2024

AUDITED FINANCIAL STATEMENTS

September 30, 2024 and September 30, 2023

LAKELAND ELECTRIC
POWERED FOR LIFE

Department of Electric Utilities
and enterprise fund of the City of Lakeland, FL

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ELECTRIC MANAGEMENT

Michael Beckham
General Manager

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Delivery

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Energy Production

Korey Bush
Assistant General Manager
Customer Service

LAKELAND CITY COMMISSION

William "Bill" Mutz
Mayor

Chad McLeod
Commissioner At Large

Stephanie Madden
Commissioner At Large

Guy Lalonde Jr.
Commissioner Northwest

Mike Musick
Commissioner Southeast

Bill Read
Commissioner Northeast

Sara Roberts McCarley
Commissioner Southwest

TRANSMITTAL LETTER

March 27, 2025

Honorable Mayor, Members of the Utility Committee and Customers of Lakeland Electric

It is our pleasure to submit this annual financial report for the fiscal year (FY) ended September 30, 2024, for the City of Lakeland's Department of Electric Utilities (Lakeland Electric, or the Utility). Management assumes full responsibility for the completeness and accuracy of the information contained in this report. We believe, to the best of our knowledge and belief, that this report is complete and reliable in all material respects, and the information fairly represents the Utility's financial condition.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF LAKELAND ELECTRIC

Lakeland Electric is an enterprise fund of the City of Lakeland (the City). It is governed by a Utility Committee that consists of all seven members of the City Commission, plus six citizens representing a cross-section of the customer base. Lakeland Electric is the largest department of the City. It has a budgeted staff of 412 full-time employees, including approximately 170 employees who are members of the Utility Workers Union of America, Local 604.

The Utility's service territory consists of approximately 246 square miles and includes the incorporated area of the City, and a number of unincorporated communities lying within a 15-mile radius of the City. The Utility's territory is bordered on the north by the Withlacoochee Rural Electric Cooperative, Inc. and on the east, west, and south by Tampa Electric Company. The City of Bartow also borders the Utility on the south. During FY 2024, an average of 144,166 electric accounts was served, of which 83.6% were residential.

Lakeland Electric is a vertically integrated utility providing generation, transmission, and distribution services to its customers for more than 120 years. The Utility has over 2,060 miles of distribution lines of which 798 miles are underground, 158 miles of transmission lines, including 130 miles of 69 kV lines, and 28 miles of 230 kV lines. Lakeland Electric also has 721 MW of net dependable generating capacity and is a member of the Florida Municipal Power Pool that includes Orlando Utilities Commission and Florida Municipal Power Authority.

MAJOR INITIATIVES

Investing in New Generation – Lakeland Electric is adding six natural gas-powered internal combustion generators (120 MW total) to its generation portfolio to replace the capacity lost following the shuttering of its aging coal unit. These units will be more efficient and better able to manage capacity fluctuations typical of solar power. They are also capable of burning up to 25% hydrogen after some modifications are made. Construction of these units began in FY 2021, and they should be commercially available by the first quarter of calendar year 2025.

Construction of New Substation – Due to strong customer growth, Lakeland Electric is constructing a new substation near the Lakeland Linder International Airport. Completion of the substation is expected in the first quarter of FY 2025.

Promoting Sustainability – To further Lakeland Electric's commitment to reliable and sustainable energy, the Utility is in the process of adding up to 74.8 MW of utility-scale solar to its generation portfolio by the middle of FY 2027. To accomplish this, Lakeland Electric has entered a contract with Edge Solar LLC), a subsidiary of the Williams Corporation, to the development of a utility scale solar power generation facility. The contract that was entered into with Tampa-based Block Energy LLC to install a self-sustaining solar/battery-powered microgrid in a 77-home subdivision on the north side of its service territory, has subsequently been cancelled. Lakeland Electric will continue to explore and determine if microgrids are a sustainable business model for the future.

FINANCIAL HIGHIGHTS

For FY 2024, Lakeland Electric earned net income of $57.0 million, which is $11.6 million above FY 2023. The increase is more than accounted for by a $19.0 million favorable variance in the fair market value of Lakeland Electric's share of the City's pooled investments. In FY 2023, the Utility incurred a loss of $0.8 million in its fair market value adjustment, while it recorded a $18.2 million gain in FY 2024. Fair market value adjustments, up and down, are caused by the impact of interest rate changes on fixed income securities.

Operating income of $73.6 million for FY 2024 was down $8.2 million from FY 2023, reflecting increased depreciation and amortization expenses of $3.5 million, and a $5.2 million unfavorable adjustment to rectify the cumulative over accrual for monthly unbilled kilowatt hours. These unfavorable variances were partially offset by a 3.50% base rate increase implemented in October 2023.

- Debt Service Coverage of 287% (2.87 times). This is well above our covenant requirement.
- Days Cash on Hand of 301 days. This is well above the AA credit range.

ACKNOWLEDGEMENTS

This report represents countless hours of preparation. The utmost appreciation is extended to all members of the staff who assisted and contributed to its preparation. We would like to thank the City of Lakeland's Finance Director, Mike Brossart, and Assistant Finance Director, Deidra Joseph, for their support throughout the process. We appreciate the assistance and cooperation of Forvis Mazars LLP for their completion of the independent audit. Special recognition is given to the employees of the Fiscal Operations Department who worked diligently to ensure the timeliness and accuracy of this report. We also express our appreciation to the General Manager of Lakeland Electric, Mike Beckham, and to the Utility Committee for the continued leadership they provide to ensure that Lakeland Electric is affordable, dependable, and sustainable.

Respectfully Submitted,

Willem P. Strauss, CA(SA)
Assistant General Manager – Fiscal Operations

Asha P. Patel
Controller

STATISTICAL AND FINANCIAL DATA (Unaudited)

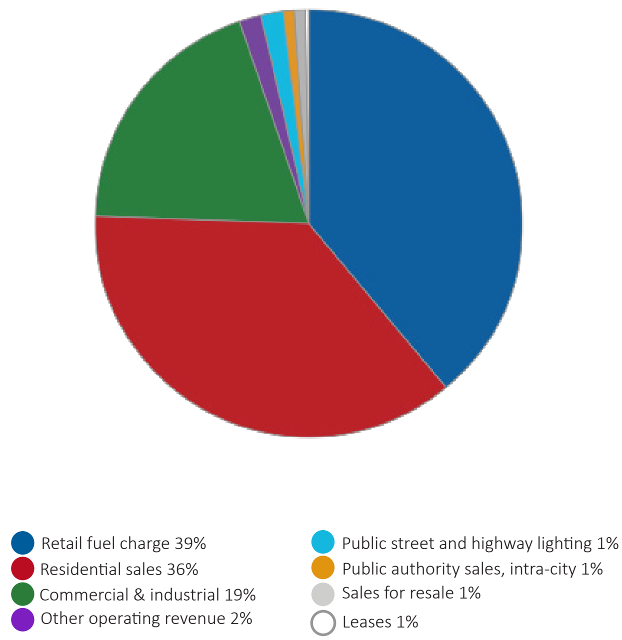
	Current Year	Prior Year	Percent Incr/-Decr
Retail electric customers:			
Residential	120,588	117,806	2.4%
Commercial and Industrial	15,081	13,954	8.1%
Roadway and private area lights	8,497	8,522	-0.3%
	144,166	140,282	2.8%
Number of employees (FTE's)	373	367	1.6%
Electric plants	3	3	0.0%
Net normal generating capacity (MW)	721	721	0.0%
Retail service territory (square miles)	246	246	0.0%
Substations	28	28	0.0%
Transmission lines (miles):			
69 KV	130	128	1.6%
230 KV	28	28	0.0%
Distribution lines (miles):			
Overhead	1,272	1,274	-0.2%
Underground	798	788	1.3%
Retail sales (MWh)	3,306,371	3,337,272	-0.9%
Average demand (MW)	397	394	0.8%
Summer peak (MW)	722	752	-4.0%
Winter peak (MW)	533	620	-14.0%

	(Dollars in thousands)		Percent
	Current Year	Prior Year	Incr/-Decr
Retail sales of electricity	$ 203,734	$ 203,922	-0.1%
Other retail revenue	5,862	5,796	1.1%
Retail fuel revenue	136,248	176,070	-22.6%
Sales for resale	2,784	3,423	-18.7%
Leases	233	213	9.7%
Fuel and purchased power expenses	(133,889)	(175,277)	-23.6%
Other operating expenses	(103,104)	(97,599)	5.6%
Depreciation expense (net)	(38,253)	(34,737)	10.1%
Operating income	73,616	81,810	-10.0%
Nonoperating revenue	30,606	8,754	249.6%
Nonoperating expenses	(13,543)	(11,762)	15.1%
Transfers to other funds	(33,669)	(33,422)	0.7%
Change in net position	$ 57,009	$ 45,380	25.6%
Utility plant, net	$ 887,392	$ 823,731	7.7%
Long-term bond debt, due beyond twelve months	$ 471,165	$ 492,943	-4.4%
Debt service coverage from operations	2.87	3.20	-10.3%
Days cash (excluding restricted and sinking cash)	301	228	32.0%

OPERATING SUMMARY FY2024

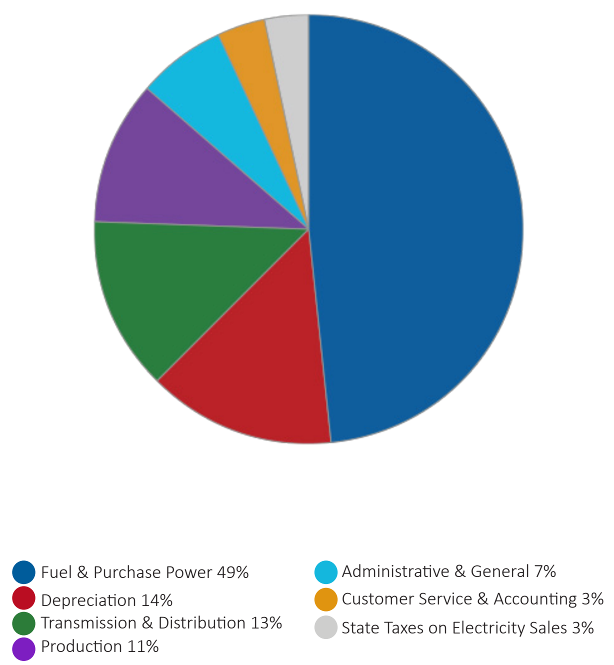
OPERATING REVENUE (in thousands)

Retail fuel charges	$136,248
Residential sales	128,341
Commercial & Industrial sales	66,538
Other operating revenue	5,862
Public street and highway lighting	5,345
Public authority sales, intra-city	3,511
Sales for resale	2,784
Leases	233
TOTAL	$348,862

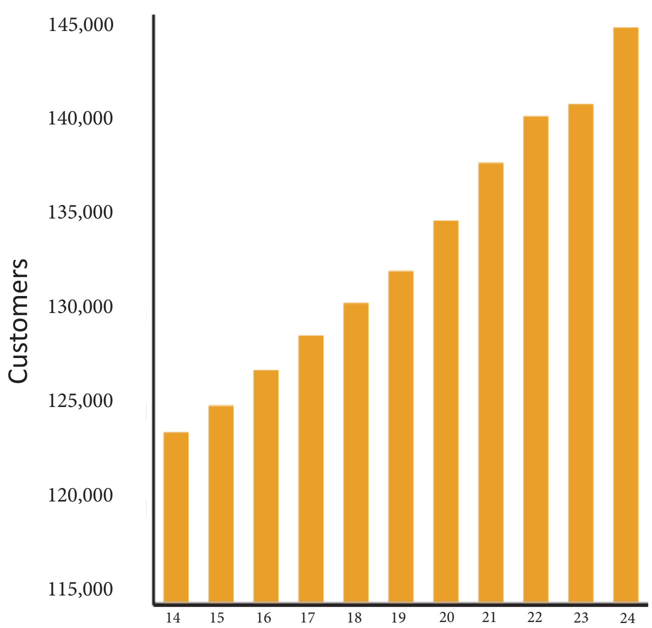


OPERATING EXPENSES (in thousands)

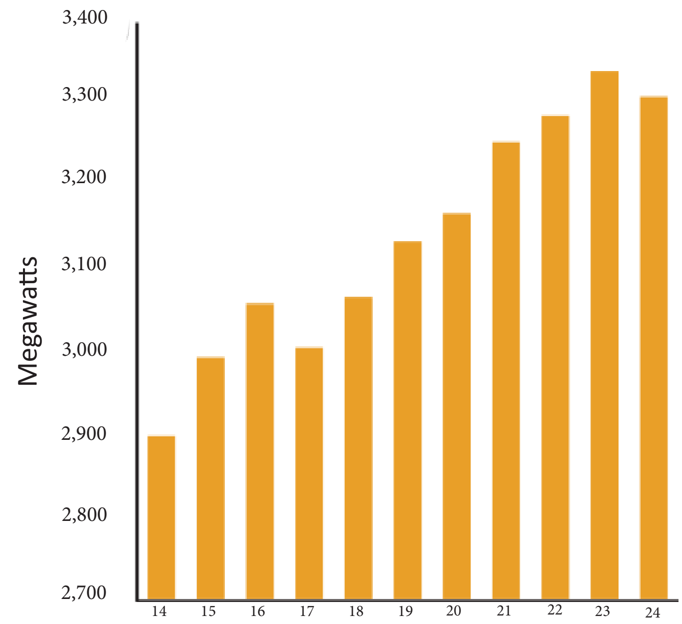
Fuel and Purchase Power	$133,889
Depreciation	38,253
Transmission & Distribution	36,018
Production	29,819
Administrative & General	18,603
Customer Service & Accounting	10,117
State Tax on Electric Sales	8,547
TOTAL	$275,246



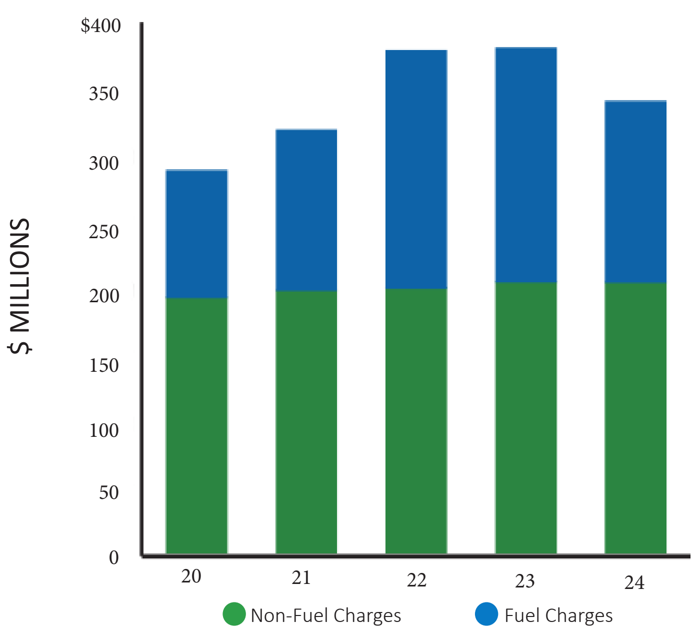
Retail Customer Count FY24 and Previous Ten Years



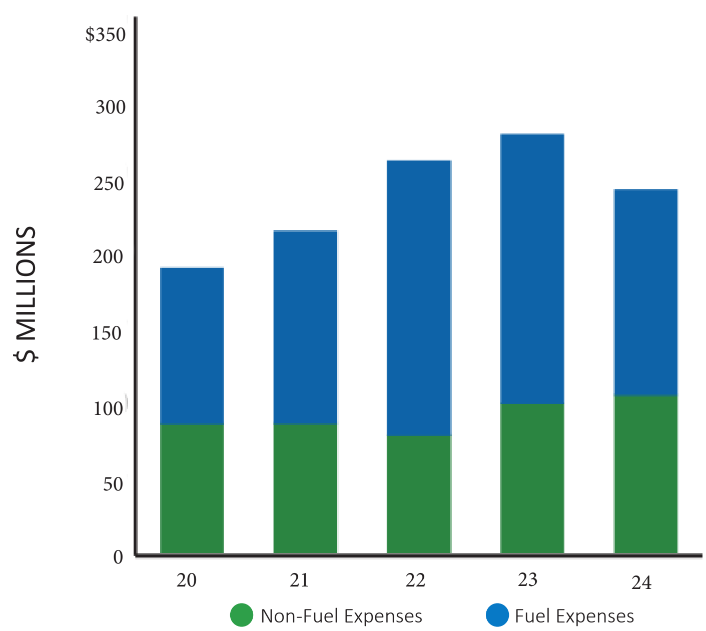
Net Retail Customer Load FY24 and Previous Ten Years



Retail Sales of Electricity FY24 and Previous Four Years



Operating Expenses FY24 and Previous Four Years



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Independent Auditor's Report

The Honorable Mayor and
Members of the City Commission
City of Lakeland, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Department of Electric Utilities (the "Department") of the City of Lakeland, Florida (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Department, an enterprise fund of the City, as of September 30, 2024, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis-of-Matter

As discussed in Note A to the financial statements, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2024 and 2023, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior-Period Financial Statements

The financial statements of the Department as of September 30, 2023 were audited by other auditors whose report dated March 25, 2024, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Transmittal Letter and the Statistical and Financial Data, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated March 27, 2025, on our consideration of the Department'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 Department's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Tampa, Florida
March 27, 2025

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CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
MANAGEMANT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis provides a narrative overview of City of Lakeland's Department of Electric Utilities' (Lakeland Electric) financial activities for fiscal year ending September 30, 2024. Lakeland Electric's operations consist of electric generation, transmission, and distribution. The condensed financial data below summarizes Lakeland Electric's financial position and results of operations for the fiscal year ending September 30, 2024, and the previous two fiscal years.

Condensed Statements of Net Position:

	Fiscal years ended September 30,		
(Dollars in thousands)	2024	2023	2022
Assets			
Current assets	$ 183,722	$ 186,592	$ 172,195
Utility plant, net	887,392	823,731	712,485
Other noncurrent assets	172,027	194,922	237,169
Total Assets	1,243,141	1,205,245	1,121,849
Deferred outflows of resources	43,551	68,504	76,550
Liabilities			
Current liabilities	57,999	55,758	96,459
Noncurrent liabilities	635,231	668,514	581,243
Total Liabilities	693,230	724,272	677,702
Deferred inflows of resources	100,452	113,477	130,077
Net position			
Net assets invested in capital assets, net of related debt	343,258	350,891	262,984
Restricted - capital improvement	13,416	59,500	86,717
Unrestricted	136,336	25,611	40,919
	$ 493,010	$ 436,002	$ 390,620

Condensed Statements of Revenues, Expenses and Changes in Net Position:

	Fiscal years ended September 30,		
(Dollars in thousands)	2024	2023	2022
Operating revenues			
Sales of energy - retail	$ 339,983	$ 379,992	$ 378,008
Sales of energy and capacity sales - wholesale	2,784	3,423	3,214
Other electric operating revenue	6,095	6,009	6,040
	348,862	389,424	387,262
Operating expenses			
Fuel and purchased power	133,889	175,277	178,648
Energy supply	29,819	24,574	25,297
Energy delivery	36,018	36,897	30,909
Customer service and accounting	10,117	9,146	8,407
State tax on electric sales	8,547	10,037	8,399
Administrative and general	18,603	16,945	4,135
Depreciation and amortization (net)	38,253	34,738	33,017
	275,246	307,614	288,812
Operating income	73,616	81,810	98,450
Non-operating activity			
Investment and other income	30,605	8,754	(27,318)
Interest and amortization expense	(13,543)	(11,762)	(13,581)
Net transfers (to) from other funds	(33,669)	(33,422)	(33,151)
Change in net position	$ 57,009	$ 45,380	$ 24,400

Net Position of Lakeland Electric

The net position of Lakeland Electric increased by $57.0 million during fiscal year 2024, compared to a $45.4 million increase in fiscal year 2023, primarily reflecting the impact of a $19.0 million favorable variance in the fair value adjustment of Lakeland Electric's share of the City's pooled investments during fiscal year 2024. Operating income was $73.6 million in fiscal year 2024, compared to $81.8 million in the preceding year. The year-over-year decrease in operating income is primarily attributable to a $5.2 million adjustment to the accrual for unbilled kilowatt hours by changing from a monthly estimate to an actual reading at month-end, expenses of $4.0 million relating to the Byproduct Storage Area project, and an increase in depreciation expenses of $3.5 million during fiscal year 2024.

Financial Highlights

- Lakeland Electric’s 2024 non-fuel retail revenue (net of State tax on electric sales) was up $2.2 million from the previous fiscal year reflecting a 3.5% base rate increase effective October 1, 2023, which was mainly offset by decrease in the load of 0.9% compared to the previous year, and a $5.2 million adjustment to rectify the cumulative over accrual for monthly unbilled kilowatt hours.

- Residential load grew at 1.8% while commercial and industrial load decreased by 3.6%. Total year-over-year customer growth was 2.8%. The strong customer growth was offset by the reduction in the load caused by milder weather conditions compared to the previous year, large commercial and industrial customers being shut down for maintenance and upgrading of their facilities, and new energy efficient machinery and equipment used by commercial and industrial customers.

- Total non-operating revenue increased by $20.0 million from the previous fiscal year mainly due to 19.0 million favorable variances in the fair value adjustment of Lakeland Electric's share of the City's pooled investments during fiscal year 2024 and Investment revenue increased by $2.5 million, reflecting higher interest rates. The increase in investment income was partially offset by $1.3 million unfavorable increase in Interest expenses due to issuing of Revenue and Refunding Bond 2023 series in previous year. Fair value adjustments, up or down, are caused by the impact of interest rate changes on fixed income securities. Most of Lakeland Electric’s investments are held through maturity.

- Lakeland Electric’s non-fuel operating expenses, excluding gross receipts tax and depreciation, were up $7.0 million or 8.0% from $87.6 million in fiscal year 2023 to $94.6 million in 2024. The unfavorable variance is primarily attributable to $4.0 million relating to the Byproduct Storage Area closure project and other maintenance ($0.9 million) projects for energy supply units, and partially due to, increase in general and administrative expenses related to customer rebates ($0.6 million), purchases and stores ($0.7 million) and customer services related expenses ($0.8 million). Total operating expenses, excluding fuel and depreciation, average $28.60 per retail MWh in fiscal year 2024, compared to $26.24 in 2023.

- Fuel and purchased power expenses were down $41.4 million in fiscal year 2024, primarily reflecting lower natural gas prices.

- Lakeland Electric recovers fuel costs from retail customers in the form of a fuel charge that is subject to a quarterly revision based on a forecast of fuel costs for the following twelve months. As of September 30, 2024, the retail fuel charge was $45.00 per MWh, compared to $55.00 per MWh twelve months earlier. The fuel recovery balance represents, on an accrual basis, the cumulative difference between fuel expenses incurred to serve retail load and fuel revenues realized. Lakeland Electric began fiscal 2024 with a cumulative over-recovered fuel position of $37.6 million and ended the year at $42.4 million. The fuel reserve was over-funded as of September 30, 2024, to the extent of $14.9 million, for which a regulatory liability was recognized. See Note E, *Regulatory Assets and Liabilities* Fuel charges and Note S, *Deferred Inflows of Resources – Fuel Reserve*.

Financial Highlights (continued)

- Lakeland Electric recovers environmental compliance costs from retail customers in the form of an environmental compliance charge which is set annually, with the objective of achieving a zero cumulative recovery balance at the end of the subsequent budget year. An environmental compliance rate of $1.5907 per MWh was in effect during fiscal year 2024, compared to $2.4097 per MWh for fiscal year 2023. As of September 30, 2024, Lakeland Electric had a cumulative over-recovered environmental cost balance of $1.3 million which was classified as a regulatory liability. Based on sales and environmental compliance expense projections, a rate of $1.1766 per MWh was recommended for fiscal year 2025. See Note E, *Regulatory Assets and Liabilities*.

- Lakeland Electric recovers energy conservation charges in a similar manner to environmental compliance charges. The conservation charge is currently a flat fee of $0.50 per month per customer. Lakeland Electric had a cumulative over-recovered energy conservation charge balance of $28 thousand, classified as a regulatory liability, as of September 30, 2024. See Note E, *Regulatory Assets and Liabilities*.

- Lakeland Electric provides a payment in lieu of taxes (PILOT) at a rate of $10.10 per MWh to the City of Lakeland's General Fund in the form of monthly cash transfers. The total amount of the payment in lieu of taxes in fiscal year 2024 was $33.4 million, compared to $33.2 million in 2023.

Capital Assets

- Lakeland Electric has historically funded the cost of capital improvements through a combination of bond financing and cash generated from retail utility rates. Cash set aside from base rates provided funding for some of the capital spending during the year.

- Capital spending on depreciable assets (net of contribution in aid of construction) totaled $122.3 million in fiscal year 2024 compared to $30.1 million in 2023. The increase in the capital spending during fiscal year 2024 compared to fiscal year 2023 is mainly attributable to a number of energy production and energy delivery projects amounting to $101.9 million that were allocated to depreciable assets from construction in progress as at September 30, 2024 due to the completion of the construction phase .

- Depreciation expense, net of amortization of contributions in aid of construction, was $38.2 million in fiscal year 2024, up $3.6 million from 2023, reflecting the increased capital spending on depreciable assets.

- Lakeland Electric recorded contributions in aid of construction from outside the Department in the amount of $1.6 million during fiscal year 2024, compared to $2.2 million in 2023. These amounts are included in the Utility Plant in Service balance in the Statements of Net Position. See Note S, *Deferred Inflows of Resources*.

Capital Assets (continued)

The table below contains a summary of Lakeland Electric's plant investment, net of accumulated depreciation and accumulated amortization, as of September 30, 2024, and September 30, 2023. See Note H, *Utility Plant*, for more detailed information regarding utility plant assets.

	(In Thousands) As of September 30, 2024	2023
Land	$ 16,095	$ 16,095
Construction in process	181,416	199,638
Buildings	6,107	5,222
Machinery and equipment	5,123	5,384
Electric transmission and distribution	379,039	345,830
Electric supply	298,702	250,784
Right-to-use leased assets	910	778
	$ 887,392	$ 823,731

The total net dependable generating capacity of the production units owned by Lakeland Electric is 721 megawatts (MW). The most efficient unit in Lakeland Electric's fleet is McIntosh 5, a 398 MW combined cycle natural gas unit. McIntosh 3, a 342 MW coal-fired unit, jointly owned by Lakeland Electric and Orlando Utility Commission (OUC) was retired April 2021 due to economic reasons. Until the six new 20 megawatt each (120 MW total), reciprocating internal combustion engine (RICE) generators are constructed and come online, anticipated by the first quarter of calendar year 2025, a portion of the capacity and power previously provided by McIntosh 3 will be supplied through a 125 MW Power Purchase Agreement with OUC. In addition to its Power Purchase Agreement and its base load, intermediate and peaking units, Lakeland Electric shares a power pool with Florida Municipal Power Agency (FMPA) and OUC, which provides access to relatively low-cost power to supply peak demand. Lakeland Electric has sufficient resources and transmission capacity to cover its projected load requirements for at least the next five years.

Long Term Debt

As of September 30, 2024, Lakeland Electric had $456.8 million in net long-term bond debt outstanding compared to $477.4 million at the end of 2023, as shown in the table below. The current portion of the long-term debt is paid on the first day of the subsequent fiscal year (October 1, 2024). Refer to Note L, *Revenue Bonds*, for more detailed information regarding long term debt.

	(In Thousands) As of September 30, 2024	2023
Electric System Revenue Bonds:		
Series 2010	$ 83,605	$ 88,960
Series 2016	87,165	97,645
Series 2018	32,405	34,390
Series 2021	119,710	121,460
Series 2023	154,470	154,470
	477,355	496,925
Less current portion	20,515	19,570
	$ 456,840	$ 477,355

Long Term Debt (continued)

As indicated in Note L, *Revenue Bonds*, the coverage on bonded debt of Lakeland Electric was 2.87 times the annual debt service requirement for the fiscal year ended September 30, 2024. Lakeland Electric is not obligated to fund a Debt Service Reserve Fund, provided that “net revenues” equal or exceed 150 percent (or 1.5 times) of the bond service requirement for each year. Based on debt service requirements and forecasted revenues and expenses, debt service coverage is expected to be around 3 times the annual debt service requirement in fiscal year 2025.

In 2020, the City of Lakeland issued its Florida Taxable Pension Liability Note, Series 2020, for purposes of reducing the unfunded liabilities in the City’s three pension plans. The note is secured by a pledge to budget and appropriate non-ad valorem revenues of the City. The City allocated the liability to each fund according to the fiscal year 2020 pension contributions of each department. Lakeland Electric’s share of the liability was 35.34% or $20,378,522 at the time. As of September 30, 2024, the balance of the Pension Liability Bond is $15,588,311 with a current portion payable of $1,262,965 (See Note M, *Florida Taxable Pension Liability Reduction Note, Series 2020*). This debt is not included in Lakeland Electric’s Debt Service Coverage calculation; however, the expenses are included as part of the calculation. Lakeland Electric sets aside apportioned funds to meet its current debt service requirements (see Note F, *Asset Apportionments*).

Economic Factors

- The average demand for energy placed on the system from retail customers during Fiscal Year 2024 was 397 MW. The peak demand during the winter was 533 MW on November 11, 2023, and a summer peak demand of 722 MW was reached on June 6, 2024. Lakeland Electric expects to see a growth of approximately 0.5% in the retail customer base during fiscal year 2025. Lakeland Electric’s ten largest customers account for less than 20 percent of revenue and well over half of the annual revenue comes from residential customers.

- The bond ratings services of Fitch Ratings™, Moody’s™, and Standard & Poors™ have assigned long-term ratings of AA, Aa3, and AA, respectively, to Lakeland Electric’s energy system bonds.

Currently Known Facts or Conditions That May Have a Significant Effect on the Net Position or Results of Operations

- Lakeland Electric’s rates, among all customer classes, have consistently been among the lowest in Florida for many years. Residential rates for September 2024 were in the bottom quartile of any municipal and investor-owned electric utility in the State.

- Days cash is a key financial metric used as a measure of liquidity, essential for maintaining strong bond ratings. An internal goal of Lakeland Electric is to maintain at least 180 days of operating cash. At the end of fiscal year 2024, Lakeland Electric had 301 days of cash compared to 218 at the end of the previous fiscal year. The increase in the days of cash is mainly attributable to a higher balance of cash, cash equivalents and investments brought about by slower rate funded capital spending due to delays experienced with the construction of the McIntosh Reciprocating Engine Plant, lower fuel cost, an increase in fuel reserve, and a fair value adjustment of Lakeland Electric's share of the City's pooled investment

- Lakeland Electric has been, and will continue to be, impacted by various regulatory and legislative requirements. In the opinion of Lakeland Electric, the System is currently in compliance with all current federal, state, and local environmental regulations. Lakeland Electric cannot predict at this time whether any additional legislation or rules will be enacted which might affect operations, and if such laws or rules are enacted, what the additional capital and operating costs, if any, might occur in the future because of such actions. The estimation of costs of compliance is subject to significant uncertainties and the financial impact of future proposals could be substantial.

Using This Annual Report

The annual financial report includes the Statements of Net Position, Statements of Revenues, Expenses and Change in Net Position, Statements of Cash Flows, and Notes to the Financial Statements for Lakeland Electric an enterprise fund of the City of Lakeland. Please refer to the City's Annual Comprehensive Financial Report for additional information regarding the City of Lakeland, as a whole.

Requests for Information

This financial report is designed to provide a general overview of Lakeland Electric's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to: Lakeland Electric Finance, 501 East Lemon Street, Lakeland, FL 33801.

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CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
STATEMENTS OF NET POSITION

	As of September 30, 2024	As of September 30, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 55,186,206	$ 50,753,081
Accounts receivable	50,823,474	64,170,001
Less allowance for uncollectibles	(700,806)	(793,846)
Fuel hedges	8,942,571	4,937,694
Prepaid expenses	1,463,644	3,101,983
Current portion of leases receivable	226,004	214,422
Inventories	32,141,036	28,176,241
Asset apportionments (cash and equivalents) set aside for		
Current portion of bonds payable	20,515,000	19,570,000
Current portion of pension bonds payable	1,262,965	1,213,906
Accrued interest payable	11,412,395	8,143,739
Accounts payable	341,205	3,132,438
Accrued liabilities	360,720	168,376
Restricted assets (cash and equivalents) set aside for		
Accounts payable	1,677,612	3,786,246
Accrued liabilities	70,353	18,122
Total current assets	183,722,379	186,592,403
NONCURRENT ASSETS		
Asset apportionments (including $139,798,191 and $116,580,482 of cash and cash equivalents in 2024 and 2023, respectively).	140,193,847	117,591,907
Restricted assets (including $19,654,410 and $73,569,478 of cash and cash equivalents in 2024 and 2023, respectively).	28,285,811	73,681,749
Utility plant		
Land	16,095,297	16,095,297
Construction in progress	181,416,033	199,638,026
Utility plant, facilities and equipment in service	1,351,194,632	1,231,005,943
Right-to-use leased assets	1,012,938	831,208
Less accumulated depreciation	(662,223,669)	(623,785,828)
Less accumulated amortization - Leased assets	(103,062)	(53,206)
Total utility plant, net	887,392,169	823,731,440
Regulatory assets	2,346,458	2,462,198
Leases receivable, less current portion	1,200,548	1,185,954
Total noncurrent assets	1,059,418,833	1,018,653,248
Total assets	1,243,141,212	1,205,245,651
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding of bond debt	17,471,506	22,000,141
Deferred outflows of resources related to pensions	14,568,659	27,416,183
Deferred outflows of resources related to OPEB	10,317,879	15,363,523
Deferred outflows of resources related to ARO	1,192,768	3,724,065
Total deferred outflows of resources	43,550,812	68,503,912

See accompanying notes to financial statements

CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
STATEMENTS OF NET POSITION (CONTINUED)

	As of September 30,	
	2024	2023
LIABILITIES		
CURRENT LIABILITIES, payable from current assets		
Accounts payable	$ 19,196,229	$ 17,029,491
Accrued liabilities	3,109,828	2,670,483
Unearned revenue	26,120	-
Current portion of leases payable	26,419	25,017
Liabilities payable from apportioned assets		
Current portion of bonds payable	20,515,000	19,570,000
Current portion pension bonds payable	1,262,965	1,213,906
Accrued interest payable	11,412,395	8,143,739
Accounts payable	341,205	3,132,438
Accrued liabilities	360,720	168,376
Liabilities payable from restricted assets		
Accounts payable	1,677,612	3,786,246
Accrued liabilities	70,353	18,122
Total current liabilities	57,998,846	55,757,818
NONCURRENT LIABILITIES		
Regulatory liabilities	17,517,638	12,294,510
Accrued liabilities, less current portion	3,468,433	3,318,082
Leases payable, less current portion	734,933	761,352
Restricted liabilities	14,869,917	14,182,033
Net OPEB liability	36,091,623	39,224,352
Net pension liability	30,787,598	35,188,157
Asset retirement obligation	1,377,579	4,026,270
Revenue bonds payable, less current portion	456,840,000	477,355,000
Pension bonds payable, less current portion	14,325,346	15,588,311
Unamortized bond premium	59,217,237	66,576,158
Total noncurrent liabilities	635,230,304	668,514,225
Total liabilities	693,229,150	724,272,043
DEFERRED INFLOWS OF RESOURCES		
Unamortized contributions in aid of construction	38,752,019	41,051,035
Fuel reserve	27,501,486	31,040,375
Deferred inflows of resources related to pensions	2,233,276	4,247,258
Deferred inflows of resources related to OPEB	22,130,320	31,165,628
Deferred inflows of resources related to solar interconnection	10,000	10,000
Deferred inflows of resources related to CIAC	1,333,130	1,000,791
Deferred inflows of resources related to leases	1,391,977	1,375,495
Deferred inflows related to unrealized gain on hedges	7,100,752	3,586,064
Total deferred inflows of resources	100,452,960	113,476,646
NET POSITION		
Net investment in capital assets	343,257,759	350,890,638
Restricted		
Capital improvement	13,415,894	59,499,716
Unrestricted	136,336,261	25,610,520
	$ 493,009,914	$ 436,000,874

See accompanying notes to financial statements

CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ended September 30, 2024	2023
OPERATING REVENUES		
Sales of energy - retail	$ 339,982,546	$ 379,991,887
Sales of energy and capacity sales - wholesale	2,784,073	3,422,975
Lease revenue	233,400	212,710
Other electric operating revenue	5,861,816	5,795,832
Total operating revenues	348,861,835	389,423,404
OPERATING EXPENSES		
Fuel and purchases power	133,889,045	175,276,990
Energy supply	29,818,768	24,573,447
Energy delivery	36,018,302	36,897,207
Customer service	10,117,128	9,146,159
State tax on electric sales	8,546,868	10,037,366
Administrative and general	18,602,996	16,944,902
Total operating expenses	236,993,107	272,876,071
OPERATING INCOME BEFORE DEPRECIATION	111,868,728	116,547,333
Depreciation expense	(42,120,946)	(38,434,135)
Amortization expense - leases	(49,856)	(170,136)
Depreciation - contribution in aid of construction	3,917,804	3,866,876
OPERATING INCOME	73,615,730	81,809,938
NONOPERATING REVENUES (EXPENSES)		
Investment revenue (less $2,067,179 and $2,657,808 capitalized in 2024 and 2023, respectively)	10,930,476	8,378,554
Interest revenue - leases	26,151	19,634
Net increase (decrease) in the fair value of cash equivalents	18,181,158	(778,504)
Miscellaneous revenues	1,467,820	1,134,701
Interest expense (less $8,263,984 and $5,701,277 capitalized in 2024 and 2023, respectively)	(16,249,315)	(14,946,791)
Interest expense - leases	(10,284)	(10,709)
Amortization expense - non leases	2,716,467	3,195,404
TOTAL NONOPERATING REVENUES (EXPENSES)	17,062,473	(3,007,711)
INCOME BEFORE TRANSFERS AND OTHER PAYMENTS	90,678,203	78,802,227
PAYMENT IN LIEU OF TAXES TO GENERAL FUND	(33,394,344)	(33,239,229)
INTERFUND TRANSFERS IN	-	88,777
INTERFUND TRANSFERS OUT	(274,819)	(271,350)
CHANGE IN NET POSITION	57,009,040	45,380,425
NET POSITION, beginning of year	436,000,874	390,620,449
NET POSITION, end of year	$ 493,009,914	$ 436,000,874

See accompanying notes to financial statements

CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
STATEMENTS OF CASH FLOWS

	Year ended September 30, 2024	Year ended September 30, 2023
Cash flows from operating activities:		
Receipts from customers	$ 366,304,030	$ 428,685,219
Payments for interfund services	(13,618,068)	(13,262,587)
Payments to suppliers	(185,038,327)	(243,165,608)
Payments to employees	(39,203,727)	(38,846,009)
Net cash provided by / (used in) operating activities	128,443,908	133,411,015
Cash flows provided by / (used in) noncapital financing activities:		
Interest paid on meter deposits	(503,389)	(373,228)
Payment in lieu of taxes and operating transfers to other funds	(33,669,163)	(33,421,802)
Payments and maturities on pension obligation bonds	(1,213,906)	(1,167,362)
Interest paid on pension obligation bond	(391,926)	(420,896)
Cash flows provided by / (used in) noncapital financing activities	(35,778,384)	(35,383,288)
Cash flows provided by / (used in) capital financing activities:		
Interest paid on long-term debt issued to finance capital assets	(20,359,612)	(20,357,628)
Interest received on leases	26,151	19,634
Proceeds from issuance of long-term debt	-	66,265,000
Payments on and maturities of long-term debt	(19,595,017)	(22,474,553)
Debt issue costs	(115,473)	4,138,460
Purchase of capital assets	(110,457,198)	(138,685,732)
Cash flows provided by / (used in) capital financing activities	(150,501,149)	(111,094,819)
Cash flows provided by / (used in) investing activities:		
Investment revenue	12,997,655	11,036,362
Net increase (decrease) in the fair value of cash equivalents	18,181,158	(778,504)
Cash flows provided by / (used in) investing activities	31,178,813	10,257,858
Net increase (decrease) in cash and cash equivalents	(26,656,812)	(2,809,234)
Cash and cash equivalents, beginning of year	276,935,868	279,745,102
Cash and cash equivalents, end of year	$ 250,279,056	$ 276,935,868
Classified as:		
Current	$ 55,186,206	$ 50,753,081
Apportioned	173,690,475	148,808,941
Restricted	21,402,375	77,373,846
Total Cash and cash equivalents	$ 250,279,056	$ 276,935,868

See accompanying notes to financial statements

CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended September 30,	
	2024	2023
Adjustments to reconcile operating income to net cash provided by operating activities:		
Operating income	$ 73,615,730	$ 81,809,938
Depreciation	42,120,946	38,434,135
Amortization expense - leases	49,856	170,136
Depreciation - contributions in aid of construction	(3,917,804)	(3,866,876)
Miscellaneous revenue	1,467,820	1,134,702
Decrease (increase) in receivables, net	13,253,487	8,381,802
Decrease (increase) in inventory	(3,964,795)	(1,640,248)
Decrease (increase) in prepaid expenses	1,638,339	(2,787,846)
Decrease (increase) in leases receivable	(26,176)	426,229
(Increase) decrease in deferred outflows related to pensions	12,847,524	(25,105,295)
(Increase) decrease in deferred outflows related to OPEB	5,045,644	1,676,987
(Increase) decrease in deferred outflows related to asset retirement obligation	2,531,297	(2,171,373)
Decrease (increase) in fair value of derivatives	(490,189)	(697,595)
(Decrease) increase in accounts payable	2,166,738	(17,489,053)
(Decrease) increase in accrued liabilities	589,696	431,737
(Decrease) increase in regulatory liabilities	5,223,128	7,860,188
(Decrease) increase in fuel reserve	(3,538,889)	21,087,978
Increase (decrease) in deposits payable	687,884	414,890
Increase (decrease) in net pension liability	(4,400,559)	60,373,023
Increase (decrease) in asset retirement obligation	(2,648,691)	2,222,387
(Decrease) increase deferred inflows of resources related to pensions	(2,013,982)	(32,527,503)
(Decrease) increase deferred inflows of resources related to OPEB	(9,035,308)	(6,994,033)
(Decrease) increase deferred inflows of resources related to CIAC	332,339	377,236
(Decrease) increase deferred inflows of resources related to leases	16,482	(431,210)
(Decrease) increase deferred inflows of resources related to solar interconnection	-	10,000
(Decrease) increase in net OPEB liability	(3,132,729)	2,310,679
(Decrease) increase in unearned revenue	26,120	-
Net cash provided by / (used in) operating activities	$ 128,443,908	$ 133,411,015
Noncash investing, capital, or financing activities:		
Capitalized interest expense	$ 10,331,163	$ 8,359,085

See accompanying notes to financial statements

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the financial position, changes in net position, and cash flows of the City of Lakeland, Department of Electric Utilities (Lakeland Electric) only, and not of the City as a whole. Lakeland Electric is an enterprise fund that accounts for the City's electric utility operations. These operations are accounted for in a manner similar to private business enterprises with the stated intent that the costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Basis of Accounting:

Lakeland Electric uses the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America, as required by the Governmental Accounting Standards Board (GASB). Lakeland Electric has adopted the uniform system of accounts (USOA) prescribed by the Federal Energy Regulatory Commission (FERC) for electric operations. Lakeland Electric does not follow any accounting methods that conflict with the GASB.

Regulatory Accounting:

Lakeland Electric applies certain accounting principles allowed by the GASB with respects to *Regulated Operations*. Lakeland Electric’s rates are designed to recover the cost of providing services and Lakeland Electric is able to collect those rates from its customers. This guidance allows Lakeland Electric to defer certain expenses and revenues, and to record various regulatory assets and liabilities in accordance with rate actions of the Lakeland City Commission. See Note E, Regulatory Assets and Liabilities.

Cash and Cash Equivalents:

Lakeland Electric has defined Cash and Cash Equivalents to include cash on hand, demand deposits, cash with paying agents, as well as Lakeland Electric’s equity in the City’s pooled cash (see Note C, Cash and Cash Equivalents). Additionally, Lakeland Electric’s equity in the City’s internal investment pool (see Note C, Cash and Cash Equivalents) is considered to be a cash equivalent since Lakeland Electric can deposit or effectively withdraw cash from the pool at any time without prior notice or penalty. Investments that are categorized as cash equivalents on the Statement of Net Position are reported at fair value (see Note C, Cash and Cash Equivalents).

Receivables:

Lakeland Electric bills customers monthly on a cyclical basis. Lakeland Electric has recognized, in its receivables, an estimated amount for services rendered but not yet billed as of September 30, 2024, and September 30, 2023, respectively. An estimate of uncollectible accounts is recognized based upon historical experience.

Inventories and Prepaid Items:

Inventories (see Note D, Inventories) are valued at cost, not in excess of replacement cost, using the weighted average cost method. Prepaid items are recorded as expenses when actually used.

Asset Apportionments and Restricted Assets:

Revenue bond ordinances and certain other agreements with parties outside the City require the restriction of certain fund assets for specific purposes, such as meter deposits held on behalf of utility customers and bond proceeds, which are restricted by bond ordinance for the purpose of funding certain capital improvements. Apportionments do not represent legal restrictions imposed by parties external from the local government and may be rescinded at any time (see Note F and Note G, Asset Apportionments and Restricted Assets, respectively).

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Plant:

Utility plant is valued at historical cost, or estimated historical cost, if actual historical cost is not available. The acquisition value of assets that have been contributed are classified as utility plant assets in the period in which received. Interest costs on funds used for the construction of utility plant are capitalized as part of the costs of these assets.

Routine maintenance and repairs, including additions and improvements of less than $5,000 are charged to operating expense as incurred. Individual equipment items with a cost of $5,000 or more are capitalized. In accordance with standard industry accounting practice, electric transformers and certain specialty plant replacement components which are critical in nature are classified as utility plant and are depreciated prior to being placed in service. Total depreciation expense as a percentage of depreciable assets was approximately 2.7% and 2.7% in fiscal year 2024 and fiscal year 2023, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	40 years
Buildings	50 years
Utility Plant	25 - 35 years
Improvements, other than buildings	10 - 45 years
Machinery and equipment	5 - 40 years

Intangible Assets:

In accordance with GASB, intangible assets (including right-to-use leased assets and right-to-use subscription assets) are classified as Fixed Assets (Utility Plant). Right-to-use leased assets are representative of Lakeland Electric's right to use an asset over the life of a lease in which it is the lessee. The asset value is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. Right-to-use subscription assets are representative of Lakeland Electric's right to use another party's information technology software over the life of a subscription arrangement in which it is the subscriber. The asset value is calculated as the initial amount of the subscription liability, plus any payments made to the vendor before the subscription commencement date, plus capitalizable implementation costs incurred, minus any incentives received from the vendor before the subscription commencement date. Intangible assets are amortized according to Lakeland Electric's capitalization policy. Right-to-use leased assets are amortized over the shorter of the asset's useful life or the term of the lease while right-to-use subscription assets are amortized over the shorter of the asset's useful life or the term of the subscription. The capitalization levels of Lakeland Electric's right-to-use leased asset and right-to-use subscription asset classes are as follows:

Leased land, buildings and office space	$ 100,000
Leased equipment	$ 100,000
Subscription assets	$ 100,000

Contributions in Aid of Construction:

Lakeland Electric receives non-refundable payments from consumers and developers for the extension of electric services, and receives funds from developers, customers, and others for assets owned and maintained by Lakeland Electric. Lakeland Electric's capital projects are budgeted net of outside recoveries, which is consistent with its rate design. Through the use of regulatory accounting, contributions in aid of construction are recorded as *deferred inflows of resources* and amortized over the life of the corresponding assets (see Note S, Deferred Inflows of Resources).

Lakeland Electric also receives refundable payments from developers based upon a number of lots. The contributions are fully refundable if the developer meets certain occupancy percentages within a three-year period.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases as a Lessee:

Lakeland Electric is a lessee for noncancellable leases of office space and equipment. Lakeland Electric recognizes a lease liability and an intangible right-to-use leased asset for these leases in the financial statements.

At the commencement of a lease, Lakeland Electric initially measures the lease liability at the present value of lease payments expected to be made during the lease term. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

Key estimates and judgments related to leases include how Lakeland Electric determines the discount rate it uses to discount the expected lease payments to present value, the lease term, and the lease payments.

Lakeland Electric uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or available, Lakeland Electric uses the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be determined, Lakeland Electric generally uses its own estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments to be made under the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if it is reasonably certain that the lease will be extended.

Lakeland Electric monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leases as a Lessor:

Lakeland Electric is a lessor for noncancellable leases of cell tower space on land and buildings, and fiber communications infrastructure. Lakeland Electric recognizes a lease receivable and a deferred inflow of resources for these leases in the financial statements.

At the commencement of a lease, Lakeland Electric initially measures the lease receivable at the present value of payments expected to be received during the lease term. Lease payments to be received under reasonably certain extension options are also included in the measurement of the lease receivable. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue over the term of the lease.

Key estimates and judgments related to leases include how Lakeland Electric determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and the lease receipts.

Lakeland Electric uses its own estimated incremental borrowing rate as the discount rate for leases in which it is the lessor.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments to be received under the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Lakeland Electric monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows/Inflows of Resources:

Within the Statements of Net Position, certain items that were previously reported as assets and liabilities are recognized as deferred outflows of resources and deferred inflows of resources because they result in the use of resources in the current period for the benefit of future periods (see Note J and Note S, Deferred Outflows of Resources and Deferred Inflows of Resources, respectively).

Accumulated Unpaid Vacation and Sick Pay:

The amounts of unpaid vacation and sick leave accumulated by Lakeland Electric employees are accrued as expenses when incurred. Total available sick leave hours are multiplied by the current pay rate to determine the accrued liability. The entire unpaid liability for sick leave is classified as a noncurrent liability based on Lakeland Electric’s benefit accrual policies. Lakeland Electric has separated that portion of the liability for vacation time that is expected to be paid from current assets as a current liability. The amount is included in accrued liabilities (see Note K, Accrued Liabilities and Long-Term Debt).

Derivatives Agreements:

Derivative instruments are used by Lakeland Electric in conjunction with fuel purchases and are reported at fair value (see Note R, Derivative and Hedging Activities).

Due to/from Other Funds:

Amounts receivable from or payable to other funds in the City of Lakeland are reflected in the accounts of the fund until liquidated by payment or authorized inter-fund transactions. Lakeland Electric had no amounts due to or receivable from other funds of the City of Lakeland as of September 30, 2024, or September 30, 2023.

Operating/Non-operating Revenue:

Revenues that are earned as a result of the business operations of Lakeland Electric are recorded as operating revenues. Interest earnings and other miscellaneous revenues are recorded as non-operating revenues.

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.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization - Non Leases:

Lakeland Electric records amortization using the effective interest rate method. Bond discounts, premiums, and losses on refunding of debt are amortized over the life of the issue. Lakeland Electric elects to follow accounting for regulated operations, which provides for debt issuance costs which are recovered through rates to be classified as a regulatory asset and amortized over the life of the associated debt.

Transfers to/from Other Funds:

Lakeland Electric accounts for subsidy payments to other funds as transfers to other funds in the Statements of Revenues, Expenses and Changes in Net Position. A payment in lieu of taxes is made to the General Fund at a rate of $10.10 per MWh. Lakeland Electric distributed annual transfers to the City of Lakeland as follows:

	September 30, 2024	September 30, 2023
Annual payment in lieu of taxes to the City of Lakeland	$ 33,394,344	$ 33,239,229
Transfer from Other Funds	-	(88,777)
Transfer to Other Funds	274,819	271,350
	$ 33,669,163	$ 33,421,802

Other Significant Accounting Policies:

Other significant accounting policies are set forth in the financial statements and the notes thereto.

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NOTE B – REPORTING CHANGES AND NEW ACCOUNTING PRONOUNCEMENTS

Reporting Changes

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to 1) the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology; 2) leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs); and 3) financial guarantees and the classification and reporting of derivative instruments. 1) is effective immediately, 2) is effective for fiscal years beginning after June 15, 2022, and 3) is effective for fiscal years beginning after June 15, 2023.The Lakeland Electric follows GASB Statement No. 53 requiring derivatives to be categorized as either hedging derivative instruments or investment derivatives Implementation of GASB 99 had no effect on the financial statements of Lakeland Electric for the fiscal year ending September 30, 2024.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decision or assessing accountability. Statement No. 100 defines a government should disclose Changes in accounting principles, Changes in accounting estimates, Changes to or within the financial reporting entity, and Corrections of errors in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in the fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Implementation of GASB 100 had no effect on the financial statements of Lakeland Electric for the fiscal year ending September 30, 2024.

In June 2023, the GASB issued Implementation Guide No. 2023-1, *Implementation Guidance Update-2023*. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements for Leases - Statement 87, Subscription-Based Information Technology Arrangements - Statement 96 and Accounting Changes and Error Corrections - Statement 100. The requirement of this Implementation Guide was applied to the financial statements of the Lakeland Electric for the fiscal year ending September 30, 2024.

New Accounting Pronouncements:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. Management has determined that this GASB statement will impact the financial statements ending September 30, 2025.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management has not determined what impact, if any, this GASB statement might have on its financial statements for the fiscal year ending September 30, 2025.

NOTE B – REPORTING CHANGES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not determined what impact, if any, this GASB statement might have on its financial statements for the fiscal year ending September 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide detailed information about capital assets in the notes to the financial statements. Lease assets, intangible right-to-use assets, Public-Private and Public-Public Partnerships, availability payment arrangements, and subscription should be disclosed separately by major class of underlying asset in the capital assets note disclosures. This statement will also require additional disclosure for capital assets held for sales. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not determined what impact, if any, this GASB statement might have on its financial statements for the fiscal year ending September 30, 2026.

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NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits:

All of the City of Lakeland cash accounts have been pooled and all deposits are in a single financial institution and are carried at cost. The deposits are insured or collateralized. Florida Statute, Chapter 280, sets forth the qualifications and requirements that a financial institution must meet in order to become a qualified public depository. The statute also defines the amount and type of collateral that must be pledged in order to remain qualified. The financial institution in which the City maintains its deposits is a qualified public depository. Refer to the City of Lakeland's Annual Comprehensive Financial Report for additional disclosures. The following is a summary of the key controls which the City of Lakeland utilizes to mitigate investment 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. Credit risk is the risk of loss due to the failure of the security issuer or other counterparty.

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 require deposits by governmental units in a financial institution be collateralized. The City of Lakeland's policy, in accordance with the Florida Security for Public Deposits Act, requires that deposits in a financial institution be collateralized, and requires the use of only authorized dealers and institutions, and qualified public depositories who meet 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. The carrying amount of Lakeland Electric's share of the pooled demand and the time deposits with financial institutions as of September 30, 2024, and September 30, 2023, was $33,191,197 and $28,928,522, respectively.

The types of investments in which the City of Lakeland may directly invest are governed by several forms of legal and contractual provisions. The City of Lakeland may directly invest in obligations of or obligations on which the principal and interest of is unconditionally guaranteed by the United States of America, obligations issued or guaranteed by any agency or instrumentality of the United States of America, interest bearing time deposits and repurchase agreements issued by banks, trust companies or national banking associations which are secured by obligations of or guaranteed by the United States of America or its agencies or instrumentalities. The City of Lakeland also may invest monies with the Florida State Board of Administration or other investments which at the time are legal investments under the laws of the State of Florida. Additionally, the various funds of the City have combined some of their resources into an internal investment pool in order to maximize investment earnings. The pool is comprised of different investment types as set out in the table presented under the section concentration of credit risk.

Lakeland Electric has an equity interest in the City's internal investment pool. There were no violations of legal or contractual provision for deposits and investments during the year. Information regarding credit risk categories for pooled investments is disclosed in the Annual Comprehensive Financial Report of the City of Lakeland. Credit risk is the risk of loss due to the failure of the security issuer or other counterparty. The City of Lakeland's investment policy minimizes 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.

Lakeland Electric's cash consisted of equity in pooled investments in the amounts of $217,087,860 and $248,007,348 as of September 30, 2024, and September 30, 2023, respectively. Lakeland Electric has elected to pool its cash with the City of Lakeland. On September 30, 2024, Lakeland Electric held a 32% interest in the investments of the pool compared to a 40% interest in the previous year. For additional information on the assets held by the pool, refer to Note 3 in the City of Lakeland's Annual Comprehensive Financial Report.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of September 30, 2024, Lakeland Electric's share of the City's Investment Pool debt security investments had the following credit quality ratings:

S&P Rating:		Market	%
AAA	$	51,094,797	23.54%
AA+ to AA-		71,652,414	33.01%
A+ to A-		4,739,782	2.18%
BBB+ to BBB-		9,599,422	4.42%
BB+ to BB-		1,336,024	0.62%
Below BB-		2,024,363	0.93%
NR		76,641,058	35.30%
	$	217,087,860	100.00%
Moody's Rating:			
Aaa	$	113,824,440	52.43%
Aa1 to Aa3		5,281,090	2.43%
A1 to A3		1,975,438	0.91%
Baa1 to Baa3		7,650,453	3.51%
Ba1 to Ba3		3,882,682	1.79%
Below Ba3		6,980,514	3.22%
NR		77,493,243	35.70%
	$	217,087,860	100.00%

Concentration of Credit Risk:

The City of Lakeland limits investments to avoid over concentration in securities from a specific issuer or business sector (excluding US 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 as of September 30, 2024, are as follows:

Type of Security (Market)	Maximum % of Total	% of Total
US Government Obligations	100%	5.60%
Local Government Investment Pools	100%	0.00%
Federal Agency & Instrumentality Obligations	100%	27.20%
Asset Backed Securities ** Excluding CMBS	25%	14.50%
High Grade Corporate Debt & CP	25%	19.10%
State and Local Government Obligations*	25%	1.30%
Collateralized Repurchase Agreements	15%	0.00%
Certificates of Deposits	10%	0.00%
Cash Equivalent (Cash Balance, Money Market)	N/A	18.60%
Commercial Mortgage-Backed Security (CMBS)	N/A	11.40%
Other (Alternate FI, Mutual Fund, Equity Shares)	N/A	2.30%
Other Investment Pools (rated "A" or better)	10%	0.00%
Total		100.00%

*Except as provided for in section IV.7.b

No investments in a single security exceeded 5% of the fixed income portfolio.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of September 30, 2023, Lakeland Electric's share of the City's Investment Pool debt security investments had the following credit quality ratings:

S&P Rating:	Market	%
AAA	$ 54,843,277	22.11%
AA+ to AA-	62,884,664	25.36%
A+ to A-	3,317,820	1.34%
BBB+ to BBB-	17,932,381	7.23%
BB+ to BB-	2,202,190	0.89%
Below BB-	3,498,858	1.41%
NR	103,328,158	41.66%
	$ 248,007,348	100.00%
Moody's Rating:		
Aaa	$ 111,367,575	44.90%
Aa1 to Aa3	2,271,194	0.92%
A1 to A3	4,132,558	1.67%
Baa1 to Baa3	17,398,126	7.01%
Ba1 to Ba3	7,631,005	3.08%
Below Ba3	5,292,003	2.13%
NR	99,914,887	40.29%
	$ 248,007,348	100.00%

Concentration of Credit Risk:

The City of Lakeland limits investments to avoid over concentration in securities from a specific issuer or business sector (excluding US 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 as of September 30, 2023, are as follows:

Type of Security (Market)	Maximum % of Total	% of Total
US Government Obligations	100%	4.60%
Local Government Investment Pools	100%	0.00%
Federal Agency & Instrumentality Obligations	100%	20.50%
Asset Backed Securities ** Excluding CMBS	25%	23.10%
High Grade Corporate Debt & CP	25%	20.00%
State and Local Government Obligations*	25%	2.10%
Collateralized Repurchase Agreements	15%	0.00%
Certificates of Deposits	10%	0.00%
Cash Equivalent (cash balance, Money Market)	N/A	16.70%
Commerical Mortgage-Back Security (CMBS)	N/A	11.30%
Other (Alternate FI, Mutual Fund, Equity Shares)	N/A	1.70%
Other Investment Pools (rated "A" or better)	10%	0.00%
Total		100.00%

*Except as provided for in section IV.7.b

The Asset Backed Securities exceeded the maximum percentage temporarily as investment policy provides discretion for temporary variances, such as due to market changes. No investments in a single security exceeded 15% of the fixed income portfolio.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of September 30, 2024, and September 30, 2023, the fair value of the total investment pool of the City of Lakeland and Lakeland Electric's share of the pool was as follows:

	Reported Amount Fair Value
September 30, 2024:	
Total Investment Pool	$ 679,671,784
Lakeland Electric's Share of the Investment Pool	$ 217,087,860
September 30, 2023:	
Total Investment Pool	$ 658,109,656
Lakeland Electric's Share of the Investment Pool	$ 248,007,348

Other amounts classified as cash equivalents and investments are as follows:

	September 30	
	2024	2023
Demand deposits	$ 33,190,361	$ 28,927,647
Petty cash	836	875
	$ 33,191,197	$ 28,928,522

Cash, cash equivalents and investments are included in the following captions in the accompanying Statements of Net Position:

	September 30	
	2024	2023
Current assets:		
Cash and cash equivalents	$ 55,186,206	$ 50,753,081
Asset Apportionments:		
Cash and cash equivalents	140,500,115	119,881,296
Cash with paying agent	33,190,361	28,927,647
Restricted assets:		
Cash and cash equivalents	21,402,375	77,373,846
	$ 250,279,057	$ 276,935,870

NOTE D - INVENTORIES

The major classes of inventory consist of the following:

	September 30, 2024	September 30, 2023
Fuel oil	$ 2,845,949	$ 2,461,023
Limestone	67,435	67,435
Spare parts	29,227,652	25,647,783
	$ 32,141,036	$ 28,176,241

NOTE E – REGULATORY ASSETS AND LIABILITIES

Unamortized Debt Issue Costs:

Lakeland Electric treats unamortized debt issuance costs as a regulatory asset as allowed for regulated operations that recover their debt issuance costs through rates. These debt issue costs are amortized using the effective interest method, over the life of the related debt.

	September 30, 2024	September 30, 2023
Unamortized balance, beginning of year	$ 2,462,198	$ 1,568,253
Additions	115,473	1,089,828
Less amortization	(231,213)	(195,883)
Unamortized balance, end of year	$ 2,346,458	$ 2,462,198

Environmental Compliance, Energy Conservation and Economic Development Charges:

Accounting guidance for regulated operations allows the recognition of revenues provided either before or after the cost is 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.

Environmental compliance charge recovery:	September 30, 2024	September 30, 2023
(Liability) balance, beginning of year	$ (4,620,663)	$ (3,577,502)
Charges recovered through rates	5,001,644	7,957,252
Less environmental compliance expenses	8,367,816	6,914,091
(Liability) balance, end of year	$ (1,254,491)	$ (4,620,663)

Energy conservation charges recovery:	September 30, 2024	September 30, 2023
(Liability) balance, beginning of year	$ 13,247	$ 33,750
Charges recovered through rates	808,188	793,949
Less energy conservation charges	766,472	773,446
Asset / (Liability) balance, end of year	$ (28,469)	$ 13,247

NOTE E – REGULATORY ASSETS AND LIABILITIES (CONTINUED)

	September 30, 2024	September 30, 2023
Economic development charges recovery:		
(Liability) balance, beginning of year	$ (1,128,134)	$ (890,570)
Charges recovered through rates	249,999	250,000
Less economic development costs	-	12,436
(Liability) balance, end of year	$ (1,378,133)	$ (1,128,134)

Fuel Charges:

The cumulative over-recovery of fuel charges, in excess of the long-term fuel reserve established by the Lakeland City Commission (see Note S), is classified as a regulatory (liability) and is calculated as follows:

	September 30, 2024	September 30, 2023
Fuel reserve balance	$ 27,501,486	$ 31,040,375
Less cumulative over-recovery of fuel charges	42,358,031	37,599,335
Asset / (Liability) balance, end of year	$ (14,856,545)	$ (6,558,960)

Below is a summary of regulatory assets and regulatory liabilities recorded in the Statements of Net Position of Lakeland Electric:

	September 30, 2024	September 30, 2023
Regulatory assets:		
Unamortized debt issuance costs	$ 2,346,458	$ 2,462,198

	September 30, 2024	September 30, 2023
Regulatory liabilities:		
Environmental compliance charges	$ 1,254,491	$ 4,620,663
Energy conservation charges	28,469	(13,247)
Economic development charges	1,378,133	1,128,134
Fuel charges	14,856,545	6,558,960
	$ 17,517,638	$ 12,294,510

NOTE F – ASSET APPORTIONMENTS

Debt service funds are set aside on a monthly basis and apportioned for the purpose of paying current principal and interest requirements.

The Capital Expansion Fund is used to fund capital expansion, as part of the plan to achieve Lakeland Electric's objectives.

The Emergency Repair Fund is intended to fund large unbudgeted expenditures such as would be required for restoration from damage caused by a storm disaster. During fiscal year 2024, no storm related expenses were paid from the Emergency Repair Fund .

Total asset apportionments and related liabilities of Lakeland Electric as of September 30, 2024, and September 30, 2023, consist of the following:

September 30, 2024:	Debt Service Sinking	Capital Expansion	Emergency Repair	Total
Cash and cash equivalents	$ 4,537,149	$ 124,685,433	$ 11,277,532	$ 140,500,114
Cash with paying agent/trustee	33,190,361	-	-	33,190,361
Accounts receivable	-	395,657	-	395,657
Asset apportionments	$ 37,727,510	$ 125,081,090	$ 11,277,532	$ 174,086,132
Accounts payable	$ -	$ 341,205	$ -	$ 341,205
Accrued expenses	-	360,720	-	360,720
Accrued interest payable	11,412,395	-	-	11,412,395
Current portion of long term debt	21,777,965	-	-	21,777,965
Liabilities payable from apportioned assets, due within twelve months	$ 33,190,360	$ 701,925	$ -	$ 33,892,285

September 30, 2023:	Debt Service Sinking	Capital Expansion	Emergency Repair	Total
Cash and cash equivalents	$ 3,654,572	$ 106,389,026	$ 9,837,698	$ 119,881,296
Cash with paying agent/trustee	28,927,647	-	-	28,927,647
Accounts receivable	-	1,011,423	-	1,011,423
Asset apportionments	$ 32,582,219	$ 107,400,449	$ 9,837,698	$ 149,820,366
Accounts payable	$ -	$ 2,923,645	$ 208,793	$ 3,132,438
Accrued expenses	-	168,376	-	168,376
Accrued interest payable	8,143,739	-	-	8,143,739
Current portion of long term debt	20,783,906	-	-	20,783,906
Liabilities payable from apportioned assets, due within twelve months	$ 28,927,645	- $ 3,092,021	$ 208,793	$ 32,228,459

NOTE G - RESTRICTED ASSETS

The Reserve for Customer Deposits, which is substantially offset by a liability payable from restricted assets reserves, represents cash held from electric customers. Guarantees from customers, other than cash, are not recorded as assets or liabilities on Lakeland Electric's Statements of Net Position.

Lakeland Electric participates in an energy efficiency revolving loan program which began in December 2009 and was initially funded by a $250,000 block grant from the Federal Department of Energy (DOE).

Lakeland Electric's total restricted assets and restricted liabilities, as of September 30, 2024, and September 30, 2023, consist of the following:

September 30, 2024:	Customer Deposits	Block Grant	Bond Proceeds	Total Restricted
Cash and cash equivalents	$ 13,562,989	$ 155,508	$ 7,683,878	$ 21,402,375
Accounts receivable	-	-	8,631,401	8,631,401
Restricted assets	$ 13,562,989	$ 155,508	$ 16,315,279	$ 30,033,776
Accounts payable	$ -	$ -	$ 1,677,612	$ 1,677,612
Accrued expenses	-	-	58,004	58,004
Accrued interest payable	12,349	-	-	12,349
Advances	-	250,000	-	250,000
Customer deposits	14,619,917	-	-	14,619,917
Restricted liabilities, due within twelve months	$ 14,632,266	$ 250,000	$ 1,735,616	$ 16,617,882

September 30, 2023:	Customer Deposits	Block Grant	Bond Proceeds	Total Restricted
Cash and cash equivalents	$ 12,162,288	$ 135,248	$ 65,076,310	$ 77,373,846
Accounts receivable	-	112,271	-	112,271
Restricted assets	$ 12,162,288	$ 247,519	$ 65,076,310	$ 77,486,117
Accounts payable	$ -	$ 174	$ 3,786,072	$ 3,786,246
Accrued expenses	-	-	5,773	5,773
Accrued interest payable	12,349	-	-	12,349
Advances	-	250,000	-	250,000
Customer deposits payable	13,932,033	-	-	13,932,033
Restricted liabilities, due within twelve months	$ 13,944,382	$ 250,174	$ 3,791,845	$ 17,986,401

NOTE H - UTILITY PLANT

Utility plant (including intangible assets) in service consists of the following:

Fiscal year 2024:	September 30, 2023	Additions	Deletions	September 30, 2024
Non-depreciable assets:				
Land	$ 16,095,297	$ -	$ -	$ 16,095,297
Construction in progress	199,638,026	83,679,222	101,901,215	181,416,033
	215,733,323	83,679,222	101,901,215	197,511,330
Depreciable assets:				
Buildings	29,062,765	2,129,011	-	31,191,776
Machinery and equipment	15,775,762	1,317,836	115,437	16,978,161
Electric plants in service:				
Electric delivery	649,677,522	51,140,887	2,148,704	698,669,705
Electric supply	536,489,894	69,292,151	1,427,055	604,354,990
	1,446,739,266	207,559,107	105,592,411	1,548,705,962
Amortizable intangible assets				
Right-to-use leased office space	831,208	181,730	-	1,012,938
Total plant assets	1,447,570,474	207,740,837	105,592,411	1,549,718,900
Less accumulated depreciation:				
Buildings	23,840,852	1,243,651	-	25,084,503
Machinery and equipment	10,390,834	1,579,948	115,436	11,855,346
Electric plants in service:				
Electric delivery	303,847,841	17,931,866	2,148,704	319,631,003
Electric supply	285,706,301	21,365,481	1,418,965	305,652,817
	623,785,828	42,120,946	3,683,105	662,223,669
Less accumulated amortization				
Right-to-use leased office space	53,206	49,856	-	103,062
Total plant assets	623,839,034	42,170,802	3,683,105	662,326,731
Total Utility plant net of accumulated depreciation and -amortization	$ 823,731,440	$ 165,570,035	$ 101,909,306	$ 887,392,169

NOTE H - UTILITY PLANT (CONTINUED)

Fiscal year 2023:	September 30, 2022	Additions	Deletions	September 30, 2023
Non-depreciable assets:				
Land	$ 16,095,297	$ -	$ -	$ 16,095,297
Construction in progress	79,324,373	129,613,274	9,299,621	199,638,026
	95,419,670	129,613,274	9,299,621	215,733,323
Depreciable assets:				
Buildings	28,306,415	756,350	-	29,062,765
Machinery and equipment	18,458,412	620,603	3,303,253	15,775,762
Electric plants in service:				
Electric delivery	627,701,132	21,976,390	-	649,677,522
Electric supply	529,355,608	8,871,982	1,737,696	536,489,894
	1,299,241,237	161,838,599	14,340,570	1,446,739,266
Amortizable intangible assets:				
Right-to-use leased office space	3,825,764	-	2,994,556	831,208
Right-to-use leased office equipment	171,845	-	171,845	-
Total plant assets	1,303,238,846	161,838,599	17,335,126	1,447,570,474
Less accumulated depreciation:				
Buildings	22,744,463	1,096,389	-	23,840,852
Machinery and equipment	12,576,695	1,448,003	3,633,864	10,390,834
Electric plants in service:			-	
Electric delivery	286,758,623	17,100,702	11,484	303,847,841
Electric supply	267,971,423	18,789,041	1,054,163	285,706,301
	590,051,204	38,434,135	4,699,511	623,785,828
Less accumulated amortization:				
Right-to-use leased office space	651,564	49,113	647,471	53,206
Right-to-use leased office equipment	50,822	121,023	171,845	-
Total plant assets	590,753,590	38,604,271	5,346,982	623,839,034
Total Utility plant net of accumulated depreciation and -amortization	$ 712,485,256	$ 123,234,328	$ 11,988,144	$ 823,731,440

Allowance for Funds Used During Construction:

In accordance with GASB Statement No. 62 guidance regarding capitalized interest, Lakeland Electric has adopted the policy of capitalizing net interest costs on funds used for the construction of fixed assets. As required by the provisions of the related accounting guidance, interest charges are capitalized as part of capital costs during acquisition or construction of capital assets provided that Lakeland Electric has any outstanding debt. Interest earnings on borrowed funds, if any, are also capitalized.

	September 30, 2024	September 30, 2023
Interest cost on bonds was reduced by amounts capitalized as follows:		
Total interest expense on bonds payable	$ 23,221,601	$ 20,257,313
Capitalized interest revenue	2,067,179	2,657,808
Less capitalized interest expense	8,263,984	5,701,277
	$ 17,024,796	$ 17,213,844

NOTE H - UTILITY PLANT (CONTINUED)

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% interest and OUC a 40% interest in McIntosh Unit 3, a 365 MW coal-fired steam generating unit. OUC 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. Total capital costs related to the OUC partnership were $1,899 with a Lakeland Electric share of $1,139 and an OUC share of $759 in fiscal year 2024. Total capital costs were $272,453 with a Lakeland Electric share of $163,472 and an OUC share of $108,981 in fiscal year 2023. Shared operating expenses for the fiscal years ending September 30, 2024, and September 30, 2023, were as follows:

Fiscal year 2024	City Share	OUC Share	Total
McIntosh unit #3 fuel expense	$ 43,652	$ 29,102	$ 72,754
McIntosh unit #3 direct operating and maintenance expenses	77,199	51,466	128,665
Other shared operating expenses	5,006,505	3,337,670	8,344,175
	$ 5,127,356	$ 3,418,238	$ 8,545,594

Fiscal year 2023	City Share	OUC Share	Total
McIntosh unit #3 fuel expense	$ 42,238	$ 28,158	$ 70,396
McIntosh unit #3 direct operating and maintenance expenses	84,902	56,601	141,503
Other shared operating expenses	1,335,564	890,376	2,225,940
	$ 1,462,704	$ 975,135	$ 2,437,839

No separate financial statements are issued for the utility participation agreement.

Unit 3 was decommissioned in fiscal year 2021.

NOTE I - LEASES RECEIVABLE

	September 30, 2024	September 30, 2023
Four leases for cell tower space (Four as of September 30, 2023) Total lease payments received for the fiscal year ended September 30, 2024 amounted to $105,856 ($108,913 as of September 30, 2023), inclusive of interest at rates ranging from 0.3428% to 3.5890% and due dates ranging from October 1, 2023 to October 19, 2038.	$ 489,596	$ 331,937
One lease for fiber communications infrastructure Total lease payments received for the fiscal year ended September 30, 2024 amounted to $144,000 ($144,000 as of September 30, 2024), inclusive of interest at a rate of 1.2280% and due dates ranging from October 1, 2022 to July 15, 2031.	936,956	1,068,439
Total lease receivables	1,426,552	1,400,376
Less current portion	226,004	214,422
Long-term portion	$ 1,200,548	$ 1,185,954

The following is a summary of leases receivable transactions for the fiscal year ended September 30, 2024:

	Balance October 1 2023	Incurred / Additions	Satisfied / Deletions	Balance September 30 2024	Amount Due within One Year
Cell tower space	$ 331,937	$ 249,881	$ 92,222	$ 489,596	$ 92,898
Fiber infrastructure	1,068,439	-	131,483	936,956	133,106
	$ 1,400,376	$ 249,881	$ 223,705	$ 1,426,552	$ 226,004

The following is a summary of leases receivable transactions for the fiscal year ended September 30, 2023:

	Balance October 1 2022	Incurred / Additions	Satisfied / Deletions	Balance September 30 2023	Amount Due within One Year
Cell tower space	$ 628,285	$ 201,929	$ 498,277	$ 331,937	$ 82,938
Fiber infrastructure	1,198,320	-	129,881	1,068,439	131,484
	$ 1,826,605	$ 201,929	$ 628,158	$ 1,400,376	$ 214,422

NOTE I - LEASES RECEIVABLE (CONTINUED)

Payments for the long-term portion of the leases receivable as of September 30, 2024, are expected to be received in the subsequent years as follows:

Fiscal Year(s)	Principal	Interest	Total
2026	$ 218,079	$ 19,454	$ 237,533
2027	215,628	16,097	231,725
2028	175,923	13,145	189,068
2029	154,539	10,948	165,487
2030	157,046	8,677	165,723
2031-2035	206,302	22,557	228,859
2036-2040	73,031	3,994	77,025
	$ 1,200,548	$ 94,872	$ 1,295,420

NOTE J – DEFERRED OUTFLOWS OF RESOURCES

GASB requires certain items, which do not meet the definition of assets or liabilities, to be accounted for as deferred outflows or inflows of resources. Unamortized loss on refunding of debt is 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. It is amortized over the life of the issue using the effective interest rate method. See Note R for details regarding hedge derivative outflows.

Deferred outflows of resources as of September 30, 2024, and September 30, 2023, are as follows:

	September 30,	
	2024	2023
Unamortized loss on refunding of debt, beginning balance	$ 22,000,141	$ 16,124,192
Additions	-	8,139,533
Less amortization	4,528,635	2,263,584
	17,471,506	22,000,141
Pension related (see Note N)	14,568,659	27,416,183
OPEB related (see Note P)	10,317,879	15,363,523
Asset retirement obligation outflow	1,192,768	3,724,065
Total deferred outflows of resources	$ 43,550,812	$ 68,503,912

NOTE K – ACCRUED LIABILITIES AND LONG-TERM DEBT

Accrued liabilities are classified on the Statements of Net Position as follows:

	September 30, 2024	September 30, 2023
Current:		
Accrued taxes payable	$ 1,007,259	$ 1,033,574
Accrued payroll	1,130,536	731,691
Compensated absences	972,033	905,218
	$ 3,109,828	$ 2,670,483
Accrued liabilities, less current portion:		
Compensated absences	$ 3,468,433	$ 3,318,082
	$ 3,468,433	$ 3,318,082

Leases payable on the Statements of Net Position consist of the following:

	September 30, 2024	September 30, 2023
One lease for office space (One as of September 30, 2023)	$ 761,352	$ 786,369
Total lease payments made for the fiscal year ended September 30, 2024 amounted to $35,301 ($25,893 as of September 30, 2023), inclusive of interest at 1.3320% and due dates ranging from October 1, 2023 to December 1, 2042.		
Total lease payables	761,352	786,369
Less current portion	26,419	25,017
Long-term portion	$ 734,933	$ 761,352

Payments for the long-term portion of the leases payable as of September 30, 2024, are expected to be made in the subsequent years as follows:

Fiscal Year(s)	Principal	Interest	Total
2026	$ 27,871	$ 9,579	$ 37,450
2027	29,376	9,198	38,574
2028	30,936	8,796	39,732
2029	32,551	8,373	40,924
2030	34,223	7,928	42,151
2031-2035	198,360	32,138	230,498
2036-2040	249,965	17,246	267,211
2041-2045	131,651	1,928	133,579
	$ 734,933	$ 95,186	$ 830,119

NOTE K – ACCRUED LIABILITIES AND LONG-TERM DEBT (CONTINUED)

Long-term bond debt, due beyond twelve months, consists of the following:

	September 30, 2024	September 30, 2023
Revenue and refunding bonds payable, less current portion	$ 456,840,000	$ 477,355,000
Pension bonds payable, less current portion	14,325,346	15,588,311
Plus unamortized bond discount (net of premium)	59,217,237	66,576,158
	$ 530,382,583	$ 559,519,469

The following is a summary of long-term obligation transactions for the fiscal year ended September 30, 2024:

	Balance October 1, 2023	Incurred / Additions	Satisfied / Deletions	Balance September 30, 2024	Amount Due within One Year
Direct borrowing - Refunding notes payable	$ -	$ -	$ -	$ -	$ -
Revenue and refunding bonds payable	496,925,000	-	19,570,000	477,355,000	20,515,000
Direct borrowing - Pension bonds payable	16,802,217	-	1,213,906	15,588,311	1,262,965
Net pension (asset) / liability	35,188,157	-	4,400,559	30,787,598	-
Net OPEB liability	39,224,352	-	3,132,729	36,091,623	-
Leased office spaces	786,369	-	25,017	761,352	26,419
Asset retirement obligation	4,026,270	-	2,648,691	1,377,579	-
Compensated absences	4,223,300	217,166	-	4,440,466	972,033
Unamortized bond premium	66,576,158	-	7,358,921	59,217,237	-
	$ 663,751,823	$ 217,166	$ 38,349,823	$ 625,619,166	$ 22,776,417

The following is a summary of long-term obligation transactions for the fiscal year ended September 30, 2023:

	Balance October 1, 2022	Incurred / Additions	Satisfied / Deletions	Balance September 30, 2023	Amount Due within One Year
Refunding notes payable from direct borrowing	$ 88,205,000	$ -	$ 88,205,000	$ -	$ -
Revenue and refunding bonds payable	362,380,000	154,470,000	19,925,000	496,925,000	19,570,000
Pension bonds payable from direct borrowing	17,969,579	-	1,167,362	16,802,217	1,213,906
Net pension liability	(25,184,866)	60,373,023	-	35,188,157	-
Net OPEB liability	36,913,673	2,310,679	-	39,224,352	-
Leased office spaces	3,237,523	-	2,451,154	786,369	25,017
Leased office equipment	98,399	-	98,399	-	-
Asset retirement obligation	1,803,883	2,222,387	-	4,026,270	-
Compensated absences	4,097,415	125,885	-	4,223,300	905,218
Unamortized bond premium	58,914,222	13,367,821	5,705,885	66,576,158	-
	$ 548,434,828	$ 232,869,795	$ 117,552,800	$ 663,751,823	$ 21,714,141

NOTE L - REVENUE BONDS

Lakeland Electric's revenue bonds payable as of September 30, 2024, consist of the following:

	Series	Purpose	Interest Rate %	Final Maturity	September 30, 2023	Additions	Deletions	September 30, 2024
Bonds:								
Energy System Revenue and Refunding Bonds	2010	Capital assets and refunding	4.00% to 5.25%	10/1/36	$ 88,960,000	-	$ 5,355,000	$ 83,605,000
Energy System Revenue and Refunding Bonds	2016	Capital assets and refunding	2.00% to 5.00%	10/1/36	97,645,000	-	10,480,000	87,165,000
Energy System Revenue Bonds	2018	Capital assets	3.25% to 5.00%	10/1/37	34,390,000	-	1,985,000	32,405,000
Energy System Revenue Bonds	2021	Capital assets	4.00% to 5.00%	10/1/48	121,460,000	-	1,750,000	119,710,000
Energy System Revenue and Refunding Bonds	2023	Capital assets and refunding	4.25% to 5.00%	10/1/48	154,470,000	-	-	154,470,000
					496,925,000	$ -	$ 19,570,000	477,355,000
Less current portion					(19,570,000)			(20,515,000)
					$ 477,355,000			$ 456,840,000

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 as of September 30, 2024, is $721,767,272. Principal and interest paid for the current year and total net customer revenues were $42,414,361 and $124,293,175, respectively.

The following is a schedule of combined senior and junior lien revenue bond coverage from operations for fiscal year 2023 and the previous five years:

Fiscal Year	Net Revenues Available	Debt Service Principal	Debt Service Interest	Total Debt Service	Bond Coverage
2024	$ 124,293,175	$ 20,515,000	$ 22,844,361	$ 43,359,361	2.87
2023	126,080,223	19,570,000	19,850,541	39,420,541	3.20
2022	137,109,424	19,925,000	19,298,822	39,223,822	3.50
2021	127,005,807	18,540,000	15,584,792	34,124,792	3.72
2020	120,117,733	19,095,000	16,304,194	35,399,194	3.39
2019	118,634,866	20,195,000	17,306,668	37,501,668	3.16

Bond coverage was calculated as follows for the year ended September 30, 2024:

Charges for services	$ 348,861,835	
Investment and other revenue	12,424,447	
Total revenue		$ 361,286,282
Less cost of operations		236,993,107
Net revenues from operations available for debt service		$ 124,293,175
Debt service requirement:		
Interest on bonds payable		$ 22,844,361
Current portion of bonds payable		20,515,000
Total debt service requirement		$ 43,359,361
Bond coverage from operations		2.87

NOTE L - REVENUE BONDS (CONTINUED)

Lakeland Electric's events of default and subjective acceleration clauses as of September 30, 2024, consist of the following:

	Direct Borrowing	Bonds				
	Florida Taxable Pension Liability Reduction Note, Series 2020 *	Energy System Revenue and Refunding Bonds, Series 2010	Energy System Revenue and Refunding Bonds, Series 2016	Energy System Revenue Bonds, Series 2018	Energy System Revenue Bonds, Series 2021	Energy System Revenue and Refunding Bonds, Series 2023
Events of Default with negative financial consequences in case of non-compliance with the bond covenant:						
Non-payment of principal and/or interest when due	X	X	X	X	X	X
Failure to make required sinking/reserve fund deposits		X	X	X	X	X
Bankruptcy filings, not discharged	X	X	X	X	X	X
Proceedings effecting the composition of debts or claims to pledged revenues	X	X	X	X	X	X
Final judgement that would materially affect the ability to meet obligations		X	X	X	X	X
Non-performance of or compliance with any term, provision or convenant not cured	X	X	X	X	X	X
Adjudged insolvent, not set aside or stayed		X	X	X	X	X
Additional indebtedness that results or entitles any creditor to cause the acceleration of payment on additional indebtedness		X	X	X	X	X
Long-term credit rating on non-ad valorem revenues obligations is less than a Baa1/BBB+	X					
Issuer shall file petition seeking reorganization	X	X	X	X	X	X
Payment of or security for the bonds materially adversely affected, not remedied		X	X	X	X	X
Selective accelerated clauses:						
Determination by the creditor, in its sole discretion, that the occurrence of any events that substantially diminish the ability to make payments or honor the obligations under the agreement				X		

* For Lakeland Electric's proportionate share (Refer to Note N)

As of September 30, 2024, the City is in compliance with all required covenants of the bond ordinances, including compliance with federal arbitrage regulations.

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NOTE L - REVENUE BONDS (CONTINUED)

The following is a schedule of the debt service requirements, excluding the current portion of outstanding revenue bonds, as of September 30, 2024:

	Series 2010		Series 2016		Series 2018	
Fiscal Year(s)	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 5,885,000	$ 3,933,688	$ 11,480,000	$ 2,579,419	$ 855,000	$ 1,277,937
2027	6,180,000	3,624,338	12,005,000	1,992,294	380,000	1,247,062
2028	5,180,000	3,326,138	12,550,000	1,535,294	1,345,000	1,203,937
2029	5,450,000	3,047,099	12,820,000	1,202,144	1,025,000	1,144,688
2030	5,745,000	2,753,231	8,820,000	899,081	4,870,000	997,313
2031-2035	33,555,000	8,788,369	13,940,000	2,403,616	17,745,000	2,222,969
2036-2040	16,015,000	851,681	4,595,000	232,625	4,665,000	374,100
	$ 78,010,000	$ 26,324,544	$ 76,210,000	$ 10,844,473	$ 30,885,000	$ 8,468,006

	Series 2021		Series 2023		TOTAL		
Fiscal Year(s)	Principal	Interest	Principal	Interest	Principal	Interest	Total
2026	$ 3,320,000	$ 5,573,850	$ -	$ 7,518,412	$ 21,540,000	$ 20,883,306	$ 42,423,306
2027	4,045,000	5,389,725	-	7,518,412	22,610,000	19,771,831	42,381,831
2028	4,690,000	5,171,350	-	7,518,412	23,765,000	18,755,131	42,520,131
2029	5,355,000	4,920,225	-	7,518,413	24,650,000	17,832,569	42,482,569
2030	5,980,000	4,636,850	175,000	7,514,037	25,590,000	16,800,512	42,390,512
2031-2035	22,375,000	19,483,375	35,240,000	33,985,812	122,855,000	66,884,141	189,739,141
2036-2040	23,665,000	13,638,300	55,695,000	21,261,937	104,635,000	36,358,643	140,993,643
2041-2045	24,040,000	8,971,675	31,895,000	10,979,937	55,935,000	19,951,612	75,886,612
2046-2050	23,795,000	2,452,125	31,465,000	2,787,722	55,260,000	5,239,847	60,499,847
	$ 117,265,000	$ 70,237,475	$ 154,470,000	$ 106,603,094	$ 456,840,000	$ 222,477,592	$ 679,317,592

NOTE L - REVENUE BONDS (CONTINUED)

Energy System Revenue and Refunding 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 Series 2010 bonds bear fixed interest rates ranging from 4.00% to 5.25%, and mature in serial installments from October 1, 2011, through 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. As of September 30, 2024, the remaining principal and interest requirement for these bonds aggregate to $114,150,231.

Energy System Revenue and Refunding Bonds, Series 2016:

In February 2016, the City issued the Energy System Revenue and Refunding Bonds, Series 2016 in the amount of $138,650,000. The Series 2016 bonds refunded all of the Series 2014 bonds, a portion of the outstanding Series 2006 bonds, and provided $37.4 million in proceeds to fund Electric System capital projects. The Series 2016 bonds bear fixed interest rates ranging from 2.00% to 5.00%, and mature in serial installments from October 1, 2016, through October 1, 2036. In concert with the refunding of the 2014 bonds, which were variable rate obligations, the City terminated portions of three associated floating-to-fixed interest rate swaps. The refunding portion of the transaction did not produce net present value savings or a material economic gain or loss. Rather, it was designed to restructure and simplify the Electric System's debt profile. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. As of September 30, 2024, the remaining principal and interest requirements for these bonds aggregate to $101,149,766.

Energy System Revenue Bonds, Series 2018:

In September 2018, the City issued the Energy System Revenue Bonds, Series 2018 in the amount of $43,945,000. Proceeds of the bonds were used to fund various capital projects for Lakeland Electric, including the acquisition and installation of a 125-megawatt peaking unit. The Series 2018 bonds bear fixed interest rates between 3.25% and 5.00% and mature in serial installments from October 1, 2020, through October 1, 2037. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. As of September 30, 2024, the remaining principal and interest requirements for these bonds aggregate to $42,210,319.

Energy System Revenue Bonds, Series 2021:

In December 2021, the City issued the Energy System Revenue Bonds, Series 2021 in the amount of $123,295,000. Proceeds of the bonds were used to finance the acquisition and installment of new electric generation units (six reciprocating internal combustion engines) and the acquisition, construction and equipping of certain other capital improvements to the electric power system of the City and paying certain costs and expenses related to the issuance of the Bonds. The 2021 Bonds mature in serial installments from October 1, 2023, through October 1, 2048. The bonds bear interest rates between 4.00% and 5.00%, with interest payable on April 1 and October 1 of each year. As of September 30, 2024, the remaining principal and interest requirements for these bonds aggregate to $195,665,450.

Energy System Revenue and Refunding Bonds, Series 2023:

In September 2023, the City issued the Energy System Revenue and Refunding Bonds, Series 2023 in the amount of $154,470,000. The Series 2023 bonds refunded all the Variable Rate Energy System Refunding Bonds, Series 2022 and provided $66,265,000 in proceeds to fund Electric System capital projects. The Series 2023 bonds bear fixed interest rates ranging from 4.25% to 5.00%, and mature in serial installments from October 1, 2029, through October 1, 2048. In concert with the refunding of the Series 2022 bonds, which were variable rate obligations, the City terminated all of the associated floating-to-fixed interest rate swaps. As of September 30, 2024, the remaining principal and interest requirements for these bonds aggregate to $268,591,506.

NOTE M – FLORIDA TAXABLE PENSION LIABILTY REDUCTION NOTE, SERIES 2020

In March 2020, the City issued its Taxable Pension Liability Reduction Note, Series 2020 in the amount of $81,000,000. The Note is secured by a pledge to budget and appropriate non-ad valorem revenues of the City. The Note, which was issued in the form of a bank loan from Toronto Dominion Bank, N.A, pays interest on April 1 and October 1 of each year at a fixed rate of 2.42%. The note amortizes, paying interest on October 1 of each year, with a final maturity of October 1, 2040. Proceeds of the Note were used to reduce the unfunded liabilities in the City's three pension plans and to pay associated cost of issuance. Issuance of the note resulted in present value savings of approximately $27.1 million, in that required contributions to the various pension plans will be reduced by amounts exceeding the allocable debt service on the bonds. As of September 30, 2024, the remaining principal and interest payments for these bonds aggregate to $71,110,867.

The City allocated the note payable amounts to its funds based upon contributions made in fiscal year 2020. Accordingly, Lakeland Electric's share of the liability was 35.34% or $20,378,522. The balance of the Pension Liability Note allocated to Lakeland Electric as of September 30, 2024, is $15,588,311 with a current portion payable of $1,262,965.

The following is a schedule of the debt service requirements, excluding current portion, related to the Pension Liability Note as of September 30, 2024:

	Series 2020	
Fiscal Years	Principal	Interest
2026	$ 1,312,025	$ 330,798
2027	1,363,600	298,423
2028	1,416,433	264,785
2029	1,470,524	229,852
2030	1,525,873	193,595
2031-2035	5,246,841	524,438
2036-2040	1,905,770	97,370
2041-2045	84,280	1,020
	$ 14,325,346	$ 1,940,281

NOTE N - DEFINED BENEFIT PENSION PLAN

The City maintains three separate single employer defined benefit pension plans for its employees. These plans were established and are subject to modifications in funding levels and benefits, by ordinance as approved by the City Commission. All three plans, including the Employees’ Pension and Retirement System that Lakeland Electric is part of, 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 contributions to the Employees’ Pension and Retirement System.

The City obtains annual reviews from 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 of the year just ended. 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 applied to the City’s budget year commencing immediately after the report issuance. The funding requirements for fiscal year 2024 were based off the actuarial report with an effective date of October 1, 2022.

Summary of Significant Accounting Principles:

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expenses, information about the fiduciary net position of the City of Lakeland’s Employees’ Pension and Retirement System, and additions to/deductions from the Employees’ Pension and Retirement System’s fiduciary net position have been determined on the same basis as reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

The Plan is maintained using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which the employee services are performed. Expenses are recognized when they are incurred, and revenues are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Generally Accepted Accounting Principles in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. Investments are recorded at fair value. Dividends and interest are recognized when earned. Gains and losses on sales are recognized on the trade date.

Plan Description:

The City of Lakeland Employees’ Pension and Retirement System administers the City of Lakeland Employees’ Pension Plan – a single employer, defined benefit pension plan that provides pensions for all full-time, regular employees of the City. The authority for the establishment and amendment of the Plan, benefits, vesting, and contributions are established by City Ordinances. Government plans are not subject to the provisions of the Employee’s Retirement Income Security Act of 1974 (ERISA). Management of the plan is vested in the Employees’ Pension Board, which consists of seven (7) active members – three (3) of which are elected by plan members for 3-year terms, three (3) appointed by the City Commission for 3-year terms and one (1) appointed by the board.

This Plan is a pension trust fund (fiduciary fund type) of the City that contains three pension plan options (Plans A, B, and C). Each plan option is part of a single employer, defined benefit pension plan offered by the City with a defined contribution option available to certain eligible employees. Plan A is eligible to employees of the City hired prior to October 1, 2003. Plan B is eligible to employees hired on or after October 1, 2003, through February 15, 2012. Plan C is eligible to employees hired after December 29, 2011, or who have made an irrevocable election to convert their prospective benefit calculation to Plan C as of February 15, 2012. The defined contribution option allows certain eligible employees to cease participation in this Plan and begin participation in the City’s defined contribution plan.

NOTE N - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Retirement Option Plan (DROP):

A Deferred Retirement Option Plan (DROP) was enacted on December 19, 2009, by Ordinance 4727. Under this Plan, participants who had attained eligibility could continue working with the city for up to sixty months while receiving a retirement benefit that was deposited into a DROP account. Under Ordinance 5989, signed June 5, 2023, DROP was extended to 8 years, ratified by Union June 8, 2023. Under this new Plan, participants who have attained eligibility may continue working with the city for up to ninety six months while receiving a retirement benefit that is deposited into a DROP account. As of September 30, 2024, Lakeland Electric had a total of 51 DROP participants.

Cost of Living Adjustment:

No cost-of-living increase was awarded for fiscal year 2024.

Funding Policy, Contributions Required, and Contributions Made:

As a result of the renegotiation of the lease agreement between the Lakeland Regional Hospital (LRH) and the City, the City received a one-time $15 million payment from LRH, effective October 1, 2015. The purpose of the payment was to compensate the City for agreeing to cap the growth in the hospital’s lease payments for the next 25 years. The City Commission expressed an interest in investing the one-time payment on a long-term basis so that a significant amount would accrue by the time the lease needs to be renegotiated in 25 years. In lieu of creating a new investment fund, the Commission approved an alternative plan per Resolution No. 5242 whereby the $15 million was sent to the Employee Pension Fund as an advance payment against the employer’s share of the unfunded pension liability. In return for this advance payment, the City (as the employer) will receive an annual credit of $1,546,989 against its regular payment into the fund. This credit will be consistent with the current amortization schedule and methodology for the Fund’s unfunded liability. The budgetary savings from this reduced annual payment are channeled into a separate investment fund so that the City can recoup its initial payment, plus interest.

The alternative plan will not affect employee contribution rates into the pension fund. They will remain unchanged. The alternative plan can be thought of as paying off a mortgage or a credit card balance early. Once the obligation is paid off, the monthly payments (which include interest) will no longer have to be made. The monthly savings can then be put in a savings account for the future.

In fiscal year 2020, the City issued a Pension Liability Reduction Note in the amount of $81 million and contributed $57.7 million of the proceeds to the plan as advance payment against the employer's and employee's unfunded share of the unfunded pension liability. In return for this advance payment, the City (as the employer) and the employees will receive an annual credit against the regular payment.

NOTE N - DEFINED BENEFIT PENSION PLAN (CONTINUED)

On February 21, 2022, the City adopted Ordinance No. 5745, wherein the remaining credit balance from the proceeds of the Pension Obligation Bonds ($50,661,662) was added to the asset value of the plan as of September 30, 2021. This resulted in the following revisions in actuarial assumptions and methods:

- The new actuarial valuation as of October 1, 2021, was used to determine the contribution rates for the fiscal years ending September 30, 2022 and September 30, 2023.
- The full amount of the remaining credit balance from the proceeds of the Pension Obligation Bonds as of September 30, 2021, was included in the plan assets and no longer serves as an annual offset to the required employee contribution.
- The actuarial value of the assets was set equal to the market value of assets as of October 1, 2021.
- The investment return assumption was lowered from 7.25% net of investment expenses to 6.75% of net investment expenses.
- Effective October 1, 2021, after the assumption and method changes, the unfunded actuarial accrued liability (UAAL) amortization bases were combined and offset, in accordance with the methodology described for combining and offsetting amortization bases under Internal Revenue Code Section 412(b).
- The contribution rates for the previous fiscal year were used as the base amounts for cost sharing.

The City obtains an annual review by an independent actuary utilizing census data covering both retired and active plan members and balance sheet data regarding net position of the Plan based on an effective date of October 1 with the report being issued within 6 months of the fiscal year. 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 for the budget year commencing after the issuance of that report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for Lakeland Electric for fiscal year 2024 was calculated as follows:

As a percentage of covered payroll	8.77 %
Credit balance	(1.78)%
Net employer contribution rate this year	6.95 %

Contributions to the pension plan from Lakeland Electric were $2,058,185 for the fiscal year ended September 30, 2024, and $2,024,220 for the fiscal year ended September 30, 2023.

As of September 30, 2024, Lakeland Electric reported a net liability of $30,787,598 for its proportionate share of the net pension liability of the Employees' Pension and Retirement System. The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportionate share for Lakeland Electric of the net pension liability of the Employee's Pension and Retirement System as of September 30, 2023, was $35,188,157. Lakeland Electric's portion of the net pension liability was based on Lakeland Electric's share of the actual contributions to the pension plan relative to the actual total contributions of the City of Lakeland. Lakeland Electric proportion was 32.4% and 32.2%, measured as of September 30, 2023, and September 30, 2022, respectively. Lakeland Electric recognized pension expenses of $8,491,167 and $4,764,446 in fiscal year 2024 and fiscal year 2023, respectively.

NOTE N - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Lakeland Electric reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in fiscal year 2024 and fiscal year 2023:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 42,505	$ 771,172	$ 132,661	$ 1,218,768
Changes of assumptions	5,921,324	1,462,104	8,758,117	2,505,479
Net difference between projected and actual earnings on pension plan investments	6,546,645	-	15,421,352	-
Change in cost share allocation percentage	-	-	1,079,833	523,011
Proportionate share of contributions subsequent to measurement date	2,058,185	-	2,024,220	-
Total	$ 14,568,659	$ 2,233,276	$ 27,416,183	$ 4,247,258

An amount of $2,058,185 is reported as deferred outflows of resources related to pensions resulting from Lakeland Electric's contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ending September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Fiscal year ended September 30th:	
2025	$ 1,230,385
2026	2,591,463
2027	7,789,804
2028	(1,334,454)
	$ 10,277,198

Actuarial Assumptions:

The City's actuarial valuation date is October 1, 2022, and net pension liability was measured as of September 30, 2023. The total pension liability in the October 1, 2022, actuarial evaluation rolled-forward to September 30, 2023, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.75%
Salary increases	4.0% to 12.50% depending on service, including inflation
Inflation rate	2.50%
Post-retirement benefit increases	N/A
Retirement rate	(1)
Mortality table	PUB-2010 Headcount Weighted General Below Median Employee Table (for pre-retirement mortality) and the PUB-2010 Headcount Weighted General Below Median Table (post-retirement mortality), with mortality improvements projected to all future years using scale MP-2018. (2)

(1) Experienced-based table of rates that are specific to the type of eligibility condition.
(2) The mortality table and improvement scales were changed to the mortality assumption used by the Florida Retirement System (FRS) for Regular Class members in the FRS actuarial valuation report as of July 1, 2020, as mandated by Chapter 112.63, Florida Statutes.

NOTE N - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The projected long-term real rate of return for the Plan net of investment expenses is 6.025%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of measurement date September 30, 2023, are summarized in the following tables as required by GASB Statements No. 67 and No. 68:

Asset Class (Market)	Target Allocation	Long-Term Expected Real Rate of Return	Asset Group Contribution
Domestic Equity	47.50%	7.50%	3.5625%
International Equity	15.00%	8.50%	1.2750%
Domestic Bonds	25.00%	2.50%	0.6250%
Real Estate	12.50%	4.50%	0.5625%
Total Investments	100.00%		6.0250%

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan members' contributions will be made at the current contribution rate and the City contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments (6.75%) was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents Lakeland Electric's proportionate share of the City's net pension liability calculated using the discount rate of 6.75% (2023: 6.75%), as well as what said share would be if the net pension liability were calculated using a discount rate that is 1-percentage point lower at 5.75% (2023: 5.75%) or 1-percentage point higher at 7.75% (2023: 7.75%) than the current rate.

As of September 30, 2024	1% Decrease Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase Rate (7.75%)
Lakeland Electric's proportionate share of the net pension (asset) / liability	$ 57,538,173	$ 30,787,598	$ 8,272,234

As of September 30, 2023	1% Decrease Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase Rate (7.75%)
Lakeland Electric's proportionate share of the net pension (asset) / liability	$ 61,838,998	$ 35,188,157	$ 12,782,029

NOTE N - DEFINED BENEFIT PENSION PLAN (CONTINUED

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Employee’s Pension and Retirement System financial report.

Termination of Benefits:

If a member employee is terminated, either voluntarily or involuntarily, the following benefits are payable: If the employee is not vested, the employee shall be entitled to a refund of amounts contributed by the employee. If the employee is vested, the employee will be entitled to the accrued monthly retirement benefit to commence on normal retirement date, provided the employee’s contributions are left in the fund. A terminated employee may also elect an early retirement benefit as described above. The authority for establishing or amending the benefit provisions and contribution provisions is contained in City ordinances.

Additional Information:

For more information regarding the aforementioned plan, refer to the City of Lakeland, Florida, Employees’ Pension and Retirement System stand-alone financial statements which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801-5086.

NOTE O - BUSINESS SEGMENT

Lakeland Electric is a department of the City of Lakeland, operating in only one business segment, that of providing electric service. The City of Lakeland has been generating power and providing electric service since 1904. Its service area is primarily the City of Lakeland and the immediate area surrounding the City.

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NOTE P - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note N, Defined Benefit Pension Plan, 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.

Effective October 1, 2017, the Retiree Healthcare Trust Fund adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statements No. 45, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. In addition to the relevant disclosures within this note, Lakeland Electrics financial statements reflect its proportionate share of the total City's long-term liability for fiscal years ending September 30, 2024, and September 30, 2023, resulting from the adoption.

The Retiree Health Insurance Plan is a single-employer defined benefit healthcare plan administered by the City of Lakeland Retiree Healthcare Trust. The City Commission serves as the trustees of the plan. 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% 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. Under Florida Statue 112.08 if the City offers insurance to active employees, the City must offer the same to the retirees. The difference is the City can charge the full premium to the retiree based on the active employees'/city portion of the premiums for the plan they are enrolled in.

Funding Policy**:**

The contribution percentages are set forth by City ordinance. The City subsidy is equal to $5 per month for each year of service accumulated at retirement (maximum 30 years of service or $150 per month). The City will fund the benefit by placing 1.5% of annual covered payroll into a trust. 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. Plan provisions may be amended by city ordinance.

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. The City has established a Trust to accumulate and invest assets necessary to pay for the accumulated liability.

As of September 30, 2024, Lakeland Electric reported a liability of $36,091,623 for its proportionate share of the net OPEB liability. The City's net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportionate share of the net OPEB liability as of September 30, 2023, was $39,224,352. Lakeland Electric's portion of the net OPEB liability was based on Lakeland Electric's share of the actual contributions to the plan relative to the actual total contributions of the City of Lakeland. Lakeland Electric contributed $2,121,643 and $1,384,154 to the plan in fiscal year 2024 and 2023, respectively. As of September 30, 2024, Lakeland of Electric's proportion was 23.2%, compared to 23.2% as of September 30, 2023.

NOTE P - POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial 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.

Significant Assumptions:

The date of the actuarial valuation on which the plan's liability was determined is September 30, 2024. The following actuarial assumptions were applied.

	2024	2023
Actuarial cost method	Entry age normal cost method based on a level percentage of projected salary	Entry age normal cost method based on a level percentage of projected salary
Valuation date	October 1, 2023	October 1, 2022
Measurement date	September 30, 2024	September 30, 2023
Projected benefit payment period	8.3 years	8.3 years
Discount rate		
Implicit	3.98%	4.09%
Explicit	6.84%	6.84%
Health care cost trend rate:		
Medical and Rx benefits		
Select	7.00%	6.50%
Ultimate	4.50%	4.00%
Medical benefits		
Select	Not Applicable	5.50%
Ultimate	Not Applicable	4.00%
Stop loss fees		
Select	Not Applicable	6.50%
Ultimate	Not Applicable	4.00%
Administrative		
Select	Not Applicable	4.00%
Ultimate	Not Applicable	4.00%
Inflation rate	2.5% per annum	2.5% per annum
Salary changes	3.5% per annum	3.5% per annum
Postemployment benefit changes	Not Applicable	Not Applicable
Mortality rates	Pub-2010, projected forward using SOA Scale MP-2021	Pub-2010 headcount weighted base mortality table, projected generationally using Scale MP-2021, applied on a gender-specific and job class basis
Long-term expected rate of return	Tax-exempt, high quality municipal bond	Tax-exempt, high quality municipal bond
Asset valuation	Fair market value	Fair market value
Date of experience study	24 months ending September 30, 2024	24 months ending September 30, 2023

The total OPEB liability was determined by an actuarial valuation as of October 1, 2023, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The discount rate, the medical trend rates, the plan participation assumption, retirement rates, and termination rates are only applicable in the evaluation.

NOTE P - POST-EMPLOYMENT BENEFITS (CONTINUED)

Change in Assumptions:

The discount rate for the implicit subsidy was increased from 4.09% to 3.98%.

Interest Rates:

Discount (or interest) rates are used to reflect the time value of money. Discount rates are used in determining the present value of the valuation date of future cash flows currently expected to be required to satisfy the postretirement benefit obligation. The long-term expected rate of return using arithmetic mean on OPEB investments was determined using the rate of return on tax-exempt, high quality municipal bonds, blended with the expected rate of return on trust assets.

The discount rate used to measure the total OPEB liability was 3.98% for the implicit subsidy and 6.84% for the explicit subsidy. The discount rate for fiscal year 2023 was 4.09% for the implicit subsidy and 6.84% for the explicit subsidy. The municipal bond rate used in the discount rate is the Bond Buyer 20-Bond GO Index.

The annual money-weighted rate of return that expresses investment performance, net of investment expense, adjusted for changes in the amount actually invested was 3.88% for fiscal year 2024 and 13.9% for fiscal year 2023.

Investments:

Investments are held in the City's Consolidated Investment Fund. For information regarding the Consolidated Fund's investment policies, asset allocations, and descriptions of significant investments, refer to Note 3.C of the City of Lakeland's Annual Comprehensive Financial Report.

Concentration:

The rate of return for the assets of the Trust as of September 30, 2024, and September 30, 2023, are summarized in the following tables.

September 30, 2024:

Asset Allocation:	%	Returns (with inflation)	Balance	% of Net Position
Consolidated funds	102.59%	6.75%	$ 13,273,960	100%
Money market funds	-2.93%	3.00%	(307,300)	-2%
Cash	0.00%	0.00%	307,300	2%
Accounts receivable	0.34%	0.00%	48,616	0%
Total	100.00%		$ 13,322,576	100%

September 30, 2023:

Asset Allocation:	%	Returns (with inflation)	Balance	% of Net Position
Consolidated funds	102.59%	6.75%	$ 10,757,581	100%
Money market funds	-2.93%	3.00%	(307,300)	-3%
Cash	0.00%	0.00%	307,300	3%
Accounts receivable	0.34%	0.00%	36,068	0%
Total	100.00%		$ 10,793,649	100%

NOTE P - POST-EMPLOYMENT BENEFITS (CONTINUED)

Rate of Return:

For the fiscal year ended September 30, 2024, the annual rate of return (with inflation) was 6.84%.

Projected Benefit Payments:

The long-term expected rate of return is used for the first two years of the benefit payments. Thereafter, the municipal bond rate index is applied to the remainder of the life of the plan.

Net OPEB Liability:

The components of the Net OPEB Liability for the Health Insurance Trust Fund for Lakeland Electric's proportionate share as of September 30, 2024, and September 30, 2023, are as follows:

	2024	2023
Total OPEB Liability	$ 39,105,128	$ 41,657,374
Fiduciary Net Position	3,013,505	2,433,022
Net OPEB Liability	$ 36,091,623	$ 39,224,352
Fiduciary Net Position as a percentage of the total OPEB liability	7.71%	5.84%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

The sensitivity of the net OPEB liability for Lakeland Electric's proportionate share to a discount rate 1% (4.98%) higher and 1% lower (2.98%) than the discount rate of 3.98% as of September 30, 2024, is as follows:

	1% Decrease Rate (2.98%)	Current Discount Rate (3.98%)	1% Increase Rate (4.98%)
Lakeland Electric's proportionate share of the net OPEB liability	$ 44,030,761	$ 36,091,623	$ 30,237,786

The sensitivity of the net OPEB liability for Lakeland Electric's proportionate share to a discount rate 1% (5.09%) higher and 1% lower (3.09%) than the discount rate of 4.09% as of September 30, 2023, is as follows:

	1% Decrease Rate (3.09%)	Current Discount Rate (4.09%)	1% Increase Rate (5.09%)
Lakeland Electric's proportionate share of the net OPEB liability	$ 46,582,731	$ 39,224,352	$ 33,420,811

NOTE P - POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate:

The sensitivity of the net OPEB liability using healthcare cost trend rates 1% higher and 1% lower than the current trend rates as of September 30, 2024, is as follows:

	1% Decrease Trend Rate	Current Trend Rate	1% Increase Trend Rate
Lakeland Electric's proportionate share of the net OPEB liability	$ 44,228,988	$ 36,091,623	$ 30,092,396

The sensitivity of the net OPEB liability using healthcare cost trend rates 1% higher and 1% lower than the current trend rates as of September 30, 2023, is as follows:

	1% Decrease Trend Rate	Current Trend Rate	1% Increase Trend Rate
Lakeland Electric's proportionate share of the net OPEB liability	$ 43,657,448	$ 39,224,352	$ 30,030,331

Plan Fiduciary Net Position:

The Plan does not issue a stand-alone publicly available financial report. In accordance with the requirements of GASB Statement No. 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, the City has elected to present the Lakeland Retiree Healthcare Trust as a fiduciary fund and include the required disclosures and required supplementary information in its annual financial statements.

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NOTE P - POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

Lakeland Electric recognized OPEB expenses of ($5,000,750) and ($1,622,215) for fiscal year 2024 and fiscal year 2023, respectively. Lakeland Electric reported deferred inflows of resources related to OPEB from the following sources as of September 30, 2024, and September 30, 2023:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings	$ -	$ 228,832	$ 149,304	$ -
Difference between actual and expected experience	1,912,851	9,520,840	2,212,299	12,591,307
Changes in assumptions	8,405,028	12,380,648	11,658,926	11,111,345
Change in cost share allocation	-	-	1,342,994	7,462,976
Total	$ 10,317,879	$ 22,130,320	$ 15,363,523	$ 31,165,628

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in Other Post-Employment Benefits expense as follows:

Fiscal year ended September 30th:	
2025	$ (1,648,067)
2026	(2,222,705)
2027	(2,359,311)
2028	(2,328,511)
2029	(1,971,538)
Thereafter	(1,282,309)
	$ (11,812,441)

NOTE Q - DEFINED CONTRIBUTION PENSION PLAN

Deferred Compensation Program:

The City has a Deferred Compensation Program pursuant to Chapter 75-295, as amended by Chapter 76-279, Florida Statutes. In accordance with the Deferred Compensation Program, the City may, by contract and/or collective bargaining agreement, agree with any City employee to defer up to 25% of an employee's gross salary.

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.

NOTE R – DERIVATIVES AND HEDGING ACTIVITIES

Accounting for Derivatives and Hedging Activities:

Derivatives have a market value, require no initial investment, and may be net settled. The City follows GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 requires derivatives to be categorized as either 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 or deferred outflows 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 Revenues, Expenses and Changes in Net Position. GASB Statement No. 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 through 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% 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.

NOTE R – DERIVATIVE AND HEDGING ACTIVITIES (CONTINUED)

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 $1,351,630 to the cost of fuel during the fiscal year ended September 30, 2024.

Lakeland Electric's natural gas swaps and 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. In addition, the effectiveness of options was assessed consistent with the objective of the derivative instrument as mentioned in the goals of hedging above. With GASB compliance, the open swaps and options valuation of ($7,100,752) includes mark-to-market of the swaps and both intrinsic and extrinsic mark-to-market of the options.

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. These derivative instruments are classified in Level 2 of the fair value hierarchy using the market approach of valuation. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives. As of September 30, 2024, Lakeland Electric had options, swaps and physical contracts outstanding in the following amounts, covered fiscal year 2025 and beyond:

Fiscal Year	Options	Swaps	Market Value Gain / (Loss)
2025	$ 7,540,000	$ 14,620,000	$ 5,342,239
2026	1,320,000	5,020,000	1,604,629
2027	-	660,000	153,884
	$ 8,860,000	$ 20,300,000	$ 7,100,752

The fair value of all of Lakeland Electric's derivatives as of September 30, 2024, and September 30, 2023, are as follows:

	September 30, 2024	September 30, 2023
Prepaid fuel	$ 1,841,819	$ 1,351,630
Fuel hedges (deferred inflows)	7,100,752	3,586,064
	$ 8,942,571	$ 4,937,694

NOTE S – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent acquisitions applicable to future accounting periods and typically have a credit balance similar to liabilities.

Contributions in Aid of Construction:

Through the use of regulatory accounting, Lakeland Electric records contributions in aid of construction (CIAC) as a deferred inflow of resources, which is amortized over the estimated useful life of the corresponding assets as a reduction of depreciation expense.

	September 30,	
	2024	2023
Contributions in aid of construction, beginning balance	$ 41,051,035	$ 42,759,612
Additions	1,618,788	2,158,299
Amortization as depreciation expense	(3,917,804)	(3,866,876)
	$ 38,752,019	$ 41,051,035

Fuel Reserve:

The fuel reserve represents the cumulative recovery of fuel revenues over fuel expenses up to a maximum of 15% of annual budgeted fuel expenses. A regulatory liability (see Note E) exists to the extent that the cumulative over-recovery of fuel charges exceeds the fuel reserve. The fuel reserve balance is as follows:

	September 30,	
	2024	2023
Beginning balance	$ 31,040,375	$ 9,952,397
Fuel revenues	145,206,701	202,923,928
Less fuel expenses	(133,889,045)	(175,276,990)
Less regulatory liability related to fuel charges	(14,856,545)	(6,558,960)
	$ 27,501,486	$ 31,040,375

Overall Summary:

Below is a summary of all deferred inflows of resources contained in the Statements of Net Position:

	September 30,	
	2024	2023
Unamortized contributions in aid of construction	$ 38,752,019	$ 41,051,035
Fuel reserve balance	27,501,486	31,040,375
Deferred inflows - fuel hedges (see Note R)	7,100,752	3,586,064
Deferred inflows - related to solar interconnection	10,000	10,000
Deferred inflows - OPEB (see Note P)	22,130,320	31,165,628
Deferred inflows - contributions in aid of construction	1,333,130	1,000,791
Deferred inflows - leases	1,391,977	1,375,495
Deferred inflows - actuarial (see Note N)	2,233,276	4,247,258
	$ 100,452,960	$ 113,476,646

NOTE T – LITIGATION

Various suits and claims arising in the ordinary course of operations are pending against Lakeland Electric. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for Lakeland Electric, the liabilities which may arise from such actions would not result in losses which would materially affect the financial position of Lakeland Electric or the results of their 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.

NOTE U - COMMITMENTS AND CONTINGENCIES

Self-Insurance Program:

The City of Lakeland has established a self-insurance fund for worker's compensation, general liability, public official's liability, airport liability, automobile liability, and health insurance. The purpose of this fund is to account for the cost of claims and management fees incurred in conjunction with self-insurance programs. The City makes contributions to the fund based on actuarially computed funding levels. The funding level for Lakeland Electric is determined actuarially based on Lakeland Electric's share of the total City budget, number of vehicles owned and rented, number of employees and payroll. Contributions in excess of these funding levels are accounted for as residual equity transfers in the paying fund. All claims pending on September 30, 2024, have been accrued in the financial statements of the Self-Insurance Fund. An estimated liability for incurred-but-not-reported claims also has been accrued in the financial statements of the Self-Insurance Fund. This program provides coverage up to a maximum of $350,000 per claim for worker's compensation claims. The City purchases commercial insurance for claims in excess of this amount up to $1,000,000 per claim. The program provides coverage of up to a maximum of $435,000 per individual for health insurance claims. The City purchases commercial insurance for claims in excess of this amount. Refer to the City of Lakeland's Annual Comprehensive Financial Report for additional disclosures.

Contractual Commitments:

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 398 MW combined cycle gas turbine unit. In April 2020, the Lakeland City Commission approved changes to the contract, which included a revised payment schedule. During fiscal year 2024, milestone payments of $8,433,709 were made under the contract. The agreement, which is scheduled to run through 2031, includes annual milestone payments, and an economic index escalation factor. Future base payments per the schedule, including escalation, are as follows:

Fiscal Year	Operating	Capital	Total
2025	$ 428,902	$ 6,702,123	$ 7,131,025
2026	434,478	2,181,285	2,615,763
2027	440,126	2,209,642	2,649,768
2028	445,847	2,238,367	2,684,214
2029	451,643	2,267,466	2,719,109
2030-2031	920,977	20,779,763	21,700,740
	$ 3,121,973	$ 36,378,646	$ 39,500,619

NOTE U - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lakeland Electric entered into a total of five Solar Energy Participation Agreements (SEPAs) with Sun Edison, LLC from 2009 through 2016. As of September 30, 2024, Sun Edison's former ownership interests were assigned as follows:

Location	Owner	COD *	Years	MWs/AC **	Rate
Airport I	EDP Renewables	12/22/2011	25	2.25	$ 190.00
Airport II	Renewable Holdco I, LLC	9/16/2012	25	2.75	$ 176.50
Airport III	Clearway Energy Group, LLC	12/21/2016	25	3.15	$ 112.52
RP Funding Center	EDP Renewables	4/4/2010	20	0.25	$ 280.99
West Bella Vista	Brookfield Renewable	7/6/2015	25	6.00	$ 112.52

* Commercial Operation Date ** Megawatts per Alternating Current

Lakeland Electric has no equity interest in and assumes no financial responsibility for the solar generation systems, four of which, are located on properties owned by the City of Lakeland. The West Bella Vista property is owned by the vendor. Solar energy system installations are as follows: the roof of the RP Funding Center, the runway protection zones of the Lakeland Linder Regional Airport, and 70 acres adjacent to the Sutton Electric Substation. Four of the SEPA are in effect for twenty-five years and one is twenty years at a fixed price per MWh with no price escalation clauses.

Lakeland Electric's purchases under the SEPAs for the current and previous year were as follows:

	2024	2023
Sales revenue	$ 2,344,294	$ 2,292,960
MegaWatts sold	17,576.76	17,365.74
Average per MW	$ 133.37	$ 132.04

Lakeland Electric participates in federal and state programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist related to compliance with the rules and regulations governing the respective grants. No provision has therefore been recorded in the accompanying financial statements for such contingencies. Lakeland Electric had active construction projects as of September 30, 2024. Commitments for construction contracts and other capital outlays as of September 30, 2024, are as follows:

McIntosh unit 5 renewal and replacement projects	$ 179,770
McIntosh gas turbine 2 projects	23,010
Larsen unit 8 renewal and replacement projects	394,789
McIntosh New Generation	16,004,639
Other power production plant improvements	1,177,710
Energy delivery capital projects	3,227,728
Building improvement projects	254,822
Equipment	953,859
	$ 22,216,327

Encumbrances:

In addition to the commitments for capital projects, Lakeland Electric had other outstanding purchase orders in the amount of $204,605,795 as of September 30, 2024, of which $181,716,734 represents contracts for the procurement and transportation of fuel and purchased power.

It is management's opinion that Lakeland Electric is in compliance with the requirements of all the aforementioned contractual commitments.

NOTE V – ASSET RETIREMENT OBLIGATIONS

Effective October 1, 2017, the City of Lakeland adopted GASB Statement No. 83, *Certain Asset Retirement Obligations (ARO).* GASB Statement No. 83 established criteria for determining the timing and pattern for recognizing a liability and the corresponding deferred outflow of resources for AROs. The Statement requires that the measurement of an ARO be based on the best estimate of the current value of outlays to be incurred when retiring the asset. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. Otherwise, the best estimate should be the most likely amount.

ARO costs should be recognized on the balance sheet as a liability and as a deferred outflow of resources (i.e., deferred cost) once the liability is both incurred and reasonably estimable. The liability shall be reduced as payment is made, and the deferred outflows of resources shall be reduced and recognized as outflows of resources (e.g., expenses) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

GASB Statement No. 83 also requires that the government disclose information about the nature of its AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If a government incurs an ARO (or portions thereof) but has not yet recognized the ARO because it is not reasonably estimable, the government must disclose this and the reasons why the amount is not reasonably estimable.

Procedures:

Lakeland Electric staff from various departments (e.g., legal, environmental, accounting, production, etc.) and a third-party consultant from PricewaterhouseCoopers (PwC) participated in multiple discussions to determine possible AROs at Lakeland Electric sites. There are certain asset types that have regulatory requirements related to retirement as well as certain asset types that often have retirement obligations required by permits or contracts. For those that were determined to be located at Lakeland Electric sites, staff identified whether or not those assets have legal obligations for retirement. For those with legal retirement obligations, Lakeland Electric determined if the ARO costs were reasonably estimable and, thus, the ARO liabilities should be recognized.

The following types of assets were determined to have AROs:

Item	Asset	Deferred Outflow Amortization Period	ARO Cost Estimate (9/30/2024)	ARO Cost Estimate (9/30/2023)
1	Water Wells	17 Years	$ 493,252	$ 486,513
2	Septic Tanks	17 Years	24,327	23,757
3	Natural Gas Pipeline	17 Years	-	2,656,000
			$ 517,579	$ 3,166,270

NOTE V – ASSET RETIREMENT OBLIGATIONS (CONTINUED)

Non-amortizing, non-accreting obligation*

Item	Asset	Deferred Outflow Amortization Period	ARO Cost Estimate (9/30/2024)	ARO Cost Estimate (9/30/2023)
1	McIntosh Plant Unit 3	N/A	$ 860,000	$ 860,000

*Amount relates to the requirement to repurchase land at end of life from joint owner at amount received from land sale at original participation. As amount is fixed, there will be no escalation in cost over the remaining life of plant. Furthermore, as the amount involves purchase of land, there is no amortization of the deferred outflow to expense due to land being a non-depreciable asset.

Water Wells:

Florida and federal regulations provide specific requirements for the plugging of water wells upon abandonment in Florida Administrative Code 62-532.500(5). Water wells located in the Southwest Florida Water Management District have the following specific requirement for plugging water wells upon abandonment Florida Administrative Code 40D-3.531(3).

Lakeland Electric conducted a review of all water wells installed at their sites and provided a list of applicable assets, which included the following 71 wells (8,163 total feet):

No. of Wells	Well Type	Average Depth (ft)	Unit Cost	Cost Estimate
McIntosh Plant				
7	10-inch industrial use water wells	600	$ 27,278	$ 190,946
3	24-inch industrial use water wells	732	82,923	248,769
42	2-inch extraction/monitoring wells	22	539	22,638
18	4-inch monitoring wells	43	1,551	27,918
1	4-inch industrial use water well	1	1,481	1,481
	Miscellaneous costs			1,500
				$ 493,252

Lakeland Electric will likely abandon these water wells when those respective plants close.

Historically Lakeland Electric plugs and abandons water wells at the site in order to comply with the applicable regulations, the estimated cost was determined by a cost proposal prepared by Terracon Consultants, Inc. for the plugging of a four-inch groundwater monitoring well at McIntosh Plant. To obtain additional cost data for preparing the best estimate, vendor quotes were requested from local contractors. Green Well Drilling, Inc. of Lakeland, Florida provided the abandonment costs included in the table above. The contractor noted that the Southwest Florida Water Management District may request additional abandonment requirements beyond those prescribed in F.A.C. 40D-3.

Based on Green Well Drilling, Inc.'s historical experience with the District, they assumed that the most likely requirements will include filling the wells with grout to the water table and then with Portland cement from the water table to the surface. The cost estimate received in this vendor quote represents the best information currently available on which to base the ARO liability.

NOTE V – ASSET RETIREMENT OBLIGATIONS (CONTINUED)

Septic Tanks:

Florida regulations provide specific requirements for the abandonment of on-site sewage treatment and disposal systems upon retirement in Florida Administrative Code 64E-6.011(2). Lakeland Electric conducted a review of all septic tanks used at their sites and provided the following applicable assets. McIntosh Plant has four 1,250-gallon tanks, Larsen Plant has one 1,250-gallon tank and Winston Peaking Station has one 1,000-gallon tank (four of which are located beneath asphalt or concrete).

Number of Septic Tanks	Abandonment Cost per Tank	Cost Estimate
6	$ 3,649	$ 21,894
Miscellaneous costs		2,433
		$ 24,327

Lakeland Electric will abandon the septic tanks when their respective plant/station close. Lakeland Electric has not previously abandoned septic tanks at any of their sites. To obtain ARO cost data for abandoning the septic tanks, vendor quotes were requested from local contractors. Averett Septic Tank Co., Inc. of Lakeland, Florida provided a cost estimate to abandon the septic tanks in accordance with F.A.C. 64E-6.011(2), which is summarized in the table above. The cost estimate received in this vendor quote represents the best information currently available on which to base the ARO liability.

McIntosh Plant Unit 3:

Lakeland Electric was given Utility Committee approval to decommission Unit 3 in March of 2021 (a deconstructing and demolishing timeframe is currently unknown), Lakeland Electric is contractually obligated to acquire OUC's 40% ownership share of land for the amount that OUC originally paid, according to Section 19 of the *Participation Agreement Between City of Lakeland and Orlando Utilities Commission for the Joint Ownership of McIntosh Unit Three Generation Project.*

The cost to repurchase OUC's 40% share of land will be approximately $860,000 based on the original purchase price of $2,152,000. Because this cost is based upon a contractually agreed upon amount, these costs are considered certain, and probability weighting is not considered necessary. For more information regarding the decommission of Unit 3 see Note W.

Safeguarding Public Health and Safety:

Also identified was an obligation for safeguarding the Larsen Plant based on the requirements of the plant's industrial wastewater facility permit. Lakeland Electric, however, did not recognize the ARO liability because the requirements related to safeguarding the Larsen Plant are not currently known and, as such, the costs are not reasonably estimable.

The Larsen Plant discharges its Unit 8 cooling water, intake screen wash water, and storm water from the petroleum storage areas into Lake Parker under an industrial wastewater facility permit. As such, the Larsen Plant is subject to Florida Administrative Code 62-620, Wastewater Facility and Activities Permitting, which includes requirements for the abandonment of wastewater facilities.

NOTE V – ASSET RETIREMENT OBLIGATIONS (CONTINUED)

The Florida Department of Environmental Protection (FDEP) has not provided information regarding the tasks that will need to be performed at the Larsen Plant in order to safeguard public health and safety. Lakeland Electric currently does not anticipate that there will be a need for any infrastructure at the plant to safeguard public health and safety beyond security fencing, which already exists at the Larsen Plant. Because Lakeland Electric is currently unable to determine what additional tasks will need to be performed, Lakeland Electric currently does not consider costs for this ARO liability to be reasonably estimable.

It is possible that, through discussions with FDEP, Lakeland Electric will identify additional tasks that will need to be performed to sufficiently safeguard public health and safety. If additional tasks are identified, a cost estimate will be prepared to complete these tasks and the ARO liability will be adjusted, as needed.

NOTE W – SUBSEQUENT EVENTS

On October 9, 2024, Hurricane Milton struck the State of Florida causing significant damage to the City of Lakeland's electric system. Polk County in the State of Florida was declared a major disaster area by the President of the United States. The disaster declaration provided for up to 100% reimbursement of eligible costs. The Federal Emergency Management Agency (FEMA) will provide disaster assistance through grants passed through the State of Florida Division of Emergency Management. Lakeland Electric estimates to spend approximately $11 million on storm restoration. This will be funded from Lakeland Electric's Emergency Repair Reserve.

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CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION FUND
SEPTEMBER 30, 2024

SCHEDULE OF LAKELAND ELECTRIC’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Employees' Pension & Retirement System

Measurement date:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Lakeland Electric's proportion of net pension (asset) / liability	32.3630%	32.2286%	34.1828%	35.4471%	35.6524%	36.1712%	37.9290%	39.6375%	39.7567%	39.7567%
Lakeland Electric's portion of net pension (asset) / liability	$ 30,787,598	$ 35,188,157	$ (25,184,866)	$ 21,915,494	$ 43,759,627	$ 37,353,637	$ 43,697,119	$ 53,534,111	$ 58,777,353	$ 48,261,275
Lakeland Electric's covered payroll	$ 28,255,308	$ 26,410,773	$ 28,824,078	$ 31,185,106	$ 30,679,287	$ 31,899,370	$ 31,867,657	$ 31,951,564	$ 31,696,314	$ 31,094,405
Lakeland Electric's proportionate share as a % of covered payroll	108.96%	133.23%	(87.37)%	70.28%	142.64%	117.10%	137.12%	167.55%	185.44%	155.21%
Plan fiduciary net position as a % of total pension (asset) / liability	87.89%	85.92%	109.99%	91.65%	83.03%	85.51%	83.36%	79.69%	77.14%	80.60%

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CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION FUND
SEPTEMBER 30, 2024

SCHEDULE OF LAKELAND ELECTRIC'S PENSION CONTRIBUTIONS

Employees' Pension and Retirement System
(Last 10 years)

Year Ended Sep 30th	Actuarially Determined Contribution	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2024	$ 2,686,724	$ 2,058,185	$ 628,539	$ 28,255,308	7.28%
2023	2,546,485	2,024,220	522,265	26,410,773	7.66%
2022	2,252,180	2,060,632	191,548	28,824,078	7.15%
2021	5,777,782	3,126,224	2,651,558	31,447,357	9.94%
2020	6,091,836	24,053,611	(17,961,775)	31,185,106	77.13%
2019	6,226,537	5,627,295	599,242	30,679,310	18.34%
2018	6,353,623	5,596,901	756,722	31,899,370	17.55%
2017	7,094,755	5,590,678	1,504,077	31,867,657	17.54%
2016	6,035,644	11,436,475	(5,400,831)	31,951,564	35.79%
2015	5,876,490	6,240,823	(364,333)	31,696,314	19.69%

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

The City of Lakeland contributed $15 million to the Employee Pension Fund in fiscal year 2016 as an advance payment against the employer's share of the unfunded pension liability. In return for this advance payment, the City (as the employer) will receive an annual credit against its regular payment into the fund. As a result of the $15 million advance payment, a contribution deficiency will be reflected in future years.

The City issued a Pension Liability Reduction Note and contributed the proceeds, $57.7 million - Employees Pension Plan in fiscal year 2020 as an advanced payment against the employer's and employees' unfunded share of the unfunded pension liability. In return the advance payment, the City (as the employer) and the employees will receive an annual credit against the regular payment into the fund. As a result of the advance payment, a contribution deficiency will be reflected in future years thru fiscal year 2040 as a credit amortized each year. The actual employer contribution for the Employee reflects the proceeds from the Pension Liability Reduction Note deposited into the Plan's assets.

CITY OF LAKELAND, FLORIDA
DEPARTMENT OF ELECTRIC UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS (OPEB)
SEPTEMBER 30, 2024

SCHEDULE OF LAKELAND ELECTRIC’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Other Post Employment Benefits (OPEB)

Measurement date:	2024	2023	2022	2021	2020	2019	2018	2017
Lakeland Electric's proportion of the net OPEB liability	23.2250%	23.2108%	23.5866%	25.9230%	27.7600%	27.7600%	29.3824%	29.8280%
Lakeland Electric's portion of the net OPEB liability	$ 36,091,623	$ 39,224,352	$ 36,913,673	$ 52,183,441	$ 59,089,390	$ 51,892,133	$ 52,325,012	$ 55,594,556
Lakeland Electric's covered payroll	$ 28,255,308	$ 26,410,773	$ 28,824,078	$ 31,185,106	$ 31,185,106	$ 31,899,370	$ 31,867,657	$ 31,951,564
Lakeland Electric's proportionate share as a % of covered payroll	127.73%	148.52%	128.07%	167.33%	189.48%	162.67%	164.19%	174.00%
Plan fiduciary net position as a % of total OPEB liability	7.71%	7.71%	5.62%	5.50%	4.41%	4.63%	4.45%	3.82%

GASB 75 was implemented in fiscal year 2018. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF LAKELAND ELECTRIC’S OPEB CONTRIBUTIONS

Other Post Employment Benefits (OPEB)

Year Ended Sep 30th	Statutorily Determined Contribution	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2024	$ 423,830	$ 2,121,643	$ (1,697,813)	$ 28,255,308	7.51%
2023	396,162	1,384,154	(987,992)	26,410,773	5.24%
2022	432,361	1,346,437	(914,076)	28,824,078	4.67%
2021	432,361	1,379,305	(946,944)	28,824,078	4.79%
2020	467,777	1,499,704	(1,031,927)	31,185,106	4.81%
2019	467,777	1,720,376	(1,252,599)	31,185,106	5.52%
2018	478,491	2,424,179	(1,945,688)	31,899,370	7.60%
2017	479,273	506,009	(26,736)	31,951,564	1.58%

GASB 75 was implemented in fiscal year 2018. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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Changes in assumptions/inputs:

The following assumption changes are reflected in the general plan actuarially determined contributions:

September 30, 2024

- The discount rate was updated from 4.09% to 3.98% for the implicit liability.
- The difference between expected earnings on investments of 6.84% and actual earnings of 3.88% decreased the plan assets.
- The trend rate was updated from 6.50% to 7.005%

September 30, 2023

- The discount rate was updated from 4.02% to 4.09% for the implicit liability.
- The mortality projection scale was updated from MP-2019 to MP-2021.
- The initial year medical trend rate was updated from 6.75% to 6.50% for pre-Medicare costs and from 5.75% to 5.50% for post-Medicare costs to reflect the current trend study.

September 30, 2022

- The discount rate was updated from 2.26% to 4.02% for the implicit liability, and from 7.22% to 6.84% for the explicit liability.
- The initial year medical trend rate was updated from 7.00% to 6.75% for pre-Medicare costs and from 6.00% to 5.75% for post-Medicare costs to reflect the generally low claims experience environment.

September 30, 2021

- The discount rate was updated from 2.21% to 2.26% for the implicit liability, and from 7.21% to 7.22% for the explicit liability.
- The plan participation assumption was updated from 62% to 72%.
- The initial year medical trend rate was updated from 6.00% to 7.00% for pre-Medicare costs and from 5.00% to 6.00% for post-Medicare costs to reflect the generally low claims experience environment.

September 30, 2020

- The discount rate was updated from 2.66% to 2.21% for the implicit liability.
- The initial year medical trend rate was updated from 6.50% to 6.00% for pre-Medicare costs and from 5.50% to 5.00% for post-Medicare costs to reflect the generally low claims experience environment.

September 30, 2019

- The discount rate was updated from 4.18% to 2.66% for the implicit liability, and from 6.96% to 7.21% for the explicit liability.
- The ACA Excise Tax on high-cost employer sponsored healthcare plans is no longer applicable as the bill which repealed it passed on December 20, 2019.
- The mortality assumption was updated from the RP-2014 base mortality with generational scale MP-2016 to the Pub-2010 base table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.
- The initial year medical trend rate was updated from 6.00% to 6.50% for pre-Medicare costs and from 5.00% to 5.50% for post-Medicare costs to reflect the generally low claims experience environment.

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.

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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*

Independent Auditor's Report

The Honorable Mayor and
Members of the City Commission
City of Lakeland, Florida

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Department of Electric Utilities (the "Department") of the City of Lakeland, Florida (the "City"), which comprise the Department's statement of financial position as of and for the year ended September 30, 2024, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2025. As discussed in Note A, the financial statements present only the Department, and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position, or, where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 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 over financial reporting 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. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, grant agreements and contracts, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Tampa, Florida
March 27, 2025

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Independent Auditor's Report on Bond Compliance

The Honorable Mayor and
Members of the City Commission
City of Lakeland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the Department of Electric Utilities of the City of Lakeland, Florida, (the "Department") as of and for the year ended September 30, 2024, as listed in the table of contents, and have issue our report thereon dated March 27, 2025.

In connection with out audit for the year ended September 30, 2024, nothing came to our attention that caused us to believe that the Department failed to comply with the terms, covenants, provisions, or conditions of the authorizing ordinances for the following bond issues insofar as they relate to accounting matters. However, our audit was not directed primarily towards obtaining knowledge of such non-compliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding noncompliance with the above referenced terms, covenants, provisions, or conditions of the authorizing ordinances, insofar as they relate to accounting matters.

Revenue Bonds:

- 2023 Series
- 2021 Series
- 2018 Series
- 2016 Series
- 2010 Series

This report is intended solely for the information and use of the City Commissioners, the Department's Management, and the bondholders of the Revenue Bonds noted above, and is not intended to be and should not be used by anyone other than these parties.

Forvis Mazars, LLP

Tampa, Florida
March 27, 2025

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