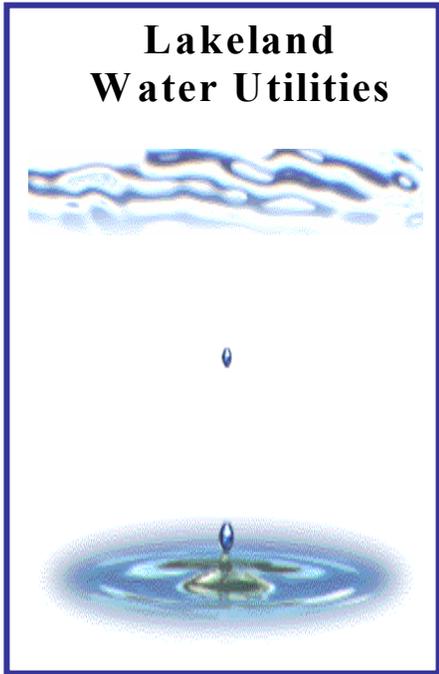
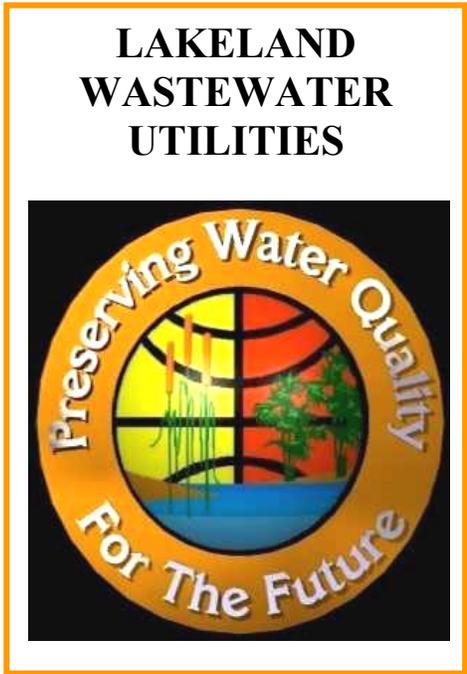
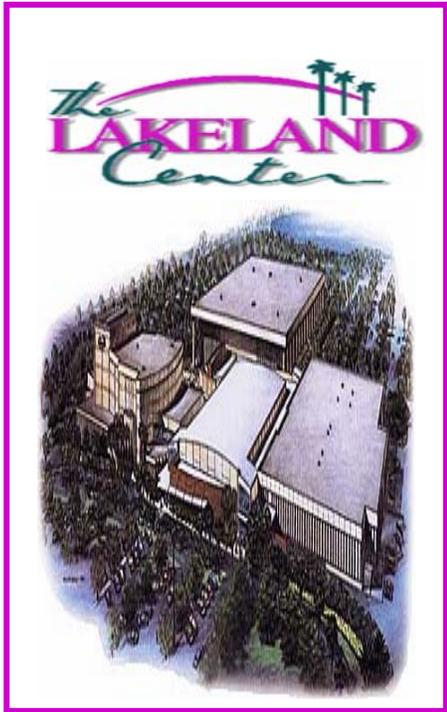
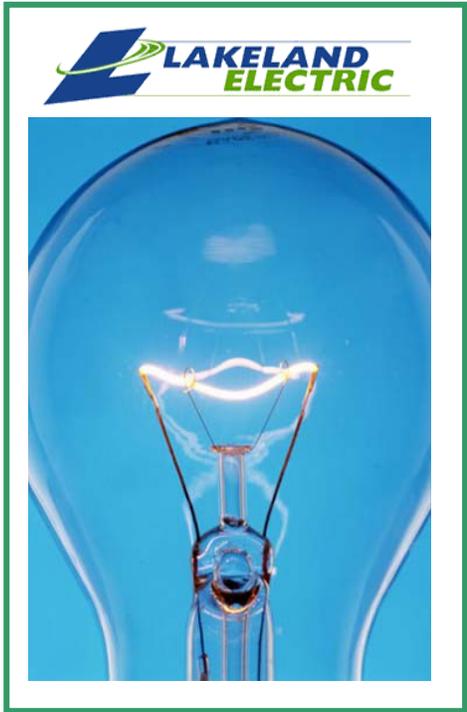




ANNUAL REPORT TO BONDHOLDERS



FOR THE YEAR ENDED SEPTEMBER 30, 2002



ANNUAL REPORT TO BONDHOLDERS

OF THE

CITY OF LAKELAND, FLORIDA

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2002

JERRY L. REYNOLDS, CPA

FINANCE DIRECTOR

GREGORY M. FINCH, CPA

ASSISTANT FINANCE DIRECTOR

CITY COMMISSION AND ADMINISTRATION

R. L. (BUDDY) FLETCHER
Mayor

A. DEAN BORING
Commissioner

GOW B. FIELDS
Commissioner

Seth D. McKeel, Jr
Commissioner

JAMES S. VERPLANCK
Commissioner

THOMAS R. SHAW
Commissioner

HOWARD R. WIGGS
Commissioner

ROGER D. HAAR
City Manager

BARBARA LIPSCOMB
Assistant City Manager

TONY DELGADO
Assistant City Manager

TIM MCCAUSLAND
City Attorney

MICHAEL CRAIG
Assistant City Attorney

PALMER DAVIS
Assistant City Attorney

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March 31, 2003

On Behalf of the Members of the City Commission, I am pleased to present the 2002 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 great city in which to live and work. We understand that to achieve this goal, 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, budgeting, 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 economic recession of the last several years. 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.

Although we take great pride in the successes enjoyed in the past we look forward to the challenges of the future. Our desire is to achieve even greater things to enhance the quality of life for those who call Lakeland "home", and to make our City a premier destination for visitors.

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 seventh 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, 2002, unless otherwise noted.

Also included as an additional filing to the ANNUAL REPORT TO BONDHOLDERS is a copy of the City's "Comprehensive Annual Financial Report" (CAFR) for the fiscal year ended September 30, 2002. 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, 2002:

District	Elected Officials	Service	Term Expires
At large	Ralph L. (Buddy) Fletcher (Mayor)	14 years	December 2004
A	Gow B. Fields	11 years	December 2006
B	Thomas R. Shaw	20 years	December 2002
C	James Verplanck	2 years	December 2004
D	Seth D. McKeel, Jr.	2 years	December 2004
At large	A. Dean Boring	6 years	December 2006
At large	R. Howard Wiggs	11 years	December 2004

SENIOR MANAGEMENT – CITY

ROGER D. HAAR, CITY MANAGER

Roger Haar started with the City in 1975 and became the Assistant City Manager in 1986. He was appointed City Manager in November 2000. He has a Bachelor's Degree, Magna cum Laude, from the University of Minnesota and a Masters Degree in Public Administration from the University of Florida. He is active in the Central Florida Speech and Hearing Center, Kiwanis, Leadership Lakeland, and other community groups.

BARBARA LIPSCOMB, ASSISTANT CITY MANAGER

Barbara Lipscomb started with the City in 1986. She was appointed Assistant City Manager in November 2000. Prior to that, she served as Assistant to the City Manager and Deputy City Manager. She has a Bachelor's Degree from the University of Georgia and a Masters Degree in Regional Planning from the University of North Carolina - Chapel Hill.

ANTHONY J. DELGADO, ASSISTANT CITY MANAGER

Anthony Delgado has over 19 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.

JERRY L. REYNOLDS, FINANCE DIRECTOR

Jerry Reynolds has over 30 years experience in accounting and finance and has been with the City for 24 years. Prior to becoming Finance Director in 1985, he was the City's Assistant Finance Director for 6 years. He is a certified public accountant and holds a Bachelor of Science Degree in Accounting from Florida Southern College and a Master of Science in Management with an emphasis on Accounting from Rollins College.

GREGORY M. FINCH, ASSISTANT FINANCE DIRECTOR

Greg Finch started with the City in 1985, as Assistant Finance Director. 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.

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).

KEITH HULBERT, GENERAL MANAGER – ELECTRIC UTILITIES *

Keith Hulbert joined the Lakeland Electric Department of the City of Lakeland in November 2000. Prior to joining Lakeland Electric, he had an 18-year career with Florida Power Corporation. At Florida Power, Mr. Hulbert held a variety of executive management positions involving areas including transmission and distribution, power production, land development for unregulated uses, telecommunications deployment, public policy in strategic planning, economic development, customer service marketing rates, and a variety operational management roles. He holds a Bachelor of Science Degree in Business Administration from Florida Southern College and a Masters in Business Administration Degree from the Florida Institute of Technology. He is actively involved in the American Public Power Association, on the Board of Directors of the Florida Municipal Electric Association, on the Executive Board of the Florida Municipal Power Agency, and is active in several community and civic organizations.

* Mr. Hulbert resigned on January 6, 2003, effective on February 14, 2003, to take a position with a company that is not in the electric power industry.

TIM BATES, ELECTRIC DEPARTMENT – DIRECTOR OF ENERGY SUPPLY

Tim Bates was appointed Director of Energy Supply in August 2000. He began his career with the City in 1982 as an Electrical Engineer. He has also served as Engineering Supervisor for Plant Engineering, Superintendent of Technical Services, and Plant Manager of McIntosh and Larsen Power Plants. Prior to joining the Electric Department, he worked as a high school physics and chemistry teacher and an Electrical Engineer for Davy-McKee, Inc. He has a Bachelor of Science Degree in Physics and Chemistry Education from Mississippi State University and a Bachelor of Science Degree in Electrical Engineering from the University of South Florida.

ROBERT RODI, ELECTRIC DEPARTMENT – DIRECTOR OF ENERGY DELIVERY *

Robert Rodi was appointed Director of Energy Delivery in March 2002. Mr. Rodi is a 32-year veteran of the utility industry. Prior to joining Lakeland Electric, he served as the General Manager and Chief Executive Officer for Cedar Falls Utilities, the largest combination public power system in Iowa. Prior to joining Cedar Falls Utilities, he had a long career with Toledo Edison Company, a subsidiary of FirstEnergy, the fourth-largest investor-owned electric company in the nation, where he last served as the Director of Operations Support for the company's western region.

* Mr. Rodi was appointed General Manager of Lakeland Electric on February 5, 2003.

ROSETTA LUE, ELECTRIC DEPARTMENT – DIRECTOR OF CUSTOMER SERVICE

Rosetta Lue was appointed Director of Customer Service on August 5, 2002. Prior to joining Lakeland Electric, she served as the Director of North America Customer Service for BPB Celotex Corporation, one of the worlds leading manufactures of commercial and residential building products operating more than 90 manufacturing plants and serving markets in over 45 countries. Prior to Joining BPB Celotex, she had a ten-year career with USAA Insurance Company, a worldwide leader of insurance and diversified financial services renowned for customer service, where she last served as Manager of Insurance Operations for Customer Service. She has a Bachelor of Science Degree in Finance/Accounting from Florida State University and an MBA in Management from St. Leo College.

DAVID H. MCLAIN, ELECTRIC DEPARTMENT – DIRECTOR OF CORPORATE SERVICES

David McLain has been with the City since April 1988. Prior to joining the Electric Department, he was a partner with the accounting firm of Evans, Parrish & Fisk, Lakeland, Florida. Previously, he was with the Memphis Office of the accounting firm of Ernst & Whinney for over 7 years. He has a Bachelor of Science Degree in Accountancy from Arkansas State University and a Master of Science Degree in Accountancy from Memphis State University. He is a certified public accountant with certificates from both Tennessee and Florida.

SENIOR MANAGEMENT – WATER/WASTEWATER UTILITIES

CHARLES “CHUCK” GARING – DIRECTOR OF WATER UTILITIES

Charles “Chuck” Garing was appointed Director of Water Utilities in April 2002. He has 32 years of service with the City. Prior to joining the Water Utilities Department in 1995, he worked 25 years in power plant management for the City. He holds a Bachelor of Science Degree in Electrical Engineering from the University of South Florida.

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.

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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 85,517 as of April 1, 2002 and covers an area of approximately 66.79 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 1,000,000 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, Florida Tile Industries, Watkins Motor Lines, 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 Alcan Aluminum Corporation, (building products for mobile homes); Borden, Inc. (milk and heavy cream); Bodolay-Pratt (packaging machinery); Cutler-Federal (handling equipment); FMC Corp. (machinery for fruit and vegetable industries); National Linen Service; Owens-Illinois, Inc. (glass bottles); P.M. Craftsman, Inc. (gift products); Redman Homes, Inc. (mobile home manufacturing); and Pepperidge Farm, Inc. (bread, cookies, and crackers).

POPULATION

The population growth in Polk County over the last five years has remained strong. Polk County's population in 2002 was approximately 505,483, an increase of about 9,371 new residents, compared to an increase of approximately 12,188 new residents in 2001.

EMPLOYMENT

Polk County's employment growth has become more volatile. 2002's employment change showed a decrease of about 854 new jobs. This compares to an increase of 1,653 new jobs in 2001. Increases of 2,476, 3,563, and 4,942 in new jobs are anticipated for 2003, 2004, and 2005 respectively as the current recession works its way through the economic environment.

UNEMPLOYMENT

The average unemployment rate for the County in 2002 was 5.4% as layoffs and the loss of some manufacturing industry in the County occurred late in the year. Increases in unemployment rates for the County in 2003 (5.6%) and 2004 (5.05%) are projected.

HOUSING STARTS

Total housing starts in the County for 2002 were 4,480, a decrease of 23 from 2001. Single family residential construction made up the bulk of the housing starts, with a decreased activity in multi-family construction. (268 units being built in 2002 as opposed to approximately 672 multi-family units in 2000).

POLK COUNTY STATISTICAL AREA ECONOMIC TRENDS¹

	2001	2002	Estimated		
			2003	2004	2005
Population	496,112	505,483	514,040	523,975	536,747
Population Change	12,188	9,371	8,557	9,935	12,772
Employment	184,874	184,040	186,516	190,079	195,021
Employment Change	1,653	(834)	2,476	3,563	4,942
Income (\$billion)	\$ 12.20	\$ 12.80	\$ 13.60	\$ 14.20	\$ 14.90
Unemployment Rate	6.2%	5.4%	5.6%	5.0%	5.0%
Total Housing Starts	4,503	4,480	4,862	4,628	5,805
Single Family	3,831	4,212	4,316	4,259	4,768
Multifamily	672	268	546	369	1,037

¹Source: Fishkind & Associates, Orlando, Florida.

EDUCATION

Public Schools are administered by the School Board of Polk County for the county-wide school district. There are 25 public elementary schools, 9 public middle schools, 5 public high schools, and 5 Charter schools in the Lakeland area. In addition, there are several private elementary, middle, and high schools. Florida Southern College, a four-year liberal arts institution, a regional campus for the University of South Florida, and Polk Community College are located in Lakeland. Southeastern College, a private biblical studies institution, is also located in Lakeland. Lakeland Regional Medical Center, is one 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 Count 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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STATISTICAL DATA

REVENUE BOND COVERAGE – ELECTRIC UTILITIES REVENUE BONDS

Fiscal Year	Net Revenues				
	Available for Debt Service	Principal	Interest	Total	Coverage
2002	\$ 74,687,403	\$ 12,550,000	\$ 24,168,384	\$ 36,718,384	2.03 %
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	23,700,881	32,035,881	2.95 %
1998	89,134,341	10,815,000	23,200,761	34,015,761	2.62 %
1997	74,773,381	10,225,000	24,049,996	34,274,996	2.18 %
1996	76,700,730	9,660,000	21,866,065	31,526,065	2.43 %
1995	84,505,144	7,795,000	21,619,997	29,414,997	2.87 %
1994	77,165,570	7,335,000	22,116,040	29,451,040	2.62 %
1993	62,202,428	6,640,000	21,762,715	28,402,715	2.19 %

***REVENUE BOND COVERAGE – WASTEWATER IMPROVEMENT REVENUE BONDS**

Fiscal Year	Net Revenues				
	Available for Debt Service	Principal	Interest	Total	Coverage
2002	\$ -	\$ -	\$ -	\$ -	-
2001	5,509,566	1,020,000	1,166,728	2,186,728	2.52 %
2000	5,909,955	970,000	1,223,474	2,193,474	2.69 %
1999	5,186,776	935,000	1,227,833	2,162,833	2.40 %
1998	4,754,373	715,000	1,243,303	1,958,303	2.43 %
1997	5,292,280	570,000	1,272,975	1,842,975	2.87 %
1996	5,115,051	605,000	1,314,061	1,919,061	2.67 %
1995	4,996,133	570,000	1,338,807	1,908,807	2.62 %
1994	4,103,568	545,000	1,505,729	2,050,729	2.00 %
1993	4,770,742	520,000	1,592,480	2,112,480	2.26 %

* These bonds were refunded in conjunction with the issuance of the Series 2002 Water and Wastewater Revenue Refunding and Improvement Bonds.

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

Fiscal Year	Net Revenues				
	Available for Debt Service	Principal	Interest	Total	Coverage
2002	\$ 11,857,680	\$ 1,200,000	\$ 1,069,196	\$ 2,269,196	5.23 %
2001	10,047,912	1,155,000	1,069,605	2,224,605	4.52 %
2000	9,649,522	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 %
1998	8,561,301	970,000	1,208,485	2,178,485	3.93 %
1997	8,111,298	895,000	1,242,335	2,137,335	3.80 %
1996	8,055,244	895,000	1,274,642	2,169,642	3.71 %
1995	7,958,386	865,000	1,171,944	2,036,944	3.91 %

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

<u>Fiscal Year</u>	<u>Net Revenues Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2002	\$ 14,100,780	\$ 980,833	\$ 1,493,804	\$ 2,474,637	5.70

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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>
2002	\$ 20,802,918	\$ 2,413,095	\$ 8,410,050	\$ 2,405,521	\$ 1,017,180	\$ 1,024,558	\$ 25,179,660	\$ 61,252,982
2001	18,526,620	2,143,017	8,490,130	2,543,268	1,174,308	1,630,245	22,533,533	57,041,121
2000	17,076,077	2,300,251	9,146,573	2,155,860	1,182,458	1,559,995	21,452,470	54,873,684
1999	16,366,275	2,190,881	8,336,026	2,334,269	1,045,254	1,487,268	20,408,900	52,168,873
1998	15,303,436	1,876,562	7,823,299	2,136,239	923,004	1,881,713	19,480,294	49,424,547
1997	14,531,688	1,708,479	6,685,592	1,706,371	906,245	1,655,493	19,310,950	46,504,818
1996	14,293,025	1,499,610	6,658,741	1,724,480	939,542	1,719,250	18,345,828	45,180,476
1995	13,933,722	1,449,308	6,284,818	1,463,044	1,143,049	1,497,497	18,278,809	44,050,247
1994	6,161,171	1,520,701	3,662,636	1,623,921	818,565	1,293,979	24,597,067	39,678,040
1993	6,165,425	1,541,055	3,477,937	1,454,896	831,307	1,104,093	22,898,654	37,473,367

¹The increase in taxes in 1995 and in subsequent years was due to an accounting change in which the City began depositing utility taxes into the General Fund.

SCHEDULE OF PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS

MILLS (\$1 PER \$1,000 VALUATION)

Period	City of Lakeland				Other				
		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
Fiscal Year Ending September 30	Municipal								
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
1997	2.995	0.488	2.000	5.483	7.977	0.422	9.336	0.195	—
1996	2.995	0.475	2.000	5.470	7.977	0.422	9.329	0.195	—
1995	2.995	0.471	1.963	5.429	7.777	0.422	9.066	0.195	—
1994	2.995	0.480	1.974	5.449	7.777	0.422	8.602	0.096	—
1993	3.000	0.482	2.000	5.482	7.100	0.322	8.484	0.096	—

SOCIOECONOMIC DATA

Year	Dwelling Units	Building Permits		Construction			Retail Sales ¹	Net Effective Buying Income ¹	Total Telephone Lines
		Number of Permits	Value	Municipal	School	Church			
2002	\$ 40,583	\$ 3,363	\$ 172,847,383	\$ -	\$ 6,497,500	\$ 5,203,466	\$ 1,589,420,000	\$ 1,283,726,000	\$ 131,722 ⁷
2001	40,781	3,191	\$ 182,702,142	\$ 35,000	\$ 1,756,000	\$ 152,600	\$ 1,512,530,000	\$ 1,228,031,000	139,454 ⁷
2000	40,167	3,354	161,907,692	75,000	6,161,879	3,485,500	1,476,685,000	1,209,571,000	141,119 ⁶
1999	39,211	4,036	164,459,613	— ²	225,000	1,268,000	1,932,012,000	1,176,833,000	137,870 ⁵
1998	38,200	4,360	145,544,785	— ²	2,000,000	510,000	1,820,705,000	1,125,004,000	286,581 ⁴
1997	37,672	3,940	87,925,079	— ²	2,000,000	800,000	— ²	— ²	266,000 ³
1996	37,102	4,207	83,555,438	3,820,115	2,200,000	250,000	1,712,401,000	1,046,880,000	123,310
1995	36,895	3,675	104,674,151	3,330,000	400,000	3,568,000	1,587,191,000	987,795,000	117,661
1994	36,753	3,412	73,180,056	9,434,000	2,340,000	534,000	1,477,362,000	1,147,180,000	— ²
1993	36,481	3,568	80,000,954	2,095,000	— ²	295,000	1,379,337,000	1,090,496,000	102,230

¹Survey of Buying Power, Sales and Marketing Management (Reported figures are from prior year's data).

²Information not available.

³Data available for Lakeland urban area only prior to 1997. Data available for Polk County only after 1996.

⁴Polk Progress Report (Dr. C. Brown, FSC). General Telephone will not release this proprietary information as of 1998

⁵Total Lakeland area phone lines reported by GTE as of December 31.

⁶Total Lakeland area phone lines reported by Verizon as of December 31.

⁷Total Lakeland area phone lines reported by Verizon as of September 30.

TEN LARGEST TAXPAYERS

SEPTEMBER 30, 2002

<u>Taxpayer Name</u>	<u>Type of Business</u>	<u>Assessed Value of Real and Personal Property</u>	<u>Percentage of Total Assessed Value of Real and Personal Property</u>
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	\$ 137,688,732	4.40%
Verizon	Telecommunications	79,281,840	2.53%
Rooms To Go Furniture Corp.	Retail/Distribution-Furniture	43,060,297	1.38%
H-D Lakeland Mall Joint Venture	Retail/General Merchandise	41,460,800	1.32%
Lakeland Ledger Publishing Corp.	Print Media	40,652,670	1.30%
Breed Automotive of Florida	Manufacturing	34,577,354	1.10%
Watson Clinic	Medical Facility	31,469,089	1.01%
Drummond Coal Company, Inc.	Real Estate	28,850,895	0.92%
Discount Auto Parts	Retail/Distribution-Automotive	26,928,042	0.86%
Carlton Arms of North Lakeland	Real Estate-Apartment Complex	25,500,115	0.81%
Totals		<u>\$ 489,469,834</u>	<u>15.63 %</u>

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COMPUTATION OF DIRECT AND OVERLAPPING DEBT

SEPTEMBER 30, 2002

DIRECT DEBT

Tax Supported Ad Valorem Debt: \$ -

Non Self-Supported Bonded Revenue Debt:

Utilities Tax Revenue Refunding and Improvement Bonds, Series 1994A	\$ 15,530,000	
Tourist Development Tax and Utilities Tax Revenue Bonds, Series 1994B	5,520,000	
Capital Improvement Revenue Bonds, Series 1997	<u>39,395,000</u>	
 Total non self-supported bonded revenue debt		 \$ 60,445,000

Self-Supported Bonded Revenue Debt:

Electric Utility Revenue Bonds:		
Series 1999A	194,935,409	
Series 1999B	117,705,000	
Series 1999C	64,525,000	
Series 2000B	41,825,000	
Series 2001A	90,000,000	
Series 2001B	30,000,000	
Water and Wastewater Revenue Refunding Bonds, Series 2002	<u>72,755,000</u>	
 Total self-supported bonded revenue debt		 \$ <u><u>611,745,409</u></u>

TOTAL DIRECT BONDED DEBT \$ 672,190,409

OVERLAPPING DEBT

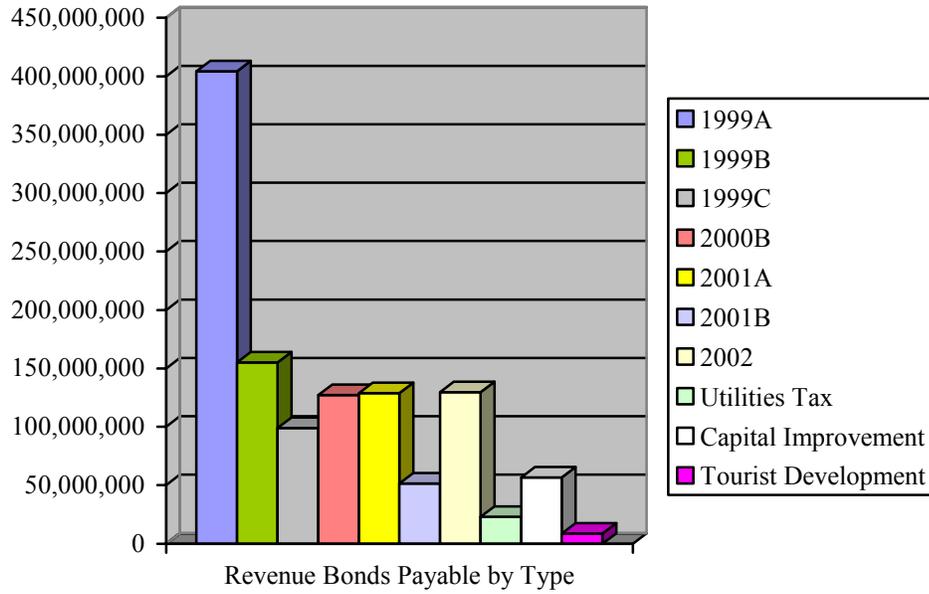
District School Board of Polk County
(applicable percentage 14%) \$ 3,649,100

TOTAL DIRECT AND OVERLAPPING BONDED DEBT \$ 675,839,509

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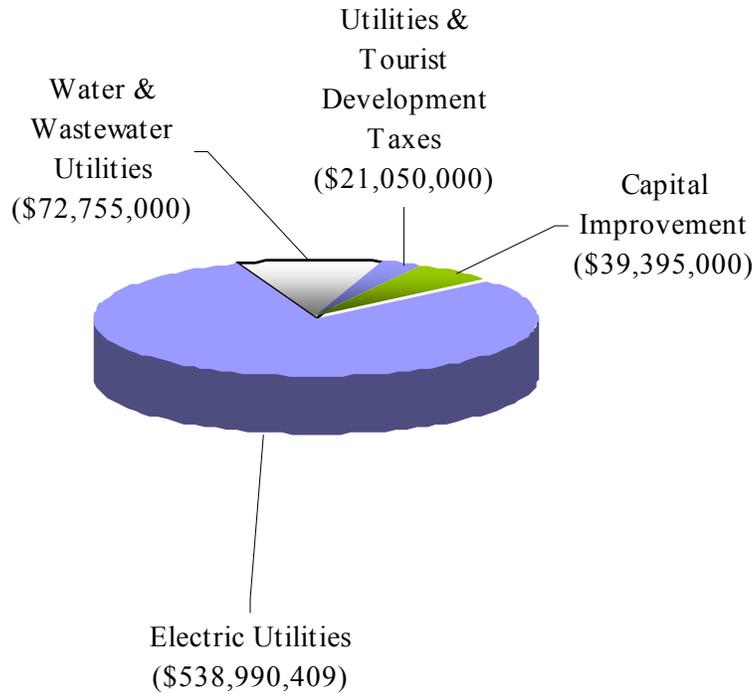
REVENUE BONDS PAYABLE

SEPTEMBER 30, 2002



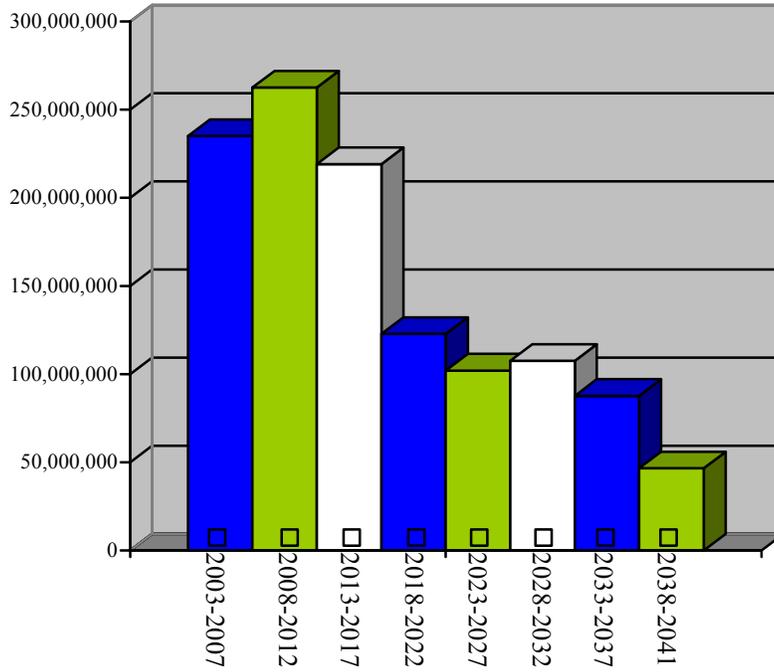
OUTSTANDING DEBT BY FUND

SEPTEMBER 30, 2002



REQUIRED DEBT PAYMENTS TO MATURITY

SEPTEMBER 30, 2002



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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. Both component units are reported discretely in the financial statements.

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>2002</u>	<u>2001</u>	<u>2000</u>
Gross Taxable Property	\$ 3,130,240,450	\$ 2,739,885,355	\$ 2,484,224,679
Property tax millage (rates per \$1,000) operating purposes	<u>2.995</u>	<u>2.995</u>	<u>2.995</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 has implemented this new standard for the fiscal year ending September 30, 2002. Certain of the significant changes in the Statement include the following:

For the first time, 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 basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The overall nature of these three components of the report is described as follows:

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, 2002 are presented in the following tables:

	Primary Government			Component Units
	Governmental	Business-type Activities	Total	
ASSETS				
Current Assets	\$ 24,947,307	\$ 122,302,870	\$ 147,250,177	\$ 7,821,263
Noncurrent assets				
Designated assets	6,274,694	124,803,867	131,078,561	2,617,702
Restricted assets	17,030,590	102,942,459	119,973,049	98,373
Capital assets	95,473,932	877,134,068	972,608,000	8,701,846
Other noncurrent assets	4,520,998	12,845,565	17,366,563	-
Total assets	<u>148,247,521</u>	<u>1,240,028,829</u>	<u>1,388,276,350</u>	<u>19,239,184</u>
LIABILITIES				
Current liabilities	6,740,298	26,403,894	33,144,192	292,474
Noncurrent liabilities				
Designated liabilities	380,584	44,206,628	44,587,212	-
Restricted liabilities	2,597,355	25,425,146	28,022,501	-
Other noncurrent liabilities	<u>25,990,417</u>	<u>639,720,559</u>	<u>665,710,976</u>	<u>237,294</u>
Total liabilities	<u>35,708,654</u>	<u>735,756,227</u>	<u>771,464,881</u>	<u>529,768</u>
NET ASSETS				
Invested in capital assets, net of related debt	73,018,759	336,566,777	409,585,536	8,701,846
Restricted	14,229,123	9,231,987	23,461,110	98,373
Unrestricted	<u>25,290,985</u>	<u>158,473,838</u>	<u>183,764,823</u>	<u>9,909,197</u>
Total net assets	<u>\$ 112,538,867</u>	<u>\$ 504,272,602</u>	<u>\$ 616,811,469</u>	<u>\$ 18,709,416</u>

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities				
General government	\$ 8,544,160	\$ 1,372,724	\$ 159,731	\$ -
Public safety	33,986,807	3,128,019	1,459,031	-
Physical environment	6,572,750	1,813,722	162,039	-
Transportation	8,680,472	459,863	4,849,799	3,463,661
Economic environment	2,116,240	-	1,867,943	-
Human services	220,896	-	-	-
Culture/recreation	11,423,867	1,459,971	882,232	1,311,884
Interest on long-term debt	873,033	-	-	-
Total governmental activities	<u>72,418,225</u>	<u>8,234,299</u>	<u>9,380,775</u>	<u>4,775,545</u>
Business-type activities:				
Electric	227,079,684	244,950,945	-	-
Water and Wastewater	25,028,246	29,374,619	-	4,029,412
Parking	606,265	371,489	-	-
Lakeland Center	6,431,516	3,136,801	31,771	10,000
Lakeland Linder Regional Airport	5,502,271	3,645,726	-	3,255,239
Solid Waste	7,471,530	8,127,912	-	3,662
Cleveland Heights Golf Course	2,591,183	2,375,153	-	-
Total business-type activities	<u>274,710,695</u>	<u>291,982,645</u>	<u>31,771</u>	<u>7,298,313</u>
Total primary government	<u>\$ 347,128,920</u>	<u>\$ 300,216,944</u>	<u>\$ 9,412,546</u>	<u>\$ 12,073,858</u>
Component units:				
Mass Transit District	\$ 6,332,509	\$ 1,110,203	\$ 2,454,168	\$ 2,226,714
Downtown Development Authority	313,499	-	-	-
Total Component Units	<u>\$ 6,646,008</u>	<u>\$ 1,110,203</u>	<u>\$ 2,454,168</u>	<u>\$ 2,226,714</u>
General revenues:				
Property taxes				
Franchise fees				
Utility taxes				
Tourism taxes				
State shared revenues				
Rents and royalties				
Investment earnings				
Miscellaneous				
Loss on disposal of fixed assets				
Loss on cash defeasance of long term debt				
Net transfers (to)/from other funds				
Net transfers to/(from) component units				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,011,705)	\$ -	\$ (7,011,705)	\$ -
(29,399,757)	-	(29,399,757)	-
(4,596,989)	-	(4,596,989)	-
92,851	-	92,851	-
(248,297)	-	(248,297)	-
(220,896)	-	(220,896)	-
(7,769,780)	-	(7,769,780)	-
(873,033)	-	(873,033)	-
<u>(50,027,606)</u>	<u>-</u>	<u>(50,027,606)</u>	<u>-</u>
-	17,871,261	17,871,261	-
-	8,375,785	8,375,785	-
-	(234,776)	(234,776)	-
-	(3,252,944)	(3,252,944)	-
-	1,398,694	1,398,694	-
-	660,044	660,044	-
-	(216,030)	(216,030)	-
-	<u>24,602,034</u>	<u>24,602,034</u>	<u>-</u>
<u>(50,027,606)</u>	<u>24,602,034</u>	<u>(25,425,572)</u>	<u>-</u>
-	-	-	(541,424)
-	-	-	(313,499)
-	-	-	<u>(854,923)</u>
10,213,198	-	10,213,198	2,540,207
367,971	-	367,971	-
11,417,676	-	11,417,676	-
-	440,004	440,004	-
6,130,364	-	6,130,364	-
6,423,137	-	6,423,137	-
1,535,122	5,082,810	6,617,932	180,092
2,712,899	992,632	3,705,531	2,156
(744,179)	-	(744,179)	3,195
-	(2,210,211)	(2,210,211)	-
21,681,457	(21,681,457)	-	-
(177,153)	-	(177,153)	177,153
<u>59,560,492</u>	<u>(17,376,222)</u>	<u>42,184,270</u>	<u>2,902,803</u>
9,532,886	7,225,812	16,758,698	2,047,880
103,005,981	497,046,790	600,052,771	16,661,536
<u>\$ 112,538,867</u>	<u>\$ 504,272,602</u>	<u>\$ 616,811,469</u>	<u>\$ 18,709,416</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, 2002 are presented in the following tables:

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS	\$ 11,749,483	\$ 36,966,395	\$ 48,715,878
LIABILITIES	\$ 4,801,431	\$ 10,432,395	\$ 15,233,826
FUND BALANCES			
Reserved	439,199	20,325,720	20,764,919
Unreserved			
Designated	5,375,590	2,879,458	8,255,048
Undesignated	1,133,263	-	1,133,263
Special revenue funds	-	3,328,822	3,328,822
Total fund balances	<u>6,948,052</u>	<u>26,534,000</u>	<u>33,482,052</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,749,483</u>	<u>\$ 36,966,395</u>	<u>\$ 48,715,878</u>
REVENUES			
Taxes	\$ 20,802,918	\$ 6,045,726	\$ 26,848,644
Licenses and permits	2,413,095	-	2,413,095
Intergovernmental	8,410,050	6,643,488	15,053,538
Charges for services	2,405,521	2,398,503	4,804,024
Fines and forfeits	1,017,180	-	1,017,180
Miscellaneous	1,024,558	9,316,723	10,341,281
Total revenues	<u>36,073,322</u>	<u>24,404,440</u>	<u>60,477,762</u>
EXPENDITURES			
Current	\$ 59,861,898	\$ 6,797,084	\$ 66,658,982
Capital outlay	626,660	20,770,813	21,397,473
Debt service	6,576	3,512,480	3,519,056
Total expenditures	<u>60,495,134</u>	<u>31,080,377</u>	<u>91,575,511</u>
Excess (deficiency) of revenues over expenditures	<u>(24,421,812)</u>	<u>(6,675,937)</u>	<u>(31,097,749)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	-	12,510,000	12,510,000
Transfers from other funds	25,179,660	9,127,326	34,306,986
Transfers to other funds	(1,618,981)	(11,074,620)	(12,693,601)
Transfers to component units	-	(177,153)	(177,153)
Total other financing sources and uses	<u>23,560,679</u>	<u>10,385,553</u>	<u>33,946,232</u>
Net change in fund balances	(861,133)	3,709,616	2,848,483
FUND BALANCE, beginning of year	7,809,185	22,824,384	30,633,569
FUND BALANCE, end of year	<u>\$ 6,948,052</u>	<u>\$ 26,534,000</u>	<u>\$ 33,482,052</u>

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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, 2002 are presented in the following tables:

	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets	\$ 85,139,312	\$ 6,940,810	\$ 6,910,318	\$ 98,990,440	\$ 24,033,950
Noncurrent assets:					
Designated assets	106,427,907	3,980,003	2,303,535	112,711,445	25,556,838
Restricted assets	36,053,332	55,679,237	4,730,087	96,462,656	6,505,046
Capital assets	631,227,731	145,135,036	84,809,398	861,172,165	15,961,903
Other noncurrent assets	10,150,613	1,129,163	815,137	12,094,913	9,563,740
Total assets	<u>868,998,895</u>	<u>212,864,249</u>	<u>99,568,475</u>	<u>1,181,431,619</u>	<u>81,621,477</u>
LIABILITIES					
Current liabilities	21,032,406	580,266	2,747,484	24,360,156	3,030,698
Noncurrent liabilities:					
Designated liabilities	36,538,981	959,196	2,058,000	39,556,177	4,650,451
Restricted liabilities	6,229,853	9,443,812	3,658,211	19,331,876	6,093,270
Other noncurrent liabilities	515,286,579	89,641,442	27,902,061	632,830,082	29,167,981
Total liabilities	<u>579,087,819</u>	<u>100,624,716</u>	<u>36,365,756</u>	<u>716,078,291</u>	<u>42,942,400</u>
NET ASSETS					
Invested in capital assets, net of related debt	170,340,958	93,086,890	57,177,558	320,605,406	15,961,371
Restricted	-	8,310,683	509,528	8,820,211	411,776
Unrestricted	119,570,118	10,841,960	5,515,633	135,927,711	22,305,930
Total net assets	<u>\$ 289,911,076</u>	<u>\$ 112,239,533</u>	<u>\$ 63,202,719</u>	<u>\$ 465,353,328</u>	<u>\$ 38,679,077</u>

	Department of Electric Utilities Fund	Water and Wastewater Utilities Fund	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES	\$ 244,950,945	\$ 29,374,619	\$ 17,657,080	\$ 291,982,644	\$ 22,210,480
OPERATING EXPENSES	202,259,318	20,858,289	20,323,862	243,441,469	24,321,818
Operating income (loss)	<u>42,691,627</u>	<u>8,516,330</u>	<u>(2,666,782)</u>	<u>48,541,175</u>	<u>(2,111,338)</u>
NONOPERATING REVENUES (EXPENSES)	<u>(21,900,631)</u>	<u>(1,859,764)</u>	<u>(708,626)</u>	<u>(24,469,021)</u>	<u>1,503,059</u>
Income (loss) before contributions, transfers, and other	<u>20,790,996</u>	<u>6,656,566</u>	<u>(3,375,408)</u>	<u>24,072,154</u>	<u>(608,279)</u>
Capital grants and contributions	-	4,029,412	3,268,901	7,298,313	-
Loss on cash defeasance of long term debt	-	(2,210,211)	-	(2,210,211)	-
Transfers from other funds	-	-	3,483,395	3,483,395	1,191,466
Transfers to other funds	<u>(19,846,890)</u>	<u>(4,838,316)</u>	<u>(1,402,986)</u>	<u>(26,088,192)</u>	<u>(153,031)</u>
	<u>(19,846,890)</u>	<u>(3,019,115)</u>	<u>5,349,310</u>	<u>(17,516,695)</u>	<u>1,038,435</u>
Change in net assets	944,106	3,637,451	1,973,902	6,555,459	430,156
NET ASSETS, beginning of year	<u>288,966,970</u>	<u>108,602,082</u>	<u>61,228,817</u>	<u>458,797,869</u>	<u>38,248,921</u>
NET ASSETS, end of year	<u><u>\$ 289,911,076</u></u>	<u><u>\$ 112,239,533</u></u>	<u><u>\$ 63,202,719</u></u>	<u><u>\$ 465,353,328</u></u>	<u><u>\$ 38,679,077</u></u>

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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, 2002 are presented in the following table:

	Pension and Other Employees Benefit Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 13,865,308	\$ 3,558,604
Investments	333,608,843	-
Accrued interest receivable	377,100	-
Receivables	1,363,469	-
Loans receivable	32,372	-
Due from other governments	101,714	-
Total assets	<u>349,348,806</u>	<u>3,558,604</u>
LIABILITIES		
Accounts payable	1,272,346	394
Due to other governmental units	-	3,558,210
Total liabilities	<u>1,272,346</u>	<u>3,558,604</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 348,076,460</u>	<u>\$ -</u>
ADDITIONS		
Contributions:		
State of Florida	\$ 1,058,337	
Employer	11,114,668	
Employee	6,333,323	
Total contributions	<u>18,506,328</u>	
Net investment income (loss)	<u>(29,328,934)</u>	
Miscellaneous income	<u>2,207</u>	
Total contributions, net	<u>(10,820,399)</u>	
DEDUCTIONS		
Benefits paid	16,534,729	
Refunds, former employees	713,129	
Actuarial fee	12,700	
Audit fee	6,000	
Other	212,551	
Transfers to other funds	47,023	
Total deductions	<u>17,526,132</u>	
Change in net assets	<u>(28,346,531)</u>	
NET ASSETS, beginning of year	<u>376,422,991</u>	
NET ASSETS, end of year	<u>\$ 348,076,460</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 two “component units” of the City.

COMPONENT UNITS

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 Lakeland Downtown Development Authority was established in the City of Lakeland under the authority of Chapter 163, Florida Statutes, to revitalize and preserve property values and prevent deterioration of the central business district. The Authority is fiscally dependent upon the City insofar as the City approves the Authority's annual budget, provides an annual subsidy to the Authority to help finance operating costs, and is ultimately responsible for any deficits.

The condensed Statement of Net Assets and Statement of Activities for the component units of the City for the fiscal year ended September 30, 2002 are presented in the following tables:

	Governmental (Lakeland Downtown Development Authority)	Business-type Activities (Lakeland Area Mass Transit District)	Total
ASSETS			
Current assets	\$ 238,743	\$ 7,582,520	\$ 7,821,263
Noncurrent assets:			
Designated assets	-	2,617,702	2,617,702
Restricted assets	98,373	-	98,373
Capital assets	4,703	8,697,143	8,701,846
Total noncurrent assets	103,076	11,314,845	11,417,921
Total assets	341,819	18,897,365	19,239,184
LIABILITIES			
Current liabilities	-	292,474	292,474
Noncurrent liabilities	-	237,294	237,294
Total liabilities	-	529,768	529,768
NET ASSETS			
Invested in capital assets, net of related debt	4,703	8,697,143	8,701,846
Restricted:			
Capital improvements	98,373	-	98,373
Unrestricted	238,743	9,670,454	9,909,197
Total net assets	\$ 341,819	\$ 18,367,597	\$ 18,709,416

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities							
Economic environment	\$ 313,499	\$ -	\$ -	\$ -	\$ (313,499)	\$ -	\$ (313,499)
Business-type activities							
Lakeland Area							
Mass Transit District	6,332,509	1,110,203	2,454,168	2,226,714	-	(541,424)	(541,424)
Total	<u>\$6,646,008</u>	<u>\$1,110,203</u>	<u>\$ 2,454,168</u>	<u>\$ 2,226,714</u>	<u>(313,499)</u>	<u>(541,424)</u>	<u>(854,923)</u>
General revenues:							
Property taxes					199,046	2,341,161	2,540,207
Investment earnings					10,755	169,337	180,092
Miscellaneous					-	2,156	2,156
Gain on disposals of equipment					-	3,195	3,195
Net transfers (to) / from component units					(22,082)	22,082	-
Net transfers from primary government					177,153	-	177,153
Total general revenues and transfers					<u>364,872</u>	<u>2,537,931</u>	<u>2,902,803</u>
Change in net assets					51,373	1,996,507	2,047,880
Net assets, beginning of year					290,446	16,371,090	16,661,536
Net assets, end of year					<u>\$ 341,819</u>	<u>\$ 18,367,597</u>	<u>\$ 18,709,416</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 for 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, as well as each Fund's equity in pooled cash.

The various funds of the City have also combined their resources into a cash 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, amounts invested with the Florida State Board of Administration (SBA), other securities, and accrued interest. Investments are recorded at fair value. Revenue from pooled cash and investments is allocated on the basis of the participation by each fund. Each fund's pro-rata share of both pools is included in the caption "cash and cash equivalents". These amounts are also 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 the last reported sales price.

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. The pension trust funds are also authorized for investment in corporate stocks and bonds, money market funds and other qualified securities.

The following investments held by the various funds of the City as of September 30, 2002 are collateralized by registered securities held by the City or its agents in the City's name:

	Interest Rate %	Maturing Through	Reported Amount - Fair Value	
			Primary Government	Component Units
US Treasury Notes	5.500 to 7.875	05/08	\$ 30,958,030	\$ -
US Treasury Bonds	2.250 to 12.000	02/31	5,985,233	-
US Treasury Strips	4.5001	08/07	2,940,824	-
US Treasury Bills (1)	—	—	224,713	-
Federal Home Loan Bank (2)	3.370 to 7.000	05/22	123,002,163	-
Federal Home Loan Mortgage Association	0.000 to 8.000	07/32	10,473,193	-
Federal National Mortgage Association	4.750 to 8.000	08/32	4,853,097	-
Federal Agencies Mortgage Backed	1.990 to 3.588	08/30	1,682,707	-
Government National Mortgage Association	6.500 to 8.500	10/31	4,491,786	-
Corporate Notes and Bonds	3.710 to 9.950	04/35	28,930,713	-
Corporate Stocks	—	—	173,419,374	-
Corporate Asset Backed Securities	2.760 to 6.102	08/26	2,421,645	-
Repurchase Agreements (3)	5.535	10/16	2,412,623	-
Sub-total			<u>\$ 391,796,101</u>	<u>\$ -</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 investments held as of September 30, 2002 by type and category of credit risk are as follows:

	Interest Rate %	Maturing Through	Reported Amount - Fair Value	
			Primary Government	Component Units
Small Business Administration	10.00	10/07	\$ 61,907	\$ -
State Board of Administration (4)	—	—	133,025,528	7,722,062
Money Market Funds (5)	—	—	19,103,338	-
Mutual Funds (5)	—	—	103,502,598	-
Accrued Interest Receivable (6)	—	—	713,859	-
Sub-total			<u>\$ 256,407,230</u>	<u>\$ 7,722,062</u>
Total Investments			<u>\$ 648,203,331</u>	<u>\$ 7,722,062</u>

- (1) These securities were purchased at a discount and there is no stated interest rate.
- (2) Includes \$25 million in investment purchase transactions that had been executed but not settled (in cash) as of September 30, 2002. The dollar values of these securities are owned by an internal investment pool. Because the pool did not own equity in these instruments, the related value of the investments is not included in the allocation of investments to participant funds as of September 30, 2002.
- (3) The repurchase agreement was collateralized by government-backed securities having a fair value of \$3,081,415.72 as of September 30, 2002.
- (4) Funds are invested in the Florida State Board of Administration's (SBA) local governments pooled investment account. The rate of interest fluctuates daily. The interest rate on September 30, 2002 was 1.91%. The fair value of the position in the external investment pool is the same as the value of the pool shares. The SBA duties related to the Local Government Surplus Funds Trust Fund is 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.
- (5) 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.
- (6) 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. As of September 30, 2002, the City paid \$291,972 in premiums for its stop-loss insurance policy and no amounts were deducted from claims liability.

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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 2002 (in thousands):

Issue	2001	Additions	Deletions	2002
Electric & Water Revenue				
Bonds, Refunding Series 1992	\$ 33,650	\$ -	\$ 33,650	\$ -
Electric Refunding Revenue				
Bonds, Series 1999A	195,290	-	355	194,935
Energy System Refunding Revenue				
Bonds, Series 1999B	127,435	-	9,730	117,705
Energy System Refunding Revenue				
Bonds, Series 1999C	64,525	-	-	64,525
Energy System Revenue Bonds,				
Series 2000B	41,825	-	-	41,825
Energy System Variable Rate Revenue				
Bonds, Series 2001A	90,000	-	-	90,000
Energy System Revenue Bonds,				
Series 2001B	30,000	-	-	30,000
Total Electric Bonds	<u>\$ 582,725</u>	<u>\$ -</u>	<u>\$ 43,735</u>	<u>\$ 538,990</u>
Wastewater System Revenue Bonds,				
Refunding Series 1993	\$ 25,200	\$ -	\$ 25,200	\$ -
Water and Wastewater Revenue Refunding				
& Improvement Bonds, Series 2002	-	72,755	-	72,755
Total Water and Wastewater Bonds	<u>\$ 25,200</u>	<u>\$ 72,755</u>	<u>\$ 25,200</u>	<u>\$ 72,755</u>
Utility Tax Revenue Refunding and				
Improvement Bonds, Series 1994A	<u>\$ 16,435</u>	<u>\$ -</u>	<u>\$ 905</u>	<u>\$ 15,530</u>
Tourist Development Tax Revenue				
Bonds, Series 1994B	<u>\$ 5,735</u>	<u>\$ -</u>	<u>\$ 215</u>	<u>\$ 5,520</u>
Capital Improvement Revenue				
Bonds, Series 1997	<u>\$ 41,060</u>	<u>\$ -</u>	<u>\$ 1,665</u>	<u>\$ 39,395</u>

UTILITY TAX REVENUE BONDS AND TOURIST DEVELOPMENT TAX REVENUE BONDS, SERIES 1994

This bonded indebtedness was issued on September 8, 1994 for the purpose of refinancing the Series 1984 Community Redevelopment Refunding Revenue Bonds and to provide funding for the construction of a new central fire station, construction of a branch library, and to provide a portion of the funding required to accomplish a renovation of the Lakeland Center complex. The amount accounted for within the Governmental Funds represents that portion of this issue that is not accounted for within proprietary fund types. The Series 1994A bonds are secured by a lien on and pledge of the Utilities Tax collected by the City on parity with the Series 1994B Bonds. Additionally, the Series 1994B bonds are secured by that portion of the tourist development tax collected by Polk County, Florida pursuant to Ordinance No. 86-27 of the County. Such tax being pledged to the payment of the Bonds as set forth in the Interlocal Agreement, dated February 1, 1994, for Tourist Development Tax funding of the Lakeland Center expansion project.

The bond ordinance requires that a Sinking Fund and a Debt Service Reserve account be established. As of September 30, 2002, these accounts were properly funded.

CAPITAL IMPROVEMENT REVENUE BONDS

The Capital Improvement Revenue Bonds were issued July 15, 1997 to refund all outstanding amounts related to the 1987, 1990, and 1992 Sunshine loans, and \$1,500,000 of the 1995 Sunshine loan. With the interest rate at that time for the variable rate Sunshine loan, the current refunding did not result in any economic gain (there was no difference between the present values of the old and new debt service payments). Amounts for repayment were irrevocably deposited into an escrow fund created under an Escrow Deposit Agreement between the City and the Bank of New York, dated August 1, 1997 for defeasance of these loans. This refunding resulted in a fixed repayment schedule for the City, and guaranteed that interest rates would not exceed 5.00%.

ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999

In May 1999, the City issued its Electric & Water Revenue Refunding Bonds Series 1999A, Series 1999B, and Series 1999C. Through the issuance of the 1999 bonds, the City entered into a refunding and exchange program in preparation for the deregulation of the electric utility industry. The City undertook the program because the legal documents governing the issuance of the Series 1989, 1992, and 1996 bonds were too restrictive and inflexible for the rapidly changing electric utility business environment. Through refunding, defeasance, and exchange of these bonds for new bonds, the City was able to modify its bond ordinance so that future decisions regarding the City's electric utility system could be made based upon industry challenges. The City amended and restated its existing senior lien bond ordinance and enacted less restrictive requirements. This enables the electric utility to compete more effectively in the electric industry.

The Series 1999A bonds refunded all of the Series 1989 and Series 1996 Senior Lien bonds for savings. The City realized a present value savings from refunding of \$3,197,403. The savings were then used to structure an exchange program. The Series 1999B bonds and the Series 1999C bonds were issued to accomplish an exchange of the Series 1996 and 1996B Subordinate Lien bonds, respectively. The cost of the exchange program was \$2,925,635; by entering into the exchange program, the City was able to issue the senior lien bonds under a new bond ordinance. Under the new ordinance the City was able to release bond reserve funds which were then used for a partial cash defeasance of the Series 1996 and 1996B Subordinate Lien bonds, which were not exchanged by bondholders, as well as a portion of the Series 1992 bonds. The total net present value saving from the refunding and exchange program combined was \$271,767. The 1999 bonds are insured and carry an AAA rating from Standard & Poor's, Moody's and Fitch rating services.

ENERGY SYSTEM REVENUE BONDS, SERIES 2000B

In December 2000 the City issued its Energy System Revenue Bonds Series 2000B in the amount of \$41,825,000. Proceeds of the 2000B bonds are being used to fund most of the distribution related capital improvement projects for the Electric System.

ENERGY SYSTEM REVENUE BONDS, SERIES 2001

In January 2001 the City issued its Energy System Variable Rate Revenue Bonds Series 2001A in the amount of \$90 million. These bonds were issued to fund a portion of the cost related to the conversion of the Electric System (Model 501G) 249-megawatt turbine to a 360 megawatt combined cycle unit.

In May 2001 the City issued its Energy System Revenue Bonds Series 2001B in the amount of \$30 million. A portion of the proceeds was used to finance the acquisition and construction of electric generation peaking facilities and related improvements. The peaking facilities will provide an additional 50 megawatts at an estimated cost of \$20 million. The remainder of the proceeds is being used to finance other electric system improvements.

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENTS BONDS, SERIES 2002*

On August 21, 2002, the City issued its Water and Wastewater Revenue Refunding and Improvement Bonds Series 2002 in the amount of \$72,755,000. 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.

* A portion of the proceeds from the issuance of the Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002 were used to refund, on a current basis, all of the City's outstanding Wastewater System Revenue Bonds, Refunding Series 1993.

BOND RATINGS

Ratings that are designated by independent nationally recognized agencies have a significant influence in establishing interest rates and interest expense the City must pay when the bonds are sold. The City has consistently maintained high credit ratings and its debt are considered to be of outstanding quality.

The following table summarizes ratings as of September 30, 2002, by three major rating agencies:

	Moody's Investors Service	Standard & Poors	Fitch Ratings	Primary Pledge
*Electric Refunding Revenue Bonds, Series 1999A	Aaa	AAA	AAA	Electric Revenues
***Energy System Refunding Bonds, Series 1999B	Aaa	AAA	AAA	Electric Revenues
***Energy System Refunding Bonds, Series 1999C	Aaa	AAA	AAA	Electric Revenues
*Energy System Revenue Bonds, Series 2000B	Aaa	AAA	AAA	Electric Revenues
****Energy System Variable Rate Revenue Bonds, Series 2001A	VMIG1	A-1+	F1+	Electric Revenues
*Energy System Revenue Bonds, Series 2001B	Aaa	AAA	AAA	Electric Revenues
*****Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002	Aa3	AA-	AA	Water and Wastewater Revenues
**Utility Tax Revenue Refunding and Improvement Bonds, Series 1994A	Aaa	AAA	-	Utility Tax
**Tourist Development Tax Revenue Bonds, Series 1994B	Aaa	AAA	-	Tourist Development & Utility Tax
*Capital Improvement Revenue Bonds, Series 1997	Aaa	AAA	-	Non-Ad Valorem

*Insured by MBIA

**Insured by FGIC

***Insured by FSA

**** Standby Bond Purchase Agreement with Toronto-Dominion Bank.

***** Not Insured

LOAN PROGRAMS

The City had the following loans outstanding as of September 30, 2002:

Lender	Series	Issue Amount	Maturity Date	Interest Rates	Year-end Balances
Sun Trust Bank		\$ 620,000	01/10/07	0.0705	\$ 250,664
Wastewater Revolving Loan Program		13,655,627	03/31/15	2.450	8,275,204
Sunshine State Governmental Financing Commission	1995	6,955,000	07/15/15	Variable rate	2,555,000
Sunshine State Governmental Financing Commission	1999	2,266,000	09/01/14	Variable rate	2,771,000
Sunshine State Governmental Financing Commission	1999	1,854,000	09/01/09	Variable rate	1,009,000
Sunshine State Governmental Financing Commission	2000	4,750,000	10/31/20	Variable rate	4,750,000
Sunshine State Governmental Financing Commission	2001	9,760,000	10/31/16	Variable rate	9,760,000
Florida First Mortgage		391,500	02/01/04	6.000	341,500
Sun Trust Bank		75,000	01/01/05	Prime plus 1%	22,500
Textron Financial		433,880	09/15/06	5.85%	384,851
					<u>\$ 30,119,719</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, 2002, \$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 is amortized over a 10-year period in substantially level debt service payments. 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 radio project is accounted for in the General Long-Term Debt Account Group, while debt service on the Golf Course is recorded in the Cleveland Heights Golf Course Fund.

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.

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.

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".

SUNTRUST BANK

In December 1991, the City executed promissory notes series A (\$500,000) and B (\$120,000) with Sun First National Bank of Polk County. The notes financed several capital projects at the Lakeland Linder Regional Airport to include the construction of a T-Hangar (Gifts of Flight) and expansion of Sun 'n Fun museum facilities. The notes carry a fixed rate of 7.05% for a fifteen-year period. Principal and interest are paid in equal monthly installments.

FLORIDA FIRST MORTGAGE

On October 1, 2000, the Lakeland Community Redevelopment Agency (LCRA) was transferred from the Lakeland Downtown Development Authority (LDDA) to the City of Lakeland. The City Commission acts as the Community Redevelopment Agency Board. The City assumed the assets and liabilities of the LCRA on October 1, 2000. On September 3, 1999, the LCRA executed a promissory note with Florida First Bank in the amount of \$391,500 for the purchase of property in the downtown area known as the Oak Street property. The loan was structured as interest only from September 1, 1999 to November 30, 2001. Beginning December 12, 2001 the loan amortizes at \$12,500 per quarter plus accrued interest through the final maturity of 9/1/2004.

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. The loan is 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 loan. Amounts required for deposit are classified as a restricted asset.

TEXTRON FINANCIAL

On October 29, 2001, the City executed a four-year capital lease with Textron Financial in the amount of \$433,881. The capital lease was issued to finance the purchase of 120 golf carts. The lease carries an interest rate of 5.85%. Ownership transfers to the City at the termination of the lease with no additional payment required.

INTERNAL LOANS

The City created an Internal Loan Fund during fiscal year 1996 for the purpose of financing relatively short-term capital projects. 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. The Internal Loan Fund was created by depositing surplus revenues to provide cash flow.

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, 2001. 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

SERIES 2002 A, B, C BONDS

On January 31, 2003, the City issued the Utilities Tax Revenue Refunding Bonds, Series 2002A in the amount of \$15,020,000. The proceeds are to provide funds to (1) refund all of the City's outstanding Utilities Tax Revenue Refunding and Improvement Bonds, Series 1994A, (2) fund a deposit to the 2002 Debt Service Reserve Account, and (3) pay costs associated with the issuance of the Series 2002A Bonds, including municipal bond insurance premium.

On January 31, 2003, the City also issued the Utilities Tax Revenue Bonds, Series 2002B in the amount of \$15,355,000. The proceeds are to provide funds to (1) finance (a) the acquisition, construction, and installation of public park facilities at Lake Mirror, (b) construction and installation of a radio tower for the City's 800 MHz radio system, (c) certain road improvements, (d) the construction of a new fire station in the northeast quadrant of the City, (2) fund a deposit to the 2002 Debt Service Reserve Account, and (3) pay the costs associated with the issuance of the Series 2002B Bonds, including municipal bond insurance premiums. Interest is payable semi-annually on April 1 and October 1 of each year commencing April 1, 2003. Principal payments payable, when due, are to be made annually on October 1 of each year for the term of the bonds. The principal and interest payments are to be paid from the proceeds of the utilities tax imposed by the City on the purchase of certain utility services, including electricity, water, metered and bottled gas, and local communication services.

On January 31, 2003, the City issued the Tourist Development Tax and Utilities Tax Revenue Refunding Bonds, Series 2002C in the amount of \$5,660,000. The proceeds are to provide funds to (1) refund all of the City's outstanding Tourist Development Tax and Utilities Tax Revenue Bonds, Series 1994B, (2) fund a deposit to the 2002 Debt Service Reserve Account, and (3) pay costs associated with the issuance of the Series 2002C Bonds, including municipal bond insurance premium. Interest is payable semi-annually on April 1 and October 1 of each year commencing April 1, 2003. Principal payments payable, when due, are to be made annually on October 1 of each year for the term of the bonds. The interest and principal payments are to be paid from the proceeds of the Tourist Development Tax and are further secured by the Utilities Tax collected by the City.

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SERIES 2003 BONDS

On January 21, 2003, the City issued the Energy System Variable Rate Refunding Revenue Bonds in the amount of \$47,860,000. The proceeds are to provide funds to (1) refund all of the outstanding City of Lakeland Energy System Revenue Bonds, Series 2000B, (2) pay the cost of certain distribution facilities, including substations and related circuits, development/customer service facilities, system upgrades and reliability improvements, and (3) pay certain costs and expenses related to the issuance of the Series 2003 Bonds. Interest is payable the first Wednesday of each calendar month commencing on February 5, 2003. The Series 2003 Bonds and the interest thereof are payable from certain revenues derived by the City from the operation of its electric power system.

In conjunction with the issuance of these bonds, the City entered into a market spread language (MSL) swap agreement with Salomon Brothers Holding Company Inc. Under the terms of this arrangement, the City makes a monthly payment in an amount equal to an annualized rate of 3.74 percent against a notional amount of \$47,860,000 to Salomon Brothers Holding Company Inc. Salomon Brothers Holding Company, Inc will make a monthly payment to the City in an amount equal to the same notional amount and the variable rate of interest paid by the City on the Series 2003 bonds. After July 21, 2004, the rate of interest used to calculate this payment to the City may not exceed 67% of the annualized LIBOR rate of interest.

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DEPARTMENT OF ELECTRIC UTILITIES (LAKELAND ELECTRIC)

GENERAL

On July 20, 1998, the City reorganized the Department of Electric and Water Utilities into two separate Departments in order to provide the Electric System and Water System with separate dedicated management teams. The Water System was combined with the Wastewater System, which created the Department of Water Utilities (Water Department). The Electric System is now under the control of Lakeland Electric (Electric Department).

In connection with the restructuring, a new water utility fund was established for internal management purposes. However, financial operations of the Water System through and including September 30, 2001, were still combined with the operations of the City's Electric System for external reporting purposes. Commencing with the fiscal year ended September 30, 2002; the financial operations of the Electric System and the Water System are separated for external reporting purposes and are accounted for in separate enterprise funds.

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

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

As of September 30, 2002, Lakeland Electric had a staff of 734, including 101 professional employees with degrees in engineering, business and other related fields, 20 of whom are registered professional engineers in the State of Florida.

All financial reports covering operations of Lakeland Electric are prepared by the Finance Division 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.

MANAGEMENT

The City Commission established a Utility Committee of three commissioners. The purpose of this committee is to oversee all utility operations of the City. Currently, this committee meets monthly in order to keep abreast of the changes occurring in the public power industry.

The Utility Committee acts as an intermediary between the City Commission and the management of Lakeland Electric. Management regularly provides the Committee with status updates and industry concerns relating to financial, legislative, operational, and competitive issues. The Committee also closely reviews items such as pending contracts and project proposals that are to be presented to the City Commission at upcoming meetings. The Utility Committee provides both specific and global recommendations to the City Commission. The City Commission provides direction on policy issues and other matters that are subsequently reviewed, analyzed, and discussed directly with management. The Utility Committee continues to be an effective management tool for the City and Lakeland Electric.

Lakeland Electric recently modified its organizational structure primarily to create more accountability and responsibility. The organization has been restructured along lines of business with each business unit having its own

Business Operations Group and Business Unit Director. The business units that have been created include the Energy Supply Unit, the Energy Delivery Unit, the Customer Service Unit, and the Diversified Services Unit. There also was established a Corporate Services Unit that provides the corporate support and infrastructure for all of the business units and groups. This restructuring took effect October 1, 2000. The City will continue to evaluate Lakeland Electric's organizational structure to meet changes in the public power industry's competitive market.

SERVICE AREA

The System service territory consists of approximately 258 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 of Lakeland is bisected by Interstate 4 connecting Tampa and Orlando and is located approximately halfway between the two cities. During Fiscal Year 2001-02, an average of 112,333 electric customers was 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 two 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 generating capacity of 1028 Megawatts ("MW"). See "Existing Generation" for details of the generating capacity of each facility.

LARSEN PLANT

The first power-generating unit at Larsen Plant was completed in 1950. Today, Larsen Plant provides 113 megawatts of base to intermediate load capacity, 44 megawatts of intermediate to peaking load capacity, and 22 megawatts of peaking capacity. The 22 megawatts of peaking capacity are provided by gas turbines. These turbines are designed to be placed into service rapidly since peak demands have normally occurred in winter and are typically relatively short in duration. These units also have black-start capability in case of total system outage.

The Larsen Plant site has limited growth options within the existing infrastructure; however, additional generation capacity of approximately 100 megawatts could be added to this site using existing technology.

MCINTOSH PLANT

The McIntosh Plant site consists of approximately 450 acres. 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.

Generating units at McIntosh Plant include two gas and oil-fired steam turbine generators (Units 1 and 2). These Units provide 204 megawatts of base to intermediate load capacity. A combustion turbine and two diesel generators provide 26 megawatts of combined peaking capacity with quick start capability.

McIntosh Unit 3 is a coal-fired steam turbine generator. Commercial operation using coal as fuel began in September 1982. Unit 3 was designed to burn high-sulfur pulverized coal as its primary fuel with the ability to operate on No 6 fuel oil on a standby basis. Currently, petroleum coke is used for up to 20% of the fuel supply. As a supplement to coal, Unit 3 has been designed to burn shredded solid waste that contributes up to 10 percent of its total fuel requirement at full load. A wet limestone scrubber and electrostatic precipitator remove sulfur dioxide and particulate matter from the boiler and flue gasses.

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 net 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.

The McIntosh Plant also is the site for two gas and oil-fired steam turbine generators (Units 1 and 2) which provide 204 MW of base to intermediate load capacity. The remaining 26 MW of peaking capacity is designed for quick-start capability.

During fiscal year 2001, the City completed construction of McIntosh Plant Unit No. 5, a Westinghouse 501G simple cycle high efficiency combustion turbine that is rated, as a simple cycle unit, at 249 MW and, as a simple cycle unit, has a heat rate of 10,000 BTU/kilowatt hours. Unit No. 5 became available for full load commercial operation in May 2001. Unit No. 5 is the first of its kind built by Westinghouse. It was originally constructed as a simple cycle unit in order to allow for complete testing prior to full commercial use. The conversion of Unit No. 5 to combined cycle operation was completed in May 2002. As a combined cycle unit, Unit No. 5 is rated at 350 MW with a heat rate of 6600 BTU/kilowatt hours.

S&B Engineers and Constructors, Ltd., of Houston, Texas ("S&B"), was the contractor for the recently completed McIntosh Plant Unit No. 5 combined cycle conversion project. S&B has presented a change order request in accordance with the contract in the amount of \$4,144,103 for delays allegedly caused by the City or its equipment supplier, Siemens Westinghouse Power Corporation ("Siemens"). The parties have been sharing information and are negotiating in good faith and it is anticipated that the finally agreed upon change order amount will be less than the amount originally requested. Litigation is not anticipated. The City has set aside reserves it believes are sufficient to fund the change order amount, if any.

Siemens is the contractor and equipment supplier for the McIntosh Plant Unit No. 5 simple cycle project. The City obtained a long term maintenance agreement from Siemens that was originally anticipated to cover at a minimum the first six years of operation of Unit No. 5. Due to a higher than anticipated number of "equivalent starts" (as defined in the agreement), the coverage under the agreement may expire up to two years early. The City and Siemens are currently negotiating in good faith to either extend the existing maintenance agreement or modify the agreement to mitigate the City's exposure to the "equivalent starts" issue. Litigation is not anticipated. The City believes this matter will be resolved without any significant cost to the City.

WINSTON PLANT

The Winston Plant houses 22 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.

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EXISTING GENERATION

Unit	Fuel		Installed	Nameplate Capacity (megawatts)	Equivalent Availability ⁴
	Primary	Alternate			
<u>Larsen Plant:</u>					
<u>Combustion turbine:</u>					
Unit 2	FO2	NG	1962	11	99.40 %
Unit 3	FO2	NG	1962	11	98.90 %
Unit 8	NG	FO2	1992	88	97.90 %
<u>Steam condensing turbines:</u>					
Unit 5	WW	FO2	1956	25	97.90 %
Unit 6 ¹	NG	FO6	1959	0	-
Unit 7	NG	FO6	1966	44	82.80 %
Total Larsen Plant Total				179	
<u>McIntosh Plant:</u>					
<u>Diesels:</u>					
Unit 1	FO2	—	1970	3	72.40 %
Unit 2	FO2	—	1970	3	77.70 %
<u>Combustion turbine:</u>					
Unit 1	FO2	NG	1973	20	97.20 %
Unit 5 ²	NG/WW	FO2	2001	350	89.50 %
<u>Steam condensing turbines:</u>					
Unit 1	NG	FO6	1971	90	81.40 %
Unit 2	NG	FO6	1976	114	92.70 %
Unit 3 ³	CO	NG	1982	219	84.30 %
Total McIntosh Plant Total				799	
<u>Winston Plant:</u>					
<u>Diesel :</u>					
Unit 1-22 ⁵	FO2		2001	50	95.30%
Total - all plants				1,028	87.70%

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

¹Taken out of service during fiscal year 1997. The 25-megawatt capacity could be used in emergencies, but is not considered for reserve margin calculations.

²Commercial operation commenced in May 2001. Unit 5 was converted to a combined cycle unit in May 2002.

³Reflects the City's 60% share.

⁴Represents the percentage of capacity that was available for generation during fiscal year 2002.

⁵Each peaking unit is 2.5 MW, but are combined and treated as one dispatchable unit of 50 MW capacity.

Source: Lakeland Electric

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SYSTEM CAPACITY AND LOAD

The Electric System has a current capacity of 1028 megawatts. The system net peak load reached 659 megawatts on January 9, 2002 and 576 megawatts on July 17, 2002.

Except for incidental power purchases the Department has, in the past, generated the Electric System's total energy requirements.

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

Fiscal Year Ending September 30	Winter Peak (Mw)	Percent Increase (Decrease)	Summer Peak (Mw)	Percent Increase (Decrease)	Energy Use (gWh) ²	Percent Increase
2002	659	0.6%	576	5.5%	2,618	1.4%
2001	655	7.4%	546	-1.1%	2,582	1.9%
2000	610	-0.2%	552	3.4%	2,533	2.8%
1999	611	28.4%	534	-0.2%	2,465	1.4%
1998 ¹	476	-13.8%	535	5.1%	2,432	4.3%

¹Winter peak resulted from an unusually mild winter.

²Excludes sales for resale.

Source: Lakeland Electric

TRANSMISSION AND DISTRIBUTION SYSTEM

The Electric System currently has approximately 29.15 miles of 230 kilovolt (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.

The 230 kilovolt and 69 kilovolt systems are the primary transmission network for the Electric System. There are currently 112.53 miles of 69 kilovolt single and double circuit construction and most of the 69/12-kilovolt substations have a minimum of two interconnections. At the present time, there are a total of twenty 69/12-kilovolt substations feeding one hundred 12 kilovolt circuits. There are approximately 1,276 miles of overhead and 469 miles of underground 12 kilovolt distribution lines in service.

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:

- Florida Power Corporation
- Florida Power & Light Company
- Tampa Electric Company
- Orlando Utilities Commission
- Jacksonville Electric Authority
- Kissimmee Utilities Authority
- City of St. Cloud
- City of Homestead
- Florida Municipal Power Agency
- City of Starke

- Seminole Electric Cooperative
- City of Tallahassee
- Gainesville Regional Utilities
- Fort Pierce Utilities Commission
- Utilities Commission-New Smyrna Beach
- City of Vero Beach
- City of Lake Worth
- Reedy Creek Improvement District
- TVA
- Enron
- Oglethorpe
- Auburndale Power Partners
- Louisville Gas & Electric
- City of Key West

The Department's interconnection capacity with neighboring utilities is approximately 420 megawatts. This capacity is composed of four 230-kilovolt lines and three 69 kilovolt lines. Lakeland Electric has two 230 kilovolt ties with Florida Power Corporation at Lakeland Electric's West Substation. One line ties with Florida Power Corporation's Kathleen Substation and the other with their Barcola Substation. The third 230-kilovolt tie is with the Orlando Utilities Commission and connects Lakeland Electric's McIntosh Substation with Orlando's Taft Substation. The fourth 230 kilovolt tie is with Tampa Electric Company (TECO) and connects Lakeland Electric's Crews Lake Substation with TECO's Pebbledale and Recker Substations.

All three of Lakeland Electric's 69 kilovolt lines are with Tampa Electric Company. These lines connect Lakeland Electric's Orangedale Substation to Tampa Electric Company's Polk City Substation; the East Substation with Tampa's Gapway Substation; and the Highland City Substation with Tampa's Sandhill Substation.

FUELS

FUELS – OIL AND NATURAL GAS

The City has a storage capacity of 359,899 barrels for No 6 residual oil, and 27,855 barrels for No 2 distillate. This storage capacity affords the Electric System a 40-day reserve for No 6 residual oil and an 8-10 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 Section 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. Since that time, the City has purchased its natural gas requirements from multiple suppliers and obtains transportation from FGT.

In June 2002, the Gulfstream Pipeline became operational. 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 Lakeland Electric access to additional gas suppliers. Also, this second pipeline significantly reduces the risk of interruption of the gas supply.

The City currently enters into multi-year contracts that provide between 50% and 60% of its natural gas requirements and into one year (spot market) contracts for its base requirements. Lakeland Electric also purchases natural gas in the daily spot market to complete its needs. The mixture of contracts should give the City stability in pricing for forecasting purposes, but also allows for enough flexibility for the City to respond to changing market conditions.

FUELS - COAL

The City projects that McIntosh Unit 3 will burn approximately 850,000 to 900,000 tons of coal per year. Normally a 30 to 35-day coal supply reserve (90,000-110,000 tons) is maintained at McIntosh Plant. In January 2000, the City entered into a seven-year coal supply agreement with James River Coal Company for 500,000 tons of coal per

calendar year. The current price is \$44.05 per ton FOB McIntosh Plant and the agreement is capped at the current price. The average delivered total coal cost for Lakeland Electric for fiscal year 2002 was \$47.09 per ton.

The City began considering the use of petroleum coke as a fuel in 1993. A successful test burn of petroleum coke was performed in 1994. Since then, the City has received over 360,000 tons of petroleum coke. The use of petroleum coke and coal as a blended fuel has resulted in significant savings for McIntosh Unit 3.

The coal sources are located in eastern Kentucky, which affords the City a single rail line via CSX Transportation (CSX). The City entered into a seven-year coal transportation contract effective January 1, 2000 with CSX.

In May 1991, the City put 198 new aluminum railcars into service, which replaced 169 ten-year old steel railcars. The increased aluminum railcar fleet allows the City to enjoy new cost discounts from CSX. Entering into the new coal supply agreement, increasing the railcar fleet size, and utilizing aluminum railcars, has resulted in a substantially lower delivered coal cost since 1991.

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).

Fiscal Year Ending September 30	Coal	Oil	Natural Gas	Refuse	Petroleum Coke
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 %
1997	57 %	3 %	30 %	1 %	9 %
1996	60 %	3 %	34 %	1 %	2 %
1995	64 %	1 %	33 %	2 %	—
1994	76 %	3 %	20 %	1 %	—

Source: Lakeland Electric

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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. On February 15, 1995, the City and the Department of Community Affairs entered into a Joint Stipulation establishing conservation goals for the City beginning in 1996 and continuing through the year 2005. This Joint Stipulation was approved by FPSC on March 21, 1995.

Lakeland Electric has been, and continues to be, dedicated to reducing the Electric 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.

Lakeland Electric's direct load control program (SMART) started in 1990 and now has more than 25,000 participants. Under this program, Lakeland Electric controls the participant's water heating and/or home heating and cooling systems for periods of 33%, 50%, or 100% of each hour during the control period. The participant selects the control level. As a result of SMART, the forecast demand reduction for the winter 2002/2003 peak is 51 MW.

INDUSTRY ORGANIZATIONS

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 Florida Municipal Power Pool 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, the Orlando Utilities Commission (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.

Participation in the FMPP ensures that the City has the lowest possible generation cost. 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.

FLORIDA RELIABILITY COORDINATING COUNCIL

The National Electric Reliability Council recently 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, the Orlando Utilities Commission, 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 has an initial term of five years commencing October 2002, and is renewable for additional five year terms. 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.

CUSTOMERS

Customers of the Electric System are predominantly residential in number (81% in Fiscal Year 2002). Of the 112,333 average customers in Fiscal Year 2002, 11,314 are commercial and industrial customers providing approximately 43% 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, 2002, which in total represent approximately 12% of electric retail sales revenue.

Customer	kWh Used in Fiscal 2002	kWh Used in Fiscal 2001	Percent Change from 2001	% Total 2002 kWh Sold	Peak Demand 2002 (Mw)
Publix Super Market ¹	173,367,122	157,984,269	9.7%	6.6%	25.9
City of Lakeland	67,316,509	67,833,164	-0.8%	2.6%	14.3
Polk County School Board	40,338,949	32,860,098	22.8%	1.5%	16.8
Lakeland Regional Medical Center	38,976,134	37,977,408	2.6%	1.5%	5.8
Breed Automotive Corp.	28,900,800	26,395,200	9.5%	1.1%	5.0
Butterkrust Bakeries	25,513,233	22,909,600	11.4%	0.9%	4.3
Florida Southern College	21,849,139	21,682,011	0.8%	0.8%	3.5
Pepperidge Farm, Inc.	15,456,000	11,961,600	29.2%	0.6%	2.4
Winn Dixie Stores ²	15,233,600	16,402,440	-7.1%	0.6%	2.3
Tampa Maid Foods, Inc.	14,735,510	11,349,817	29.8%	0.6%	2.9
Totals	441,686,996	407,355,607		16.8 %	83.2

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

²Consists of six supermarkets.

Source: Lakeland Electric

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. City Commission approval is required before adjustments to rate schedules become effective.

RATE FORMULA

The basic rate formula applied by Lakeland Electric to all electric customers adds a usage charge based on kilowatt hours used and a fuel cost adjustment to the applicable 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 kilowatt times the maximum kilowatts (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. These surcharges are calculated 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 Electric System customers.

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 require them to purchase their power requirements from the System for a period of at least ten years. Such contracts are, by their nature, available only to the largest customers of the System. 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, 2002, 26 customers have executed contracts representing 48 MW of demand, .3 gigawatts of energy, and 12% of total 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 six years.

FUEL ADJUSTMENT

The City Commission is authorized by ordinance to adopt a fuel adjustment charge of 1 mill (0.001) per kilowatt hour (kWh) sold for each kilowatt hour that the actual cost of fuel and interchanged power purchases exceeds the base cost of fuel of 29.0 mills per kilowatt hour. The City Commission may establish a fuel adjustment charge each month on the actual fuel consumed during the preceding month. Alternatively, the Commission may project a fuel adjustment charge for any period up to six months subject to adjustment at the end of the period for actual fuel consumed at the end of the period. As of September 30, 2002, the fuel adjustment charge for contract and interruptible customers was 3.5 mills per kilowatt hour (kWh).

COMPARISON OF RATES

A comparison of electric rates in effect on October 1, 2002, charged by the City with the rates for comparable service charged by other municipal electric systems and investor-owned utilities in the State of Florida is presented in the following table. The charges listed in the following table include basic rates plus a fuel adjustment charge.

Florida Utilities	Residential 1,000 kWh	GS ¹ 1,500 kWh	GSD ² 60,000 kWh 150 kW	GSLD ³ 200,000 kWh 500 kW
Jacksonville Electric Authority	\$ 68.15	\$ 95.75	\$ 3,119.00	\$ 10,280.00
Florida Power and Light*	74.32	115.71	3,616.28	11,704.87
Gainesville Regional Utility	74.85	111.26	3,389.49	11,251.74
Florida Power Corporation*	78.24	111.06	3,381.12	11,131.16
Orlando Utilities Commission	80.70	122.35	3,663.60	12,177.00
Lakeland, City of	82.91	120.80	3,900.85	13,377.30
Tallahassee, City of	84.96	109.96	3,986.50	13,115.00
Tampa Electric Company*	91.59	132.60	4,843.50	14,047.00

*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.

³Large industrial.

Source: Monthly bill comparison prepared by the Florida Municipal Electric Association.

HISTORICAL RATE CHARGES

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

<u>Fiscal Year</u>	<u>% Increase (Decrease) in Base Rate</u>	<u>Net Change % Total Bill Includes Fuel Adj.</u>
2002	10.1	(7.9)
2001	0.0	10.3
2000	0.0	0.0
1999	0.0	0.0
1998	0.0	1.4
1997	0.0	0.0
1996 ¹	(2.0)	(4.8)
1995	0.0	0.0
1994	0.0	0.0
1993	0.0	0.0

¹Commercial and industrial rate decreases of approximately 2% were implemented in October 1996.

Source: Lakeland Electric

ELECTRIC SYSTEM OPERATING STATISTICS

Description	Fiscal Year Ended September 30				
	2002	2001	2000	1999	1998
60 Minute net peak demand (Mw)	659	655	610	611	535
Increase/(decrease) from prior year	0.6 %	7.4 %	(0.2 %)	14.2 %	(12.3 %)
<u>Energy Sales (gWh):</u>					
Residential	1,328	1,328	1,263	1,239	1,249
Commercial and industrial	1,262	1,226	1,242	1,199	1,157
Other ¹	28	28	28	27	26
Total	2,618	2,582	2,533	2,465	2,432
Increase/(decrease) from prior year	1.4 %	1.9 %	2.8 %	1.4 %	4.7 %
<u>Average customers for period:</u>					
Residential	90,915	88,663	88,740	87,222	85,840
Commercial and industrial	11,314	11,112	11,145	10,900	10,570
Other ¹	10,104	10,266	10,155	10,038	9,781
Total	112,333	110,041	110,040	108,160	106,191
<u>Residential service:</u>					
Average kWh sales per customer	14,603	14,978	14,231	14,202	14,550
Average revenue per customer	\$ 1,296.81	\$ 1,267.28	\$ 1,106.23	\$ 1,102.59	\$ 1,114.04
Average revenue per kWh	\$ 0.0888	\$ 0.0846	\$ 0.0777	\$ 0.0776	\$ 0.0766
<u>Operating revenue (\$ 000):</u>					
Residential	\$ 113,021	\$ 109,147	\$ 104,161	\$ 101,686	\$ 99,004
Commercial and industrial	74,326	72,157	72,963	69,894	71,110
Other electric sales ¹	7,165	7,231	6,256	6,292	4,558
Sales for resale	19,115	16,543	10,424	14,993	7,725
Subtotal	213,627	205,078	193,804	192,865	182,397
Fuel adjustment	24,277	18,155	-	-	-
Other revenues	7,047	5,508	4,941	4,200	3,242
Total electric operating revenue	\$ 244,951	\$ 228,741	\$ 198,745	\$ 197,065	\$ 185,639

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

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FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

GENERAL

The electric utility industry has been in the past, and in the future 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. These factors likely would affect individual utilities in different ways. Some of the more significant factors are the 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.

Additional factors impacting electric utilities include, among others: (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, and regulatory 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, and (11) 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 City's, and likely will affect individual utilities in different ways.

The City cannot determine with certainty what effects such factors will have on its business operations and financial condition, but any effect(s) could be significant. The following is a brief discussion of a few 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.

ENERGY POLICY ACT OF 1992 AND CERTAIN FERC INITIATIVES

The Energy Policy Act of 1992 (the "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 Energy Policy Act provides the Federal Energy Regulatory Commission (the "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 Energy Policy Act. The authority for regulation of "retail wheeling," which allows a retail customer located in one utility's service area to obtain power from another utility or from non-utility sources, is specifically excluded from the enhanced authority granted to FERC under the Energy Policy Act. Many believe that this leaves authority for regulation of retail wheeling with state legislative and regulatory bodies. Several states have acted on or are now acting on this authority. One effect of this is that utilities with low-cost power are better able to compete for new and existing loads. See "– Retail Wheeling".

On April 24, 1996, the FERC issued a final rule (the "Rule") proposing significant changes regarding transmission service performed by electric utilities subject to the FERC's jurisdiction under sections 205 and 206 of the Federal Power Act. Among other things, the FERC requires utilities to submit open-access, mandatory transmission tariffs. The goal of the Rule, according to the 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.

Municipally-owned electric utilities (including the City) are not subject to FERC jurisdiction under these orders but may be denied reciprocal transmission services from a FERC jurisdictional utility if they do not offer comparable

transmission services. The FERC stated that its overall objective 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. The FERC also indicated that it intends to apply the principles set forth in the Rule to the maximum extent to municipal and other non-jurisdictional utilities, both in deciding cases brought under Sections 211 and 212 of the Federal Power Act and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs.

According to FERC Order No. 888 of the Rule, an open access transmission tariff must provide for functional unbundling of utility service, so that the filing utility will be obliged to purchase transmission service to meet its native load under the same transmission tariff it offers to others. A conforming tariff must be available to any entity eligible to request a Section 211 order under the Federal Power Act, must provide for expansion of the transmission system when necessary to provide service, must offer firm point-to-point and network service as well as non-firm transmission service, and must offer to provide such ancillary services (e.g., reactive power, loss compensation, scheduling and dispatch, system protection and energy imbalance services) as the transmission provider provides to itself. Transmission capacity must be subject to reassignment and sale on a secondary market. Transmission owners must also make available to potential users an index of capacity owners and information about the transmission capacity available for sale.

Under Order No. 888, the FERC also ruled that it will permit utilities that file conforming open access transmission tariffs to recover their legitimate and verifiable stranded costs from wholesale customers who had been parties to sales contracts executed before July 11, 1994 which did not contain an exit fee or other provision relating to stranded cost recovery and who exercised their option to become transmission customers and purchase their electricity needs off-system. In order to recover stranded costs, a utility would be required to demonstrate that it had a "reasonable expectation" of continuing to serve the former customer's requirements for electric sales service and would also be required to demonstrate that it had attempted to mitigate its stranded costs.

Recovery of stranded costs resulting from retail wheeling initially would be the responsibility of state regulatory commissions, which could not permit such recovery in interstate transmission rates but must, instead, uses such mechanisms as a surcharge upon rates for local distribution or an exit fee for departing retail customers to compensate utilities for stranded costs stemming from retail wheeling. If, however, a state commission lacked legal authority to provide for compensating utilities for stranded costs resulting from retail wheeling or if the stranded costs result from a formerly retail sale customer becoming a wholesale customer (e.g., by municipalization), the FERC itself would permit the recoverable stranded costs to be recovered in interstate transmission rates.

Under Order No. 889, the FERC (i) implemented 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 and (ii) required those utilities to establish an electronic Open Access Same-time Information System ("OASIS") to post available capacity information and transmission rates on the Internet.

The Rule would also allow all participants in the power market to reserve firm rights to transfer power between designated receipt and delivery points.

Although the Rule does not directly regulate non-jurisdictional utilities such as the City, the Rule could have a significant impact on such utilities' operations. It would require them to provide open access transmission service conforming to the requirements for investor-owned utilities whenever they are properly requested to do so under Sections 211 and 212 of the Federal Power Act or as a condition of taking transmission service from an investor owned utility. In certain circumstances, the Rule 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.

On March 28, 2001, FERC issued an order provisionally granting RTO status to Florida Power & Light Co., Florida Power Corporation and Tampa Electric Co. (the "Applicants"). Pursuant to such order, the Applicants have been granted authorization to form GridFlorida LLC (GridFlorida), a for-profit RTO. GridFlorida would act as the RTO

for peninsular Florida, which includes the City's service area, and would own and/or operate transmission lines of 69 kV or more.

GridFlorida has not yet been created, but the City is monitoring and participating in the filings relating to the creation of GridFlorida. In May 2001, the Public Service Commission ordered a prudence hearing for the Applicants to show the benefits of the formation of an RTO for peninsular Florida. Based on the results of the prudence hearing in November 2001, the Public Service Commission ordered the Applicants to develop an Independent Systems Administrator ("ISA") Model for the peninsular Florida RTO.

On March 20, 2002, the Applicants submitted a revised proposal to the Public Service Commission. The revised proposal restructured GridFlorida as a not-for-profit Independent System Operator ("ISO") and also included a number of changes to the original proposal in order to accommodate the ISO structure. The City cannot predict how the revised proposal will be received either by Public Service Commission or FERC.

On July 31, 2002, FERC issued a Notice of Proposed Rulemaking (the "2002 NOPR") that proposes wide-ranging changes to the nation's wholesale energy market. Through the 2002 NOPR, FERC proposes to (i) mandate a standard market design ("SMD") which provides a framework for wholesale electric markets to remedy alleged discrimination in the use of the interstate transmission system; (ii) exercise jurisdiction over the transmission component of bundled retail transactions for FERC jurisdictional transmission owners; and (iii) establish a new form of universal transmission service to replace point-to-point and network services available pursuant to Order No. 888. The 2002 NOPR also proposes that all jurisdictional transmission owners and operators that have not yet joined an RTO must contract with an independent entity to operate their transmission facilities. Public comments were due to FERC by October 15, 2002 with the final order planned to be issued by FERC in the first quarter of 2003. Additionally, the 2002 NOPR proposes the continuation of the reciprocity requirement for non-jurisdictional utilities set forth in Order No. 888.

While the City is not directly subject to FERC jurisdiction, the City could be affected by the 2002 NOPR, depending on the final order. The City is unable to predict the outcome of this proposed rule making at this time.

RETAIL WHEELING

Pursuant to the Rule and other mandates of the FERC, 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 the FERC under the Energy Policy Act. However, while the states may have authority to determine whether retail wheeling will be permitted, FERC has determined that it has jurisdiction over the rates, terms and conditions of retail wheeling. Some states have implemented or are in the process of implementing varying degrees of retail wheeling. However, the activity concerning retail wheeling has slowed considerably since the California energy crisis. How quickly competition will 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 City maintaining its favorable market position. To date, no legislation regarding retail wheeling has been approved by the Florida Legislature.

FLORIDA LEGISLATIVE INITIATIVES

In the 2000 legislative session of the Florida Legislature, two electric utility bills were introduced; one which focused on reliability issues and another which proposed to create a restructuring study commission and require a moratorium on merchant plants while the study is conducted. No action was taken on either bill prior to the end of the legislative session, so the bills expired when the session ended. The 2001 and 2002 legislative sessions concluded with no significant legislation concerning the electric utility industry being passed.

On May 3, 2000, Governor Jeb Bush, citing the need for a comprehensive statewide energy policy, signed an executive order creating a new commission charged with proposing an energy plan and strategy for Florida. The new Energy 2020 Study Commission consisted of 17 members, 13 appointed by the Governor, two appointed by the Senate President and two appointed by the Speaker of the House of Representatives (the "Study Commission"). The chairman of the FPSC and the Public Counsel served in an advisory capacity as non-voting members of the Study Commission. The issues addressed by the Study Commission included: the current and future reliability of electric and natural gas supply; the emerging energy supply and delivery options; electrical industry competition; the environmental impacts of energy supply; energy conservation; the fiscal impacts of energy supply options on tax payers and energy providers. The Study Commission's final report was given to the Governor in December 2001. No legislative action was taken with regard to the Study Commission's report.

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.

FEDERAL LEGISLATIVE INITIATIVES

During several past sessions of the United States Congress, numerous bills were introduced (i) to restructure the electric utility industry, including providing choice of power suppliers at the retail level for customers of investor-owned and, under certain circumstances, consumer-owned utilities, including utilities owned by municipalities and other political subdivisions (certain of such bills included provisions relating to stranded cost recovery) and (ii) impacting the federal tax exemption of interest on bonds issued, and to be issued, to finance or refinance facilities owned by municipalities and political subdivisions used in the wholesale and retail power supply business (in certain cases, preserving such exemption and, in other cases, negatively impacting such exemption). A certain number of these bills were introduced as a result of proposals initiated by the prior Administration to restructure the electric utility industry (including proposals relating to such federal tax exemption). None of these bills were enacted.

No significant legislation concerning the electric industry has been filed in the current session of Congress. The City is not able to predict the final forms and possible effects of any legislation which ultimately may be introduced in the current or future sessions of Congress. The City is also not able to predict whether any legislation, after introduction, will be enacted into law, with or without amendment. Further, the City is unable to predict whether, and to what extent, if any, to which any such electric utility legislation (i) would (or would not) provide retail customers of investor-owned electric utilities, and possibly customers of consumer-owned utilities, including utilities owned by municipalities and other political subdivisions, with some form of ability to choose their supplier of electricity by a date certain, (ii) might (or might not) provide for some form of stranded cost recovery, (iii) may (or may not) provide protection of the federal tax exemption of the interest on bonds previously issued by municipalities and other political subdivisions for electric generation, transmission and distribution facilities that are used in wholesale or retail competition, (iv) may (or may not) prohibit future tax-exempt financing of some or all of such facilities, (v) may (or may not), under certain circumstances, adversely affect the tax exemption of interest on bonds previously issued for such purposes or require payment by utilities owned by municipalities and other political subdivisions of federal income tax on a portion of their utility income, and (vi) may (or may not) contain provisions, among others, relating to customer protection, transmission reliability and access, environmental matters, and the development and/or utilization of certain renewable energy resources.

The City is not able to predict the final form of any such legislation which might be enacted into law, nor what effect any such new law (if enacted) will have on the City or on the exclusion from federal gross income of interest on indebtedness of the City heretofore or hereafter issued in connection with the System.

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 Florida Public Service Commission ("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," has held that the FPSC has jurisdiction and authority to regulate the "rate structure" of a municipal electric utility. The rate structure 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 City'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 seek to improve the ambient air quality throughout the United States. A primary feature of the 1990 Amendments is the reduction of sulfur dioxide and nitrogen oxide emissions caused by electric utility power plants. The City believes it currently is in compliance with all of the requirements of the 1990 Amendments through the year 2002. Congress is considering new legislation as a part of the Federal Clean Air Act that may impact all power plants directly. Regulation of electric utility emissions is likely to change significantly under the legislation being considered. The EPA, the State of Florida, and local jurisdictions would issue new regulations to implement any new legislation. The changes could affect the cost of purchased power from combustion turbines and other types of plants. If enacted, any new regulations may change existing cost assumptions for electric utilities. While it is too early to determine whether such changes will occur, in what form, or what their effect will be, the changes may have a material impact on the cost of power generated at affected electric generating units. The impact on the City's operations of any such further regulation cannot be predicted with any certainty at this time.

The 1990 Amendments also provide facility operators with sulfur dioxide "allowances" based upon a facility's prior operating emission levels and additional statutory allowances 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 does not anticipate any problems operating within the allowances it has been allocated for the foreseeable future.

The EPA is developing regulations for the control of mercury emissions from coal and oil-fired utility boilers. Regulations are scheduled to be proposed in late 2003 with a compliance date of late 2007. These regulations will affect all new and existing units. The EPA has not yet determined the level of control that will be required. This rule could affect the City's coal-fired units and the City is still uncertain of the impact, which could range from no change to the installation of new emission controls.

President Bush recently proposed a Clear Skies Initiative ("CSI") intended to achieve dramatic reductions of sulfur dioxide, oxides of nitrogen, and mercury emissions in a coordinated and phased manner. The administration expects that the CSI would, if enacted in its draft form, result in substantial power plant emission reductions and provide the electric power generation industry with regulatory certainty while maintaining fuel supply diversity. The current Federal Clean Air Act contains several provisions that are directed at emissions of sulfur dioxide and oxides of nitrogen, as well as particulate materials. The City is planning future emission reductions at its coal-fired power plants as a result of these legislative and regulatory initiatives. The specific level of reduction and compliance cost will not be known until new legislation is passed or the EPA and the states finalize existing regulatory programs under the Federal Clean Air Act.

The City entered into a consent order with the Florida Department of Environmental Regulation on December 7, 2001, regarding certain alleged violations relative to the disposal of solid wastes. Pursuant to the consent order, the City paid \$180,691.00 to the Florida Department of Environmental Regulation in settlement of the issues raised in the Consent Order and the City has implemented certain studies and corrective actions. Further monetary penalties are not anticipated. The City has implemented self-audits to determine continuing compliance.

In the opinion of Lakeland Electric, the System is 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.

SECURITY MATTERS

Following the events at the World Trade Center in New York on September 11, 2001, increased emphasis has been placed on addressing security measures for infrastructure systems and facilities throughout the United States. In response, the City has placed its operations on alert and has taken security measures beyond those normally in effect to protect the System and other assets. Such additional measures have resulted in increased costs to the City. The City could incur significantly increased costs if it becomes necessary to take additional security measures in the future.

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STRATEGIC PLANNING INITIATIVES

In 1997, Lakeland Electric developed a long-term strategic plan for the System. This long-term plan encompasses a period of ten years and establishes objectives to be met over the long term with specific goals established for the next five years. This plan was updated during fiscal year 2002, presented to the City Commission, and accepted for implementation. The plan generally covers generation, new services, organizational structure, debt management, and alliances.

GENERATION

It is the City's present intention that Lakeland Electric continues in the public power business and maintain all utility functions, including generation, transmission, distribution, and customer services. This strategy includes adding new low cost generation. Lakeland Electric intends to utilize new technology to create cost advantages while also managing risk.

NEW SERVICES

Lakeland Electric will seek other revenue sources and diversity by providing other utility services. The goal is to continue to add to the variety of services available to customers of Lakeland Electric. The short term expectations are for the revenues generated from these services to make up a small percentage of total revenue, however, over the long term such additional services are expected to build name recognition and customer loyalty and increase total revenues. The following are a few examples of new services Lakeland Electric presently provides or expects to provide:

- Lakeland Electric has purchased and installed a Class 4/5-telephone switch, which has allowed it to become an alternative local telephone exchange provider for government offices of the City.
- Lakeland Electric has expanded its commercial lighting program to provide major outdoor lighting installations for parking lots, auto dealerships, and other large businesses.
- Lakeland Electric has started a whole house surge protection business which provides customers with protection against lightning and other electric system surges.

ORGANIZATIONAL STRUCTURE

The changing electric industry requires that the organizational structure be flexible. It is important that resources and talent be able to adapt to the changing priority areas. Lakeland Electric has responded to the changes in the public power industry by establishing an account management function, reorganizing the generation organization, and allocating resources to new services and technology with minimal staff additions.

DEBT MANAGEMENT

Lakeland Electric's debt strategy includes limiting the use of debt, when possible, utilizing internal equity funding for most generation and transmission projects, refinancing debt whenever possible to take advantage of lower interest rates, retiring debt whenever cash surpluses allow, and retaining as much flexibility as possible.

ALLIANCES

Lakeland Electric utilizes alliances with other organizations to provide expertise and to leverage system strengths. Alliances are also used to gain economies of scale that Lakeland Electric cannot attain on its own. Lakeland Electric will continue to seek alliances for generation projects, fuel purchases, and other public power activities, provided such alliances are economically and competitively sound.

LAKELAND ELECTRIC – RESULTS OF OPERATIONS*

	Fiscal Year Ending September 30 (\$000)				
	2002	2001	2000	1999	1998
Revenues and expenses:					
Gross revenues:					
Electric base rate	\$213,627	\$205,078	\$ 194,073	\$ 192,866	\$ 184,803
Fuel adjustment	24,277	18,155	-	-	(2,188)
Other electric ¹	7,047	5,508	4,941	4,200	3,831
Investment income	2,503	4,899	5,011	4,368	7,061
Other	(1)	5,474	5,433	1,131	3,784
Total gross revenues	<u>247,453</u>	<u>239,114</u>	<u>209,459</u>	<u>202,565</u>	<u>197,290</u>
Operating expenses ² :					
Electric production:					
Fuel ³	(102,721)	(94,219)	(73,420)	(68,259)	(66,646)
Energy Supply	(27,467)	(21,425)	(21,498)	(17,615)	(14,759)
Subtotal	<u>(130,188)</u>	<u>(115,644)</u>	<u>(94,918)</u>	<u>(85,874)</u>	<u>(81,405)</u>
Energy delivery	(16,038)	(15,016)	(13,388)	(12,195)	(9,994)
Customer service	(8,268)	(5,882)	(4,838)	(4,664)	(3,449)
General & administrative	(18,272)	(17,813)	(14,494)	(13,968)	(18,188)
Total operating expenses	<u>(172,766)</u>	<u>(154,355)</u>	<u>(127,636)</u>	<u>(116,701)</u>	<u>(113,036)</u>
Net revenues available for debt service and other purposes	<u>74,688</u>	<u>84,760</u>	<u>81,822</u>	<u>85,864</u>	<u>84,254</u>
Debt service	(36,718)	(32,759)	(28,436)	(29,680)	(31,588)
Renewal and replacement fund requirement ⁴	-	-	-	-	(19,355)
Balance available for other obligations, Capital improvements and expansion	<u>\$ 37,970</u>	<u>\$ 52,001</u>	<u>\$ 53,386</u>	<u>\$ 56,184</u>	<u>\$ 33,311</u>
Earnings on debt service reserve accounts:					
Investments:					
Senior debt service reserve account	—	—	—	—	\$ 1,338
Junior bond reserve account	—	—	—	—	\$ 1,953
Debt Service Coverage Ratio from Operations ⁵	2.03	2.59	2.88	2.89	2.67

*Gross revenues, operating expenses and net revenues available for debt service and other purposes are derived from the City's audited financial statements certified by Carter, Belcourt & Atkinson, P.A.

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

² Does not include depreciation expense.

³ Includes purchased power and fuel handling.

⁴ The Bond Ordinance became effective during fiscal year ended September 30, 1999 and does not require that any amounts be deposited to a renewal and replacement fund.

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

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**

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 and water system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the (i) City's Series 1992 Bonds and (ii) its Series 1999B Bonds and Series 1999C Bonds which were delivered simultaneously with the issuance of the Series 1999A 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 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: **Aaa**

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

Fitch Ratings: **AAA**

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.

ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999 A (CONTINUED)

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 %

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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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>
10/01/02	370,000.00	3,953,359.38		4,323,359.38
04/01/03		3,946,884.38		3,946,884.38
10/01/03	385,000.00	3,946,884.38		4,331,884.38
04/01/04		3,940,146.88		3,940,146.88
10/01/04	395,000.00	3,940,146.88		4,335,146.88
04/01/05		3,932,246.88		3,932,246.88
10/01/05	555,000.00	3,932,246.88		4,487,246.88
04/01/06		3,921,146.88		3,921,146.88
10/01/06	575,000.00	3,921,146.88		4,496,146.88
04/01/07		3,909,646.88		3,909,646.88
10/01/07	600,000.00	3,909,646.88		4,509,646.88
04/01/08		3,897,646.88		3,897,646.88
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

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ELECTRIC REVENUE REFUNDING BONDS, SERIES 1999 A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT (CONTINUED)

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Compound Interest</u>	<u>Total</u>
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
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>\$ 194,935,408.60</u>	<u>\$ 180,571,459.50</u>	<u>\$ 28,794,591.40</u>	<u>\$ 404,301,459.50</u>

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1999 B

\$144,305,000

**TERM BONDS
DATED APRIL 1, 1999**

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 and water system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the (i) City's Series 1992 Bonds and (ii) its Series 1999B Bonds and Series 1999C Bonds which were delivered simultaneously with the issuance of the Series 1999A 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 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**

MANDATORY REDEMPTION

Not applicable to this bond issue.

OPTIONAL REDEMPTION

Not applicable to this bond issue.

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

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

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/02	12,180,000.00	3,748,122.50	15,928,122.50
04/01/03		3,364,452.50	3,364,452.50
10/01/03	11,360,000.00	3,364,452.50	14,724,452.50
04/01/04		3,006,612.50	3,006,612.50
10/01/04	12,855,000.00	3,006,612.50	15,861,612.50
04/01/05		2,585,611.25	2,585,611.25
10/01/05	14,540,000.00	2,585,611.25	17,125,611.25
04/01/06		2,109,426.25	2,109,426.25
10/01/06	15,585,000.00	2,109,426.25	17,694,426.25
04/01/07		1,599,017.50	1,599,017.50
10/01/07	11,130,000.00	1,599,017.50	12,729,017.50
04/01/08		1,234,510.00	1,234,510.00
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	8,495,000.00	256,973.75	8,751,973.75
	<u>\$ 117,705,000.00</u>	<u>\$ 37,527,075.00</u>	<u>\$ 155,232,075.00</u>

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ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1999 C

\$64,525,000

**TERM BONDS
DATED APRIL 1, 1999**

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 1999A Bonds and the interest thereon are payable from certain revenues derived by the City from the operation of its electric power and water system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the (i) City's Series 1992 Bonds and (ii) its Series 1999B Bonds and Series 1999C Bonds which were delivered simultaneously with the issuance of the Series 1999A 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 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**

MANDATORY REDEMPTION

Not applicable to this bond issue.

OPTIONAL REDEMPTION

Not applicable to this bond issue.

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

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

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/02		1,951,881.25	1,951,881.25
04/01/03		1,951,881.25	1,951,881.25
10/01/03		1,951,881.25	1,951,881.25
04/01/04		1,951,881.25	1,951,881.25
10/01/04		1,951,881.25	1,951,881.25
04/01/05		1,951,881.25	1,951,881.25
10/01/05		1,951,881.25	1,951,881.25
04/01/06		1,951,881.25	1,951,881.25
10/01/06		1,951,881.25	1,951,881.25
04/01/07		1,951,881.25	1,951,881.25
10/01/07	5,095,000.00	1,951,881.25	7,046,881.25
04/01/08		1,797,757.50	1,797,757.50
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>\$ 34,323,011.25</u>	<u>\$ 98,848,011.25</u>

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ELECTRIC AND WATER ENERGY SYSTEM REVENUE BONDS, SERIES 2000B

\$41,825,000

**TERM BONDS
DATED NOVEMBER 15, 2000**

PURPOSE

The Series 2000B Bonds were issued for the principal purpose of (i) financing certain distribution-related capital improvements for the City's electric power system, and (ii) paying certain costs and expenses related to the issuance of the Series 2000B Bonds.

SECURITY

The Series 2000B Bonds and the interest thereon are payable from certain revenues derived by the City from the operations of its electric power system and water system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City's (i) Series 1992 Bonds, (ii) Series 1999A Bonds, Series 1999B Bonds, and Series 1999C 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 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: **Aaa** Standard & Poor's Ratings Services: **AAA** Fitch Ratings: **AAA**

MANDATORY REDEMPTION

The Series 2000B Bonds 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, 2037 and on each October 1, thereafter in the following principal amounts in the years specified:

<u>YEAR</u>	<u>AMOUNT</u>
2037	\$ 9,635,000
2038	10,160,000
2039	10,720,000
2040	*11,310,000

* Final maturity.

ELECTRIC AND WATER ENERGY SYSTEM REVENUE BONDS, SERIES 2000B (CONTINUED)

OPTIONAL REDEMPTION

The Series 2000B Bonds maturing on or after October 11, 2011 are subject to redemption prior to maturity on or after October 1, 2010, at the option of the City, in whole or in part at any time at the redemption prices 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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ELECTRIC AND WATER ENERGY SYSTEM REVENUE BONDS, SERIES 2000B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Compound Interest</u>	<u>Total</u>
10/01/02		\$ 1,150,187.50		1,150,187.50
04/01/03		\$ 1,150,187.50		1,150,187.50
10/01/03		\$ 1,150,187.50		1,150,187.50
04/01/04		\$ 1,150,187.50		1,150,187.50
10/01/04		\$ 1,150,187.50		1,150,187.50
04/01/05		\$ 1,150,187.50		1,150,187.50
10/01/05		\$ 1,150,187.50		1,150,187.50
04/01/06		\$ 1,150,187.50		1,150,187.50
10/01/06		\$ 1,150,187.50		1,150,187.50
04/01/07		\$ 1,150,187.50		1,150,187.50
10/01/07		\$ 1,150,187.50		1,150,187.50
04/01/08		\$ 1,150,187.50		1,150,187.50
10/01/08		\$ 1,150,187.50		1,150,187.50
04/01/09		\$ 1,150,187.50		1,150,187.50
10/01/09		\$ 1,150,187.50		1,150,187.50
04/01/10		\$ 1,150,187.50		1,150,187.50
10/01/10		\$ 1,150,187.50		1,150,187.50
04/01/11		\$ 1,150,187.50		1,150,187.50
10/01/11		\$ 1,150,187.50		1,150,187.50
04/01/12		\$ 1,150,187.50		1,150,187.50
10/01/12		\$ 1,150,187.50		1,150,187.50
04/01/13		\$ 1,150,187.50		1,150,187.50
10/01/13		\$ 1,150,187.50		1,150,187.50
04/01/14		\$ 1,150,187.50		1,150,187.50
10/01/14		\$ 1,150,187.50		1,150,187.50
04/01/15		\$ 1,150,187.50		1,150,187.50
10/01/15		\$ 1,150,187.50		1,150,187.50
04/01/16		\$ 1,150,187.50		1,150,187.50
10/01/16		\$ 1,150,187.50		1,150,187.50
04/01/17		\$ 1,150,187.50		1,150,187.50
10/01/17		\$ 1,150,187.50		1,150,187.50
04/01/18		\$ 1,150,187.50		1,150,187.50
10/01/18		\$ 1,150,187.50		1,150,187.50
04/01/19		\$ 1,150,187.50		1,150,187.50
10/01/19		\$ 1,150,187.50		1,150,187.50
04/01/20		\$ 1,150,187.50		1,150,187.50
10/01/20		\$ 1,150,187.50		1,150,187.50
04/01/21		\$ 1,150,187.50		1,150,187.50
10/01/21		\$ 1,150,187.50		1,150,187.50
04/01/22		\$ 1,150,187.50		1,150,187.50
10/01/22		\$ 1,150,187.50		1,150,187.50
04/01/23		\$ 1,150,187.50		1,150,187.50
10/01/23		\$ 1,150,187.50		1,150,187.50

ELECTRIC AND WATER ENERGY SYSTEM REVENUE BONDS, SERIES 2000B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT (CONTINUED)

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Compound Interest</u>	<u>Total</u>
04/01/24		\$ 1,150,187.50		1,150,187.50
10/01/24		\$ 1,150,187.50		1,150,187.50
04/01/25		\$ 1,150,187.50		1,150,187.50
10/01/25		\$ 1,150,187.50		1,150,187.50
04/01/26		\$ 1,150,187.50		1,150,187.50
10/01/26		\$ 1,150,187.50		1,150,187.50
04/01/27		\$ 1,150,187.50		1,150,187.50
10/01/27		\$ 1,150,187.50		1,150,187.50
04/01/28		\$ 1,150,187.50		1,150,187.50
10/01/28		\$ 1,150,187.50		1,150,187.50
04/01/29		\$ 1,150,187.50		1,150,187.50
10/01/29		\$ 1,150,187.50		1,150,187.50
04/01/30		\$ 1,150,187.50		1,150,187.50
10/01/30		\$ 1,150,187.50		1,150,187.50
04/01/31		\$ 1,150,187.50		1,150,187.50
10/01/31		\$ 1,150,187.50		1,150,187.50
04/01/32		\$ 1,150,187.50		1,150,187.50
10/01/32		\$ 1,150,187.50		1,150,187.50
04/01/33		\$ 1,150,187.50		1,150,187.50
10/01/33		\$ 1,150,187.50		1,150,187.50
04/01/34		\$ 1,150,187.50		1,150,187.50
10/01/34		\$ 1,150,187.50		1,150,187.50
04/01/35		\$ 1,150,187.50		1,150,187.50
10/01/35		\$ 1,150,187.50		1,150,187.50
04/01/36		\$ 1,150,187.50		1,150,187.50
10/01/36		\$ 1,150,187.50		1,150,187.50
04/01/37		\$ 1,150,187.50		1,150,187.50
10/01/37	9,635,000.00	\$ 1,150,187.50		10,785,187.50
04/01/38		\$ 885,225.00		885,225.00
10/01/38	10,160,000.00	\$ 885,225.00		11,045,225.00
04/01/39		\$ 605,825.00		605,825.00
10/01/39	10,720,000.00	\$ 605,825.00		11,325,825.00
04/01/40		\$ 311,025.00		311,025.00
10/01/40	11,310,000.00	\$ 311,025.00		11,621,025.00
	<u>\$ 41,825,000.00</u>	<u>\$ 85,267,462.50</u>	<u>\$ -</u>	<u>\$ 127,092,462.50</u>

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ELECTRIC AND WATER ENERGY SYSTEM VARIABLE RATE REVENUE BONDS, SERIES 2001A

\$90,000,000

**VARIABLE RATE BONDS
DATED JANUARY 1, 2001**

PURPOSE

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

SECURITY

The Series 2000B Bonds and the interest thereon are payable from certain revenues derived by the City from the operations of its electric power system and water system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City’s (i) Series 1992 Bonds, (ii) Series 1999A Bonds, Series 1999B Bonds, Series 1999C Bonds, and (iii) Series 2000B 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 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: VMIG1 Standard & Poor’s Ratings Services: A-1+ Fitch Ratings: F1+

MANDATORY REDEMPTION

The Series 2001A 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>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2021	\$ 4,555,000	2026	\$ 5,495,000	2031	\$ 6,630,000
2022	4,725,000	2027	5,705,000	2032	6,880,000
2023	4,905,000	2028	5,920,000	2033	7,145,000
2024	5,090,000	2029	6,150,000	2034	7,420,000
2025	5,295,000	2030	6,385,000	2035	7,700,000

ELECTRIC AND WATER ENERGY SYSTEM VARIABLE RATE REVENUE BONDS, SERIES 2001A (CONTINUED)

OPTIONAL REDEMPTION

The Series 2001A Bonds are subject to redemption prior to maturity at the option of the City in whole or in part, at a Redemption price of 100% of the principal amount thereof together with accrued interest, if any, to the redemption date, as follows:

- (a) if the Series 2001A Bonds are in a daily or weekly mode, on any 2001 Bond business day;
- (b) if the Series 2001A Bonds are in a flexible or term mode, on any rate adjustment date for the Series 2001A Bonds to be redeemed; and
- (c) If the Series 2001A Bonds are in a fixed mode, on the first day of the fixed mode for the series 2001A Bonds to be redeemed.

In addition, if the Series 2001A Bonds are in a term mode or a fixed mode, the Series 2001A Bonds are subject to redemption at the option of the City on any date prior to their state maturity, in whole or in part:

- (a) unless clause (b) below applies, during any interest period thereof, on any day, but only after the fifth (5th) anniversary of the first day of such interest period, at a redemption price equal to 100 % of the principal amount thereof; or
- (b) during any interest period thereof, on any alternate dates and at any alternate prices state in a certificate of an Authorized Officer of the City delivered to the Notice Parties prior to the rate determination date for such interest period and accompanied by an opinion of Bond Counsel to the effect that such substitution of such alternate dates and prices will not adversely affect the exclusion of interest on any Series 2001A Bond from the gross income of the owner thereof for federal income tax purposes; together, in each case, with 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
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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ELECTRIC AND WATER ENERGY SYSTEM VARIABLE RATE REVENUE BONDS, SERIES 2001A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Compound Interest</u>	<u>Total</u>
10/01/02		715,275.00		715,275.00
04/01/03		715,275.00		715,275.00
10/01/03		715,275.00		715,275.00
04/01/04		715,275.00		715,275.00
10/01/04		715,275.00		715,275.00
04/01/05		715,275.00		715,275.00
10/01/05		715,275.00		715,275.00
04/01/06		715,275.00		715,275.00
10/01/06		715,275.00		715,275.00
04/01/07		715,275.00		715,275.00
10/01/07		715,275.00		715,275.00
04/01/08		715,275.00		715,275.00
10/01/08		715,275.00		715,275.00
04/01/09		715,275.00		715,275.00
10/01/09		715,275.00		715,275.00
04/01/10		715,275.00		715,275.00
10/01/10		715,275.00		715,275.00
04/01/11		715,275.00		715,275.00
10/01/11		715,275.00		715,275.00
04/01/12		715,275.00		715,275.00
10/01/12		715,275.00		715,275.00
04/01/13		715,275.00		715,275.00
10/01/13		715,275.00		715,275.00
04/01/14		715,275.00		715,275.00
10/01/14		715,275.00		715,275.00
04/01/15		715,275.00		715,275.00
10/01/15		715,275.00		715,275.00
04/01/16		715,275.00		715,275.00
10/01/16		715,275.00		715,275.00
04/01/17		715,275.00		715,275.00
10/01/17		715,275.00		715,275.00
04/01/18		715,275.00		715,275.00
10/01/18		715,275.00		715,275.00
04/01/19		715,275.00		715,275.00
10/01/19		715,275.00		715,275.00
04/01/20		715,275.00		715,275.00
10/01/20		715,275.00		715,275.00
04/01/21		715,275.00		715,275.00
10/01/21	4,555,000.00	715,275.00		5,270,275.00
04/01/22		679,074.14		679,074.14
10/01/22	4,725,000.00	679,074.14		5,404,074.14

ELECTRIC AND WATER ENERGY SYSTEM VARIABLE RATE REVENUE BONDS, SERIES 2001A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT (CONTINUED)

<u>Maturity</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Compound Interest</u>	<u>Total</u>
04/01/23		641,522.20		641,522.20
10/01/23	4,905,000.00	641,522.20		5,546,522.20
04/01/24		602,539.71		602,539.71
10/01/24	5,090,000.00	602,539.71		5,692,539.71
04/01/25		562,086.94		562,086.94
10/01/25	5,295,000.00	562,086.94		5,857,086.94
04/01/26		520,004.93		520,004.93
10/01/26	5,495,000.00	520,004.93		6,015,004.93
04/01/27		476,333.41		476,333.41
10/01/27	5,705,000.00	476,333.41		6,181,333.41
04/01/28		430,992.93		430,992.93
10/01/28	5,920,000.00	430,992.93		6,350,992.93
04/01/29		383,943.73		383,943.73
10/01/29	6,150,000.00	383,943.73		6,533,943.73
04/01/30		335,066.60		335,066.60
10/01/30	6,385,000.00	335,066.60		6,720,066.60
04/01/31		284,321.81		284,321.81
10/01/31	6,630,000.00	284,321.81		6,914,321.81
04/01/32		231,629.89		231,629.89
10/01/32	6,880,000.00	231,629.89		7,111,629.89
04/01/33		176,951.09		176,951.09
10/01/33	7,145,000.00	176,951.09		7,321,951.09
04/01/34		120,166.20		120,166.20
10/01/34	7,420,000.00	120,166.20		7,540,166.20
04/01/35		61,195.75		61,195.75
10/01/35	7,700,000.00	61,195.75		7,761,195.75
	<u>\$ 90,000,000.00</u>	<u>\$ 38,907,383.63</u>	<u>\$ -</u>	<u>\$ 128,907,383.63</u>

¹ Interest requirements for Energy System Variable Rate Revenue Bonds are calculated using 110% of the average actual interest rate for the twelve months period ending September 30, 2002. These bonds, issued in the aggregate dollar amount of \$90,000,000, are remarketed on a weekly basis. The City has entered into a Standby Bond Purchase Agreement with Toronto Dominion Bank to purchase any tendered bonds which cannot be remarketed. In the event the bonds cannot be remarketed the bonds become Bank Bonds and bear an interest rate for the first 31 days equivalent to the Federal Funds Rate plus .50%. The maximum interest rate under the agreement for Bank Bonds is the greater of the Bank's prime rate plus 1%, or the Federal Funds Rate plus 1.50%. This agreement expires in April 2004.

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ENERGY SYSTEM REVENUE BONDS, SERIES 2001B

\$30,000,000

**SERIAL BONDS
DATED MAY 1, 2001**

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 and water system on parity in all aspects as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined (i) Series 1992 Bonds, (ii) Series 1999A Bonds, Series 1999B Bonds, Series 1999C Bonds, (iii) Series 2000B Bonds, and (iv) Series 2001A 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 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: Aaa **Standard & Poor's Ratings Services: AAA** **Fitch Ratings: AAA**

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

ENERGY SYSTEM REVENUE BONDS, SERIES 2001B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Compound Interest</u>	<u>Total</u>
10/01/02		780,550.00		780,550.00
04/01/03		780,550.00		780,550.00
10/01/03		780,550.00		780,550.00
04/01/04		780,550.00		780,550.00
10/01/04		780,550.00		780,550.00
04/01/05		780,550.00		780,550.00
10/01/05		780,550.00		780,550.00
04/01/06		780,550.00		780,550.00
10/01/06		780,550.00		780,550.00
04/01/07		780,550.00		780,550.00
10/01/07		780,550.00		780,550.00
04/01/08		780,550.00		780,550.00
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>\$ 21,429,175.00</u>	<u>\$ -</u>	<u>\$ 51,429,175.00</u>

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WATER UTILITIES SYSTEM

GENERAL

As mentioned in the previous section, on July 20, 1998, the City reorganized the Department of Electric and Water Utilities into two separate Departments in order to provide the Electric System and Water System with separate dedicated management teams. The Water System was combined with the Wastewater System, which created the Department of Water Utilities (Water Department). The Water System and the Wastewater System are now under the control of Water Utilities.

In connection with the restructuring, a new water utility fund was established for internal management purposes. However, financial operations of the Water System through and including September 30, 2001, were still combined with the operations of the City's Electric System for external reporting purposes. Commencing with the fiscal year ended September 30, 2002; the financial operations of the Electric System and the Water System are separated for external reporting purposes and are accounted for in separate enterprise funds.

SERVICE AREA

The City of Lakeland's Water System serves the incorporated area of the City of Lakeland and six unincorporated communities. On April 1, 1980, an Interlocal Agreement was signed, which allows the Department of Water Utilities to service customers in certain defined unincorporated areas of Polk County.

The service area currently encompasses approximately 90 square miles, serving an estimated 160,000 people. The distribution system has a total of 3,389 fire hydrants and 51,133 active service meters. During FY 2002, the Water Utilities System served an average of 48,841 customers.

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.

The City also had a franchise agreement and a separate water system that serves Polk City, Florida for the next 16 years. In April of 2002, the City sold a portion of the Water System that was serving Polk City to Polk County for approximately \$1,100,000.

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 has a consumptive use permit from SWFWMD that expires October 25, 2003. This permit allows the average daily consumption by the City of 28.1 million gallons of water per day (MGD) and a peak usage of 33.7 million gallons per day. The City projects that the usage allowed under the permit will be sufficient for the City's consumption needs through the permit period. During the permit renewal period beginning October 1, 2002, the City shall request an additional 3 million gallons per day for projected growth over the next five years.

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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 80 employees. An assistant Director of Water Utilities heads the Water Operations Division. The Water Operations Division includes the following functional areas:

- Administration
- Water Production
- Engineering
- Water Distribution

WATER PRODUCTION

Water Production is responsible for the operation and maintenance of the well fields, water treatment facilities, and the water booster pump stations. The staff includes 21 employees, 12 operators and 9 staff. All but two of the 21 employees are licenses certified water treatment operators by the State of Florida.

WATER DISTRIBUTION

Water Distribution is responsible for the operation and maintenance of approximately 889 miles of water distribution piping and a comprehensive meter servicing and backflow prevention program. The leak detention program includes evaluating all service valves and meters over a time period of 3 to 4 years. The distribution staff consists of 47 employees (39 operating and 8 administrative). Approximately 20% of the employees are licensed and certified water pipe fitters or certified meter repairers.

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 reviewing all commercial and multi-family developmental site plans. The staff includes 2 engineers, 1 secretary, 6 technicians, and 2 inspectors. Water engineering also has a computer application specialist and is supplemented by 9 employees assigned to the Wastewater Division.

FACILITIES - WATER

The existing Water System facilities consist of eleven 24-inch diameter wells and two 20-inch wells, which provide the source supply for the water treatment plant. The thirteen wells have a combined capacity 55 MGD and provide the water supply for the Williams Facility. The Floridian Aquifer, from which the Water Department draws its water, is one of the most productive in the nation. The Floridian Aquifer has a total area of about 100,000 square miles in southern Alabama, southeastern Georgia, and southern South Carolina, and all of central Florida. Regulations currently control withdrawals. In the opinion of the Water Department, the Water System is in compliance with all Federal and State environmental permits required for the operation of the Water System.

The City has acquired 863 acres northeast of the City limits to serve as an additional water well field for supplying the future needs of the Water System. The City intends to utilize five 16" diameter wells in this well field in connection with the 2002 Series Project. The wells have a combined capacity of 15.12 MGD and will supply water for the new treatment plant which is a component of the Series 2002 Project.

THOMAS B. WILLIAMS TREATMENT PLANT

The Thomas B. Williams water treatment plant, which has been in operation since April 1983, has a capacity of 51 million gallons per day and supplies 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.

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.

NEW WATER TREATMENT PLANT

Design has begun for a second water treatment plant on twenty acres purchased in 2000 located approximately five miles south of the well field. The treatment plant will be constructed with the proceeds of the Series 2002 Bonds. The plant is being designed for 8 MGD. Two additional phases, 8 MGD each, are also incorporated in the design and will be constructed at a later date. The plant will initially have a 5.0 million-gallon storage tank on site and a second ground storage tank is expected to be constructed at a later date.

TRANSMISSION AND DISTRIBUTION

The Water System has over 889 miles of transmission and distribution lines that serve customers and provide capacity for future expansion within the service area. Approximately 40 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
<u>Storage:</u>		
Tanks	1983-88	13.7 MG

CAPITAL IMPROVEMENT PROGRAM

The Water facilities portion of the City's estimated capital improvement plan for the Fiscal Years 2002 through and including 2006 is anticipated to cost approximately \$61,578,823. Approximately \$42,500,000 in improvements is expected to be financed with the proceeds of the Series 2002 Bonds. The following is a general breakdown of the capital improvements and their approximate costs:

<u>Capital Improvement</u>	<u>Estimated Cost</u>
Water Treatment – Expansion	\$20,859,771
Water Transmission & Distribution – Expansion	13,094,322
Water Expansion Project Management & Financing – Expansion	2,487,500
Water Treatment – Renewal & Replacement	4,862,444
Water Transmission & Distribution – Renewal & Replacement	<u>20,274,786</u>
Total	<u>\$61,578,823</u>

LARGEST WATER CUSTOMERS

Customer	Gals (000) Fiscal Year Ending September 30 2002
City of Lakeland ²	329,728
Lakeland Regional Medical Center	205,836
Polk County ¹	126,650
Polk County Schoolboard	74,381
Skyview Utilities	65,516
Florida Southern College	51,887
Tampa Maid Foods	41,926
Carlton Arms of North Lakeland	37,852
Aqua Sources Utilities	37,816
Watson Clinic, LLP	36,386
	1,007,978

¹Consists of 12 meters throughout the service territory.

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

The company has continued operations.

Source: Department of Water Utilities.

WATER RATES

The City Commission has exclusive authority to establish and revise the rates for water supplied by the Water Department. The current average residential rate is \$1.19 per 1,000 gallons. The City also adopted an inverted rate structure as recommended by the Southwest Florida Water Management District (SWFWMD). 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 would provide water to the County for a period of twenty years through a master meter, primarily for resale to customers outside the City's water service area. The current rate for such water is \$1.60 per 1,000 gallons, which may not be increased more than the lowest step in the Water Department's water rate schedule.

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. These charges are based on a typical residential customer residing inside the City or Polk County limits and consuming 10,000 gallons per month.

City/ City/County*	Monthly Charge ¹
Hillsborough County	\$ 31.60
Daytona Beach	27.65
Pinellas County	27.00
Polk County ²	22.06
Bartow	20.35
Plant City	19.92
Winter Haven	17.46
Tallahassee	17.30
Jacksonville	15.99
Orlando	14.42
Lakeland	14.40
Tampa	14.19
Gainesville	13.11
Auburndale	12.85

¹Not including utility tax.

²No treatment or softening facilities.

*Source: Department of Water Utilities

HISTORICAL WATER RATE INCREASES

Year	Percentage
2002	12.5%
2001	5.0%
2000	0.0%
1998	17.0 %
1994	16.7 %
1984	50.0 %

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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				
	2002*	2001	2000	1999	1998
<u>Water pumped or purchased:</u>					
Pumped ¹	9,000.3	9,027.6	9,398.1	9,316.0	9,013.3
Lost-unaccounted or used ¹	(726.32)	(662.2)	(726.3)	(757.8)	(804.1)
Water sold ¹	8,273.9	8,365.4	8,671.8	8,558.2	8,209.2
Approximate peak demand ²	40.21	34.60	45.45	39.27	40.44
Customers (average for period)	48,841	49,256	49,343	48,585	47,958
Operating revenue	\$ 15,823,098	\$ 14,323,499	\$ 14,445,419	\$ 13,397,480	\$ 12,937,849
Other revenues ³	1,089,696	792,185	768,897	1,135,810	1,226,330
Total water operating revenue	<u>\$ 16,912,794</u>	<u>\$ 15,115,684</u>	<u>\$ 15,214,316</u>	<u>\$ 14,533,290</u>	<u>\$ 14,164,179</u>

¹Expressed in million gallons.

²Million gallons per day.

³Includes water system capacity fees.

*Does not include Polk City.

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WASTEWATER UTILITES SYSTEM¹

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. A recent report, dated October 2001 by Hartman and Associates, Inc., has forecast the service area to expand from approximately 15 square miles to 147 square miles by the year 2020. Currently the City has service agreements with customers outside the City, which total to 40,490 connections to the collection and treatment systems.

DEMOGRAPHICS

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

Forecast Population/Wastewater Flow

	Year 2002	Year 2010 ¹	Year 2020 ¹
Population ²	82,689	122,933	158,965
Total Flow	11.18	17.21	22.26
Flow - Dick's WWRF ³	7.93	11.60	14.74
Flow - Northside WWRF ³	3.25	5.61	7.52

¹ Hartman & Associates, Inc. 2001 Report; Annual Average Flow: Domestic 99 gal/cap-day; Commercial/Industrial 41 gal/cap-day; Total 140 gal/cap-day.

² Shimberg Center Estimate for Lakeland, Low Density.

³ Wastewater Division.

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.

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 79.5 (this includes full-time, regular part-time, and seasonal personnel) as well as 4 contract personnel and two 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 W. Carl Dicks Facility, the Northside Facility, and an integrated maintenance section.

¹The Wastewater System section was based on a report prepared by the Water Utilities Engineering Division.

COLLECTION SYSTEMS

The wastewater collection system includes over 380 miles of 6-inch to 48-inch diameter gravity sewer, over 45 miles of 4-inch to 24-inch diameter force main, and approximately 128 pump stations. Telemetry data can be collected on 121 pump stations and 12 are equipped with standby power generators.

TREATMENT FACILITIES

The City owns and operates two wastewater treatment facilities:

<u>Facility</u>	<u>Capacity</u>
W. Carl Dicks Wastewater Reclamation Facility	13.7 million gallons per day
Northside Wastewater Reclamation Facility	6.2 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 W. Carl Dicks 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 W. Carl Dicks 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.

W. CARL DICKS WASTEWATER RECLAMATION FACILITY

The W. Carl Dicks Wastewater 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 W. Carl Dicks Facility includes the following systems:

- A primary/secondary wastewater treatment system with provisions for partial phosphorous removal, nitrification, and denitrification;
- Sludge holding, sludge thickening, and digestion 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
- Fine bubble activated sludge system
- Secondary clarification
- Chlorination
- Effluent pumping

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 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 degritted 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 residual 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 withdrawn to return sludge 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 rotary drum thickeners, and then discharged to the anaerobic digesters. Filtrate from the thickeners is returned to the influent of the facility.

Sludge generated at the W. Carl Dicks Facility is disposed by land spreading. Commercial haulers under contract with the City conduct the land spreading. The treatment plant staff is responsible for wasting, thickening, digesting, holding, and monitoring the quality of the sludge. The haulers are responsible for proper land application and disposal.

Since completing major improvements to the facility in 1999, the influent baffle wall on one of the aeration basins failed structurally. Concurrently, the influent baffle walls on one of the remaining aeration basins have been reinforced as a

preventative measure to assure their integrity. Several key projects have been completed or underway to enhance the performance of the facilities.

The following projects have been completed:

- Replacement of the cover on the No. 2 Anaerobic digester.
- Modifications of the Blower Building to facilitate the ease of maintenance of the blowers.
- A bench study to define parameters to biologically remove phosphate in the facility.
- A sludge thickening upgrade project.

Planning for additional holding pond capacity has been deferred. Projects for FY 2002 included further work on the Dick's odor control system and performing a capacity analysis report. Phase II of the thickener replacements is underway, which will add equipment to thicken sludge to approximately 15% dryness. Also, a project to increase pumping capacity to the artificial wetlands is currently underway.

NORTHSIDE WASTEWATER RECLAMATION FACILITY

The Northside WWRF has a permitted design capacity of 6.2 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 W. Carl Dicks 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 W. Carl Dicks 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 W. Carl Dicks Facility drying beds and the consolidated material is disposed in a sanitary landfill.

Screened and dewatered 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 tank
- Reuse pump station
- Bypass pump station
- Emergency generator
- Non-potable water pump station

The effluent storage tank receives all of the chlorinated effluent from the Northside Facility along with chlorinated effluent pumped from the W. Carl Dicks 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 W. Carl Dicks 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 W. Carl Dicks Facility effluent holding basins.

Operation of the Northside Facility reuse pump station and the W. Carl Dicks 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, three 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.

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.

During fiscal year 2002, structural damage to the aeration basin walkways was repaired.

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 W. Carl Dicks Facility.

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

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) are discharged to the holding basins at the W. Carl Dicks Facility for pumping to the wetlands system.

The artificial wetland system pump station consists of five vertical turbine pumps, pumping from the W. Carl Dicks 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. Presently, the City is bypassing cells 5, 6 and 7 as studies by the City's wetlands consultant, CH2M Hill, have indicated this would provide better operational characteristics.

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. Dry weather flow during FY 2002 required modification of operational parameters to cope with such events.

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. Also, a tracer study has recently been completed to evaluate the duration of hydraulic residence in the seven cells, which can be used in the future to optimize their performance.

STATUS OF PERMITS

The City of Lakeland Wastewater System is regulated by the Florida Department of Environmental Protection (FDEP) through a combined state and Federal permit, listed in the table below. All current permits expire in 2003. The City has retained the engineering firm of Chastain-Skillman, Inc. to assist with permit renewal. Permit renewal applications were submitted in December 2002 and are currently under review by the FDEP.

<u>Facility</u>	<u>Agency</u>	<u>Type</u>	<u>Permit</u>	<u>Expiration</u>
W. Carl Dicks	FDEP	Operation	FL0039772 DWIP	7/16/03
Northside WWRF	FDEP	Operation	FLA 12985-002 DWIP	9/10/03
Wetlands system	FDEP	Operation	FL0039772 DWIP	7/16/03

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STATUS OF OPERATIONS AND MAINTENANCE – TREATMENT

GENERAL

Chastain-Skillman, Inc. performed a thorough site inspection of the W. Carl Dicks and Northside wastewater reclamation facilities, as well as the wetlands facility in December 2001.

W. CARL DICKS WWRF

The performance of the facility through the last two years of operation has been well within permit limitations but somewhat variable due to the heavy loads. Plant construction activities completed in 1999, lesser than normal rain fall in 1999-2000, and a highly aggressive and successful sewer maintenance program by the Wastewater Operation Division have all contributed to the dynamics in wastewater treatment operations, which resulted in a 6% reduction in the average daily flow rate, between 1999 and 2001. The skills and efforts of the operating staff are the primary reasons the facility continues to operate well, despite system variations.

CSI completed a Capacity Analysis Report Update for the W. Carl Dicks Facility in April 1996, which indicated that the facility must be expanded to treat projected flows to the W. Carl Dicks Facility for the next ten years. The construction required for the expansion was completed in 1998. The following table provides a summary of the treatment provided by the W. Carl Dicks WWRF.

W. Carl Dicks WWRF- 2002 and 2001 Effluent Characteristics (Monthly Averages)

2002 Month	Flow MGD	CBOD-5 mg/L	TSS mg/L	Total-N mg/L	Coliforms #/100ml	pH S.U.	Total P mg/L	Ammonia mg/L
Jan	7.22	6	8	10.5	0	6.7	3.0	6.0
Feb	7.44	5	10	6.7	1	6.7	3.3	1.5
Mar	7.27	3	4	5.8	0	6.7	1.8	1.0
Apr	6.73	2	4	7.3	0	6.7	1.5	0.2
May	6.48	2	3	6.1	0	6.7	1.8	0.5
Jun	8.13	1	2	5.6	1	6.6	4.0	0.2
Jul	8.08	2	3	5.9	1	6.6	6.4	0.2
Aug	8.51	1	2	4.1	1	6.6	3.5	0.1
Sep	9.96	1	2	6.4	1	6.4	5.0	0.1
Oct	9.25	2	2	4.6	1	6.6	3.9	0.6
Nov	8.96	2	2	3.8	0	6.6	2.9	0.2
Dec	11.48	2	3	5.0	1	6.5	1.8	2.3
Avg	8.29	2	4	6.0	0.6	6.6	3.2	1.1
Max	11.48	6	10	10.5	1.0	6.7	6.4	6.0
Min	6.48	1	2	3.8	0.0	6.4	1.5	0.1

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2001 Month	Flow MGD	CBOD-5 mg/L	TSS mg/L	Total-N mg/L	Coliforms #/100ml	pH S.U.	Total P mg/L	Ammonia mg/L
Jan	7.01	2	4	6.4	1	6.7	3.9	0.2
Feb	6.89	2	3	6.5	≤ 1	6.7	2.7	0.2
Mar	7.01	2	5	6.4	1	6.7	2.6	0.2
Apr	7.26	2	3	5.8	1	6.7	1.9	0.3
May	6.22	1	3	8.5	1	6.6	7.2	1.3
Jun	6.31	1	3	6.5	1	6.8	8.0	0.2
Jul	7.33	2	4	4.8	1	6.8	5.9	0.6
Aug	8.25	2	4	5.7	1	6.8	5.6	0.3
Sep	9.20	2	3	4.6	1	6.7	5.0	0.1
Oct	7.71	2	3	4.0	1	6.7	3.3	0.2
Nov	7.45	2	3	5.2	1	6.7	3.0	0.4
Dec	-	-	-	-	-	-	-	-
Avg	7.33	2	3	5.9	1	6.7	4.5	0.4
Max	9.20	2	5	8.5	1	6.8	8.0	1.3
Min	6.22	1	3	4.0	≤ 1	6.6	1.9	0.1

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. Planning is underway to investigate alternatives to divert some flow from the W. Carl Dicks Facility to the Northside Facility to capitalize on its current underutilization. The following table provides a summary of the treatment provided by the Northside WWRF.

NORTHSIDE WWRF – 2002 AND 2001 EFFLUENT CHARACTERISTICS (MONTHLY AVERAGES)

2002 Month	Flow MGD	CBOD-5 mg/L	TSS mg/L	Total-N mg/L	Coliforms #/100ml	pH S.U.	Total P mg/L	Ammonia mg/L
Jan	3.12	1	2	4.8	0	6.5	0.4	0.1
Feb	3.18	1	2	4.9	1	6.6	0.4	0.1
Mar	3.26	1	2	2.2	0	6.6	0.6	0.1
Apr	2.81	1	2	1.3	0	6.5	0.6	0.2
May	2.81	1	2	1.6	0	6.7	1.6	0.1
Jun	3.44	1	2	1.5	0	6.5	0.8	0.1
Jul	3.32	1	2	2.6	0	6.5	1.0	0.1
Aug	3.42	1	2	2.8	0	6.5	0.4	0.1
Sep	3.44	1	2	3.3	0	6.4	0.7	0.1
Oct	3.11	1	2	3.8	0	6.5	0.5	0.1
Nov	3.31	1	3	4.4	0	6.6	0.4	0.2
Dec	4.26	1	3	4	0	6.6	0.2	0.4
Avg	3.29	1	2	3.1	≤ 1	6.5	0.6	0.1
Max	4.26	1	3	4.9	1	6.7	1.6	0.4
Min	2.81	1	2	1.3	0	6.4	0.2	0.1

2001 Month	Flow MGD	CBOD-5 mg/L	TSS mg/L	Total-N mg/L	Coliforms #/100ml	pH S.U.	Total P mg/L	Ammonia mg/L
Jan	3.08	6	2	8.3	≤ 1	6.7	1.0	0.1
Feb	3.10	8	2	5.5	≤ 1	6.7	0.9	0.1
Mar	3.20	5	2	4.6	1	6.7	0.7	0.1
Apr	3.08	8	1	3.7	≤ 1	6.7	0.5	0.1
May	2.89	7	1	5.2	1	6.6	1.0	0.1
Jun	2.97	8	1	5.8	≤ 1	6.6	1.3	0.1
Jul	3.32	8	1	4.8	1	6.5	1.0	0.1
Aug	3.54	8	1	5.9	1	6.5	1.2	0.1
Sep	4.07	9	1	6.6	≤ 1	6.5	1.2	0.1
Oct	3.39	7	1	6.1	≤ 1	6.5	0.6	0.1
Nov	3.26	10	1	5.3	≤ 1	6.6	0.5	0.1
Dec	-	-	-	-	-	-	-	-
Avg	3.26	8	1	5.6	≤ 1	6.6	0.9	0.1
Max	4.07	10	2	8.3	1	6.7	1.3	0.1
Min	2.89	5	1	3.7	≤ 1	6.5	0.5	0.1

WETLANDS

The new operating permit provides an increase in capacity for the wetland treatment system to 20-MGD from the previous existing 14-MGD. Various maintenance activities to upgrade control structures in the network of distribution ditches in the wetlands are planned.

The control structure #8 stop-log gate went into service on August 29, 2001. This new assembly, attached to the face of the existing conveyance structure, is a redundancy that allows maintenance and repairs of the screw-type gate to be performed safely. Currently, the screw-type gate #8 is inoperative and flow is metered by placing and removing stop-logs in the new assembly. Requests to retrofit other units similarly, have been submitted for funding as these units are showing evidence of significant required maintenance.

The majority of the changes during FY 2002 were operational in nature. These changes stemmed from the extreme drought conditions and the resulting increase of system-wide conductivity. The elevated values were due to insufficient rainfall dilution and evaporation-driven concentration of dissolved salts. The City's goal was to maintain the Wetland's capacity to receive input while complying with permit requirements. Considerable monitoring and flow path manipulation was conducted to optimize discharge of conductivity loadings. When Class III water quality standards were threatened, discharge was discontinued until precipitation provided sufficient dilution. Within the system, characterization of water quality continued as usual throughout the periods of zero discharge to insure compliance upon reopening the effluent gates.

A biological study of the system was also performed in response to the inability of the system to support the growth of the Water hyacinth (*Eichhornia crassipes*); a method used in the past to control algae blooms. Small scale container growth studies, data evaluation, and extensive site observations were conducted to establish potential causative mechanisms. Limited nitrogen availability was found to be the most likely factor. Data analysis showed a N:P ration greater than 0.001, demonstrating that the Wetlands ability to sequester nitrogen combined with the treatment plant's increase nitrogen treatment efficiencies effectively starve Water Hyacinths. This study was needed to determine the feasibility of attempting to re-establish, under what conditions, a Hyacinth population in the future. As a result of this study, future efforts to establish Water Hyacinth were not recommended.

The Wetlands staff and Polk County Mosquito Control continued to cooperate to develop and implement an integrated mosquito control program to address disease vector management. This program is currently based on County funded application of mosquito-specific larvicides within the Wetlands. Three larvicide formulations were evaluated by the City and its contract laboratory to determine their suitability for use at the Wetlands. No non-target concerns were

identified and application was allowed to proceed within the City established guidelines. City responsibilities include an increased effort in conducting vegetation control (1) to reduce mosquito breeding areas and adult resting sites and (2) to increase mosquito predators. Evaluation of water level control aimed at disrupting mosquito life cycles to reduce adult populations is planned for the future. Management hopes that habitat management efforts can preclude the use to larvacides.

During FY 2002, safety and data collection activities were reviewed and established protocols were evaluated for future revision and documentation. The City's focus is to increase the quality and efficiency of the Wetlands operation.

WETLANDS - 2002 AND 2001 EFFLUENT CHARACTERISTICS (MONTHLY AVERAGES)

2002 Month	Flow MGD	CBOD-5 mg/L	TSS mg/L	Total-N mg/L	Dissolved	pH S.U.	Conductivity uS
					Oxygen mg/L		
Jan	0.00	-	-	-	-	-	-
Feb	0.00	-	-	-	-	-	-
Mar	10.09	1	4	1.33	8.1	7.4	1,124
Apr	5.09	1	3	1.02	8.0	7.5	1,280
May	0.00	-	-	-	-	-	-
Jun	4.10	1	3	1.02	6.8	7.2	1,063
Jul	16.55	1	3	0.85	6.2	7.0	995
Aug	13.34	1	3	0.80	6.5	7.2	1,101
Sep	13.07	1	3	0.84	6.3	7.2	1,031
Oct	7.07	1	4	0.97	6.7	7.2	1,087
Nov	5.47	1	4	0.92	7.7	7.4	1,110
Dec	4.39	1	3	0.75	9.0	7.3	1,012
Avg	6.60	1	3	0.94	7.3	7.3	1,089
Max	16.55	1	4	1.33	9.0	7.5	1,280
Min	0.00	1	3	0.75	6.2	7.0	995

2001 Month	Flow MGD	CBOD-5 mg/L	TSS mg/L	Total-N mg/L	Dissolved	pH S.U.	Conductivity uS
					Oxygen mg/L		
Jan	0.00	-	-	-	-	-	-
Feb	4.84	1	3	1.45	8.1	7.5	1,112
Mar	5.74	1	3	1.20	7.7	7.4	1,224
Apr	3.37	2	4	1.13	8.3	7.5	1,250
May	0.00	-	-	-	-	-	-
Jun	0.00	-	-	-	-	-	-
Jul	1.94	2	5	0.96	6.6	7.4	1,227
Aug	10.68	2	4	1.15	6.4	7.4	1,221
Sep	18.06	2	4	1.11	6.1	7.3	1,173
Oct	8.51	1	4	1.03	7.2	7.2	1,156
Nov	1.20	1	5	1.24	7.8	7.4	1,238
Dec	-	-	-	-	-	-	-
Avg	4.94	2	4	1.16	7.3	7.4	1,200
Max	18.06	2	5	1.45	8.3	7.5	1,250
Min	0.00	1	3	0.96	6.1	7.2	1,112

STATUS OF OPERATION AND MAINTENANCE - COLLECTION SYSTEM

Funding of \$800,000 per year through 2007 is forecast for further rehabilitation efforts for the sewer collection components. This amount increases up to \$1,000,000 in 2012. This comprehensive program has been a major contributor in reducing the flow rates at both Wastewater Treatment Facilities from 1998 to 2001. These funds are in addition to specific designated projects for the replacement of pump stations or sections of force mains.

CAPITAL IMPROVEMENT PLAN

The City has developed a comprehensive 10-year capital improvement plan, which included \$6,968,162 for projects in the 2002 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 2003 total \$4,721,631.

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 and impact fees supplemented by revenue bonds.

Revised rates and charges as described more fully within Ordinances 2944, 3003, 3383, and 3612 were adopted by the Lakeland City Commission in 1987, 1988, 1990, and 1993, Resolution No. 3735 in 1995 and Resolution No. 4011 in 1999.

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 residential wastewater user charges have a maximum billing amount of \$29.00, 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 \$1,100 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 following tables:

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. Those surcharge amounts are identified in the following tables.

<u>Customer Classification</u>	<u>Fixed Charge Component</u>	<u>Volume Component¹</u>
Single family dwelling	\$ 8.12	\$ 1.70
Multiple family dwelling	6.10	1.70

<u>Commercial/Industrial Meter Size (Inches)</u>	<u>Fixed Charge Component</u>	<u>Volume Component¹</u>
5/8 to 3/4	\$ 8.12	\$ 1.74
1	20.50	1.74
1½	40.75	1.74
2	97.80	1.74
3	245.00	1.74
4	365.00	1.74
6	487.00	1.74
8	815.00	1.74

¹Maximum monthly residential single-family customer sewer charge is \$29.00 per month, inside the 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 18.6¢/lb BOD.
3. Suspended Solids (TSS) charge is \$0. 116 /lb TSS.
4. Total Nitrogen (TN) charge is \$0.259 /lb TN.
5. Residential impact fee (in City) is \$1,100 per unit.
6. Multi-family impact fee is \$825 per unit.
7. High strength BOD impact fee (above 300 mg/l) is \$223/lb BOD.
8. High strength TSS impact fee (above 300 mg/l) is \$52/lb TSS.
9. High strength TN impact fee (above 300 mg/l) is \$337/lb TN.

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WASTEWATER UTILITIES – OPERATING STATISTICS

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

Description	Fiscal Year Ended September 30				
	2002	2001	2000	1999	1998
Operating Revenues:					
Sewer service charges	\$ 11,064,145	\$ 11,169,423	\$ 10,854,105	\$ 10,156,824	\$ 9,885,785
Pretreatment charges	1,373,007	1,000,092	1,475,156	1,234,168	1,180,205
Connection charges	24,673	26,188	30,565	23,108	28,294
Total Operating Revenues	12,461,825	12,195,703	12,359,826	11,414,100	11,094,284
Operating Expenses:					
Personal services	3,681,239	3,267,757	3,071,774	2,826,220	2,983,359
Other operating expenses	4,618,562	4,098,478	3,863,989	3,628,267	3,695,414
Depreciation	3,472,514	3,326,590	3,192,582	2,814,315	2,741,501
Total Operating Expenses	11,772,315	10,692,825	10,128,345	9,268,802	9,420,274
Operating Income	<u>\$ 689,510</u>	<u>\$ 1,502,878</u>	<u>\$ 2,231,481</u>	<u>\$ 2,145,298</u>	<u>\$ 1,674,010</u>

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WATER AND WASTEWATER UTILITIES – RESULTS OF OPERATION

A comparison of FY 2002 revenues and expenses was made to determine the adequacy of rates and charges to meet bond covenants and coverages. The following table provides a financial summary for the fiscal year ending September 30, 2002.

	2002
Gross Revenues:	
Charges for Services:	
Sewer Service charges	\$ 11,064,145
Pretreatment charges	1,373,007
Connect Charges	347,252
Water Sales	16,590,215
Investment Income	87,860
Other Income	74,937
Total Gross Revenues	29,537,416
Operating Expenses:	
Water Utilities	7,136,835
Wastewater Utilities	8,299,801
Total Operating Expenses	15,436,636
Net Operating Revenues Available for Debt Service	14,100,780
Expansion Project Percentage ²	544,539
Net Revenues Available for Debt Service and Other Purposes	14,645,319
Debt Service	2,474,637
Transfers to Reserve Fund	2,412,623
	4,887,260
Debt Service Coverage Ratio - Test 1 ³ (100% based on Net Operating Revenues)	5.70
Debt Service Coverage Ratio - Test 2 ⁴ (120% based on Net Operating Revenues plus Available Connection Charges)	3.00

¹Does not include connection fees.

²Expansion project percentage of Impact Fees defined as 58.5% and 18.43% of total debt service for Water and Wastewater respectively.

³Coverage required = 1.00.

⁴Coverage required = 1.20.

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2002

\$72,755,000

TERM BONDS
DATED AUGUST 29, 2002

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.

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

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

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

*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>
10/01/02	\$ -	\$ 297,073.00	\$ 297,073.00
10/01/03	2,370,000.00	3,342,075.00	5,712,075.00
10/01/04	2,445,000.00	3,259,125.00	5,704,125.00
10/01/05	2,520,000.00	3,173,550.00	5,693,550.00
10/01/06	2,575,000.00	3,120,000.00	5,695,000.00
10/01/07	2,645,000.00	3,055,625.00	5,700,625.00
10/01/08	2,705,000.00	2,982,888.00	5,687,888.00
10/01/09	2,875,000.00	2,898,356.00	5,773,356.00
10/01/10	3,010,000.00	2,754,606.00	5,764,606.00
10/01/11	3,165,000.00	2,604,106.00	5,769,106.00
10/01/12	3,325,000.00	2,445,856.00	5,770,856.00
10/01/13	3,485,000.00	2,279,606.00	5,764,606.00
10/01/14	3,680,000.00	2,096,644.00	5,776,644.00
10/01/15	2,665,000.00	1,903,444.00	4,568,444.00
10/01/16	465,000.00	1,763,531.00	2,228,531.00
10/01/17	480,000.00	1,743,769.00	2,223,769.00
10/01/18	500,000.00	1,722,769.00	2,222,769.00
10/01/19	525,000.00	1,700,269.00	2,225,269.00
10/01/20	1,650,000.00	1,675,987.00	3,325,987.00
10/01/21	1,725,000.00	1,599,675.00	3,324,675.00
10/01/22	1,805,000.00	1,517,738.00	3,322,738.00
10/01/23	1,890,000.00	1,432,000.00	3,322,000.00
10/01/24	1,990,000.00	1,337,500.00	3,327,500.00
10/01/25	2,090,000.00	1,238,000.00	3,328,000.00
10/01/26	2,390,000.00	1,133,500.00	3,523,500.00
10/02/27	2,890,000.00	1,014,000.00	3,904,000.00
10/01/28	3,055,000.00	869,500.00	3,924,500.00
10/01/29	3,210,000.00	712,225.00	3,922,225.00
10/01/30	3,370,000.00	546,975.00	3,916,975.00
10/01/31	3,540,000.00	373,488.00	3,913,488.00
10/01/32	3,715,000.00	191,250.00	3,906,250.00
	<u>\$ 72,755,000.00</u>	<u>\$ 56,785,130.00</u>	<u>\$ 129,540,130.00</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. Pursuant to Section 202.20, Florida Statutes, and based upon Ordinance No. 4268, enacted by the City Commission of the City on July 2, 2001, the Communications Tax was automatically levied at statutory rates on October 1, 2001 without any action necessary by the City. As described below, pursuant to Section 202.20, Florida Statutes, the City Commission of the City enacted Ordinance No. 4377 on September 3, 2002 to increase such rates to 7.13% until November 3, 2003 on which date the rate will be automatically amended to be 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.

The CSTA further provides that, to the extent that a provider of communications services is required to pay a tax, charge, or other fee under any franchise agreement or ordinance with respect to the services or revenues that are also subject to the Communications Tax, such provider is entitled to a credit against the amount of such Communications Tax payable to the State in the amount of such tax, charge, or fee with respect to such service or revenues.

The local communications services tax rates were set by the Legislature using local government and industry data from 1999. Local governments, including the City, are not expected to experience any decrease in revenues because the amount of revenues generated is not limited to the amount of revenue generated in 1999. The 1999 data was simply used as a means of computing a rate. The City submitted information regarding its replaced revenue sources to the Revenue Estimating Conference (the "REC") established under the CSTA. The REC was required to develop two tax rates:

- (1) an individual conversion or "initial rate" for each municipality and
- (2) a maximum or "revenue capacity" rate that will be the same for all municipalities.

Recognizing that the initial rates may not prove to be accurate for each jurisdiction, the CSTA authorizes a municipality to exercise emergency taxing authority by ordinance if necessary to replace any revenues from the replaced revenue sources. If during any calendar quarter from December 31, 2001 through September 30, 2002, any local taxing jurisdiction receives less revenue than the revenues received from the replaced revenue sources for the corresponding period in the 2000-2001 tax year, the local jurisdiction may adjust the rate upward. An upward adjustment can also be made for the reasonably anticipated growth in revenues over the preceding one-year period based on the average growth of such revenues over the immediately preceding five-year period. Rates set by emergency ordinance may exceed the revenue capacity rate if the standards for the emergency rate are met. The emergency ordinance implementing a rate change must specify the effective date for the adjusted rate, which can be no less than 60 days after the date of adoption of the ordinance and shall be effective with respect to taxable services included on bills that are dated on the first day of a month subsequent to the expiration of the 60 day period. The CSTA also requires a reduction in rates once any lost revenues are recouped.

On September 2, 2002, the City Commission of the City enacted Ordinance No. 4377 which found that a shortfall had occurred and that a higher rate than that set forth in 202.20, Florida Statutes, as amended by Chapter Law 2001-140, Laws of Florida, was required to make up the shortfall. Rates were increased to 7.13% until November 3, 2003 on which date the rate will be automatically amended to be 6.43% to cover such shortfall.

Conversely, if the revenues received by the City from the local communications services tax exceed by more than 10% the revenues received from the replaced revenue sources for the corresponding 2001 period plus reasonably anticipated growth in such revenues over the preceding one-year period based on the average growth of such revenues over the immediately preceding five-year period, the City must adjust rates downward by emergency ordinance.

Under the CSTA, local governments must work with the Florida Department of Revenue (the "FDOR") to properly identify services addresses to each municipality and county. If a municipality fails to provide the FDOR with accurate service address information, the local government risks losing tax proceeds that it should properly receive. The City believes it has provided the FDOR with all information that the FDOR has requested as of the date hereof and that such information is accurate.

The communications providers will collect the local communications services tax and may deduct 0.75% as a collection fee (or 0.25% in the case of providers who do not employ an enhanced zip code database or a database that is either supplied or certified by the FDOR). The communications providers remit the remaining proceeds to the FDOR, which may deduct up to 1% as an administrative fee. The FDOR then will distribute the remaining proceeds monthly to the City.

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.

Taxable Utility	Fiscal Years Ending September 30				
	2002	2001	2000	1999	1998
Electricity	\$ 5,634,616	\$ 5,059,349	\$ 4,722,944	\$ 4,630,231	\$ 4,539,790
Telecommunications	4,715,389	3,537,315	3,488,405	3,140,403	2,688,822
Water	863,362	747,682	728,304	712,483	611,042
Gas	148,383	201,591	230,255	201,394	243,656
Propane	51,992	58,315	36,008	30,757	36,320
Fuel Oil	3,934	3,656	3,594	2,539	1,648
Fiber Optics	-	-	7	18	13
Total	\$ 11,417,676	\$ 9,607,908	\$ 9,209,517	\$ 8,717,825	\$ 8,121,291

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UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1994 A

\$21,090,000

**SERIAL BONDS AND TERM BONDS
DATED AUGUST 1, 1994**

PURPOSE

The Series 1994A Bonds were issued in order to provide sufficient moneys, together with other available moneys, to (i) acquire, construct and equip certain improvements to the Lakeland Civic Center, a fire station, a library and other improvements, (ii) refund the City's outstanding Community Redevelopment Refunding Revenue Bonds, Series 1984, (iii) fund a deposit to the Utilities Tax Debt Service Reserve Account, which, together with amounts on deposit therein, will equal the Reserve Requirement, (iv) fund a portion of the interest on the Series 1994A Bonds payable on October 1, 1994, and (v) pay costs of issuance of the Series 1994A Bonds.

SECURITY

The Utilities Tax Revenue Refunding and Improvement, Series 1994A 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****

MANDATORY REDEMPTION

The Series 1994A 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, 2011, 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>
2011	\$ 1,040,000	2015	\$ 890,000
2012	1,100,000	2016	940,000
2013	1,170,000	2017	1,000,000
2014	1,240,000		

UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1994 A (CONTINUED)

OPTIONAL REDEMPTION

The Series 1994A Bonds maturing on or prior to October 1, 2004, shall not be subject to redemption prior to their respective dates of maturity. The Series 1994A Bonds maturing after October 1, 2004, shall be subject to redemption prior to their respective dates of maturity, on or after October 1, 2004, at the option of the City, in whole or in part at any time, and if in part, in any order of maturity selected by the City and by lot within a maturity, at the redemption prices (expressed as percentages of par value), together with accrued interest to the redemption date as follows:

<u>Redemption Dates</u>	<u>Price</u>
10/1/2004 — 9/30/2005	102 %
10/1/2005 — 9/30/2006	101 %
10/1/2006 — 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: Mudge, Rose, Guthrie, Alexander & Ferdon
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: Holland & Knight, Lakeland, Florida
Insurance: Financial Guaranty Insurance Company, New York, New York

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UTILITIES TAX REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 1994 A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/02	950,000.00	441,282.50	1,391,282.50
04/01/03		417,532.50	417,532.50
10/01/03	995,000.00	417,532.50	1,412,532.50
04/01/04		392,160.00	392,160.00
10/01/04	1,045,000.00	392,160.00	1,437,160.00
04/01/05		364,990.00	364,990.00
10/01/05	750,000.00	364,990.00	1,114,990.00
04/01/06		345,115.00	345,115.00
10/01/06	790,000.00	345,115.00	1,135,115.00
04/01/07		323,785.00	323,785.00
10/01/07	835,000.00	323,785.00	1,158,785.00
04/01/08		300,822.50	300,822.50
10/01/08	880,000.00	300,822.50	1,180,822.50
04/01/09		276,182.50	276,182.50
10/01/09	925,000.00	276,182.50	1,201,182.50
04/01/10		249,820.00	249,820.00
10/01/10	980,000.00	249,820.00	1,229,820.00
04/01/11		221,400.00	221,400.00
10/01/11	1,040,000.00	221,400.00	1,261,400.00
04/01/12		190,200.00	190,200.00
10/01/12	1,100,000.00	190,200.00	1,290,200.00
04/01/13		157,200.00	157,200.00
10/01/13	1,170,000.00	157,200.00	1,327,200.00
04/01/14		122,100.00	122,100.00
10/01/14	1,240,000.00	122,100.00	1,362,100.00
04/01/15		84,900.00	84,900.00
10/01/15	890,000.00	84,900.00	974,900.00
04/01/16		58,200.00	58,200.00
10/01/16	940,000.00	58,200.00	998,200.00
04/01/17		30,000.00	30,000.00
10/01/17	1,000,000.00	30,000.00	1,030,000.00
	<u>\$ 15,530,000.00</u>	<u>\$ 7,510,097.50</u>	<u>\$ 23,040,097.50</u>



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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 86-27 (adopted December 1, 1986) 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 1994 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 1994B 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 1994B 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 1994B 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 1994B 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 1994B 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 1994B 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 six fiscal years ended September 30.

<u>Fiscal Year</u>	<u>Incorporated Area 1¢</u>	<u>Unincorporated Area ½¢</u>	<u>Total¹ "Fourth Cent"</u>
2002	\$ 277,459	\$ 314,096	591,555
2001	281,444	356,082	637,526
2000	270,585	320,639	591,224
1999	246,796	277,090	523,886
1998	231,910	259,666	491,576
1997	<u>223,055</u>	<u>255,286</u>	<u>478,341</u>
Totals	<u>\$ 1,531,249</u>	<u>\$ 1,782,859</u>	<u>\$ 3,314,108</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 BONDS, SERIES 1994 B

\$6,835,000

**SERIAL BONDS AND TERM BONDS
DATED AUGUST 1, 1994**

PURPOSE

The Series 1994B Bonds were issued in order to provide sufficient moneys, together with other available moneys, to (i) provide sufficient moneys for the renovation and expansion of the Lakeland Civic Center, (ii) fund a deposit to the Tourist Development Tax Debt Service Reserve Account, (iii) fund a portion of the interest on the Series 1994B Bonds Payable on October 1, 1994, and (iv) pay costs of issuance of the Series 1994B Bonds.

SECURITY

The Series 1994B Bonds and the interest thereon are payable solely from the Tourist Development Tax and, to the extent the Tourist Development Tax is insufficient, the Utilities Tax.

BOND 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**

MANDATORY REDEMPTION

The Series 1994B 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, 2011, 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>
2011	\$ 360,000	2015	\$ 455,000
2012	380,000	2016	480,000
2013	405,000	2017	510,000
2014	430,000		

TOURIST DEVELOPMENT TAX AND UTILITIES TAX REVENUE BONDS, SERIES 1994 B (CONTINUED)

OPTIONAL REDEMPTION

The Series 1994B Bonds maturing on or prior to October 1, 2004, shall not be subject to redemption prior to their respective dates of maturity. The Series 1994B Bonds maturing after October 1, 2005 shall be subject to redemption prior to their respective dates of maturity, on or after October 1, 2004, at the option of the City, in whole or in part at any time, and, if in part, in any order of maturity selected by the City and by lot within a maturity, at the redemption prices (expressed as percentages of par value) together with accrued interest to the redemption date as follows:

<u>Redemption Dates</u>	<u>Prices</u>
10/1/2004 — 9/30/2005	102 %
10/1/2005 — 9/30/2006	101 %
10/1/2006 — 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:	Mudge, Rose, Guthrie, Alexander & Ferdon
Issuer's Financial Advisors:	Fishkind & Associates, Lakeland, Florida William R. Hough & Co., St. Petersburg, Florida
Managing Underwriter:	Salomon Smith Barney, Inc., West Palm Beach, Florida
Underwriters' Counsel:	Holland & Knight, Lakeland, Florida
Insurance:	Financial Guaranty Insurance Company, New York, New York

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TOURIST DEVELOPMENT TAX AND UTILITIES TAX REVENUE BONDS, SERIES 1994 B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/02	225,000.00	158,527.50	383,527.50
04/01/03		152,902.50	152,902.50
10/01/03	235,000.00	152,902.50	387,902.50
04/01/04		146,910.00	146,910.00
10/01/04	250,000.00	146,910.00	396,910.00
04/01/05		140,410.00	140,410.00
10/01/05	260,000.00	140,410.00	400,410.00
04/01/06		133,520.00	133,520.00
10/01/06	275,000.00	133,520.00	408,520.00
04/01/07		126,095.00	126,095.00
10/01/07	290,000.00	126,095.00	416,095.00
04/01/08		118,120.00	118,120.00
10/01/08	305,000.00	118,120.00	423,120.00
04/01/09		109,580.00	109,580.00
10/01/09	320,000.00	109,580.00	429,580.00
04/01/10		100,460.00	100,460.00
10/01/10	340,000.00	100,460.00	440,460.00
04/01/11		90,600.00	90,600.00
10/01/11	360,000.00	90,600.00	450,600.00
04/01/12		79,800.00	79,800.00
10/01/12	380,000.00	79,800.00	459,800.00
04/01/13		68,400.00	68,400.00
10/01/13	405,000.00	68,400.00	473,400.00
04/01/14		56,250.00	56,250.00
10/01/14	430,000.00	56,250.00	486,250.00
04/01/15		43,350.00	43,350.00
10/01/15	455,000.00	43,350.00	498,350.00
04/01/16		29,700.00	29,700.00
10/01/16	480,000.00	29,700.00	509,700.00
04/01/17		15,300.00	15,300.00
10/01/17	510,000.00	15,300.00	525,300.00
	<u>\$ 5,520,000.00</u>	<u>\$ 2,981,322.50</u>	<u>\$ 8,501,322.50</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, 2002.

	2002
General Fund:	
Utility Taxes	11,417,676
Franchise Fees	367,971
Licenses and Permits	2,413,095
State Shared Revenues	
Half-Cent Sales Tax	4,498,493
Cigarette Taxes	1,393,771
Mobile Home License Fees	160,674
Alcoholic Beverage Licenses	51,780
Charges for Services	2,405,521
Fines and Forfeits	1,017,180
Miscellaneous	
Interest & Change In Market Value	345,903
Rents	87,918
Sales of Fixed Assets	9,059
Transfers from other Funds	25,179,660
Other	439,184
Sub-Total	\$ 49,787,885
Public Improvement Fund:	
Charges for Services	361,555
Interest & Change In Market Value	350,797
Sales of Fixed Assets	847,971
Hospital Lease Payments	6,320,839
Other Lease Payments	14,380
Other	104,753
Sub-Total	\$ 8,000,295
Transportation Fund:	
Interest & Change In Market Value	85,397
Other	61,888
Sub-Total	\$ 147,285
Grand Total	\$ 57,935,465

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CAPITAL IMPROVEMENT REVENUE BONDS, REFUNDING SERIES 1997

\$45,700,000

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

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 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>
10/01/02	1,730,000.00	933,270.00	2,663,270.00
04/01/03		897,805.00	897,805.00
10/01/03	1,805,000.00	897,805.00	2,702,805.00
04/01/04		859,900.00	859,900.00
10/01/04	1,880,000.00	859,900.00	2,739,900.00
04/01/05		819,480.00	819,480.00
10/01/05	1,960,000.00	819,480.00	2,779,480.00
04/01/06		777,340.00	777,340.00
10/01/06	2,045,000.00	777,340.00	2,822,340.00
04/01/07		732,350.00	732,350.00
10/01/07	2,135,000.00	732,350.00	2,867,350.00
04/01/08		684,312.50	684,312.50
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	3,430,000.00	85,750.00	3,515,750.00
	<u>\$ 39,395,000.00</u>	<u>\$ 17,264,430.00</u>	<u>\$ 56,659,430.00</u>

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