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Michael C. Brossart, CPA
Finance Director

Deidra M. Joseph
Assistant Finance Director

We are pleased to enclose a copy of the City of Lakeland's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2013.

We are also pleased to notify you that the City's CAFR is now available on-line. You may access this information by going to the City of Lakeland's website at www.lakelandgov.net and clicking on "City Government" Tab, "Budget and Finance", "Financials (CAFR)".

Please indicate below if you would like to continue receiving a hard copy of the CAFR. If so, we request that you review your current mailing label (below), make changes or corrections as necessary, and return the form below to the specified address. *If this form is not returned to us, your firm/ name will be removed from our mailing list.*

Thank you for your cooperation and interest in the City of Lakeland.

Sincerely,

Michael C. Brossart, CPA
Finance Director

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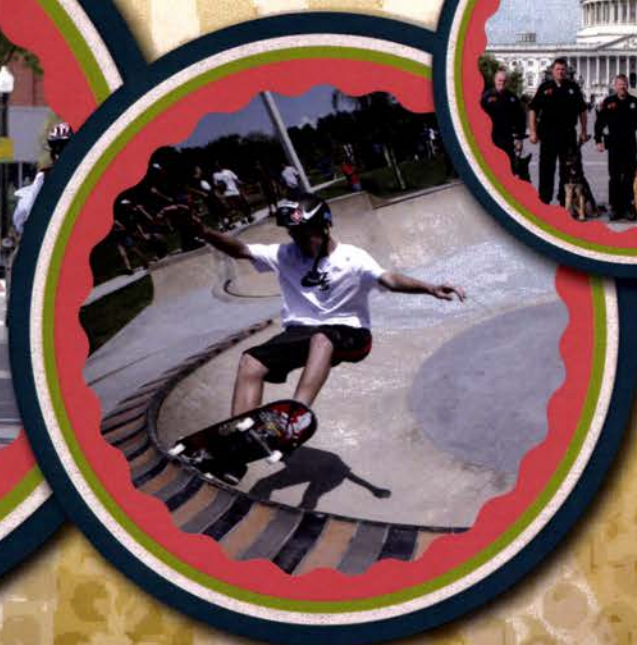
City of Lakeland
Michael C. Brossart, Finance Director
228 South Massachusetts Avenue
Lakeland, FL 33801-5012

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE

CITY OF LAKELAND, FLORIDA
for the fiscal year ended September 30, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF LAKELAND, FLORIDA

for the

FISCAL YEAR ENDED SEPTEMBER 30, 2013



Prepared by the
FINANCE DEPARTMENT

MICHAEL C. BROSSART, CPA
Finance Director

DEIDRA M. JOSEPH
Assistant Finance Director



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INTRODUCTORY SECTION

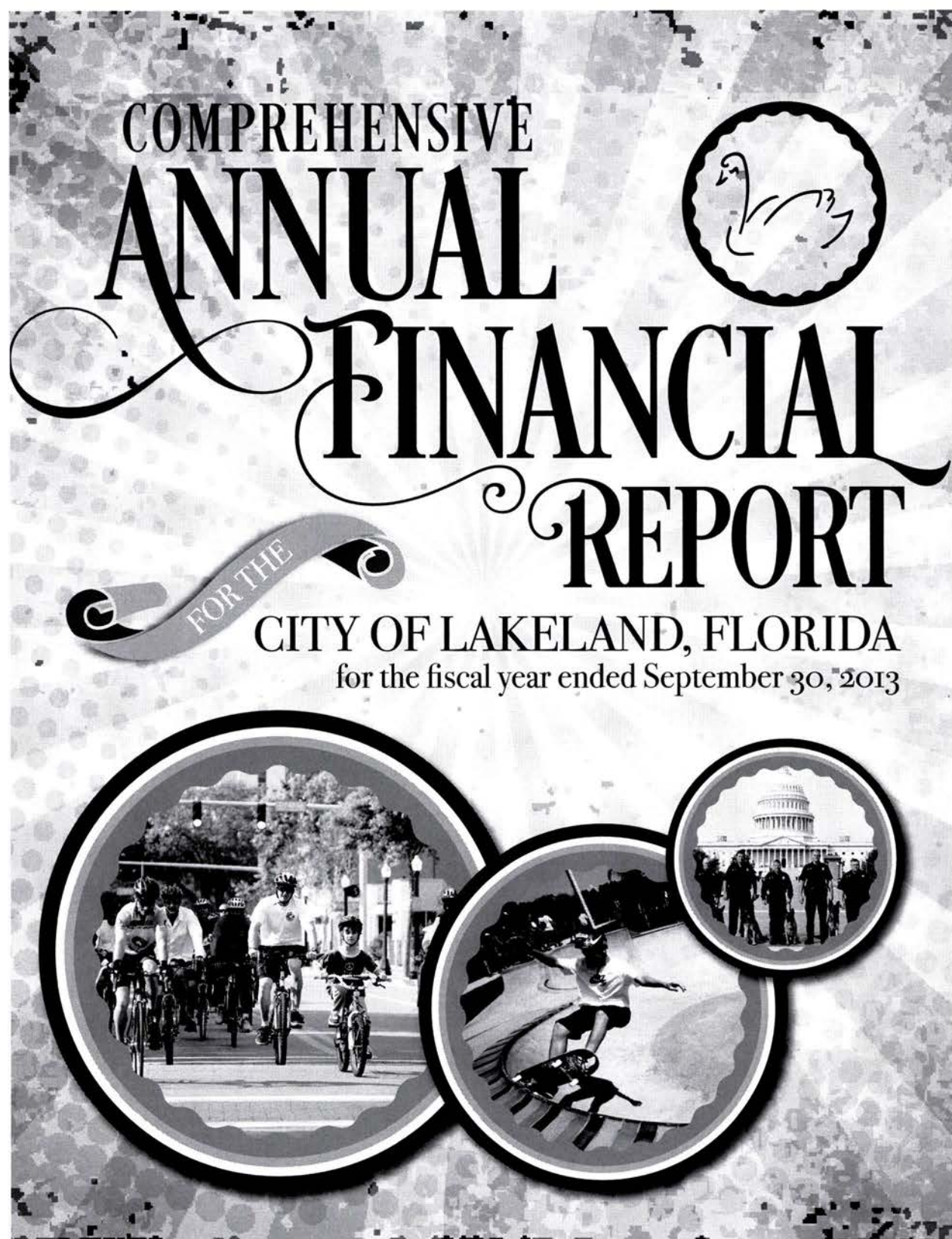


TABLE OF CONTENTS

INTRODUCTORY SECTION (UNAUDITED)

Introductory Information

Table of Contents.....	i
Letter of Transmittal.....	A-1
Organization Chart.....	A-5
City Officials.....	A-6
Certificate of Achievement for Excellence in Financial Reporting.....	A-7

FINANCIAL SECTION

<u>Independent Auditor's Report</u>	B-1
--	-----

<u>Management's Discussion and Analysis (Unaudited)</u>	C-1
--	-----

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Position.....	D-2
Statement of Activities.....	D-4

Fund Financial Statements:

Balance Sheet – Governmental Funds.....	D-6
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	D-7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	D-8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities.....	D-9
Statement of Net Position – Proprietary Funds.....	D-10
Reconciliation of the Proprietary Funds Statement of Net Position to the Government-Wide Statement of Net Position.....	D-12
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	D-14
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Net Position of the Proprietary Funds to the Statement of Activities.....	D-15
Statement of Cash Flows – Proprietary Funds.....	D-16
Statement of Fiduciary Net Position – Fiduciary Funds.....	D-18
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	D-19

<i>Notes to Financial Statements</i>	E-1
---	-----

Required Supplementary Information

General Fund Budgetary Comparison Schedule – Budget (GAAP Basis) and Actual.....	F-1
Schedule of Contributions from Employers and Other Contributing Entities.....	F-2
Schedule of Funding Progress.....	F-2
Notes to Required Supplementary Information.....	F-4

TABLE OF CONTENTS, Continued

Supplementary Information (Unaudited)

Individual and Combining Fund Financial Statements

Combining Balance Sheet – Nonmajor Governmental Funds.....	G-2
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	G-6
Budgetary Comparison Schedule – Budget (GAAP Basis) and Actual – Nonmajor Governmental Funds.....	G-10
Combining Statement of Net Position – Nonmajor Proprietary Funds.....	G-16
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Proprietary Funds.....	G-17
Combining Statement of Cash Flows Nonmajor – Proprietary Funds.....	G-18
Combining Statement of Net Position – Internal Service Funds.....	G-20
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds.....	G-22
Combining Statement of Cash Flows – Internal Service Funds.....	G-24
Combining Statement of Fiduciary Net Position – Fiduciary Funds.....	G-27
Combining Statement of Changes in Plan Net Position – Pension Trust Funds.....	G-28
Statement of Changes in Assets and Liabilities – Agency Fund.....	G-29

Schedules

Schedule of Long-Term Debt – All Funds.....	H-2
Schedules of Required Debt Payments to Maturity:	
Capital Improvement Refunding Note (series 2012A) and Capital Improvement Refunding Note (series 2012B).....	H-4
Capital Improvement Revenue and Refunding Bonds (series 2010A) and Capital Improvement Revenue and Refunding Bonds (series 2010B).....	H-5
Capital Improvement Revenue and Refunding Bonds (series 2010C).....	H-6
Water and Wastewater Revenue Refunding and Improvement Bonds (series 2002).....	H-7
Energy System Refunding Revenue Bonds (series 1999A) and Energy System Refunding Revenue Bonds (series 1999B).....	H-8
Energy System Refunding Revenue Bonds (series 2006) and Energy System Refunding Bonds (series 2009).....	H-9
Energy System Revenue and Refunding Revenue Bonds (series 2010) and Energy System Refunding Bonds (series 2012).....	H-10
Analysis of Sinking Fund and Reserve Account Requirements.....	H-11
Summary of Required Debt Payments to Maturity – All Outstanding Revenue Bond Series.....	H-12
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	H-16
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.....	H-22

STATISTICAL SECTION (UNAUDITED)

Miscellaneous Statistical Information:

Financial Trends:

Net Position (Last Ten Fiscal Years).....	I-2
Changes in Net Position (Last Ten Fiscal Years).....	I-4
Fund Balances of Governmental Funds (Last Ten Fiscal Years).....	I-6
Changes in Fund Balances of Governmental Funds (Last Ten Fiscal Years).....	I-7

Revenue Capacity:

General Fund Property Tax Levies, Tax Collections, Assessed Valuations, and Property Tax Rates (Last Ten Fiscal Years).....	I-8
Schedule of Property Tax Rates – Direct and Overlapping Governments (Last Ten Fiscal Years).....	I-10
Ten Principal Taxpayers (For the Current Year and Nine Years Prior).....	I-11
Lakeland Electric Utility Fund Charges for Services and Average Rates (Last Ten Fiscal Years).....	I-12

Debt Capacity:

Ratios of Outstanding Debt by Type (Last Ten Fiscal Years).....	I-13
Governmental Activities Tax Revenues by Source (Last Ten Fiscal Years).....	I-14
Ratios of General Bonded Debt Outstanding (Last Ten Fiscal Years).....	I-15
Direct and Overlapping Governmental Activities Debt.....	I-16
Schedule of Revenue Bonds Coverage (Last Ten Fiscal Years).....	I-17

TABLE OF CONTENTS, Continued

STATISTICAL SECTION (UNAUDITED), continued

Miscellaneous Statistical Information, continued:

Demographic & Economic Information:

Demographic and Economic Statistics (Last Ten Fiscal Years).....	I-18
Principal Employers (For the Current Year and Nine Years Prior).....	I-19

Operating Information:

FTE Employees by Function (Last Ten Fiscal Years).....	I-20
Operating Indicators by Function (Last Ten Fiscal Years).....	I-21
Capital Assets Statistics by Function (Last Ten Fiscal Years).....	I-22

Independent Auditor's Reports and Schedules:

Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	J-1
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Award Program and State Financial Assistance Projects and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.....	J-3
Schedule of Findings and Questioned Costs.....	J-6
Summary of Prior Audit Findings.....	J-8



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March 10, 2014

Honorable Mayor, Members of the City Commission and Citizens of the City of Lakeland, Florida:

It is our pleasure to submit this Comprehensive Annual Financial Report for the City of Lakeland, Florida for the fiscal year ended September 30, 2013. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are prepared in accordance with the requirements of Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the Governmental Finance Officers Association.

This report has been prepared by the Finance Department of the City of Lakeland, which assumes full responsibility for the completeness and accuracy of the information presented herein. In an effort to provide assurance that financial data incorporated into this report is as accurate as possible, the Finance Department has adopted internal control procedures which are intended to insure that financial transactions are recorded in a manner that is consistent with generally accepted accounting principles. These internal control procedures are also intended to prevent loss of assets due to theft or mismanagement. This internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Florida Statutes require that all municipalities in the State conduct an annual financial audit of the books and records, performed by an independent certified public accountant. The City has contracted with the firm of Crowe Horwath LLP to conduct the audit for the year ended September 30, 2013. The auditor's report, which indicates that the financial statements included in this document are free from material misstatement and are fairly presented in conformity with accounting principles generally accepted in the United States of America appears on page B-1 of this document.

This report consists of three major sections: the Introductory, Financial, and Statistical sections. The introductory section is designed to give the reader some basic background information about the City. The financial section includes a narrative Management's Discussion and Analysis, the basic financial statements, combining financial statements, and other supplementary information. Included therein are schedules comparing budget to actual information for the City's Governmental Fund types, prepared based on the legal level of budgetary control (fund and department). The Statistical section includes additional information, including socio-economic data and financial trend information regarding the City's fiscal condition.

The report titled Management's Discussion and Analysis is intended to provide a narrative explanation of the results of operations and financial condition of the City. It should be read in conjunction with this transmittal letter in order to provide a general overview of the City's finances. This report starts on page C-1 of this bound document.

Profile of the City of Lakeland

Located between two major urban areas – Tampa Bay and Orlando – Lakeland enjoys the quality of life characteristics of smaller cities, while affording easy access and the amenities of larger metropolitan areas. Lakeland's current permanent population estimate as of April 2013 is 98,733 residents. The City limits include approximately 75 square miles.

The City is governed by a seven member City Commission. This Commission employs a full-time City Manager to run the day-to-day operations of the entity. Page A-5 of this report graphically presents the Organization Chart for the City. The services provided by the Lakeland government are extremely diverse, ranging from traditional police, fire, public works, and an extensive parks and recreation system to utility services including electric power generation and supply, treated water, wastewater treatment, solid waste collection, municipal parking facilities, an airport, convention center and 27-hole golf course.

Annual operating budgets are formally adopted by the City Commission. Legally authorized appropriations are prepared based on total expenses by fund and department. Any variation between the budgeted expenses and actual expenses at the fund and departmental level of detail must be authorized by the City Commission by affirmative action throughout the year.

Lakeland derives its name from the 28,000 acres of 38 named lakes and numerous smaller lakes, ranging in size from 2.5 acres (Lake Blanton) to 2,272 acres (Lake Parker).

Lakeland boasts many unique features, including the world's largest one-site collection of Frank Lloyd Wright-designed buildings at Florida Southern College. Lakeland hosts Florida's largest convention – the Sun'n Fun EAA Fly-In – which draws more than 140,000 people and 4,000 aircraft to Lakeland Linder Regional Airport.

Lakeland is the spring home of the Detroit Tigers who have been training in Lakeland since 1934. The organization has a year round presence and operates one of their minor league teams and developmental squads in Lakeland.

Local Economy

Lakeland is home to the headquarters of Publix Super Markets, which was founded in nearby Winter Haven by Mr. George Jenkins in 1930. Publix operates 1,084 grocery stores in Florida, Georgia, South Carolina, Alabama and Tennessee. It is a Fortune 100 company with over \$8 billion in annual sales. The total taxable value of real property owned by Publix within the Lakeland city limits is approximately \$248 million.

The City also boasts the fifth largest hospital in the state and the busiest single-site Emergency Department in the state – Lakeland Regional Medical Center, a 851-bed not-for profit hospital; and the Watson Clinic, which provides over 800,000 outpatient visits annually.

The slight improvement in the economy continued to impact the Lakeland/Polk County area during 2013. Building permits issued during fiscal 2013 increased slightly with permits issued of 7,899. Compared to Fiscal Year 2012, permits issued in Fiscal Year 2013 were up 5%. Sales of existing residential homes were up slightly compared to 2012. All in all the market is improving, values are increasing and inventory levels are stable and consistent. There is an approved plan to build 284 new apartments in the Oakridge area around central Lakeland.

Total retail electricity (KWh) sales were up 1.7% in FY2013 compared to FY2012. For the second consecutive year, Lakeland experienced, on average, milder than normal weather conditions. The retail customer base increased by 1.4% during 2013, after falling slightly during the preceding three years.

Unemployment rates for the Lakeland-Winter Haven area averaged 7.4 percent for the twelve months ended December 31, 2013, down from 9.7 percent the previous year.

Despite these general economic declines, Lakeland has been able to maintain cash reserve levels within its General Fund at approximately 21 percent of annual spending. Total spending within the General Fund was up 2% compared to the previous year. It is expected that cash reserves will be used to replace continuing lower than normal levels of tax revenue collections over the next couple of years.

Developers have announced plans for a 550,000 square foot shopping area on a 70-acre plot in southwest Lakeland. The South Village will be built along Harden Boulevard near the Polk Parkway, just south of Lakeside Village. The new retail center will bring a projected 1,000 jobs to the area upon completion in 2015.

Florida Governor Rick Scott has signed legislation creating an independent state university in Lakeland. Florida Polytechnic University became the 12th state university in Florida on July 1st. University of South Florida Polytechnic will be absorbed by USF in Tampa, and will phase out its operations in Lakeland with a teach-out over the next five years that will enable current students to finish their degree programs. The legislation supersedes a previous plan that called for specific benchmarks to be met before the Lakeland campus became an independent university.

A new campus to house Florida Polytechnic University, the newest member of the Florida State University System, is currently under construction. It is strategically located on the I-4 high tech corridor at the intersection of Interstate 4 and the Polk Parkway in North Lakeland. Work began in March to construct the FPU Science and Technology building that will initially house the bulk of campus activities. Ninety-eight million dollars has been set aside for the futuristic 120,000 square-foot structure which is scheduled for completion in June 2014 with classes beginning in the fall of 2014.

A new 375,000-square-foot shopping center is planned in North Lakeland. The Lakeland Park Center is projected to open in spring 2014 on US 98 North, just north of Interstate 4. The new center will be anchored by a Kohl's department store, and will bring 550 jobs to the area.

Ground was broken on November 1st for construction of the Lakeland Park Center shopping complex along U.S. 98 in North Lakeland near Interstate 4. That development will bring an estimated 550 new jobs to the area upon completion in 2014.

The University of South Florida has unveiled plans to create the USF Health System with Lakeland Regional Medical Center as an inaugural member and teaching hospital. Under terms of the partnership LRMC will host some 200 medical residencies annually. The program will commence with the first residencies beginning in July 2015.

Long-term financial planning

The City prepares a ten year capital improvements plan that identifies both capital improvements and related revenue sources anticipated for the next ten annual budget cycles. Capital requirements of enterprise operations – typically utility operations such as electric, water, wastewater and solid waste, are financed from capital reserves accumulated within those enterprise operations and obtained from the users of those services through the imposition of user fees. Capital requirements of general governmental operations are financed primarily from the proceeds from gasoline taxes and the proceeds of an operating lease between the City of Lakeland and a not-for-profit entity that operates the City-owned hospital facility.

Impact Fees are also assessed on new construction within the Water and Wastewater utilities to provide a source of financing for the capital costs associated with growth. The City also levies similar impact fees to offset a portion of the capital costs of Transportation improvements, Parks and Recreation Facilities, and Public Safety.

Relevant financial policies

The City finances a portion of general governmental operating costs from the proceeds of transfers to the General Fund from various utility operations – primarily from an electric utility operation. These transfers finance approximately 34% of the operating budget for general governmental operations within Lakeland.

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, 2012. 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.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report (CAFR) could not be achieved without many extra hours of work on the part of Finance Department staff. The City is fortunate to have such a fine group of professionals who are highly skilled and complete all tasks accurately and within schedule.

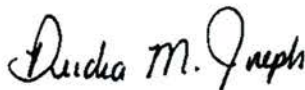
We would like to thank John Zuercher, Director of Internal Audit; Kay Chauncey, Chief Accountant; Tiffany Platt, Chief Accountant; and Mark Meeks, Supervisor of Utility Finance and Accounting for their efforts in assisting the external auditors in completing the audit, and for preparation of the CAFR. Their respective roles in coordinating the work of accountants and other professionals have proven to be invaluable to the report preparation process. We would also like to thank the external auditors, Crowe Horwath LLP, for their cooperation and assistance during the audit process.

We would like to express appreciation to the City Manager, his staff, and the City Commission for their continued support of the Finance Department and for the leadership they have provided to make Lakeland such an exceptional community. This report reflects the favorable financial condition of the City, and we are proud to submit it to you for your review.

Respectfully submitted,



Michael Brossart, CPA
Finance Director

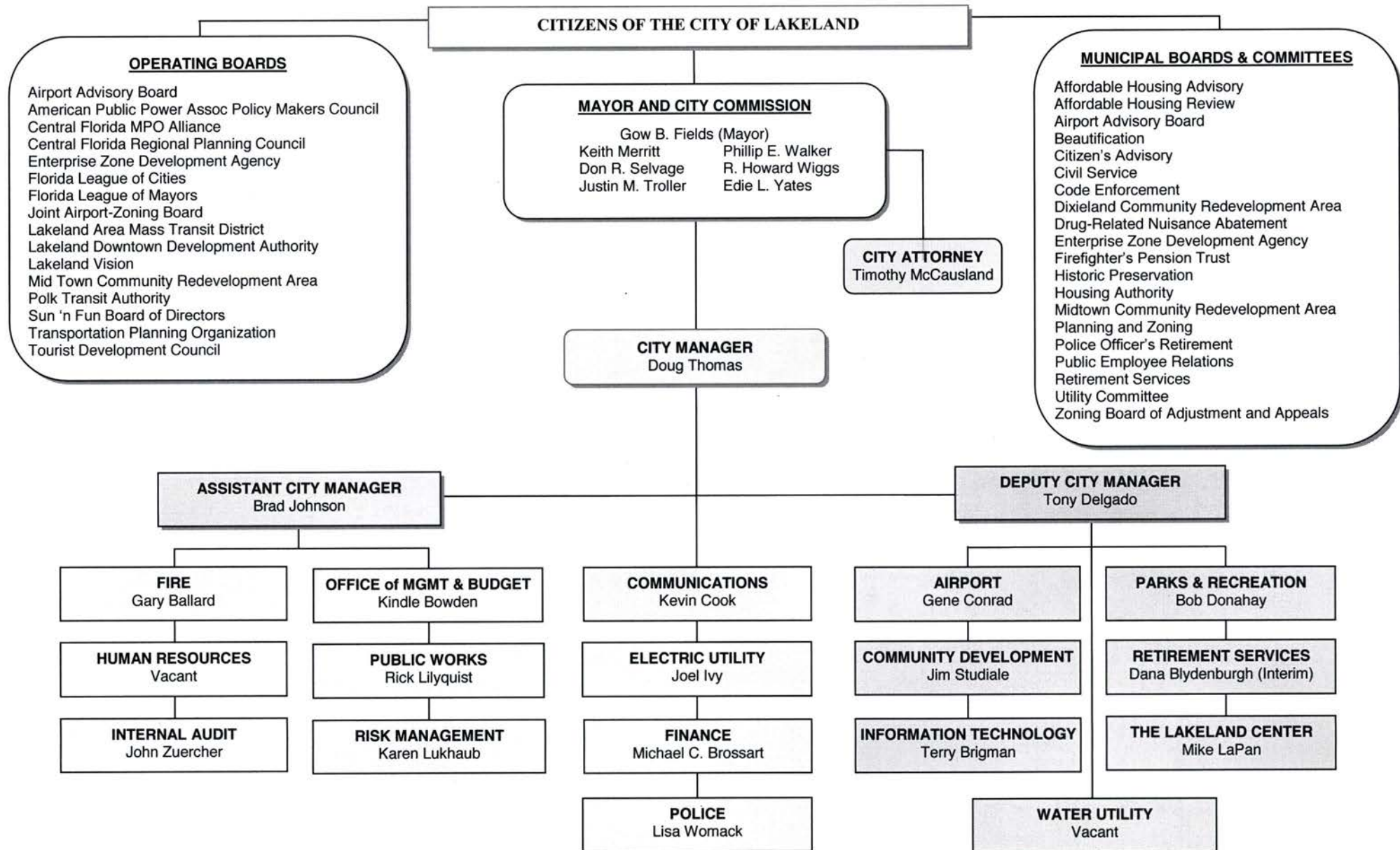


Deidra Joseph
Assistant Finance Director



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CITY OF LAKELAND
ORGANIZATION CHART
2013



CITY OF LAKELAND, FLORIDA

CITY OFFICIALS

COMMISSION-MANAGER FORM OF GOVERNMENT

CITY COMMISSION

Gow B. Fields, Mayor

Keith Merritt	Phillip Walker
Donald Selvage	R. Howard Wiggs
Justin Troller	Edie L. Yates

CITY MANAGER

Douglas B. Thomas

FINANCE DIRECTOR

Michael C. Brossart, CPA

CITY ATTORNEY

Timothy J. McCausland

CITY CLERK

Kelly S. Koos



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lakeland
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

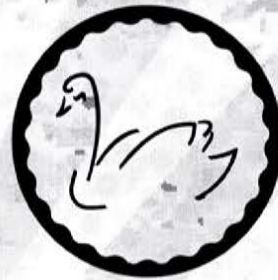
Executive Director/CEO



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FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE

CITY OF LAKELAND, FLORIDA
for the fiscal year ended September 30, 2013



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Commissioners
 and City Manager
 City of Lakeland, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Florida (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida (a pension trust fund included in aggregate remaining fund information) and the City of Lakeland Firefighters' Retirement System (a pension trust fund included in aggregate remaining fund information), which represent the percentages of assets, net position, and revenues listed below.

	<u>Assets</u>	<u>Net Position</u>	<u>Revenues</u>
Aggregate Remaining Fund Information:			
Pension and Other Employee Benefit Trusts			
Police Officers' Defined Benefit Retirement System			
of the City of Lakeland, Florida	14.90%	14.94%	15.84%
City of Lakeland Firefighters' Retirement System	12.17%	12.26%	9.04%
	<u>27.07%</u>	<u>27.19%</u>	<u>24.88%</u>

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for the aggregate remaining information, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida and the City of Lakeland Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, during the year ended September 30, 2013, the City adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of CPA's (AICPA) Pronouncements. This statement incorporates provisions that allow regulated utilities to offset certain contributed assets with a deferred inflow of resources. Our opinion is not modified with respect to this matter.

As discussed in Note 2, during the year ended September 30, 2013, the City adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement requires separate reporting as deferred outflows of resources and deferred inflows of resources certain amounts that were previously reported together with assets and liabilities, respectively. In addition, this statement introduces net position as the residual measure of assets, deferred outflows of resources, liabilities and deferred inflows of resources in government-wide and proprietary fund financial statements. Our opinion is not modified with respect to this matter.

As discussed in Note 2, during the year ended September 30, 2013, the City adopted GASB Statement No. 65, *Items Previously Reported As Assets and Liabilities*. The City applied the provisions of this Statement retroactively by restating net position as of the beginning of the year for the financial statements of its governmental activities, business-type activities, and certain of its major enterprise funds. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule, schedule of funding progress, and schedule of contributions from employers and other contributing entities on pages C-1 through C-15, F-1, and F-2 through F-4, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, individual and combining fund financial statements, schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The individual and combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the individual and combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

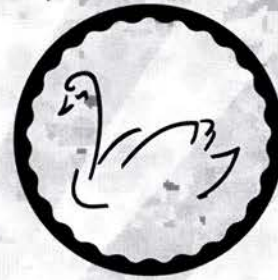


Crowe Horwath LLP

Lakeland, Florida
March 10, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

COMPREHENSIVE
**ANNUAL
FINANCIAL
REPORT**



CITY OF LAKELAND, FLORIDA
for the fiscal year ended September 30, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis section provides a narrative overview of the City of Lakeland's (City's) financial activities for fiscal year ending September 30, 2013. This discussion is broken down into three components:

- An overview of the financial statements, consisting of a narrative description of the type of information provided within the Comprehensive Annual Financial Report (which begins on page D-1 of this bound document).
- A concise, condensed financial report that summarizes the results of operations of the City as a whole.
- A narrative financial analysis of the City's overall financial condition and results of operations, supported by additional consolidated information about specific services provided by the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The nature of these three components of the report is described as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

There are two financial statements in this section that address the financial position and results of operations of the City taken as a whole: the Statement of Net Position and the Statement of Activities.

These two financial statements are prepared using the "full accrual" method (basis) of accounting. This is the same accounting method used by most private-sector companies to determine whether they earn a profit in any given year, and to measure the net worth of the company as of the end of the year.

The statement of net position (page D-2 and D-3) is similar to a balance sheet in that it separately identifies the assets (what the City owns) from the liabilities (what the City owes) and the net difference between the two. Cash, receivables, land, buildings and equipment are examples of assets. Bonds, notes, and payables are examples of liabilities. The increase or decrease in net positions from one year to the next indicates whether the City's financial position is improving or deteriorating.

The statement of activities (pages D-4 and D-5) explains how or why the net position has increased or decreased during the year. The statement of activities resembles a profit and loss statement because it compares the total expenses of the government to the total revenues, with the difference between the two, equaling the increase or decrease in net position over the course of the year.

Under the full accrual basis of accounting, some cash flows into the city and some of the cash flows out are not considered operating revenues or operating expenses and accordingly do not appear on the statement of activities. For example, under the full accrual basis of accounting, the purchase of capital assets (e.g. equipment, land, buildings that have a useful life beyond one year) is not shown as an operating expense on the Statement of Activities.

On the other hand, the full accrual accounting method recognizes certain expenses that may not be funded or budgeted by the City within a given year, such as non-cash expenses like depreciation of capital assets and costs that may be incurred in one accounting cycle but are not paid until some future year.

In many cases, this full accrual method of accounting is very different that the accounting process used to budget and measure the cost of government. The annual budgets for most governmental operations only include provision for cash outlays that will actually occur in a given year – which would include disbursements for capital assets, and excludes non cash expenses such as depreciation or expenses paid out in future years. However, the Government Accounting Standards Board ("GASB") requires that a version of the financial activity for all aspects of the city be prepared using the full accrual basis in order to provide the ability to evaluate the financial status of the city in a manner that is compatible with accounting standards normally adopted within the private sector. Hence, the Government-Wide Financial Statements on pages D-2 thru D-5 are prepared on a full accrual basis.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

The information in each of these two statements is separated into two categories as follows:

Governmental activities – This portion of the government-wide financial report represents those activities undertaken by the government which cannot, based on practical considerations, be financed by the imposition of a user fee assessed directly and exclusively against the users of those activities. These activities include the services provided by Police and Fire Departments; Public Works (road and drainage construction and maintenance); the Parks & Recreation Department; libraries; growth management; public utilities (such as street lighting); and administrative functions. Because these activities do not lend themselves to recovery of costs through a direct user charge, they are financed primarily from the proceeds of property taxes, sales taxes, franchise fees, interest income, intergovernmental revenues, and state and federal grants.

Business-type activities – This portion of the government-wide financial report includes those activities such as the Electric, Water, Wastewater, and Solid Waste Utilities. The cost of providing these services is directly recovered from a user charge assessed against the users of those services. This category also includes the operations of the City's Lakeland Center, the Parking System, the Lakeland Linder Regional Airport and the Cleveland Heights Golf Course.

This category also includes activities within internal service funds – which provide services such as fleet management, information technology, and self-insurance of certain risks to city departments at cost. The value of assets, liabilities and the operating activities of these internal funds are accounted for as Business-type activities, less an allocation of those assets, liabilities and current year operations based on the relative portion of those services that are provided to Governmental activities.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

The following condensed information is derived from the Government-Wide Financial Statements for the City of Lakeland:

CONDENSED STATEMENT OF NET POSITION (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current assets	\$ 76,446	\$ 82,383	\$ 205,514	\$ 184,760	\$ 281,960	\$ 267,143
Asset Apportionments	8,155	8,287	123,219	169,687	131,374	177,974
Restricted assets	22,041	21,965	26,390	30,237	48,432	52,202
Capital assets	253,878	251,441	1,074,062	1,071,417	1,327,940	1,322,858
Other noncurrent assets	16,188	7,822	13,000	13,531	29,188	21,353
Total assets	376,709	371,898	1,442,185	1,469,632	1,818,894	1,841,530
DEFERRED OUTFLOWS OF RESOURCES						
Loss on fuel hedge	-	-	2,734	3,846	2,734	3,846
Decrease in fair value of interest rate swaps	-	-	35,251	57,749	35,251	57,749
Unamortized loss (gain) on refunding	57	-	23,194	25,049	23,251	25,049
Total deferred outflows of resources	57	-	61,178	86,644	61,236	86,644
LIABILITIES						
Current liabilities	11,117	14,101	113,926	140,094	125,043	154,195
Apported Asset liabilities	-	-	10,985	9,772	10,985	9,772
Restricted liabilities	301	212	17,058	19,475	17,360	19,687
Deferred credits	-	-	4,648	-	4,648	-
Accrued liabilities,						
less current portion	22,127	19,180	34,766	45,874	56,893	65,054
Long term debt payable,						
less current portion	36,666	39,950	594,004	624,025	630,671	663,975
Total liabilities	70,212	73,443	775,387	839,240	845,599	912,683
DEFERRED INFLOWS OF RESOURCES						
Contributions in aid of construction	-	-	47,629	47,600	47,629	47,600
Total deferred inflows of resources	-	-	47,629	47,600	47,629	47,600
NET POSITION						
Net investment in capital assets	214,327	208,390	460,658	419,514	674,985	627,904
Restricted	23,715	24,914	9,330	14,001	33,045	38,915
Unrestricted	68,512	65,151	210,360	235,921	278,872	301,072
Total net position	\$ 306,554	\$ 298,455	\$ 680,348	\$ 669,436	\$ 986,902	\$ 967,891

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Governmental activities:

Current Assets consist predominantly of \$27 million of cash and investments, \$28 million of receivables, and \$15 million of assets held within internal balances of the City. In the aggregate, this represents an decrease of \$6 million in the value of current assets during 2013.

Asset Apportionments represents assets that are designated by the City Commission for certain specific uses – as opposed to current assets, which generally can be used to finance the cost of any general governmental operation. Apportioned assets are comprised of approximately \$6 million in assets related to Stormwater utilities Fund, \$820 thousand set aside to fund contributions to cultural and community agencies, and \$1.5 million in cash designated for maintaining recreation facilities.

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$9.3 million in assets held within Community Redevelopment Districts, \$1.4 million in assets held in trust for law enforcement; \$2.4 million set aside in legally required sinking funds to support debt obligations, \$5.8 million of unspent impact fees, and approximately \$4.3 million held in a fund that is used to provide perpetual maintenance of cemetery plots sold by the City. In the aggregate, there was very little change in the value of these restricted assets from 2012 to 2013.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of approximately \$1.8 million in amounts owed to vendors, \$4.5 million in undistributed payroll obligations accrued during the last pay period of the fiscal year, \$2.4 million of principal due on long term notes on October 1, and \$1 million of federal grant proceeds that will be expended on a major road construction project within the next year.

Restricted and Apportioned Liabilities represent obligations payable from Restricted and Apportioned Assets that are likely to be settled within the next year.

Accrued Liabilities represent payroll-related obligations that are not likely to be settled within the next year. This includes approximately \$5 million in unpaid sick and vacation time and approximately \$17 million representing the actuarially accrued liability for health insurance benefits payable to employees during retirement. This obligation is the result of a state of Florida mandate, which requires that any city which offers health insurance coverage to retired employees must provide that coverage at the same health insurance premium rates applied to active employees. Since the population of retired employees is prone to higher medical costs than the population of active employees, there is an implied subsidy built into that retiree health insurance premium. The liability of \$17 million represents that portion of the actuarially determined value of that implied subsidy payable in future years that has been accrued since the beginning of fiscal year 2008. That liability increased by approximately \$6 million since 2012.

Long term debt payable decreased by approximately \$3 million from 2012 to 2013, predominantly because of the repayment of a variety of internal loans issued to finance road, parks, and facility improvements. The dollar value of those outstanding loans was just under \$38 million as of the end of 2013. Those loans are supported by two fixed interest revenue bonds. The City's long term capital plan calls for the repayment of over \$27 million of those loans over the course of the next five years.

Business-type activities:

Current Assets consist predominantly of \$82 million of cash and investments, \$46 million of receivables, and \$38 million of inventories; less approximately \$15 million representing the estimated value of those assets held within internal service funds of the City that are allocable to governmental activities. In the aggregate, these assets decreased \$28 million during 2013. Approximately \$7.3 million of that decrease occurred within the Water and Wastewater system, representing the net decrease in liquidity after capital acquisitions; and there was a decrease of \$13.6 million within Electric Utilities system – as a result of decrease in liquidity from operations and the market value of the Electric Utilities share of the investment pool; there was a \$2.5 million decrease within the Internal Loan Fund – as a result of net the repayment/issuance of loans during the year.

Asset Apportionments represents assets that are designated by the City Commission for certain specific uses – as opposed to current assets, which generally can be used to finance the cost of any general governmental operation. Apportioned assets are comprised of approximately \$103 million in assets committed to repaying bonded debt of utility operations, \$14.7 million committed to financing the cost of capital improvements, \$31 million in assets held for vehicle replacements, and \$19.7 million in assets held by funds used to self-insure the city against certain risks.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Business-type activities (continued):

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$16 million in customer deposits collected by utility operations, \$6.6 million of unspent water and wastewater impact fees, \$8 million set aside in legally required sinking funds to support debt obligations, and \$.5 million of unspent bond proceeds. This class of assets decreased approximately \$1.2 million during the year, predominantly from the capital acquisitions associated with the unspent bonds proceeds.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of approximately \$19 million in amounts owed to vendors, \$4 million in obligations accrued during the last pay period of the fiscal year, \$36.2 million in bonded debt and loans principal and interest payable on October 1, 2013, and approximately \$1 million in advance customer deposits held by the Lakeland Center fund for events that have not yet occurred.

Restricted and Apportioned Liabilities represent obligations payable from Restricted and Apportioned Assets. These consist of approximately \$11 million in assets restricted to finance obligations of the city's self-insurance program, and \$17 million in customer deposits.

Accrued Liabilities represents obligations that are not likely to be settled within the next year. This includes approximately \$7.2 million in unpaid sick and vacation time, \$5 million in accrued interest on capital appreciation bonded debt, \$4.6 million in profits earned on settlement of a natural gas purchase agreement and approximately \$21 million representing the actuarially accrued liability for health insurance benefits payable to employees during retirement. This obligation is the result of a state of Florida mandate, which requires that any city which offers health insurance coverage to retired employees must provide that coverage at the same health insurance premium rates applied to active employees. Since the population of retired employees is prone to higher medical costs than the population of active employees, there is an implied subsidy built into that retiree health insurance premium. The liability of \$21 million represents that portion of the actuarially determined value of that implied subsidy payable in future years that has been accrued since the beginning of fiscal year 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Ratio of capital assets to related debt:

	Total Governmental Activities	Electric Utility	Water & Wastewater Utility	Other Business-type Activities
Capital assets	\$ 253,878,212	\$ 678,435,164	\$ 266,537,502	\$ 129,089,502
Related long term debt	(39,551,026)	(514,176,790)	(94,702,136)	(4,525,111)
Net investment in capital assets	<u>\$ 214,327,186</u>	<u>\$ 164,258,374</u>	<u>\$ 171,835,366</u>	<u>\$ 124,564,391</u>
FY 2013 Ratio	6.42	1.32	2.81	28.53
FY 2012 Ratio	5.84	1.28	2.63	16.33

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Capital assets

This investment in capital assets includes land, buildings, improvements, machinery and equipment, plant, distribution and generation facilities, and infrastructure. The total book value of capital assets as of September 30, 2013 was \$1,327,940,380 which represents a net increase of \$5,082,988 for the year.

Gross capital spending for the year exceeded \$65 million. Major capital asset additions during the current fiscal year included the following:

- \$6.1 million of land, right of way, and construction for roadway projects
- \$2 million in parks and recreation facility improvements
- \$500 thousand in public facility improvements
- \$1.5 million in public safety facility improvements
- \$2.8 million in economic development facility improvements
- \$660 thousand in stormwater system improvements.
- \$5.6 million for new vehicles.
- \$5.7 million for computers and software; system upgrades
- \$1 million for improvements at the city-owned airport
- \$4.7 million in water and wastewater system improvements.
- \$33.4 million in electric transmission, distribution, and generation improvements.

Additional information regarding the capital assets of the City can be found in Note 4 of the basic financial statements.

Long-term debt

As of September 30, 2013, the City of Lakeland's total bonded debt outstanding was \$635 million. This represents a net decrease of \$40 million compared to 2012. During the year, the City made scheduled retirements of debt of approximately \$40 million. In addition, \$22.4 million of debt of the general government was refinanced at lower rates. There was also \$2.7 million of additional debt issued to finance general facility.

The majority of the long-term debt outstanding represents revenue bonds issued by the Electric and Water/Wastewater Utilities. Payment of annual principal and interest on this outstanding debt is secured by a lien on the net operating revenues of those operations. Revenue bond obligations issued for the benefit of governmental activities are paid from amounts accumulated in legally required sinking funds maintained in the debt service fund. The City has no general obligation bonded debt outstanding.

The City does not have any debt limitations that could affect the financing of planned facilities or services. Additional information regarding the long-term debt of the City can be found in Note 6 of the basic financial statements.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENSES AND INCREASE IN NET POSITION

CHANGES IN NET POSITION (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 14,506	\$ 14,607	\$ 376,286	\$ 365,614	\$ 390,792	\$ 380,221
Operating grants and contributions	7,705	8,774	41	40	7,746	8,814
Capital grants and contributions	4,793	4,764	9,295	11,446	14,088	16,210
General Revenues						
Property taxes	21,784	20,909			21,784	20,909
Utility, fuel, and franchise taxes	19,637	19,906			19,637	19,906
Tourism taxes			239	440	239	440
State shared revenues	7,482	7,186			7,482	7,186
Rents and royalties	12,096	12,853			12,096	12,853
Investment earnings	(168)	6,364	(1,127)	13,221	(1,295)	19,585
Miscellaneous	5,836	3,574	983	1,133	6,819	4,707
Total revenues	93,671	98,937	385,717	391,894	479,388	490,831
Program expenses						
General government	12,618	14,256			12,618	14,256
Public safety	51,547	57,635			51,547	57,635
Physical environment	9,890	9,898			9,890	9,898
Transportation	11,793	11,561			11,793	11,561
Economic environment	4,075	3,205			4,075	3,205
Human services	152	181			152	181
Culture/recreation	21,179	20,444			21,179	20,444
Interest on long-term debt	2,192	2,497			2,192	2,497
Electric			274,764	272,574	274,764	272,574
Water and wastewater			40,106	39,496	40,106	39,496
Parking			934	864	934	864
Lakeland Center			8,527	8,420	8,527	8,420
Lakeland Linder Regional Airport			6,136	5,822	6,136	5,822
Solid Waste			13,293	12,341	13,293	12,341
Cleveland Heights Golf Course			3,171	2,874	3,171	2,874
Total expenses	113,446	119,677	346,931	342,391	460,377	462,068
Excess before extraordinary items and transfers	(19,775)	(20,740)	38,786	49,503	19,011	28,763
Transfers	27,874	27,643	(27,874)	(27,643)		
Increase in net position	8,099	6,903	10,912	21,860	19,011	28,763
Net position, beginning of year	298,455	291,552	669,436	647,576	967,891	939,128
Net position, end of year	\$ 306,554	\$ 298,455	\$ 680,348	\$ 669,436	\$ 986,902	\$ 967,891

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Governmental Activities – Revenues, Expenses and increase in net position

This combined amount of tax revenue from all sources (property tax, sales tax and utility taxes) was up 1.4% compared to the prior year. Total spending on governmental activities was up 1% due to increase in public safety spending. Overall, the City's reliance on taxes as a source of revenue increased slightly from 40.1% in 2012 to 40.4% in 2013. For 2013, there was an .5 millage increase in the City's property tax millage rate from 4.1644 mills to 4.6644 mills.

Other operating revenue sources consist of grants, certain lease proceeds, and amounts collected directly from users of city services.

In the aggregate, total revenues collected in FY 2013 were down 4.0% compared to 2012. Miscellaneous revenues decreased as a result of the decrease in investment revenues.

Total governmental expenses for 2013 were slightly higher compared to 2012. Direct payroll costs were higher during 2013 compared to 2012 by a little over 1%, as a result of the cost of living adjustment.

Altogether, direct revenues of the governmental activities are not sufficient to pay all related expenses. The City has historically addressed the difference by relying on a portion of profits earned from certain business-type activities – namely electric water, wastewater, and solid waste utility services - to finance a portion of the cost of general governmental activities. These subsidies are embedded in the net amount shown as "Transfers" on the Statement of Activities. For FY 2013, these transfers amounted to a net \$27.9 million. This represents approximately 23% of the operating cost of general governmental activities.

As previously stated, the government-wide financial statements are prepared on a full accrual basis. The increase in net position attributable to governmental activities of \$2 million for FY 2013 was invested in capital improvements.

Business-type Activities – Revenues, Expenses and increase in net position

In the aggregate, the cost of operating the business-type activities of the City is fully recovered from user charges. Those revenues also provide excess amounts available to subsidize a portion of the cost of general governmental activities and amounts necessary to finance the majority of capital improvements. The City-operated Electric Utility is the largest of the operations accounted for within the business-type activities.

Charges for services increased by 3% as a result of increases in the cost of fuel burned to generate electricity – which is passed through to customers of the electric system as a separate charge and lower ratio of residential to commercial and industrial sales due to unusually mild weather.

Contributions and grants from other governments decreased 22% during the year – predominantly the result of the change in the recognition criteria for the Electric Utility.

Overall profitability of these business-type activities decreased from \$49.5 million (before transfers) in fiscal 2012 to \$38.4 million for 2013.

Of these profits, \$32 million was transferred to help finance the cost of general governmental activities. In the aggregate, this transfer of profits from these business type activities represented 12.7% of gross operating revenues of these business type entities (excluding revenues associated with recovering the cost of fuel used to generate electricity).

Other Post Employment Benefit costs

As previously mentioned, the Statement of Net Position of both the governmental and business-type operations includes approximately \$38 million in liabilities associated with post employment health insurance benefits payable to retired city employees. Also included in both governmental and business-type expenses is approximately \$6.9 million of cost associated with the increase in the unfunded portion of those OPEB costs. This cost and increase in liabilities is attributable to the fact that the City does not actuarially fund the implied cost associated with the state mandate to establish a uniform premium rate applying to both retired and active participants in the self insured health insurance program. In lieu of funding the cost of this program in advance, the City will continue to address this cost on a "pay as you go basis", by offsetting the annual value of that implied subsidy for retired employees with increases in the cost of health insurance assessed against active employees – and paid by both the City (as the employer) and active employees themselves.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS

This is the second section of the basic financial statements, which starts on page D-6. It presents information in more detail, centered on individual "Funds". For record keeping and reporting purposes, the City separates many of its unique operations into separate accounting "companies" called funds. Separating the record keeping into individual funds enables the City to maintain accounting control over resources and expenses that are dedicated to specific activities. The City also uses fund accounting to separate financial transactions as needed to ensure compliance with finance-related legal requirements imposed on the City by other governments and bond covenants.

All the funds of the City can be divided into three types: governmental funds, proprietary funds and fiduciary funds.

Governmental funds

There are two types of financial statements presented for governmental funds – a balance sheet (showing assets, liabilities, and the difference between the two – technically referred to as "fund balance") and a statement of revenues, expenditures, and changes in fund balance (which is similar to a profit or loss statement). The balance sheet appears on page D-6 and the statement of revenues, expenditures, and changes in fund balance is on page D-8.

For purposes of preparing the financial statements for the governmental funds within this section of the report, the basis of accounting used to measure the value of assets, liabilities, revenues and expenditures on more of a "pay as you go" basis – which is the method used to budget for these types of governmental operations. Under this accounting method, the balance sheet only includes working capital assets (cash, investments, receivables) and liabilities that are generally payable within a short period of time. The state of revenues, expenditures, and changes in fund balance only those all cash inflows and outflows that actually occur within in a given year.

This accounting method is different than the full accrual method used to prepare the Government-Wide Financial Statements. The reason for this different accounting approach is that the activities in these funds are not financed from charges for services. As a result, there is no emphasis placed on measuring annual "net profit or loss" resulting from those operations. Instead, the accounting focuses on whether there will be enough cash flows available in a given year to finance the costs of providing services. The emphasis is much more focused on activities occurring within a one year budget period rather than the long-term. This methodology is referred to as the "modified accrual" basis of accounting.

A reconciliation schedule is provided within these fund financial statements to identify differences between the modified accrual basis of accounting used in these fund financial statements and the full accrual basis of accounting used in the government wide statements.

The City has one major governmental fund referred to as the General Fund. This fund serves as a "catch-all" used to capture the day-to-day operating costs associated with a variety of different programs and activities that are not financed from charges for services and other fees. This fund appears in its own separate column on the fund financial statements. All of the other governmental funds of the City are consolidated into a single column of information labeled Other Governmental Funds. The activities in this column generally represent the cost of capital improvements required to support general governmental activities, plus certain activities that are legally required to be accounted for separately from the "catch-all" activities reported in the General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

Proprietary funds

Those services provided by the City which are classified as business-type activities in the government-wide financial statements, are labeled as proprietary funds within the fund financial statements. The basis of accounting used within these statements is the full accrual basis of accounting, wherein all assets, liabilities, and net position related to a given activity, as well as transactions, events, or interfund activity of the period that affect net position (economic resources measurement) regardless of the timing of related cash flows (accrual basis of accounting).

The major proprietary funds of the City are the Lakeland Electric Utility Fund and the Water and Wastewater Utility Fund. Information for these two funds is presented in two separate columns within the fund financial statements. The remaining proprietary funds of the City that account for user-financed services provided to the general public are consolidated into a single column labeled Other Enterprise Funds within these statements.

In addition there is a separate column on these financial statements which consolidates the activities that are provided exclusively to support operations of the City government itself, such as a motor pool, centralized purchasing and warehousing, and a self-insurance financing pool. These services are provided to the various City functions on a cost recovery basis. These are labeled Internal Service Funds within the fund financial statements.

The balance sheet (showing assets, liabilities, and the difference between the two) for the proprietary funds appears on pages D-10 and D-11 and a statement of revenues, expenses, and changes in net position (which is similar to a profit or loss statement) is on page D-14.

Fiduciary funds

The City also maintains separate funds called fiduciary funds, which account for the activities of the City's pension funds, private-purpose trust funds, and agency funds. These activities benefit private parties such as retired City employees and other governmental entities. The fact that these services are not provided to the general public mandates their accounting in this separate section of the report. The balance sheet and statement of changes in fiduciary net position appears on pages D-18 and D-19, respectively.

The following section of this letter discusses the results of operations for the three major funds of the City in more detail.

General Fund

The General Fund is used to account for the majority of the governmental activities of the City, including activities of the Police and Fire Departments; Public Works (road and drainage construction and maintenance); the Parks & Recreation Department; libraries; growth management; public utilities (such as street lighting); and administrative functions. These activities are financed from a combination of taxes, user fees, and transfers of a portion of the operating profits earned by the business-type activities operated by the City.

A summary of the operations of this fund, including a comparison to the approved budget, is as follows:

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Amended Budget	2013 Actual	Variance
REVENUES				
Taxes	\$ 34,528,403	\$ 34,528,403	\$ 33,931,698	\$ (596,705)
Licenses and permits	2,920,850	2,920,850	3,146,388	225,538
Intergovernmental	9,339,053	9,366,322	9,878,305	511,983
Charges for services	3,526,252	3,658,127	4,018,057	359,930
Fines and forfeits	1,180,000	1,376,472	1,303,805	(72,667)
Miscellaneous	1,822,523	2,338,699	1,213,097	(1,125,602)
Total revenues	53,317,081	54,188,873	53,491,350	(697,523)
EXPENDITURES				
General government:	11,217,331	11,290,712	9,566,949	1,723,763
Public safety:	55,172,248	55,740,923	53,202,748	2,538,175
Physical environment:	5,300,296	5,343,093	5,316,484	26,609
Transportation:	5,005,233	5,043,746	4,356,160	687,586
Economic environment:	1,285,852	1,281,296	1,279,042	2,254
Human services:	105,434	105,434	90,555	14,879
Culture/Recreation:	18,501,190	18,794,329	17,280,978	1,513,351
Capital outlay	1,027,390	1,141,418	174,045	967,373
Debt Service	419,864	420,679	414,164	6,515
Total expenditures	98,034,838	99,161,630	91,681,125	7,480,505
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,717,757)	(44,972,757)	(38,189,775)	6,782,982
NET TRANSFERS (TO) FROM OTHER FUNDS	34,707,241	34,716,035	33,981,060	(734,975)
NET CHANGE IN FUND BALANCE	\$ (10,010,516)	\$ (10,256,722)	\$ (4,208,715)	\$ 6,048,007

The schedule above shows the budget that was originally adopted for the General Fund as well as the "Final Budget".

Actual revenues in the aggregate were about 2% less than the final budget, with some significant variances within individual categories. Tax revenue, which includes property taxes, utilities taxes, and communications services taxes were \$600 thousand below budget due to a shortfall in utility taxes, which were \$800 thousand less than budget and \$239 thousand less than the amount collected in 2012. This represents the 4th consecutive year that these revenues have fallen. Intergovernmental revenues were \$512 thousand greater than budget – predominantly from \$400 thousand in state revenues for highway lighting and traffic signal maintenance agreements and \$112 thousand in state shared revenues.

Fines and forfeits revenues were down, the result of a significant decrease in revenues relating from court related fines remitted to the City. These revenues decreased from \$.5 million in 2012 to \$.47 million in 2013. There was a slight decrease in revenues from red light cameras installed at certain intersections within the City. These revenue collections decreased from \$645 thousand in 2012 to \$610 thousand in 2013.

Miscellaneous revenues were substantially less than the budget, primarily as a result of investment revenues that less than projections by approximately \$1.4 million and exceeded the prior year by \$855 thousand. Transfers from other funds were less than the budget as a result of a reduction in the payment from the Lakeland Electric fund, representing a change commensurate with lower than budgeted retail electric sales for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

General Fund (continued)

Spending was significantly below budget, and in fact was only \$2.8 million (3%) more than the amount expended in fiscal 2012. This was the result of intensive efforts to hold down spending wherever possible in response to projected decreases in revenues. The increase was a result of a 1.5% across the board increase in payroll. Other operating costs were generally flat.

For the year ended September 30, 2013 the City realized a decrease in fund balance within the General Fund of \$4.2 million – which falls in line with the anticipated revenue reductions and spending increases for fiscal years 2012 thru 2014. Total unrestricted reserves at the end of the year were \$19.5 million, of which \$8.3 million was appropriated to balance the 2014 budget.

Lakeland Electric

The Lakeland Electric Fund is used to account for the generation and delivery of electric power to residential and commercial customers in the greater Lakeland area. The service territory for Lakeland Electric is a predefined, 258 square mile area, encompassing all of the incorporated City limits and the surrounding area. The utility serves approximately 122,460 retail customers. The retail customer base increased by 1.4% during 2013, after falling slightly during the preceding three years.

A summation of the results of operations for Lakeland Electric is as follows:

DEPARTMENT OF ELECTRIC UTILITIES
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FISCAL YEARS ENDED SEPTEMBER 30, 2013, 2012 AND 2011

	2013	2012	2011
OPERATING REVENUES			
Sales of energy - retail	\$ 281,797,718	\$ 270,211,006	\$317,541,522
Sales of energy and capacity sales - wholesale	13,372,122	13,605,585	15,874,978
All other operating revenue	6,885,873	6,520,294	7,465,356
	<u>302,055,713</u>	<u>290,336,885</u>	<u>340,881,856</u>
OPERATING EXPENSES			
Fuel and Purchased Power	135,103,935	124,142,801	161,966,709
Generation	22,044,653	23,409,306	23,924,605
Transmission and distribution	20,958,767	21,120,531	22,264,926
Customer service and accounting	6,712,546	6,520,358	6,904,619
Administrative and general	27,711,075	26,087,152	26,924,414
Depreciation	37,805,369	36,885,994	35,703,714
	<u>250,336,345</u>	<u>238,166,142</u>	<u>277,688,987</u>
OPERATING INCOME	51,719,368	52,170,743	63,192,869
NON-OPERATING ACTIVITY:			
Investment and other income	747,817	8,596,742	8,768,086
Interest on debt	(22,733,729)	(26,447,261)	(26,826,976)
Loss on disposal of fixed assets	-	-	(9,951,197)
Transfers to other funds	(24,095,215)	(24,200,556)	(24,962,294)
Capital grants and contributions	0	0	9,951,197
	<u>(46,081,127)</u>	<u>(42,051,075)</u>	<u>(43,021,184)</u>
CHANGE IN NET POSITION	\$ 5,638,241	\$ 10,119,668	\$ 20,171,685

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**FUND FINANCIAL STATEMENTS (continued)****Lakeland Electric (continued)**

Operating revenues for the fiscal year 2013 were \$302 million, which was an increase of \$11 million from the previous fiscal year. The majority of increase is the result of increases in the cost of fuel burned to generate electricity, which is recovered from customers as a direct pass-through. Fuel and purchased power expenses increased by \$11.0 million, primarily as a result of rising natural gas costs, as Lakeland Electric's average all-in cost of natural gas increased by 9.2 percent per MMBTU (million metric british thermal units). The overall average fuel cost to generate 1,000 kWh of energy for retail load increased to \$43.97, from \$40.61 in the previous fiscal year. Retail kilowatt hours (kWh) sales increased by 1.7 percent from the previous fiscal year, sales were 5.2% lower than the original forecast. Retail revenues, excluding fuel, averaged \$57.30 per 1,000 kWh in 2013 compared to \$58.04 in the previous year. The decrease resulted from changes between commercial and industrial rate classifications as well as voluntary conservation with the residential rate classification resulting in higher than forecasted volumes in the lower tier rate.

Lakeland Electric's non-fuel operating expenses, excluding gross receipts tax and depreciation, were \$70.3 million in fiscal year 2013, compared to \$70.2 million in 2012. Mid-year budget cuts were made in an effort to offset the weaker than forecasted sales. Energy Supply expenses decreased by 6 percent and Energy Delivery expenses by 1 percent from the previous fiscal year. Total operating and maintenance costs (excluding fuel, gross receipts tax, and depreciation) averaged \$25.17 per 1,000 retail kWh in 2013, which was a slight decrease from \$25.55 in 2012. Operating income was \$51.9 million, compared to \$52.2 million the previous fiscal year.

Fuel and purchased power expenses increased by \$11.0 million, primarily as a result of rising natural gas costs, as Lakeland Electric's average all-in cost of natural gas increased by 9.2 percent per MMBTU. The overall average fuel cost to generate 1,000 kWh of energy for retail load increased to \$43.97, from \$40.61 in the previous fiscal year. Lakeland Electric's weighted average cost of coal decreased by 9.5 percent from the previous fiscal year. In spite of the decrease in coal cost, natural gas remained the most efficient fuel to burn.

Lakeland Electric recovers 100 percent of fuel costs from retail customers in the form of a fuel charge that is revised quarterly, as a result of rate actions of the City Commission, based on a forecast of fuel costs for the following twelve months. As of September 30, 2013, the retail fuel charge was \$41.35 per 1,000 kWh, compared to a rate in effect of \$42.30 twelve months earlier. Lakeland Electric had an over-recovery of fuel charges in the amount of \$4.6 million, compared to a \$10.0 million over-recovery at the end of the previous fiscal year.

In May 2010, the City of Lakeland was awarded a grant from the U.S. Department of Energy (DOE) for Smart Grid metering technology, which will ultimately result in improved reliability and efficiency, as well as providing a variety other benefits to retail electric customers. The total project budget is \$35.1 million, of which \$14.9 million is funded by the grant. As of September 30, 2013, approximately 97.5% of the project budget had been spent at a total net cost of \$19.7 million to Lakeland Electric, and a \$14.5 million DOE share. The project is expected to be fully implemented during fiscal year 2014, on or below budget.

Capital spending in 2013 totaled \$31.5 million compared to \$34.7 million during fiscal year 2012 and \$41.3 million in 2011. Capital spending (net of contributions in aid of construction) during 2013 included: approximately \$14.0 million each, for Energy Supply and Energy Delivery projects, and \$1.8 million for the City's share of the Smart Grid project. \$13.5 million of Energy Supply projects were completed, including \$7.1 million for plant equipment related to the McIntosh Unit 5 long-term service agreement. \$10.0 million of Energy Delivery projects were placed in service. Other capital projects placed in service during fiscal year 2013 included \$1.1 million of Smart Grid assets.

Lakeland Electric recorded contributions in aid of construction from outside the Department totaling \$2.8 million during fiscal year 2013 and \$7.9 million during fiscal year 2012. These amounts are reflected in the plant in service balance in the Statements of Net Position.

Depreciation expense, net of amortization of contributions in aid of construction (see Note 4), was \$37.8 million in fiscal year 2013 compared to \$36.9 million in 2012.

Lakeland Electric provides a dividend to the General Fund each year in the form of a cash transfer. The total amount of the dividend in fiscal year 2013 was \$23.5 million, compared to \$23.2 million in 2012. The dividend rate for both years was \$8.41 per 1,000 kWh of retail sales. The dividend in fiscal year 2013 was 7.8 percent of gross operating revenues of Lakeland Electric, which is consistent with the industry median as reported by the American Public Power Association. The dividend for fiscal year 2013 was budgeted at \$24.9 million.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

Water and Wastewater Utility

A summation of the results of operations for the combined Water and Wastewater Utility is as follows:

WATER AND WASTEWATER UTILITIES FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

	2013			2012
	Water	Wastewater	Total	
Operating revenues:				
Charges for services	\$ 24,929,809	\$ 24,151,240	\$ 49,081,049	\$ 50,375,788
Operating expenses:				
Personal services	6,884,919	4,853,444	11,738,363	10,919,989
Other operating expenses	6,162,652	10,260,350	16,423,002	15,197,164
Depreciation	4,210,143	4,012,669	8,222,812	9,450,150
Total operating expenses	17,257,714	19,126,463	36,384,177	35,567,303
Operating income (loss)	7,672,095	5,024,777	12,696,872	14,808,485
Nonoperating revenues (expenses):				
Investment revenue	(179,767)	(205,522)	(385,289)	2,805,534
Miscellaneous revenue	81,944	40,537	122,481	440,649
Interest expense	(2,119,919)	(1,146,645)	(3,266,564)	(3,027,535)
Loss on disposal of capital assets	1,667	(196,905)	(195,238)	(895,151)
Capital grants and contributions	1,613,311	1,384,023	2,997,334	2,126,175
	(602,764)	(124,512)	(727,276)	1,449,672
Income before transfers	7,069,331	4,900,265	11,969,596	16,258,157
Transfers to Other Funds	(4,878,145)	(2,892,722)	(7,770,867)	(7,520,904)
Change in net position	\$ 2,191,186	\$ 2,007,543	\$ 4,198,729	\$ 8,737,253

Wastewater

The Wastewater utility system implemented a rate increase of 5%.

Total gallons of water sold, upon which the majority of operating revenues are based, were 6.868 million gallons. Wastewater revenues are capped at 12,000 gallons per customer/per month. In the aggregate, operating revenues decreased 1.27 percent. Pretreatment revenues from high strength commercial waste were up slightly .77%, despite the increase in the rate structure.

Operating expenses excluding depreciation were up by 7.1 percent for the year.

Unrestricted net current assets decreased by \$2.6 million over the course of the year, now totaling \$7.8 million. This was the result of increases in operating expenses while operating revenues remained flat and decreases in the fair value of pooled investments – operating cash flows were as follows:

Operating income (excluding non cash items)	\$9,500,000
Investment and Other Income (excluding designated and restricted assets)	509,000
Debt Service Transfers from rates	(4,300,000)
Capital Funded from rates	(5,685,000)
Transfers to Other Funds	(2,624,000)
Net	<u>\$(2,600,000)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

Wastewater (continued)

Unrestricted cash liquidity is \$7.9 million – down from \$2.4 million in 2012. The decrease in the unrestricted cash component of this liquidity is the result of increases in operating expenses for the year, as documented above.

Net position restricted and designated for capital improvements increased from \$6.5 to \$8.8 million during the year – the result of a \$2.7 million increase in cash transfers from operations.

Water

Water revenues are based on the measured flow of water sales into each customer's facility. Total sales volume for the water system tends to fluctuate significantly from year to year – due in some degree to changes in weather patterns that affect the amount of water sold for irrigation purposes. Over the past few years, water utilities across the state have seen consistent and significant declines – due partially to the introduction of tiered rate structures that encourage conservation, and also due to the slowdown in the economy. Total gallons of water sold in FY 13 were 6.868 million gallons, down 4.8 in 2013 compared to 2012.

Operating expenses (excluding depreciation) increased 8.7% for the year. Interest costs of debt also increased by approximately \$600,000 as a result of the payment of a full year of interest refinanced debt of approximately \$44 million of bonded debt in the previous year. The System financed \$1.1 million in debt service costs from impact fee revenues in 2013 – down from none financed from that source of revenue in 2012.

Unrestricted net current assets decreased from \$18.87 million in 2012 to \$13.55 million in 2013. Excluding non-cash items such as depreciation, amortization, and OPEB expenses, the system earned an operating profit of approximately \$12.2 million. Of that amount, \$1.3 million was transferred to sinking funds to finance debt service obligations, and \$4.7 million was transferred to the General Fund as a dividend payment. The utility transferred \$11 million from revenues to finance capital improvements each year.

The value of net position restricted and designated for financing capital improvements increased from \$5.1 million to \$11.7 million for the year, which was the result of the \$8.8 million increase in transfers from operations to finance capital improvements during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, property tax rates, fees and charges for services. Local governments also rely on a limited number of other taxes (gasoline, utilities, etc.), federal, local, and state grants, and state shared revenues to fund governmental activities. The FY 2014 Budget is a representation of the City's Strategic/Business Operating Plan by allocating resources through service prioritization based on strategic alignment with the City of Lakeland Outcomes. The level of taxes, fees, and charges for services will have a bearing on the City's ability to provide public safety, parks and recreation, cultural and community services, economic development, and other services to its citizens. However, the City has implemented a number of fiscal strategies that allowed the City to be better positioned to weather the current economic challenges

The adopted operating budget for FY 2014 is \$537 million or 1.30% higher than the FY 2013 adopted budget of \$530 million. The General Fund Budget for FY 2014 is \$103 million or 4% higher than the 2013 adopted budget of \$99 million.

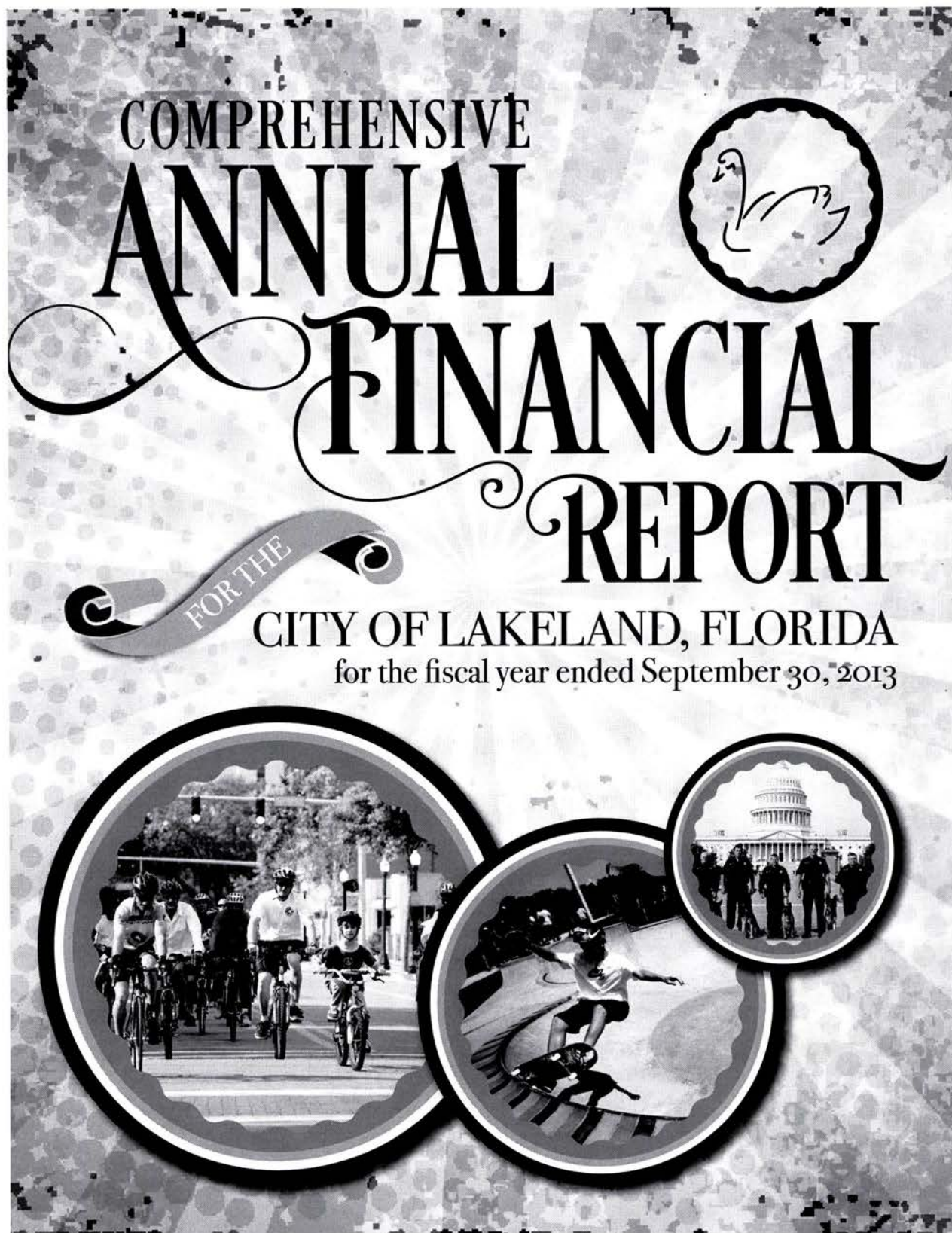
REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lakeland's finances and was prepared by the Finance Department of the City. This report also contains general information on the blended component unit, Lakeland Community Redevelopment Agency, of the City of Lakeland. Requests for additional information should be addressed to the Finance Director at 228 South Massachusetts Ave, Lakeland, FL 33801.



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BASIC FINANCIAL STATEMENTS





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CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 26,774,832	\$ 80,136,006	\$ 106,910,838
Investments	—	2,408,286	2,408,286
Fuel hedge	—	1,064,035	1,064,035
Receivables, net	27,988,166	45,655,282	73,643,448
Internal balances	14,778,991	(14,778,991)	—
Due from fiduciary fund	2,419,115	—	2,419,115
Due from other governments	1,299,627	2,531,330	3,830,957
Inventory	—	38,059,891	38,059,891
Prepaid expenses	312	211,595	211,907
Asset apportionments (including \$45,255,559 of cash and cash equivalents), set aside for			
Current portion of bonds payable	—	21,803,195	21,803,195
Accrued interest payable	—	14,516,984	14,516,984
Accrued liabilities	263,309	8,935,380	9,198,689
Restricted assets (including \$7,410,669 of cash and cash equivalents), set aside for			
Current portion of notes payable	—	715,420	715,420
Current portion of bonds payable	2,439,394	2,575,606	5,015,000
Accrued interest payable	—	1,424,229	1,424,229
Accrued liabilities	481,926	256,020	737,946
Total current assets	<u>76,445,672</u>	<u>205,514,268</u>	<u>281,959,940</u>
Noncurrent assets:			
Asset apportionments (including \$130,725,244 of cash and cash equivalents)	<u>8,155,163</u>	<u>123,218,950</u>	<u>131,374,113</u>
Restricted assets (including \$42,709,371 of cash and cash equivalents)	<u>22,041,490</u>	<u>26,390,286</u>	<u>48,431,776</u>
Capital assets:			
Land	56,240,472	46,230,945	102,471,417
Construction in process	9,643,929	46,647,461	56,291,390
Facilities and equipment in service	348,638,743	1,826,364,861	2,175,003,604
Less accumulated depreciation	(160,644,932)	(845,181,099)	(1,005,826,031)
Total capital assets	<u>253,878,212</u>	<u>1,074,062,168</u>	<u>1,327,940,380</u>
Other noncurrent assets:			
Deposits	—	1,445	1,445
Notes receivable	—	4,750,000	4,750,000
Net pension asset	16,188,234	6,052,350	22,240,584
Regulatory asset	—	2,195,773	2,195,773
	<u>16,188,234</u>	<u>12,999,568</u>	<u>29,187,802</u>
Total noncurrent assets	<u>300,263,099</u>	<u>1,236,670,972</u>	<u>1,536,934,071</u>
Total assets	<u>376,708,771</u>	<u>1,442,185,240</u>	<u>1,818,894,011</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on fuel hedge	—	2,733,710	2,733,710
Decrease in fair value of interest rate swaps	—	35,250,903	35,250,903
Unamortized loss (gain) on refunding	57,266	23,193,840	23,251,106
Total deferred inflows of resources	<u>57,266</u>	<u>61,178,453</u>	<u>61,235,719</u>

CITY OF LAKE LAND, FLORIDA

STATEMENT OF NET POSITION, CONTINUED

SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,744,852	\$ 19,237,242	\$ 20,982,094
Accrued liabilities	4,464,351	4,051,024	8,515,375
Accrued interest payable	27,900	162,785	190,685
Notes payable	502,469	3,391,915	3,894,384
Deposits payable	103,291	1,011,284	1,114,575
Interest rate swap	—	35,250,903	35,250,903
Revenues received in advance	1,089,509	—	1,089,509
Unearned revenue	—	593,839	593,839
Payable from apportioned assets	263,309	45,255,559	45,518,868
Payable from restricted assets			
Notes payable	—	715,420	715,420
Current portion of bonds payable	2,439,394	2,575,606	5,015,000
Accrued interest payable	—	1,424,229	1,424,229
Accrued liabilities	481,926	256,020	737,946
Total current liabilities	11,117,001	113,925,826	125,042,827
Other liabilities:			
Liabilities payable from apportioned assets	—	10,985,000	10,985,000
Restricted liabilities	301,236	17,058,342	17,359,578
Regulatory liability	—	4,647,688	4,647,688
Accrued liabilities, less current portion	4,971,616	12,370,687	17,342,303
Net OPEB obligation	17,155,418	21,040,582	38,196,000
Unearned revenue, less current portion	—	1,354,291	1,354,291
Notes and loans payable, less current portion	1,632,046	35,021,579	36,653,625
Revenue bonds payable, less current portion	35,034,383	531,031,120	566,065,503
Unamortized bond premium	—	27,951,726	27,951,726
Revenue bonds payable, plus unamortized bond premium	35,034,383	558,982,846	594,017,229
Total other liabilities	59,094,699	661,461,015	720,555,714
Total liabilities	70,211,700	775,386,841	845,598,541
DEFERRED INFLOWS OF RESOURCES			
Contributions in aid of construction	—	47,628,702	47,628,702
Total deferred inflows of resources	—	47,628,702	47,628,702
NET POSITION			
Net investment in capital assets	214,327,186	460,658,131	674,985,317
Restricted for:			
Expendable:			
Debt service	1,634,852	2,812,561	4,447,413
Capital improvement	—	6,517,896	6,517,896
Transportation	339,917	—	339,917
Law enforcement	1,394,298	—	1,394,298
Grant programs - community development	575,301	—	575,301
CRA	8,882,299	—	8,882,299
Impact fee programs	5,833,290	—	5,833,290
Donations received	902,933	—	902,933
Nonexpendable:			
Endowments	4,152,133	—	4,152,133
	23,715,023	9,330,457	33,045,480
Unrestricted	68,512,128	210,359,562	278,871,690
Total net position	\$ 306,554,337	\$ 680,348,150	\$ 986,902,487

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities				
General government	\$ 12,617,996	\$ 1,679,049	\$ 1,959,041	\$ -
Public safety	51,547,172	4,526,577	2,184,296	11,612
Physical environment	9,890,479	5,185,830	514,126	-
Transportation	11,792,561	807,028	-	3,907,862
Economic environment	4,074,977	-	1,790,315	29,551
Human services	152,255	-	-	-
Culture/recreation	21,178,989	2,307,382	1,256,820	844,185
Interest on long-term debt	2,191,905	-	-	-
Total governmental activities	<u>113,446,334</u>	<u>14,505,866</u>	<u>7,704,598</u>	<u>4,793,210</u>
Business-type activities:				
Electric	274,763,944	302,055,713	-	-
Water and Wastewater	40,105,713	49,081,049	-	2,997,334
Parking	933,995	617,655	-	-
Lakeland Center	8,526,844	5,043,652	41,017	-
Lakeland Linder Regional Airport	6,136,321	3,962,024	-	6,297,301
Solid Waste	13,292,731	13,281,928	-	-
Cleveland Heights Golf Course	3,169,630	2,243,941	-	-
Total business-type activities	<u>346,929,178</u>	<u>376,285,962</u>	<u>41,017</u>	<u>9,294,635</u>
Total primary government	<u>\$ 460,375,512</u>	<u>\$ 390,791,828</u>	<u>\$ 7,745,615</u>	<u>\$ 14,087,845</u>
General revenues:				
Taxes				
Property taxes				
Franchise taxes				
Motor fuel taxes				
Utility taxes				
Tourism taxes				
State shared revenues (unrestricted)				
Payments from Lakeland Regional Medical Center				
Investment earnings				
Miscellaneous				
Transfers (to)/from other funds				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year (Note 2)				
Net position, end of year				

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

Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,979,906)	\$ —	\$ (8,979,906)
(44,824,687)	—	(44,824,687)
(4,190,523)	—	(4,190,523)
(7,077,671)	—	(7,077,671)
(2,255,111)	—	(2,255,111)
(152,255)	—	(152,255)
(16,770,602)	—	(16,770,602)
(2,191,905)	—	(2,191,905)
<u>(86,442,660)</u>	<u>—</u>	<u>(86,442,660)</u>
—	27,291,769	27,291,769
—	11,972,670	11,972,670
—	(316,340)	(316,340)
—	(3,442,175)	(3,442,175)
—	4,123,004	4,123,004
—	(10,803)	(10,803)
—	(925,689)	(925,689)
<u>—</u>	<u>38,692,436</u>	<u>38,692,436</u>
<u>(86,442,660)</u>	<u>38,692,436</u>	<u>(47,750,224)</u>
21,784,397	—	21,784,397
234,959	—	234,959
4,879,101	—	4,879,101
14,523,106	—	14,523,106
—	238,623	238,623
7,482,060	—	7,482,060
12,095,713	—	12,095,713
(168,141)	(1,126,540)	(1,294,681)
5,836,383	982,663	6,819,046
27,874,464	(27,874,464)	—
<u>94,542,042</u>	<u>(27,779,718)</u>	<u>66,762,324</u>
8,099,382	10,912,718	19,012,100
298,454,955	669,435,432	967,890,387
<u>\$ 306,554,337</u>	<u>\$ 680,348,150</u>	<u>\$ 986,902,487</u>

CITY OF LAKELAND, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 23,397,733	\$ 28,873,628	\$ 52,271,361
Cash with paying agents	—	2,737,583	2,737,583
Investments	—	4,215,822	4,215,822
Receivables, net	16,596,015	12,183,797	28,779,812
Due from other funds	2,419,115	—	2,419,115
Due from other governments	1,009,257	430,072	1,439,329
Prepaid expenditures	312	—	312
Total assets	<u>\$ 43,422,432</u>	<u>\$ 48,440,902</u>	<u>\$ 91,863,334</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 911,788	\$ 1,375,289	\$ 2,287,077
Accrued liabilities	4,355,940	175,596	4,531,536
Deposits payable	103,291	163,725	267,016
Revenues received in advance	—	1,390,745	1,390,745
Total liabilities	<u>5,371,019</u>	<u>3,105,355</u>	<u>8,476,374</u>
Deferred inflows of resources			
Deferred revenue	16,442,964	10,456,937	26,899,901
Total deferred inflows of resources	<u>16,442,964</u>	<u>10,456,937</u>	<u>26,899,901</u>
Fund Balances:			
Nonspendable:			
Prepays	312	—	312
Cemetery endowment	—	4,122,657	4,122,657
Permanent fund principal	—	29,476	29,476
	<u>312</u>	<u>4,152,133</u>	<u>4,152,445</u>
Restricted for:			
CRA	—	8,749,847	8,749,847
Law enforcement	1,394,298	—	1,394,298
Impact fee programs	—	5,833,290	5,833,290
Transportation	—	332,928	332,928
Donations received	734,611	168,322	902,933
Debt service	—	1,634,852	1,634,852
Grant programs - community development	—	363,059	363,059
	<u>2,128,909</u>	<u>17,082,298</u>	<u>19,211,207</u>
Committed to:			
Stormwater	—	5,818,487	5,818,487
	<u>—</u>	<u>5,818,487</u>	<u>5,818,487</u>
Assigned to:			
Subsequent year's expenditures	11,667,133	—	11,667,133
Cultural activities	820,234	—	820,234
Recreational facilities	1,516,443	—	1,516,443
Capital projects	—	7,825,692	7,825,692
	<u>14,003,810</u>	<u>7,825,692</u>	<u>21,829,502</u>
Unassigned	5,475,418	—	5,475,418
Total fund balances	<u>21,608,449</u>	<u>34,878,610</u>	<u>56,487,059</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,422,432</u>	<u>\$ 48,440,902</u>	<u>\$ 91,863,334</u>

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total Fund Balances - Total Governmental Funds \$ 56,487,059

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 414,523,144	
Less accumulated depreciation	<u>(160,644,932)</u>	253,878,212

The value of certain assets are not recorded in the governmental fund financial statements, because such amounts normally are not convertible to cash on a timely enough basis to pay for the current period's expenditures. These assets consist of the following:

Revenues collected more than 60 days from year end.	26,899,901
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Net Pension Obligation (an asset) attributable to employee salaries financed from governmental fund types. (see Note 13)	16,188,234
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Certain long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Accrued liability for compensated absences.	(4,971,616)
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Net OPEB Obligation attributable to retiree benefits financed from governmental fund types	(17,155,418)
--	--------------

Bonds, loans and notes payable.	(39,608,292)	
Unamortized bond premium	<u>57,266</u>	(39,551,026)

Internal Service Funds are used to account for certain operating costs that are common to all City funds, such as the cost of vehicles, insurance, and centralized purchasing. These costs are allocated to the individual funds on a pro-rata basis, however the assets of these Internal Service Funds are recognized within the business-type activities component of the Government-wide Statement of Net Position. The Internal Service Funds operated at a gain for the fiscal year. The cumulative pro-rata share of these gains attributable to governmental activities has been included in the allocation of costs to the governmental activities, resulting in an uncollected receivable from the business type activities.

14,778,991

Net Position of Governmental Activities	<u><u>\$ 306,554,337</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 33,931,698	\$ 7,489,865	\$ 41,421,563
Licenses and permits	3,146,388	—	3,146,388
Intergovernmental	9,878,305	5,746,137	15,624,442
Charges for services	4,018,057	6,037,616	10,055,673
Fines and forfeits	1,303,805	—	1,303,805
Miscellaneous	1,213,097	18,184,978	19,398,075
Total revenues	<u>53,491,350</u>	<u>37,458,596</u>	<u>90,949,946</u>
EXPENDITURES			
Current:			
General government	9,566,949	1,779,819	11,346,768
Public safety	53,202,748	278,153	53,480,901
Physical environment	5,316,484	246,106	5,562,590
Transportation	4,356,160	6,237,879	10,594,039
Economic environment	1,279,042	1,998,616	3,277,658
Human services	90,555	61,700	152,255
Culture/recreation	17,280,978	463,362	17,744,340
Capital outlay	174,045	13,683,927	13,857,972
Debt service	414,164	8,261,998	8,676,162
Total expenditures	<u>91,681,125</u>	<u>33,011,560</u>	<u>124,692,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,189,775)</u>	<u>4,447,036</u>	<u>(33,742,739)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	—	3,329,339	3,329,339
Transfers from other funds	37,555,297	3,344,164	40,899,461
Transfers to other funds	(3,574,237)	(10,580,956)	(14,155,193)
Total other financing sources and (uses)	<u>33,981,060</u>	<u>(3,907,453)</u>	<u>30,073,607</u>
Net change in fund balances	<u>(4,208,715)</u>	<u>539,583</u>	<u>(3,669,132)</u>
FUND BALANCE, beginning of year	25,817,164	34,339,027	60,156,191
FUND BALANCE, end of year	<u>\$ 21,608,449</u>	<u>\$ 34,878,610</u>	<u>\$ 56,487,059</u>

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

CITY OF LAKE LAND, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds \$ (3,669,132)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital outlay	\$ 13,857,972	
Depreciation expense	<u>(10,396,783)</u>	3,461,189

The book value of assets disposed of during the year are not reported as an expenditure in the governmental funds, however it is recognized as a component of gain or loss on the disposition of capital assets in the statement of activities. (1,053,663)

Proceeds from issuance of long-term debt is recorded as a revenue in the governmental funds, but the proceeds result in an additional liability in the statement of net position. (3,329,339)

Repayment of bond principal is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 5,292,734

Amortization of bond premium is not reported as an expenditure in the government funds, but the amortization reduces long-term liabilities in the statement of net position. 50,874

Repayment of principal on other long-term debt is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,140,649

Some of the assets capitalized this year were donated from private, third parties. The value of these donations are not recorded as revenues in the governmental funds because they do not represent available, spendable resources. However, these are recognized as Capital Grants and Contributions in the statement of activities. 29,551

Contributions to certain pension plans use current financial resources and are recorded in full as expenditures in the governmental funds, however a portion of these disbursements increase the net pension obligation (an asset) in the statement of activities. 8,366,781

Contributions to the retiree benefits do not use current financial resources and are not recorded in full as expenditures in the governmental funds, however these disbursements increase the net OPEB obligation in the statement of activities. (3,192,660)

Certain deferred revenues that do not provide current financial resources are not reported as revenues in the governmental funds, but are included in the statement of activities. 1,749,943

In the governmental funds, personnel costs are measured by the amount of financial resources used, which does not include the increase in accrued, compensated absences. These expenses are recorded in the statement of activities. 246,002

The revenue and expenses of the Internal Service Funds are reported as a component of proprietary funds and accordingly are not recognized in the governmental funds. A portion of these net revenues and expenses are recorded as governmental activities in the statement of activities. (993,547)

Change in net position of governmental activities \$ 8,099,382

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

CITY OF LAKE LAND, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 39,439,707	\$ 18,682,916	\$ 6,194,312	\$ 64,316,935	\$ 15,819,071
Investments	—	2,408,286	—	2,408,286	—
Fuel hedge	1,064,035	—	—	1,064,035	—
Receivables	43,377,223	2,250,619	1,235,567	46,863,409	21,346
Less allowance for uncollectibles	(1,065,679)	(102,088)	(61,706)	(1,229,473)	—
Due from other funds	—	—	—	—	2,593,444
Due from other governments	—	—	2,449,950	2,449,950	81,380
Inventory	36,092,502	1,094,374	61,141	37,248,017	811,874
Prepaid expenses	—	—	211,595	211,595	—
Asset apportionments set aside for					
Current portion of bonds payable	20,313,195	1,490,000	—	21,803,195	—
Accrued interest payable	13,051,866	1,465,118	—	14,516,984	—
Accrued liabilities	851,342	361,081	—	1,212,423	7,722,957
(including \$45,255,559 of cash and cash equivalents)					
Restricted assets, set aside for					
Current portion of loans payable	—	715,420	—	715,420	—
Current portion of bonds payable	—	—	—	—	2,575,606
Accrued interest payable	27,003	—	—	27,003	1,397,226
Accrued liabilities	250,000	6,020	—	256,020	—
(including \$4,971,275 of cash and cash equivalents)					
Total current assets	153,401,194	28,371,746	10,090,859	191,863,799	31,022,904
Noncurrent assets:					
Asset apportionments:					
Other asset apportionments	66,450,539	13,964,038	33,215	80,447,792	42,771,158
(including \$122,458,944 of cash and cash equivs.)	66,450,539	13,964,038	33,215	80,447,792	42,771,158
Restricted assets	13,528,509	10,096,212	326,171	23,950,892	2,439,394
(including \$25,180,953 of cash and cash equivalents)					
Capital assets:					
Land	15,595,265	12,421,021	18,204,687	46,220,973	9,972
Construction in process	19,099,006	5,982,320	8,210,870	33,292,196	13,355,265
Facilities and equipment in service	1,228,353,531	393,992,673	132,136,050	1,754,482,254	71,882,607
Less accumulated depreciation	(584,612,638)	(145,858,512)	(68,699,078)	(799,170,228)	(46,010,871)
Total capital assets	678,435,164	266,537,502	89,852,529	1,034,825,195	39,236,973
Other noncurrent assets:					
Deposits	—	—	1,445	1,445	—
Advances to other funds, less current portion	—	—	—	—	21,466,507
Notes receivable	—	—	—	—	4,750,000
Net pension asset	4,254,742	673,812	573,896	5,502,450	549,900
Regulatory asset	2,195,773	—	—	2,195,773	—
Total other noncurrent assets	6,450,515	673,812	575,341	7,699,668	26,766,407
Total noncurrent assets	764,864,727	291,271,564	90,787,256	1,146,923,547	111,213,932
Total assets	918,265,921	319,643,310	100,878,115	1,338,787,346	142,236,836
DEFERRED OUTFLOWS OF RESOURCES					
Loss on fuel hedge	2,733,710	—	—	2,733,710	—
Decrease in fair value of interest rate swaps	35,250,903	—	—	35,250,903	—
Unamortized loss (gain) on refunding	19,696,554	2,212,744	341,270	22,250,568	943,272
Total deferred outflows of resources	57,681,167	2,212,744	341,270	60,235,181	943,272

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS, CONTINUED
SEPTEMBER 30, 2013

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 15,622,314	\$ 427,134	\$ 2,296,796	\$ 18,346,244	\$ 890,998
Accrued liabilities	2,708,403	506,651	333,097	3,548,151	502,873
Due to other funds	—	—	1,226,190	1,226,190	1,367,254
Accrued interest payable	—	—	54,504	54,504	108,281
Current portion of bonds and loans payable	427,781	1,894,163	1,069,971	3,391,915	—
Unearned Revenue	477,984	—	115,855	593,839	—
Deposits payable	—	—	1,011,284	1,011,284	—
Interest rate swap	35,250,903	—	—	35,250,903	—
Payable from apportioned assets					
Accrued liabilities	851,342	361,081	—	1,212,423	7,722,957
Current portion of bonds payable	20,313,195	1,490,000	—	21,803,195	—
Accrued interest payable	13,051,866	1,465,118	—	14,516,984	—
Payable from restricted assets					
Loans payable	—	715,420	—	715,420	—
Current portion of bonds payable	—	—	—	—	2,575,606
Accrued interest payable	27,003	—	—	27,003	1,397,226
Accrued liabilities	250,000	6,020	—	256,020	—
Total current liabilities	88,980,791	6,865,587	6,107,697	101,954,075	14,565,195
Other liabilities:					
Liabilities payable from apportioned assets	—	—	—	—	10,985,000
Restricted liabilities	13,527,587	3,205,149	325,606	17,058,342	—
Accrued liabilities, less current portion	9,721,650	1,155,059	539,801	11,416,510	954,177
Advances from other funds, less current portion	—	—	9,253,237	9,253,237	12,213,270
Net OPEB obligation	12,452,050	3,325,055	2,060,953	17,838,058	3,202,524
Regulatory liability	4,647,688	—	—	4,647,688	—
Unearned revenue, less current portion	1,354,291	—	—	1,354,291	—
Notes and loans payable, less current portion	1,196,590	32,790,168	1,034,821	35,021,579	—
Revenue bonds payable, less current portion	442,790,503	55,065,638	3,750,000	501,606,141	29,424,979
Unamortized bond premium	19,858,687	4,221,560	—	24,080,247	3,871,479
Total other liabilities	505,549,046	99,762,629	16,964,418	622,276,093	60,651,429
Total liabilities	594,529,837	106,628,216	23,072,115	724,230,168	75,216,624
DEFERRED INFLOWS OF RESOURCES					
Contributions in aid of construction	47,628,702	—	—	47,628,702	—
Total deferred inflows of resources	47,628,702	—	—	47,628,702	—
NET POSITION					
Net investment in capital assets	164,258,374	171,835,366	85,327,418	421,421,158	39,236,973
Restricted					
Debt service	—	373,167	—	373,167	2,439,394
Capital improvement	—	6,517,896	—	6,517,896	—
Unrestricted	169,530,175	36,501,409	(7,180,148)	198,851,436	26,287,117
Total net position	\$ 333,788,549	\$ 215,227,838	\$ 78,147,270	\$ 627,163,657	\$ 67,963,484

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

CITY OF LAKE LAND, FLORIDA

RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Net position - business-type activities:

Enterprise Funds	\$ 627,163,657
Internal Service Funds	<u>67,963,484</u>
	695,127,141

Amounts reported for business-type activities in the statement of net position are different because:

Internal Service Funds are recognized within the business-type activities component of the Government-Wide Statement of Net Position, however the revenues and expenses of Internal Service Funds are allocated to the governmental and proprietary fund-types on a pro-rata basis. The Internal Service Funds operated at a gain for the fiscal year resulting in an unpaid liability to the governmental activities in the Government-Wide Statement of Net Position.

(14,778,991)

Net Position of Business-type Activities	<u>\$ 680,348,150</u>
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The accompanying notes are an integral part of the financial statements.



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CITY OF LAKELAND, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
OPERATING REVENUES					
Charges for services	\$ 302,055,713	\$ 49,081,049	\$ 25,149,200	\$ 376,285,962	\$ 58,517,399
OPERATING EXPENSES					
Personal services	37,955,528	11,738,363	9,643,681	59,337,572	13,582,020
Other operating expenses	174,575,448	16,423,002	16,960,961	207,959,411	42,764,784
Depreciation	37,805,369	8,222,812	4,522,469	50,550,650	7,243,291
Total operating expenses	250,336,345	36,384,177	31,127,111	317,847,633	63,590,095
Operating income (loss)	51,719,368	12,696,872	(5,977,911)	58,438,329	(5,072,696)
NONOPERATING REVENUES (EXPENSES)					
Property and other taxes	—	—	238,623	238,623	—
Federal, state and local grants	—	—	41,017	41,017	321,534
Investment revenue	6,864,176	2,139,481	201,286	9,204,943	3,231,726
Net increase(decrease) in the fair value of investments and cash equivalents	(6,779,663)	(2,524,770)	(321,885)	(9,626,318)	(3,788,166)
Interest income on internal loans	—	—	—	—	3,415,029
Miscellaneous revenue	663,304	122,481	196,878	982,663	407,698
Rebate on fuel taxes	—	—	—	—	155,961
Interest expense	(22,353,749)	(3,376,363)	(650,788)	(26,380,900)	(3,867,867)
Amortization	(379,980)	109,799	(50,228)	(320,409)	125,796
Gain (loss) on disposal of capital assets	—	(195,238)	(63,760)	(258,998)	120,839
Total nonoperating revenue (expenses)	(21,985,912)	(3,724,610)	(408,857)	(26,119,379)	122,550
Income (loss) before contributions and transfers	29,733,456	8,972,262	(6,386,768)	32,318,950	(4,950,146)
Capital grants and contributions	—	2,997,334	6,297,301	9,294,635	—
Transfers from other funds	—	—	4,402,037	4,402,037	2,955,889
Transfers to other funds	(24,095,215)	(7,770,867)	(2,110,693)	(33,976,775)	(125,419)
Total contributions and transfers	(24,095,215)	(4,773,533)	8,588,645	(20,280,103)	2,830,470
Change in net position	5,638,241	4,198,729	2,201,877	12,038,847	(2,119,676)
NET POSITION, beginning of year (Note 2)	328,150,308	211,029,109	75,945,393	615,124,810	70,083,160
NET POSITION, end of year	\$ 333,788,549	\$ 215,227,838	\$ 78,147,270	\$ 627,163,657	\$ 67,963,484

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION OF THE PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Change in net position - business-type activities:

Enterprise Funds	\$ 12,038,847
Internal Service Funds	<u>(2,119,676)</u>
	9,919,171

Amounts reported for business-type activities in the statement of activities are different because:

Internal Service Funds are recognized within the business-type activities component of the Government-Wide Statement of Activities, however the revenues and expenses of Internal Service Funds are allocated to the governmental and proprietary fund-types on a pro-rata basis. A portion of the net revenues and expenses of the Internal Service Funds for the year are recorded within the Governmental Activities on the Government-Wide Statement of Activities.

993,547

Change in net position of business-type activities

\$ 10,912,718

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
Cash flows from operating activities:					
Receipts from customers	\$ 297,969,633	\$ 49,354,726	\$ 25,293,772	\$ 372,618,131	\$ 10,216,912
Receipts for interfund services	-	-	-	-	48,711,687
Payments for interfund services	(10,725,033)	(3,572,745)	(5,013,312)	(19,311,090)	(1,807,513)
Payments to suppliers	(164,305,516)	(12,835,947)	(10,818,439)	(187,959,902)	(37,310,033)
Payments to employees	(35,614,739)	(11,092,830)	(9,273,797)	(55,981,366)	(12,974,519)
Cash flows provided by operating activities	87,324,345	21,853,204	188,224	109,365,773	6,836,534
Cash flows from noncapital financing activities:					
Proceeds from local grants	-	-	41,017	41,017	-
Interest paid on meter deposits	(757,700)	-	-	(757,700)	-
Transfers from other funds	-	-	3,567,763	3,567,763	-
Transfers to other funds	(24,095,215)	(7,770,867)	(2,110,693)	(33,976,775)	(125,419)
Cash flows provided by (used in) noncapital financing activities	(24,852,915)	(7,770,867)	1,498,087	(31,125,695)	(125,419)
Cash flows from capital and related financing activities:					
Interest received on internal loans	-	-	-	-	3,402,125
Proceeds from repayment of interfund loans	-	-	-	-	2,349,867
Proceeds from issuance of interfund loans	-	-	786,400	786,400	1,730,000
Payments on interfund loans	-	-	(713,757)	(713,757)	(1,297,864)
Taxes received for payments on long-term debt	-	-	238,623	238,623	-
Issuance of interfund loans	-	-	-	-	(2,854,646)
Interest paid on long-term debt issued to finance capital assets	(26,618,206)	(3,777,490)	(764,265)	(31,159,961)	(4,184,507)
Proceeds from issuance of long-term debt	-	-	5,595,842	5,595,842	11,799,403
Repayments on and maturities of long-term debt - governmental funds	-	-	-	-	5,292,734
Issuance of long-term debt - governmental funds	-	-	-	-	(2,723,435)
Proceeds from grants received on interest payments	-	-	-	-	166,771
Debt issue costs	(383,371)	-	-	(383,371)	-
Payments on and maturities of long-term debt	(24,737,860)	(6,700,352)	(7,327,533)	(38,765,745)	(18,900,000)
Transfers from other funds for capital purposes	-	-	834,274	834,274	2,955,889
Proceeds from capital grant programs	1,309,889	-	5,821,562	7,131,451	-
Capital contributions from others	-	2,506,842	-	2,506,842	-
Proceeds from sale of capital assets	-	-	-	-	508,483
Purchase of capital assets	(29,537,663)	(8,790,968)	(7,542,083)	(45,870,714)	(11,660,158)
Cash flows (used in) capital financing activities	(79,967,211)	(16,761,968)	(3,070,937)	(99,800,116)	(13,415,338)

CITY OF LAKELAND, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS, CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
Cash flows from investing activities:					
Investment revenue	\$ 6,864,176	\$ 2,140,334	\$ 201,286	\$ 9,205,796	\$ 3,231,726
Net increase (decrease) in the fair value of cash equivalents	(6,779,663)	(2,373,436)	(321,885)	(9,474,984)	(3,788,166)
Cash flows provided by investing activities	84,513	(233,102)	(120,599)	(269,188)	(556,440)
Net increase (decrease) in cash and cash equivalents	(17,411,268)	(2,912,733)	(1,505,225)	(21,829,226)	(7,260,663)
Cash and cash equivalents, beginning of year	170,848,383	48,840,863	8,058,923	227,748,169	79,344,457
Cash and cash equivalents, end of year	<u>\$ 153,437,115</u>	<u>\$ 45,928,130</u>	<u>\$ 6,553,698</u>	<u>\$ 205,918,943</u>	<u>\$ 72,083,794</u>
Classified as:					
Current	\$ 39,439,707	\$ 18,682,916	\$ 6,194,312	\$ 64,316,935	\$ 15,819,071
Apportioned	100,384,529	17,199,934	33,215	117,617,678	50,096,825
Restricted	13,612,879	10,045,280	326,171	23,984,330	6,167,898
Total	<u>\$ 153,437,115</u>	<u>\$ 45,928,130</u>	<u>\$ 6,553,698</u>	<u>\$ 205,918,943</u>	<u>\$ 72,083,794</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities					
Operating income (loss)	\$ 51,719,368	\$ 12,696,872	\$ (5,977,911)	\$ 58,438,329	\$ (5,072,696)
Depreciation	37,805,369	8,222,812	4,522,469	50,550,650	7,243,291
Rebate on fuel taxes	-	-	-	-	155,961
Miscellaneous revenue	663,304	122,481	196,878	982,663	407,698
(Increase) decrease in receivables, net	1,022,037	260,459	(124,517)	1,157,979	(99,068)
(Increase) in due from other governments	-	-	-	-	(53,391)
(Increase) decrease in inventory	(111,625)	19,448	20,534	(71,643)	(38,729)
(Increase) decrease in prepaid expenses	-	795	(8,586)	(7,791)	762
(Increase) decrease in net pension asset	(8,206)	(2,416)	(1,467)	(12,089)	(2,371)
Increase (decrease) in fair value of derivative	(1,602,570)	-	-	(1,602,570)	-
Increase (decrease) in accounts payable	1,217,752	40,785	980,290	2,238,827	15,914
Increase (decrease) in accrued liabilities	219,041	(67,266)	53,900	205,675	82,515
Increase in deferred regulatory revenue	(5,401,216)	-	-	(5,401,216)	-
Increase (decrease) in deposits payable	107,779	(43,842)	123,948	187,885	(6,000)
Increase (decrease) in deferred revenue	(477,984)	-	31,335	(446,649)	-
Increase in net OPEB obligation	2,171,296	603,076	371,351	3,145,723	592,617
Increase in estimated liability for unpaid claims	-	-	-	-	3,610,031
Net cash provided by (used by) operating activities	<u>\$ 87,324,345</u>	<u>\$ 21,853,204</u>	<u>\$ 188,224</u>	<u>\$ 109,365,773</u>	<u>\$ 6,836,534</u>
Noncash investing, capital, or financing transactions:					
Net increase in the fair value of investments, a noncash investment activity	\$ -	\$ 753,576	\$ -	\$ 753,576	\$ -
Developer contributed assets, a noncash capital activity	-	413,883	-	413,883	-
Capitalized interest	479,983	349,604	4,173	833,760	-
	<u>\$ 479,983</u>	<u>\$ 1,517,063</u>	<u>\$ 4,173</u>	<u>\$ 2,001,219</u>	<u>\$ -</u>

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	Pension and Other Employees Benefit Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 7,779,233	\$ 17,301,954
Investments		
Mutual Funds	299,925,994	—
US Government Obligations	39,091,001	—
Foreign Obligations	236,076	—
Corporate Asset Backed Securities	2,185,564	—
Corporate Notes and Bonds	45,180,301	—
Municipal Bonds	2,065,533	—
Corporate Stocks	244,246,554	—
Consolidated Fund	8,704,591	—
Prepaid expenses	272,019	—
Receivables		
Accrued interest receivable	638,547	—
Unsettled investment sales	17,256,086	—
Due from employees	282,967	—
Due from employer	557,881	—
Due from other governments	733,556	—
Total assets	<u>669,155,903</u>	<u>17,301,954</u>
LIABILITIES		
Accounts payable	721,208	37,440
Unsettled investment purchases	1,901,502	—
Due to other funds	2,419,115	—
Due to other governmental units	—	17,264,514
Total liabilities	<u>5,041,825</u>	<u>\$ 17,301,954</u>
NET POSITION		
Held in trust for DROP benefits	18,232,510	
Held in trust for OPEB benefits	4,707,000	
Held in trust for pension benefits and other purposes	641,174,568	
Total net position	<u>\$ 664,114,078</u>	

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

CITY OF LAKE LAND, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Pension and Other Employees Benefit Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 19,634,438
Plan Members	11,277,294
On-behalf payments - State of Florida	1,432,360
Total contributions	<u>32,344,092</u>
Net investment income:	
Net increase in the fair value of the investments	59,366,374
Interest and dividends	11,932,535
Investment advisor fee	(3,666,370)
Net investment income	<u>67,632,539</u>
Miscellaneous income	
Lawsuit settlement proceeds	77,598
Total additions, net	<u>100,054,229</u>
DEDUCTIONS	
Benefits paid	39,982,200
Refunds, former plan members	1,425,755
Administrative expenses	172,583
Other	816,601
Total deductions	<u>42,397,139</u>
Net increase (decrease) in net position held in trust	57,657,090
NET POSITION, beginning of year	606,456,988
NET POSITION, end of year	<u>\$ 664,114,078</u>

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



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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

There are significant differences in the financing and operating environments between private and public sector entities, resulting in the unique application of accounting principles to government entities. The primary difference is the lack of a profit motive in many aspects of governmental operations, focusing instead on the best and most effective use of limited resources. Nevertheless, the GASB has endeavored to provide financial reporting standards that both satisfy the accounting needs that are unique to government entities, and disclose financial information that is prepared on a basis more comparable to the more widely understood accounting practices adopted by the private sector.

In response to achieving these dual objectives, 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" funds 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 these 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 and debt policies adopted by entities in the private sector.

A. Reporting Entity

The City of Lakeland, Florida (City) is a political subdivision of the State of Florida incorporated under the authority of the Laws of Florida, Chapter 4096 adopted in 1891. The City operates under a commission-manager form of government and provides the following services: public safety, transportation, electric, water, stormwater, solid waste, wastewater treatment, culture/recreation, public improvements, planning and zoning, and general administration.

Component Units - These financial statements represent the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government: 1) appointment of the unit's governing board, accompanied by the potential imposition of will or ongoing financial burden, 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting. Blended component units, although legally separate entities, are in substance part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The City does not report any discretely presented component units.

Blended Component Unit

The Lakeland Community Redevelopment Agency (CRA) was established in 1979 by the City of Lakeland, Florida (the City) under the provisions of Section 163.340, Florida Statutes. The board of directors of the Agency is comprised of seven members of the City Commission of the City. Although legally separate, the CRA is blended in the City's financial statements in accordance with the criteria for blending set by GASB 14, as amended by GASB 39 and GASB 61. The City has created a total of four Community Redevelopment Areas; Downtown (1979), Dixieland (2001), Midtown (2001), and Williams (2002). The purpose of the Agency is to eliminate blight and slum conditions within the redevelopment area of the Agency pursuant to the redevelopment plans of the Agency for new residential and commercial activity.

Financial information for the Lakeland Community Redevelopment Agency (CRA) is blended in the Financial Statements of the City. Copies of separately issued financial statements for the CRA may be obtained from the City's Finance Department.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements, and their underlying Basis of Accounting

The City's basic financial statements are presented in two separate and distinct formats. These consist of government-wide statements (reporting the City as a whole using full accrual accounting policies) and fund financial statements (focusing on individual major funds and utilizing the traditional basis of accounting used by local governments for different types of funds). The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units.

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, parking, airport, civic center and golf course activities are classified as business type activities because they are able to assess user fees intended to satisfy at least the majority of their annual operating costs. The primary government is reported separately from the legally separate component units for which the City is financially accountable.

Government-wide Statements In the Government-wide Statement of Net Position, 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, meaning all assets and liabilities (including capital assets and long-term debt) are included in the Statement of Net Position. This accounting methodology is more consistent with the methodology used for business accounting in the private sector than "traditional" governmental accounting methodology.

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

Because different measurement focuses and bases of accounting are used in the government-wide statement of net position than in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the statement of net position.

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 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.

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 the related expenses appear only once and are categorized within the appropriate functional activity.

NOTES TO FINANCIAL STATEMENTS**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****B. Government-wide and Fund Financial Statements, and their underlying Basis of Accounting (continued)**

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 comprised of the assets, deferred outflows, liabilities, deferred inflows, reserves, fund equity, revenues and expenditures/expenses of each fund. GASB 34, as amended by GASB 65, sets forth the minimum criteria used to determine whether the individual funds are considered major versus non-major. The criteria are based on the value of assets and deferred outflows, liabilities and deferred inflows, revenues and expenditures/expenses of each fund in relation to all funds taken as a whole. Based on these criteria, the City's major funds are the General Fund, Electric Utility Fund, and Water/Wastewater Utility Fund. Detailed information on these funds is provided in the basic financial statements.

Within the fund financial statements, funds are also classified into fund types. A different basis of accounting is 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 meeting the availability criterion include investment earnings, federal, state, and local 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. Exceptions are 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, meaning 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 – used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds – account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Debt Service Fund – accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements, and their underlying Basis of Accounting (continued)

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 capital 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., parking, recreation, airport, and solid waste services provided to residents in the geographic areas served by the City.

The City reports the following major proprietary funds:

Department of Electric Utilities – accounts for operations in which fees are charged to external users for electric services provided within the City of Lakeland’s service area.

Water and Wastewater Utilities – accounts for operations in which fees are charged to external users for water and wastewater services provided within the City of Lakeland’s service area.

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; the cost of purchasing and maintaining custody of supplies and materials used by the City; the cost of purchasing and maintaining computers, networks, and software used by the City; the maintenance of City facilities; and an internal loan program. To the extent possible, the ultimate costs of these services are reported in the appropriate functional activity.

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 used 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 types.

Because the assets accounted for within fiduciary funds types cannot be used to address activities or obligations of the City, the activities of these funds are not incorporated into the government-wide financial statements.

C. Budget Policy and Budgetary Data

The City prepares an annual operating budget for the General Fund, certain Special Revenue Funds and Capital Projects Funds (i.e. Transportation Fund, Public Improvement Fund, Community Development Fund, State Housing Initiatives Partnership Program, Neighborhood Stabilization Fund, CDBG Recovery Fund, My Florida Safe Home, the Stormwater Fund, the Lakeland Community Redevelopment Agency Fund); and the Debt Service Fund. These budgets are prepared on the modified accrual basis of accounting. As of September 30, 2013, there were no material violations of budgetary requirements.

D. Cash and Cash Equivalents

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

The various funds of the City have combined their resources into an investment 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, other securities, and accrued interest. Amounts invested with money market funds are reported at cost, all other 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 pooled cash and investments 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments Owned by Individual Funds

Investments owned by individual funds, comprised of time deposits, notes, bonds, and other securities, are reported at fair value. Amounts invested with the SBA Fund A 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.

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

F. Receivables

Receivables are generally attributable to services provided by the City, amounts due to the City under expenditure driven grant agreements with other governments, and accrued interest on investments. Receivables recorded in governmental fund types may be offset by deferred revenues or a restriction of fund balance depending on the revenue recognition criteria applied to those funds. The components of receivable balances include due from customers, due from commercial customers, due from vendors, due from other governments, interest receivable, and miscellaneous receivables, including liquidated damages. Receivables are reported net of allowances for uncollectible where applicable.

G. Due To/From Other Funds

Amounts receivable from, or payable to, other funds are reflected in the accounts of the fund until liquidated. Activity between funds that are representative of lending/borrowing arrangements outstanding at year end are referred to as either "due to/from other funds" (i.e. current portion) or "advances to/from other funds (i.e. non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

H. Inventories and Prepaid Items

Inventories are valued at cost in governmental funds. In all other funds, inventories are stated at the lower of cost or market using the weighted average method. Inventory and prepaid items are recorded as expenditures (expenses) when actually used in both governmental and proprietary funds.

I. Apportioned and Restricted Assets

The City has established long-range plans concerning some of its proprietary funds, internal loan funds and capital funds. As part of the plan to achieve its objectives, the City's elected officials have apportioned certain assets that will be used to fund the cost of expansion of enterprise fund infrastructure, monies accumulated to finance replacement of capital assets at the end of their useful life, funds apportioned for payment of self-insured liability claims, and amounts set aside to pay currently maturing principal and interest on long-term debt. These assets and related liabilities are separate from other assets of the City and appear on the financial statements under the heading "asset apportionments" and "liabilities payable from apportioned assets". Because these apportionments do not represent legal restrictions imposed by parties external from the local government, the net value of asset apportionments minus liabilities is included in the unrestricted section of net position on the Statement of Net Position.

Revenue bond ordinances and certain other agreements with parties outside the City require the restriction of certain fund assets for specific purposes such as sinking and reserve accounts required to secure bonded debt; renewal, repair, expansion, and construction funds (bond proceeds) set aside to finance recurring and future capital improvements; meter deposit funds held on behalf of utility customers; and proceeds from impact fees collected for the purpose of financing utility system capacity improvements. These assets and the related liabilities are classified separately from other assets and liabilities, appearing in the accompanying statement of net position under the heading "restricted assets", "liabilities payable from restricted assets", and "restricted net position".

In cases in which both unrestricted and restricted assets are available to finance an expense or program, the City's policy is to utilize restricted assets first whenever possible.

CITY OF LAKE LAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Apportioned and Restricted Assets (continued)

The balances of restricted asset accounts in the governmental and proprietary funds are as follows:

	Governmental Activities	Proprietary Activities
Debt service	\$ 2,439,394	\$ 8,085,318
Capital improvements	-	7,173,130
Customer deposits	-	15,852,191
Law enforcement	1,403,642	-
CRA	9,291,001	-
Grant Programs - Community development	940,416	250,922
Endowments - nonspendable	4,152,133	-
Donations received	902,934	-
Impact fees	5,833,290	-
	<u>\$ 24,962,810</u>	<u>\$ 31,361,561</u>

J. Capital Assets

Capital equipment purchased with an original value of \$1,000 or more, and additions, improvements and other capital outlays, having an original cost of \$2,500 or more that significantly extend the useful lives are capitalized. Utility plant is capitalized at cost. Capital assets used in governmental fund type operations are accounted for in the government-wide statements, rather than in the fund financial statements. Routine maintenance, repairs, renewals and replacement costs are charged against operations.

Infrastructure assets consisting of certain improvements and additions such as roads, sidewalks and drainage systems having an original cost of \$25,000 or more are capitalized.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair value on the date donated.

The depreciation on assets, where disclosed, is provided using the straight-line method over the following estimated useful lives:

Land improvements	10 - 45 years
Buildings	15 - 50 years
Improvements, other than buildings	10 - 45 years
Improvements, sewer lines	40 - 90 years
Office machines	5 - 15 years
Communications equipment	5 - 10 years
Motor vehicles	4 - 20 years
Furnishings and fixtures	5 - 25 years
Maintenance equipment, tools	5 - 15 years
Roads and alleys	10 - 50 years
Easements and right of ways	10 - 50 years
Sidewalks	25 - 50 years
Storm drainage	25 - 100 years
Utility plant	25 - 35 years

Depreciation expense on assets used in governmental activities is included in the expenses of each governmental function on the government-wide Statement of Activities. Depreciation on general infrastructure assets is included within the expenses of the most relevant function.

NOTES TO FINANCIAL STATEMENTSNOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**K. Unearned Revenues**

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet or statement of net position and the revenue is recognized.

L. Revenues

Substantially all governmental fund revenues are accrued. Property taxes, which are levied annually based on the value of real property and tangible personal property as assessed on January 1 and are collected from November through the following March. Accordingly, these revenues are recognized in the same fiscal period in which payment is collected.

The property tax calendar for 2013 is as follows:

Lien date	January 1, 2013
Levy date	January 1, 2013
Due Dates	November 1, 2013 through March 31, 2014
Delinquent date	April 1, 2014
Tax certificate sale	On or before June 1, 2014

Revenues of proprietary funds types are categorized as either operating or non-operating. Operating revenues represent the user charges that are assessed directly to the persons benefiting from the service provided by that fund. All other revenues, including grant revenues and capital contributions, are classified as non-operating.

In the Government-wide Statement of Activities, revenue that is derived directly from the program itself or from outside sources, if restricted to a specific program, is called program revenue. Program revenue is classified as either charges for services, operating grants or capital grants. Charges for services is revenue received by a particular function for the services that it provides to both entities outside of the City and to other City functions. Operating grant revenues come from other government entities to support the operation costs of particular functions and also from the earnings of permanent funds that are legally restricted to a particular function. Capital grants come from other government entities for the purpose of constructing or purchasing capital assets.

All revenues included in the classification of operating revenues, in proprietary fund types, are pledged as security for revenue bonds to the extent such indebtedness exists within each fund type, except for the indebtedness of the Lakeland Center Fund. The debt of the Lakeland Center Fund is secured by a pledge of the utility tax revenues accounted for within the General Fund.

Unearned revenues that are received prior to revenue recognition are classified as liabilities.

M. Indirect Expenses

Within the government-wide Statement of Activities, indirect expenses are not allocated to the functions of governmental activities. All expenses represent only direct expenses of each function.

N. Compensated Absences

Within the government-wide Statement of Net Position, the City accrues all accumulated unpaid vacation and sick leave when earned by the employee. Within the fund financial statements, the non-current portion of this liability payable from governmental funds is not recorded, since it would not be paid from expendable available financial resources. Compensated absences are reported in governmental funds only if they have matured.

O. Inter-fund Activity

Inter-fund activity is reported as loans, provided services, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****P. Expenses**

Expenses of proprietary funds types are categorized as either operating or non-operating. Operating expenses represent personal services, other expenses incurred in the normal operations of the proprietary fund, and depreciation expense. All other expenses are classified as non-operating.

Q. Derivatives and Hedging Activities

Derivatives have a market value, require no initial investment, and may be net settled. The City follows GASB 53, Accounting and Financial Reporting for Derivative Instruments. Under GASB 53, derivatives are either categorized as hedging derivative instruments or investment derivatives. Hedging derivative instruments are associated with specific hedging transactions wherein the intent is to significantly reduce risks. Changes in fair value of hedges are reported as either deferred inflows (asset) or deferred outflows (liability) in the statement of net position. For accounting purposes, in order to qualify as a hedge, the relationship between the derivative and the underlying asset must result in a hedge that is "effective" in mitigating risk. If the hedge transaction is considered "ineffective" the valuation of the instrument is considered investment income or loss on the Statements of Changes of Revenues, Expenses and in Net Position. GASB 53 outlines five methods for evaluating hedge effectiveness:

- Consistent Critical Terms
- Synthetic Instrument
- Dollar Offset
- Regression Analysis
- Other Quantitative Methods

For purposes of performing hedge effectiveness testing, Lakeland Electric can use any or all of the evaluation methods and is not limited to using the same method from period to period. Therefore, if the result of any one prescribed evaluation method indicates the hedge is ineffective, Lakeland Electric may apply another method to verify effectiveness. In addition, the calculations for effectiveness may be based on either a life to date period or be limited to the immediately preceding annual accounting period.

Fuel Hedges:

To achieve its goals of minimizing volatility in both cash flow and fuel rates to the ratepayers, Lakeland Electric was hedged at various volumes for a rolling 30 month forward period with emphasis on upside protection thru the purchase of swaps. Due to a depressed natural gas market, the costs of the program became significant. To control the cost of the program, Lakeland Electric's Utility Committee implemented changes to the policy in March 2010. When a swap is placed, at or near the same time, a put option will be placed to provide opportunity to participate in a downward market. Swaps should be placed at no more than a \$1/MMBtu above market and option premiums at \$0.50/MMBTU resulting in a maximum cost of \$1.50/MMBTU. Each quarter, when a fuel rate change is proposed, the next 12 months of forecasted volumes will be approximately 63 percent hedged as follows:

- 1st quarter will be 100% hedged
- 2nd quarter will be 75% hedged
- 3rd quarter will be 50% hedged
- 4th quarter will be 25% hedged

Fuel related derivative transactions are executed in accordance with the fuel hedging policies established by Lakeland Electric's Energy Risk Management Oversight Committee. The primary objective of these policies is to minimize exposure to natural gas price volatility for cash flow and fuel rate stabilization purposes. The Committee has a defined organizational structure and responsibilities, which include approving all brokerage relationships, counterparty credit worthiness, specific fuel volumes and financial limits in addition to overall policy compliance. Acquisition of these hedge transactions are managed by The Energy Authority (TEA) based on a contractual relationship created in March 2007. TEA performs the front and back office functions associated with such trades, in accordance with overall hedging policies developed jointly by TEA and the aforementioned oversight committee of Lakeland Electric.

The recording of fuel derivatives, when appropriate, is included on the Statement of Net Position as either an asset or liability measured at fair value. Related gains and/or losses are deferred and recognized in the specific period in which the derivative is settled and included as part of Fuel and Purchased Power costs in the Statement of Revenues, Expenses and Changes in Net Position. The premiums associated with the purchase of options are expensed upon expiration of the option. Premiums associated with unexpired options are embedded in the valuation table displayed later in this note. The valuation of market changes for contracts entered into within Lakeland Electric's Risk Management Program resulted in a net increase of \$6,542,065 to the cost of fuel during the fiscal year ended September 30, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Derivatives and Hedging Activities (continued)

Lakeland Electric's natural gas swaps and put options have been evaluated using the regression analysis method cited above. According to this method, all of Lakeland Electric's derivatives were considered to be effective. Consequently, the R-Squared relationship between the derivative based on the NYMEX index as related to physical natural gas prices based on purchased gas from Florida Gas Transmission Zones 1, 2 and 3 was 0.8 or higher with a slope between -0.8 and -1.25 with a 95% confidence. With GASB 53 compliance, the open swaps and options valuation of \$2,733,710 includes mark to market of the swaps and both intrinsic and extrinsic mark to market of the options.

Derivate Instruments:

Natural Gas Derivative Instruments

Lakeland Electric uses Over-the-Counter (OTC) swaps, put options, swing-swaps and fixed price firm physical purchases of natural gas as tools to stabilize the cost of natural gas that will be needed by the utility in the future. Any gain or loss of the value of these derivatives are ultimately rolled into the price of natural gas burned, offsetting the volatility in the price of that fuel. As of September 2013, Lakeland Electric had the following options, swaps and physical contracts outstanding in the following amounts, covered fiscal year 2014 and beyond:

Fiscal Year	Options	Swaps	Physicals	Market Value
2014	\$ 11,800,000	\$ 5,105,000	-	\$ (2,635,650)
2015	1,600,000	1,600,000	-	(98,060)
	<u>\$ 13,400,000</u>	<u>\$ 6,705,000</u>	<u>\$ -</u>	<u>\$ (2,733,710)</u>

Interest Rate Swaps

An interest rate swap is a derivative i.e. a financial instrument whose value and terms are derived from a specified financial index (SIFMA). In the case of the interest rate swaps employed by the City of Lakeland, the intent is two-fold. First to achieve an all-in financing cost (representing interest payments to bondholders combined with net interest payments and receipts on the derivatives) that is less than the financing cost associated with traditional fixed rate bonds based on market conditions at the time of each bond issue. The second objective is to minimize the interest rate risk associated with the inherent volatility associated with "un-hedged" variable rate debt. Under the terms of these interest rate swaps, the City of Lakeland pays an amount to a counterparty that is based on a specified notional amount (which closely approximates the outstanding principal amount of the related bonds) times a specified fixed interest rate. In exchange, the counterparty makes a payment to the City that is based on the same notional amount times a variable rate of interest. When the variable and fixed components of the interest rate swaps are combined with the variable cash payments made by the City to the actual bondholders, the end result is a net, fixed rate of interest.

In the case of Lakeland's interest rate swaps, effectiveness testing measures the extent to which the terms of the interest rate swaps insulated the City from changes in the market rate of interest payable on the bonds. The City of Lakeland's interest rate swaps have been evaluated using all of the methods cited above except the dollar-offset method. All of the interest rate swaps employed by the City have passed at least one of the effectiveness tests prescribed by the GASB 53. Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred.

Note 6 F- Revenue Bonds, refers to the fair value of interest swap derivatives, which are evaluated for effectiveness using the same criteria required for fuel hedge derivatives under GASB 53.

The fair value of all of Lakeland Electric's derivatives as of September 30, 2013 was as follows:

Derivatives	
Interest rate swaps	\$ (35,250,903)
Prepaid fuel	\$ 3,797,745
Fuel hedges	(2,733,710)
	<u>\$ (34,186,868)</u>

NOTES TO FINANCIAL STATEMENTSNOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**R. Regulatory Assets and Liabilities**

GASB accounting guidance for regulated operations requires the recognition of revenues provided either before or after the costs are incurred, as assets or liabilities, in accordance with rate actions of the City Commission. The regulatory assets/liabilities below represent the amounts due from, or (payable to), retail customers. The regulatory rates are adjusted annually for retail environmental compliance charges and on a quarterly basis for retail fuel charges. The future conservation charge is a flat 25 cent per month charge for each customer.

As mentioned in section U - Amortization below, Lakeland Electric treats unamortized debt issue costs as a regulatory asset, as allowed under GASB No. 62, for regulated operations which recover their debt issuance costs through rates over the life of the debt issue.

The following table summarizes the regulatory account balances as of September 30, 2013:

<u>Regulatory Asset:</u>	
Beginning Balance	\$ 2,743,222
Environmental compliance charges	221,177
Future energy conservation charges	162,191
Debt issue cost amortization	(930,817)
Regulatory asset, ending balance	<u>\$ 2,195,773</u>
 <u>Regulatory Liability:</u>	
Beginning Balance	\$ 10,048,904
Environmental compliance charges	(29,033)
Future energy conservation charges	(18,468)
Fuel recovery	(5,353,715)
Regulatory liability, ending balance	<u>\$ 4,647,688</u>

S. Deferred Inflows/Outflows of Resources

Within the Basic Financial Statements certain items that were previously reported as assets and liabilities are recognized as outflows of resources or inflows of resources because they result in the use of resources in the current period for the benefit of future periods. The unamortized loss on refunding of debt and deferred hedging derivative outflows are classified as a deferred outflow of resources. Deferred revenues recognized in governmental fund statements, contributions in aid of construction, and deferred hedge derivative inflows of resources are classified as deferred inflows of resources. Deferred revenues related to governmental funds represent the recording of assets such as property tax receivables, lease receivables, and mortgage receivables, relating revenues not available in the accounting period.

T. Use of Estimates

Management has made estimates and assumptions relating to the reporting of assets and liabilities in conformity with GAAP. Actual results may differ.

U. Amortization

Bond discounts and premiums are amortized over the life of the issue using the straight line method for all funds with the exception of Lakeland Electric which uses the effective interest rate method. The City considered the effective interest method of amortizing bond discounts and determined that no material difference results from the continued use of the straight-line method. GASB 65, which was implemented by the City for FY2013, generally requires that unamortized debt issuance costs be expensed in the current period. However, Lakeland Electric elects to follow accounting for regulated operations under GASB 62, which allows debt issuance costs to be classified as a regulatory asset, and recovered through rates over the life of the associated debt.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Fund Equity

The implementation of GASB 54 was intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

GASB 54 differentiates how the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent in governmental funds. Fund balance shall be composed of non-spendable, restricted, committed, assigned, and unassigned amounts. These classifications reflect the nature of the funds and provide clarifications and hierarchies on the level of restrictions placed on the fund balances (i.e. internal or external restriction requirements).

The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For further details of the various fund balance classifications refer to note 12.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

New Accounting Pronouncement

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of CPA's (AICPA) Pronouncements. Statement 62 incorporates into GASB's authoritative literature, applicable guidance issued by FASB and the AICPA prior to November 30, 1989, greatly reducing the need to refer to sources other than GASB for accounting information. The City of Lakeland implemented Statement No. 62 for year ended September 30, 2013.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, and net position in a statement of financial position and related disclosures. GASB No. 63 requires a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The objective of this statement is to provide guidance for reporting deferred outflows of resources, and net position in a statement of financial position and related disclosures. GASB Statement No. 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. The City implemented Statement No. 63 for year ended September 30, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City implemented Statement No. 65 for the year ended September 30, 2013.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)

New Accounting Pronouncement (continued)

GASB 65, implemented during fiscal year 2013, requires that certain items which were previously reported as assets and liabilities be reclassified as outflows of resources or inflows of resources. The unamortized loss on refunding of debt is required to be classified as a deferred outflow of resources, because it results in the use of resources in the current period for the benefit of future periods. The unamortized loss on refunding of debt is amortized over the life of the issue using the straight line method for all funds with the exception of Electric Utilities which uses the effective interest method.

The deferred inflows and outflows of resources balances presented in the Statement of Net position as of September 30, 2013 are as follows:

Deferred outflow s of resources:	
Unamortized gain (loss) on refunding of debt, beginning balance	\$ 25,048,026
New debt issue	966,362
Amortization	(1,934,530)
Debt refunding	(828,752)
Unamortized gain (loss) on refunding of debt, ending balance	23,251,106
Decrease in fair value of interest rate sw aps	35,250,903
Loss on fuel hedge	2,733,710
Total deferred outflow s of resources	<u>\$ 61,235,719</u>
Deferred inflow s of resources:	
Contributions in aid of construction	\$ 47,628,702
Total deferred inflow s of resources	<u>\$ 47,628,702</u>

In conjunction with the implementation of the GASB pronouncements, the net position, as previously reported in the Government-wide Statement of Net Position and the Government-wide Statement of Activities for the year ended September 30, 2012, have been restated to incorporate the changes recognition focus prescribed in the pronouncements. The effect of these changes is summarized as follows:

	Governmental Activities	Business Type Activities	Total Primary Government
Government-w ide Statement of Net Position:			
September 30, 2012 net position, previously reported:	\$ 298,442,185	\$ 670,387,861	\$ 968,830,046
Adjustments:			
Elimination of debt issue costs	12,770	(952,429)	(939,659)
September 30, 2012 net position, restated	<u>\$ 298,454,955</u>	<u>\$ 669,435,432</u>	<u>\$ 967,890,387</u>

The adjustment caused an increase of \$103,834 in the change of net position for the year ended September 30, 2012 of the amounts previously reported.

Also, in conjunction with the implementation of the GASB pronouncements, the net position, as previously reported in the Proprietary Funds Statement of Net Position and the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position for the year ended September 30, 2012, have been restated to incorporate the changes recognition focus prescribed in the pronouncements. The effect of these changes is summarized as follows:

	Enterprise Funds	Internal Service Funds	Total Business-type Activities
Government-w ide Statement of Net Position:			
September 30, 2012 net position, previously reported:	\$ 615,652,362	\$ 70,508,037	\$ 686,160,399
Adjustments:			
Elimination of debt issue costs	(527,552)	(424,877)	(952,429)
September 30, 2012 net position, restated	<u>\$ 615,124,810</u>	<u>\$ 70,083,160</u>	<u>\$ 685,207,970</u>

The adjustment caused an increase in the change of net position for Enterprise Funds and Internal Service Funds for the year ended September 30, 2012 of the amounts previously reported in the amounts of \$66,910 and \$36,924 respectively.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

The carrying amount of the amounts on deposit in banks, financial institutions, and cash on hand as of September 30, 2013 is as follows:

	<u>Primary Government</u>
Demand Deposits	\$ 17,197,468
Cash with Paying Agents	42,514,337
Cash on Hand	21,798
Total Deposits	<u>\$ 59,733,603</u>
 Balance per bank	 <u>\$ 20,935,972</u>

All balances are collateralized with securities held by the pledging financial institutions but not in the name of the City of Lakeland. This collateral consists of insurance provided by the FDIC and securities held by the State of Florida Public Deposit Security Trust Fund.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City of Lakeland's deposits may not be returned. Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* requires deposits by governmental units in a financial institution be collateralized. The City of Lakeland's policy, in accordance with Florida Statutes, also requires the use of only authorized dealers and institutions and qualified public depositories, meeting the standards as set forth by the State of Florida and the Securities and Exchange Commission's Rule 15c3-1. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name. As of September 30, 2013, \$20,935,972 and \$42,514,337 of the City of Lakeland's bank balance and paying agent deposits were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Primary Government</u>
Insured	\$ 479,635
Collateralized:	
Collateral held by the pledging financial institutions not in the City's name:	
Banking institutions	20,456,337
Cash with paying agents	42,514,337
Total Deposits	<u>\$ 63,450,309</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments

Pooling of Cash and Investments Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation in each investment pool and in accordance with GAAP.

The City of Lakeland's cash investment pool is considered to be a cash equivalent for reporting purposes because it is an internally managed mutual fund which allows individual funds and sub-funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty.

Pooled Investments – Swap Transaction

As of September 30, 2013, the City had \$100 million in investment swaps outstanding.

Investments Several forms of legal and contractual provisions govern the types of investments in which the City may directly invest. Allowable investments consist of US Government obligations, US Government agency or instrumentality obligations, and the obligations of federal government sponsored enterprises (GSE's), which have a liquid market with a readily determinable market value; securities whose timely payment of principal and interest are fully guaranteed by any of the above; certificates of deposits and other evidences of deposit at financial institutions, provided that any such investments shall be in a qualified public depository (as defined in Chapter 280 of the Florida Statutes) and/or covered by FDIC insurance; investment-grade obligations of state and local governments and public authorities; repurchase agreements whose underlying purchased securities consist of the foregoing; guaranteed investment contracts (GIC's) which are collateralized by the foregoing; dollar denominated money market mutual funds regulated by the SEC; local government investment pools either state administered or through joint powers statutes and other intergovernmental agreement legislation; High grade corporate debt consisting of dollar denominated debt obligations of domestic or foreign corporations, for foreign sovereignties issued in the US or foreign markets rated in the highest tier by a nationally recognized rating agency. Any such longer-term investments in this category shall be rated investment grade or better by at least two nationally recognized rating agencies, one of which shall be Moody's or Standard & Poor's; and any other qualified investment permitted under Florida Statutes in effect. The SBA is part of the Local Government Surplus Funds Trust Fund which is governed by Chapter 19-7 of the Florida Administrative Code. The pension trust funds are also authorized for investment in corporate stocks and bonds, money market funds and other qualified securities.

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

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

The following investments and maturities, held by the various funds of the City as of September 30, 2013, are collateralized by registered securities held by the City or its agents in the City's name:

Investment Type	Reported Amount		Investment Maturities (in years)		
	Fair Value				
	Primary Government	Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 7,289,675	\$ 1,304,368	\$ -	\$ 5,985,307	\$ -
US Treasury Bonds	2,184,178	-	-	-	2,184,178
US Government Backed Bonds	263,548	-	263,548	-	-
Federal Farm Credit Bank	992,620	-	-	-	992,620
Federal Home Loan Bank	1,136,977	-	1,136,977	-	-
Federal Home Loan Mortgage Corporation	934,567	-	316,885	617,682	-
Federal National Mortgage Association (1)	19,139,854	171,336	814,029	151,219	18,003,270
Federal Agencies Mortgage Backed (1)	138,468,251	4,932,062	2,373,417	2,011,073	129,151,699
Certificates of Deposit	684,370	684,370	-	-	-
Municipal Bonds	75,112,983	5,253,148	4,899,264	37,196,154	27,764,417
Corporate Notes and Bonds (1)	100,641,071	448,958	22,055,772	63,485,112	14,651,229
Corporate Mortgage Backed Securities	2,185,564	-	-	665,755	1,519,809
Corporate Stocks (1)	233,547,587	233,547,587	-	-	-
Foreign Stocks (1)	15,165,726	15,165,726	-	-	-
Repurchase Agreements (2)	3,166,199	-	3,166,199	-	-
Foreign Securities	24,932,016	-	-	16,530,426	8,401,590
Sub-total	625,845,186	261,507,555	35,026,091	126,642,728	202,668,812

Other investments are evidenced by securities that exist in physical or book entry form and thus cannot be held in the City's name or are invested in external investment pools. The breakdown of these investments, held as of September 30, 2013, is as follows:

Investment Type	Reported Amount		Investment Maturities (in years)		
	Fair Value				
	Primary Government	Less than 1	1-5	6-10	More than 10
State Board of Administration (3)					
Fund B	518,251	518,251	-	-	-
Money Market Funds (4)	11,853,975	11,853,975	-	-	-
Mutual Funds (1)	229,995,303	229,995,303	-	-	-
Comingled Trust Funds (4)	76,391,831	76,391,831	-	-	-
Accrued Interest Receivable (5)	2,772,354	2,772,354	-	-	-
Sub-total	321,531,714	321,531,714	-	-	-
Total Investments	\$ 947,376,900	\$ 583,039,269	\$ 35,026,091	\$ 126,642,728	\$ 202,668,812

(1) The following investments in the Pension Funds had net transactions that had been executed but not settled as of September 30, 2013: federal agencies mortgaged back balance includes \$117,419 in net transactions, corporate notes and bonds includes \$42,236 in net transactions, corporate stocks balance includes (\$146,518) in net sales transactions, foreign stocks includes \$19,058 in net transactions, federal national mortgage association includes \$322,555 in net transactions, mutual funds includes (\$15,709,334) in net transactions.

NOTES TO FINANCIAL STATEMENTSNOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**B. Cash Equivalents and Investments (continued)**

- (2) The repurchase agreement total includes repurchase agreements collateralized by government-backed securities having a fair value of \$3,166,199 as of September 30, 2013.
- (3) Funds are invested in the SBA's local governments surplus trust fund investment pool, Fund A (the LGIP) and the Fund B surplus funds trust fund (the Fund B). The LGIP is considered a SEC 2a7-like fund, thus the fair value of the position in the external investment pool is the same as the value of the pool shares. The rate of interest fluctuates daily. The interest rate on September 30, 2013 for SBA's local governments' surplus trust fund investment pool is not available due to the nature of the securities. The Fund B is accounting for as a fluctuating NAV pool. The fair value factor for September 30, 2013 was 1.13262284. There is no interest paid on the Fund B. Recoveries are treated as a return on principal. The Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2013. The SBA's duties related to the Local Government Surplus Funds Trust Fund are defined in Sections 218.40-218.41, Florida Statutes. The executive director is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes and is responsible for all internal measurement, regulatory and rules defined in these sections of the Florida Statutes.
- (4) 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.
- (5) 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.

Interest Rate Risk Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City utilizes the "segmented time distribution" method as a measure of interest rate risk.

The fair values of the City of Lakeland's fixed maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into a decrease in the fair values of those instruments. Fair values of interest rate-sensitive instruments may be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other market conditions.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City of Lakeland's investment policy structures the investment portfolio to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City of Lakeland's investment policy limits the length of maturities of investment securities held by funds of the City, except Pension Funds or any other monies invested under separate ordinance, resolution, policy, or agreement. Unless a portion of the investment is matched to a specific cash flow and invested in cash equivalent investments, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase or in accordance with state and local statutes and ordinances. However, reserve funds and non-operating funds with longer-term investment horizons may be invested in securities exceeding ten (10) years, if, in the judgment of the Investment Administrator, any such investments are sufficiently liquid to provide for expected use of such funds. The investment maturity limits and actual limits of investments held by funds of the City as of September 30, 2013, except for the aforementioned funds, are as follows:

<u>Maturity Limitations</u>	<u>% of Total Maximum</u>	<u>% of Total</u>
0-1 years	100%	3.74%
1-3 years	75%	1.71%
3-5 years	50%	3.02%
5-10 years*	25%	33.21%
10 + years*	0%	58.32%

* Except as provided for in section IV.7.b of the Investment Policy.

The investments with the 10 + year investment horizon are held by non-operating funds of the City. Section IV.7.b of the policy provides for investment horizons exceeding ten years for reserve funds and non-operating funds if, in the judgment of the Investment Administrator, any such investments are sufficiently liquid to provide for unexpected use of such funds. The investments with securities exceeded investment horizons are held by non-operating funds with longer-term investment horizons and Section IV of the policy provides discretion for investment terms for the Investment Administrator.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

Custodial Credit Risk Custodial credit risk, for an investment, is the risk that, in the event of the failure of the counterparty, the City of Lakeland will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of September 30, 2013, the City of Lakeland held \$11,877,549, \$229,971,451, and \$76,415,421 in Money Market Funds, Mutual Funds, and Commingled Trust Funds respectively. These investments are held by an investment's counterparty, not in the name of the City. The City of Lakeland's investment policy limits the investment in Money Market Funds and Mutual Funds, including Commingled Trust Funds, to 10% of total investments in each.

Foreign Currency Risk Foreign currency risk, for an investment, is the risk associated with currency fluctuations when an investment is denominated in a foreign currency.

The Employee Pension Fund held \$101,518,890 in fixed income (15.75%) and equity investments of foreign issuers of non-US companies (6.38%). The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2013, the Employee Pension Fund held the following fixed income and equity investments in non-U.S. companies and/or investments denominated in a foreign currency:

Foreign Investments:

Mutual Funds:

	Market Value	\$ Denomination	Maturity
TEMPLETON GLOBAL TOTAL RETURN FUND	\$ 12,391,364	USD	N/A
BARING FOCUSED INTERNATIONAL EQUITY	37,609,390	USD	N/A
MANNING & NAPIER FUND INC-OVERSEAS SERIES FUND	37,540,759	USD	N/A
Total Mutual Funds	87,541,513		

Corporate Bonds:

Non-US Companies:

	Market Value	\$ Denomination	Maturity
PETROBRAS INTERNATIONAL	236,076	USD	01/27/21
Total Corporate Bonds	236,076		

Corporate Stocks:

Non-US Companies:

	Market Value	\$ Denomination	Maturity
MAIDEN HOLDINGS LTD.	14,210	USD	N/A
SAFE BULKERS INC.	678	USD	N/A
SAFE BULKERS INC.	6,383	USD	N/A
TARO PHARMACEUTICAL INDUS	3,682	USD	N/A
TARO PHARMACEUTICAL INDUS	6,481	USD	N/A
DELPHI AUTOMOTIVE PLC	1,058,512	USD	N/A
INGERSOLL RAND PLC	1,189,766	USD	N/A
NESTLE SA SPONSORED A D R	1,920,264	USD	N/A
AON PLC	4,092,041	USD	N/A
LIBERTY GLOBAL PLC SERIES C	2,894,551	USD	N/A
COTT CORPORATION	95,056	USD	N/A
FIRST BANCORP PUERTO RICO	14,115	USD	N/A
GSI GROUP INC	22,352	USD	N/A
HIMAX TECHNOLOGIES INC A D R	305,880	USD	N/A
MCDERMOTT INTL INC	87,726	USD	N/A
NORTH AMERICAN ENERGY PARTNERS INC	73,537	USD	N/A
OFG BANCORP	174,982	USD	N/A
REDKNEE SOLUTIONS INC	1,872	USD	N/A
SANTONIA ENERGY INC	30,218	USD	N/A
SILICON MOTION TECHNOLOGY CORP A D R	138,345	USD	N/A
TRINITY BIOTECH PLC SPON A D R	221,713	USD	N/A
CHIPMOS TECHNOLOGIES BERMUDA	287,680	USD	N/A
FABRINET	153,396	USD	N/A
MAIDEN HOLDINGS LTD	74,875	USD	N/A
PACIFIC DRILLING SA	31,512	USD	N/A

CITY OF LAKELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

Corporate Stocks: (continued)	Market Value	\$ Denomination	Maturity
NOVA MEASURING INSTRUMENTS LTD	\$ 133,564	USD	N/A
ORBOTECH LTD	61,617	USD	N/A
PERION NETWORK LTD	63,550	USD	N/A
TARO PHARMACEUTICAL INDUS	129,352	USD	N/A
AVG TECHNOLOGIES NV	108,807	USD	N/A
TRONOX LTD CL A	232,661	USD	N/A
SAFE BULKERS INC	17,143	USD	N/A
STEALTHGAS INC	107,157	USD	N/A
AVG TECHNOLOGIES NV	(12,376)	USD	N/A
Total Corporate Stocks	<u>13,741,301</u>		
Total Foreign Investments	<u>\$ 101,518,890</u>		

The Municipal Police Officers' Pension Plan held \$19,745,857 (19.88%) in fixed income and equity investments of foreign issuers or non-US companies. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2013, the fund held the following investments in foreign securities:

Foreign Investments:			
Mutual Funds:	Market Value	\$ Denomination	Maturity
TEMPLETON GLOBAL TOTAL RETURN FUN	\$ 4,658,796	USD	N/A
BARING FOCUSED INTL EQUITY FUND	7,757,019	USD	N/A
IVA INTERNATIONAL FUND	7,330,042	USD	N/A
Total Mutual Funds	<u>19,745,857</u>		
Total Foreign Investments	<u>\$ 19,745,857</u>		

The City of Lakeland Firefighters' Retirement System held \$13,117,945 (16.35%) in foreign securities. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2013, the fund held the following investments in foreign securities:

Foreign Investments:			
Mutual Funds:	Market	\$ Denomination	Maturity
MANNING & NAPIER OVERSEAS FUND	\$ 13,117,945	USD	N/A
Total Mutual Funds	<u>13,117,945</u>		
Total Foreign Investments	<u>\$ 13,117,945</u>		

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

The investments of the City's Perpetual Care Cemetery Fund, Survivor's Benefit Fund, the Baldwin Book Fund, and the Retiree Health Premiums Fund were pooled into the Consolidated Investment Fund. Section I.2 of the investment policy provides that the funds covered under the policy can be "pooled" for investment purposes to maximize earnings and to minimize associated fees. The Consolidated Investment Fund held \$1,813,434 (13.95%) in fixed income investments and \$1,424,425 (10.96%) in equity investments of foreign issuers or non-US companies. Non-international fund managers held 19.58% in foreign companies. The investment policy for this fund, excluding international fund managers, limits the investments in foreign securities up to 5% of the fair market value of the equity assets held by the fund. The investment policy also limits fixed income investments of non-US issuers to 10% of total fixed income investments. As of September 30, 2013, the fund held the following investments in foreign securities (including international fund managers):

Foreign Investments:

Mutual Funds:

	Market Value	\$ Denomination	Maturity
EATON VANCE MUTUAL FDS	\$ 29,677	USD	N/A
JOHN HANCOCK FDS II	10,191	USD	N/A
MFS SER TR X	91,131	USD	N/A
PIMCO FDS PAC INVT	91,706	USD	N/A
TEMPLETON FUNDS	251,478	USD	N/A
SPDR EURO STOXX 50	55,234	USD	N/A
EGSHARES EMERGING	44,074	USD	N/A
ISHARES MSCI	63,530	USD	N/A
JOHN HANCOCK FDS III	33,193	USD	N/A
ISHARES MSCI ETF MALAYSIA	39,676	USD	N/A
ISHARES MSCI ETF AUSTRALIA	59,738	USD	N/A
ISHARES MSCI CANADA ETF INDEX FUND	18,600	USD	N/A
ISHARES MSCI GERMANY ETF	83,958	USD	N/A
ISHARES MSCI ETF UNITED KINGDOM	119,211	USD	N/A
ISHARES MSCI MEXICO ETF CAPPED	55,968	USD	N/A
ISHARES MSCI ETF HONG KONG	18,808	USD	N/A
ISHARES ETF NORTH AMERICAN TECH	52,194	USD	N/A
BLACKROCK FDS	31,025	USD	N/A
VANGUARD INTL EQUITY ETF	311,287	USD	N/A
VANGUARD FTSE	343,792	USD	N/A
WISDOMTREE JAPAN	8,963	USD	N/A
Total Mutual Funds	1,813,434		

Corporate Stocks:

Non-US Companies:

	Market Value	\$ Denomination	Maturity
AON PLC CLASS A	5,583	USD	N/A
ACCENTURE PLC IRELAND SHARES CLASS A	40,649	USD	N/A
AKTIEBOLAGET ELECTROLUX ADR SPONS	12,693	USD	N/A
ESTACIO PARTICIPACOES SA SPONSORED ADR	13,113	USD	N/A
ANHEUSER BUSCH INBEV SA/NV-SPON ADR	40,275	USD	N/A
ASSOC BRITISH FOODS LTD ADR NEW	11,387	USD	N/A
ASSA ABLOY AB - ADR	19,754	USD	N/A
ASML HOLDING NV NY REGISTRY SHS NEW 2012	8,592	USD	N/A
ATLANTIA S.P.A-UNSPN ADR	20,319	USD	N/A
BG GROUP PLC SPON ADR	14,009	USD	N/A
BHP BILLITON LTD SPON ADR	19,817	USD	N/A
BAIDU INC ADR	18,932	USD	N/A
BNP PARIBAS ADR	26,166	USD	N/A
BAYER AG SPONSORED ADR	28,777	USD	N/A

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

Foreign Investments: (continued)

Corporate Stocks: (continued)

Non-US Companies:

	Market Value	\$ Denomination	Maturity
BAYERISCHE MOTOREN WERKE AG - UNSPON ADR	\$ 24,465	USD	N/A
BRITISH AMERN TOB PLC SPON ADR	23,238	USD	N/A
CANADIAN PACIFIC RAILWAY LTD	6,042	USD	N/A
CANADIAN NATURAL RESOURCES LTD	19,933	USD	N/A
CARLSBERG AS-B SPONSORED ADR	11,342	USD	N/A
CHINA MOBILE LTD SPONS ADR	21,331	USD	N/A
CHINA CONSTRUCTION BANK CORP - UNSPON ADR	21,045	USD	N/A
COMPAGNIE FINANCIERE RICHEMONT SA-UNSPON ADR	15,810	USD	N/A
DAIWA HOUSE IND LTD COMM ADRS JAPAN	17,722	USD	N/A
DELPHI AUTOMOTIVE PLC	37,389	USD	N/A
CIELO SA SPONSORED ADR	16,863	USD	N/A
DIAGEO PLC SPONSORED ORD NEW	26,814	USD	N/A
EATON CORP PLC	11,359	USD	N/A
ENERGY XXI BERMUDA LTD	7,432	USD	N/A
ENI S P A SPON ADR	12,704	USD	N/A
ENSCO PLC CLASS A	16,018	USD	N/A
GETINGE AB ADR	12,899	USD	N/A
HSBC HOLDINGS PLC-SPON ADR	35,432	USD	N/A
ROCHE HOLDINGS LTD ADR	9,927	USD	N/A
ICICI BANK LTD SPON ADR	4,145	USD	N/A
INFORMA PLC SPON ADR	20,307	USD	N/A
KASIKORNBANK PUB CO LTD UNSPONSORED ADR	10,195	USD	N/A
KOC HOLDING AS-UNSPON ADR	9,219	USD	N/A
KOMATSU LTD SPON ADR NEW	13,513	USD	N/A
LADBROKES PLC-ADR	5,234	USD	N/A
LLOYDS BANKING GROUP PLC ADR	18,134	USD	N/A
LYONDELLBASELL INDUSTRIES AF SCA CLASS A	7,396	USD	N/A
MAKITA CORPORATION ADR	19,431	USD	N/A
MEDICLINIC INTL LTD ADR	13,909	USD	N/A
MR PRICE GROUP LTD SPONSORED ADR	7,756	USD	N/A
MOBILE TELESYSTEMS - SPON ADR	18,943	USD	N/A
NESTLE S A REG ADR	17,470	USD	N/A
NICE SYSTEMS LTD SPON ADR	3,806	USD	N/A
NOMURA HOLDINGS INC UNSP ADR	8,083	USD	N/A
NOVARTIS AG SPON ADR	49,708	USD	N/A
NOVO NORDISK A S ADR	28,260	USD	N/A
PERUSAHAAN PERSEROAN PERSERO PT INDONESIA TELE SPON ADR	16,085	USD	N/A
PT BANK MANDIRI PERSERO TBK-UNSPONSORED ADR	8,267	USD	N/A
PETROFAC LTD UNSPONSORED ADR	10,465	USD	N/A
PETROLEUM GEO-SVS ADR	10,756	USD	N/A
PRUDENTIAL PLC SPON ADR	34,829	USD	N/A
RED ELECTRICA CORPORACION SA	12,015	USD	N/A
REXAM PLC SPON ADR COM NO PAR	21,052	USD	N/A
RYANAIR HLDGS PLC SPONSORED ADR	17,608	USD	N/A
SABMILLER PLC ADR	3,094	USD	N/A
SBERBANK RUSSIA SPONSORED ADR	12,042	USD	N/A
SAMPO OYJ-A SHS UNSP ADR	17,906	USD	N/A

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

Foreign Investments: (continued)

Corporate Stock: (continued)	Market Value	\$ Denomination	Maturity
SANDS CHINA LTD UNSPONSORED ADR	\$ 22,743	USD	N/A
SANOFI ADR	16,455	USD	N/A
SAP AG-SPONSORED ADR	30,751	USD	N/A
ROYAL DUTCH SHELL PLC ADR CL A	33,760	USD	N/A
SEVEN & I HOLDINGS ADR	22,798	USD	N/A
SUMITOMO MITSUI FINL GROUP INC SPON ADR	28,947	USD	N/A
SWATCH GRP AG ADR UNSPON 20 ADR = 1 ORD	12,619	USD	N/A
SWEDBANK AB-ADR	12,223	USD	N/A
TAIWAN SEMICONDUCTOR MFG CO LTD ADR	34,615	USD	N/A
TECHNIP-SA-ADR	13,635	USD	N/A
TOTAL S.A. SPONS ADR	14,075	USD	N/A
TULLOW OIL PLC UNSPONSORED ADR	8,613	USD	N/A
TURKCELL ILETISIM HIZMETLERI	16,889	USD	N/A
TURKIYE HALK BANKASI UNSPONSORED ADR	8,392	USD	N/A
UNILEVER PLC SPONS ADR	22,608	USD	N/A
UNILEVER N V ADR	5,168	USD	N/A
VALEO SPONSORED ADR	19,415	USD	N/A
VALE S A ADR	10,395	USD	N/A
VOLVO AKTIEBOLAGET ADR	8,939	USD	N/A
WOLSELEY PLC JERSEY SPONSORED ADR NEW	15,544	USD	N/A
YAHOO JAPAN CORPORATION ADR	18,382	USD	N/A
Total Corporate Stocks	1,424,425		
Total Foreign Investments	\$ 3,237,859		

The Pooled Investment Fund held \$24,695,940 in fixed income investments of foreign issuers or non-US companies. The investment policy for this fund allows investments in High grade corporate debt consisting of U.S. dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the U.S. or in foreign markets. As of September 30, 2013, the fund held the following investments in foreign securities:

Foreign Investments:

Corporate Bonds:	Market	\$ Denomination	Maturity
Non-US Companies:			
ELECTRICITE DE FRANCE	\$ 4,824,090	USD	12/29/49
MACQUARIE GROUP LTD	2,172,420	USD	01/14/20
MACQUARIE GROUP LTD	1,086,090	USD	01/14/21
LLOYDS TSB BANK PLC	922,500	USD	09/19/32
BARCLAYS BANK PLC	2,000,000	USD	12/30/19
ANGLOGOLD HOLDINGS PLC	1,685,940	USD	08/01/22
TELEFONICA EMISIONES SAU	2,559,900	USD	02/16/21
DORIC NIMROD AIR	2,015,000	USD	11/30/19
GAZPROM (GAZ CAPITAL SA)	1,932,500	USD	07/19/22
GAZPROM (GAZ CAPITAL SA)	2,655,000	USD	02/06/28
GERDAU TRADE INC	890,000	USD	04/15/23
ISRAEL ELECTRIC CORP LTD	1,042,500	USD	06/21/23
KAZAGRO NATL MGMT HLDNG	910,000	USD	05/24/23
Total Non-US Companies	24,695,940		
Total Corporate Bonds	24,695,940		
Total Foreign Investments	\$ 24,695,940		

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

Credit Risk Credit risk is the risk of loss due to the failure of the security issuer or other counterparty.

The purpose of the City of Lakeland's investment policy is to minimize credit risk by limiting investments in securities that have higher credit risks, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City of Lakeland's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, with the exception of the Employee Pension Fund, the Municipal Police Officers' Pension Fund, the Firefighters' Retirement System Fund, the Baldwin Book Fund, the Survivor's Benefit Fund, The Cemetery Perpetual Care Fund, and the Consolidated Pooled Fund, had the following S&P and Moody's aggregate uninsured credit quality ratings:

S&P Rating:

	<u>Cost</u>	<u>% of Total</u>	<u>Market</u>	<u>% of Total</u>
AAA	\$ 2,354,203	0.81%	\$ 2,354,203	0.83%
AA+ to AA-	161,635,910	55.67%	153,468,080	54.19%
A+ to A-	35,700,357	12.30%	37,422,320	13.21%
BBB+ to BBB-	55,279,129	19.04%	55,437,335	19.57%
BB+ to BB-	5,915,985	2.04%	5,501,874	1.94%
Below BB-	1,010,000	0.35%	945,000	0.33%
NR	28,422,194	9.79%	28,120,884	9.93%
	<u>\$ 290,317,778</u>	<u>100.00%</u>	<u>\$ 283,249,696</u>	<u>100.00%</u>

Moody's Rating:

	<u>Cost</u>	<u>% of Total</u>	<u>Market</u>	<u>% of Total</u>
Aaa	\$ 138,036,013	47.55%	\$ 128,888,196	45.50%
Aa1 to Aa3	7,557,640	2.60%	8,292,603	2.93%
A1 to A3	54,908,084	18.91%	57,047,551	20.14%
Baa1 to Baa3	44,628,947	15.37%	44,702,790	15.78%
Ba1 to Ba3	16,080,832	5.54%	15,836,132	5.59%
NR	29,106,262	10.03%	28,482,424	10.06%
	<u>\$ 290,317,778</u>	<u>100.00%</u>	<u>\$ 283,249,696</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

As of September 30, 2013, the City's investments had the following credit quality ratings:

S&P Rating:	US Government Agency Obligations		External Investment Pools		Foreign Securities		Certificates of Deposits	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
AA+ to AA-	\$ 126,533,993	100.00%	\$ -	0.00%	\$ 2,000,000	8.10%	\$ -	0.00%
A+ to A-	-	0.00%	-	0.00%	922,500	3.74%	-	0.00%
BBB+ to BBB-	-	0.00%	-	0.00%	17,030,000	68.96%	-	0.00%
BB+ to BB-	-	0.00%	-	0.00%	2,728,440	11.05%	-	0.00%
NR	-	0.00%	518,251	100.00%	2,015,000	8.16%	684,370	100.00%
	<u>\$ 126,533,993</u>	<u>100.00%</u>	<u>\$ 518,251</u>	<u>100.00%</u>	<u>\$ 24,695,940</u>	<u>100.00%</u>	<u>\$ 684,370</u>	<u>100.00%</u>

	Municipal Bonds		Municipal Auction Rate Debt		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ 2,354,203	99.07%
AA+ to AA-	11,878,587	19.67%	7,850,000	62.06%	5,205,500	9.40%	-	0.00%
A+ to A-	23,588,024	39.05%	2,500,000	19.76%	10,389,785	18.76%	22,010	0.93%
BBB+ to BBB-	8,797,153	14.57%	-	0.00%	29,610,182	53.44%	-	0.00%
BB+ to BB-	2,773,434	4.59%	-	0.00%	-	0.00%	-	0.00%
Below BB-	-	0.00%	-	0.00%	945,000	1.71%	-	0.00%
NR	13,360,252	22.12%	2,300,000	18.18%	9,243,011	16.69%	-	0.00%
	<u>\$ 60,397,450</u>	<u>100.00%</u>	<u>\$ 12,650,000</u>	<u>100.00%</u>	<u>\$ 55,393,478</u>	<u>100.00%</u>	<u>\$ 2,376,213</u>	<u>100.00%</u>

Moody's Rating:	US Government Agency Obligations		External Investment Pools		Foreign Securities		Certificates of Deposits	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 126,533,993	100.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Aa1 to Aa3	-	0.00%	-	0.00%	2,000,000	8.10%	-	0.00%
A1 to A3	-	0.00%	-	0.00%	8,082,600	32.73%	-	0.00%
Baa1 to Baa3	-	0.00%	-	0.00%	12,780,840	51.75%	-	0.00%
NR	-	0.00%	518,251	100.00%	1,832,500	7.42%	684,370	100.00%
	<u>\$ 126,533,993</u>	<u>100.00%</u>	<u>\$ 518,251</u>	<u>100.00%</u>	<u>\$ 24,695,940</u>	<u>100.00%</u>	<u>\$ 684,370</u>	<u>100.00%</u>

	Municipal Bonds		Municipal Auction Rate Debt		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ 2,354,203	99.07%
Aa1 to Aa3	6,292,603	10.42%	-	0.00%	-	0.00%	-	0.00%
A1 to A3	27,773,570	45.98%	12,150,000	96.05%	9,019,370	16.28%	22,010	0.93%
Baa1 to Baa3	8,386,643	13.89%	500,000	3.95%	23,035,307	41.59%	-	0.00%
Ba1 to Ba3	4,128,756	6.84%	-	0.00%	11,707,376	21.13%	-	0.00%
NR	13,815,878	22.87%	-	0.00%	11,631,425	21.00%	-	0.00%
	<u>\$ 60,397,450</u>	<u>100.00%</u>	<u>\$ 12,650,000</u>	<u>100.00%</u>	<u>\$ 55,393,478</u>	<u>100.00%</u>	<u>\$ 2,376,213</u>	<u>100.00%</u>

Per the City's investment policy, investments in Certificates of Deposits must be in a qualified public depository and/or be covered by FDIC insurance. As of September 30, 2013, all Certificates of Deposits were FDIC insured.

External Investment Pools:

The City of Lakeland's Investment in the State Board Administration's Fund B Surplus Funds Trust Fund (The Fund B - \$518,251) is unrated by any nationally recognized statistical rating agency.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

The City of Lakeland's investment policy requires the following Standard & Poor's (S&P) or Moody's uninsured credit quality ratings for fixed income securities of the Employee Pension Fund, the Municipal Police Officers' Pension Fund, the City of Lakeland Firefighters' Retirement System Fund, and the Consolidated Investment Fund:

Investment Class	S & P Rating	Moody's Rating	Maximum %
Employee Pension Fund			
Fixed Income	BBB	Baa	20%
Fixed Income	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%
Municipal Police Officers' Pension Fund			
Money Market Funds	BBB or higher	Baa or higher	85%
Firefighters' Retirement System Fund			
Money Market Funds	A-1	P-1	
Fixed Income	BBB or higher	Baa or higher	
Consolidated Investment Fund			
Commercial Paper	A-1	P-1	
Money Market Funds	A-1	P-1	
Fixed Income	BBB	Baa	20%
Fixed Income	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%

As of September 30, 2013, the City of Lakeland's Employee Pension Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had the following S&P and Moody's aggregate credit quality ratings:

S&P Rating:

	Cost	% of Total	Market	% of Total
AA+ to AA-	\$ 28,252,079	23.15%	\$ 27,979,954	21.34%
A+ to A-	24,074,405	19.73%	23,271,758	17.75%
BBB+ to BBB-	11,890,176	9.74%	11,247,559	8.58%
NR	57,819,908	47.38%	68,632,364	52.33%
	<u>\$ 122,036,568</u>	<u>100.00%</u>	<u>\$ 131,131,635</u>	<u>100.00%</u>

Moody's Rating:

	Cost	% of Total	Market	% of Total
Aaa	\$ 21,750,525	17.82%	\$ 21,619,144	16.49%
Aa1 to Aa3	3,044,189	2.49%	3,022,949	2.31%
A1 to A3	23,143,090	18.96%	22,378,787	17.07%
Baa1 to Baa3	16,263,852	13.33%	15,462,043	11.79%
NR	57,834,912	47.40%	68,648,712	52.34%
	<u>\$ 122,036,568</u>	<u>100.00%</u>	<u>\$ 131,131,635</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

As of September 30, 2013, the fair market values of the City of Lakeland's Employee Pension Fund's investment types had the following credit quality ratings:

S&P Rating:	Corporate Bonds		US Government Agency Obligations		Foreign Securities	
	Market	% of Total	Market	% of Total	Market	% of Total
AA+ to AA-	\$ 5,223,833	13.22%	\$ 22,756,121	100.00%	\$ -	0.00%
A+ to A-	23,271,758	58.91%	-	0.00%	-	0.00%
BBB+ to BBB-	11,011,483	27.87%	-	0.00%	236,076	100.00%
	<u>\$ 39,507,074</u>	<u>100.00%</u>	<u>\$ 22,756,121</u>	<u>100.00%</u>	<u>\$ 236,076</u>	<u>100.00%</u>

S&P Rating:

	Money Market Funds		Bond Mutual Funds	
	Market	% of Total	Market	% of Total
NR	\$ 4,547,405	100.00%	\$ 64,084,959	100.00%
	<u>\$ 4,547,405</u>	<u>100.00%</u>	<u>\$ 64,084,959</u>	<u>100.00%</u>

Moody's Rating:

	Corporate Bonds		US Government Agency Obligations		Foreign Securities	
	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ -	0.00%	\$ 21,619,144	95.00%	\$ -	0.00%
Aa1 to Aa3	3,022,949	7.65%	-	0.00%	-	0.00%
A1 to A3	21,241,810	53.77%	1,136,977	5.00%	-	0.00%
Baa1 to Baa3	15,225,967	38.54%	-	0.00%	236,076	100.00%
NR	16,348	0.04%	-	0.00%	-	0.00%
	<u>\$ 39,507,074</u>	<u>100.00%</u>	<u>\$ 22,756,121</u>	<u>100.00%</u>	<u>\$ 236,076</u>	<u>100.00%</u>

Moody's Rating:

	Money Market Funds		Bond Mutual Funds	
	Market	% of Total	Market	% of Total
NR	\$ 4,547,405	100.00%	\$ 64,084,959	100.00%
	<u>\$ 4,547,405</u>	<u>100.00%</u>	<u>\$ 64,084,959</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

As of September 30, 2013, the City of Lakeland's Municipal Police Officers' Pension Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had the following aggregate S&P and Moody's uninsured credit quality ratings:

S&P Rating:

	Cost		Market	
	Cost	% of Total	Market	% of Total
AAA	\$ 2,411,651	8.48%	\$ 2,409,275	8.44%
AA+ to AA-	13,221,594	46.50%	13,198,659	46.20%
A+ to A-	2,611,833	9.18%	2,729,895	9.56%
BBB+ to BBB-	1,607,024	5.65%	1,675,140	5.87%
NR	8,584,058	30.19%	8,547,216	29.93%
	<u>\$ 28,436,160</u>	<u>100.00%</u>	<u>\$ 28,560,185</u>	<u>100.00%</u>

Moody's Rating:

	Cost		Market	
	Cost	% of Total	Market	% of Total
Aaa	\$ 13,683,811	48.12%	\$ 13,648,413	47.78%
Aa1 to Aa3	1,403,871	4.94%	1,438,490	5.04%
A1 to A3	2,022,590	7.11%	2,109,345	7.39%
Baa1 to Baa3	2,168,215	7.62%	2,268,448	7.94%
NR	9,157,673	32.21%	9,095,489	31.85%
	<u>\$ 28,436,160</u>	<u>100.00%</u>	<u>\$ 28,560,185</u>	<u>100.00%</u>

As of September 30, 2013, the fair market values of the City of Lakeland's Police Officers' Pension Fund's investment types had the following credit quality ratings:

S&P Rating:

	Corporate Bonds		US Government Agency Obligations		Municipal Bonds	
	Market	% of Total	Market	% of Total	Market	% of Total
AAA	\$ 1,839,757	23.41%	\$ -	0.00%	\$ 524,558	25.40%
AA+ to AA-	839,725	10.69%	11,230,680	100.00%	1,128,254	54.62%
A+ to A-	2,669,425	33.96%	-	0.00%	60,470	2.93%
BBB+ to BBB-	1,675,140	21.32%	-	0.00%	-	0.00%
NR	834,742	10.62%	-	0.00%	352,251	17.05%
	<u>\$ 7,858,789</u>	<u>100.00%</u>	<u>\$ 11,230,680</u>	<u>100.00%</u>	<u>\$ 2,065,533</u>	<u>100.00%</u>

S&P Rating:

	Money Market Funds		Bond Mutual Funds	
	Market	% of Total	Market	% of Total
AAA	\$ 44,960	1.64%	\$ -	0.00%
NR	2,701,427	98.36%	4,658,796	100.00%
	<u>\$ 2,746,387</u>	<u>100.00%</u>	<u>\$ 4,658,796</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

Moody's Rating:	Corporate Bonds		US Government Agency Obligations		Municipal Bonds	
	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 1,678,937	21.36%	\$ 11,230,680	100.00%	\$ 693,836	33.59%
Aa1 to Aa3	542,276	6.90%	-	0.00%	896,214	43.39%
A1 to A3	2,048,875	26.07%	-	0.00%	60,470	2.93%
Baa1 to Baa3	2,268,448	28.87%	-	0.00%	-	0.00%
NR	1,320,253	16.80%	-	0.00%	415,013	20.09%
	<u>\$ 7,858,789</u>	<u>100.00%</u>	<u>\$ 11,230,680</u>	<u>100.00%</u>	<u>\$ 2,065,533</u>	<u>100.00%</u>

Moody's Rating:	Money Market Funds		Bond Mutual Funds	
	Market	% of Total	Market	% of Total
Aaa	\$ 44,960	1.64%	\$ -	0.00%
NR	2,701,427	98.36%	4,658,796	100.00%
	<u>\$ 2,746,387</u>	<u>100.00%</u>	<u>\$ 4,658,796</u>	<u>100.00%</u>

As of September 30, 2013, the City of Lakeland's Firefighters' Retirement System Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had the following aggregate S&P and Moody's uninsured credit quality ratings:

S&P Rating:		Cost	% of Total	Market	% of Total
NR		\$ 21,130,619	100.00%	\$ 20,997,424	100.00%
		<u>\$ 21,130,619</u>	<u>100.00%</u>	<u>\$ 20,997,424</u>	<u>100.00%</u>

Moody's Rating:		Cost	% of Total	Market	% of Total
NR		\$ 21,130,619	100.00%	\$ 20,997,424	100.00%
		<u>\$ 21,130,619</u>	<u>100.00%</u>	<u>\$ 20,997,424</u>	<u>100.00%</u>

As of September 30, 2013, the fair market values of the City of Lakeland's Firefighters' Retirement System Fund's investment types had the following credit quality ratings:

S&P Rating:		Bond Mutual Funds		Money Market Funds	
NR		Market	% of Total	Market	% of Total
		\$ 20,668,143	100.00%	\$ 329,281	100.00%
		<u>\$ 20,668,143</u>	<u>100.00%</u>	<u>\$ 329,281</u>	<u>100.00%</u>

Moody's Rating:		Bond Mutual Funds		Money Market Funds	
NR		Market	% of Total	Market	% of Total
		\$ 20,668,143	100.00%	\$ 329,281	100.00%
		<u>\$ 20,668,143</u>	<u>100.00%</u>	<u>\$ 329,281</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Cash Equivalents and Investments (continued)

As of September 30, 2013, the City of Lakeland's Consolidated Investment Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had following aggregate S&P and Moody's uninsured credit quality ratings:

S&P Rating:					
	Cost	% of Total	Market	% of Total	
AAA	\$ 81,748	2.35%	\$ 81,748	2.35%	
AA+ to AA-	151,476	4.36%	151,476	4.36%	
A+ to A-	67,293	1.94%	67,293	1.94%	
NR	3,173,358	91.35%	3,173,358	91.35%	
	<u>\$ 3,473,875</u>	<u>100.00%</u>	<u>\$ 3,473,875</u>	<u>100.00%</u>	
Moody's Rating:					
	Cost	% of Total	Market	% of Total	
Aaa	\$ 233,224	6.71%	\$ 233,224	6.71%	
A1 to A3	28,754	0.83%	28,754	0.83%	
Baa1 to Baa3	38,539	1.11%	38,539	1.11%	
NR	3,173,358	91.35%	3,173,358	91.35%	
	<u>\$ 3,473,875</u>	<u>100.00%</u>	<u>\$ 3,473,875</u>	<u>100.00%</u>	

As of September 30, 2013, the Consolidated Investment Fund's investment types had the following credit quality ratings:

S&P Rating:	US Government Agency Obligations		Corporate Bonds		Bond Mutual Funds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ 81,748	4.41%
AA+ to AA-	151,476	100.00%	-	0.00%	-	0.00%	-	0.00%
A+ to A-	-	0.00%	67,293	100.00%	-	0.00%	-	0.00%
NR	-	0.00%	-	0.00%	1,400,417	100.00%	1,772,941	95.59%
	<u>\$ 151,476</u>	<u>100.00%</u>	<u>\$ 67,293</u>	<u>100.00%</u>	<u>\$ 1,400,417</u>	<u>100.00%</u>	<u>\$ 1,854,689</u>	<u>100.00%</u>

Moody's Rating:	US Government Agency Obligations		Corporate Bonds		Bond Mutual Funds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 151,476	100.00%	\$ -	0.00%	\$ -	0.00%	\$ 81,748	4.41%
A1 to A3	-	0.00%	28,754	42.73%	-	0.00%	-	0.00%
Baa1 to Baa3	-	0.00%	38,539	57.27%	-	0.00%	-	0.00%
NR	-	0.00%	-	0.00%	1,400,417	100.00%	1,772,941	95.59%
	<u>\$ 151,476</u>	<u>100.00%</u>	<u>\$ 67,293</u>	<u>100.00%</u>	<u>\$ 1,400,417</u>	<u>100.00%</u>	<u>\$ 1,854,689</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTSNOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**B. Cash Equivalents and Investments (continued)**

Concentration of Credit Risk The City of Lakeland limits investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities) and continuously invests a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements.

The City of Lakeland's overall investment policy concentration limits and actual concentration limits in investment types for all funds, with the exception of Pension funds, the Survivors' Benefit Fund, the Baldwin Book Fund, the Cemetery Perpetual Care Fund, and the Consolidated Investment Fund as of September 30, 2013 are as follows:

Type of Security (Market)	Maximum % of Total	% of Total
US Government Obligations	100%	1.59%
Federal Agency & instrumentality Obligations	100%	43.46%
Local Government Investment Pools	100%	0.18%
Certificates of Deposits	25%	0.24%
Collateralized Repurchase Agreements	15%	1.09%
Other Investment Pools (rated "A" or better)	10%	8.49%
Mutual Funds	0%	0.00%
High Grade Corporate Debt	15%	19.03%
Investment Grade Obligations of State and Local Govts	15%	25.10%
Money Market Mutal Funds	N/A	0.82%

The repurchase agreement amount includes a repurchase agreement held in the City of Lakeland's Water and Wastewater Utility Fund and is collateralized by government backed securities having a fair value of \$3,166,199 of September 30, 2013. The investment in obligations of state and local governments exceeds the maximum percentage. However, Section IV 7b of the policy provides an increase to 30% for state and local government obligations if in the judgment of the Investment Administrator said obligations provides sufficient additional returns. Investment policy provides discretion for temporary variances due to market changes, etc. No investments in a single security exceeded 15% of the fixed income portfolio. No individual issue purchased exceeded 50% in relation to the total portfolio.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

In the City of Lakeland's Consolidated Investment Fund accordance with the guidelines set forth by City Ordinance, the Investment Manager may invest in common stocks, long-term fixed income investments and cash equivalents. Fixed income securities may be US government and agency obligations, obligations guaranteed by US government, marketable corporate bonds and notes, GNMA's, US agency collateralized mortgage-back securities, debentures, hybrid securities, commercial paper, and CDs. Up to 10% of fixed income investments may consist of issuers not domiciled in the U.S. Policy allows for temporary variances due to market shifts and allows the administrator to bring investment allocations into compliance within a short term time frame. As of September 30, 2013, the Consolidated Investment Fund held investments within the following limits:

Asset Class (Market)	Maximum%	Minimum%	Actual %
Domestic Equity:			
Large Cap Equity	50%	30%	39%
Small Cap Equity	15%	7%	10%
International Equity	30%	15%	14%
Total Equity	75%	50%	69%
Total Fixed Income (Incl. Cash)	35%	25%	31%

In the City of Lakeland's Employee Pension Fund, assets shall be diversified among equities and fixed income investments to minimize overall portfolio risk consistent with the level of expected return and thereby improve the long-term return potential of assets. The diversification of the equity and fixed income securities held in the portfolio among sectors and issuers is the responsibility of the respective Investment Manager, subject to general policy and specific guidelines of each manager. Allowable fixed income investments include US government or agency obligations, marketable corporate, GNMA's, US collateral mortgaged back securities, debentures, hybrid securities, commercial paper, or certificates of deposits. The Investment Manager is expected to diversify the portfolio sufficiently to minimize the risk of a large loss from a single security. Accordingly, no single company's fixed securities shall represent more than 3% of the market value assets of the fund and no more than 5% of the market value of assets shall be in common stock of one company. Equity portfolios and all equity investments must be traded on national stock exchange or NASDAQ. As of September 30, 2013, no single company's fixed securities and common stock represented more than 3% and 5% respectively of the market value assets of the fund. The City of Lakeland's investment allocation limits and actual limits for the Employee Pension Fund as of September 30, 2013 are as follows:

Asset Class (Market)	Maximum%	Minimum%	Actual %
Domestic Equity:			
Large Cap Equity	20%	10%	15.0%
All Cap Equity	15%	5%	8.0%
Broadcap Growth	35%	15%	23.0%
International Equity	25%	10%	16.0%
Total Fixed Income	45%	20%	20.0%
TIPS	7.5%	0%	0.0%
Real Estate	7.5%	0%	7.6%
Alternative	7.5%	0%	0.0%

In the City of Lakeland's Municipal Police Officers' Retirement Fund, assets shall be diversified among equities and fixed income securities. Allowable fixed income securities include time and savings accounts on a national or state bank or savings and loan, obligations of US; bonds issued by State of Israel; bonds, stocks or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the US or US territories, provided the corporation is listed on a nationally recognized exchange or in a commingled fund administered by a state or national bank. No single company's fixed securities shall represent no more than 3% of the fair value assets of the fund and no more than 5% of the market value of assets shall be in common stock of one company. Equity portfolios and all equity investments must be traded on national stock exchange or NASDAQ. Foreign equities must be traded on exchange recognized as the official exchange by the government where the exchange is located or any of the major equivalent electronic exchanges. As of September 30, 2013, no single company's fixed securities and common stock represented more than 3% and 5% respectively of the value assets of the fund. The City of Lakeland's investment allocation limits and actual limits for the Lakeland Municipal Police Officers' Retirement Fund as of September 30, 2013 are as follows:

Asset Class (Cost)	Maximum %	Minimum %	Actual %
Domestic Opportunistic Value	25%	15%	21%
Domestic Opportunistic Growth	25%	15%	20%
Domestic Core	15%	5%	10%
International	25%	5%	15%
Fixed Income	50%	30%	28%
TIPS	7.5%	0%	0%
Real Estate	7.5%	0%	5%
Alternative	7.5%	0%	0%

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

In the City of Lakeland's Firefighters' Retirement System, assets shall be diversified among equities and fixed income securities. Investments of the fund are limited to time, savings, and money market deposit accounts insured by the FDIC, obligations issued by the United States Government or obligations guaranteed by the United States Government or an agency of the United States Government, bonds issued by U.S. Corporations, structured mortgage products issued by the U.S. Government or an agency or instrumentality of the U.S. Government, other related asset backed securities, stocks, commingled funds administered by national or state banks, mutual funds, and bonds, and foreign securities. No single company's fixed income investment may exceed 3% of the total investments of the fund. Equities must be traded on national stock exchange or electronic network. No more than 5% of assets shall be in common stock on one company and foreign securities are not permitted to exceed 10% of total fund assets. The City of Lakeland's investment allocation limits and actual limits for the Lakeland's Firefighters' Retirement System Fund as of September 30, 2013 are as follows:

Asset Class (Market)	Maximum %	Minimum %	Actual %
Domestic Equities	60%	30%	54%
International Equities	25%	5%	17%
Broad Market Fixed Income	30%	20%	26%
TIPS	10%	0%	0%
Real Estate	15%	0%	3%

Investments and deposits are classified in the Statement of Net Position and Statement of Fiduciary Net Position as follows:

	Governmental Activities	Business-type Activities	Pension and Employee Benefit Funds	Agency Funds	Total
Unrestricted					
Cash and cash equivalents	\$ 26,476,643	\$ 79,102,188	\$ -	\$ -	\$ 105,578,831
Cash with paying agents	298,189	1,033,818	-	-	1,332,007
Investments	-	2,408,286	-	-	2,408,286
Asset Apportionments					
Cash and cash equivalents	8,266,300	132,944,399	-	-	141,210,699
Cash with paying agents	-	34,770,104	-	-	34,770,104
Restricted Assets					
Current					
Cash and cash equivalents	-	998,443	-	-	998,443
Cash with paying agents	2,439,394	3,972,832	-	-	6,412,226
Non-current					
Cash and cash equivalents	17,528,418	25,180,953	7,779,233	17,301,954	67,790,558
Investments	4,215,822	757,913	641,635,614	-	646,609,349
	<u>\$ 59,224,766</u>	<u>\$ 281,168,936</u>	<u>\$ 649,414,847</u>	<u>\$ 17,301,954</u>	<u>\$ 1,007,110,503</u>
Totals - all classifications					
Cash and cash equivalents	\$ 52,271,361	\$ 238,225,983	\$ 7,779,233	\$ 17,301,954	\$ 315,578,531
Cash with paying agents	2,737,583	39,776,754	-	-	42,514,337
Investments	4,215,822	3,166,199	641,635,614	-	649,017,635
	<u>\$ 59,224,766</u>	<u>\$ 281,168,936</u>	<u>\$ 649,414,847</u>	<u>\$ 17,301,954</u>	<u>\$ 1,007,110,503</u>
Totals - note disclosures					
Total investments					\$ 947,376,900
Total deposits					59,733,603
					<u>\$ 1,007,110,503</u>

CITY OF LAKE LAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 –CAPITAL ASSETS

A. Capital Activity

Capital assets of the City as of September 30, 2013, consisted of the following:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
Governmental Activities				
Non-depreciable assets				
Land	\$ 56,214,645	\$ 28,944	\$ 3,117	\$ 56,240,472
Construction in process	8,001,526	4,901,759	3,259,356	9,643,929
Depreciable assets				
Buildings	118,569,389	4,230,964	-	122,800,353
Improvements, other than buildings	57,728,821	2,131,812	-	59,860,633
Infrastructure	127,049,050	3,111,106	-	130,160,156
Equipment	35,862,617	1,775,832	1,820,848	35,817,601
	<u>403,426,048</u>	<u>16,180,417</u>	<u>5,083,321</u>	<u>414,523,144</u>
Less accumulated depreciation				
Buildings	67,552,986	2,266,323	-	69,819,309
Improvements, other than buildings	23,011,124	2,093,503	-	25,104,627
Infrastructure	30,720,502	4,785,560	-	35,506,062
Equipment	30,700,302	1,251,397	1,736,765	30,214,934
	<u>151,984,914</u>	<u>10,396,783</u>	<u>1,736,765</u>	<u>160,644,932</u>
Net capital assets	<u>\$ 251,441,134</u>	<u>\$ 5,783,634</u>	<u>\$ 3,346,556</u>	<u>\$ 253,878,212</u>
Business-type Activities				
Non-depreciable assets:				
Land	\$ 45,854,236	\$ 376,709	\$ -	\$ 46,230,945
Construction in process	38,783,489	38,727,435	30,863,463	46,647,461
Depreciable assets:				
Buildings	120,282,380	2,174,132	-	122,456,512
Improvements	53,572,669	830,784	-	54,403,453
Machinery and equipment	109,276,587	11,857,362	10,764,799	110,369,150
Electric transmission and distribution	446,244,852	11,834,891	318,784	457,760,959
Water transmission and distribution	134,687,175	3,250,973	2,134	137,936,014
Pumping stations	29,188,323	395,883	10,419	29,573,787
Sewer lines	86,753,644	558,620	-	87,312,264
Sewer plants	64,778,801	597,262	150,137	65,225,926
Electric and water plant in service	738,093,341	29,351,644	6,118,189	761,326,796
	<u>1,867,515,497</u>	<u>99,955,695</u>	<u>48,227,925</u>	<u>1,919,243,267</u>
Less accumulated depreciation:				
Buildings	59,019,742	3,951,912	-	62,971,654
Improvements	29,043,114	1,874,986	-	30,918,100
Machinery and equipment	71,181,795	10,663,134	9,682,489	72,162,440
Electric transmission and distribution	145,691,725	12,493,848	100,633	158,084,940
Water transmission and distribution	37,238,660	2,588,373	7,167	39,819,866
Pumping stations	6,360,483	757,762	492	7,117,753
Sewer lines	24,719,132	1,943,569	-	26,662,701
Sewer plants	38,893,742	881,947	5,317	39,770,372
Electric and water plant in service	383,950,847	25,435,677	1,713,251	407,673,273
	<u>796,099,240</u>	<u>60,591,208</u>	<u>11,509,349</u>	<u>845,181,099</u>
Net capital assets	<u>\$ 1,071,416,257</u>	<u>\$ 39,364,487</u>	<u>\$ 36,718,576</u>	<u>\$ 1,074,062,168</u>

NOTES TO FINANCIAL STATEMENTSNOTE 4 –CAPITAL ASSETS (continued)**B. Depreciation Expense**

Included in the government-wide Statement of Activities is depreciation expense for the year ended September 30, 2013, distributed to governmental and business-type functions as follows:

Governmental activities:	
General government	\$ 711,101
Public safety	1,152,716
Physical environment	674,136
Transportation, including depreciation of general infrastructure assets	4,297,996
Economic environment	361,541
Culture/recreation	3,199,293
Total depreciation expense - governmental activities	<u>\$ 10,396,783</u>
Business-type activities:	
Electric	\$ 40,602,636
Water and Wastewater	8,222,812
Parking	172,824
Lakeland Center	1,060,154
Lakeland Linder Regional Airport	3,006,559
Solid Waste	74,093
Cleveland Heights Golf Course	208,839
Internal Service Funds	7,243,291
	<u>\$ 60,591,208</u>
Contributions in aid of construction - Lakeland Electric Utilities	(2,797,267)
Total depreciation expense - business-type activities	<u>\$ 57,793,941</u>

NOTE 5 –INTERFUND BALANCES AND TRANSFERS**A. Interfund Receivables and Payables**

Individual fund interfund receivables and payables at September 30, 2013 are presented in the following table.

Advances from and Due to other funds	Advances to and Due from other funds		
	General Fund	Internal Service Funds	Totals
Internal Service Funds	\$ -	\$ 13,580,524	\$ 13,580,524
Nonmajor Enterprise Funds	-	10,479,427	10,479,427
Fiduciary Funds	2,419,115	-	2,419,115
Totals	<u>\$ 2,419,115</u>	<u>\$ 24,059,951</u>	<u>\$ 26,479,066</u>

The interfund balance of the Internal Service Funds represents the unpaid component of internal loans issued from an internal service fund to finance various capital and operating projects. Of this amount, \$21,466,507 is to be repaid over a period exceeding one year.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (Continued)

B. Interfund Transfers

Interfund transfers for the year ending September 30, 2013 are presented in the following table:

Interfund Transfers From:	Interfund Transfers To:				
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 559,676	\$ 2,302,763	\$ 711,798	\$ 3,574,237
Nonmajor Governmental Funds	5,403,791	2,634,074	2,099,274	443,817	10,580,956
Department of Electric Utilities	23,481,207	62,394	-	551,614	24,095,215
Water & Wastewater Utilities Fund	7,361,000	22,164	-	387,703	7,770,867
Nonmajor Enterprise Funds	1,300,000	49,736	-	760,957	2,110,693
Internal Service Funds	9,299	16,120	-	100,000	125,419
Total	<u>\$ 37,555,297</u>	<u>\$ 3,344,164</u>	<u>\$ 4,402,037</u>	<u>\$ 2,955,889</u>	<u>\$ 48,257,387</u>

The majority of transfers are made for the purpose of subsidizing recurring operating losses incurred within funds whose programs and activities do not generate sufficient dedicated revenues to finance those costs in their entirety. Transfers to the Internal Service Funds are intended to finance capital acquisitions accounted for in internal service funds. There are no other significant transfers occurring on a routine basis.

NOTE 6 – LONG-TERM LIABILITIES

A. Totals by Activity

The following is a summary of long-term obligation transactions of the City for the year ended September 30, 2013. Additional details are provided on subsequent pages.

	Balance October 1, 2012	Incurred	Satisfied	Balance September 30, 2013	Amount Due within One Year
Governmental Activities:					
Notes and loans payable	\$ 2,212,164	\$ -	\$ 370,649	\$ 1,841,515	\$ 209,469
Revenue Bonds Payable	40,845,172	3,329,339	6,407,734	37,766,777	2,732,394
Unamortized bond discount	(6,392)	-	(6,392)	-	-
Net OPEB Obligation	13,962,758	5,019,998	1,827,338	17,155,418	-
Compensated Absences	6,043,259	768,515	328,809	6,482,965	1,511,349
	<u>63,056,961</u>	<u>9,117,852</u>	<u>8,928,138</u>	<u>63,246,675</u>	<u>4,453,212</u>
Business-type Activities:					
Notes and loans payable	40,706,253	1,572,285	3,306,691	38,971,847	3,217,335
Revenue Bonds Payable	591,634,793	17,015,000	52,344,872	556,304,921	25,268,801
Unamortized bond premium	30,631,172	-	2,679,446	27,951,726	-
Net OPEB Obligation	17,302,242	5,878,002	2,139,662	21,040,582	-
Compensated Absences	8,277,098	106,374	107,723	8,275,749	999,723
Accreted Interest Payable	9,425,749	-	4,331,088	5,094,661	-
	<u>697,977,307</u>	<u>24,571,661</u>	<u>64,909,482</u>	<u>657,639,486</u>	<u>29,485,859</u>
	<u>\$ 761,034,268</u>	<u>\$ 33,689,513</u>	<u>\$ 73,837,620</u>	<u>\$ 720,886,161</u>	<u>\$ 33,939,071</u>

NOTES TO FINANCIAL STATEMENTSNOTE 6 – LONG-TERM LIABILITIES (continued)**A. Totals by Activity (continued)**

Revenue bond obligations issued for the benefit of governmental activities are paid from amounts accumulated in legally required sinking funds maintained in the debt service fund. Loans issued for the benefit of governmental activities are not secured by one specific revenue pledge. These obligations are repaid directly from various revenue sources accounted for within special revenue funds.

Long-term obligations payable from the resources of business-type activities are paid from the net revenues generated by those activities.

Other long-term liabilities of governmental activities consisting of compensated absences are repaid as employees separate from service, using current revenues of the general fund as the funding source.

Long-term obligations are classified in the Statement of Net Position as follows:

	Governmental Activities	Business-type Activities	Total
<u>Current</u>			
Notes payable	\$ 209,469	\$ 2,501,915	\$ 2,711,384
Revenue bonds payable	293,000	890,000	1,183,000
Payable from apportioned assets:			
Revenue bonds payable	-	21,803,195	21,803,195
Payable from restricted assets:			
Notes payable	-	715,420	715,420
Revenue bonds payable	2,439,394	2,575,606	5,015,000
Accrued liabilities:			
Compensated absences	1,511,349	999,723	2,511,072
<u>Other liabilities</u>			
Notes payable	1,632,046	35,021,580	36,653,626
Revenue bonds payable	35,034,383	531,031,120	566,065,503
Unamortized bond premium	-	27,951,726	27,951,726
Accrued liabilities:			
Compensated absences	4,971,616	7,276,026	12,247,642
Accreted interest payable	-	5,094,661	5,094,661
Net OPEB Obligation	17,155,418	21,040,582	38,196,000
<u>Restricted</u>			
Notes payable	-	732,932	732,932
Revenue bonds payable	-	5,000	5,000
	<u>\$ 63,246,675</u>	<u>\$ 657,639,486</u>	<u>\$ 720,886,161</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds

Revenue bonds issued and outstanding as of September 30, 2013 are as follows:

Purpose	Series	Issue Amount	Maturity Date	Interest Rates	Year-end Balances
Governmental Activities:					
Capital Improvement Refunding Note, Series 2012A	2012A	\$ 593,000	10/01/14	0.0175	\$ 593,000
Capital Improvement Refunding Note, Series 2012A	2012A	10,430,543	10/01/22	0.0175	10,430,543
Capital Improvement Revenue Bonds	2010A	17,868,141	10/01/23	3.00 to 5.00	17,868,141
Capital Improvement Revenue Bonds	2010C	8,875,093	10/01/28	5.929 to 6.029	8,875,093
					<u>37,766,777</u>
Business Type Activities:					
Capital Improvement Refunding Note, Series 2012A	2012A	4,959,457	10/01/22	0.0175	4,959,457
Capital Improvement Refunding Note, Series 2012B	2012B	1,625,000	10/01/17	0.0103	1,625,000
Capital Improvement Revenue Bonds	2010A	30,621,859	10/01/23	3.00 to 5.00	22,456,859
Capital Improvement Revenue Bonds	2010B	10,140,000	10/01/20	4.407	8,905,000
Capital Improvement Revenue Bonds	2010C	12,239,907	10/01/40	5.929 to 6.029	12,239,907
Electric Refunding Revenue Bonds	1999A	195,635,409	10/01/15	3.050 to 5.000	10,328,698
Energy System Refunding Revenue Bonds	1999B	144,305,000	10/01/14	5.30 to 6.55	15,310,000
Energy System Refunding Revenue Bonds	1999C	64,525,000	10/01/12	5.30 to 6.55	-
Energy System Revenue and Refunding Bonds	2006	44,870,000	10/01/36	4.00 to 5.00	40,290,000
Energy System Refunding Bonds	2009	199,225,000	10/01/14	Variable rate	99,225,000
Energy System Revenue and Refunding Bonds	2010	199,300,000	10/01/36	4.000 to 5.250	197,950,000
Energy System Refunding Bonds, Series 2012	2012	100,000,000	10/01/17	Variable rate	100,000,000
Water and Wastewater Revenue Refunding and Improvement Bonds	2002	72,755,000	10/01/33	3.50 to 5.00	5,000
Water and Wastewater Revenue Refunding and Improvement Bonds	2012A	37,325,000	10/01/32	.930 to 5.000	37,325,000
Water and Wastewater Revenue Refunding and Improvement Bonds	2012B	6,750,000	10/01/16	.930 to 5.000	5,685,000
					<u>556,304,921</u>
					<u>\$ 594,071,698</u>

Capital Improvement Revenue and Refunding Bonds, Series 2010

In September 2010, the City issued Capital Improvement Revenue and Refunding Bonds, Series A, B, & C in the amounts of \$48,490,000, \$10,140,000, and \$21,115,000 respectively to finance the cost of various capital improvements in the City, to refund, on a current basis, all of the City's outstanding Capital Improvement Revenue Bonds, Refunding Series 1997, and certain other outstanding indebtedness of the City (Sunshine Loans), and to pay certain costs and expenses related to the issuance of the Series 2010 Bonds. The Series 2010A bonds will mature on October 1, 2023. The Series 2010B bonds will mature on October 1, 2020. The Series 2010C bonds will mature on October 1, 2040. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total interest requirement of these bonds aggregate \$32,978,672.

The current refunding reduced the aggregate debt service requirement for the City from \$36.9 million to \$36.3 million over the remaining ten year life of the bonds. The transaction also resulted in recognition of a loss on refunding of \$526,082, representing the difference in the carrying value of the new debt and the refunded debt, including the write-off and recognition of unamortized bond issue costs associated with each issue.

The Capital Improvement Revenue Bonds are secured by a covenant to budget and appropriate non-ad valorem revenues of the City in sufficient annual amounts to satisfy the debt service requirements on those bonds in each such fiscal year. The City pledged future non ad-valorem revenues to repay \$79,745,000 Capital Improvement Revenue and Refunding bonds. The total principal and interest remaining to be paid on the Capital Improvement Revenue bonds is \$95,137,226.

The Capital Improvement bonds require the establishment of debt service reserve accounts and sinking funds to accumulate the funds needed to make annual debt service payments. Principal and Interest paid for the current year and total non-ad valorem revenues were \$8,375,667 and \$81,855,337 respectively.

NOTES TO FINANCIAL STATEMENTS**NOTE 6 – LONG-TERM LIABILITIES (continued)****B. Revenue Bonds (continued)**Capital Improvement Refunding Note, Series 2012

In September 2013, the City issued Capital Improvement Refunding Notes, Series A, and B, in the amounts of \$15,983,000, and \$1,625,000 respectively to, to refund, on a current basis, all of the City's outstanding 2002 Utility Tax Revenue Refunding Bonds, Series A and B, and 2002 Tourist Development Series C and to pay certain costs and expenses relating to the issuance of the Series 2012 Bonds. The Series 2012A bonds will mature on October 1, 2014 and October 1, 2022. The Series 2012B bonds will mature on October 1, 2017. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total interest requirement of these bonds aggregate \$1,615,586.

Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002

In August 2002, the City issued the Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002 in the amount of \$72,755,000 to finance the cost of acquisition, construction, and installation of improvements to the City's water and sewer utility system, to refund, on a current basis, all of the City's outstanding Wastewater System Revenue Bonds, Refunding Series 1993, and to pay certain costs and expenses relating to the issuance of the Series 2002 Bonds. These bonds will mature on October 1, 2027 and October 1, 2033. Principal and interest payments are payable October 1 of each year. The total interest requirement for these bonds aggregate \$30,559,799.

The Series 2002 Bonds are secured by an irrevocable, valid, and binding lien 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, therein, all in the manner and to the extent provided in the Bond Ordinance. In January 2012, the City refunding a majority of the Series 2002 Bonds with the issuance of the Series 2012 A & B Bonds. The total principal and interest remaining to be paid on the Water and Wastewater Revenue Refunding and Improvement Bonds is \$5,745. Principal and interest paid for the current year and total net customer revenues were \$3,408,284 and \$20,717,446 respectively.

Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012

In January 2012, the City issued the Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A in the amount of \$37,325,000 to (i) refund a portion of the City's outstanding Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002, and (ii) pay certain costs and expenses relating to the issuance of the Series 2012A Bonds. These Bonds will mature on October 1, 2032. In January 2012, the City issued the Water and Wastewater Revenue Refunding Bonds, Series 2012B in the amount of \$6,750,000 to (i) refund a portion of the Series 2002 Bonds, and (ii) pay certain costs and expenses relating to the issuance of the Series 2012B Bonds. These Bonds will mature on October 1, 2016.

The Series 2012 Bonds are subject to optional and mandatory redemption payable October 1 of each year. Interest on the Series 2012 Bonds is payable on October 1 and April 1 of each year. The total interest requirement for these bonds aggregate \$24,554,427.

The current refunding reduced the aggregate debt service requirement for the City from \$82.2 million to \$71.6 million over the remaining twenty-two year life of the bonds. The transaction resulted in a recognized net gain on refunding of \$1,849,547, representing the difference in the carrying value of the new debt and the refunded debt, including the write-off and recognition of unamortized bond issue costs associated with each issue.

The Series 2012 Bonds are secured by an irrevocable, valid, and binding lien on and security interest in the gross revenues derived from the operation of the City's Water and Wastewater Utility system, certain connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, on parity with the Series 2002 Bonds that matured on October 2012, and a portion of the Series 2002 Bonds that mature on October 1, 2016, all of which are not being refunded in connection with the issuance of the Series 2012 Bonds, all in the manner and to the extent provided in the Bond Ordinance. The total principal and interest remaining to be paid on the Series 2012 Bonds is \$65,334,201. Principal and interest paid for the current year and total net customer revenues were \$2,892,997 and \$20,717,446 respectively.

NOTES TO FINANCIAL STATEMENTS**NOTE 6 – LONG-TERM LIABILITIES (continued)****B. Revenue Bonds (continued)**Electric Revenue Refunding Bonds, Series 1999 A, B, & C

In April 1999, the City issued the Electric Revenue Refunding Bonds, Series 1999A in the amount of \$195,635,409 to provide funds to refund all of the City's outstanding Electric & Water Revenue Bonds, Series 1989, the Electric & Water Revenue Bonds, Series 1996, and the Electric & Water Revenue Bonds, Series 1996B, and to pay certain costs and expenses related to the issuance of the Series 1999A Bonds. These bonds will mature on October 1, 2015. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. The majority of these bonds were refunded in October of 2010. The remaining principal and interest requirement on these bonds aggregate to \$21,240,004.

In April 1999, the City issued the Electric Revenue Refunding Bonds, Series 1999B in the amount of \$144,305,000 in exchange for the City's outstanding Electric & Water Revenue Bonds (Junior Subordinate Lien), Refunding Series 1996. The bonds will mature on October 1, 2014. Interest is payable October 1 and April 1 of each year. The remaining principal and interest requirement for these bonds aggregate to \$16,287,075.

In April 1999, the City issued the Energy System Refunding Revenue Bonds, Series 1999C in the amount of \$64,525,000 in exchange for the City's outstanding Electric & Water Revenue Bonds (Junior Subordinate Lien), Refunding Series 1996B. The bonds will mature on October 1, 2012. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. There is no remaining principal and interest requirement for these bonds.

Energy System Revenue and Refunding Bonds, Series 2006

In August 2006, the City issued the Energy System Revenue and Refunding Bonds, Series 2006 in the amount of \$44,870,000 to finance certain capital improvements for the electric power system of the City, to refund, on a current basis, a portion of the City's outstanding Energy System Refunding Revenue Bonds, Series 1999B, and to pay certain costs and expenses related to the issuance of the Bonds. The bonds mature on October 1, 2036. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. The remaining principal and interest requirement for these bonds aggregate to \$68,227,273.

Variable Rate Energy System Refunding Bonds, Series 2009

In October 2009, the City issued the Energy System Variable Rate Refunding Bonds, Series 2009 in the amount of \$199,225,000 to refund on a current basis all of the City's outstanding Variable Rate Energy System Revenue and Refunding Bonds, Series 2008A and Variable Rate Energy System Revenue and Refunding Bonds, Series 2008B and to pay certain costs and expenses related to the issuance of the Bonds. The bonds mature on October 1, 2014. Principal payments are payable October 1 2012 and 2014 interest payments are payable October 1 and April 1 of each year. In August 2012, the City refunded \$100 million of the Series 2009 Bonds with the issuance of the Energy System Refunding Bonds, Series 2012 Bonds. The Bonds shall bear interest at the adjusted SIFMA rate for each maturity plus the per annum spread. The adjusted SIFMA rate shall never exceed an interest rate per annum equal to the lesser of the maximum rate permitted by law and 12%. The remaining principal and interest requirement for these bonds aggregate to \$114,413,754, assuming that the bonds are refinanced based on amortization schedules associated with the interest rate swaps that convert these obligations to a synthetic fixed rate.

Energy System Refunding and Revenue Bonds, Series 2010

In October 2010, the City issued the Energy System Revenue and Refunding Bonds, Series 2010 in the amount of \$199,300,000 to (1) finance certain capital improvements to the electric power system of the City, (2) to refund on a current basis, a portion of the City's outstanding Electric and Water Refunding Revenue Bonds, Series 1999A and to refund on an advance basis, all of the City's outstanding Energy System Revenue Bonds, Series 2001B, (3) to pay costs associated with the termination of a conditional bond warrant agreement, and (4) to pay certain costs and expenses related to the issuance of the Bonds. The bonds mature on October 1, 2011. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. The remaining principal and interest requirement for these bonds aggregate to \$303,293,913.

The current and advance refunding reduced the aggregate debt service requirement on the refunded bonds only nominally from \$308.2 million to \$308.0 million over the remaining twenty-five year life of the bonds. The majority of the financial benefit of the transaction was monetized in January of 2007 when the City sold a warrant to Goldman Sachs for the price of \$7,680,000. That warrant gave Goldman Sachs the right to compel the City to refund the 1999A bonds. In addition to those proceeds, there was approximately \$2,200,000 in net cash proceeds from the refunding paid to the City to finance capital projects.

The transaction also resulted in recognition of a loss on refunding of \$13,165,887, representing the difference in the carrying value of the new debt and the refunded debt, including the write-off and recognition of unamortized bond issue costs associated with each issue, the write-off of unamortized loss on refunding from a previous refunding transaction associated with the 1999A bonds of \$1,222,088, and the monetization of \$7,680,000 of future decreases of debt service costs.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds (continued)

Variable Rate Energy System Refunding Bonds, Series 2012

In August 2012, the City issued the Variable Rate Energy System Refunding Bonds, Series 2012 in the amount of \$100,000,000 to (i) refund, on a current basis, the portion of the City's outstanding Variable Rate Energy System Refunding Bonds, Series 2009 (\$100,000,000) which matured on October 1, 2012 and (ii) pay certain costs and expenses related to the issuance of the Series 2012 Bonds. The bonds mature on October 1, 2017. Principal and interest payments are payable on October 1 of each year. The Bonds shall bear interest at the adjusted SIFMA rate for each maturity plus the per annum spread. The adjusted SIFMA rate shall never exceed an interest rate per annum equal to the lesser of the maximum rate permitted by law and 12%. The remaining principal and interest requirements for these bonds aggregate to \$115,307,382.

There was no gain or loss on refunding of the debt.

The Electric and Energy bonds series are secured by a pledge of operating revenues of the Electric Utility. The total principal and interest remaining to be paid on all of the Electric Revenue Bonds is \$638,769,401. Principal and interest paid for the current year and total net customer revenues were \$46,626,384 and \$90,272,554 respectively.

As of September 30, 2013, the City is in compliance with all required covenants of the bond ordinances, including compliance with federal arbitrage regulations.

C. Promissory Notes

Outstanding loans as of September 30, 2013 are as follows:

Lender	Issue Amount	Maturity Date	Interest Rates	Year-end Balances
Governmental Activities:				
Nally Property	455,000	01/01/18	N/A	\$ 130,000
US Bancorp	1,280,000	02/10/22	3.07%	943,168
Key Financial	975,000	03/21/21	4.24%	768,347
				<u>1,841,515</u>
Business Type Activities:				
Caterpillar	1,572,285	02/05/18	2.600%	1,406,546
Wastewater Revolving Loan Program	13,655,627	03/31/15	2.450%	1,448,352
Wastewater Revolving Loan Program	42,713,194	09/30/28	2.960%	34,684,331
Caterpillar	671,176	06/01/15	5.210%	217,825
PNC Bank	413,952	01/20/15	5.700%	212,165
US Bancorp	1,166,640	02/10/22	3.070%	1,002,628
				<u>38,971,847</u>
				<u>\$ 40,813,362</u>

The debt service requirements of promissory notes are not secured by pledges of any specific revenue sources of the City. Annual debt service payments are made from a variety of non-ad valorem revenues.

In March 1994, the City entered into an agreement with the State of Florida Department of Environmental Protection (FDEP) under a Federal program 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 initial loan was executed in two installments carrying separate rates of interest, but with identical repayment terms. The loans carry a fixed interest rate of 2.36% and 2.59% and are to be repaid over a period of 20 years. A second loan was issued in January 2004 and has a fixed interest rate of 2.96% to be repaid over a period of 20 years. The loans are secured by a pledge of excess revenues of the wastewater system, and by a pledge of certain amounts, deposited into a loan amortization account and loan amortization reserve established by the City for the purpose of funding future debt service on the loans. Amounts required for deposit are classified as restricted assets.

As of September 30, 2013, the City is in compliance with all covenants of these loan agreements.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES (continued)

D. Conduit Debt

The City has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. This includes bonds issued to provide financial assistance for the acquisition and construction of retirement and nursing home facilities having an unmatured principal balance of \$23,860,000 as of September 30, 2013; bonds issued to finance capital improvements at the Lakeland Regional Medical Center having an unmatured principal balance of \$174,820,000 as of September 30, 2013; and bonds issued to finance and refinance the acquisition, construction, and equipping of educational facilities located in the City of Lakeland having an unmatured principal balance of \$40,253,338,000 as of September 30, 2013.

Neither the City nor any political subdivision thereof is obligated in any manner for repayment of these bonds.

E. Debt Service Requirement to Maturity

The requirements to repay all long-term debt outstanding as of September 30, 2013 are summarized in the following table.

Year	Governmental Activities:		Business Type Activities:	
	Principal	Interest	Principal	Interest
2014	\$ 2,941,863	\$ 1,587,651	\$ 28,486,136	\$ 24,341,584
2015	6,492,509	1,962,391	26,205,404	23,314,977
2016	4,910,429	1,374,196	29,098,729	16,753,006
2017	4,608,412	1,060,215	29,164,614	15,651,847
2018	8,438,989	1,031,665	25,444,771	14,253,846
2019-2023	3,340,997	1,165,238	132,693,292	58,477,233
2024-2028	8,875,093	397,998	108,383,253	40,914,730
2029-2033	-	-	109,445,569	23,330,318
2034-2038	-	-	102,985,000	6,883,718
2039-2043	-	-	3,370,000	201,619
	<u>\$ 39,608,292</u>	<u>\$ 8,579,354</u>	<u>\$ 595,276,768</u>	<u>\$ 224,122,878</u>

F. Interest Rate Swaps

As a means to reduce borrowing costs, and to hedge the variable rate exposure related to certain bonds, the City has entered into a number of interest rate swap agreements.

An interest rate swap is a derivative i.e. a financial instrument whose value and terms are derived from a specified financial index (SIFMA). In the case of the interest rate swaps employed by the City of Lakeland, the intent is two-fold. First to achieve an all-in financing cost (representing interest payments to bondholders combined with net interest payments and receipts on the derivatives) that is less than the financing cost associated with traditional fixed rate bonds based on market conditions at the time of each bond issue. The second objective is to minimize the interest rate risk associated with the inherent volatility associated with "naked" variable rate debt. Under the terms of these interest rate swaps, the City of Lakeland pays an amount to a counterparty that is based on a specified notional amount (which closely approximates the outstanding principal amount of the related bonds) times a specified fixed interest rate. In exchange, the counterparty makes a payment to the City that is based on the same notional amount times a variable rate of interest. When the variable and fixed components of the interest rate swaps are combined with the variable cash payments made by the City to the actual bondholders, the end result is a net, fixed rate of interest.

In the case of the City's interest rate swaps, effectiveness testing measures the extent to which the terms of the interest rate swaps insulated the City from changes in the market rate of interest payable on the bonds. The City of Lakeland's interest rate swaps have been evaluated using all of the methods cited above except the dollar-offset method. All of the interest rate swaps employed by the City have passed at least one of the effectiveness tests prescribed by the GASB 53. Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES (continued)

F. Interest Rate Swaps (continued)

2004 Basis Swap

As a means to reduce borrowing costs of a portion of the Electric and Water Refunding Revenue Bonds Series 1999A, the City entered into an interest rate swap in June 2004. On October 20, 2010, the City refunded a large portion of the Series 1999A bonds. The City has elected to apply the existing swap agreement to the related 2010 refunding bonds.

Under the swap agreement, the City pays CitiGroup Financial Products Inc. (the counterparty) a payment equal to \$159.265 million (the notional amount) times an interest rate equal to the SIFMA Municipal Bond index. In return, the counterparty pays the City an amount equal the notional amount times an interest rate equal to 67 percent of the three-month USD-LIBOR-BBA index, plus a spread of .046%. To the extent the relationship between SIFMA and LIBOR approximates a marginal tax rate of more than 33 percent; the net borrowing costs on the underlying debt will be reduced. During FY2013 the counterparty paid the City some \$.9 million under the agreement, reducing the City's net borrowing cost by that amount. Since inception, the counterparty has paid the City approximately \$7.2 million, reducing the City's net borrowing cost since 2004, by that amount. Settlement payments to the City have been positive in each fiscal year since inception.

The notional amount of the swap amortizes, approximating the amount of the outstanding bonds. Settlement payments are made semi-annually. The City is exposed to counterparty credit risk because the swap had a positive fair value. The City is exposed to basis risk to the extent the relationship of SIFMA to LIBOR increases to greater than 33 percent. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or a rating downgrade by Moody's or S&P issued to either the City or the counterparty.

As of September 30, 2012 the swap had a fair market value of \$1,579.

Variable Rate Hedges

As a means to hedge the variable rate risk exposure related to certain variable rate Electric System bonds, the City has entered into several interest rate swap agreements. These agreements, which were entered into between 2001 and 2008, were related to certain prior variable rate debt, which has been refunded. The City has elected to apply the existing swap agreements to hedge the new variable rate refunding debt. The existing swap agreements are summarized in the chart below.

Notional 9/30/2013	Counterparty	Start Date	Maturity Date	City Receives	City Pays	Fair Market Value 9/30/2013
30,000,000	Citigroup Global Markets Holdings, Inc.	03/23/06	10/01/35	SIFMA	4.28%	\$ (5,835,473)
60,000,000	Goldman Sachs Mitsui Marine Derivative Products, LP	03/23/06	10/01/35	SIFMA	4.28%	(11,670,937)
90,000,000	Citigroup Global Markets Holdings, Inc.	06/14/01	05/01/21	74.12% of 1 mo. LIBOR	SIFMA	(952,819)
47,860,000	Citigroup Global Markets Holdings, Inc.	01/22/03	10/01/37	67% of 1 mo. LIBOR	3.74%	(11,047,189)
53,005,000	Goldman Sachs Mitsui Marine Derivative Products, LP	07/30/08	10/01/37	67% of 1 mo. LIBOR	3.16%	(5,742,906)
						<u>\$ (35,249,324)</u>

NOTES TO FINANCIAL STATEMENTS**NOTE 6 – LONG-TERM LIABILITIES (continued)****F. Interest Rate Swaps (continued)**

As a result of the swap agreements, the City will receive (on a combined basis) variable rate payments equal to between 67% and 74.125% of LIBOR times the notional amount of the swap agreements. The notional amount of the swap agreements roughly corresponds to the outstanding amount of the Series 2009 and 2012 variable rate bonds. In return, the City will make fixed rate payments of between 3.163% and 4.283% times the notional amount of the swap agreements. These agreements fix the variable rate exposure of the 2009 and 2012 bonds at the fixed rates noted above (plus the fixed rate spread paid on the bonds) to the extent that the variable rate payments received by the City under the swap agreements are equal to the variable rates paid by the City on the 2009 and 2012 Bonds. The City is subject to the basis risk between the LIBOR based variable rates it receives and the actual rates paid on the 2009 and 2012 bonds, which are based on SIFMA. Over time the variable rates paid and received are expected to be equivalent.

The swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or rating downgrades to either counterparty. As of September 30, 2013, the City was not subject to credit risk with its counterparties because the fair market values of the swap agreements were negative.

Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred (see Note 1 P).

G. Refunding Transactions

In December 2012, the City issued the Capital Improvement Refunding Note, Series 2012A and 2012B in the amount of \$15,983,000 and \$1,625,000 respectively to (i) refund the City's outstanding Utility Tax Revenue Bonds, Series 2002 A & B and the Tourist Development Tax and Utilities Tax Revenue Refunding Bonds, Series 2002, and (ii) pay certain costs and expenses relating to the issuance of the Series 2012 Notes. These Notes will mature on October 1, 2022. The transaction resulted in a net loss on refunding of \$966,362 which is to be amortized over the life of the replacement notes. The net loss was the result of the early write-off of the unamortized bond premium/discount and loss from the Series 2002 bonds. The incremental cost of the transaction was approximately \$62,000, which was recognized as expense.

NOTE 7 – INTEREST EXPENSE

All interest expense of governmental activities is disclosed separately from related functional expenses on the government-wide Statement of Activities. Interest expense of business-type activities is consolidated into the functional expense categories on the government-wide Statement of Activities. The total amount of interest charged to expenses and the total amount capitalized for the year ended September 30, 2013 is as follows:

	Governmental Activities	Business-type Activities
Amount charged to expense	\$ 2,251,317	\$ 30,248,767
Add: interest expense capitalized	-	833,760
Total	<u>\$ 2,251,317</u>	<u>\$ 31,082,527</u>

NOTE 8 – LEASES

The Lakeland Linder Regional Airport leases land and commercial and industrial space to a variety of tenants. These leases contain terms ranging from 1 to 60 years. Total revenue earned under these leases for the year ended September 30, 2013 was \$3,880,571. The City has leased the operations of the Lakeland Regional Medical Center to a private not-for-profit corporation. Under the terms of this agreement, the lessee is to pay the City an amount equal to 2.25 percent of certain net revenues. This lease expires in October 2033, and may be extended by mutual agreement. The amount recorded as lease revenues in the current year is \$12,100,000. The projected lease revenue on leases having initial or remaining terms of more than one year is as follows:

Fiscal Year	Airport	LRMC
2014	\$ 3,763,853	\$ 12,100,000
2015	3,963,856	12,463,000
2016	4,117,907	12,837,000
2017	4,226,967	13,222,000
2018	4,336,027	13,619,000
Thereafter	33,227,917	223,425,000
Total future minimum lease revenue	<u>\$ 53,636,527</u>	<u>\$ 287,666,000</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LEASES (continued)

Included in the description of long-term liabilities in Note 6 (PCN, Caterpillar Lease, and US Bancorp) is the carrying value of capital leases that the City has entered into for the acquisition of golf carts for the benefit of the City-owned golf course, a coal loader at McIntosh Unit 3, and various HVAC Equipment purchases and installations at the Lakeland Center. Information about these leases is as follows:

Assets acquired under capital lease program:

Machinery and equipment:

Original cost	\$	3,824,053
Carrying value		2,894,021
Current depreciation expense		357,192

Lease obligations remaining to be paid:

Current	607,752
Long-Term	2,231,412
	<u>\$ 2,839,164</u>

Future minimum lease payments:

	Total	Interest	Net
2014	\$ 698,335	\$ 90,583	\$ 607,752
2015	923,179	282,306	640,873
2017	464,878	39,805	425,073
2018	464,878	28,938	435,940
2019	269,060	18,951	250,109
2020	129,192	14,718	114,474
2021	129,192	11,204	117,988
2022	129,193	7,582	121,611
2023	129,192	3,848	125,344
	<u>\$ 3,337,099</u>	<u>\$ 497,935</u>	<u>\$ 2,839,164</u>

NOTE 9 – DONOR RESTRICTED ENDOWMENTS

The City is the recipient of donor-restricted endowments used to finance maintenance of a mausoleum located at a City-owned cemetery, and to purchase reading materials for the City-owned library system. Total assets held by the City for these endowments equaled \$197,798 as of September 30, 2013. The dollar value of these assets experienced a net appreciation of \$8,290 for the year ended September 30, 2013.

Funds are expended in accordance with the terms of the original endowments, which were established by City Ordinance. Expenditure of investment income and other appreciation is controlled by the City's Parks and Recreation Department, subject to the scrutiny of the City's Finance Department.

The net position is reported in the Government-wide Statement of Net Position under Governmental Activities as restricted for endowments – nonexpendable, and as a component of nonspendable fund balance of "Other Governmental Funds" within the Governmental Funds in the Fund Financial Statements.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – RISK FINANCING ACTIVITIES

The City has established a self-insurance fund for worker's compensation, general liability, automobile liability, prescriptions, and health insurance. Significant losses from other forms of risk, including property damage, are covered by commercial insurance. Settlements have not exceeded the cost of insurance coverage in any of the past three years.

At year-end, claim expense accounts and liabilities are adjusted in the health insurance and self-insurance reserves to accrue any changes in unpaid claims outstanding at year-end and the estimated liability for incurred but not reported claims (IBNR). The IBNR includes known and unknown loss events and expected future development on claims already reported.

The IBNR reserve for the self-insurance reserve portion of the fund is the actuarially determined funding requirement minus any unpaid claims outstanding at year-end (current liability). As of September 30, 2013, the current claims due within one year for the self-insurance reserve portion were \$4,587,000. The IBNR reserve for the health insurance reserve portion of the fund is actuarially determined, plus any unpaid claims outstanding at year-end (current liability). As of September 30, 2013, the claims due within one year for the health insurance reserve portion were \$2,624,734. City policy requires that all claims be submitted to the administrator within 90 days of the date of service. Claims received after that period will not be paid. However, any possible liability related to any such claims must be recognized. Expenses resulting from these claims could be incurred over subsequent periods.

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, 2013, the City paid \$775,969 in premiums for its stop-loss insurance policy and no amounts were deducted from claims liability.

All claims pending and a provision for incurred but not reported claims have been accrued in the financial statements of the self-insurance fund. A reconciliation of the change in the aggregate liabilities reported as liabilities payable from apportioned assets in the Basic Financial Statements of the self-insurance fund as of September 30, 2013 is as follows:

	2013
Claims liability at beginning of year	\$ 14,971,489
Claims incurred during the year	(24,020,890)
Changes in the estimate for claims	3,610,031
Claims payments	23,945,624
Claims liability at end of year	<u>\$ 18,506,254</u>
Amount due within one year	
Self insurance reserve	\$ 4,587,000
Health insurance reserve	2,624,734
Total amount due within one year	<u>\$ 7,211,734</u>

NOTE 11 – UTILITY PLANT PARTICIPATION AGREEMENT

On April 4, 1978, the City entered into a fifty-year participation agreement with the Orlando Utilities Commission (OUC). Under the terms of this agreement, the City of Lakeland has a 60 percent interest and OUC a 40 percent interest in McIntosh Unit #3, a 365 MW coal-fired steam generating unit. The Orlando Utilities Commission constructed, at its expense, a 230 KV transmission line to deliver its share of the output to its service area.

The City of Lakeland issued revenue bonds to cover a portion of its initial investment in the plant. OUC also issued revenue bonds to cover a portion of its investment in the plant and the cost of its 230 KV transmission line. Each participant is solely responsible for its debt issued.

The City has operational control of this project and accounts for its undivided ownership interest based on its pro-rata share of the project's construction costs and operating expenses. Capital costs related to renewal and replacement of McIntosh Unit #3 during fiscal year 2013 were \$3,828,381 with an OUC share of \$1,531,352. Shared operating expenses for the fiscal years ending September 30, 2013 and 2012, were as follows:

	City Share	OUC Share	Total
McIntosh unit #3 fuel expense	\$ 35,172,937	\$ 23,448,625	\$ 58,621,562
McIntosh unit #3 direct operating & maintenance expenses	7,059,034	4,706,023	11,765,057
Other shared operating and administrative expenses	3,018,145	2,012,097	5,030,242
	<u>\$ 45,250,116</u>	<u>\$ 30,166,745</u>	<u>\$ 75,416,861</u>

There are no separate financial statements issued for the utility participation agreement.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – FUND BALANCES

Fund Balance – As defined by the Governmental Accounting, Auditing, and Financial Reporting of the Government Finance Officers Association, fund balance is “the difference between assets and liabilities reported in a governmental fund.” In accordance with GASB 54, the funds balances of governmental funds are classified as follows:

- Non-spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.
- Restricted Fund Balance – Amounts that are restricted for a specific purposes when constraints are (a) externally imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – Amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action (ordinance) of the City Commission, the City’s highest level of decision making authority.
- Assigned Fund Balance – Spendable amounts established by Management of the City (i.e. City Manager or designee), per the City’s expenditure and budgetary policy, intended to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds (Debt Service, Capital Projects, and Special Revenue Funds), other than the general fund that are not classified as non-spendable and are neither restricted or committed and (b) amounts in the general fund intended to be used for a specific purpose.
- Unassigned Fund Balance – The residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

A. Non-Spendable Fund Balance

Non-Spendable fund balance as of September 30, 2013 is described below:

Prepays – this represents the value of non-current resources of which the expenditures will be recognized in subsequent periods.

Permanent Fund Principal – this represents the principal amounts of permanent funds that are legally or contractually required to remain intact.

Cemetery Endowment – represents earnings set aside to fund maintenance of all city owned cemeteries after all lots are sold that are contractually required to remain intact.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 –FUND BALANCES (continued)

B. Restricted Fund Balance

Restricted fund balance as of September 30, 2013 is described below:

Restricted for CRA – this represents unexpended resources from property taxes within the Lakeland Community Redevelopment Districts used to finance redevelopment plans of the Agency for residential and commercial activities.

Restricted for Law Enforcement – this represents the value of contraband seized by the Lakeland Police Department. The use of which is restricted by state law.

Restricted for Impact Fee Programs – this represents resources from impact fee collections on new construction projects used for finance transportation, police, fire, and parks & recreation capital related expenditures pursuant to Article VIII of the Florida Constitution and Chapters 163 and 166, Florida Statutes to allocate the fair share of the cost of new public facilities to new users.

Restricted for Transportation – this represents resources such as state and local gas taxes, developer contributions, grants, impact fees, and other revenues used to finance transportation construction and maintenance capital projects.

Restricted for Donations Received – this represents unexpended net position derived contributions and donations given to the City and spendable amounts of permanent funds legally or contractually maintained for specified purposes such as for the purchase of certain books and periodicals, maintenance of certain parks, and maintenance of the Scott Morris Mausoleum.

Restricted for Debt Service – this represents resources accumulated for and the payment of general long-term debt principal and interest.

Restricted for Grant Programs - Community Development – this represents unexpended net position derived from federal and state grant revenues used to finance housing related expenditures.

C. Committed Fund Balances

Committed fund balances in the Fund Financial Statements are as follows:

Stormwater – represents stormwater revenues used to finance stormwater related maintenance and capital expenditures.

D. Assigned Fund Balances

Assigned fund balances in the Fund Financial Statements are as follows:

Subsequent Year's Expenditure – represents the subsequent year's budget fund balance of the General Fund is assigned by City Management as set forth in the annual budget (and any amendments thereto) to appropriate a portion of the existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Cultural Activities – this represents funds assigned by the City Commission to strengthen the cultural organizations of Lakeland; to make their programs more accessible to Lakeland citizens; and to enrich the lives of the citizens.

Capital Projects – this represents funds assigned by the City Commission to finance various construction and maintenance capital projects of the City.

Recreational Facilities – represents revenues assigned by the City Commission for the purpose of capital recreational expenditures.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 12 –FUND BALANCES (continued)

E. Unassigned Fund Balances

Unassigned fund balances in the Fund Financial Statements are as follows:

General Fund – represents the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The governmental fund balance in detail as of September 30, 2013 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable			
Prepays	\$ 312	\$ -	\$ 312
Cemetery Endowment	-	4,122,657	4,122,657
Permanent Fund Principal	-	29,476	29,476
Restricted for:			
CRA	-	8,749,847	8,749,847
Law Enforcement	1,394,298	-	1,394,298
Impact Fee Programs	-	5,833,290	5,833,290
Transportation	-	332,928	332,928
Donations Received	734,611	168,322	902,933
Grant Programs:			
Community Development	-	363,059	363,059
Debt Service	-	1,634,852	1,634,852
Committed to:			
Stormwater	-	5,818,487	5,818,487
Assigned to:			
Subsequent year's expenditures	11,667,133	-	11,667,133
Cultural Activities	820,234	-	820,234
Recreational Facilities	1,516,443	-	1,516,443
Capital Projects	-	7,825,692	7,825,692
Unassigned	5,475,418	-	5,475,418
Total Fund Balance	<u>\$ 21,608,449</u>	<u>\$ 34,878,610</u>	<u>\$ 56,487,059</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFINED BENEFIT PENSION PLANS

The City maintains three separate single employer defined benefit pension plans for its employees. These plans were established by, and are subject to modifications in funding levels and benefits, by ordinance approved by the City Commission. All three plans are subject to periodic review by an independent actuary. This review is used to determine the required funding level upon which the City bases its annual contribution to the Employees' Pension and Retirement System, to the Police Officers' Defined Benefit Retirement System, and the Firefighters' Retirement System.

The City obtains annual reviews by independent actuaries. Each year, the actuary completes a review utilizing census data covering both retired and active members of each plan and balance sheet data regarding net position of the plan based on an effective date of October 1. Those reports are generally issued within 6 months of the end of the fiscal year. Any changes in the funding requirements as identified in each actuarial review are applicable to the City's budget year commencing immediately after the issuance of that report.

Effective February 26, 2012, the Employees' Pension and Retirement System created for non-union employees hired on or after February 26, 2012 and gave current non-union employees the option of Plan C. This option requires vesting after 5 years of employment, and normal retirement age is 62. For more information pertaining to this Plan, refer to the City of Lakeland, Florida stand-alone financial statements for each plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801-5086.

On-behalf Payments - Within the basic financial statements, the proceeds of the excise tax from the State of Florida in The City of Lakeland Firefighters' Retirement System and the Police Officers' Defined Benefit Retirement System are recorded as operating grants and contributions and public safety expenses in the amounts of \$733,556 and \$698,804 respectively in the Government-wide Statement of Activities.

Plan Restructuring

On November 19, 2012, the Lakeland City Commission adopted ordinances 5341 and 5348 – which removed all current and future retired firefighters from the City of Lakeland Employee Pension Plan (the General Plan) and transferred those individuals to an amended version of the Firefighters' Supplemental Pension and Retirement System (the Supplemental Plan) – which had the effect of creating an entirely new replacement plan called the City of Lakeland Firefighters' Retirement System (the Fire Plan).

Under the terms of this change, all retired firefighters and/or their beneficiaries who were receiving benefits from the General Plan and/or the Supplemental Plan as of the effective date of the transfer would from that point forward be paid the exact same level of combined benefits from the Fire Plan. All future retired firefighters and/or their beneficiaries will receive their retirement benefits exclusively from the Fire Plan based on a new defined benefit calculation formula that replaces the benefit formulas that previously existed within the General Plan and the Supplemental Plan.

In conjunction with the change, certain assets and liabilities of the General Plan were transferred to the Fire Plan. The value of the assets transferred was determined as an actuarially determined percentage of the market value of the assets held for pension purposes as of March 31, 2013 attributable to the Fire members.

$$(((\text{Market Value}-\text{Cash Balance})-\text{Total DROP})*10.55)+ \text{Fire DROP}-\text{Adjustment for Payroll}$$

Market Value	\$517,360,252
Total DROP (All Employees)	\$14,043,426
Actuarially Determined Percentage of Assets	10.55%
Fire DROP	\$1,090,931
Adjustment of Payroll	\$83,349
Cash Balance (Negative Balance with City)	\$2,080,301

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

The market value of assets in the General Plan as of March 31, 2013 was \$517,360,252. Applying the formula yielded a gross asset transfer of \$53,888,036. The transfer itself occurred on April 1, 2013.

On April 1, 2013 the liabilities associated with retired firefighters who were active participants in the DROP program were transferred from the General Plan to the Fire Plan. The aggregate dollar value of that liability transfer was \$1,090,931 – representing the accumulated benefit and interest as of April 1, 2013 for 13 DROP Participants.

The net dollar amount of the Plan to Plan transfer was \$53,388,036. This amount appears in the Statement of Changes in Net Position of each plan as an Addition (in the Fire Plan) and as a Deletion (in the General Plan).

The transfers and market value of the plans as of March 31, 2013 are as follows:

	General Plan	Firefighters' Plan
Market Value Prior to Transfer	\$ 517,360,252	\$ 21,892,258
Transfers:		
Assets transferred	(53,888,036)	53,888,036
Net effect of transfer	<u>\$ 463,472,216</u>	<u>\$ 75,780,292</u>

As a result of the change in the plans, an actuarial impact review was performed based on each plans census and new asset data as of October 1, 2011 as well as the changes in the level of benefits provided within the City of Lakeland Firefighters' Retirement System. That report recommended changes in the funding requirements for the Employees' Pension and Retirement System to 17.07 percent employer and 11.0 percent employee to be effective for the fiscal year commencing October 1, 2012. That represents an increase in the required employer contribution increased by 0.10 percent with no change in the employee contribution.

That report also established funding requirements for the City of Lakeland Firefighters' Retirement System equal to 19.62 percent employer and 12.00 percent employee to be effective for the fiscal year commencing October 1, 2012.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

A. Statistical Data and Plan Assumptions

The following information is applied to each pension plan:

	Employees' Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
ACCOUNTING POLICIES AND PLAN ASSETS:			
BASIS OF ACCOUNTING	Accrual	Accrual	Accrual
ASSETS VALUATION:			
Reporting	Fair Value	Fair Value	Fair Value
Actuarial valuation	(1)	Asset Smoothing (8)	Asset Smoothing (8)
Legal reserves	None	None	None
Long-term receivable	None	None	None
Internal/participant loans	None	None	None
Non-governmental investment in excess of 5%	(2)	(2)	(2)
MEMBERSHIP AND PLAN PROVISIONS:			
MEMBERS:			
Active participants	1,464	200	143
Retirees & beneficiaries	845	140	90
Disability participants	-	4	-
DROP participants	124	14	-
Terminated vested	41	24	3
NORMAL RETIREMENT BENEFITS:			
Age	52/60/62 ¹	55 ²	52/55
Years of service (minimum)	10/5 ¹	10	25/10
Monthly benefit	(3)	(4)	(5)
Monthly maximum	N/A	N/A	N/A
Monthly minimum	N/A	N/A	N/A
DISABILITY BENEFITS:			
Line of duty	None	(9)	(9)
Non-line of duty (maximum)	None	(9)	(9)
CONTRIBUTIONS:			
Rate:			
City	17.07%	19.29%	19.6%
State	-	5.86%	8.66%
Participants	11%/8.5%/6.25%	15.36%	12.00%

¹ Age 62 with 5 years of service for non-union employees hired after February 26, 2012, age 60 with 10 years of service for employees hired before 10/01/2003 and age 62 with ten years of service for employees hired after 9/30/2003.

² Earlier of 1) age 55 and ten years of service or 2) 25 years of service, regardless of age.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

A. Statistical Data and Plan Assumptions (continued)

	Employees' Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
ACTUARIAL VALUATION:			
Frequency	Annual	Annual	Annual
Latest date	11/16/2012	10/1/2011	10/1/2011
Basis for contribution	10/1/2011	10/1/2011	10/1/2011
Cost method	Entry Age Normal	Entry Age Normal	Frozen Initial Liability
AMORTIZATION:			
Method	30 years (Closed) Level Percentage	30 years (Closed) Level Percentage	30 years Level Percentage
ASSUMPTIONS:			
Investment earnings	7.25%	7.75%	7.5%
Salary increases	Service based	Graduated	6.0%
Mortality table	(6)	(6)	(6)
Post-retirement benefit increases	0%	N/A	N/A
Retirement rate	(7)	(7)	(7)
Inflation rate	3.00%	N/A	N/A

- (1) The actuarial value of assets is determined by the expected rate of return credited to last year's actuarial asset value, the resulting amount is then compared to market value and 20% of the difference is added to the result.
- (2) The Employees' Pension and Retirement System held the following plan assets at September 30, 2013: 14.97 percent in domestic large cap equity, 7.69 percent in domestic all cap equity, 23.41 percent in broadcap growth, 15.75 percent in international equity, 20.11 percent fixed income, 7.64 percent in real estate, 10.43 percent in alternative and .01 percent in money markets. The Police Officers' Defined Benefit Retirement System held the following plan assets: 20.65 percent in domestic opportunistic value, 19.69 percent in domestic opportunistic growth, 10.31 percent in domestic core, 15.19 percent international, 28.20 percent in fixed income, and 5.15 percent in real estate. The Firefighters' Retirement System held the following plan assets: 54.10 percent in domestic equities, 16.53 percent in international equities, 26.05 percent in broad market fixed income, and 2.83 percent in real estate.
- (3) The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor. For participants as of September 30, 2003, the average monthly salary is computed using the average of the highest total earnings over a consecutive period of 36 months. The service factor is based on the length of continuous service and is calculated by accumulating 3 percent per year for the first 25 years of service plus 1 percent per year for all service exceeding 25 years. The benefit factor is based on the age of the employee on the day retirement benefits commence. Plan participants who entered the plan on or after October 1, 2003, the average monthly salary is computed using the average of the highest total earnings over a consecutive period of 60 months and are vested will receive their benefits at the normal retirement age of 62. The amount of monthly retirement income payable to an employee who retires on his normal retirement date will equal 2 percent per year for the first 10 years of credited service, and 3 percent of the same average earnings for the next 20 years of credited service then 1 percent per year of the same average earnings for each year of service in excess of 30 years.
- (4) The monthly benefit is 3% of average final compensation for each year of credited service. Average final compensation is average salary for the best 5 years of the last 10 years of credited service preceding retirement or termination.
- (5) The monthly benefit is 3.3% for employees hired before 10/01/2003 and 3.0% employees hired after 10/01/2003 of average final compensation for each year of credited service. Average final compensation is average salary for the best 5 years of the last 10 years of credited service preceding retirement or termination.
- (6) Generational RP-2000 Mortality Table for Males and Females
- (7) Probabilities of retirement by eligible members are assigned for each attained age and length of service.
- (8) The actuarial value of the assets is determined by using the asset smoothing valuation method. This method is the total market value of plan assets minus or plus the gain (loss) not yet recognized. Under this method, gains and losses are recognized on a four year basis. Each year one-fourth of the gain (loss) is recognized.
- (9) In line of duty is covered from date of employment, accrued benefit with minimum 65% of member's final pay. Non-line of duty is 10 years of credited service; accrued benefit is 40% of member's final pay.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

B. Funding Levels

The funding activity of the Employees Pension and Retirement System for the current and preceding two years is as follows:

	September 30, 2013	September 30, 2012	September 30, 2011
Annual required contribution:			
City of Lakeland	\$ 14,340,564	\$ 15,060,473	\$ 16,468,150
Interest on net pension obligation (asset)	(764,082)	(684,318)	(713,683)
Annual pension cost	13,576,482	14,376,155	15,754,467
Contributions made	(15,758,557)	(15,476,342)	(15,349,432)
Change in net pension obligation (asset)	(2,182,075)	(1,100,187)	405,035
Net pension obligation (asset) beginning of year	(10,539,060)	(9,438,873)	(9,843,908)
Net pension obligation (asset) end of year	\$ (12,721,135)	\$ (10,539,060)	\$ (9,438,873)
Percentage of annual pension cost contributed	116.07%	107.65%	97.43%

The funding activity of the Police Officers' Defined Benefit Retirement System for the current and preceding two years is as follows:

	September 30, 2013	September 30, 2012	September 30, 2011
Annual required contribution:			
City of Lakeland	\$ 4,616,983	\$ 4,248,119	\$ 4,210,259
State of Florida	714,451	699,167	749,520
Interest on net pension obligation (asset)	(203,569)	(210,136)	(180,463)
Annual pension cost	5,127,865	4,737,150	4,779,316
Contributions made	(5,673,758)	(5,430,738)	(5,150,220)
Change in net pension obligation (asset)	(545,893)	(693,588)	(370,904)
Net pension obligation (asset) beginning of year	(3,320,283)	(2,626,695)	(2,255,791)
Net pension obligation (asset) end of year	\$ (3,866,176)	\$ (3,320,283)	\$ (2,626,695)
Percentage of annual pension cost contributed	110.65%	114.64%	107.76%

The funding activity of the City of Lakeland Firefighters' Retirement System for the current and preceding two years is as follows:

	September 30, 2013	September 30, 2012	September 30, 2011
Annual required contribution:			
City of Lakeland	\$ 2,945,139	\$ 466,909	\$ 239,589
State of Florida	723,613	348,974	348,974
Interest on net pension obligation (asset)	(465,092)	(445,268)	(411,218)
Annual pension cost	3,203,660	370,615	177,345
Contributions made	(2,655,711)	(634,923)	(631,351)
Change in net pension obligation (asset)	547,949	(264,308)	(454,006)
Net pension obligation (asset) beginning of year	(6,201,220)	(5,936,912)	(5,482,906)
Net pension obligation (asset) end of year	\$ (5,653,271)	\$ (6,201,220)	\$ (5,936,912)
Percentage of annual pension cost contributed	82.90%	171.32%	356.00%

NOTES TO FINANCIAL STATEMENTSNOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**B. Funding Levels (continued)**

The funded status of each plan as of October 1, 2012, the most recent actuarial valuation date is as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
Employee's Pension & Retirement System	\$ 468,025,901	\$ 567,780,811	\$ 99,754,910	82%	\$ 80,195,531	124%
Police Officers' Defined Benefit Retirement System	87,351,452	125,804,852	38,453,400	69%	14,553,131	264%
Firefighters' Retirement System	66,255,019	83,318,332	17,063,313	80%	9,999,707	171%

The City of Lakeland Firefighters' Retirement System Plan uses the aggregate actuarial cost method to calculate the ARC. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities. The Schedule of Funding Progress is presented in the Required Supplementary information section using the entry age actuarial cost method in order to provide information that serves as a surrogate for the funded status and funding progress of the plan.

The Employees' Pension and Retirement System and the Police Officers' Defined Benefit Retirement System use the entry age normal actuarial cost method.

The Schedule of Funding Progress, presented as Required Supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liability for benefits.

The projection of benefits for financial statement reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

CITY OF LAKELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

C. Condensed Financial Information

Condensed financial data for the City's Defined Benefit Pension Plans for the year ended September 30, 2013 is presented below.

Condensed Statement of Net Position	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Assets	\$ 479,951,209	\$ 99,922,528	\$ 80,500,518
Liabilities	4,421,325	486,350	102,477
Net Position			
Held in trust for DROP benefits	15,198,578	1,257,334	1,776,598
Held in trust for pension benefits	460,331,306	98,178,844	78,621,443
	<u>\$ 475,529,884</u>	<u>\$ 99,436,178</u>	<u>\$ 80,398,041</u>
Condensed Statement of Changes in Plan Net Position			
Additions			
Contributions	\$ 23,532,778	\$ 5,791,793	\$ 2,665,448
Investment income	51,370,905	10,268,815	5,131,472
All other	37,961	39,566	71
Total additions	<u>74,941,644</u>	<u>16,100,174</u>	<u>7,796,991</u>
Deductions			
Benefits paid	30,591,024	7,125,736	2,265,440
Refunds, former employees	1,150,123	212,023	63,609
All other	324,894	122,470	118,005
Total deductions	<u>32,066,041</u>	<u>7,460,229</u>	<u>2,447,054</u>
Change in net position held in trust	42,875,603	8,639,945	5,349,937
Plan Asset Transfer	(53,888,036)	-	53,888,036
Net position, beginning of year	486,542,317	90,796,233	21,160,068
Net position, end of year	<u>\$ 475,529,884</u>	<u>\$ 99,436,178</u>	<u>\$ 80,398,041</u>

For more information pertaining to the aforementioned plans refer to the City of Lakeland, Florida stand-alone financial statements for each plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801-5086.

NOTE 14 – DEFINED CONTRIBUTION PENSION PLAN

The Police Officers' Defined Benefit Retirement System (PODBRS) included a defined contribution Share plan component as of September 30, 2010. In subsequent years, the PODBRS Board will determine Share allocations based on election made by the participants in the plan and their service during the plan year.

For more information pertaining to the Police Officers' Defined Benefit Retirement System (PODBRS) refer to the City of Lakeland, Florida stand-alone financial statements for each plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801-5086.

The assets of the City's Alternate Pension Plan were transferred to a third party administrator in the name of the participants. The City no longer has any fiduciary responsibilities concerning the plan. The City's involvement in the plan is limited to remitting the amounts paid by the participants to a third party.

NOTES TO FINANCIAL STATEMENTS**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS****A. Plan Description**

Effective October 1, 2007, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." In addition to the relevant disclosures within this note, the City's financial statements reflect a long-term liability of \$17,155,418 and \$21,040,582 related expenses of \$3,192,660 and \$3,738,340 in governmental and business-type activities respectively, resulting from the adoption.

In addition to providing pension benefits, the City Commission has agreed to offer subsidized post employment health care benefits to former employees who are receiving retirement benefits from the City in conjunction with the Employees Pension and Retirement System Plan.

The Retiree Health Insurance Plan is a single-employer defined benefit healthcare plan administered by the City of Lakeland Retiree Healthcare Trust. The plan provides for healthcare insurance for eligible retirees and their spouses and dependents through the City-sponsored health insurance plan as formally adopted by City ordinance. One other form of subsidy consists of a payment of up to 50 percent of the cost of Part A Medicare insurance coverage purchased by a former employee who is not otherwise eligible for Medicare coverage. To date, there have been no participants in this program. The City is under no statutory obligation to provide post-retirement health care benefits. The City can terminate either program at any time. The Plan does not issue a stand-alone publicly available financial report.

B. Funding Policy

The contribution percentages are set forth by City ordinance. This plan consists of a payment equal to 50 percent of the normal monthly insurance premium levied by the City's self-insured health insurance program. In fiscal year 2004, the subsidy was reduced to 40 percent; and in fiscal year 2005, the subsidy was reduced to 35 percent. Effective October 1, 2002, all current employees, who retire on or after October 1, 2002, will be offered a health premium subsidy based on years of services as follows: 10-14 years of service 15 percent, 15-19 years of service 25 percent, and 20 years or more 35 percent. Retirees are required to make an election as to participation in the City-sponsored health insurance plan upon retirement. Effective January 1, 2003, any employee, who wishes to have his/her spouse and dependents insured on the City of Lakeland's Health Insurance Plan prior to retirement, will be required to have them on the plan one year prior to retirement. Should a participant at any time elect not to purchase coverage from the City-sponsored plan, all eligibility for future participation in that plan, including rights to the subsidy, is terminated. Effective January 1, 2003, all new hires will not be eligible for the retiree subsidy plan which has been formally adopted by City ordinance 4379.

In accordance with the implementation of Governmental Accounting Standard 45 for the treatment of Other Post Employment Benefits (OPEB), the City has implemented this statement prospectively. The annual required contribution provided to the City as part of the actuarial valuation report prepared on October 1, 2012 for the year ended September 30, 2013 for the plan was \$10,734,000. A total of 670 retirees participated in the plan during the fiscal year ended September 30, 2013 incurring total contributions of \$3,967,000 paid by the City and \$3,923,910 paid by retirees. A portion of the OPEB cost was funded on a pay-as-you-go basis. However, the City has established a Trust to accumulate and invest assets necessary to pay for the accumulated liability.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) actuarially determined in accordance with the parameters on GASB Statement 45. In 2013, the City's ARC was \$10,734,000 and OPEB expense was \$10,898,000. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the City's annual OPEB cost, current year contributions, and the net OPEB obligation at September 30, 2013 and September 30, 2012.

	September 30,	
	2013	2012
Annual Required Contribution	\$ 10,734,000	\$ 10,244,000
Interest on net OPEB Obligation	1,298,000	981,000
Adjustment to ARC	(1,134,000)	(865,000)
Annual OPEB cost (expense)	10,898,000	10,360,000
Contributions Made	(3,967,000)	(4,135,000)
Change in OPEB obligation	6,931,000	6,225,000
Net OPEB obligation, beginning of year	31,265,000	25,040,000
Net OPEB obligation, end of year	\$ 38,196,000	\$ 31,265,000

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2013 were as follows:

	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 10,898,000	38%	\$ 38,196,000
2012	10,360,000	40%	31,265,000
2011	10,743,000	41%	24,050,000
2010	10,248,110	52%	18,659,000
2009	9,638,323	34%	13,738,890

D. Funded Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the plan was 2.90% funded. The actuarial accrued liability for benefits was \$134,321,000, and the actuarial value of assets was \$3,895,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$130,426,000. The covered payroll (annual payroll of active employees covered by the plan) was \$89,153,459 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 146.29%.

The projection of future benefit payments for the plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include retirement age, mortality, terminations, salaries, dependent composition, and plan participation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary information following the Notes to the Financial Statements, presents the trend information about the actuarial results relative to the accrued actuarial liability for benefits. Additionally, since the requirements of GASB Statement No. 45 have been implemented prospectively, the RSI only reflects similar information of the three preceding years.

E. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of actuarial methods and assumptions used including techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events into the future; as such these actuarial amounts are subject to continual valuation.

In the actuarial report dated, October 1, 2012, the projected unit credit method with amortization on a level percentage basis was used. The actuarial assumptions used include the following:

Actuarial cost method	projected unit credit
Discount rate	
Implicit	5.00%
Explicit	7.25%
Health care cost trend rate	
Select	9.50%
Ultimate	5.00%
Non-claim expenses	per employee per year
Single	\$613
Family	\$85
Mortality rates	RP-2000 Table
Projected salary increase	3.5% per annum
Asset valuation	fair market value
Inflation rate	3.00%

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of thirty years on an open basis.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

F. Financial Statements

Financial Statements for the City's Retiree Healthcare Trust Fund for the year ended September 30, 2013 are presented below.

STATEMENT OF PLAN NET POSITION
RETIREE HEALTH CARE TRUST FUND
SEPTEMBER 30, 2013

ASSETS	
Cash and cash equivalents	\$ 40,220
Due from employees	35,244
Investments	4,631,536
Total assets	<u>4,707,000</u>
NET POSITION	
Held in trust for	
other post employment benefits	<u>\$ 4,707,000</u>

STATEMENT OF CHANGES IN PLAN NET POSITION
RETIREE HEALTH CARE TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

ADDITIONS	
Contributions:	
Employer	\$ 53,964
Plan members	300,109
Total contributions	<u>354,073</u>
Net investment income:	
Net (decrease) in the fair value of the investments	460,377
Interest and dividends	18
Net investment income	<u>460,395</u>
Total additions, net	<u>814,468</u>
DEDUCTIONS	
Other	<u>2,270</u>
Total deductions	<u>2,270</u>
Change in net position	812,198
NET POSITION, beginning of year	<u>3,894,802</u>
NET POSITION, end of year	<u>\$ 4,707,000</u>

There are no separate statements for the Retiree Healthcare Trust Fund.

NOTES TO FINANCIAL STATEMENTSNOTE 16 – COMMITMENTS AND CONTINGENCIES**A. Litigation**

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities, which may arise from such actions, would not result in losses which would materially affect the financial position of the City or the results of its operations. The City relies upon the sovereign immunity protection afforded to local governments under Section 768.28, Florida Statutes, which limits the collection of any judgment to \$200,000 per person and to \$300,000 arising out of the same incident or occurrence. Some cases which arise out of police activity represent a possibility of exposure that would exceed sovereign immunity limits. Several cases involving fatalities have been noticed, with one having been filed that would be in this category. That litigation is in its early stages, so any liability would be by their nature speculative, and would not arise within the period covered by this opinion. There are several matters involving personnel that have received a great deal of publicity are not likely to result in significant exposure.

Like many local governments throughout the state, during fiscal year 2009, the City installed red light cameras at selected intersections in an effort to improve traffic safety. A class action lawsuit was filed against the City and other municipalities throughout the state alleging that the cameras violate State traffic laws. However, any such liability is limited by a settlement agreement that has been reached on one suit, which has determined the amount of damages that will result. The City has paid sufficient funds to respond to the settlement agreement. A second suit is ongoing but the liability has been significantly reduced as a result of the settlement. The settlement has been approved by the court and is on appeal. The second suit will be significantly impacted by cases from other jurisdictions that are currently pending before the Florida Supreme Court. Any liability that may flow from that action is also speculative, but unlikely to arise during the period contemplated by this opinion.

B. Contractual Commitments

The City's Fleet Management Operations has contracts to purchase motor vehicles with various vendors. The amount outstanding as of September 30, 2013 is \$3,197,170.

Lakeland Electric has contracts for the purchase and delivery of coal requiring the purchase of a minimum number of tons per year.

Lakeland Electric also has contracts for the supply and transportation of natural gas requiring the purchase and transportation of a minimum and a maximum number of cubic feet of natural gas per year.

Lakeland Electric has contracts for the purchase/sale and delivery of electric energy setting a maximum number of megawatts available for purchase.

Lakeland Electric has a long-term service agreement with Siemens/Westinghouse to provide labor, parts, and materials to cover all planned annual outages for McIntosh Unit 5, a 350 MW combined cycle gas turbine unit. During fiscal year 2013, a milestone payment of \$7,499,640 was made under the revised payment schedule. In December 2013, the Lakeland City Commission approved changes to the contract. The revised agreement, which is scheduled to run through 2025, includes annual milestone payments, and an escalation factor based on the IEF Index. Expected future payments, excluding any escalation, are as follows:

<u>Fiscal Year</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
2014	\$ 367,320	\$ 7,267,796	\$ 7,635,116
2015	367,320	7,267,796	7,635,116
2016	367,320	7,267,796	7,635,116
2017	367,320	7,267,796	7,635,116
2018	367,320	7,267,796	7,635,116
2019-2023	1,836,600	35,310,130	37,146,730
2024-2025	734,640	31,518,131	32,252,771
	<u>\$ 4,407,840</u>	<u>\$ 103,167,241</u>	<u>\$ 107,575,081</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 16 – COMMITMENTS AND CONTINGENCIES (continued)

B. Contractual Commitments (continued)

As of September 30, 2013 Lakeland Electric had three solar energy purchase agreements (SEPA) with Sun Edison, LLC for the purchase of one-hundred percent of the power generated from solar equipment systems operated by Sun Edison under the agreements. Sun Edison is the sole owner/operator of the installations, which are located on the roof of the Lakeland Center and in the runway protection zones of the Lakeland Linder Regional Airport. Lakeland Electric has no equity interest in, and assumes no financial responsibility for the solar generation systems. Each SEPA is in effect for twenty-five years at a fixed price per MWH with no price escalation clauses. Lakeland Electric's purchases under the SEPAs totaled \$2,161,848 and \$840,721 in 2013 and 2012, respectively. As of September 30, 2013, Sun Edison had 5.25 megawatts of solar generation capacity under contract with Lakeland Electric, and there are plans for Sun Edison to integrate as much as 18.75 more megawatts of solar energy into Lakeland Electric's energy mix by 2018.

The City has active construction projects as of September 30, 2013. The projects include infrastructure projects, construction of existing streets, wastewater treatment facilities, and electric plant. The commitments of major construction projects and capital outlay issued by the City which have not been completed as of September 30, 2013, are as follows:

Transportatio/street projects	\$	233,048	*
Economic development projects		622,101	*
Airport projects		362,485	*
Wastewater treatment facilities projects		2,352,668	*
Energy supply projects		1,229,143	*
Energy delivery projects		486,097	*
Smart grid		385,300	*
Building improvement projects		176,481	*
Software updates		392,827	*
Other		1,957	*
	\$	<u>6,242,107</u>	

*The amounts reported are included in the outstanding encumbrances below.

C. Encumbrances

The City had the following encumbrances outstanding as of September 30, 2013 that were not reported as designations:

Electric Utility Fund	\$	2,671,806
Water and Wastewater Utilities		3,556,748
Internal Service Funds		4,293,625
Nonmajor Enterprise Funds		1,087,121
	\$	<u>11,609,300</u>

The following is a summary of the City's encumbrances for Governmental Funds as of September 30, 2013.

	General Fund	All Other Governmental Funds	Total Governmental Funds
Building improvements	\$ 251,410	\$ 622,101	\$ 873,512
Maintenance and repair	-	359,053	359,053
Transportation projects			
Road improvements	-	233,048	233,048
Total	<u>\$ 251,410</u>	<u>\$ 1,214,202</u>	<u>\$ 1,465,612</u>

NOTES TO FINANCIAL STATEMENTS**NOTE 17 – SUBSEQUENT EVENTS****Debt Refinancing**

Lakeland Electric has approximately \$443 million in long term debt outstanding, \$200 million of which are floating rate notes (FRNs). The outstanding FRNs mature in two separate portions: \$100 million on October 1, 2014 and \$100 million on October 1, 2017. As an alternative to issuing FRNs in October 2014 to replace the maturing FRNs, the Finance Department and the City's financial advisor recommended executing a five-year bank loan for \$95 million effectively paying down a portion of Lakeland Electric's debt and saving approximately \$600,000 per year in interest costs and approximately \$400,000 in underwriting and rating agency fees.

On February 3, 2014, The City Commission approved the issuance of a bank loan in the amount of \$95 million to pay down a portion of Lakeland Electric's FRNs maturing on October 1, 2014.

New Accounting Pronouncements

In March 2012, the GASB issued GASB Statement 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straightline basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for the City's fiscal year ended September 30, 2014, with earlier application being encouraged. Management has not determined what impact, if any, this Statement may have on its financial statements.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement are effective for the City's Pension Funds fiscal year ending September 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for the City's financial year ending September 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

NOTES TO FINANCIAL STATEMENTS**NOTE 17 – SUBSEQUENT EVENTS (continued)****New Accounting Pronouncements (continued)**

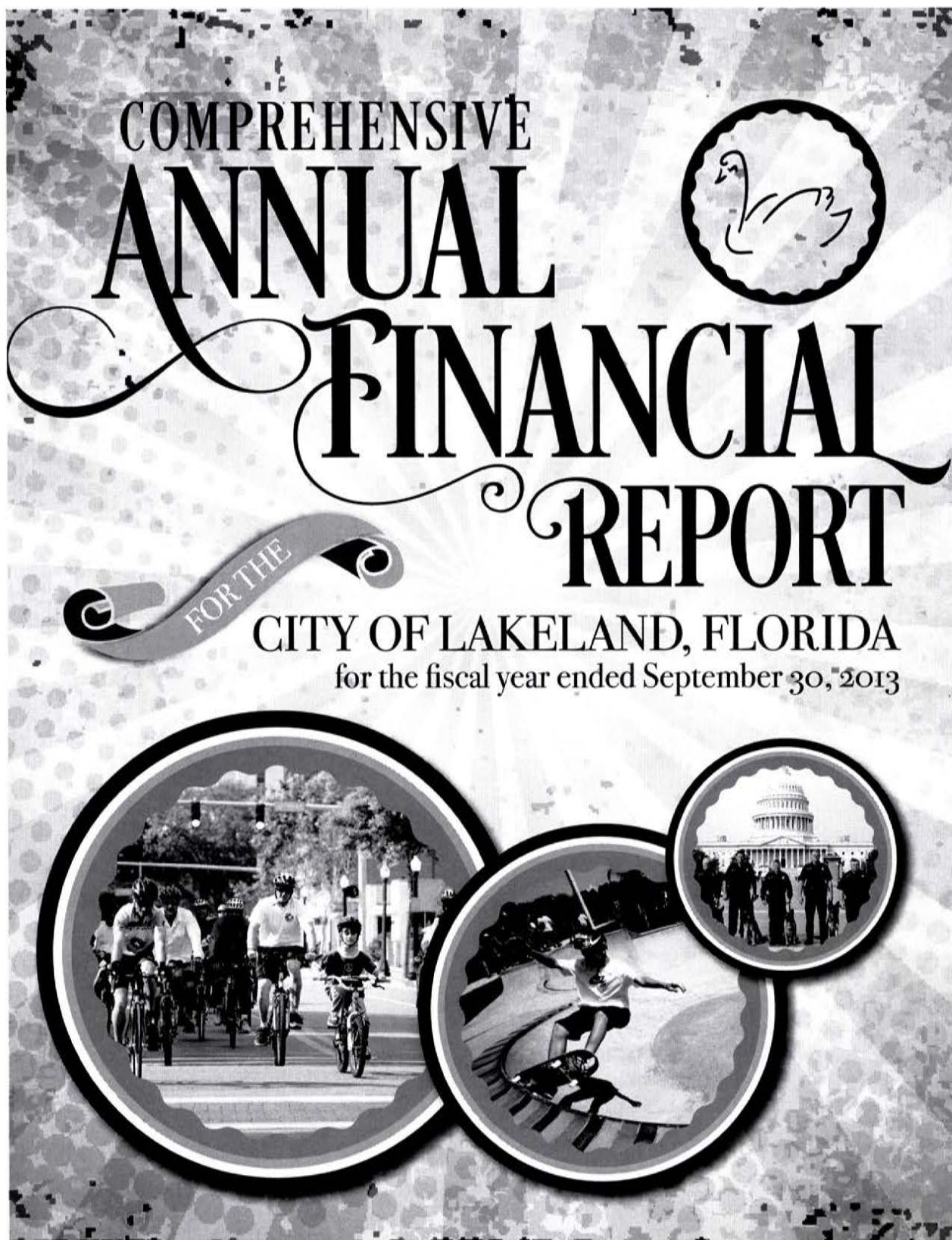
In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values as well as provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold as well as requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in fiscal year ending September 30, 2015, and should be applied on a prospective basis. Earlier application is encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This liability should be reported until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee as well as new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for the City's fiscal year ended September 30, 2015, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.



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REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Amended Budget	2013 Actual	Variance
REVENUES				
Taxes	\$ 34,528,403	\$ 34,528,403	\$ 33,931,698	\$ (596,705)
Licenses and permits	2,920,850	2,920,850	3,146,388	225,538
Intergovernmental	9,339,053	9,366,322	9,878,305	511,983
Charges for services	3,526,252	3,658,127	4,018,057	359,930
Fines and forfeits	1,180,000	1,376,472	1,303,805	(72,667)
Miscellaneous	1,822,523	2,338,699	1,213,097	(1,125,602)
Total revenues	53,317,081	54,188,873	53,491,350	(697,523)
EXPENDITURES				
Current:				
General government:				
Legislative	230,859	233,859	227,172	6,687
Executive	530,588	530,588	459,360	71,228
Financial and administrative	4,738,496	4,709,204	4,041,263	667,941
Legal counsel	271,364	384,751	384,751	-
Comprehensive planning	2,394,397	2,456,716	2,139,599	317,117
Other general government	3,051,627	2,975,594	2,314,804	660,790
	11,217,331	11,290,712	9,566,949	1,723,763
Public safety:				
Law enforcement	36,999,843	37,562,212	35,521,270	2,040,942
Fire control	15,347,375	15,309,380	14,852,572	456,808
Protective inspections	2,825,030	2,869,331	2,828,906	40,425
	55,172,248	55,740,923	53,202,748	2,538,175
Physical environment:				
Utility services	4,418,973	4,462,664	4,462,664	-
Conservation and resource management	15,214	16,758	16,758	-
Other physical environment	866,109	863,671	837,062	26,609
	5,300,296	5,343,093	5,316,484	26,609
Transportation:				
Road and street facilities	5,005,233	5,043,746	4,356,160	687,586
Economic environment:				
Other economic environment	1,285,852	1,281,296	1,279,042	2,254
Human services:				
Other human services	105,434	105,434	90,555	14,879
Culture/Recreation:				
Libraries	3,960,315	4,039,967	3,426,804	613,163
Parks and recreation	14,134,101	14,344,378	13,456,008	888,370
Cultural services	345,000	347,410	347,410	-
Special events	61,774	62,574	50,756	11,818
	18,501,190	18,794,329	17,280,978	1,513,351
Capital outlay	1,027,390	1,141,418	174,045	967,373
Debt Service				
Principal retirement	340,651	340,651	340,649	2
Interest	79,213	80,028	73,515	6,513
	419,864	420,679	414,164	6,515
Total expenditures	98,034,838	99,161,630	91,681,125	7,480,505
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,717,757)	(44,972,757)	(38,189,775)	6,782,982
OTHER FINANCING SOURCES AND (USES)				
Transfers from other Funds	38,802,012	38,814,806	37,555,297	(1,259,509)
Transfers to other Funds:	(4,094,771)	(4,098,771)	(3,574,237)	524,534
Total other financing sources (uses)	34,707,241	34,716,035	33,981,060	(734,975)
NET CHANGE IN FUND BALANCE	(10,010,516)	(10,256,722)	(4,208,715)	6,048,007
FUND BALANCE, beginning of year	25,817,164	25,817,164	25,817,164	-
FUND BALANCE, end of year	\$ 15,806,648	\$ 15,560,442	\$ 21,608,449	\$ 6,048,007

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION FUNDS
SEPTEMBER 30, 2013

IA. SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Year Ended Sep 30th	Employees' Pension & Retirement System			Police Officers' Defined Benefit Retirement System			Firefighters' Retirement System		
	Annual Required Contribution	Annual Actual Contribution	%	Annual Required Contribution	State of Florida		Annual Required Contribution	State of Florida	
					Annual Actual Contribution	%		Annual Actual Contribution	%
2013	\$ 14,340,564	\$ 15,758,557	110%	\$ 4,616,983	\$ 714,451	15%	\$ 2,945,139	\$ 723,613	25%
2012	15,060,473	15,476,342	103%	4,947,286	699,167	14%	815,883	-	0%
2011	16,468,150	15,349,432	93%	4,959,779	699,167	14%	588,563	-	0%
2010	16,558,670	15,874,500	96%	4,684,050	749,520	16%	395,200	624,428	158%
2009	15,388,062	15,316,870	100%	836,674	507,717 *	61%	329,609	624,428	189%
2008	14,735,539	15,219,761	103%	470,831	507,717 *	108%	290,113	764,520	264%

- Frozen per Chapter 185, Florida Statutes, as amended. For Fiscal Year 2010, of the total State Contribution of \$699,167, the remainder, \$271,554, is allocated to Share Accounts. For Fiscal Year 2009, of the total State Contribution of \$749,520, the remainder, \$241,803, was allocated to Share Accounts. For Fiscal Year 2008, of the total State Contribution of \$779,047, the remainder, \$271,330, was allocated to Share Accounts. For Fiscal Year 2007, of the total State Contribution of \$779,134, the remainder, \$271,417, was allocated to Share Accounts.

Other Post Employment
Benefits

Year Ended Sep 30th	Annual Required Contribution	Annual Actual Contribution	%
2013	\$ 10,734,000	\$ 3,967,000	37%
2012	10,244,000	4,135,000	40%
2011	10,546,000	4,362,000	41%
2010	10,089,000	5,328,000	53%

IB. SCHEDULE OF FUNDING PROGRESS

Police Officers' Defined Benefit
Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
10/1/2012	\$ 87,351,452	\$ 125,804,852	\$ 38,453,400	69%	\$ 14,553,131	264%
10/1/2011	80,587,526	119,066,681	38,479,155	68%	12,242,185	314%
10/1/2010	78,357,438	114,234,048	35,876,610	69%	12,186,744	294%
10/1/2009	77,218,046	107,945,669	30,727,623	72%	12,621,162	243%
10/1/2008	74,854,487	105,601,833	30,747,346	71%	13,948,927	220%
10/1/2007	19,884,082	24,723,943	4,839,861	80%	13,471,047	36%

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION FUNDS
SEPTEMBER 30, 2013

IB. SCHEDULE OF FUNDING PROGRESS (continued)

Employee's Pension
& Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
10/1/2012	\$ 468,025,901	\$ 567,780,811	\$ 99,754,910	82%	\$ 80,195,531	124%
10/1/2011	491,568,515	613,022,106	121,453,591	80%	90,161,635	135%
10/1/2010	495,690,765	593,785,813	98,095,048	83%	93,636,946	105%
10/1/2009	463,240,621	567,449,029	104,208,408	82%	93,375,914	112%
10/1/2008	456,592,011	544,406,925	87,814,914	84%	91,735,753	96%
10/1/2007	515,648,042	586,105,616	70,457,574	88%	105,037,964	67%

Firefighters'
Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
10/1/2012	\$ 66,255,019	\$ 83,318,332	\$ 17,063,313	80%	\$ 9,999,707	171%
10/1/2011	17,433,793	19,317,690	1,883,897	90%	9,271,401	20%
10/1/2010	17,842,858	17,999,933	157,075	99%	8,917,622	2%
10/1/2009	17,832,755	16,986,853	(845,902)	105%	9,190,689	-9%
10/1/2008	17,530,693	16,468,717	(1,061,976)	106%	8,473,464	-13%
10/1/2007	16,620,117	16,620,117	-	100%	8,096,337	0%

Retiree Health
Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
10/1/2012	\$ 3,895,000	\$ 134,321,000	\$ 130,426,000	2.90%	\$ 80,195,531	162.63%
10/1/2011	2,979,000	126,776,000	123,797,000	2.35%	90,161,635	137.31%
10/1/2010	2,761,000	141,939,000	139,178,000	1.95%	93,636,946	148.64%
10/1/2009	1,564,000	134,721,000	133,157,000	1.16%	93,375,914	142.60%
10/1/2008	1,563,871	119,271,000	117,707,129	1.31%	105,043,078	112.06%
10/1/2007	-	105,422,575	105,422,575	0.00%	105,037,964	100.37%

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION FUNDS
SEPTEMBER 30, 2013

II. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Within the basic financial statements, the proceeds of the excise tax from the State of Florida in the City of Lakeland Firefighters' Retirement System and the Police Pension Plan are recorded as operating grants and contributions and public safety expenses in the Government-wide Statement of Activities.

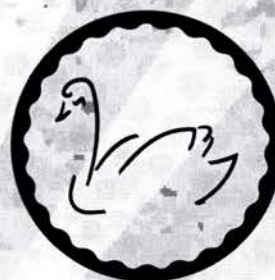
For additional information regarding the pensions please refer to Note 13 in the notes to the Basic Financial Statements.

For more information pertaining to the aforementioned plans refer to the City of Lakeland, Florida stand-alone financial statements for each plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801- 5086.

Budgets of the City are adopted on a modified accrual basis of accounting, which is consistent with Generally Accepted Accounting Principles (GAAP). In cases where appropriations and estimated revenues have been revised during the year, budget data represents final authorized amounts. As of September 30, 2013 there were no material violations of budgetary requirements.

**INDIVIDUAL AND COMBINING FUND
FINANCIAL STATEMENTS**

COMPREHENSIVE
**ANNUAL
FINANCIAL
REPORT**



CITY OF LAKELAND, FLORIDA
for the fiscal year ended September 30, 2013



NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds from certain specific revenue sources for purposes other than debt service or capital projects. These funds are recorded separately as directed by legal requirements, regulatory provisions, or administrative action. As with the General Fund, the primary accounting focus is on the sources and uses of available funds and the financial activity is reported using the modified accrual basis accounting.

COMMUNITY DEVELOPMENT FUND – The Federal Department of Housing and Urban Development provides funds for improvement projects and economic development assistance in low to moderate –income areas and down payment assistance to first time home buyers.

STATE HOUSING INITIATIVES PARTNERSHIP PROGRAM – The Florida Housing Finance Corporation through the local housing assistance trust fund provides funds for emergency repairs, new construction, rehabilitation, and other assistance in very low to moderate-income areas.

NEIGHBORHOOD STABILIZATION PROGRAM – The Federal Department of Housing and Urban Development provides funds for the purchase and rehabilitation of foreclosed homes in low to moderate income areas.

STORMWATER FUND – Revenues, received primarily through the collection of residential and commercial fees as well as transfers from the Transportation Fund for drainage and lake projects, are used for projects approved by the City Commission for stormwater capital activities.

LAKELAND COMMUNITY REDEVELOPMENT AGENCY – Revenues that are received primarily from the tax increment of the special taxing district established for the purpose of revitalizing the downtown Lakeland area.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

TRANSPORTATION FUND – Major sources of revenues for the Transportation Fund include taxes levied on motor fuels and impact fees. These revenues are used for projects approved by the City Commission, such as street improvements.

PUBLIC IMPROVEMENT FUND – Consists of revenues primarily received from an agreement to lease a City-owned hospital facility to a not-for-profit corporation. The revenues are used to finance a variety of capital improvement projects not assignable to an enterprise operation and to pay debt service on long-term debt issued for the same purpose.

IMPACT FEE FUND – The Impact Fee Fund is used to account for impact fees collected for transportation, law enforcement, fire protection, and parks and recreation.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CEMETERY PERPETUAL CARE FUND – When the corpus of this fund is sufficient, it will be used to account for the accumulation of resources used to maintain all City-owned cemeteries.

SCOTT MORRIS MAUSOLEUM FUND – This fund accounts for a contribution to provide maintenance of the Scott Morris Mausoleum.

WEBSTER BOOK FUND – This fund accounts for a bequest received by the City to purchase nonfiction books and periodicals for the City of Lakeland Public Library.

BALDWIN BOOK FUND – This fund accounts for a bequest received by the City to purchase general science and wholesome fiction books for the City of Lakeland Public Library.

CITY OF LAKE LAND, FLORIDA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Capital Projects Funds			
	Debt Service Fund	Transportation Fund	Public Improvement Fund	Impact Fee Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,666,978	\$ 5,886,798	\$ 5,833,290
Cash with paying agents	-	-	2,737,583	-
Investments	-	-	-	-
Receivables, net	-	6,989	11,385,226	-
Due from other governments	-	285,822	4,548	-
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 1,959,789</u>	<u>\$ 20,014,155</u>	<u>\$ 5,833,290</u>
LIABILITIES				
Accounts payable	\$ -	\$ 502,996	\$ 339,413	\$ -
Accrued liabilities	-	33,555	102,756	-
Deposits payable	-	-	-	-
Revenues received in advance	-	1,083,321	6,188	-
Total liabilities	<u>-</u>	<u>1,619,872</u>	<u>448,357</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	6,989	10,105,254	-
Total deferred inflows of resources	<u>-</u>	<u>6,989</u>	<u>10,105,254</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepays	-	-	-	-
Cemetery Endowment	-	-	-	-
Permanent Fund Principal	-	-	-	-
Restricted for:				
CRA	-	-	-	-
Impact fee programs	-	-	-	5,833,290
Transportation	-	332,928	-	-
Donations received	-	-	-	-
Debt service	-	-	1,634,852	-
Grant programs - community development	-	-	-	-
	<u>-</u>	<u>332,928</u>	<u>1,634,852</u>	<u>5,833,290</u>
Committed to:				
Stormwater	-	-	-	-
Assigned to:				
Capital projects	-	-	7,825,692	-
	<u>-</u>	<u>-</u>	<u>7,825,692</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>332,928</u>	<u>9,460,544</u>	<u>5,833,290</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 1,959,789</u>	<u>\$ 20,014,155</u>	<u>\$ 5,833,290</u>

Special Revenue Funds				
Community Development Fund	State Housing Initiatives Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency
\$ 278,448	\$ 263,960	\$ 51,773	\$ 5,929,688	\$ 8,858,060
-	-	-	-	-
-	-	-	-	-
159,912	52,330	-	152,108	427,232
133,993	-	-	-	5,709
-	-	-	-	-
<u>\$ 572,353</u>	<u>\$ 316,290</u>	<u>\$ 51,773</u>	<u>\$ 6,081,796</u>	<u>\$ 9,291,001</u>
\$ 39,565	\$ 2,468	\$ 12,509	\$ 72,908	\$ 405,430
8,668	158	511	26,676	3,272
-	-	-	163,725	-
6,026	256,457	38,753	-	-
<u>54,259</u>	<u>259,083</u>	<u>51,773</u>	<u>263,309</u>	<u>408,702</u>
159,912	52,330	-	-	132,452
<u>159,912</u>	<u>52,330</u>	<u>-</u>	<u>-</u>	<u>132,452</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
358,182	4,877	-	-	-
<u>358,182</u>	<u>4,877</u>	<u>-</u>	<u>-</u>	<u>8,749,847</u>
-	-	-	5,818,487	-
-	-	-	<u>5,818,487</u>	-
-	-	-	-	-
-	-	-	-	-
358,182	4,877	-	5,818,487	8,749,847
<u>\$ 572,353</u>	<u>\$ 316,290</u>	<u>\$ 51,773</u>	<u>\$ 6,081,796</u>	<u>\$ 9,291,001</u>

CITY OF LAKELAND, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED
SEPTEMBER 30, 2013

	Permanent Funds				
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 14,663	\$ 69,755	\$ 20,215	\$ -	\$ 28,873,628
Cash with paying agents	-	-	-	-	2,737,583
Investments	4,107,994	-	-	107,828	4,215,822
Receivables, net	-	-	-	-	12,183,797
Due from other governments	-	-	-	-	430,072
Prepaid expenditures	-	-	-	-	-
Total assets	<u>\$ 4,122,657</u>	<u>\$ 69,755</u>	<u>\$ 20,215</u>	<u>\$ 107,828</u>	<u>\$ 48,440,902</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,375,289
Accrued liabilities	-	-	-	-	175,596
Deposits payable	-	-	-	-	163,725
Revenues received in advance	-	-	-	-	1,390,745
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,105,355</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	10,456,937
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,456,937</u>
FUND BALANCES					
Nonspendable:					
Prepays	-	-	-	-	-
Cemetery Endowment	4,122,657	-	-	-	4,122,657
Permanent Fund Principal	-	4,476	15,000	10,000	29,476
	<u>4,122,657</u>	<u>4,476</u>	<u>15,000</u>	<u>10,000</u>	<u>4,152,133</u>
Restricted for:					
CRA	-	-	-	-	8,749,847
Impact fee programs	-	-	-	-	5,833,290
Transportation	-	-	-	-	332,928
Donations received	-	65,279	5,215	97,828	168,322
Debt service	-	-	-	-	1,634,852
Grant programs - community development	-	-	-	-	363,059
	<u>-</u>	<u>65,279</u>	<u>5,215</u>	<u>97,828</u>	<u>17,082,298</u>
Committed to:					
Stormwater	-	-	-	-	5,818,487
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,818,487</u>
Assigned to:					
Capital projects	-	-	-	-	7,825,692
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,825,692</u>
	<u>4,122,657</u>	<u>69,755</u>	<u>20,215</u>	<u>107,828</u>	<u>34,878,610</u>
	<u>\$ 4,122,657</u>	<u>\$ 69,755</u>	<u>\$ 20,215</u>	<u>\$ 107,828</u>	<u>\$ 48,440,902</u>



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CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Debt Service	Capital Projects Funds		
		Transportation Fund	Public Improvement Fund	Impact Fee Fund
REVENUES				
Taxes	\$ -	\$ 4,879,101	\$ -	\$ -
Intergovernmental	-	3,222,285	690,686	-
Charges for services	-	-	415,831	1,339,720
Miscellaneous	(2,467)	2,473,139	12,795,408	(9)
Total revenues	(2,467)	10,574,525	13,901,925	1,339,711
EXPENDITURES				
Current:				
General government	-	-	516,640	-
Public safety	-	-	228,480	-
Physical environment	-	-	5,929	-
Transportation	-	3,844,801	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
Culture/recreation	-	-	428,382	-
Capital outlay	-	6,130,715	4,050,110	-
Debt service	99,096	2,337,542	5,220,360	-
Total expenditures	99,096	12,313,058	10,449,901	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(101,563)	(1,738,533)	3,452,024	1,339,711
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	3,329,339	-
Transfers from other funds:				
General Fund	-	-	517,720	-
Transportation Fund	-	-	100,000	-
Self Insurance Fund	-	-	-	-
Public Improvement Fund	63,575	-	-	-
Information Technology Fund	-	-	11,212	-
Fleet Management Fund	-	-	1,380	-
Facilities Maintenance Fund	-	-	3,528	-
Cleveland Heights Golf Course Fund	-	-	1,472	-
Parking Fund	-	-	230	-
Lakeland Center Fund	-	-	4,233	-
Lakeland Community Redevelopment Agency	-	-	350,000	-
Impact Fee Fund	-	1,026,820	843,679	-
Lakeland Airport Fund	37,988	-	859	-
Solid Waste Fund	-	-	4,954	-
Department of Electric Utilities	-	-	62,394	-
Wastewater Fund	-	-	11,082	-
Water Utilities	-	-	11,082	-
Total transfers from other funds	101,563	1,026,820	1,923,825	-
Transfers to other funds:				
General Fund	-	(3,495)	(5,308,115)	(64,284)
Debt Service Fund	-	-	(63,575)	-
Transportation Fund	-	-	-	(1,026,820)
Public Improvement Fund	-	(100,000)	-	(843,679)
Fleet Management Fund	-	(54,900)	-	-
Information Technology Fund	-	-	(289,840)	-
Parking System Fund	-	(214,274)	-	-
Lakeland Center Fund	-	-	(575,000)	-
Cleveland Heights Golf Course Fund	-	-	(1,310,000)	-
Lakeland Community Redevelopment Agency	-	-	(250,000)	-
Transfers to other funds	-	(372,669)	(7,796,530)	(1,934,783)
Total other financing sources (uses)	101,563	654,151	(2,543,366)	(1,934,783)
Net change in fund balances	-	(1,084,382)	908,658	(595,072)
FUND BALANCE, beginning of year	-	1,417,310	8,551,886	6,428,362
FUND BALANCE, end of year	\$ -	\$ 332,928	\$ 9,460,544	\$ 5,833,290

Special Revenue Funds					
Community Development Fund	State Housing Initiatives Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency	
\$ -	\$ -	\$ -	\$ -	\$ 2,610,764	
943,654	53,936	810,576	-	25,000	
-	-	-	4,282,065	-	
31,981	61,659	84,897	(27,010)	2,346,632	
<u>975,635</u>	<u>115,595</u>	<u>895,473</u>	<u>4,255,055</u>	<u>4,982,396</u>	
97,581	-	68,106	654,065	443,427	
49,673	-	-	-	-	
-	-	-	240,177	-	
-	-	-	2,084,462	308,616	
741,594	115,595	827,367	-	314,060	
61,700	-	-	-	-	
33,728	-	-	-	-	
-	-	-	659,602	2,843,500	
-	-	-	-	605,000	
<u>984,276</u>	<u>115,595</u>	<u>895,473</u>	<u>3,638,306</u>	<u>4,514,603</u>	
(8,641)	-	-	616,749	467,793	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	250,000	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
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-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	(350,000)	
-	-	-	(96,555)	-	
-	-	-	(2,522)	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,077)</u>	<u>(350,000)</u>	
-	-	-	(99,077)	(100,000)	
(8,641)	-	-	517,672	367,793	
366,823	4,877	-	5,300,815	8,382,054	
<u>\$ 358,182</u>	<u>\$ 4,877</u>	<u>\$ -</u>	<u>\$ 5,818,487</u>	<u>\$ 8,749,847</u>	

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Permanent Funds				
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	Total NonMajor Governmental Funds
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 7,489,865
Intergovernmental	-	-	-	-	5,746,137
Charges for services	-	-	-	-	6,037,616
Miscellaneous	410,606	(470)	(165)	10,777	18,184,978
Total revenues	410,606	(470)	(165)	10,777	37,458,596
EXPENDITURES					
Current:					
General government	-	-	-	-	1,779,819
Public safety	-	-	-	-	278,153
Physical environment	-	-	-	-	246,106
Transportation	-	-	-	-	6,237,879
Economic environment	-	-	-	-	1,998,616
Human services	-	-	-	-	61,700
Culture/recreation	-	-	1,252	-	463,362
Capital outlay	-	-	-	-	13,683,927
Debt service	-	-	-	-	8,261,998
Total expenditures	-	-	1,252	-	33,011,560
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	410,606	(470)	(1,417)	10,777	4,447,036
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	-	-	-	3,329,339
Transfers from other funds:					
General Fund	41,956	-	-	-	559,676
Transportation Fund	-	-	-	-	100,000
Self Insurance Fund	-	-	-	-	-
Public Improvement Fund	-	-	-	-	313,575
Information Technology Fund	-	-	-	-	11,212
Fleet Management Fund	-	-	-	-	1,380
Facilities Maintenance Fund	-	-	-	-	3,528
Cleveland Heights Golf Course Fund	-	-	-	-	1,472
Parking Fund	-	-	-	-	230
Lakeland Center Fund	-	-	-	-	4,233
Lakeland Community Redevelopment Agency	-	-	-	-	350,000
Impact Fee Fund	-	-	-	-	1,870,499
Lakeland Airport Fund	-	-	-	-	38,847
Solid Waste Fund	-	-	-	-	4,954
Department of Electric Utilities	-	-	-	-	62,394
Wastewater Fund	-	-	-	-	11,082
Water Utilities	-	-	-	-	11,082
Total transfers from other funds	41,956	-	-	-	3,344,164
Transfers to other funds:					
General Fund	(27,297)	(600)	-	-	(5,403,791)
Debt Service Fund	-	-	-	-	(63,575)
Transportation Fund	-	-	-	-	(1,026,820)
Public Improvement Fund	-	-	-	-	(1,293,679)
Fleet Management Fund	-	-	-	-	(151,455)
Information Technology Fund	-	-	-	-	(292,362)
Parking System Fund	-	-	-	-	(214,274)
Lakeland Center Fund	-	-	-	-	(575,000)
Cleveland Heights Golf Course Fund	-	-	-	-	(1,310,000)
Lakeland Community Redevelopment Agency	-	-	-	-	(250,000)
Total transfers to other funds	(27,297)	(600)	-	-	(10,580,956)
Total other financing sources (uses)	14,659	(600)	-	-	(3,907,453)
Net change in fund balances	425,265	(1,070)	(1,417)	10,777	539,583
FUND BALANCE, beginning of year	3,697,392	70,825	21,632	97,051	34,339,027
FUND BALANCE, end of year	\$ 4,122,657	\$ 69,755	\$ 20,215	\$ 107,828	\$34,878,610



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CITY OF LAKE LAND, FLORIDA

BUDGETARY COMPARISON SCHEDULE
 BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Transportation Fund			Public Improvement Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Taxes	\$ 4,967,000	\$ 4,879,101	\$ (87,899)	\$ -	\$ -	\$ -
Intergovernmental	6,907,120	3,222,285	(3,684,835)	693,758	690,686	(3,072)
Charges for services	-	-	-	350,000	415,831	65,831
Miscellaneous	3,772,656	2,473,139	(1,299,517)	12,912,289	12,795,408	(116,881)
Total revenues	15,646,776	10,574,525	(5,072,251)	13,956,047	13,901,925	(54,122)
EXPENDITURES						
Current:						
General government	-	-	-	1,110,997	516,640	594,357
Public safety	-	-	-	286,095	228,480	57,615
Physical environment	-	-	-	21,000	5,929	15,071
Transportation	6,419,725	3,844,801	2,574,924	-	-	-
Economic environment	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture/recreation	-	-	-	3,078,822	428,382	2,650,440
Capital outlay	12,179,615	6,130,715	6,048,900	8,988,086	4,050,110	4,937,976
Debt service	2,687,542	2,337,542	350,000	5,339,543	5,220,360	119,183
Total expenditures	21,286,882	12,313,058	8,973,824	18,824,543	10,449,901	8,374,642
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,640,106)	(1,738,533)	3,901,573	(4,868,496)	3,452,024	8,320,520
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term debt	-	-	-	2,723,435	3,329,339	605,904
Transfers from other funds	4,344,188	1,026,820	(3,317,368)	4,608,787	1,923,825	(2,684,962)
Transfers to other funds	(375,546)	(372,669)	2,877	(8,102,715)	(7,796,530)	306,185
Total other financing sources (uses)	3,968,642	654,151	(3,314,491)	(770,493)	(2,543,366)	(1,772,873)
NET CHANGE IN FUND BALANCE	(1,671,464)	(1,084,382)	587,082	(5,638,989)	908,658	6,547,647
FUND BALANCE, beginning of year	1,417,310	1,417,310	-	8,551,886	8,551,886	-
FUND BALANCE, end of year	\$ (254,154)	\$ 332,928	\$ 587,082	\$ 2,912,897	\$ 9,460,544	\$ 6,547,647

Community Development			State Housing Initiatives			Neighborhood Stabilization		
Fund			Partnership Program			Program		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,836,463	943,654	(1,892,809)	310,393	53,936	(256,457)	1,348,412	810,576	(537,836)
-	-	-	-	-	-	-	-	-
12,515	31,981	19,466	-	61,659	61,659	84,897	84,897	-
2,848,978	975,635	(1,873,343)	310,393	115,595	(194,798)	\$ 1,433,309	\$ 895,473	\$ (537,836)
189,858	97,581	92,277	-	-	-	149,753	68,106	81,647
86,618	49,673	36,945	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,751,930	741,594	2,010,336	315,270	115,595	199,675	1,223,553	827,367	396,186
119,340	61,700	57,640	-	-	-	-	-	-
48,846	33,728	15,118	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,196,592	984,276	2,212,316	315,270	115,595	199,675	1,373,306	895,473	477,833
(347,614)	(8,641)	338,973	(4,877)	-	4,877	60,003	-	(60,003)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(347,614)	(8,641)	338,973	(4,877)	-	4,877	60,003	-	(60,003)
366,823	366,823	-	4,877	4,877	-	-	-	-
\$ 19,209	\$ 358,182	\$ 338,973	\$ -	\$ 4,877	\$ 4,877	\$ 60,003	\$ -	\$ (60,003)

CITY OF LAKELAND, FLORIDA

BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Stormwater Fund			Lakeland Community Redevelopment Agency		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 2,482,000	\$ 2,610,764	\$ 128,764
Intergovernmental	-	-	-	-	25,000	25,000
Charges for services	4,372,660	4,282,065	(90,595)	-	-	-
Miscellaneous	170,642	(27,010)	(197,652)	231,497	2,346,632	2,115,135
Total revenues	4,543,302	4,255,055	(288,247)	2,713,497	4,982,396	2,268,899
EXPENDITURES						
Current:						
General government	738,332	654,065	84,267	644,860	443,427	201,433
Public safety	-	-	-	-	-	-
Physical environment	968,692	240,177	728,515	-	-	-
Transportation	3,446,706	2,084,462	1,362,244	1,149,157	308,616	840,541
Economic environment	-	-	-	510,190	314,060	196,130
Human services	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-
Capital outlay	2,709,972	659,602	2,050,370	4,556,809	2,843,500	1,713,309
Debt service	-	-	-	605,000	605,000	-
Total expenditures	7,863,702	3,638,306	4,225,396	7,466,016	4,514,603	2,951,413
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,320,400)	616,749	3,937,149	(4,752,519)	467,793	5,220,312
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term deb	-	-	-	-	-	-
Transfers from other funds	-	-	-	250,000	250,000	-
Transfers to other funds	(99,077)	(99,077)	-	(350,000)	(350,000)	-
Total other financing sources (uses)	(99,077)	(99,077)	-	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	(3,419,477)	517,672	3,937,149	(4,852,519)	367,793	5,220,312
FUND BALANCE, beginning of year	5,300,815	5,300,815	-	8,382,054	8,382,054	-
FUND BALANCE, end of year	\$ 1,881,338	\$ 5,818,487	\$ 3,937,149	\$ 3,529,535	\$ 8,749,847	\$ 5,220,312

CITY OF LAKELAND, FLORIDA

BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Debt Service Fund		
	Budget	Actual	Variance
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous	-	(2,467)	(2,467)
Total revenues	-	(2,467)	(2,467)
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Human services	-	-	-
Culture/recreation	-	-	-
Capital outlay	-	-	-
Debt service	399,660	99,096	300,564
Total expenditures	399,660	99,096	300,564
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(399,660)	(101,563)	298,097
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	-	-	-
Transfers from other funds	399,660	101,563	(298,097)
Transfers to other funds	-	-	-
Total other financing sources (uses)	399,660	101,563	(298,097)
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, beginning of year	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -



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NON-MAJOR FUNDS

PROPRIETARY FUNDS

PROPRIETARY FUNDS

Proprietary funds are used to account for business-type activities and include both Enterprise funds and Internal Service funds.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The primary customer of enterprise funds is the general public and the intent is that the costs relating to providing certain goods or services are primarily recovered through user fees and charges.

PARKING SYSTEM FUND – This fund accounts for operating and maintaining parking facilities throughout the City, including three municipal parking garages.

LAKELAND CENTER FUND – This fund accounts for operating and maintaining the Lakeland Center for public shows, civic and cultural events, entertainment and other activities.

LAKELAND LINDER REGIONAL AIRPORT FUND – This fund accounts for revenues from leases of buildings and land, commissions on the sale of gasoline, related operating expenses, and capital outlays necessary for maintaining a general aviation facility and an industrial park.

SOLID WASTE MANAGEMENT FUND – This fund accounts for all activities necessary to provide refuse collection, disposal services and recycling to residents of the City.

CLEVELAND HEIGHTS GOLF COURSE FUND – This fund accounts for operating and maintaining the City-owned golf course.

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities Enterprise Funds					Total Other Proprietary Funds
	Parking System Fund	Lakeland Center Fund	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 326,027	\$ 1,255,198	\$ 711,187	\$ 3,568,419	\$ 333,481	\$ 6,194,312
Receivables	24,840	240,267	518,223	414,685	37,552	1,235,567
Less allowance for uncollectibles	(5,383)	(15,123)	(32,807)	-	(8,393)	(61,706)
Due from other governments	-	-	2,449,950	-	-	2,449,950
Inventory	-	-	-	-	61,141	61,141
Prepaid expenses	-	137,740	73,855	-	-	211,595
Total current assets	<u>345,484</u>	<u>1,618,082</u>	<u>3,720,408</u>	<u>3,983,104</u>	<u>423,781</u>	<u>10,090,859</u>
Non-current assets:						
Asset apportionments	33,215	-	-	-	-	33,215
Restricted assets	-	-	565	325,606	-	326,171
Capital assets:						
Land	1,553,061	2,611,443	12,277,593	934,279	828,311	18,204,687
Construction in process	-	-	7,659,184	39,745	511,941	8,210,870
Facilities and equipment in service	7,706,079	41,082,730	76,110,572	2,989,154	4,247,515	132,136,050
Less accumulated depreciation	(4,045,478)	(22,997,209)	(38,243,582)	(1,323,970)	(2,088,839)	(68,699,078)
Total capital assets	<u>5,213,662</u>	<u>20,696,964</u>	<u>57,803,767</u>	<u>2,639,208</u>	<u>3,498,928</u>	<u>89,852,529</u>
Other noncurrent assets:						
Deposits	1,445	-	-	-	-	1,445
Net pension asset	22,109	124,007	110,343	274,540	42,897	573,896
Total other noncurrent assets	<u>23,554</u>	<u>124,007</u>	<u>110,343</u>	<u>274,540</u>	<u>42,897</u>	<u>575,341</u>
Total assets	<u>5,615,915</u>	<u>22,439,053</u>	<u>61,635,083</u>	<u>7,222,458</u>	<u>3,965,606</u>	<u>100,878,115</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on refunding	-	341,270	-	-	-	341,270
LIABILITIES						
Current liabilities:						
Accounts payable	22,437	132,598	570,436	1,423,723	147,602	2,296,796
Accrued liabilities	13,729	98,893	52,190	121,352	46,933	333,097
Accrued interest payable	-	54,168	-	-	336	54,504
Due to other funds	-	110,000	835,269	-	280,921	1,226,190
Current portion of loans payable	-	988,411	-	-	81,560	1,069,971
Deposits payable	-	913,456	97,106	-	722	1,011,284
Unearned revenue	-	54,952	40,000	-	20,903	115,855
Total current liabilities	<u>36,166</u>	<u>2,352,478</u>	<u>1,595,001</u>	<u>1,545,075</u>	<u>578,977</u>	<u>6,107,697</u>
Noncurrent liabilities:						
Restricted liabilities	-	-	-	325,606	-	325,606
Accrued liabilities, less current portion	11,544	186,897	59,587	224,896	56,877	539,801
Net OPEB obligation	64,258	515,169	299,226	976,713	205,587	2,060,953
Advances from other funds, less current portion	-	858,826	8,308,006	-	86,405	9,253,237
Notes and loans payable, less current portion	-	904,216	-	-	130,605	1,034,821
Revenue bonds payable, less current portion	-	3,750,000	-	-	-	3,750,000
Total other liabilities	<u>75,802</u>	<u>6,215,108</u>	<u>8,666,819</u>	<u>1,527,215</u>	<u>479,474</u>	<u>16,964,418</u>
Total liabilities	<u>111,968</u>	<u>8,567,586</u>	<u>10,261,820</u>	<u>3,072,290</u>	<u>1,058,451</u>	<u>23,072,115</u>
NET POSITION						
Net investment in capital assets	5,213,662	16,384,018	57,803,767	2,639,208	3,286,763	85,327,418
Unrestricted	290,285	(2,171,281)	(6,430,504)	1,510,960	(379,608)	(7,180,148)
Total net position	<u>\$ 5,503,947</u>	<u>\$ 14,212,737</u>	<u>\$ 51,373,263</u>	<u>\$ 4,150,168</u>	<u>\$ 2,907,155</u>	<u>\$ 78,147,270</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities					
	Enterprise Funds					
	Parking System Fund	Lakeland Center Fund	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	Total Other Proprietary Funds
OPERATING REVENUES						
Charges for services	\$ 617,655	\$ 5,043,652	\$ 3,962,024	\$ 13,281,928	\$ 2,243,941	\$ 25,149,200
OPERATING EXPENSES						
Personal services	246,190	3,218,233	1,122,823	3,847,919	1,208,516	9,643,681
Other operating expenses	503,888	3,951,800	1,674,964	9,106,476	1,723,833	16,960,961
Depreciation	172,824	1,060,154	3,006,559	74,093	208,839	4,522,469
Total operating expenses	922,902	8,230,187	5,804,346	13,028,488	3,141,188	31,127,111
Operating income (loss)	(305,247)	(3,186,535)	(1,842,322)	253,440	(897,247)	(5,977,911)
NONOPERATING REVENUES (EXPENSES)						
Property and other taxes	—	238,623	—	—	—	238,623
Federal, state and local grants	—	41,017	—	—	—	41,017
Investment revenue	12,873	(12,902)	1,815	184,972	14,528	201,286
Net increase (decrease) in the fair value of investments and cash equivalents	(18,506)	(24,868)	(39,146)	(226,145)	(13,220)	(321,885)
Miscellaneous revenue	1,495	11,965	100,346	—	83,072	196,878
Interest expense	(827)	(209,728)	(410,226)	—	(30,007)	(650,788)
Amortization	—	(50,228)	—	—	—	(50,228)
Gain (loss) on disposal of capital assets	(10,266)	—	(46,607)	(4,616)	(2,271)	(63,760)
Total nonoperating revenue (expenses)	(15,231)	(6,121)	(393,818)	(45,789)	52,102	(408,857)
Income (loss) before contributions, transfers	(320,478)	(3,192,656)	(2,236,140)	207,651	(845,145)	(6,386,768)
Capital grants and contributions	—	—	6,297,301	—	—	6,297,301
Transfers from other funds:						
General Fund	—	2,302,763	—	—	—	2,302,763
Transportation Fund	214,274	—	—	—	—	214,274
Public Improvement Fund	—	575,000	—	—	1,310,000	1,885,000
Transfers from other funds	214,274	2,877,763	—	—	1,310,000	4,402,037
Transfers to other funds:						
General Fund	—	—	—	(1,300,000)	—	(1,300,000)
Debt Service Fund	—	—	(37,988)	—	—	(37,988)
Fleet Management Fund	—	—	—	(661,420)	—	(661,420)
Public Improvement Fund	(230)	(4,233)	(859)	(4,954)	(1,472)	(11,748)
Information Technology Fund	(771)	(16,347)	(13,771)	(68,294)	(354)	(99,537)
Transfers to other funds	(1,001)	(20,580)	(52,618)	(2,034,668)	(1,826)	(2,110,693)
Total contributions and transfers	213,273	2,857,183	6,244,683	(2,034,668)	1,308,174	8,588,645
Change in net position	(107,205)	(335,473)	4,008,543	(1,827,017)	463,029	2,201,877
NET POSITION, beginning of year (Note 2)	5,611,152	14,548,210	47,364,720	5,977,185	2,444,126	75,945,393
NET POSITION, end of year	\$ 5,503,947	\$ 14,212,737	\$ 51,373,263	\$ 4,150,168	\$ 2,907,155	\$ 78,147,270

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities Enterprise Funds					
	Parking System Fund	Lakeland Center Fund	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	Total Other Proprietary Funds
Cash flows from operating activities:						
Receipts from customers	\$ 616,406	\$ 5,150,601	\$ 3,893,959	\$ 13,387,921	\$ 2,244,885	\$ 25,293,772
Payments for interfund services	(43,326)	(265,906)	(316,285)	(4,171,965)	(215,830)	(5,013,312)
Payments to suppliers	(438,308)	(3,663,270)	(1,616,273)	(3,816,846)	(1,283,742)	(10,818,439)
Payments to employees	(236,383)	(3,117,987)	(1,072,820)	(3,673,304)	(1,173,303)	(9,273,797)
Cash flows provided by (used in) operating activities	(101,611)	(1,896,562)	888,581	1,725,806	(427,990)	188,224
Cash flows from noncapital financing activities:						
Proceeds from local grants	-	41,017	-	-	-	41,017
Transfers from other funds	-	2,527,763	-	-	1,040,000	3,567,763
Transfers to other funds	(1,001)	(20,580)	(52,618)	(2,034,668)	(1,826)	(2,110,693)
Cash flows provided by (used in) noncapital financing activities	(1,001)	2,548,200	(52,618)	(2,034,668)	1,038,174	1,498,087
Cash flows from capital financing activities:						
Taxes received for payments on long-term debt	-	238,623	-	-	-	238,623
Interest paid on long-term debt issued to finance capital assets	(827)	(323,083)	(410,226)	-	(30,129)	(764,265)
Proceeds from issuance of interfund loans	-	-	661,754	-	124,646	786,400
Payments on interfund loans	(43,924)	(107,000)	(323,506)	-	(239,327)	(713,757)
Payments on and maturities of long-term debt	-	(7,250,481)	-	-	(77,052)	(7,327,533)
Proceeds from issuance of long-term debt	-	5,595,842	-	-	-	5,595,842
Proceeds from capital grant programs	-	-	5,821,562	-	-	5,821,562
Transfers from other funds for capital purposes	214,274	350,000	-	-	270,000	834,274
Purchase of capital assets	(25,954)	(288,907)	(6,621,030)	(80,232)	(525,960)	(7,542,083)
Cash flows provided by (used in) capital financing activities	143,569	(1,785,006)	(871,446)	(80,232)	(477,822)	(3,070,937)
Cash flows from investing activities:						
Investment revenue	12,873	(12,902)	1,815	184,972	14,528	201,286
Net increase (decrease) in the fair value of cash equivalents	(18,506)	(24,868)	(39,146)	(226,145)	(13,220)	(321,885)
Cash flows provided by (used in) investing activities	(5,633)	(37,770)	(37,331)	(41,173)	1,308	(120,599)
Net increase (decrease) in cash and cash equivalents	35,324	(1,171,138)	(72,814)	(430,267)	133,670	(1,505,225)
Cash and cash equivalents, beginning of year	323,918	2,426,336	784,566	4,324,292	199,811	8,058,923
Cash and cash equivalents, end of year	\$ 359,242	\$ 1,255,198	\$ 711,752	\$ 3,894,025	\$ 333,481	\$ 6,553,698
Classified as:						
Current	\$ 326,027	\$ 1,255,198	\$ 711,187	\$ 3,568,419	\$ 333,481	\$ 6,194,312
Apportioned	33,215	-	-	-	-	33,215
Restricted	-	-	565	325,606	-	326,171
Total	\$ 359,242	\$ 1,255,198	\$ 711,752	\$ 3,894,025	\$ 333,481	\$ 6,553,698
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (305,247)	\$(3,186,535)	\$(1,842,322)	\$ 253,440	\$ (897,247)	\$(5,977,911)
Depreciation	172,824	1,060,154	3,006,559	74,093	208,839	4,522,469
Miscellaneous revenue	1,495	11,965	100,346	-	83,072	196,878
(Increase) decrease in receivables, net	(2,744)	(20,931)	(173,811)	82,298	(9,329)	(124,517)
Decrease in inventory	-	-	-	-	20,534	20,534
(Increase) decrease in prepaid expenses	30	39,293	(48,352)	355	88	(8,586)
Increase (decrease) in accounts payable	21,576	(10,442)	(235,123)	1,084,255	120,024	980,290
(Increase) decrease in net pension asset	(40)	(390)	(195)	(699)	(143)	(1,467)
Increase (decrease) in accrued liabilities	648	(6,227)	25,881	33,055	543	53,900
Increase (decrease) in deferred revenue	-	18,933	-	-	12,402	31,335
Increase in net OPEB obligation	9,847	100,636	50,198	175,314	35,356	371,351
Increase (decrease) in deposits payable	-	96,982	5,400	23,695	(2,129)	123,948
Total adjustments	203,636	1,289,973	2,730,903	1,472,366	469,257	6,166,135
Net cash provided by (used in) operating activities	\$ (101,611)	\$(1,896,562)	\$ 888,581	\$ 1,725,806	\$ (427,990)	\$ 188,224
Noncash investing, capital, or financing transactions:						
Net increase (decrease) in the fair value of investments,						
Capitalized interest	\$ -	\$ 4,173	\$ -	\$ -	\$ -	\$ 4,173
Net noncash investing, capital, or financing transactions	\$ -	\$ 4,173	\$ -	\$ -	\$ -	\$ 4,173

NON-MAJOR FUNDS

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Internal service funds account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

PURCHASING AND STORES FUND – This fund accounts for the costs of purchasing and maintaining custody of supplies and materials. Services provided are billed based on an estimate of actual cost, including operating expenses, and overhead.

FLEET MANAGEMENT FUND – This fund accounts for renting and maintaining automotive equipment used by other City departments. User charges are assessed to cover actual costs, including operating expenses, overhead, and depreciation.

FACILITIES MAINTENANCE FUND – This fund accounts for the cost of maintenance and janitorial services for all City-owned buildings. User charges are assessed to cover actual costs, including operating expenses, and overhead.

INFORMATION TECHNOLOGY FUND – This fund accounts for the cost of the information services incurred in providing network services, telephone, radio communications, and general computer services and supplies. User charges are assessed to cover actual costs, including operating expenses, overhead, and depreciation.

SELF-INSURANCE FUND – This fund accounts for the cost of claims and management fees incurred in providing employee health insurance, workers' compensation, general liability, public officials' liability, airport general liability, automobile liability and trustee and fiduciary liability for the City of Lakeland.

INTERNAL LOAN FUND – This fund accounts for internal loans that are made to other funds of the City of Lakeland for the purpose of financing operating deficits and capital acquisition costs that the City has determined should not be financed through the traditional tax-free debt market. All loans are interest bearing with defined repayment terms.

CITY OF LAKELAND, FLORIDA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 779,511	\$ 403,593	\$ 1,342,353
Receivables	-	-	-
Due from other funds	-	-	-
Due from other governments	-	81,380	-
Inventory	764,056	47,818	-
Asset apportionments set aside for			
Accrued liabilities	-	201,703	-
Restricted assets, set aside for			
Current portion of bonds payable	-	-	-
Accrued interest payable	-	-	-
Total current assets	<u>1,543,567</u>	<u>734,494</u>	<u>1,342,353</u>
Noncurrent assets:			
Asset apportionments			
Other asset apportionments	-	30,578,585	-
	<u>-</u>	<u>30,578,585</u>	<u>-</u>
Restricted assets	-	-	-
Capital assets:			
Land	-	9,972	-
Construction in process	156,809	229,735	-
Facilities and equipment in service	3,424,840	53,773,303	334,109
Less accumulated depreciation	(1,731,193)	(35,791,532)	(210,729)
Total capital assets	<u>1,850,456</u>	<u>18,221,478</u>	<u>123,380</u>
Other noncurrent assets:			
Advances to other funds, less current portion	-	-	-
Notes receivable	-	-	-
Net pension asset	97,636	176,447	72,707
	<u>97,636</u>	<u>176,447</u>	<u>72,707</u>
Total noncurrent assets	<u>1,948,092</u>	<u>48,976,510</u>	<u>196,087</u>
Totals assets	<u>3,491,659</u>	<u>49,711,004</u>	<u>1,538,440</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	48,585	253,466	42,270
Accrued liabilities	33,057	75,225	103,774
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Payable from apportioned assets	-	201,703	-
Payable from restricted assets	-	-	-
Total current liabilities	<u>81,642</u>	<u>530,394</u>	<u>146,044</u>
Noncurrent liabilities:			
Liabilities payable from apportioned assets	-	-	-
Accrued liabilities, less current portion	47,299	133,759	203,641
Advances from other funds, less current portion	-	-	-
Net OPEB obligation	322,944	525,229	560,908
Revenue bonds payable, less current portion	-	-	-
Unamortized bond premium	-	-	-
Total noncurrent liabilities	<u>370,243</u>	<u>658,988</u>	<u>764,549</u>
Total liabilities	<u>451,885</u>	<u>1,189,382</u>	<u>910,593</u>
NET POSITION			
Net Investment in capital assets	1,850,456	18,221,478	123,380
Restricted			
Debt service	-	-	-
Unrestricted	1,189,318	30,300,144	504,467
Total net position	<u>\$ 3,039,774</u>	<u>\$ 48,521,622</u>	<u>\$ 627,847</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 6,150,671	\$ -	\$ 7,142,943	\$ 15,819,071
21,346	-	-	21,346
-	-	2,593,444	2,593,444
-	-	-	81,380
-	-	-	811,874
-	7,521,254	-	7,722,957
-	-	2,575,606	2,575,606
-	-	1,397,226	1,397,226
<u>6,172,017</u>	<u>7,521,254</u>	<u>13,709,219</u>	<u>31,022,904</u>
-	12,192,573	-	42,771,158
-	12,192,573	-	42,771,158
-	-	2,439,394	2,439,394
-	-	-	9,972
12,968,721	-	-	13,355,265
14,350,355	-	-	71,882,607
(8,277,417)	-	-	(46,010,871)
<u>19,041,659</u>	<u>-</u>	<u>-</u>	<u>39,236,973</u>
-	-	21,466,507	21,466,507
-	-	4,750,000	4,750,000
203,110	-	-	549,900
<u>203,110</u>	<u>-</u>	<u>26,216,507</u>	<u>26,766,407</u>
<u>19,244,769</u>	<u>12,192,573</u>	<u>28,655,901</u>	<u>111,213,932</u>
<u>25,416,786</u>	<u>19,713,827</u>	<u>42,365,120</u>	<u>142,236,836</u>
-	-	943,272	943,272
546,677	-	-	890,998
290,817	-	-	502,873
-	-	108,281	108,281
1,367,254	-	-	1,367,254
-	7,521,254	-	7,722,957
-	-	3,972,832	3,972,832
<u>2,204,748</u>	<u>7,521,254</u>	<u>4,081,113</u>	<u>14,565,195</u>
-	10,985,000	-	10,985,000
569,478	-	-	954,177
12,213,270	-	-	12,213,270
1,793,443	-	-	3,202,524
-	-	29,424,979	29,424,979
-	-	3,871,479	3,871,479
<u>14,576,191</u>	<u>10,985,000</u>	<u>33,296,458</u>	<u>60,651,429</u>
<u>16,780,939</u>	<u>18,506,254</u>	<u>37,377,571</u>	<u>75,216,624</u>
19,041,659	-	-	39,236,973
-	-	2,439,394	2,439,394
(10,405,812)	1,207,573	3,491,427	26,287,117
<u>\$ 8,635,847</u>	<u>\$ 1,207,573</u>	<u>\$ 5,930,821</u>	<u>\$ 67,963,484</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
OPERATING REVENUES			
Charges for services	\$ 2,558,319	\$ 14,088,013	\$ 4,280,524
OPERATING EXPENSES			
Personal services	1,104,222	2,126,803	2,543,293
Other operating expenses	1,360,414	7,390,518	1,686,535
Depreciation	72,095	5,145,962	23,971
Total operating expenses	2,536,731	14,663,283	4,253,799
Operating income (loss)	21,588	(575,270)	26,725
NONOPERATING REVENUES (EXPENSES)			
Federal, state, and local grants	-	-	-
Investment revenue	34,720	1,438,544	61,014
Net increase (decrease) in the fair value of investments and cash equivalents	(41,662)	(1,680,711)	(71,047)
Interest income on internal loans	-	-	-
Miscellaneous revenue (expense)	23,897	6,800	4,545
Rebate on fuel taxes	-	155,961	-
Interest expense	-	-	-
Amortization	-	-	-
Gain (loss) on disposal of capital assets	-	391,084	(608)
Total nonoperating revenues	16,955	311,678	(6,096)
Income (loss) before transfers	38,543	(263,592)	20,629
Transfers from other funds:			
General Fund	-	18,500	-
Transportation Fund	-	54,900	-
Public Improvement Fund	-	-	-
Fleet Management Fund	-	-	-
Purchasing and Stores Fund	-	-	-
Electric Utilities Fund	-	-	-
Water Utilities Fund	-	21,300	-
Wastewater Utilities Fund	-	167,051	-
Facilities Maintenance Fund	-	79,622	-
Parking System Fund	-	-	-
Lakeland Linder Regional Airport Fund	-	-	-
Solid Waste Management Fund	-	661,420	-
Stormwater Fund	-	96,555	-
Lakeland Center Fund	-	-	-
Information Technology Fund	-	-	-
Cleveland Heights Golf Course Fund	-	-	-
Transfers from other funds	-	1,099,348	-
Transfers to other funds:			
General Fund	-	-	-
Public Improvement Fund	-	(1,380)	(3,528)
Fleet Management Fund	-	-	(79,622)
Information Technology Fund	(9,082)	(7,788)	(3,508)
Transfers to other funds	(9,082)	(9,168)	(86,658)
Total contributions and transfers	(9,082)	1,090,180	(86,658)
Change in net position	29,461	826,588	(66,029)
NET POSITION, beginning of year (Note 2)	3,010,313	47,695,034	693,876
NET POSITION, end of year	\$ 3,039,774	\$ 48,521,622	\$ 627,847

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 13,253,527	\$ 24,337,016	\$ —	\$ 58,517,399
7,807,702	—	—	13,582,020
5,186,500	27,140,817	—	42,764,784
2,001,263	—	—	7,243,291
14,995,465	27,140,817	—	63,590,095
(1,741,938)	(2,803,801)	—	(5,072,696)
—	—	321,534	321,534
431,285	869,505	396,658	3,231,726
(452,870)	(1,020,560)	(521,316)	(3,788,166)
—	—	3,415,029	3,415,029
27,295	345,161	—	407,698
—	—	—	155,961
(656,248)	—	(3,211,619)	(3,867,867)
—	—	125,796	125,796
(269,637)	—	—	120,839
(920,175)	194,106	526,082	122,550
(2,662,113)	(2,609,695)	526,082	(4,950,146)
693,298	—	—	711,798
—	—	—	54,900
289,840	—	—	289,840
7,788	—	—	7,788
9,082	—	—	9,082
551,614	—	—	551,614
108,763	—	—	130,063
90,589	—	—	257,640
3,508	—	—	83,130
771	—	—	771
13,771	—	—	13,771
68,294	—	—	729,714
2,522	—	—	99,077
16,347	—	—	16,347
354	—	—	354
1,856,541	—	—	2,955,889
—	(9,299)	—	(9,299)
(11,212)	—	—	(16,120)
—	—	—	(79,622)
—	—	—	(20,378)
(11,212)	(9,299)	—	(125,419)
1,845,329	(9,299)	—	2,830,470
(816,784)	(2,618,994)	526,082	(2,119,676)
9,452,631	3,826,567	5,404,739	70,083,160
\$ 8,635,847	\$ 1,207,573	\$ 5,930,821	\$ 67,963,484

CITY OF LAKELAND, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Purchasing and Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
Cash flows from operating activities:			
Receipts from customers	\$ 1,853,326	\$ 109,370	\$ 4,546
Receipts for interfund services	728,890	14,088,013	4,280,523
Payments to suppliers	(1,125,025)	(7,023,302)	(1,371,550)
Payments for interfund services	(342,239)	(373,171)	(299,992)
Payments to employees	(1,068,863)	(2,021,002)	(2,442,595)
Cash flows provided by operating activities	46,089	4,779,908	170,932
Cash flows from noncapital financing activities:			
Proceeds from federal grants	-	-	-
Transfers to other funds	(9,082)	(9,168)	(86,658)
Cash flows provided by (used in) noncapital financing activities	(9,082)	(9,168)	(86,658)
Cash flows from capital financing activities:			
Interest received on internal loans	-	-	-
Repayments on and maturities of long-term debt - governmental funds	-	-	-
Issuance of long-term debt - governmental funds	-	-	-
Proceeds from repayment of interfund loans	-	-	-
Payments on interfund loans	-	-	-
Issuance of interfund loans	-	-	-
Proceeds from issuance of interfund loans	-	-	-
Interest paid on long-term debt issued to finance capital assets	-	-	-
Proceeds from issuance of long-term debt	-	-	-
Payments on and maturities of long-term debt	-	-	-
Transfers from other funds for capital purposes	-	1,099,348	-
Capital contributions from others	-	-	-
Proceeds from grants received on interest payments	-	-	-
Proceeds from sale of capital assets	-	508,483	-
Purchase of capital assets	-	(5,385,565)	-
Cash flows (used in) capital financing activities	-	(3,777,734)	-
Cash flows from investing activities:			
Investment revenue	34,720	1,438,544	61,014
Net increase (decrease) in the fair value of cash equivalents	(41,662)	(1,680,711)	(71,047)
Cash flows provided by investing activities	(6,942)	(242,167)	(10,033)
Net increase (decrease) in cash and cash equivalents	30,065	750,839	74,241
Cash and cash equivalents, beginning of year	749,446	30,433,042	1,268,112
Cash and cash equivalents, end of year	\$ 779,511	\$ 31,183,881	\$ 1,342,353
Classified as:			
Current	\$ 779,511	\$ 403,593	\$ 1,342,353
Apportioned	-	30,780,288	-
Restricted	-	-	-
Total	\$ 779,511	\$ 31,183,881	\$ 1,342,353
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income (loss)	\$ 21,588	\$ (575,270)	\$ 26,725
Depreciation	72,095	5,145,962	23,971
Rebate on fuel taxes	-	155,961	-
Miscellaneous revenue	23,897	6,800	4,545
(Increase) decrease in receivables, net	-	-	-
(Increase) decrease in due from other governments	-	(53,391)	-
(Increase) decrease in inventory	(43,034)	4,305	-
(Increase) decrease in prepaid expenses	82	140	229
(Increase) decrease in net pension asset	(143)	(359)	(405)
Increase (decrease) in accounts payable	(46,684)	(10,400)	(2,667)
Increase (decrease) in accrued liabilities	(11,214)	17,255	17,431
Increase (decrease) in deposits payable	(6,000)	-	-
Increase in net OPEB obligation	35,502	88,905	101,103
Increase in estimated liability for unpaid claims	-	-	-
Net cash provided by (used in) operating activities	\$ 46,089	\$ 4,779,908	\$ 170,932
Noncash investing, capital, or financing transactions:			
Asset transfer from other funds, a noncash capital activity	\$ -	\$ -	\$ -
Asset transfer to other funds, a noncash capital activity	-	-	-
Debt transfer, a noncash financing activity	-	-	-
Net noncash investing, capital, or financing transactions	\$ -	\$ -	\$ -

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 6,066	\$ 8,243,604	\$ -	\$ 10,216,912
13,253,532	16,360,729	-	48,711,687
(4,372,664)	(23,417,492)	-	(37,310,033)
(603,551)	(188,560)	-	(1,807,513)
(7,442,059)	-	-	(12,974,519)
<u>841,324</u>	<u>998,281</u>	<u>-</u>	<u>6,836,534</u>
<u>(11,212)</u>	<u>(9,299)</u>	<u>-</u>	<u>(125,419)</u>
<u>(11,212)</u>	<u>(9,299)</u>	<u>-</u>	<u>(125,419)</u>
-	-	3,402,125	3,402,125
-	-	5,292,734	5,292,734
-	-	(2,723,435)	(2,723,435)
-	-	2,349,867	2,349,867
(1,297,864)	-	-	(1,297,864)
-	-	(2,854,646)	(2,854,646)
1,730,000	-	-	1,730,000
(656,248)	-	(3,528,259)	(4,184,507)
-	-	11,799,403	11,799,403
-	-	(18,900,000)	(18,900,000)
1,856,541	-	-	2,955,889
-	-	166,771	166,771
-	-	-	508,483
(6,274,593)	-	-	(11,660,158)
<u>(4,642,164)</u>	<u>-</u>	<u>(4,995,440)</u>	<u>(13,415,338)</u>
431,285	869,505	396,658	3,231,726
(452,870)	(1,020,560)	(521,316)	(3,788,166)
<u>(21,585)</u>	<u>(151,055)</u>	<u>(124,658)</u>	<u>(556,440)</u>
(3,833,637)	837,927	(5,120,098)	(7,260,663)
9,984,308	18,478,610	18,430,939	79,344,457
<u>\$ 6,150,671</u>	<u>\$ 19,316,537</u>	<u>\$ 13,310,841</u>	<u>\$ 72,083,794</u>
\$ 6,150,671	\$ -	\$ 7,142,943	\$ 15,819,071
-	19,316,537	-	50,096,825
-	-	6,167,898	6,167,898
<u>\$ 6,150,671</u>	<u>\$ 19,316,537</u>	<u>\$ 13,310,841</u>	<u>\$ 72,083,794</u>
\$ (1,741,938)	\$ (2,803,801)	\$ -	\$ (5,072,696)
2,001,263	-	-	7,243,291
-	-	-	155,961
27,295	345,161	-	407,698
(21,224)	(77,844)	-	(99,068)
-	-	-	(53,391)
-	-	-	(38,729)
311	-	-	762
(1,464)	-	-	(2,371)
150,931	(75,266)	-	15,914
59,043	-	-	82,515
-	-	-	(6,000)
367,107	-	-	592,617
-	3,610,031	-	3,610,031
<u>\$ 841,324</u>	<u>\$ 998,281</u>	<u>\$ -</u>	<u>\$ 6,836,534</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NON-MAJOR FUNDS

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary funds include both pension trust funds and agency funds.

EMPLOYEES' PENSION AND RETIREMENT SYSTEM – This fund accounts for the accumulation of resources used for retirement payments for City employees. Resources for retirement benefits are contributed by employees at a rate of 8.5% of their salary and by the City at a rate of 17.44% of the covered employee's salary.

POLICE OFFICERS' DEFINED BENEFIT RETIREMENT SYSTEM – This fund accounts for the accumulation of resources used for retirement annuity payments to police officers. Resources are contributed by police officers at a rate of 1% of their salary and by the State of Florida from the proceeds of an excise tax imposed by the City on casualty insurance companies.

FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN – This fund accounts for the accumulation of resources used for retirement annuity and death benefit payments for firefighters. Resources are contributed by firefighters at a rate of 3% of their salary and by the State of Florida from the proceeds of an excise tax imposed by the City on fire insurance companies. The tax is collected by the State of Florida and remitted to the fund.

RETIREE HEALTHCARE TRUST FUND – This fund accounts for the accumulation of resources used for health insurance payments for eligible retirees.

DEATH BENEFIT FUND – This fund accounts for the accumulation of resources used to provide continued life insurance to certain City employees after retirement. The maximum liability at year-end is completely funded.

SURVIVOR'S BENEFIT TRUST FUND – This fund accounts for the accumulation of resources used for payment of a death benefit to surviving spouses of certain retired employees.

IMPACT FEE AGENCY FUND – This fund accounts for the deposits of transportation, emergency medical, and jail construction impact fees collected on behalf of the County.

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Retiree Healthcare Trust Fund	Death Benefit Fund	Survivor's Benefit Trust Fund	Total Fiduciary Funds
ASSETS							
Cash and cash equivalents	\$ 4,547,405	\$ 2,720,112	\$ 469,903	\$ 40,220	\$ 1,593	\$ -	\$ 7,779,233
Investments	472,866,029	96,458,411	78,961,167	4,631,536	-	4,073,055	656,990,198
Investments in transit	(15,696,825)	342,241	-	-	-	-	(15,354,584)
Accrued interest receivable	482,686	155,861	-	-	-	-	638,547
Unsettled investment sales	17,232,629	23,457	-	-	-	-	17,256,086
Prepaid expenses	-	516	271,503	-	-	-	272,019
Due from employer	343,174	174,661	40,046	-	-	-	557,881
Due from employees	176,111	47,269	24,343	35,244	-	-	282,967
Due from other governments	-	-	733,556	-	-	-	733,556
Total assets	<u>479,951,209</u>	<u>99,922,528</u>	<u>80,500,518</u>	<u>4,707,000</u>	<u>1,593</u>	<u>4,073,055</u>	<u>669,155,903</u>
LIABILITIES							
Accounts payable	498,079	120,652	102,477	-	-	-	721,208
Unsettled investment purchases	1,535,804	365,698	-	-	-	-	1,901,502
Due to other funds	2,387,442	-	-	-	-	31,673	2,419,115
Total liabilities	<u>4,421,325</u>	<u>486,350</u>	<u>102,477</u>	<u>-</u>	<u>-</u>	<u>31,673</u>	<u>5,041,825</u>
NET POSITION							
Held in trust for DROP benefits	15,198,578	1,257,334	1,776,598	-	-	-	18,232,510
Held in trust for OPEB benefits	-	-	-	4,707,000	-	-	4,707,000
Held in trust for pension benefits, and other purposes	460,331,306	98,178,844	78,621,443	-	1,593	4,041,382	641,174,568
Total net position	<u>\$ 475,529,884</u>	<u>\$ 99,436,178</u>	<u>\$ 80,398,041</u>	<u>\$ 4,707,000</u>	<u>\$ 1,593</u>	<u>\$ 4,041,382</u>	<u>\$ 664,114,078</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Pension and Other Employees Benefit Trust Funds						
	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Retiree Healthcare Trust Fund	Death Benefit Fund	Survivor's Benefit Trust Fund	Total Fiduciary Funds
ADDITIONS							
Contributions:							
On-behalf payments - State of Florida	\$ -	\$ 698,804	\$ 733,556	\$ -	\$ -	\$ -	\$ 1,432,360
Employer	15,758,557	2,780,161	1,041,756	53,964	-	-	19,634,438
Plan members	7,774,221	2,312,828	890,136	300,109	-	-	11,277,294
Total contributions	23,532,778	5,791,793	2,665,448	354,073	-	-	32,344,092
Net investment income:							
Interest and dividends	9,795,745	2,086,537	50,186	18	76	(27)	11,932,535
Net increase (decrease) in the fair value of investments	44,561,778	8,626,983	5,316,333	460,377	(87)	400,990	59,366,374
Investment advisor fee	(2,986,618)	(444,705)	(235,047)	-	-	-	(3,666,370)
Net investment income (loss)	51,370,905	10,268,815	5,131,472	460,395	(11)	400,963	67,632,539
Miscellaneous income	37,961	39,566	71	-	-	-	77,598
Total additions (deductions)	74,941,644	16,100,174	7,796,991	814,468	(11)	400,963	100,054,229
DEDUCTIONS							
Benefits paid	30,591,024	7,125,736	2,265,440	-	-	-	39,982,200
Refunds, former plan members	1,150,123	212,023	63,609	-	-	-	1,425,755
Actuarial fee	50,143	52,725	69,715	-	-	-	172,583
Other	274,751	69,745	48,290	2,270	-	421,545	816,601
Total deductions	32,066,041	7,460,229	2,447,054	2,270	-	421,545	42,397,139
CHANGE IN NET POSITION							
HELD IN TRUST	42,875,603	8,639,945	5,349,937	812,198	(11)	(20,582)	57,657,090
NET POSITION, beginning of year	486,542,317	90,796,233	21,160,068	3,894,802	1,604	4,061,964	606,456,988
Plan asset transfer	(53,888,036)	-	53,888,036	-	-	-	-
NET POSITION, end of year	\$ 475,529,884	\$ 99,436,178	\$ 80,398,041	\$ 4,707,000	\$ 1,593	\$ 4,041,382	\$ 664,114,078

CITY OF LAKELAND, FLORIDA

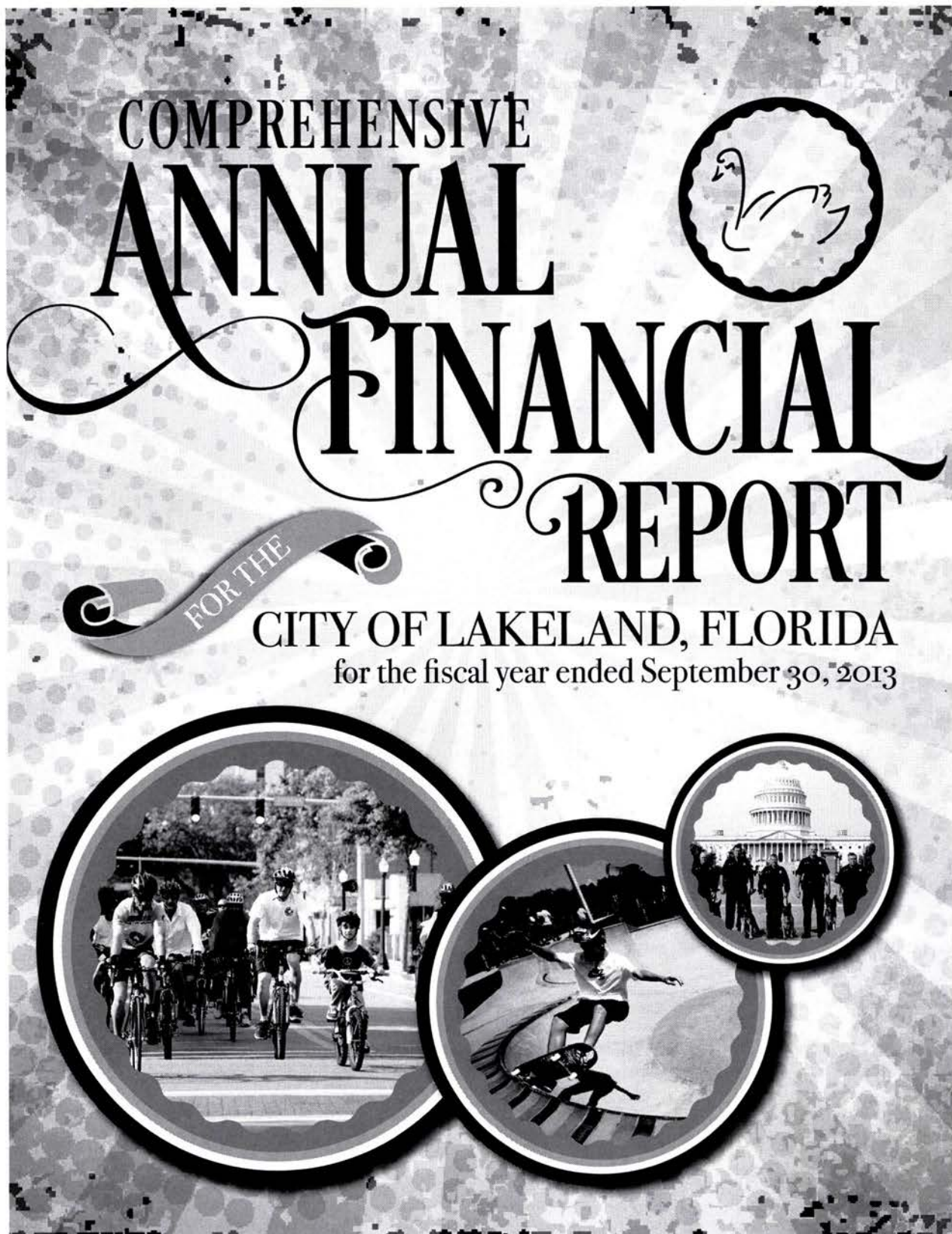
AGENCY FUND
STATEMENT OF OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED SEPTEMBER 30, 2013

	<u>2013</u>
<u>County Impact Fee Fund</u>	
Cash and cash equivalents, beginning balance	\$ 19,317,163
Add:	
Impact fee collections	29,120
Net investment income:	
Interest and dividends	918,629
Net increase (decrease) in the fair value of investments	(1,020,453)
Less:	
Administrative fee	(193,056)
Joint City/County transportation projects	<u>(1,749,449)</u>
Cash and cash equivalents, ending balance	<u>\$ 17,301,954</u>
Accounts payable/due to other governments, beginning balance	\$ 19,317,163
Add:	
Impact fee collections	29,120
Net investment income:	
Interest and dividends	918,629
Net increase (decrease) in the fair value of investments	(1,020,453)
Less:	
Administrative fee	(193,056)
Joint City/County transportation projects	<u>(1,749,449)</u>
Accounts payable/due to other governments, ending balance	<u>\$ 17,301,954</u>



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SCHEDULES





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CITY OF LAKELAND, FLORIDA
SCHEDULE OF LONG-TERM DEBT - ALL FUNDS
SEPTEMBER 30, 2013

		Date	
	Interest Rate	Issue	Final Maturity
GOVERNMENTAL FUNDS			
Utilities Tax Revenue Refunding and Improvement Bonds, Series 2002A	3.500 to 4.200	02-01-03	10-01-14
Capital Improvement Refunding Note, Series 2012A	0.0175	12-20-12	10-01-14
Loan Payable - US Bancorp	3.07	02-10-12	02-10-22
Loan Payable - Nally Property	N/A	12-01-02	01-01-18
Loan Payable - Key Financial	4.240	03-21-11	03-21-21
Internal Loans	3.000 to 6.800	06-30-02	09-30-28
DEPARTMENT OF ELECTRIC UTILITIES			
Energy System Refunding Bonds, Series 2009	Variable	10-21-09	10-01-14
Energy System Revenue and Refunding Bonds, Series 2006	4.000 to 5.000	08-14-06	10-01-36
Energy System Refunding Bonds, Series 2012	Variable	08-23-12	10-01-17
Electric Refunding Revenue Bonds, Series 1999A	3.050 to 5.000	04-30-99	10-01-15
Energy System Refunding Revenue Bonds, Series 1999B	5.300 to 6.550	04-30-99	10-01-14
Energy System Refunding Revenue Bonds, Series 1999C	5.300 to 6.550	04-30-99	10-01-12
Energy System Revenue and Refunding Bonds, Series 2010	4.000 to 5.250	10-01-10	10-01-36
Lease Payable - Caterpillar	5.210	07-01-09	06-01-15
Lease Payable - Caterpillar Lease 2	2.600	11-05-12	02-05-18
LAKELAND LINDER REGIONAL AIRPORT FUND			
Internal Loans	5.000	09-30-10	09-30-29
LAKELAND CENTER FUND			
Utilities Tax Revenue Refunding and Improvement Bonds, Series 2002A	3.500 to 4.200	02-01-03	10-01-17
Tourist Development Tax Revenue Bonds, Series 2002C	3.500 to 4.200	02-01-03	10-01-17
Capital Improvement Refunding Note, Series 2012A	0.0175	12-20-12	10-01-16
Capital Improvement Refunding Note, Series 2012B	0.0103	12-20-12	10-01-17
Lease Payable - US Bancorp	3.070	02-10-12	02-10-22
Internal Loans	3.500	09-30-10	09-30-21
WATER AND WASTEWATER UTILITIES			
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A	.930 to 5.000	01-12-12	10-01-32
Water and Wastewater Revenue Refunding Bonds, Series 2012B	.930 to 5.000	01-12-12	10-01-16
Loan Payable - Wastewater Revolving Loan Program	2.450	03-31-94	03-31-15
Loan Payable - Wastewater Revolving Loan Program	2.960	01-31-04	09-30-28
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002	3.500 to 5.000	08-29-02	10-01-33
PARKING FUND			
Internal Loan	5.000	03-31-03	03-31-13
CLEVELAND HEIGHTS GOLF COURSE FUND			
Internal Loans	3.000 to 5.500	12-31-03	09-30-14
Lease Payable - PNC	5.700	12-20-10	01-20-15
INFORMATION TECHNOLOGY FUND			
Internal Loans	5.000 to 5.250	03-31-03	09-30-25
INTERNAL LOAN FUND			
Capital Improvement Refunding Note, Series 2012A	0.0175	12-20-12	10-01-22
Utility Tax Revenue Bonds, Series 2002B	3.900 to 4.500	02-01-03	10-01-22
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23
Capital Improvement Revenue and Refunding Bonds, Series 2010B	4.407	09-30-10	10-01-20
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40

(1) The interest rate is variable, based on the debt issued by the Sunshine State Governmental Financing Commission.

Original Issue Amount	Outstanding October 1, 2012	Issued During Year	Retired During Year	Outstanding September 30 2013	Interest Payable in Future Years	Principal and Interest Payable in Future Years
\$ 4,050,000	\$ 1,115,000	\$ -	\$ 1,115,000	\$ -	\$ -	\$ -
593,000	-	593,000	-	593,000	10,439	603,439
1,280,000	1,198,532	-	255,364	943,168	179,379	1,122,547
455,000	160,000	-	30,000	130,000	-	130,000
975,000	853,632	-	85,285	768,347	134,838	903,185
57,856,549	39,730,172	2,736,339	5,292,734	37,173,777	8,254,699	45,428,476
65,209,549	43,057,336	3,329,339	6,778,383	39,608,292	8,579,355	48,187,647
199,225,000	99,225,000	-	-	99,225,000	15,188,754	114,413,754
44,870,000	41,175,000	-	885,000	40,290,000	27,937,273	68,227,273
100,000,000	100,000,000	-	-	100,000,000	15,307,382	115,307,382
195,635,409	15,954,965	-	5,626,267	10,328,698	10,911,306	21,240,004
144,305,000	15,310,000	-	-	15,310,000	977,075	16,287,075
64,525,000	17,240,000	-	17,240,000	-	-	-
199,300,000	198,655,000	-	705,000	197,950,000	105,343,913	303,293,913
671,176	333,679	-	115,854	217,825	249,505	467,330
1,572,285	-	1,572,285	165,739	1,406,546	76,065	1,482,611
950,103,870	487,893,644	1,572,285	24,737,860	464,728,069	175,991,273	640,719,342
8,717,064	8,805,027	1,000,000	661,753	9,143,274	2,360,309	11,503,583
8,717,064	8,805,027	1,000,000	661,753	9,143,274	2,360,309	11,503,583
10,970,000	4,615,000	-	4,615,000	-	-	-
5,660,000	2,540,000	-	2,540,000	-	-	-
3,015,000	-	3,015,000	-	3,015,000	113,006	3,128,006
1,625,000	-	1,625,000	-	1,625,000	43,955	1,668,955
1,166,640	1,098,108	-	95,480	1,002,628	160,101	1,162,729
1,279,000	1,075,826	-	107,000	968,826	158,046	1,126,872
23,715,640	9,328,934	4,640,000	7,357,480	6,611,454	475,108	7,086,562
8,336,615	8,336,615	-	-	8,336,615	2,200,472	10,537,087
5,209,023	5,209,023	-	-	5,209,023	3,234,415	8,443,438
37,325,000	37,325,000	-	-	37,325,000	22,124,925	59,449,925
6,750,000	6,750,000	-	1,065,000	5,685,000	199,276	5,884,276
13,655,627	2,146,679	-	698,327	1,448,352	44,314	1,492,666
42,734,405	36,838,570	-	2,154,239	34,684,331	7,447,305	42,131,636
72,755,000	3,330,000	-	3,325,000	5,000	745	5,745
186,765,670	99,935,887	-	7,242,566	92,693,321	35,251,452	127,944,773
-	43,924	-	43,924	-	-	-
1,174,437	482,007	124,646	239,327	367,326	42,497	409,823
413,952	289,217	-	77,052	212,165	12,264	224,429
1,588,389	771,224	124,646	316,379	579,491	54,761	634,252
18,865,680	13,148,388	1,730,000	1,297,863	13,580,525	3,766,713	17,347,238
18,865,680	13,148,388	1,730,000	1,297,863	13,580,525	3,766,713	17,347,238
12,375,000	-	12,375,000	-	12,375,000	1,448,186	13,823,186
15,355,000	14,120,000	-	14,120,000	-	-	-
40,153,385	36,123,385	-	4,135,000	31,988,385	5,249,521	37,237,906
10,140,000	9,550,000	-	645,000	8,905,000	1,679,398	10,584,398
15,905,977	15,905,977	-	-	15,905,977	12,428,420	28,334,397
93,929,362	75,699,362	12,375,000	18,900,000	69,174,362	20,805,525	89,979,887
\$ 1,348,895,224	\$ 738,683,726	\$ 24,771,270	\$ 67,336,208	\$ 696,118,788	247,284,496	\$ 943,403,284

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY
SEPTEMBER 30, 2013

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2012A

Fiscal Year	<u>GOVERNMENTAL ACTIVITIES PORTION</u>			<u>INTERNAL LOAN PORTION</u>		
	<u>SERIES 2012A</u>			<u>SERIES 2012A</u>		
	Principal	Interest	Total	Principal	Interest	Total
2013-14	\$ 293,000	\$ 7,814	\$ 300,814	\$ -	\$ 216,563	\$ 216,563
2014-15	300,000	2,625	302,625	296,000	213,972	509,972
2015-16	-	-	-	546,000	206,605	752,605
2016-17	-	-	-	447,000	197,916	644,916
2017-18	-	-	-	1,370,000	182,018	1,552,018
2018-19	-	-	-	1,875,000	153,624	2,028,624
2019-20	-	-	-	1,908,000	120,523	2,028,523
2020-21	-	-	-	1,943,000	86,826	2,029,826
2021-22	-	-	-	1,977,000	52,526	2,029,526
2022-23	-	-	-	2,013,000	17,613	2,030,613
TOTALS	<u>\$ 593,000</u>	<u>\$ 10,439</u>	<u>\$ 603,439</u>	<u>\$ 12,375,000</u>	<u>\$ 1,448,186</u>	<u>\$ 13,823,186</u>

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2012A & SERIES 2012B

LAKELAND CENTER FUND PORTION

Fiscal Year	<u>SERIES 2012A</u>			<u>SERIES 2012B</u>		
	Principal	Interest	Total	Principal	Interest	Total
2013-14	\$ 640,000	\$ 47,163	\$ 687,163	\$ 250,000	\$ 15,450	\$ 265,450
2014-15	700,000	35,437	735,437	340,000	12,412	352,412
2015-16	775,000	22,531	797,531	340,000	8,909	348,909
2016-17	900,000	7,875	907,875	345,000	5,382	350,382
2017-18	-	-	-	350,000	1,802	351,802
TOTALS	<u>\$ 3,015,000</u>	<u>\$ 113,006</u>	<u>\$ 3,128,006</u>	<u>\$ 1,625,000</u>	<u>\$ 43,955</u>	<u>\$ 1,668,955</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2013

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

Fiscal Year	INTERNAL LOAN PORTION			WATER UTILITIES PORTION		
	SERIES 2010A			SERIES 2010A		
	Principal	Interest	Total	Principal	Interest	Total
2013-14	\$ 4,310,000	\$ 1,362,832	\$ 5,672,832	\$ —	\$ 393,931	\$ 393,931
2014-15	4,480,000	1,187,032	5,667,032	—	393,931	393,931
2015-16	7,025,000	921,807	7,946,807	1,160,000	364,931	1,524,931
2016-17	4,435,000	635,307	5,070,307	1,210,000	305,681	1,515,681
2017-18	4,650,000	408,182	5,058,182	1,275,000	243,556	1,518,556
2018-19	1,505,000	261,832	1,766,832	1,350,000	184,681	1,534,681
2019-20	1,570,000	192,482	1,762,482	1,400,000	122,681	1,522,681
2020-21	1,545,000	130,057	1,675,057	470,000	80,631	550,631
2021-22	870,000	85,132	955,132	480,000	61,581	541,581
2022-23	935,000	48,276	983,276	510,000	36,831	546,831
2023-24	663,385	16,582	679,967	481,615	12,037	493,652
TOTALS	<u>\$31,988,385</u>	<u>\$ 5,249,521</u>	<u>\$37,237,906</u>	<u>\$ 8,336,615</u>	<u>\$ 2,200,472</u>	<u>\$ 10,537,087</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

Fiscal Year	SERIES 2010B		
	Principal	Interest	Total
2013-14	\$ 705,000	\$ 376,909	\$ 1,081,909
2014-15	765,000	344,517	1,109,517
2015-16	830,000	309,372	1,139,372
2016-17	2,115,000	244,478	2,359,478
2017-18	1,065,000	174,407	1,239,407
2018-19	1,105,000	126,591	1,231,591
2019-20	1,140,000	77,123	1,217,123
2020-21	1,180,000	26,001	1,206,001
TOTALS	<u>\$ 8,905,000</u>	<u>\$ 1,679,398</u>	<u>\$ 10,584,398</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2013

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

Fiscal Year	INTERNAL LOAN PORTION			WATER UTILITIES PORTION		
	SERIES 2010C			SERIES 2010C		
	Principal	Interest	Total	Principal	Interest	Total
2013-14	\$ —	\$ 619,435	\$ 619,435	\$ —	\$ 201,742	\$ 201,742
2014-15	—	619,435	619,435	—	201,742	201,742
2015-16	—	619,435	619,435	—	201,742	201,742
2016-17	—	619,435	619,435	—	201,742	201,742
2017-18	—	619,435	619,435	—	201,742	201,742
2018-19	—	619,435	619,435	—	201,742	201,742
2019-20	—	619,435	619,435	—	201,742	201,742
2020-21	—	619,435	619,435	—	201,742	201,742
2021-22	—	619,435	619,435	—	201,742	201,742
2022-23	—	619,435	619,435	—	201,741	201,741
2023-24	—	619,435	619,435	—	201,741	201,741
2024-25	790,000	604,212	1,394,212	460,000	192,878	652,878
2025-26	825,000	573,092	1,398,092	480,000	174,765	654,765
2026-27	805,000	541,683	1,346,683	515,000	155,592	670,592
2027-28	850,000	509,793	1,359,793	520,000	135,648	655,648
2028-29	885,000	476,361	1,361,361	540,000	115,223	655,223
2029-30	910,000	441,772	1,351,772	570,000	93,834	663,834
2030-31	930,000	406,317	1,336,317	595,000	71,385	666,385
2031-32	825,000	372,231	1,197,231	620,000	47,772	667,772
2032-33	855,000	339,313	1,194,313	645,000	22,985	667,985
2033-34	925,977	304,416	1,230,393	264,023	5,173	269,196
2034-35	930,000	268,049	1,198,049	—	—	—
2035-36	965,000	230,918	1,195,918	—	—	—
2036-37	1,000,000	192,416	1,192,416	—	—	—
2037-38	1,040,000	152,443	1,192,443	—	—	—
2038-39	1,080,000	110,903	1,190,903	—	—	—
2039-40	1,120,000	67,796	1,187,796	—	—	—
2040-41	1,170,000	22,920	1,192,920	—	—	—
TOTALS	<u>\$ 15,905,977</u>	<u>\$ 12,428,420</u>	<u>\$ 28,334,397</u>	<u>\$ 5,209,023</u>	<u>\$ 3,234,415</u>	<u>\$ 8,443,438</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2013

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

Fiscal Year	WATER UTILITIES PORTION			WASTEWATER UTILITIES PORTION		
	SERIES 2002			SERIES 2002		
	Principal	Interest	Total	Principal	Interest	Total
2013-14	\$ -	\$ 213	\$ 213	\$ -	\$ -	\$ -
2014-15	-	213	213	-	-	-
2015-16	-	213	213	-	-	-
2016-17	5,000	106	5,106	-	-	-
TOTALS	<u>\$ 5,000</u>	<u>\$ 745</u>	<u>\$ 5,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2013

ENERGY SYSTEM REFUNDING REVENUE BONDS

<u>Fiscal Year</u>	<u>SERIES 1999A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 5,308,195	\$ 5,311,805	\$ 10,620,000
2014-15	5,020,503	5,599,501	10,620,004
TOTALS	<u>\$ 10,328,698</u>	<u>\$ 10,911,306</u>	<u>\$ 21,240,004</u>

ENERGY SYSTEM REFUNDING REVENUE BONDS

<u>Fiscal Year</u>	<u>SERIES 1999B</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 6,815,000	\$ 720,101	\$ 7,535,101
2014-15	8,495,000	256,974	8,751,974
TOTALS	<u>\$ 15,310,000</u>	<u>\$ 977,075</u>	<u>\$ 16,287,075</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)

SEPTEMBER 30, 2013

ENERGY SYSTEM REFUNDING REVENUE BONDS

<u>Fiscal Year</u>	<u>SERIES 2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 930,000	\$ 1,930,194	\$ 2,860,194
2014-15	975,000	1,887,444	2,862,444
2015-16	1,020,000	1,847,544	2,867,544
2016-17	1,055,000	1,800,769	2,855,769
2017-18	1,105,000	1,751,603	2,856,603
2018-19	1,155,000	1,699,938	2,854,938
2019-20	1,215,000	1,640,687	2,855,687
2020-21	1,275,000	1,578,438	2,853,438
2021-22	1,335,000	1,513,187	2,848,187
2022-23	1,405,000	1,444,688	2,849,688
2023-24	1,475,000	1,372,687	2,847,687
2024-25	1,545,000	1,297,188	2,842,188
2025-26	1,625,000	1,217,937	2,842,937
2026-27	1,705,000	1,134,688	2,839,688
2027-28	1,790,000	1,047,312	2,837,312
2028-29	1,885,000	955,438	2,840,438
2029-30	1,975,000	858,937	2,833,937
2030-31	2,070,000	757,813	2,827,813
2031-32	2,175,000	651,687	2,826,687
2032-33	2,285,000	543,044	2,828,044
2033-34	2,395,000	431,894	2,826,894
2034-35	2,510,000	315,400	2,825,400
2035-36	2,630,000	193,325	2,823,325
2036-37	2,755,000	65,431	2,820,431
TOTALS	<u>\$ 40,290,000</u>	<u>\$ 27,937,273</u>	<u>\$ 68,227,273</u>

ENERGY SYSTEM REFUNDING BONDS

<u>Fiscal Year</u>	<u>SERIES 2009</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ —	\$ 1,055,974	\$ 1,055,974
2014-15	—	1,055,974	1,055,974
2015-16	1,312,375	1,047,673	2,360,048
2016-17	1,352,219	1,030,820	2,383,039
2017-18	1,397,044	1,013,431	2,410,475
2018-19	1,441,869	995,475	2,437,344
2019-20	1,489,184	976,936	2,466,120
2020-21	5,136,939	935,026	6,071,965
2021-22	5,304,285	868,985	6,173,270
2022-23	5,433,780	801,067	6,234,847
2023-24	5,588,675	731,350	6,320,025
2024-25	5,755,025	659,601	6,414,626
2025-26	4,590,075	594,168	5,184,243
2026-27	4,764,394	535,001	5,299,395
2027-28	4,937,717	473,635	5,411,352
2028-29	5,129,966	418,385	5,548,351
2029-30	4,073,592	376,748	4,450,340
2030-31	4,216,035	340,895	4,556,930
2031-32	4,354,993	303,825	4,658,818
2032-33	4,510,386	265,483	4,775,869
2033-34	4,678,728	225,740	4,904,468
2034-35	4,380,891	186,557	4,567,448
2035-36	4,689,187	147,329	4,836,516
2036-37	4,843,585	106,100	4,949,685
2037-38	9,844,056	42,576	9,886,632
TOTALS	<u>\$ 99,225,000</u>	<u>\$ 15,188,754</u>	<u>\$ 114,413,754</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)

SEPTEMBER 30, 2013

ENERGY SYSTEM REVENUE AND REFUNDING BONDS

<u>Fiscal Year</u>	<u>SERIES 2010</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 7,260,000	\$ 9,757,750	\$ 17,017,750
2014-15	6,285,000	9,455,425	15,740,425
2015-16	15,510,000	8,910,550	24,420,550
2016-17	16,280,000	8,115,800	24,395,800
2017-18	17,105,000	7,281,175	24,386,175
2018-19	17,950,000	6,404,800	24,354,800
2019-20	13,840,000	5,610,050	19,450,050
2020-21	4,695,000	5,146,675	9,841,675
2021-22	4,925,000	4,924,644	9,849,644
2022-23	5,140,000	4,710,762	9,850,762
2023-24	5,355,000	4,481,050	9,836,050
2024-25	5,595,000	4,220,688	9,815,688
2025-26	5,885,000	3,933,688	9,818,688
2026-27	6,180,000	3,624,338	9,804,338
2027-28	5,180,000	3,326,138	8,506,138
2028-29	5,450,000	3,047,100	8,497,100
2029-30	5,745,000	2,753,231	8,498,231
2030-31	6,040,000	2,443,875	8,483,875
2031-32	6,360,000	2,118,375	8,478,375
2032-33	6,695,000	1,775,681	8,470,681
2033-34	7,045,000	1,415,006	8,460,006
2034-35	7,415,000	1,035,431	8,450,431
2035-36	7,800,000	636,038	8,436,038
2036-37	8,215,000	215,643	8,430,643
TOTALS	<u>\$ 197,950,000</u>	<u>\$ 105,343,913</u>	<u>\$ 303,293,913</u>

ENERGY SYSTEM REFUNDING BONDS

<u>Fiscal Year</u>	<u>SERIES 2012</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ —	\$ 1,064,222	\$ 1,064,222
2014-15	—	1,064,222	1,064,222
2015-16	1,322,625	1,055,856	2,378,481
2016-17	1,362,781	1,038,871	2,401,652
2017-18	1,407,956	1,021,346	2,429,302
2018-19	1,453,131	1,003,250	2,456,381
2019-20	1,500,816	984,566	2,485,382
2020-21	5,177,061	942,329	6,119,390
2021-22	5,345,715	875,772	6,221,487
2022-23	5,476,220	807,323	6,283,543
2023-24	5,632,325	737,062	6,369,387
2024-25	5,799,975	664,752	6,464,727
2025-26	4,625,925	598,809	5,224,734
2026-27	4,801,606	539,180	5,340,786
2027-28	4,976,283	477,334	5,453,617
2028-29	5,170,034	421,653	5,591,687
2029-30	4,105,408	379,690	4,485,098
2030-31	4,248,965	343,558	4,592,523
2031-32	4,389,007	306,198	4,695,205
2032-33	4,545,614	267,556	4,813,170
2033-34	4,715,272	227,503	4,942,775
2034-35	4,415,109	188,014	4,603,123
2035-36	4,725,813	148,480	4,874,293
2036-37	4,881,415	106,928	4,988,343
2037-38	9,920,944	42,908	9,963,852
TOTALS	<u>\$ 100,000,000</u>	<u>\$ 15,307,382</u>	<u>\$ 115,307,382</u>

CITY OF LAKELAND, FLORIDA

ANALYSIS OF SINKING FUND AND RESERVE ACCOUNT REQUIREMENTS
SEPTEMBER 30, 2013

	<u>Sinking Fund</u>	<u>Reserve Account</u>	<u>Total</u>
<u>CAPITAL IMPROVEMENT REVENUE BONDS</u>			
FUNDS REQUIRED, all series	<u>\$ 6,764,377</u>	<u>\$ -</u>	<u>\$ 6,764,377</u>
FUNDS AVAILABLE			
Cash	-	-	-
Cash with paying agent	6,764,377	-	6,764,377
Investments	(300,652)	-	(300,652)
Market value	5,919	-	5,919
Receivables	<u>294,733</u>	<u>-</u>	<u>294,733</u>
Total funds available	<u>6,764,377</u>	<u>-</u>	<u>6,764,377</u>
FUNDING OVER REQUIREMENTS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES
2014 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Capital	Capital	Capital	Capital	Capital	Capital
Ending	Improvement	Improvement	Improvement	Improvement	Improvement	Improvement
Sept 30	Revenue and	Revenue and	Revenue and	Refunding Note	Refunding Note	Refunding Note
	Refunding	Refunding	Refunding	- General	- Internal Loan	- Lakeland
	Bonds	Bonds	Bonds	Long-term Debt	Fund	Center Fund
	Series 2010A	Series 2010B	Series 2010C	Portion	Portion	Portion
	Series 2010A	Series 2010B	Series 2010C	Series 2012A	Series 2012A	Series 2012A
2014	\$ 6,066,763	\$ 1,081,909	\$ 821,177	\$ 300,814	\$ 216,563	\$ 687,163
2015	6,060,963	1,109,517	821,177	302,625	509,972	735,437
2016	9,471,738	1,139,372	821,177	-	752,605	797,531
2017	6,585,988	2,359,478	821,177	-	644,916	907,875
2018	6,576,738	1,239,407	821,177	-	1,552,018	-
2019	3,301,513	1,231,591	821,177	-	2,028,624	-
2020	3,285,163	1,217,123	821,177	-	2,028,523	-
2021	2,225,688	1,206,001	821,177	-	2,029,826	-
2022	1,496,713	-	821,177	-	2,029,526	-
2023	1,530,107	-	821,176	-	2,030,613	-
2024	1,173,619	-	821,176	-	-	-
2025	-	-	2,047,090	-	-	-
2026	-	-	2,052,857	-	-	-
2027	-	-	2,017,275	-	-	-
2028	-	-	2,015,441	-	-	-
2029	-	-	2,016,584	-	-	-
2030	-	-	2,015,606	-	-	-
2031	-	-	2,002,702	-	-	-
2032	-	-	1,865,003	-	-	-
2033	-	-	1,862,298	-	-	-
2034	-	-	1,499,589	-	-	-
2035	-	-	1,198,049	-	-	-
2036	-	-	1,195,918	-	-	-
2037	-	-	1,192,416	-	-	-
2038	-	-	1,192,443	-	-	-
2039	-	-	1,190,903	-	-	-
2040	-	-	1,187,796	-	-	-
2041	-	-	1,192,920	-	-	-
	<u>\$ 47,774,993</u>	<u>\$ 10,584,398</u>	<u>\$ 36,777,835</u>	<u>\$ 603,439</u>	<u>\$ 13,823,186</u>	<u>\$ 3,128,006</u>

CITY OF LAKE LAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED
2014 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Capital Improvement Capital Improvement Refunding Note Series 2012B	Energy System Refunding Revenue Bonds Series 1999A	Energy System Refunding Revenue Bonds Series 1999B	Energy System Refunding Revenue Bonds Series 2006	Energy System Refunding Revenue Bonds Series 2009
Ending Sept 30					
2014	\$ 265,450	\$ 10,620,000	\$ 7,535,101	\$ 2,860,194	\$ 1,055,974
2015	352,412	10,620,004	8,751,974	2,862,444	1,055,974
2016	348,909	-	-	2,867,544	2,360,048
2017	350,382	-	-	2,855,769	2,383,039
2018	351,802	-	-	2,856,603	2,410,475
2019	-	-	-	2,854,938	2,437,344
2020	-	-	-	2,855,687	2,466,120
2021	-	-	-	2,853,438	6,071,965
2022	-	-	-	2,848,187	6,173,270
2023	-	-	-	2,849,688	6,234,847
2024	-	-	-	2,847,687	6,320,025
2025	-	-	-	2,842,188	6,414,626
2026	-	-	-	2,842,937	5,184,243
2027	-	-	-	2,839,688	5,299,395
2028	-	-	-	2,837,312	5,411,352
2029	-	-	-	2,840,438	5,548,351
2030	-	-	-	2,833,937	4,450,340
2031	-	-	-	2,827,813	4,556,930
2032	-	-	-	2,826,687	4,658,818
2033	-	-	-	2,828,044	4,775,869
2034	-	-	-	2,826,894	4,904,468
2035	-	-	-	2,825,400	4,567,448
2036	-	-	-	2,823,325	4,836,516
2037	-	-	-	2,820,431	4,949,685
2038	-	-	-	-	9,886,632
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
	<u>\$ 1,668,955</u>	<u>\$ 21,240,004</u>	<u>\$ 16,287,075</u>	<u>\$ 68,227,273</u>	<u>\$ 114,413,754</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED
2014 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending Sept 30	Energy System Refunding Revenue Bonds Series 2010	Energy System Refunding Revenue Bonds Series 2012	Water and Wastewater Revenue Refunding and Improvement Bonds Series 2002	Water and Wastewater Revenue Refunding and Improvement Bonds Series 2012A	Water and Wastewater Revenue Refunding and Improvement Bonds Series 2012B	Total
2014	\$ 17,017,750	\$ 1,064,222	\$ 213	\$ 1,728,950	\$ 1,574,559	\$ 52,896,802
2015	15,740,425	1,064,222	213	1,728,950	1,573,698	53,290,007
2016	24,420,550	2,378,481	213	1,728,950	1,568,603	48,655,721
2017	24,395,800	2,401,652	5,106	2,125,850	1,167,416	47,004,448
2018	24,386,175	2,429,302	—	3,280,750	—	45,904,447
2019	24,354,800	2,456,381	—	3,280,450	—	42,766,818
2020	19,450,050	2,485,382	—	3,273,225	—	37,882,450
2021	9,841,675	6,119,390	—	3,264,175	—	34,433,335
2022	9,849,644	6,221,487	—	3,266,550	—	32,706,554
2023	9,850,762	6,283,543	—	3,264,175	—	32,864,911
2024	9,836,050	6,369,387	—	3,257,050	—	30,624,994
2025	9,815,688	6,464,727	—	3,254,925	—	30,839,244
2026	9,818,688	5,224,734	—	3,252,425	—	28,375,884
2027	9,804,338	5,340,786	—	3,249,300	—	28,550,782
2028	8,506,138	5,453,617	—	3,250,175	—	27,474,035
2029	8,497,100	5,591,687	—	3,244,800	—	27,738,960
2030	8,498,231	4,485,098	—	3,242,925	—	25,526,137
2031	8,483,875	4,592,523	—	3,253,900	—	25,717,743
2032	8,478,375	4,695,205	—	3,253,700	—	25,777,788
2033	8,470,681	4,813,170	—	3,248,700	—	25,998,762
2034	8,460,006	4,942,775	—	—	—	22,633,732
2035	8,450,431	4,603,123	—	—	—	21,644,451
2036	8,436,038	4,874,293	—	—	—	22,166,090
2037	8,430,643	4,988,343	—	—	—	22,381,518
2038	—	9,963,852	—	—	—	21,042,927
2039	—	—	—	—	—	1,190,903
2040	—	—	—	—	—	1,187,796
2041	—	—	—	—	—	1,192,920
	<u>\$ 303,293,913</u>	<u>\$ 115,307,382</u>	<u>\$ 5,745</u>	<u>\$ 59,449,925</u>	<u>\$ 5,884,276</u>	<u>\$ 818,470,159</u>



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CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2013

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Programs:		
Community Development Block Grant	B-11-MC-12-0011	14.218
Community Development Block Grant	B-12-MC-12-0011	14.218
Community Development Block Grant	B-13-MC-12-0011	14.218
Neighborhood Stabilization Program I	B-08-MN-12-0013	14.218
Home Investment Partnership Program	M-10-MC-12-0228	14.239
Home Investment Partnership Program	M-11-MC-12-0228	14.239
Home Investment Partnership Program	M-12-MC-12-0228	14.239
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
DEPARTMENT OF JUSTICE		
Direct Programs:		
BJA - Bulletproof Vest Program 11/12	N/A	16.607
BJA - Bulletproof Vest Program 12/13	N/A	16.607
Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial Justice Assistance Grant FY 12/13	2012-DJ-BX-0016	16.738
Indirect Programs:		
<u>Passed through the Florida Department of Law Enforcement</u>		
Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial JAG (PAL) FY 12/13	2013-JAGC-POLK-9-D7-102	16.738
Indirect Programs:		
<u>Passed through the Florida Office of the Attorney General</u>		
FOAG Victim Assistance (VOCA) FY 12/13	V12019	16.575
<u>Passed through the Polk County Sheriff's Department</u>		
High Intensity Drug Trafficking Area (HIDTA) FY 12/13	G13CF0005A	16.595
TOTAL DEPARTMENT OF JUSTICE		

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance

Current Year Expenditures	Adjustment to Prior Year Expenditures	Oustanding Loan Balance	Total Expenditures	Transfers To Sub recipients
\$ 415,312	\$ -	\$ -	\$ 415,312	\$ -
67,012	-	-	67,012	68,442
23,785	-	-	23,785	26,986
810,575	-	-	810,575	-
1,316,684	-	-	1,316,684	95,428
76,860	-	-	76,860	76,860
299,237	-	-	299,237	67,325
28,113	-	-	28,113	-
404,210	-	-	404,210	144,185
1,720,894	-	-	1,720,894	239,613
7,064	-	-	7,064	-
16,901	-	-	16,901	-
23,965	-	-	23,965	-
33,238	-	-	33,238	-
25,671	-	-	25,671	-
58,909	-	-	58,909	-
83,156	-	-	83,156	-
11,544	-	-	11,544	-
177,574	-	-	177,574	-

CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>
FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION		
Direct Programs:		
Airport Improvement Program; Construct Taxiway G	3-12-0041-031-2010	20.106
Airport Improvement Program; Construct Taxiway J and H	3-12-0041-031-2010	20.106
Airport Improvement Program; Construct Taxiway P	3-12-0041-033-2011	20.106
Airport Improvement Program; Taxiway B	3-12-0041-034-2012	20.106
Airport Improvement Program: Wildlife Hazard Assessment	3-12-0041-034-2012	20.106
Airport Improvement Program: Rehab Taxiway 9/27	3-12-0041-035-2013	20.106
TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION		
FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION		
Direct Programs:		
FDOT-LAP E Main St. Beautification (US 98 to Lk Bonny Dr W)	428121-58-1	20.205
FDOT-LAP E Main St. Beautification (US 98 to Lk Bonny Dr W)	428121-68-1	20.205
Lakeland Highlands Rd (Deerfield Dr to N of Polk Pkwy)	429893-1-58-1	20.205
Lakeland Highlands Rd (Deerfield Dr to N of Polk Pkwy)	429893-1-68-1	20.205
MIS1001 Fiber Optics Services (935)	197620-4-8B-01	20.205
FDOT/JPA Advanced Traffic Management System	429887-1-38/58-01	20.205
TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION		
DEPARTMENT OF ENVIRONMENTAL PROTECTION		
Indirect Programs:		
<u>Passed through the Florida Department of Environmental Protection</u>		
Capitalization Grants For Clean Water State Revolving Funds	608130	66.458
Capitalization Grants For Clean Water State Revolving Funds	CS12001-030	66.458
Indirect Programs:		
<u>Passed through the Central Florida Regional Planning Council</u>		
Brownfields Assessment and Cleanup		
Cooperative Agreement - Green Surface Replacement	BF-95481311-0	66.818
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION		
FEDERAL DEPARTMENT OF ENERGY		
Direct Programs:		
ARRA - Energy Efficiency and Conservation Block Grant; Grant Sustainability Office and Appliance Rebate	DE-SC0003446	81.128
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis; LCS4122 Smart Grid DOE Project	DE-OE0000242	81.122
TOTAL FEDERAL DEPARTMENT OF ENERGY		
TOTAL EXPENDITURES OF FEDERAL AWARDS		

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance

Current Year Expenditures	Adjustment to Prior Year Expenditures	Outstanding Loan Balance	Total Expenditures	Transfers To Sub recipients
\$ -	\$ 17,190	\$ -	\$ 17,190	\$ -
6,861	309,663	-	316,524	-
-	79,523	-	79,523	-
3,474,088	-	-	3,474,088	-
92,195	-	-	92,195	-
467,897	-	-	467,897	-
4,041,041	406,376	-	4,447,417	-
533,516	-	-	533,516	-
67,068	-	-	67,068	-
68,928	-	-	68,928	-
11,276	-	-	11,276	-
20,278	-	-	20,278	-
297,560	-	-	297,560	-
998,626	-	-	998,626	-
-	-	1,448,351	-	-
-	(265,691)	34,684,331	-	-
-	(265,691)	36,132,682	-	-
25,000	-	-	25,000	-
25,000	(265,691)	36,132,682	25,000	-
23,108	110	-	23,218	-
1,219,766	-	-	1,219,766	-
1,242,874	110	-	1,242,984	-
\$ 8,206,009	\$ 140,795	\$ 36,132,682	\$ 8,612,495	\$ 239,613

CITY OF LAKE LAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>
FLORIDA DEPARTMENT OF TRANSPORTATION		
Direct Programs:		
Transportation System Dev - Aviation Development Grants:		
FDOT Install Taxiway Lighting System South Section	FM 416183 194 01	55.004
FDOT - Door/Gates Access Control System	FM 420418-1-94-01	55.004
FAA/FDOT Airport Master Plan Update	FM 424585 194 01	55.004
FDOT Terminal Expansion and Improvements for Safety	FM 429032 194 01	55.004
FAA/FDOT Taxiway B	FM 432935 1 94 01	55.004
FDOT Fuel Tanks and Truck	430968-1-94-01	55.004
FDOT Runway 927 - ILS	429240-1-94-01	55.004
FDOT ARFF Station	429368-1-94-01	55.004
Economic Development Transportation Projects - Road Fund:		
FAA/FDOT Rehab Runway 9/27	433781-1-58-01	55.032
TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION		
FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT		
Direct Programs:		
Facilities For New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise; Marchant Stadium	N/A	73.016
TOTAL FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT		
FLORIDA HOUSING AND FINANCE CORPORATION		
Direct Programs:		
State Housing Initiatives Partnership Program 11	146	52.901
State Housing Initiatives Partnership Program 12	146	52.901
TOTAL FLORIDA HOUSING AND FINANCE CORPORATION		
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE		
See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance		

<u>Current Year</u> <u>Expenditures</u>	<u>Adjustment to</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Outstanding</u> <u>Loan</u> <u>Balance</u>	<u>Total</u> <u>Expenditures</u>	<u>Transfers</u> <u>To</u> <u>Sub recipients</u>
\$ -	\$ 12,270	\$ -	\$ 12,270	\$ -
19,610	-	-	19,610	-
-	(3,693)	-	(3,693)	-
150,000	-	-	150,000	-
505,292	-	-	505,292	-
236,198	-	-	236,198	-
906,711	(21,788)	-	884,923	-
4,548	-	-	4,548	-
<u>1,822,359</u>	<u>(13,211)</u>	<u>-</u>	<u>1,809,148</u>	<u>-</u>
41,591	-	-	41,591	-
<u>1,863,950</u>	<u>(13,211)</u>	<u>-</u>	<u>1,850,739</u>	<u>-</u>
466,668	-	-	466,668	-
<u>466,668</u>	<u>-</u>	<u>-</u>	<u>466,668</u>	<u>-</u>
40,110	-	-	40,110	-
2,497	-	-	2,497	-
<u>42,607</u>	<u>-</u>	<u>-</u>	<u>42,607</u>	<u>-</u>
<u>\$ 2,373,225</u>	<u>\$ (13,211)</u>	<u>\$ -</u>	<u>\$ 2,360,014</u>	<u>\$ -</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the federal and state activities of the City of Lakeland, Florida. This schedule summarizes the expenditures incurred under all federal programs and state projects by the City of Lakeland, Florida for the fiscal year ended September 30, 2013. For purposes of this schedule, federal programs and state projects include all grants and contracts entered into directly between the City and agencies and departments of the federal and state government with expenditures during the fiscal year ended September 30, 2013. Federal programs and state projects passed through to other government agencies, if any, are also included in the schedule. Grant-related expenditures for the governmental fund types are presented using the modified accrual basis of accounting. Grant-related expenditures for the proprietary fund types are presented using the accrual basis of accounting.

The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 215.97, *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City maintains separate grant-related accounts in the general ledger system. Individual grant revenue and expense accounts are assigned at the time the City is awarded a grant and it is approved by the City Commission. All grant revenues and eligible expenses are recorded in the individual accounts. The City's accounting policies relating to encumbrances, receivables, and designations of fund balance, and other financial matters are applied to the grant accounts.

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of an audit or any claim for reimbursement to the grantor agencies, the expenditures would become a liability of the City. All grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

There were no non-cash awards or Federal Insurance maintained in the current year.

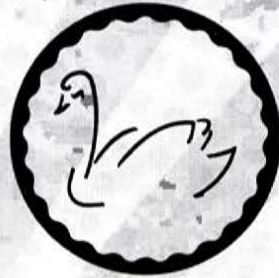
NOTE B - LOAN PAYABLE

In March 1994, the City entered into an agreement with the State of Florida Department of Environmental Protection (FDEP) under a Federal program 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 initial loan was executed in two installments carrying separate rates of interest, but with identical repayment terms. The loans carry a fixed interest rate of 2.36% and 2.59% and are to be repaid over a period of 20 years. A second loan was issued in January 2004 and has a fixed interest rate of 2.96% to be repaid over a period of 20 years. The loans are secured by a pledge of excess revenues of the wastewater system, and by a pledge of certain amounts, deposited into a loan amortization account and loan amortization reserve established by the City for the purpose of funding future debt service on the loans. Amounts required for deposit are classified as restricted assets.

The proceeds from the loan are disbursed to the City on a reimbursement basis as eligible construction expenditures are incurred. The amount of the first loan disbursed to the City was \$13,655,627 and the amount of the second loan disbursed to the City was \$42,734,405. The amount of the loans outstanding at September 30, 2013 was \$1,448,351 and \$34,684,331 respectively (Note 6).

STATISTICAL SECTION

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT



CITY OF LAKELAND, FLORIDA
for the fiscal year ended September 30, 2013



STATISTICAL SECTION

The Statistical Section of the City of Lakeland's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local governmental revenue source, the property tax.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF LAKELAND, FLORIDA

NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS
 (accrual basis)

Fiscal Year	Net investment in capital assets		Restricted		Unrestricted		Primary Government			Total Primary Government Net Position
	Governmental activities	Business-type activities	Governmental activities	Business-type activities	Governmental activities	Business-type activities	Net investment in capital assets	Restricted	Unrestricted	
2013	\$ 214,327,186	\$ 460,658,131	\$ 23,715,023	\$ 9,330,457	\$ 68,512,128	\$ 210,359,562	\$ 674,985,317	\$ 33,045,480	\$ 278,871,690	\$ 986,902,487
2012	208,390,191	419,514,482	24,913,665	14,000,191	65,151,099	235,920,759	627,904,673	38,913,856	301,071,858	967,890,387
2011	198,753,948	380,456,873	30,903,258	22,506,057	61,894,773	244,613,150	579,210,821	53,409,315	306,507,923	939,128,059
2010	175,735,919	362,773,767	40,840,631	29,744,580	57,912,320	222,113,920	538,509,686	70,585,211	280,026,240	889,121,137
2009	184,357,364	327,856,209	14,504,002	33,032,023	62,105,873	225,564,434	512,213,573	47,536,025	287,670,307	847,419,905
2008	177,531,626	336,161,941	14,391,320	25,150,476	53,966,622	198,566,190	513,693,567	39,541,796	252,532,812	805,768,175
2007	164,258,315	366,832,877	15,025,599	15,205,238	52,765,814	159,739,843	531,091,192	30,230,837	212,505,657	773,827,686
2006	143,705,094	345,038,581	18,972,248	16,832,079	48,325,738	168,312,535	488,743,675	35,804,327	216,638,273	741,186,275
2005	133,045,105	352,112,128	14,914,869	9,279,818	38,125,951	162,695,277	485,157,233	24,194,687	200,821,228	710,173,148
2004	129,857,071	343,415,709	11,427,244	9,955,790	32,830,566	165,494,160	473,272,780	21,383,034	198,324,726	692,980,540



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CITY OF LAKELAND, FLORIDA

CHANGES IN NET POSITION (UNAUDITED)
 LAST TEN FISCAL YEARS
 (accrual basis)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 12,226,683	\$ 14,434,515	\$ 9,524,999	\$ 10,306,361	\$ 14,308,089	\$ 12,114,881	\$ 13,411,626	\$ 11,720,163	\$ 14,256,075	\$ 12,617,996
Public safety	45,527,467	41,586,522	43,312,282	47,085,082	50,087,373	50,365,075	51,714,259	53,708,521	57,635,369	51,547,172
Physical environment	5,470,514	5,599,600	8,441,653	9,012,416	8,859,138	9,596,634	9,629,695	9,782,784	9,897,909	9,890,479
Transportation	8,932,509	9,513,955	8,955,508	9,514,993	11,028,403	10,167,850	9,966,939	10,797,329	11,561,184	11,792,561
Economic environment	3,085,342	2,738,349	3,771,122	5,717,910	8,350,212	6,358,212	6,717,250	3,559,235	3,205,448	4,074,977
Human services	217,263	250,528	233,823	261,848	173,079	193,021	192,554	162,927	181,199	152,255
Culture/recreation	14,112,116	14,281,393	16,256,784	17,957,211	18,524,018	19,846,837	19,837,301	20,724,013	20,444,431	21,178,989
Interest on long-term debt	1,386,616	836,258	2,394,600	2,462,663	2,380,179	2,374,551	2,017,776	2,785,287	2,496,531	2,191,905
Total governmental activities	<u>90,958,510</u>	<u>89,241,120</u>	<u>92,890,771</u>	<u>102,318,484</u>	<u>113,710,491</u>	<u>111,017,061</u>	<u>113,487,400</u>	<u>113,240,259</u>	<u>119,678,146</u>	<u>113,446,334</u>
Business-type activities:										
Electric	284,679,109	333,704,929	377,276,849	368,721,854	361,744,405	317,121,139	321,742,799	315,822,552	272,574,227	274,763,944
Water and Wastewater	28,041,015	29,110,887	33,481,404	35,168,989	35,503,619	37,584,376	37,967,877	40,417,973	39,496,784	40,105,713
Parking	700,336	689,288	811,878	802,048	832,374	831,847	811,028	744,108	863,953	933,995
Lakeland Center	6,644,295	7,035,029	7,735,584	8,204,301	8,940,199	8,214,912	8,296,844	8,414,552	8,419,661	8,526,844
Lakeland Linder Regional Airport	5,341,831	5,584,516	5,585,522	6,460,539	5,560,091	6,362,631	5,435,167	5,619,351	5,822,414	6,136,321
Solid Waste	8,806,290	9,594,192	10,341,417	10,857,607	11,540,790	11,289,856	10,922,588	12,461,879	12,340,644	13,292,731
Cleveland Heights Golf Course	2,554,163	2,620,510	2,708,676	2,760,059	2,743,827	2,440,050	2,471,331	2,541,949	2,873,847	3,169,630
Total business-type activities	<u>336,767,039</u>	<u>388,339,351</u>	<u>437,941,330</u>	<u>432,975,397</u>	<u>426,865,305</u>	<u>383,844,811</u>	<u>387,647,634</u>	<u>386,022,364</u>	<u>342,391,530</u>	<u>346,929,178</u>
Total primary government	<u>\$427,725,549</u>	<u>\$477,580,471</u>	<u>\$530,832,101</u>	<u>\$535,293,881</u>	<u>\$540,575,796</u>	<u>\$494,861,872</u>	<u>\$501,135,034</u>	<u>\$499,262,623</u>	<u>\$462,069,676</u>	<u>\$460,375,512</u>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 1,438,240	\$ 1,661,455	\$ 2,073,359	\$ 1,798,298	\$ 1,680,442	\$ 1,656,852	\$ 1,784,641	\$ 1,540,527	\$ 1,593,276	\$ 1,679,049
Public safety	3,617,974	4,352,823	6,563,741	5,202,078	4,775,136	4,284,457	5,930,955	4,832,611	4,434,285	4,526,577
Economic environment	-	-	-	-	-	214,767	-	-	-	-
Physical environment	1,898,758	2,004,038	2,381,274	2,530,606	4,062,137	5,103,747	4,998,612	5,050,411	5,108,330	5,185,830
Transportation	839,484	446,263	197,981	1,566	15,993	25,001	84,930	881,350	1,239,080	807,028
Culture/recreation	1,412,942	1,852,058	2,986,301	2,113,384	2,744,462	2,143,131	2,100,609	2,095,544	2,231,789	2,307,382
Operating grants and contributions	16,332,805	6,804,594	10,572,350	11,575,380	8,235,477	7,844,077	7,670,116	7,202,574	8,774,082	7,704,598
Capital grants and contributions	3,739,476	5,652,634	7,839,831	5,887,779	8,287,571	4,883,194	3,462,700	6,181,789	4,764,174	4,793,210
Total governmental activities	<u>29,279,679</u>	<u>22,773,865</u>	<u>32,614,837</u>	<u>29,109,091</u>	<u>29,801,218</u>	<u>26,155,226</u>	<u>26,032,563</u>	<u>27,784,806</u>	<u>28,145,016</u>	<u>27,003,674</u>

CITY OF LAKELAND, FLORIDA

CHANGES IN NET POSITION (UNAUDITED)
 LAST TEN FISCAL YEARS, CONTINUED
 (accrual basis)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services										
Electric	\$298,189,689	\$340,529,940	\$377,047,401	\$374,570,781	\$384,493,828	\$343,366,946	\$354,215,696	\$340,881,856	\$290,336,885	\$302,055,713
Water and Wastewater	32,633,481	35,182,018	39,385,836	42,235,352	41,978,360	43,716,273	44,711,059	47,953,984	50,375,714	49,081,049
Parking	484,228	496,676	584,570	569,231	599,263	571,887	528,934	559,848	607,748	617,655
Lakeland Center	3,383,262	3,533,368	4,532,987	5,068,177	5,227,990	4,675,529	4,305,738	4,890,963	5,130,877	5,043,652
Lakeland Linder Regional Airport	3,623,857	4,039,201	4,551,665	4,184,101	4,082,099	3,940,803	3,424,359	3,249,082	3,831,506	3,962,024
Solid Waste	10,070,417	11,232,583	12,570,157	13,230,295	13,626,126	13,154,714	13,228,110	13,044,710	13,283,914	13,281,928
Cleveland Heights Golf Course	2,501,276	2,584,506	2,669,625	2,654,815	2,364,526	2,125,416	1,709,030	1,837,824	2,047,094	2,243,941
Operating grants and contributions	34,078	24,740	78,593	54,860	63,405	48,887	38,334	38,461	39,733	41,017
Capital grants and contributions	12,442,538	12,020,582	16,057,734	11,641,513	10,555,448	8,115,917	8,650,040	20,005,980	11,446,333	9,294,635
Total business-type activities	363,362,826	409,643,614	457,478,568	454,209,125	462,991,045	419,716,372	430,811,300	432,462,708	377,099,804	385,621,614
Total primary government	\$392,642,505	\$432,417,479	\$490,093,405	\$483,318,216	\$492,792,263	\$445,871,598	\$456,843,863	\$460,247,514	\$405,244,820	\$412,625,288
Net (expense) revenue										
Governmental activities	\$ (61,678,831)	\$ (66,467,255)	\$ (60,275,934)	\$ (73,209,393)	\$ (83,909,273)	\$ (84,861,835)	\$ (87,454,837)	\$ (85,455,453)	\$ (91,533,130)	\$ (86,442,660)
Business-type activities	26,595,787	21,304,263	19,537,238	21,233,728	36,125,740	35,871,561	43,163,666	46,440,344	34,708,274	38,692,436
Total primary government	\$ (35,083,044)	\$ (45,162,992)	\$ (40,738,696)	\$ (51,975,665)	\$ (47,783,533)	\$ (48,990,274)	\$ (44,291,171)	\$ (39,015,109)	\$ (56,824,856)	\$ (47,750,224)
General Revenues										
Governmental activities:										
Property taxes	\$ 14,250,266	\$ 15,363,705	\$ 17,845,105	\$ 23,085,031	\$ 24,497,791	\$ 25,618,865	\$ 24,651,942	\$ 22,641,400	\$ 20,909,045	\$ 21,784,397
Gas taxes	—	5,640,954	5,599,243	5,625,406	5,243,212	4,932,542	4,914,311	4,943,075	4,910,650	4,879,101
Utility taxes	13,729,784	14,240,568	14,482,664	14,870,572	14,982,328	15,453,734	15,246,102	15,304,814	14,995,497	14,758,065
State shared revenues (unrestricted)	8,293,706	8,181,509	8,617,171	8,214,066	7,455,652	6,590,471	6,368,677	6,573,788	7,186,312	7,482,060
Payment from Lakeland Regional										
Medical Center	7,369,835	9,218,753	9,131,144	10,660,333	10,769,231	10,954,493	11,721,484	11,739,471	12,853,062	12,095,713
Investment earnings	1,530,195	1,620,709	2,603,140	4,369,036	2,972,829	6,122,559	5,219,537	5,315,885	6,364,420	(168,141)
Miscellaneous	3,336,501	3,871,192	5,205,425	7,018,757	4,598,201	2,756,424	4,482,593	8,058,420	3,573,704	5,836,383
Transfers	24,219,975	20,300,909	21,709,198	20,412,840	27,229,869	27,510,418	28,371,822	27,941,709	27,643,416	27,874,464
Total governmental activities	72,730,262	78,438,299	85,193,090	94,256,041	97,749,113	99,939,506	100,976,468	102,518,562	98,436,106	94,542,042
Business-type activities:										
Tourism taxes	440,004	446,128	482,573	445,279	444,978	403,337	440,004	440,004	440,004	238,623
Investment earnings	3,919,301	2,829,470	6,023,576	8,456,959	7,407,595	16,887,512	11,680,877	12,927,375	13,220,991	(1,126,540)
Miscellaneous	1,692,910	942,612	1,761,782	1,871,637	1,352,205	922,067	1,266,876	1,077,799	1,133,499	982,663
Transfers	(24,219,975)	(20,300,909)	(21,709,198)	(20,412,840)	(27,229,869)	(27,510,418)	(28,371,822)	(27,941,709)	(27,643,416)	(27,874,464)
Total business-type activities	(18,167,760)	(16,082,699)	(13,441,267)	(9,638,965)	(18,025,091)	(9,297,502)	(14,984,065)	(13,496,531)	(12,848,922)	(27,779,718)
Total primary government	\$ 54,562,502	\$ 62,355,600	\$ 71,751,823	\$ 84,617,076	\$ 79,724,022	\$ 90,642,004	\$ 85,992,403	\$ 89,022,031	\$ 85,587,184	\$ 66,762,324
Change in net position										
Governmental activities	11,051,431	11,971,044	24,917,156	21,046,648	13,839,840	15,077,671	13,521,631	17,063,109	6,902,976	8,099,382
Business-type activities	8,428,027	5,221,564	6,095,971	11,594,763	18,100,649	26,574,059	28,179,601	32,943,813	21,859,352	10,912,718
Total primary government	\$ 19,479,458	\$ 17,192,608	\$ 31,013,127	\$ 32,641,411	\$ 31,940,489	\$ 41,651,730	\$ 41,701,232	\$ 50,006,922	\$ 28,762,328	\$ 19,012,100

CITY OF LAKELAND, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	*2011	*2012	*2013
General Fund										
Reserved	\$ 751,601	\$ 460,581	\$ 1,267,921	\$ 1,057,133	\$ 1,092,337	\$ 1,292,513	\$ 1,604,800	\$ -	\$ -	\$ -
Unreserved	7,956,594	10,027,260	13,155,706	12,473,637	14,777,285	19,288,021	23,585,168	-	-	-
Nonspendable	-	-	-	-	-	-	-	312	4,409	312
Restricted	-	-	-	-	-	-	-	2,569,215	2,306,796	2,128,909
Assigned	-	-	-	-	-	-	-	9,910,841	12,348,664	14,003,810
Unassigned	-	-	-	-	-	-	-	15,384,762	11,157,295	5,475,418
Total general fund	8,708,195	10,487,841	14,423,627	13,530,770	15,869,622	20,580,534	25,189,968	27,865,130	25,817,164	21,608,449
Other governmental funds										
Reserved	7,529,847	19,068,156	23,248,627	18,573,311	16,132,516	13,413,700	31,012,902	-	-	-
Unreserved:										
Special revenue funds	10,867,569	11,906,086	11,948,650	12,524,589	15,563,553	18,007,048	16,718,714	-	-	-
Nonspendable, reported in										
Permanent funds	-	-	-	-	-	-	-	3,155,248	3,726,868	4,152,133
Prepays	-	-	-	-	-	-	-	-	106	-
Restricted, reported in										
Special revenue funds	-	-	-	-	-	-	-	9,543,193	8,753,664	9,112,906
Capital projects funds	-	-	-	-	-	-	-	15,128,386	9,441,958	7,801,070
Permanent funds	-	-	-	-	-	-	-	141,319	160,032	168,322
Committed, reported in										
Special revenue funds	-	-	-	-	-	-	-	4,546,829	5,300,799	5,818,487
Assigned, reported in										
Capital projects funds	-	-	-	-	-	-	-	5,160,281	6,955,600	7,825,692
Total other governmental funds	18,397,416	30,974,242	35,197,277	31,097,900	31,696,069	31,420,748	47,731,616	37,675,256	34,339,027	34,878,610
Total governmental funds	\$ 27,105,611	\$ 41,462,083	\$ 49,620,904	\$ 44,628,670	\$ 47,565,691	\$ 52,001,282	\$ 72,921,584	\$ 65,540,386	\$ 60,156,191	\$ 56,487,059

*Fund balance presentation change due to the implementation of GASB 54.

CITY OF LAKE LAND, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Taxes	\$ 33,352,333	\$ 35,245,227	\$ 37,927,012	\$ 43,581,009	\$ 44,723,331	\$ 46,005,141	\$ 44,812,355	\$ 42,889,289	\$ 40,815,192	\$ 41,421,563
Licenses and permits	2,467,512	2,954,750	4,464,447	3,785,223	3,300,692	2,561,889	2,837,757	2,820,389	2,809,143	3,146,388
Intergovernmental	13,986,162	23,118,835	21,899,528	20,596,624	20,938,444	15,718,944	15,642,963	16,185,384	15,339,588	15,624,442
Charges for services	5,672,915	6,282,903	8,187,813	6,866,549	9,013,576	9,227,127	8,704,652	9,808,643	10,447,020	10,055,673
Fines and forfeits	1,020,071	1,016,958	1,356,977	994,160	963,902	1,638,939	3,357,338	1,771,411	1,350,597	1,303,805
Miscellaneous	10,916,707	14,584,500	16,696,210	18,591,165	18,144,153	17,929,744	20,143,277	24,155,095	20,881,916	19,398,075
Total revenues	67,415,700	83,203,173	90,531,987	94,414,730	97,084,098	93,081,784	95,498,342	97,630,211	91,643,456	90,949,946
EXPENDITURES										
General government	10,106,841	11,097,440	9,471,365	9,602,857	10,468,600	10,192,808	11,513,779	9,767,997	11,311,456	11,346,768
Public safety	43,480,111	40,557,388	41,528,088	44,160,120	46,534,392	47,200,094	49,373,109	50,177,776	52,388,896	53,480,901
Physical environment	4,574,179	4,648,935	5,117,903	5,423,915	5,195,860	5,583,619	5,630,677	5,652,541	5,682,062	5,562,590
Transportation	8,681,486	9,375,714	8,555,437	8,378,939	9,842,559	9,141,125	9,459,409	9,830,872	10,662,829	10,594,039
Economic environment	3,089,020	2,614,004	3,727,171	5,662,358	8,257,531	6,219,881	6,599,322	3,402,397	2,912,890	3,277,658
Human services	217,263	250,528	233,823	261,848	173,079	193,021	192,554	162,927	181,199	152,255
Culture/recreation	12,328,029	12,826,204	14,350,923	15,658,297	15,908,027	16,297,991	16,792,062	17,096,301	16,978,064	17,744,340
Capital outlay	14,672,331	19,291,451	18,642,941	23,739,881	23,606,603	17,006,903	15,666,370	25,935,038	16,015,051	13,857,972
Debt service										
Principal	2,387,355	3,292,180	3,233,872	4,724,175	3,152,359	3,734,306	8,406,694	9,653,618	7,771,584	6,300,973
Interest	1,386,616	836,258	2,394,600	2,463,301	2,380,817	2,375,189	2,375,189	2,375,189	2,375,189	2,375,189
Total expenditures	100,923,231	104,790,102	107,256,123	120,075,691	125,519,827	117,944,937	126,009,165	134,054,656	126,279,220	124,692,685
Excess (deficiency) of revenues over (under) expenditures	(33,507,531)	(21,586,929)	(16,724,136)	(25,660,961)	(28,435,729)	(24,863,153)	(30,510,823)	(36,424,445)	(34,635,764)	(33,742,739)
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of long-term debt	723,043	16,170,801	3,925,920	581,318	4,331,905	2,180,898	23,071,596	1,863,504	2,271,279	3,329,339
Transfers from other funds	33,732,673	34,657,404	33,540,530	31,569,540	38,072,156	38,533,483	39,735,249	39,626,330	40,173,420	40,899,461
Transfers to other funds	(9,534,503)	(14,884,804)	(12,583,493)	(11,482,131)	(11,031,311)	(11,415,637)	(11,375,720)	(12,446,587)	(13,193,130)	(14,155,193)
Total other financing sources and (uses)	24,921,213	35,943,401	24,882,957	20,668,727	31,372,750	29,298,744	51,431,125	29,043,247	29,251,569	30,073,607
Net change in fund balances	\$ (8,586,318)	\$ 14,356,472	\$ 8,158,821	\$ (4,992,234)	\$ 2,937,021	\$ 4,435,591	\$ 20,920,302	\$ (7,381,198)	\$ (5,384,195)	\$ (3,669,132)
Debt Service as a percentage of noncapital expenditures										
	5%	5%	7%	8%	6%	6%	10%	11%	9%	8%

CITY OF LAKELAND, FLORIDA

GENERAL FUND PROPERTY TAX LEVIES, TAX COLLECTIONS,
ASSESSED VALUATIONS AND PROPERTY TAX RATES (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	Total Taxable (1)				Less:	Total Taxable Assessed Value
	Real Property	Tangible Property	Railroad Property	Adjustments	Tax Exempt Real Property	
2013	\$ 5,717,402,332	\$ 678,256,876	\$ 4,170,924	\$ (2,317,304)	\$ 2,135,322,232	\$ 4,262,190,596
2012	6,011,568,956	704,558,301	4,037,506	(4,714,474)	2,235,629,322	4,479,820,967
2011	6,347,423,303	735,988,173	3,833,023	263,361	2,327,716,616	4,759,791,244
2010	7,496,927,845	797,882,468	4,011,704	33,810,496	2,784,803,140	5,547,829,373
2009	8,232,870,282	842,392,409	4,095,467	26,130,612	3,127,769,383	5,977,719,387
2008	8,041,601,918	858,419,290	2,268,507	97,265,288	2,954,340,506	6,045,214,497
2007	5,609,609,753	815,258,359	3,281,846	148,025,974	1,288,787,441	5,287,388,491
2006	5,130,793,065	706,098,416	3,274,177	87,998,484	1,618,347,457	4,309,816,685
2005	4,655,054,178	672,059,352	4,953,520	1,268,093	1,476,605,744	3,856,729,399
2004	4,616,004,195	638,220,261	4,924,316	22,470,923	1,663,559,485	3,618,060,210

- (1) The State of Florida, by statute, requires property appraisers to assess all property within the State at 100% of market value. Therefore, the assessed valuation and estimated actual value is the same.
- (2) Total property tax levy minus any discounts given to taxpayers. Therefore, the realized tax rate may be less than the tax rate used to assess property taxes.

Source: Polk County Property Appraiser

Total Direct Tax Rate		Total Tax Levy (2)	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Tax Collections
			Amount	Percent of Levy		
7.164	\$	19,186,053	\$ 19,079,925	99.45	\$ 50,459	\$ 19,130,384
6.659		18,006,725	17,905,063	99.44	53,239	17,958,302
6.664		19,139,967	19,074,651	99.58	82,951	19,157,602
6.028		19,593,509	19,475,083	99.40	55,682	19,530,765
5.778		19,668,005	19,543,935	99.37	93,745	19,637,680
5.604		18,864,198	18,802,287	99.67	46,407	18,848,694
6.001		18,103,055	18,068,016	99.81	34,154	18,102,170
5.989		14,749,149	14,676,620	99.51	54,441	14,731,061
6.001		13,200,608	13,139,243	99.54	58,761	13,198,004
5.989		12,393,605	12,297,148	99.22	105,175	12,402,323

CITY OF LAKELAND, FLORIDA

SCHEDULE OF PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	MILLS (\$1 PER \$1,000 VALUATION)									
	City of Lakeland				County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	Lake Deeson Water Basin	Total Direct & Overlapping Rates
	Municipal	Lakeland Area Mass Transit District	Lakeland Downtown Development District	Total						
2013	4.6644	0.5000	2.0000	7.1644	6.8665	0.3818	7.5470	—	—	21.960
2012	4.1644	0.5000	1.9945	6.6589	6.8665	0.3928	7.4920	—	—	21.410
2011	4.1644	0.5000	2.0000	6.6644	6.8665	0.3928	7.6700	—	—	21.594
2010	3.6538	0.5000	1.8744	6.0282	6.8665	0.3770	7.7920	0.1827	—	21.246
2009	3.4031	0.5000	1.8744	5.7775	6.8665	0.3866	7.5860	0.1827	—	20.799
2008	3.2296	0.5000	1.8744	5.6040	6.8665	0.3866	7.6340	0.1827	—	20.674
2007	3.5450	0.5000	1.9560	6.0010	8.4770	0.2840	7.7700	0.1950	—	22.727
2006	3.5450	0.4880	1.9560	5.9890	8.3300	0.2840	7.7700	0.1950	—	22.568
2005	3.5450	0.5000	1.9560	6.0010	8.7270	0.2840	8.0780	0.1950	—	23.285
2004	3.5450	0.4880	1.9560	5.9890	7.7270	0.2840	8.2060	0.1950	0.4220	22.823

Source: Polk County Property Appraiser

CITY OF LAKELAND, FLORIDA

TEN PRINCIPAL TAXPAYERS (UNAUDITED)
SEPTEMBER 30, 2013 For the Current Year and Nine Years Prior

Taxpayer Name	Type of Business	2013		Percentage of Total Assessed Value of Real And Personal Property	2004		Percentage of Total Assessed Value of Real And Personal Property
		Assessed Value of Real And Personal Property	Rank		Assessed Value of Real And Personal Property	Rank	
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	\$ 248,393,643	1	5.83 %	\$ 233,270,339	1	6.46 %
RTG Furniture Corp.	Retail/Distribution-Furniture	51,955,411	2	1.22 %			
Casto Oakbridge Venture LTD	Real Estate	46,044,099	3	1.08 %	46,469,020	3	1.29 %
Verizon	Telecommunications	44,084,928	4	1.03 %	56,547,841	2	1.57 %
Watson Clinic	Medical Facility	40,405,919	5	0.95 %	38,481,812	5	1.07 %
H-D Lakeland Mall Joint Venture	Retail/General Merchandise	30,941,805	6	0.73 %	41,460,800	4	1.15 %
Walmart	Retail/Distribution-Grocery	31,315,964	7	0.73 %	34,102,478	6	0.95 %
Carlton Arms of North Lakeland	Real Estate-Apartment Complex	23,828,825	8	0.56 %	25,441,235	8	0.71 %
Pepperidge Farm Inc. - Lakeland Plant	Retail/Distribution-Bakery	22,198,087	9	0.52 %			
Lakeland Property Partners LLC	Real Estate	20,554,877	10	0.48 %			
Lakeland Ledger Publishing Corp.	Print Media				30,846,442	7	0.85 %
Discount Auto Parts Inc	Retail/Distribution-Auto Parts				23,124,910	9	0.64 %
Government Employees Insurance Co.	Insurance				21,957,970	10	0.61 %
		<u>\$ 559,723,558</u>		<u>13.13 %</u>	<u>\$ 551,702,847</u>		<u>15.30 %</u>

Source: Polk County Property Appraiser

CITY OF LAKELAND, FLORIDA

LAKELAND ELECTRIC UTILITY FUND (UNAUDITED)
CHARGES FOR SERVICES AND AVERAGE RATES
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	Charges for Services								Rates*			
	Residential Sales	Commercial and Industrial Sales	Public Street and Highway Lighting	Public Authority Sales Intra City	Sales for Resale	Fuel Charges	Other Operating Revenue	Total Charges for Services	Residential	General Service	General Service Demand	General Service Large Demand
2013	\$ 94,055,789	\$ 58,123,028	\$ 4,739,732	\$ 3,056,517	\$ 13,372,122	\$ 121,822,652	\$ 6,885,873	\$ 302,055,713	\$ 0.06434	\$ 0.06367	\$ 0.04587	\$ 0.03562
2012	93,739,868	57,794,362	4,695,180	3,113,445	13,605,585	110,868,151	6,520,294	290,336,885	0.06452	0.06405	0.04681	0.03543
2011	101,699,309	60,081,729	5,567,490	3,269,563	15,874,978	146,923,431	7,465,356	340,881,856	0.06428	0.06415	0.04714	0.03998
2010	106,398,775	60,476,492	4,708,179	3,173,859	10,086,724	163,133,146	6,238,521	354,215,696	0.06451	0.06319	0.04737	0.03452
2009	98,532,307	57,374,119	5,526,960	3,101,949	9,905,591	163,116,048	5,809,972	343,366,946	0.06382	0.06125	0.04598	0.02865
2008	95,689,037	58,739,452	5,207,231	3,128,653	22,508,435	191,908,462	7,312,558	384,493,828	0.06277	0.06030	0.04423	0.02815
2007	94,117,465	53,916,160	4,921,130	2,887,040	36,898,580	174,311,623	7,518,781	374,570,779	0.05730	0.05310	0.04020	0.02450
2006	92,826,281	52,577,818	3,088,924	2,864,761	39,439,857	180,810,251	5,439,509	377,047,401	0.05500	0.04980	0.03750	0.02380
2005	90,253,704	47,522,540	2,692,842	2,848,228	42,333,082	144,435,959	6,133,805	336,220,160	0.05620	0.05090	0.03900	0.02300
2004	88,011,458	45,337,479	2,713,189	3,403,553	37,724,222	114,598,392	6,773,884	298,562,178	0.05500	0.05010	0.03780	0.02090

* Average revenue billed per kwh (\$/kwh) excluding fuel inside the City.

Source: Lakeland Electric

CITY OF LAKE LAND, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Personal Income	Per Capita
	Loans Payable	Utility Tax Notes	Capital Improvement Bonds	Loans Payable	Revenue Bonds & Notes	Capital Leases			
2013	\$ 1,841,515	\$ 11,023,543	\$ 26,743,234	\$ 36,132,683	\$ 556,304,921	\$ 2,839,164	\$ 634,885,060	*	\$ 6,430
2012	2,212,164	10,638,779	30,206,393	38,985,249	591,634,793	1,721,004	675,398,382	*	6,878
2011	1,125,394	12,269,881	35,020,386	41,520,826	619,242,208	805,673	709,984,368	*	7,268
2010	220,000	13,933,855	41,626,184	44,385,565	624,734,654	745,176	725,645,434	*	7,718
2009	6,657,426	15,027,658	19,771,827	57,060,761	622,510,924	909,347	721,937,943	*	7,667
2008	7,898,814	14,969,907	20,126,599	42,592,650	647,368,903	323,336	733,280,209	*	7,842
2007	7,608,000	15,425,941	17,564,631	32,624,883	612,459,837	395,629	686,078,921	*	7,343
2006	7,924,000	15,537,171	20,999,869	24,791,882	615,513,369	2,881	684,769,172	*	7,474
2005	8,512,000	15,403,410	19,837,944	21,285,192	606,859,055	80,158	671,977,759	26%	7,396
2004	9,905,724	17,379,934	6,932,456	20,233,056	636,898,019	200,555	691,549,744	28%	7,707

* Information not available.

CITY OF LAKELAND, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS
 (accrual basis)

Fiscal Year	Property Tax	Utility & Communication Services Tax	Motor Fuel Tax	Franchise Tax	State Shared Revenues					Total
					Half Cent Sales Tax	State Revenue Sharing	Mobile Home License Fees	Alcoholic Beverage Tax	Firefighters' Compensation Tax	
2013	\$ 21,784,397	\$ 14,523,106	\$ 4,879,101	\$ 234,959	\$ 5,098,715	\$ 2,078,795	\$ 188,449	\$ 76,919	\$ 39,182	\$ 48,903,623
2012	20,909,045	14,761,856	4,910,650	233,641	4,817,062	2,060,351	184,560	79,897	44,441	48,001,503
2011	22,641,400	15,057,722	4,943,075	247,092	4,486,691	1,799,097	189,840	71,750	26,410	49,463,077
2010	24,651,942	14,979,375	4,914,311	266,727	4,287,133	1,789,260	190,380	69,789	32,115	51,181,032
2009	25,618,865	15,202,390	4,932,542	251,344	4,478,244	1,801,908	192,284	71,405	46,630	52,595,612
2008	24,497,791	14,720,615	5,243,212	261,713	5,068,350	2,115,087	188,990	68,974	14,251	52,178,983
2007	23,085,031	14,565,661	5,625,406	304,911	5,611,881	2,309,248	197,194	68,439	27,305	51,795,076
2006	17,845,105	14,161,883	5,599,243	320,781	6,004,380	2,330,366	197,190	60,222	25,011	46,544,181
2005	15,363,705	13,957,483	5,640,954	283,085	5,696,157	2,210,905	194,245	55,968	24,234	43,426,736
2004	14,250,266	13,494,278	5,372,283	235,506	5,148,418	1,683,783	206,255	52,481	11,304	40,454,574

CITY OF LAKELAND, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Total	Legally Available & Pledged Revenues	Ratio of Debt to Pledged Revenues	Per Capita ¹
2013	\$ 37,766,777	\$ —	\$ 37,766,777	\$ 81,855,337	0.46	385
2012	40,845,172	345,000	40,500,172	84,840,176	0.48	415
2011	47,290,267	325,000	46,965,267	85,053,370	0.55	481
2010	55,560,039	310,000	55,250,039	85,142,699	0.65	588
2009	34,799,485	295,000	34,504,485	81,421,565	0.42	366
2008	35,096,506	280,000	34,816,506	79,187,531	0.44	372
2007	32,990,572	250,000	32,740,572	73,386,493	0.45	350
2006	36,537,040	250,000	36,287,040	75,984,624	0.48	396
2005	35,241,354	235,000	35,006,354	72,357,155	0.48	385
2004	21,312,390	555,000	20,757,390	64,471,923	0.32	231

¹City of Lakeland, Community Development

CITY OF LAKELAND, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)
SEPTEMBER 30, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Tax Supported Ad Valorem Debt:			
District School Board of Polk County Bonds Payable	\$ 385,130,634	12.95%	\$ 49,874,417
City Direct Debt - Governmental Activities			<u>39,608,292</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 89,482,709</u>

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

Source: Polk County School Board
Polk Country Property Appraiser

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REVENUE BONDS COVERAGE (UNAUDITED)
LAST TEN FISCAL YEARS

ENERGY SYSTEM REVENUE BONDS

<u>Fiscal Year</u>	<u>Gross Revenues¹</u>	<u>Operating Expenses²</u>	<u>Net Operating Revenues Available for Debt Service</u>	<u>Principal³</u>	<u>Interest³</u>	<u>Total</u>	<u>Coverage</u>
2013	\$ 302,803,530	\$ 212,530,976	\$ 90,272,554	\$ 20,313,195	\$ 26,313,189	\$ 46,626,384	1.94
2012	298,933,627	201,280,148	97,653,479	24,456,267	25,040,946	49,497,213	1.97
2011	349,649,942	241,985,273	107,664,669	23,632,510	27,423,459	51,055,969	2.11
2010	361,827,646	251,861,002	109,966,644	21,992,218	27,974,283	49,966,501	2.20
2009	354,120,030	247,374,940	106,745,090	28,180,719	28,309,330	56,490,049	1.89
2008	389,033,956	293,782,579	95,251,377	18,760,000	25,832,872	44,592,872	2.14
2007	380,030,084	303,971,797	76,058,287	17,300,000	25,041,849	42,341,849	1.80
2006	381,997,481	313,801,896	68,195,585	575,000	23,093,002	23,668,002	2.88
2005	342,446,694	272,171,190	70,275,504	15,095,000	22,439,513	37,534,513	1.87
2004	301,054,537	222,836,551	78,217,986	13,250,000	22,416,570	35,666,570	2.19

WATER AND WASTEWATER SYSTEM REVENUE BONDS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses²</u>	<u>Net Revenues Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2013	\$ 48,878,811	\$ 28,161,365	\$ 20,717,446	\$ 1,490,000	\$ 1,823,257	\$ 3,313,257	6.25
2012	52,702,160	26,117,153	26,585,007	4,390,000	1,485,113	5,875,113	4.53
2011	50,495,118	25,248,944	25,246,174	3,165,000	2,604,107	5,769,107	4.38
2010	46,941,005	25,386,062	21,554,943	3,010,000	2,754,607	5,764,607	3.74
2009	46,536,929	24,497,510	22,039,419	2,875,000	2,898,356	5,773,356	3.82
2008	42,434,052	24,713,430	17,720,622	2,705,000	2,982,888	5,687,888	3.12
2007	44,376,123	23,895,936	20,480,187	2,645,000	3,055,625	5,700,625	3.59
2006	38,856,745	22,525,920	16,330,825	2,575,000	3,120,000	5,695,000	2.87
2005	35,465,540	19,522,481	15,943,059	2,520,000	3,173,551	5,693,551	2.80
2004	32,968,623	18,228,638	14,739,985	2,445,000	3,259,126	5,704,126	2.58

¹Contractual net revenues available for debt service per the bond covenant includes net revenues from operations plus 20% of fund balance.

²Excludes depreciation expense.

³Principal and interest amount for FY 2006 does not include the \$16,095,408 included in the advance refunding of a portion of the Series 1999B Bonds.

CITY OF LAKELAND, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ²	Median Age ³	Education Level (in years of formal schooling) ³	School Enrollment ⁴	Unemployment Rate ¹
2013	98,733	\$ *	\$ *	39.4	*	36,601	7.40%
2012	98,200	3,510,257,200	35,746	38.33	24.1	35,613	9.10%
2011	97,690	3,267,437,430	33,447	38.12	23.5	39,032	11.08%
2010	94,024	3,045,625,408	32,392	37.29	34.5	39,355	12.00%
2009	94,163	2,877,809,606	30,562	36.46	*	37,191	10.60%
2008	93,508	3,050,324,468	32,621	39.24	*	36,605	7.90%
2007	93,428	2,974,560,664	31,838	37.61	*	38,000	4.80%
2006	91,623	2,841,962,214	31,018	38.34	*	34,686	2.80%
2005	90,851	2,625,230,496	28,896	*	12.9	33,059	3.40%
2004	89,731	2,463,923,529	27,459	*	*	32,151	5.00%

¹City of Lakeland, Community Development

²University of Florida, BEBR

³Central Florida Economic Development Council Demographics

⁴Polk County School Board

* Information not available

CITY OF LAKELAND, FLORIDA

PRINCIPAL EMPLOYERS (UNAUDITED)
SEPTEMBER 30, 2013 For the Current Year and Nine Years Prior

Employer	Type of Business	2013			2004		
		Employees	Rank	% of Total	Employees	Rank	% of Total
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	8,063	1	35.24 %	5,634	1	31.29 %
Lakeland Regional Medical Center	Hospital	4,540	2	19.84 %	3,300	2	18.33 %
City of Lakeland	Government	2,600	3	11.36 %	1,950	4	10.83 %
Government Employees Insurance Co. (GEICO)	Insurance	2,300	4	10.05 %	2,200	3	12.22 %
Watson Clinic	Medical Clinic	1,600	5	6.99 %	1,100	5	6.11 %
GC Services	Telemarketing	1,000	6	4.37 %	1,100	6	6.11 %
Rooms To Go Furniture	Retail/Distribution-Furniture	900	7	3.93 %	800	8	4.44 %
Summit Consulting	Insurance	654	8	2.86 %			
Saddle Creek Logistics	Trucking & Logistics	625	9	2.73 %			
Stryker	Healthcare	600	10	2.62 %			
Watkins Motor Lines	Trucking & Logistics				850	7	4.72 %
Key Safety Systems	Safety/Locking				540	9	3.00 %
Verizon	Telecommunication				529	10	2.94 %
	Total	<u>22,882</u>		<u>100.00 %</u>	<u>18,003</u>		<u>100.00 %</u>

Source: Lakeland Economic Development Council

CITY OF LAKELAND, FLORIDA

FTE EMPLOYEES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Function:										
General government	220	272	291	297	316	292	285	280	273	274
Public safety										
Law enforcement										
Officers	236	231	236	232	230	231	218	200	215	205
Civilians	108	108	114	114	110	106	107	127	112	114
Fire control										
Firefighters and officers	125	135	140	145	142	141	140	136	123	132
Civilians	7	7	5	5	5	7	7	11	23	19
Physical environment	4	3	3	5	5	5	5	5	3	5
Transportation	89	93	94	97	100	99	93	92	99	100
Economic environment	60	55	63	65	63	57	53	51	53	51
Culture/recreation	164	166	181	214	212	216	231	232	245	243
Electric	688	610	590	583	574	576	567	561	549	549
Water and Wastewater	167	175	175	190	186	195	191	191	196	193
Parking	6	6	6	7	7	7	5	5	5	5
Lakeland Center	30	30	31	36	33	33	34	33	38	37
Lakeland Linder Regional Airport	14	17	18	19	20	12	14	13	14	15
Solid Waste	72	69	73	72	83	79	72	66	62	63
Cleveland Heights Golf Course	21	22	21	18	17	17	16	17	16	21

Source: City of Lakeland Payroll

CITY OF LAKELAND, FLORIDA
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Law enforcement										
Arrests	4,900	5,898	7,393	7,422	7,489	6,349	4,640	5,182	5,490	4,858
Traffic Citations	21,393	21,248	22,267	18,705	19,952	20,915	21,852	18,152	15,633	12,542
Fire control										
Calls for service	17,536	18,486	19,119	19,618	19,554	17,434	16,587	17,031	18,319	20,390
Inspections	4,129	3,944	1,957	3,018	5,942	3,727	3,792	3,785	3,753	2,531
Physical Environment										
Cemetery										
Burials	512	512	498	511	482	451	479	409	400	409
Spaces Sold	617	617	633	550	498	485	394	379	336	375
Transportation										
Street resurfacing (miles)	22	29	22	26	36	24	28	29	26	32
Culture/recreation										
Parks										
Field Rentals	3,852	3,800	4,297	4,449	6,770	7,370	7,738	7,815	8,179	8,299
Swimming Pools										
Attendance/Use	68,750	117,750	83,260	203,852	92,621	134,043	315,768	493,591	248,839	243,805
Aquatic Programs/Events	20	20	12	13	12	12	12	15	10	10
Community centers										
Attendance/Use	404,684	341,864	381,283	409,210	376,041	347,866	333,548	336,436	377,267	352,688
Facility Rentals	370	234	675	1,047	1,258	1,361	1,312	1,379	1,228	1,219
Economic environment										
Building permits issued	9,453	11,739	12,410	10,505	8,810	7,657	8,255	7,947	7,521	7,899
Electric										
New connections ²	1,491	2,093	2,271	2,384	341	429	(205)	(362)	(606)	1,689
Energy sales (gWh)	115,337	117,430	119,701	121,097	121,438	121,944	121,739	121,377	120,771	122,460
Water and Wastewater										
New connections	679	1,104	1,193	853	693	352	345	312	295	337
Number of customers	49,824	50,928	52,121	52,974	52,271	53,112	52,316	52,030	52,770	52,983
Peak Month Aver. Day consumption ¹	34	34	31	29	30	25	23	27	25	27
Average daily sewage treatment ¹	12	12	10	11	10	8	12	12	12	12
Parking										
Parking violations	5,341	3,992	3,864	3,656	3,799	3,388	4,381	4,778	6,404	6,102
Lakeland Center										
Number of events	744	664	641	686	506	391	418	490	537	492
Lakeland Linder Regional Airport										
Daily average traffic count	349	318	299	388	345	285	200	195	246	250
Solid Waste										
Refuse collected (tons/day)	385	409	388	385	399	340	341	326	318	319
Recyclables collected (tons/day)	16	15	14	15	15	14	14	15	15	19
Number of customers										
Commercial	4,621	4,800	5,036	5,101	5,300	4,064	5,325	5,282	5,303	4,711
Residential	36,650	38,049	39,575	41,355	42,900	43,430	43,054	42,371	43,472	37,436
Cleveland Heights Golf Course										
Number of memberships	460	439	402	377	408	264	204	128	144	104
Number of tournaments/outings	41	45	54	42	37	34	20	21	35	28
Number of banquet/meetings	475	450	465	435	480	398	375	400	450	525

¹Measured in millions of gallons per day

²Net of new connections and disconnections of service

- Information not available

Note: Indicators are not available for the general government function.

Source: City of Lakeland Departments

CITY OF LAKELAND, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	217	213	218	332	177	143	151	151	151	151
Fire control										
Fire stations	5	6	6	7	7	7	7	7	7	7
Transportation										
Streets (miles)	368	370	370	374	380	381	381	381	389	389
Traffic signals	162	165	164	158	163	167	169	176	175	177
Culture/recreation										
Parks acreage	585	585	585	582	585	585	618	618	743	736
Parks	51	51	52	52	55	55	56	56	57	58
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	37	37	37	37	37	37	37	37	37	37
Community centers	2	2	2	2	2	2	2	2	2	2
Special recreational facilities	5	5	5	5	5	5	5	5	5	5
Electric										
Power plants	3	3	3	3	3	3	3	3	3	3
Distribution stations	23	23	23	23	24	23	23	23	23	25
Miles of service lines	1,938	1,978	2,012	2,020	2,073	2,045	2,046	2,053	2,056	2,059
Water and Wastewater										
Miles of service lines	920	941	957	967	983	987	991	992	994	994
Fire hydrants	3,539	3,663	3,750	3,833	3,971	4,018	4,041	4,096	4,122	4,172
Maximum daily capacity ¹	51	59	59	59	59	59	59	59	59	59
Maximum daily treatment ¹	20	20	20	34	36	36	36	36	36	36
Parking										
Parking Garages	3	3	4	4	4	3	3	3	3	3
Surface lots	10	11	11	11	11	11	11	13	13	13
Lakeland Center										
Sports arenas	1	1	1	1	1	1	1	1	1	1
Theatres	1	1	1	1	1	1	1	1	1	1
Other rental facilities	9	9	9	9	9	9	9	9	9	9
Lakeland Linder Regional Airport										
Terminals	1	1	1	1	1	1	1	1	1	1
Hangers	99	99	99	99	99	99	99	99	99	99
Runways	2	2	2	2	2	2	2	2	2	2
Solid Waste										
Refuse Trucks	42	43	48	47	40	47	51	52	49	55
Cleveland Heights Golf Course										
Acreage	286	286	286	286	286	286	286	286	286	286
Clubhouse facilities	1	1	1	1	1	1	1	1	1	1

¹Measured in millions of gallons per day

Note: No capital asset indicators are available for the general government, economic environment, or physical environment functions.

Source: City of Lakeland Departments



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, City Commissioners
and City Manager
City of Lakeland, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Florida (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2014. Our report includes a reference to other auditors who audited the financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida (a pension trust fund included in aggregate remaining fund information) and the City of Lakeland Firefighters' Retirement System (a pension trust fund included in aggregate remaining fund information), as described in our report on the City's financial statements. The financial statements of the Police Officers' Defined Benefit Retirement System of the and the City of Lakeland Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida and the City of Lakeland Firefighters' Retirement System.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Lakeland, Florida
March 10, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND STATE FINANCIAL ASSISTANCE PROJECT; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND
CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

Honorable Mayor, City Commissioners
and City Manager
City of Lakeland, Florida

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited the City of Lakeland, Florida's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs or state financial assistance projects for the year ended September 30, 2013. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance project for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by OMB

Circular A-133 and Chapter 10.550, Rules of the Auditor General

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated March 10, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe Horwath LLP

Lakeland, Florida
March 10, 2014

CITY OF LAKELAND, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	Yes
Noncompliance material to financial statements noted	No

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Internal control over major programs:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a), and Chapter 10.550, Rules of the Auditor General	No

Identification of major programs:

CFDA/CSFA Number

Name of Program

Federal:

20.106	Airport Improvement Program
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
81.122	ARRA: Electric Delivery and Energy Reliability, Research, Development and Analysis: SMART Design and Study Phase

State:

55.004	Airport Development Grants
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Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$300,000
State	\$300,000
Auditee qualified as low-risk	No

CITY OF LAKE LAND, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency:

2013-1	Timeliness of Accruals for Grant Expenses
Condition:	The expenses reported on the Schedule of Federal Expenditures and State Financial Assistance (SEFA) for one of the major Federal programs were understated by approximately \$350,000.
Criteria:	The City is required to identify in its accounts all Federal awards expended and report such awards expended on the SEFA. Grant accruals should be made on a timely basis to allow for the timely identification of the expenses and preparation of a complete and accurate SEFA as part of the financial statement preparation process.
Cause:	An accrual was made late in the financial statement close process for additional grant expenses after the SEFA was already prepared and the internal controls did not detect that the SEFA needed to be updated for the late accrual.
Effect:	The SEFA were understated by approximately \$350,000.
Recommendation:	Grant expenses should be accrued on a timely basis as part of the year end close process to allow the preparation of the SEFA utilizing all of the control procedures designed to review the schedule for completeness and accuracy.
Views of Responsible Officials:	Management concurs with the recommendation. However, to further clarify, due to the nature of the project associated with the referenced accrual, the invoice was received after the financial statement close process and was accrued because of materiality. Additional procedures will be implemented to insure that all year-end invoices, to the extent possible, will be submitted to the City prior to the financial statement close date and any such invoices will be properly reflected on the SEFA.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

No items noted.

SECTION IV - FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

No items noted.

CITY OF LAKELAND, FLORIDA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2013

Auditor Reference

Number: 12-1

Year End Close Processes

Condition: We noted instances wherein correcting entries were required in the following areas: calculation of useful lives of capital assets, disposals of capital assets and accrued expenses

Status: Corrected.

Auditor Reference

Number: 12-2

Self-Insurance Fund: General Liability Claims Processing Procedures

Condition: We observed files during our testing wherein adequate supporting documentation was not available. Additionally, we observed instances wherein checks were issued by the TPA and did not contain the required signatures for amounts greater than \$10,000. We also noted that the TPA does not provide a SOC report to the City to report upon internal controls. We observed various weaknesses in the internal controls of the general liability claims processing procedures including: lack of segregation of duties, lack of supervisory review, lack of documented reconciliations.

Status: Corrected.

Auditor Reference

Number: 12-3

Preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance

Condition: The City prepares the Schedule of Federal Expenditures and State Financial Assistance (SEFA) that is included in the financial statements. This schedule identifies all expenditures associated with Federal and State grant programs. The first draft of this schedule incorrectly excluded the expenditures related to a State Aviation Development Grant.

Status: See finding 13-1



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