal bonds according to risk profiles and produces and tracks the S&P indexes.

SUBORDINATED DEBT FINANCING

A form of long-term capitalization used by broker/dealers, in which claims of lenders are subordinated to the claims of other creditors.

TAXABLE BOND

Bonds on which the interest at the time of issuance is not intended to be excluded from the gross income of the holders for federal tax purposes.

TAX-EXEMPT BOND

A municipal bond, the interest on which is exempt from Federal Income Tax.

TERM BOND

A municipal bond issue that has a single maturity.

TRUSTEE

A person or organization legally appointed to act on behalf of a beneficiary.

TRUST AGREEMENT

An agreement between an issuer and a trustee acting on behalf of bondholders, (i) authorizing and securing the bonds; (ii) containing the issuer's covenants and obligations with respect to the project and payment of debt service; (iii) specifying the events of default; and (iv) outlining the trustee's fiduciary responsibilities and bondholders' rights.

UNDERWRITER

Any person or firm that purchases from an issuer of municipal securities, or offers or sells for an issuer of municipal securities in connection with, the offering of any municipal security, or participates or has a direct or indirect participation in any such undertaking; except, that such term shall not include a person whose interest is limited to a commission, concession, or allowance from an underwriter, broker, dealer, or municipal securities dealer not in excess of the usual and customary distributors' or sellers' commission, concession, or allowance.

UNDERWRITERS' COUNSEL

A law firm engaged to represent the interests of the underwriters of a security issue.

VARIABLE RATE BOND

Bonds issued with a variable, adjustable, convertible, or other similar interest rate which is not fixed in percentage at the date of issue for the entire term thereof.

YIELD

The net rate of return on an investment based on an annual interest rate over the term of the security. Also called yield to maturity.

ZERO COUPON BOND/CAPITAL APPRECIATION BOND

A bond which pays no interest that is purchased or traded at a deep discount, with the full face value redeemed at maturity.