

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
September 30, 2004
(With Independent Auditors' Report Thereon)

Prepared By:
FINANCE DEPARTMENT

CITY OF NAPLES, FLORIDA

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2004

MAYOR

BILL BARNETT

VICE-MAYOR

TAMELA WISEMAN

CITY COUNCIL

WILLIAM R. MAC ILVAINE

CLARK RUSSELL

PENNY TAYLOR

JOHNNY NOCERA

JOHN SOREY III

CITY ATTORNEY

ROBERT D. PRITT

CITY CLERK

TARA NORMAN

CITY MANAGER

DR. ROBERT E. LEE

FINANCE DIRECTOR

ANN MARIE RICARDI

DEPARTMENT OFFICIALS

CHIEF OF POLICE & EMERGENCY SERVICES	STEVEN MOORE
COMMUNITY DEVELOPMENT DIRECTOR (ACTING)	MARTIN CONANT
COMMUNITY SERVICES DIRECTOR	DAVE LYKINS
PUBLIC WORKS DIRECTOR	DAN MERCER
HUMAN RESOURCES DIRECTOR	DENISE PEREZ
CONSTRUCTION MANAGEMENT DIRECTOR	RON WALLACE
TECHNOLOGY SERVICES DIRECTOR	STEPHEN WEEKS

CITY OF NAPLES, FLORIDA

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KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Independent Auditors' Report on the Financial Statements

Honorable Mayor and Members of the City Council
City of Naples, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Naples, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida, as of September 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2005 on our consideration of the City of Naples, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and schedules of funding progress and contributions on pages 13 through 22 and 96 through 98, respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Naples's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, other supplemental information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements and the accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards and state financial assistance, and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

January 28, 2005

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2004

The City of Naples' (the City) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activities (c) identify changes in the City's financial position and its ability to address the next and subsequent year challenges (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns for the fiscal year ended September 30, 2004.

Financial Highlights

- The assets of the City of Naples exceeded its liabilities at September 30, 2004 by \$139.2 million (net assets). Of this amount, \$49.9 million of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$9.2 million.
- As of September 30, 2004, the City of Naples' governmental activities reported combined ending net assets of \$66.9 million. This is an increase of \$7.6 million from the prior year. Approximately 47% of this total is unrestricted.
- The City of Naples total debt decreased by \$5.6 million during the current fiscal year. This decrease is discussed further in Debt Administration.

Using this Annual Report

The financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

The Statement of Net Assets (page 24) and **the Statement of Activities** (page 26) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The statements separate governmental from business-type activities but both are measured and reported using the economic resource measurement focus and full accrual basis of accounting. They are designed to be corporate-like in structure, which combine governmental activities and business-type activities.

The Fund Financial Statements, which report by individual fund, begin on page 28. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore you will find the reconciliation on page 35 that converts this data to an economic resource measurement focus and the accrual basis of accounting for use in the government-wide financial statements. The Fund Financial Statements present information in more detail than the government-wide financial statements. Major funds are reflected separately and nonmajor funds are combined into "other funds" and are reflected in detail in the combined and individual fund financial statements and schedules section of this report. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

The Total column on the Proprietary Fund Financial Statements (pages 38 – 47) is the same as the Business-type activities column at the Government-wide Financial Statements and does not require a reconciliation because of using the same measurement focus (economic resources measurement focus and accrual basis of accounting).

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2004

The Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities

Government-wide financial statements are designed to be corporate-like in structure, which combine governmental activities and business-type activities together. They are intended to allow the reader to assess the government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. The statements separate governmental from business-type activities. For the purpose of these statements, both types are measured and reported using the economic resource measurement focus and the accrual basis of accounting.

The statement of net assets presents information on all the City's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or not.

The statement of activities presents the information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected taxes and earned but unused employee leave.

Both of these financial statements distinguish the primary types of functions of the City as defined below:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, community development, planning, parks and recreation, building and code enforcement and general administration. Major revenues supporting these activities are ad valorem taxes, sales and gas taxes, franchise, utility and communications service taxes, as well as revenues from building permits, fees, grants and investments.
- Business-type activities – The City's Utilities (Water and Sewer, Solid Waste, Stormwater) and "Other Nonmajor" types such as Beach Parking, City Dock and Tennis are reported here. These services are supported primarily from user fees. Financing of major capital is usually necessary. Both user fees and impact fees support debt service.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories:

- Governmental funds – account for most, if not all, of the City's tax-supported activities. These include the General fund, the Debt Service fund, the Capital Projects fund, the Community Redevelopment fund, the Streets and Traffic fund and other Nonmajor funds consisting of the Building and Zoning fund, the Community Development Block Grant fund, the Improvement fund, the Confiscated Properties fund, the Land Conservation Trust fund and the maintenance dredging funds for the East Naples Bay District and Moorings Bay District. These funds focus on how money flows into and out of the funds, and the balances left at year-end. The accounting method used is called modified accrual accounting, which measures cash and

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2004

all other financial assets that can readily be converted to cash (usually 60 day focus). The two criteria used are that the revenue is measurable and available. Examples of the difference between this and the economic resources measurement focus are that debt financing is considered current revenue, and purchases of capital assets are considered expenditures whereas depreciation is not since there is no outlay of cash. In a highly regulatory environment, fund accounting serves a very important purpose, in that funds received for specific purposes are identified as such.

- Proprietary funds – are used to account for the business-type activities of the City. There are two types: enterprise funds and internal service funds. The City's enterprise funds are the Water and Sewer fund, the Solid Waste fund, the Stormwater fund, and nonmajor enterprise funds consisting of the Naples Beach fund, the City Dock fund and the Tennis fund and the internal service funds which include the Equipment Services fund, Risk Management fund, Health Benefits fund and the Information Systems fund. All proprietary funds use the full accrual basis of accounting and the economic resources measurement focus. Fees or charges for services are the primary revenue sources for proprietary funds.
- Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for fiduciary funds is similar to Proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 51.

Required Supplementary Information

Generally accepted accounting principles (GAAP) call for certain unaudited information to accompany the audited basic financial statements and accompanying footnotes. This information is called required supplementary information (RSI) and includes this analysis, (the MD&A), and trend data on pension funding.

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2004

The City as a Whole

The City's combined net assets as of September 30, 2004 were \$139.2 million. The City's combined revenues, including contributions, grants, charges for services and taxes were \$70.5 million. Total expenses, citywide were \$61.3 million. Table 1 reflects the summary statement of net assets for the current and prior year.

Table 1

Net Assets

(In thousands)

	Governmental activities		Business-type activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 42,342	35,183	27,701	24,567	70,043	59,750
Capital assets	53,543	56,128	89,131	93,313	142,674	149,441
Total assets	<u>95,885</u>	<u>91,311</u>	<u>116,832</u>	<u>117,880</u>	<u>212,717</u>	<u>209,191</u>
Long term debt outstanding	25,200	27,507	40,331	43,191	65,531	70,698
Other liabilities	3,820	4,580	4,174	3,912	7,994	8,492
Total liabilities	<u>29,020</u>	<u>32,087</u>	<u>44,505</u>	<u>47,103</u>	<u>73,525</u>	<u>79,190</u>
Net assets:						
Invested in capital assets, net of debt	32,179	31,962	48,184	49,578	80,363	81,540
Restricted	2,972	2,411	5,956	5,955	8,928	8,366
Unrestricted	31,714	24,851	18,187	15,244	49,901	40,095
Total net assets	<u>\$ 66,865</u>	<u>59,224</u>	<u>72,327</u>	<u>70,777</u>	<u>139,192</u>	<u>130,001</u>

The largest portion of the City's net assets (58%) reflects its investment in capital assets (land, buildings, plants, and equipment) less outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net assets (representing 6% of the total net assets) are subject to external restrictions on how they may be used. The remaining 36% of unrestricted net assets, \$49.9 million may be used to meet the City's ongoing obligations to the citizens and creditors.

THE CITY OF NAPLES, FLORIDA
Management's Discussion and Analysis (Unaudited)
September 30, 2004

Table 2 reflects the summary statement of activities for the current year compared with the prior year.

Table 2

Changes in Net Assets

(In thousands)

	Governmental activities		Business- type activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 5,950	5,001	30,785	28,097	36,735	33,098
Operating grants and contributions	2,015	1,790	486	390	2,501	2,180
Capital grants and contributions	486	1,133	907	1,688	1,393	2,821
General revenues:						
Property taxes	13,029	11,675	—	—	13,029	11,675
Other taxes	8,613	9,219	—	—	8,613	9,219
Intergovernmental revenues	3,432	3,343	—	—	3,432	3,343
Unrestricted investment earnings	684	731	312	403	996	1,134
Other	2,035	93	85	126	2,120	219
Total revenues	<u>36,244</u>	<u>32,985</u>	<u>32,575</u>	<u>30,704</u>	<u>68,819</u>	<u>63,689</u>
Expenses:						
General government	3,808	2,621	—	—	3,808	2,621
Public safety	15,527	14,256	—	—	15,527	14,256
Physical and economic environment	1,295	1,343	—	—	1,295	1,343
Transportation	2,800	3,700	—	—	2,800	3,700
Cultural and recreation	5,645	5,384	—	—	5,645	5,384
Interest and fiscal charges	1,446	1,255	—	—	1,446	1,255
Water and wastewater	—	—	19,525	18,894	19,525	18,894
Solid waste	—	—	4,752	4,510	4,752	4,510
Stormwater	—	—	1,294	1,419	1,294	1,419
Other enterprises	—	—	3,536	3,643	3,536	3,643
Total expenses	<u>30,521</u>	<u>28,559</u>	<u>29,107</u>	<u>28,466</u>	<u>59,628</u>	<u>57,025</u>
Transfers	1,918	1,658	(1,918)	(1,658)	—	—
Increase in net assets	7,641	6,084	1,550	580	9,191	6,664
Net assets – beginning	<u>59,224</u>	<u>53,140</u>	<u>70,777</u>	<u>70,197</u>	<u>130,001</u>	<u>123,337</u>
Net assets – ending	<u>\$ 66,865</u>	<u>59,224</u>	<u>72,327</u>	<u>70,777</u>	<u>139,192</u>	<u>130,001</u>

Governmental Activities

Table 3 presents the cost of each of the City's four largest programs as well as each program's net cost (total cost less revenues, excluding taxes, generated by the activities). The net cost represents the portion of each program that is supported by various taxes.

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

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The cost of all governmental activities this year was \$30.5 million. As shown in the statement of activities on page 26, the net cost that was ultimately paid through taxes was \$22.1 million. The \$8.4 million of the cost of governmental activities not covered by taxes was provided by:

- \$5.9 million in charges for services - \$2.8 million for building fees, \$0.7 million for police and fire services, \$0.7 million for recreation fees and \$1.7 million from various fees for transportation and general government services.
- \$2.0 million in operating grants and contributions – \$1.3 million from Collier County's share of Community Redevelopment; \$0.42 million from FEMA; and \$0.25 million from various operating grants and contributions of which \$0.13 million was for public safety equipment grants, and community recreation programs.
- \$0.5 million in capital grants and contributions – \$0.27 from impact fees and special assessments; \$0.15 million in contributions for street improvements; and \$0.08 million parks and recreation grants.

Table 3

Governmental Activities

(In thousands)

	Total cost of service		Net cost of service	
	2004	2003	2004	2003
Public safety	\$ 15,527	14,256	11,410	10,213
Physical and economic environment	1,295	1,343	(156)	(193)
Transportation	2,800	3,700	2,363	3,229
Cultural and recreation	5,645	5,384	4,762	4,171
All others	5,254	3,876	3,691	3,214
Totals	\$ 30,521	28,559	22,070	20,634

Business-type activities

Revenues of the City's business-type activities (see Table 2) totaled \$32.6 million.

The Water and Sewer fund represents 81% of the business-type activities net assets. Total operating revenues were up \$2,603,709 from last year. Total operating expenses were also up \$624,794 from last year. Interest expense on debt was down \$133,952 due primarily to the refunding of bond issues during the previous years and a smoothing out of principal and interest payments.

Solid Waste fees are adjusted annually in an amount equal to the Public Service Commission Price Index. This fiscal year the index was waived with no increase.

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

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The City's Funds

General Fund Budgetary Highlights

Differences between the General Fund's appropriations in the original and final amended budget was approximately \$444,000, of which \$145,500 was appropriated from fund balance to fund expenditures for the labor attorney \$75,000, outside council \$55,000 and postage \$15,500.

In addition, \$170,000 was appropriated for grants obtained from FEMA for a Coastal Flood insurance restudy and \$47,629 for miscellaneous grants in the police department. Charges for services also increased \$81,070 to fund Community Services Recreation division programs.

General government expenditures were \$24,750 under budget (.34%) and culture and recreation expenditures were \$384,646 under budget (7.3%).

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$142.7 million invested in a variety of capital assets, as reflected in the following table. The asset category infrastructure is separately reported. The City has been recording infrastructure such as streets, sidewalks, bridges, lighting and storm drainage since 1980.

This year's major additions are:

Governmental activities:		
Norris Community Center	\$	2,599,346
Banyan Boulevard Medians		200,000
Redevelopment District Lighting		198,082
Fleischman Park Improvements		161,659
Business-type activities:		
Electronic water meters	\$	172,849
NPESD Stormwater Pump Station		263,517
Lowdermilk Park Pavillion		360,340

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2004

Table 4

Capital Assets at Year End

(In thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 11,957	11,957	2,866	2,866	14,823	14,823
Buildings	26,791	26,694	59,578	59,078	86,369	85,772
Improvements other than buildings	21,552	20,948	25,985	25,612	47,537	46,560
Infrastructure	20,888	20,234	57,783	57,068	78,671	77,302
Machinery and equipment	12,334	11,297	16,007	15,236	28,341	26,533
Construction in progress	250	1,631	122	546	372	2,177
Less accumulated depreciation	<u>(40,229)</u>	<u>(36,633)</u>	<u>(73,210)</u>	<u>(67,093)</u>	<u>(113,439)</u>	<u>(103,726)</u>
Total net capital assets	\$ <u>53,543</u>	<u>56,128</u>	<u>89,131</u>	<u>93,313</u>	<u>142,674</u>	<u>149,441</u>

Additional information regarding the City's capital assets is included in the notes to the financial statements, note IV.D.

Debt Outstanding

As of year-end, the City had \$62,439,777 in debt (bonds, notes, etc.) outstanding compared to \$68,041,813 in 2003, an 8.2% decrease.

During the fiscal year, 2004 General Obligation Refunding Bonds were issued in the amount of \$3,170,000. This defeased part of the 2000 General Obligation Bonds in the amount of \$4,900,000. Funds in the amount of \$1,900,000 from the sale of the "Historical House" property were used in the refunding issue.

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2004

Table 5

Outstanding Debt, at Year-end

	<u>2004</u>	<u>2003</u>
Governmental:		
General obligation	\$ 5,220,000	7,410,000
Public service tax revenue	10,597,710	10,971,090
Redevelopment	<u>5,675,000</u>	<u>5,925,000</u>
Sub-total	<u>21,492,710</u>	<u>24,306,090</u>
Business-type:		
Water/Wastewater Revenue	14,430,000	16,596,297
State Revolving Loan – Wastewater	22,444,022	23,711,243
State Revolving Loan – Stormwater	3,637,256	2,916,602
City Dock Public Service Tax	57,291	83,590
City Tennis Public Service Tax	570,000	605,000
Unamortized issuance discount	(53,520)	—
Unamortized original issue premium	151,123	188,697
Unamortized deferred loss on refunding	<u>(289,105)</u>	<u>(365,706)</u>
Sub-total	<u>40,947,067</u>	<u>43,735,723</u>
Totals	<u>\$ 62,439,777</u>	<u>68,041,813</u>

Additional information regarding the City's outstanding debt is included in note IV.G. of the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

While revenues have continued to increase, the budget anticipates that current expenses are increasing at a higher rate. The city management is aware of the concerns that are nationwide and will remain diligent to protect the reserves the City has built up over the last twenty years and to continue to match current revenues with current expenditures. The following factors were considered in developing the budget for fiscal year 2005.

- Population increased approximately .45% from last year to 22,443
- The year 2000 per capita income for the City of Naples is \$61,141 compared to the 2000 Collier County per capita income of \$40,121
- Taxable value of commercial and residential properties increased \$1.26 billion (13%) from the previous fiscal year; of these increase 22% was related to new construction and 78% was related to market appreciation
- The unemployment rate was 5.0% in fiscal year 2004 which reflects an increase in the unemployment rate from the fiscal year 2003 rate of 4.5%
- Building permits issued this fiscal year were 1,221 compared to 1,070 issued in fiscal year 2003

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2004

- The change in the Consumer Price Index from the previous fiscal year was 2.52%

Requests for Information

This financial report is designed to provide a general overview of the City of Naples finances to all users (citizens, taxpayers, customers, investors and creditors). If you have questions regarding this report or need additional financial information, contact the Finance Director at City Hall, 735 8th Street S., Naples, Florida 34102, or telephone (239) 213-1820.

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CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2004

Assets	Primary Government		
	Governmental activities	Business-type activities	Total
Cash and investments	\$ 38,342,701	15,351,592	53,694,293
Receivables (net, where applicable, of allowance for uncollectible)	2,071,935	5,445,739	7,517,674
Internal balances	19,763	(19,763)	—
Inventories	135,178	406,013	541,191
Prepaid items	24,600	—	24,600
Restricted assets:			
Cash and investments	—	6,393,874	6,393,874
Prepaid items	—	16,170	16,170
Net pension assets	1,552,066	—	1,552,066
Deferred charges	195,841	107,492	303,333
Capital assets:			
Land and land improvements	11,957,292	2,866,150	14,823,442
Buildings and utility plants	26,791,061	59,577,428	86,368,489
Improvements other than buildings	21,551,469	25,985,167	47,536,636
Infrastructure	20,887,799	57,782,707	78,670,506
Equipment	12,334,113	16,007,242	28,341,355
Accumulated depreciation	(40,229,025)	(73,209,764)	(113,438,789)
Construction in progress	250,420	122,333	372,753
Net capital assets	53,543,129	89,131,263	142,674,392
 Total assets	\$ 95,885,213	116,832,380	212,717,593

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2004

Liabilities	Primary Government		
	Governmental activities	Business-type activities	Total
Accounts payable and other current liabilities	\$ 3,282,192	1,371,420	4,653,612
Due to other governments	—	539,897	539,897
Deferred revenue	538,097	557,069	1,095,166
Customer deposits	450	23,068	23,518
Liabilities payable from restricted assets:			
Customer deposits	—	298,218	298,218
Current maturities of long-term debt	—	973,844	973,844
Accrued interest payable	—	410,666	410,666
Noncurrent liabilities:			
Revenue bonds payable, net of unamortized discounts and premiums:			
Due within one year	966,942	2,933,645	3,900,587
Due in more than one year	20,397,461	37,039,577	57,437,038
Compensated absences:			
Due within one year	223,027	64,351	287,378
Due in more than one year	1,121,234	293,151	1,414,385
Claims payable:			
Due within one year	1,234,853	—	1,234,853
Due in more than one year	1,256,147	—	1,256,147
	25,199,664	40,330,724	65,530,388
Total noncurrent liabilities			
Total liabilities	29,020,403	44,504,906	73,525,309
Net Assets			
Invested in capital assets, net of related debt	32,178,726	48,184,197	80,362,923
Restricted for:			
Debt service	1,420,125	5,019,677	6,439,802
Renewal and replacement	—	936,575	936,575
Other purposes	1,552,066	—	1,552,066
Unrestricted	31,713,893	18,187,025	49,900,918
Total net assets	\$ 66,864,810	72,327,474	139,192,284

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Activities

Year ended September 30, 2004

	<u>Expenses</u>	<u>Indirect expenses allocation</u>	<u>Charges for services</u>
Functions/programs:			
Governmental activities:			
General government	\$ 6,939,311	(3,132,000)	1,118,894
Public safety	15,302,189	225,000	3,997,967
Physical and economic environment	1,189,407	106,000	10,795
Transportation	2,660,124	140,000	83,378
Culture and recreation	5,645,216	—	738,793
Interest	1,445,860	—	—
Total governmental activities	<u>33,182,107</u>	<u>(2,661,000)</u>	<u>5,949,827</u>
Business-type activities:			
Water and sewer	17,624,832	1,900,000	20,840,502
Solid waste	4,463,101	289,000	5,632,027
Stormwater	1,158,518	135,000	1,414,879
Beach	1,383,057	201,000	815,640
Dock	1,362,487	112,000	1,622,706
Tennis	454,028	24,000	459,358
Total business-type activities	<u>26,446,023</u>	<u>2,661,000</u>	<u>30,785,112</u>
Total primary government	<u>\$ 59,628,130</u>	<u>—</u>	<u>36,734,939</u>
General revenues:			
Property taxes			
Franchise and utility taxes			
Motor fuel taxes			
Intergovernmental revenues			
Unrestricted investment earnings			
Miscellaneous revenues			
Gain on sale of capital assets			
Transfers			
Total general revenues and transfers			

See accompanying notes to financial statements.

Program revenues		Net (expense) revenue and change in net assets		
Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
438,625	4,224	(2,245,568)	—	(2,245,568)
85,167	34,431	(11,409,624)	—	(11,409,624)
1,441,151	—	156,539	—	156,539
3,868	349,400	(2,363,478)	—	(2,363,478)
46,346	97,981	(4,762,096)	—	(4,762,096)
—	—	(1,445,860)	—	(1,445,860)
<u>2,015,157</u>	<u>486,036</u>	<u>(22,070,087)</u>	<u>—</u>	<u>(22,070,087)</u>
24,559	764,013	—	2,104,242	2,104,242
—	—	—	879,926	879,926
—	—	—	121,361	121,361
461,611	142,819	—	(163,987)	(163,987)
—	—	—	148,219	148,219
—	—	—	(18,670)	(18,670)
<u>486,170</u>	<u>906,832</u>	<u>—</u>	<u>3,071,091</u>	<u>3,071,091</u>
<u>2,501,327</u>	<u>1,392,868</u>	<u>(22,070,087)</u>	<u>3,071,091</u>	<u>(18,998,996)</u>
		13,029,256	—	13,029,256
		6,881,521	—	6,881,521
		1,731,941	—	1,731,941
		3,431,686	—	3,431,686
		683,727	311,790	995,517
		48,428	—	48,428
		1,986,363	84,807	2,071,170
		1,917,577	(1,917,577)	—
		<u>29,710,499</u>	<u>(1,520,980)</u>	<u>28,189,519</u>
Change in net assets		7,640,412	1,550,111	9,190,523
Net assets – beginning		59,224,398	70,777,363	130,001,761
Net assets – ending		<u>\$ 66,864,810</u>	<u>72,327,474</u>	<u>139,192,284</u>

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2004

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Community redevelopment</u>
Assets:				
Cash and investments	\$ 6,469,993	1,496,127	12,401,300	4,836,388
Receivables (net, where applicable, of allowance for uncollectible):				
Accounts	484,009	—	—	—
Special assessments	—	—	287,831	—
Utility taxes	—	191,981	—	—
Miscellaneous	—	10,031	—	—
Due from other funds	50,211	—	50,211	50,211
Advances due from other funds	822,592	—	864,745	—
Due from other governments	669,783	67,694	44,272	—
Inventories	16,561	—	—	—
Prepaid items	24,600	—	—	—
Total assets	\$ 8,537,749	1,765,833	13,648,359	4,886,599
Liabilities:				
Accounts payable	\$ 624,538	17,738	95,598	8,189
Accrued payroll	557,965	—	—	4,254
Due to other funds	—	67,710	—	—
Advances payable to other funds	—	—	—	2,277,733
Deferred revenue	239,693	—	287,831	—
Customer deposits	450	—	—	—
Total liabilities	1,422,646	85,448	383,429	2,290,176
Fund balances:				
Reserved:				
Encumbrances	360,195	—	360,059	1,261,028
Advances	822,592	—	864,745	—
Inventories	16,561	—	—	—
Prepaid items	24,600	—	—	—
Debt service	—	1,420,125	—	—
Construction	—	—	5,942,663	2,573,840
Emergency	2,750,266	—	—	—
Other purposes	—	—	3,525,070	—
Unreserved	3,140,889	—	—	—
Unreserved:				
Reported in debt service funds	—	260,260	—	—
Reported in special revenue funds	—	—	—	—
Reported in capital projects funds	—	—	2,572,393	(1,238,445)
Total fund balances	7,115,103	1,680,385	13,264,930	2,596,423
Total liabilities and fund balances	\$ 8,537,749	1,765,833	13,648,359	4,886,599

See accompanying notes to financial statements.

Streets and traffic	Other nonmajor governmental	Total
3,481,486	4,507,209	33,192,503
—	7,652	491,661
—	—	287,831
—	—	191,981
—	—	10,031
50,209	100,422	301,264
472,252	—	2,159,589
283,665	2,692	1,068,106
15,413	—	31,974
—	—	24,600
<u>4,303,025</u>	<u>4,617,975</u>	<u>37,759,540</u>
1,097,767	367,571	2,211,401
11,330	45,108	618,657
—	—	67,710
—	41,675	2,319,408
—	7,652	535,176
—	—	450
<u>1,109,097</u>	<u>462,006</u>	<u>5,752,802</u>
691,653	1,790	2,674,725
472,252	—	2,159,589
15,413	—	31,974
—	—	24,600
—	—	1,420,125
1,359,684	—	9,876,187
—	—	2,750,266
—	211,284	3,736,354
—	—	3,140,889
—	—	260,260
—	2,794,174	2,794,174
654,926	1,148,721	3,137,595
<u>3,193,928</u>	<u>4,155,969</u>	<u>32,006,738</u>
<u>4,303,025</u>	<u>4,617,975</u>	<u>37,759,540</u>

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CITY OF NAPLES, FLORIDA

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

Year ended September 30, 2004

Total fund balances governmental funds (page 28)	\$ 32,006,738
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Total capital assets (\$53,543,129) less amounts included in the internal service funds (\$546,969).	52,996,160
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(212,049)
Long term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore are not reported in the funds. Total long term liabilities (\$25,199,664) less amounts reported in the internal service funds (\$2,656,195).	(22,543,469)
Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.	1,747,907
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance and information services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	<u>2,869,523</u>
Net assets of governmental activities (page 24)	<u>\$ 66,864,810</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended September 30, 2004

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Revenues:			
Taxes	\$ 15,192,913	4,159,640	—
Licenses and permits	279,256	—	—
Intergovernmental	3,758,480	—	69,112
Charges for services	1,496,233	—	—
Charges to other funds	3,713,502	—	—
Fines and forfeitures	329,123	—	—
Impact fees	—	—	72,764
Interest	191,164	25,240	221,409
Donations	—	—	—
Miscellaneous	41,032	—	46,904
Total revenues	<u>25,001,703</u>	<u>4,184,880</u>	<u>410,189</u>
Expenditures:			
Current:			
General government	7,231,193	64,000	242,997
Public safety	12,787,127	—	—
Physical and economic environment	490,313	—	—
Transportation	—	—	—
Culture and recreation	4,914,842	—	—
Capital projects	—	—	2,807,724
Debt service:			
Principal	—	1,083,379	—
Interest and fiscal charges	—	1,031,533	—
Total expenditures	<u>25,423,475</u>	<u>2,178,912</u>	<u>3,050,721</u>
Excess (deficiency) of revenues over expenditures	<u>(421,772)</u>	<u>2,005,968</u>	<u>(2,640,532)</u>
Other financing sources (uses):			
Transfers in	1,692,000	2,462,665	3,806,554
Transfers out	—	(2,496,177)	(1,940,000)
Proceeds from issuance of debt	—	3,170,000	—
Payments to refunded bond escrow agent	—	(5,021,684)	—
Proceeds from sale of capital assets	4,245	—	4,002,797
Total other financing sources (uses)	<u>1,696,245</u>	<u>(1,885,196)</u>	<u>5,869,351</u>
Change in fund balances	1,274,473	120,772	3,228,819
Fund balances – beginning of year	<u>5,840,630</u>	<u>1,559,613</u>	<u>10,036,111</u>
Fund balances – end of year	<u>\$ 7,115,103</u>	<u>1,680,385</u>	<u>13,264,930</u>

See accompanying notes to financial statements.

Community redevelopment	Streets and traffic	Other nonmajor governmental	Total
381,150	1,731,941	177,074	21,642,718
—	27,200	2,786,497	3,092,953
1,331,347	395,247	4,220	5,558,406
—	—	196,145	1,692,378
—	—	—	3,713,502
—	—	19,142	348,265
—	200,000	—	272,764
69,776	57,168	61,273	626,030
—	—	111,169	111,169
486	19,948	957,395	1,065,765
1,782,759	2,431,504	4,312,915	38,123,950
—	—	17,714	7,555,904
—	—	2,203,165	14,990,292
423,270	—	34,689	948,272
—	1,911,489	—	1,911,489
—	—	44,921	4,959,763
75,724	308,767	32,640	3,224,855
—	—	—	1,083,379
86,826	—	—	1,118,359
585,820	2,220,256	2,333,129	35,792,313
1,196,939	211,248	1,979,786	2,331,637
—	—	—	7,961,219
(461,101)	—	(1,371,941)	(6,269,219)
—	—	—	3,170,000
—	—	—	(5,021,684)
—	5	326	4,007,373
(461,101)	5	(1,371,615)	3,847,689
735,838	211,253	608,171	6,179,326
1,860,585	2,982,675	3,547,798	25,827,412
2,596,423	3,193,928	4,155,969	32,006,738

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CITY OF NAPLES, FLORIDA

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended September 30, 2004

Net Change in Fund Balances – total governmental funds (page 32)	\$ 6,179,326
Amounts reported for governmental activities in the statement of activities (page 26) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,238,199) lacked depreciation (\$3,630,527) in the current period.	(392,328)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(2,042,228)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	2,973,409
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(40,011)
Increases in the net pension asset in the statement of activities do not provide current financial resources and therefore are not reported in governmental funds.	351,411
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurances and information systems. The net revenue (expense) of the internal service funds is reported with governmental activities.	385,256
Transfers of net assets from business-type activities to governmental activities have no impact on the governmental funds.	<u>225,577</u>
Change in net assets of governmental activities (page 26)	<u><u>\$ 7,640,412</u></u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Year ended September 30, 2004

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 11,604,498	11,604,498	11,637,357	32,859
Franchise	3,379,700	3,379,700	3,555,556	175,856
Licenses and permits	264,500	264,500	279,256	14,756
Intergovernmental	2,759,655	2,977,284	3,758,480	781,196
Charges for services	1,263,600	1,344,670	1,496,233	151,563
Charges to other funds	3,738,500	3,738,500	3,713,502	(24,998)
Fines and forfeitures	343,000	343,000	329,123	(13,877)
Interest	143,009	143,009	191,164	48,155
Miscellaneous	189,703	335,203	41,032	(294,171)
Total revenues	<u>23,686,165</u>	<u>24,130,364</u>	<u>25,001,703</u>	<u>871,339</u>
Expenditures:				
Current:				
General government:				
Mayor and City Council	211,566	211,566	200,143	11,423
City Attorney	501,683	681,683	587,844	93,839
City Clerk	460,267	475,267	457,856	17,411
City Manager	374,507	374,507	354,673	19,834
Planning	497,113	497,113	466,859	30,254
Finance	1,467,915	1,473,915	1,431,863	42,052
Nondepartmental	3,442,392	3,541,892	3,731,955	(190,063)
Total general government	<u>6,955,443</u>	<u>7,255,943</u>	<u>7,231,193</u>	<u>24,750</u>
Public Safety:				
Fire	4,601,189	4,632,055	4,741,026	(108,971)
Police	8,216,402	8,233,165	8,046,101	187,064
Total public safety	<u>12,817,591</u>	<u>12,865,220</u>	<u>12,787,127</u>	<u>78,093</u>
Physical and economic environment:				
Human resources	511,931	526,931	490,313	36,618
Total physical and economic environment	<u>511,931</u>	<u>526,931</u>	<u>490,313</u>	<u>36,618</u>
Culture and recreation:				
Community services	5,218,418	5,299,488	4,914,842	384,646
Total culture and recreation	<u>5,218,418</u>	<u>5,299,488</u>	<u>4,914,842</u>	<u>384,646</u>
Total expenditures	<u>25,503,383</u>	<u>25,947,582</u>	<u>25,423,475</u>	<u>524,107</u>

CITY OF NAPLES, FLORIDA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Year ended September 30, 2004

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Excess (deficiency) of revenues over expenditures	\$ (1,817,218)	(1,817,218)	(421,772)	1,395,446
Other financing sources:				
Transfers in	1,816,218	1,816,218	1,692,000	(124,218)
Proceeds from sale of capital assets	<u>1,000</u>	<u>1,000</u>	<u>4,245</u>	<u>3,245</u>
Total other financing sources	<u>1,817,218</u>	<u>1,817,218</u>	<u>1,696,245</u>	<u>(120,973)</u>
Change in fund balance	—	—	1,274,473	1,274,473
Fund balances – beginning of year	<u>4,826,363</u>	<u>4,826,363</u>	<u>5,840,630</u>	<u>1,014,267</u>
Fund balances – end of year	\$ <u><u>4,826,363</u></u>	<u><u>4,826,363</u></u>	<u><u>7,115,103</u></u>	<u><u>2,288,740</u></u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2004

Assets	Business-type activities – Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets:			
Cash and investments	\$ 10,348,071	2,869,999	1,469,803
Restricted cash and investments	6,224,438	—	161,849
Restricted prepaid items	—	—	—
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	3,352,788	809,860	222,087
Special assessments	372,591	—	—
Miscellaneous	22,638	—	—
Advances due from other funds	41,675	—	118,144
Due from other governments	98,429	—	—
Inventories	381,293	—	—
Total current assets	<u>20,841,923</u>	<u>3,679,859</u>	<u>1,971,883</u>
Deferred charges	102,786	—	—
Capital assets:			
Land	1,701,283	1,145,053	19,814
Buildings and utility plants	57,080,093	576,015	—
Improvements other than buildings	18,968,595	950,806	—
Infrastructure	50,891,990	—	6,890,717
Equipment	12,536,206	2,345,044	303,599
Accumulated depreciation	(63,745,512)	(2,593,434)	(2,110,118)
Construction in progress	9,000	—	—
Net capital assets	<u>77,441,655</u>	<u>2,423,484</u>	<u>5,104,012</u>
Total assets	<u>\$ 98,386,364</u>	<u>6,103,343</u>	<u>7,075,895</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Total</u>	<u>Governmental activities – Internal Service Funds</u>
663,719	15,351,592	5,150,198
7,587	6,393,874	—
16,170	16,170	—
51,731	4,436,466	—
—	372,591	—
7,027	29,665	13,495
—	159,819	—
508,588	607,017	8,830
24,720	406,013	103,204
1,279,542	27,773,207	5,275,727
4,706	107,492	—
—	2,866,150	—
1,921,320	59,577,428	309,102
6,065,766	25,985,167	—
—	57,782,707	—
822,393	16,007,242	1,463,372
(4,760,700)	(73,209,764)	(1,225,505)
113,333	122,333	—
4,162,112	89,131,263	546,969
5,446,360	117,011,962	5,822,696

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2004

	Business-Type Activities – Enterprise Funds		
Liabilities	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current liabilities:			
Accounts payable	\$ 754,655	294,319	17,611
Accrued payroll and personal leave	153,906	38,610	6,246
Due to other funds	—	—	—
Intergovernmental payable	539,897	—	—
Deferred revenue	441,731	—	—
Customer deposits	—	—	—
Current portion compensated absences	43,312	16,179	605
Current maturities of long-term debt	2,728,465	—	149,342
Insurance claims payable	—	—	—
Total current liabilities	<u>4,661,966</u>	<u>349,108</u>	<u>173,804</u>
Current liabilities (payable from restricted assets):			
Customer deposits	298,218	—	—
Current maturities of long-term debt	839,672	—	123,845
Accrued interest payable	364,483	—	32,753
Total current liabilities (payable from restricted assets)	<u>1,502,373</u>	<u>—</u>	<u>156,598</u>
Noncurrent liabilities:			
Due in more than one year:			
Revenue bonds payable, net of unamortized discounts and premiums	33,114,473	—	3,364,069
Compensated absences	197,308	73,701	2,757
Insurance claims payable	—	—	—
Total noncurrent liabilities	<u>33,311,781</u>	<u>73,701</u>	<u>3,366,826</u>
Total liabilities	<u>39,476,120</u>	<u>422,809</u>	<u>3,697,228</u>
Net Assets			
Invested in capital assets, net of related debt	40,759,045	2,423,484	1,466,756
Restricted for debt service	4,757,912	—	254,051
Restricted for renewal and replacement	936,575	—	—
Unrestricted	12,456,712	3,257,050	1,657,860
Net assets of business-type activities	<u>\$ 58,910,244</u>	<u>5,680,534</u>	<u>3,378,667</u>

See accompanying notes to financial statements.

Nonmajor funds	Total	Governmental activities – Internal Service Funds
72,321	1,138,906	163,779
33,752	232,514	76,306
179,582	179,582	53,972
—	539,897	—
115,338	557,069	2,921
23,068	23,068	—
4,255	64,351	29,735
55,838	2,933,645	—
—	—	1,234,853
484,154	5,669,032	1,561,566
—	298,218	—
10,327	973,844	—
13,430	410,666	—
23,757	1,682,728	—
561,035	37,039,577	—
19,385	293,151	135,460
—	—	1,256,147
580,420	37,332,728	1,391,607
1,088,331	44,684,488	2,953,173
3,534,912	48,184,197	546,969
7,714	5,019,677	—
—	936,575	—
815,403	18,187,025	2,322,554
4,358,029	72,327,474	2,869,523

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended September 30, 2004

	<u>Business-type – Activities Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Operating revenues:			
Charges for services:			
Water revenues	\$ 11,955,121	—	—
Sewer revenues	8,885,381	—	—
Other	—	5,632,027	1,414,879
Total operating revenues	<u>20,840,502</u>	<u>5,632,027</u>	<u>1,414,879</u>
Operating expenses:			
Personal services	4,568,371	1,207,296	263,292
Supplies and services	2,692,563	2,851,736	171,331
Materials	1,367,482	—	—
Heat, light, and power	2,037,640	11,553	24,978
Depreciation and amortization	5,422,444	278,382	621,769
General administration	1,900,000	289,000	135,000
Other	95,760	114,134	1,120
Total operating expenses	<u>18,084,260</u>	<u>4,752,101</u>	<u>1,217,490</u>
Operating income (loss)	<u>2,756,242</u>	<u>879,926</u>	<u>197,389</u>
Nonoperating revenues (expenses):			
Operating grants	24,559	—	—
Interest income	238,377	38,527	24,710
Interest expense	(1,440,572)	—	(76,028)
Gain on sale of capital assets	31,460	39,013	8,729
Total nonoperating revenues (expenses)	<u>(1,146,176)</u>	<u>77,540</u>	<u>(42,589)</u>
Income (loss) before contributions and transfers	1,610,066	957,466	154,800
Capital contributions	764,013	—	—
Transfers out (payment in lieu of taxes)	<u>(1,259,000)</u>	<u>(334,000)</u>	<u>(87,000)</u>
Change in net assets	1,115,079	623,466	67,800
Net assets – beginning of year	<u>57,795,165</u>	<u>5,057,068</u>	<u>3,310,867</u>
Net assets – end of year	<u>\$ 58,910,244</u>	<u>5,680,534</u>	<u>3,378,667</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Totals</u>	<u>Governmental activities – Internal Service Funds</u>
—	11,955,121	—
—	8,885,381	—
2,897,704	9,944,610	11,182,166
<u>2,897,704</u>	<u>30,785,112</u>	<u>11,182,166</u>
965,889	7,004,848	2,194,565
1,257,233	6,972,863	7,361,698
2,705	1,370,187	530,459
133,723	2,207,894	24,536
714,740	7,037,335	335,489
337,000	2,661,000	361,500
88,860	299,874	46,353
<u>3,500,150</u>	<u>27,554,001</u>	<u>10,854,600</u>
<u>(602,446)</u>	<u>3,231,111</u>	<u>327,566</u>
461,611	486,170	—
10,176	311,790	57,408
(36,422)	(1,553,022)	—
5,605	84,807	282
<u>440,970</u>	<u>(670,255)</u>	<u>57,690</u>
(161,476)	2,560,856	385,256
142,819	906,832	—
(12,000)	(1,692,000)	—
<u>(30,657)</u>	<u>1,775,688</u>	<u>385,256</u>
4,388,686	70,551,786	2,484,267
<u>4,358,029</u>	<u>72,327,474</u>	<u>2,869,523</u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2004

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 20,384,024	5,601,351
Cash payments to suppliers	(9,185,100)	(3,463,461)
Cash payments to employees	(4,524,385)	(1,189,655)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	6,674,539	948,235
	<hr/>	<hr/>
Cash flows from noncapital financing activities:		
Advances and repayments from other funds	10,936	—
Operating grants	24,559	—
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	35,495	—
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(3,447,920)	—
Interest paid on long-term debt	(1,465,518)	—
Capital contributions	764,013	—
Proceeds from transfer/disposal of capital assets	31,460	39,013
Proceeds from revolving loan/bonds	—	—
Acquisition and construction of capital assets	(1,741,902)	(214,372)
	<hr/>	<hr/>
Net cash provided by (used in) capital and related financing activities	(5,859,867)	(175,359)
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchases of investment securities	(19,293)	—
Interest and investment earnings	238,377	38,527
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	219,084	38,527
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,069,251	811,403
	<hr/>	<hr/>
Cash and cash equivalents - beginning of year	15,503,258	2,058,596
	<hr/>	<hr/>
Cash and cash equivalents - end of year	\$ <u>16,572,509</u>	<u>2,869,999</u>

Stormwater Fund	Nonmajor funds	Total	Governmental Activities – Internal Service Funds
1,454,536	2,850,890	30,290,801	11,197,092
(713,374)	(1,905,040)	(15,266,975)	(7,694,381)
(265,862)	(959,771)	(6,939,673)	(2,132,262)
<u>475,300</u>	<u>(13,921)</u>	<u>8,084,153</u>	<u>1,370,449</u>
30,928	—	41,864	53,972
—	461,611	486,170	—
<u>30,928</u>	<u>461,611</u>	<u>528,034</u>	<u>53,972</u>
(251,555)	(61,620)	(3,761,095)	—
(92,022)	(30,348)	(1,587,888)	—
—	142,819	906,832	—
8,729	5,605	84,807	282
972,209	—	972,209	—
(501,153)	(377,304)	(2,834,731)	(211,128)
<u>136,208</u>	<u>(320,848)</u>	<u>(6,219,866)</u>	<u>(210,846)</u>
—	—	(19,293)	—
24,711	10,176	311,791	57,408
<u>24,711</u>	<u>10,176</u>	<u>292,498</u>	<u>57,408</u>
667,147	137,018	2,684,819	1,270,983
964,505	534,288	19,060,647	3,879,215
<u>1,631,652</u>	<u>671,306</u>	<u>21,745,466</u>	<u>5,150,198</u>

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2004

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 2,756,242	879,926
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,422,444	278,382
Transfers to other funds	(1,259,000)	(334,000)
Changes in assets and liabilities:		
Increase in accounts receivable, net	(491,549)	(30,676)
Decrease in special assessments receivable	74,754	—
Decrease in miscellaneous receivables	10,082	—
(Increase) decrease in due from other governments	(98,429)	—
Increase in inventories	(85,526)	—
Increase in prepaid items	—	—
Decrease in deferred charges	23,625	—
Increase (decrease) in accounts payable	230,994	136,962
Increase (decrease) in accrued payroll / personal leave	38,635	9,616
Increase in due to other funds	—	—
Increase (decrease) in due to other governments	128,445	—
Decrease (increase) in deferred revenue	(83,803)	—
Decrease in customer deposits	2,272	—
Decrease (increase) in compensated absences payable	5,353	8,025
Decrease in claims payable	—	—
Net cash provided by (used in) operating activities	\$ <u>6,674,539</u>	<u>948,235</u>

See accompanying notes to financial statements.

Stormwater Fund	Nonmajor funds	Total	Governmental Activities – Internal Service Funds
197,389	(602,446)	3,231,111	327,566
621,769 (87,000)	714,740 (12,000)	7,037,335 (1,692,000)	335,489 —
(22,199)	(22,710)	(567,134)	—
—	—	74,754	—
—	—	10,082	26,331
—	757,958	659,529	(8,594)
—	(11,340)	(96,866)	(31,548)
—	(892)	(892)	—
—	—	23,625	—
(232,089)	(61,287)	74,580	70,088
(1,419)	11,531	58,363	34,312
—	(821,370)	(821,370)	—
(1,151)	—	127,294	—
—	37,944	(45,859)	2,811
—	1,364	3,636	—
—	(5,413)	7,965	27,993
—	—	—	586,001
475,300	(13,921)	8,084,153	1,370,449

CITY OF NAPLES, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2004

	Pension Trust Funds	Agency Funds
Assets:		
Cash and investments	\$ 2,977,740	57,611
Accounts receivable	513,958	—
Investments, at fair value:		
Corporate bonds	7,835,106	—
U.S. Government securities	8,633,355	—
Common stock	40,375,162	—
Mortgage – backed securities	3,803,301	—
Mutual funds	3,619,404	—
Total investments	<u>64,266,328</u>	<u>—</u>
Total assets	<u>67,758,026</u>	<u>57,611</u>
Liabilities:		
Accounts payable	<u>—</u>	<u>57,611</u>
Total liabilities	<u>—</u>	<u>57,611</u>
Net assets:		
Held in trust for pension benefits and other purposes	<u>\$ 67,758,026</u>	<u>—</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended September 30, 2004

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employee contributions	\$ 1,241,939
Employer contributions	1,299,078
State contributions	1,642,769
Total contributions	<u>4,183,786</u>
Investment earnings:	
Interest and dividend income	1,865,243
Net appreciation in fair value of investments	3,653,321
Less investment expense	(319,103)
Net investment earnings	<u>5,199,461</u>
Total additions	<u>9,383,247</u>
Deductions:	
Benefits paid	2,588,892
Refunds of contributions	322,712
General administration	100,653
Total deductions	<u>3,012,257</u>
Change in net assets	6,370,990
Net assets – beginning of year	<u>61,387,036</u>
Net assets – end of year	<u><u>\$ 67,758,026</u></u>

See accompanying notes to financial statements.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

(I) Summary of Significant Accounting Policies and Practices

The accounting policies and practices and the presentation of the financial report of the City of Naples, Florida (the City), have been designed to conform to generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies and practices:

(A) Reporting Entity

The City of Naples, Florida is a political subdivision of the State of Florida, located in Collier County along the lower southwest coast of the State. Naples was incorporated in December 1923. The City operates under a City Manager form of government, which is comprised of an elected City Council (six members) and a Mayor. In addition to the public safety, general government, recreation, sanitation, and public works services provided to its residents, the City operates water and sewer enterprises and maintains various agency funds in a fiduciary capacity.

The accompanying financial statements present the government and its blended component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no discretely presented component units to report.

Blended component units. Moorings Bay and East Naples Bay Special Taxing Districts are blended component units of this reporting entity as both districts are governed by Naples City Council. The Special Taxing Districts were created and established by Ordinance #87-5328 and #87-5330, respectively, for the purpose of providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for maintenance dredging are provided through an ad valorem tax that is levied only within these specified districts. Separate financial statements for the blended component units are not prepared.

Entities, which benefit residents of the City but are excluded from this report, are the Naples Community Hospital and the Naples Airport Authority, as they do not meet the criteria of component units.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which principally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of grant revenues which are considered available if they are collected within 6 months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured.

The City reports the following major governmental funds:

General Fund – is the general operating fund of the City. All general tax revenue and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the General Fund.

Debt Service Fund – is used to account for the accumulation of resources for and the payment of principal, interest and other expenditures on long-term debt, other than notes and bonds payable from the operation of Proprietary Funds.

Capital Projects Fund – is used to account for financial resources segregated for the acquisition or construction of major capital facilities as designated by City Council.

Community Redevelopment Fund – is used to account for the receipt and disbursement of tax increment financing resources received for the redevelopment program and to finance capital improvements in the redevelopment area of the City.

Streets and Traffic Fund – is used to account for the City's share of the local option fuel taxes and road impact fees for the purpose of improving streets and traffic within the City.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

The City reports the following major proprietary funds:

Water and Sewer Fund – is used to account for all of the activities of providing customers with potable water and wastewater disposal services.

Solid Waste Fund – is used to account for all of the activities of the collection and disposal of solid waste.

Stormwater Fund – is used to account for funds used in the construction of storm sewers and subsequent operations of the system.

Additionally the City reports the following fund types:

Internal Service Funds – account for data processing, construction management, equipment services, health insurance and risk management services provided to other departments or agencies of the City.

Fiduciary Funds – account for the activities of the City's retirement systems, which accumulate resources for pension benefit payments made to qualified general and public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water/Sewer enterprise fund, Solid Waste enterprise fund, Stormwater enterprise fund, and the City's internal service funds are charges to customers for sales and services. The Water/Sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(D) Assets, Liabilities, and Net Assets

(1) Deposits and Investments

(a) Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less.

(b) Investments

The City follows the provisions of Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, in which all investments are reported at fair value based on quoted market prices.

The City maintains a centralized bank account to maximize investment yields. Investment income resulting from pooling of investments (generally short-term repurchase agreements) is allocated to participating funds based on average monthly invested balances.

(2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(a) Advances to Other Funds

In governmental fund types, noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

(b) Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered and the cash used/generated in those transactions is recorded in a general cash clearing fund. Each operating fund maintains a positive cash equity position (receivable balance) or a negative cash deficit position (payable balance) in the cash clearing fund. These receivables and payables are

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

classified as “due from other funds” or “due to other funds” on the balance sheet. The net receivable balance is allocated as cash to the individual funds based on their percentage of positive equity to total positive equity. Interfund receivables and payables are liquidated on a monthly basis.

(3) Inventories

Inventories are valued at cost (first-in, first-out method) in the General Fund and consist of expendable supplies held for consumption. Inventories are reported using the “Consumption Method” and are reported as an asset in governmental funds (rather than as an expenditure) until consumed, at which time an expenditure is reported. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Inventories are valued at the lower of cost (first-in, first-out method) or market in the Enterprise and Internal Service Funds. They consist of water meters, supplies, maintenance parts, tires, and fuel held for consumption. Allowances have been recorded for obsolete and surplus items, when appropriate. Inventories of proprietary funds are reported as an expense when consumed.

(4) Restricted Assets

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Restricted for debt service includes the sinking fund and revenue bond retirement accounts. The sinking fund is used to segregate resources accumulated for debt service payments over the next twelve months. The revenue bond retirement account is used to report resources set aside to make up potential future deficiencies in the sinking fund. Restricted for renewal and replacement is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

(5) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable City or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings	10 – 50 years
Utility plants	40 – 50 years
Improvements other than buildings	5 – 20 years
Infrastructure	10 - 20 years
Equipment	3 – 10 years

(6) Compensated Absences

It is the City’s policy to allow employees to accumulate personal leave (sick and vacation) benefits. The liability relating to such unused leave, to the extent of certain vested maximum hours, is recorded in the accompanying statement of net assets. Expenditures for compensated absences in governmental funds are those paid during the current fiscal year and the amount unpaid at the end of the reporting period that has matured. For proprietary funds, the liability relating to vested personal leave is reflected on the accrual basis.

(7) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(8) Fund Equity

In the fund financial statements, reserves of governmental funds represent portions of fund balances which are not appropriate for expenditure or which have been legally segregated for specific future uses.

Designations of fund balances in governmental funds represent tentative plans for the use of financial resources in a future period. Such plans are subject to change and may never be legally authorized or result in expenditures.

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Restricted net assets in the Water and Sewer Fund and the Stormwater Fund are created by restrictions of assets for debt service and renewal and replacement. These net assets increase as a result of earnings on restricted assets. Earnings on restricted assets are included in net income of the funds.

(9) Administrative Fees

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as an expenditure in the governmental funds. Such fees amounted to \$3,713,502 for fiscal year 2004, and included \$361,500 charged to internal service and fiduciary funds and \$660,000 charged to capital projects funds.

(II) Reconciliation of Government-Wide and Fund Financial Statements

(A) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds balance sheet includes a reconciliation between *fund balances — total governmental funds and net assets — governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$22,543,469) difference are as follows:

Bonds payable	\$ (21,492,710)
Less issuance discounts (to be amortized as interest expense)	128,307
Compensated absences	<u>(1,179,066)</u>
Net adjustment to reduce <i>fund balance – total governmental funds to arrive at net assets – governmental activities</i>	<u>\$ (22,543,469)</u>

Another element of that reconciliation explains that “certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.” The details of this \$1,747,907 difference is as follows:

Net pension assets	\$ 1,552,066
Unamortized bond issuance costs	<u>195,841</u>
Net adjustment to increase <i>fund balance – total governmental funds to arrive at net assets – governmental activities</i>	<u>\$ 1,747,907</u>

THE CITY OF NAPLES, FLORIDA

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September 30, 2004

(B) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances — total governmental funds and change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$392,328 difference are as follows:

Capital outlay	\$	3,238,199
Depreciation expense, less internal service fund depreciation		<u>(3,630,527)</u>
Net adjustment to decrease <i>net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities</i>	\$	<u><u>(392,328)</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The details of this (\$2,042,228) difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$	7,065
The statement of activities report losses arising from the trade-in or the disposal of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in or disposal of capital assets		<u>(2,049,293)</u>
Net adjustment to decrease <i>net changes in fund balances — total governmental funds to arrive at changes in net assets of governmental activities</i>	\$	<u><u>(2,042,228)</u></u>

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Another element of that reconciliation states that “bond proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,973,409 difference are as follows:

Debt issued or incurred:	
Issuance of redevelopment revenue bonds	\$ (3,170,000)
Bond issuance costs	38,345
Principal repayments:	
General obligation debt	460,000
Revenue bonds debt	623,380
Payment to escrow agent for refunding	<u>5,021,684</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</i>	\$ <u><u>2,973,409</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$40,011 difference are as follows:

Compensated absences	\$ (30,259)
Accrued interest	19,799
Amortization of issuance costs	(17,891)
Amortization of bond discounts	<u>(11,660)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities</i>	\$ <u><u>(40,011)</u></u>

(III) Stewardship, Compliance, and Accountability

(A) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service, and Capital Project Funds. Project-length financial plans are also adopted for capital expenditures of each fund.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At City Council workshops in June and July, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

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2. In September, public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance, effective October 1.
4. The appropriated budget is prepared by Fund, function and department, activity, and object. The appropriations ordinance is enacted on an annual basis. The legal level of budgetary control is maintained at the department level in the General Fund and fund level in all other funds per City Ordinance #03-10191. Total expenditures may not legally exceed appropriations for each budgeted fund. A department head may transfer appropriations within the department, with the City Manager's approval. All other changes require City Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Unused appropriations lapse at the end of the year.

Budgeted amounts in the accompanying financial statements are as originally adopted, or as amended by the appropriate authority. Individual amendments were not material in relation to the original appropriations.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

(B) Excess of Expenditures Over Appropriations

For the year ended September 30, 2004, expenditures exceeded appropriations as follows:

General Fund – Non-departmental	\$	190,063
General Fund – Fire Department		108,971
Nonmajor – Confiscated Properties		3,015
Nonmajor – Community Development Block Grant		2,888
Nonmajor – Improvement Fund		108,103

(C) Deficit Fund Balances

The Community Development Block Grant Fund has a deficit fund balance of \$39,496 at September 30, 2004. Such deficit will be recovered through future recoveries from the granting agency.

The Construction management internal service fund has deficit net assets of \$95,612 at September 30, 2004. This deficit will be recovered in future years through increased charges to participating funds.

The Tennis fund has deficit net assets of \$661 at September 30, 2004. This deficit will be recovered in future years through increased user fees.

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(IV) Detailed Notes on All Funds

(A) Cash and Investments

Cash and investments at September 30, 2004 are as follows:

	<u>Pooled cash and investments</u>	<u>Nonpooled cash</u>	<u>Nonpooled investments</u>	<u>Total</u>
Unrestricted	\$ 52,279,340	3,498,704	65,217,928	120,995,972
Restricted	—	1,299,230	5,094,644	6,393,874
	<u>\$ 52,279,340</u>	<u>4,797,934</u>	<u>70,312,572</u>	<u>127,389,846</u>

Cash and investments are reported in the basic financial statements at September 30, 2004 as follows:

Cash and investments:	
Governmental activities	\$ 38,342,701
Business - type activities	15,351,592
Pension trust funds	67,244,068
Agency funds	57,611
Restricted cash and investments:	
Business - type activities	<u>6,393,874</u>
	<u>\$ 127,389,846</u>

Pooled cash and investments at September 30, 2004 are as follows:

Cash (interest-bearing checking deposits)	\$ 417,666
Cash equivalents:	
Florida State Board of Administration Investment Pool	19,877,295
Investments:	
U.S. Treasury bills and notes	1,997,188
Federal National Mortgage Association (Fannie Mae)	5,983,125
Federal Home Loan Bank	19,946,512
Federal Mortgage Corporation	3,968,600
GNMA	<u>88,954</u>
Total	<u>\$ 52,279,340</u>

Florida Statutes and City Ordinance #01-9099 authorize the City to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (State Board), under the regulatory oversight of the State of Florida. Permitted investments also include obligations of the U.S. Treasury and U.S. Agencies, and interest-bearing time deposits and savings accounts held in federal or state chartered banks and savings and loan associations doing business in Florida, provided

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that such deposits are secured by collateral as may be prescribed. Additionally, the statutes allow local governments to place public funds with institutions that participate in a collateral pool under the Florida Security for Public Deposits Act. The pool is administered by the State Treasurer who may make additional assessments against other qualified public depositories to ensure that no public funds will be lost. The State Board is an external investment pool that is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the City's investments in the State Board have been determined based on the pool's share price. The Pension Trust Funds are also authorized to invest in corporate stocks and bonds.

The City invests in nonderivative mortgage-backed products in part to modify exposure to certain risks, to enhance yields on investments, or to affect changes in investment portfolios without significantly affecting liquidity. Within this mortgage-backed securities category are investments in mortgages and principal or interest strips. Diversification of investments as to the investment type and the term to maturity serve to reduce both market risk and interest rate uncertainty. The City has and shall maintain prudent diversification of investments as to both issuer and term; in addition, to the extent possible, the City has and will attempt to match its investments with anticipated cash flow requirements.

The total bank and book balances for cash (excluding cash equivalents of \$124,133) at September 30, 2004, were \$5,658,977 and \$5,091,467, respectively. These balances were fully secured by federal depository insurance or through financial institutions participating in the collateral pool. The City maintains a banking service agreement that provides for the investment of all City funds in a cash clearing account in excess of a minimum compensating balance of \$750,000.

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Notes to Financial Statements

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The City's investments are categorized as follows to give an indication of the level of custodial credit risk assumed at the end of the year. Category 1 includes investments that are insured or registered and for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent, in the City's name. Category 3 includes investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent, but not in the City's name.

	Category			Carrying/ fair value
	1	2	3	
Corporate bonds	\$ 7,835,106	—	—	7,835,106
U.S. government securities	46,663,978	—	—	46,663,978
Common stock	40,375,162	—	—	40,375,162
Mortgage-backed securities	3,803,301	—	—	3,803,301
Total	\$ 98,677,547	—	—	98,677,547
Investments not subject to categorization:				
401(a) Plan mutual fund				3,619,404
				\$ 102,296,951

(B) Property Taxes

The City's property tax is levied each November 1, on the assessed value for all property located within the City. Assessed values are established by the Collier County Property Appraiser at fair values. The assessed value of the principal taxing authority's property at January 1, 2003 upon which the 2003-04 levy was based was \$12.2 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2004 was 1.110 (\$1.110 per \$1,000 of assessed value). The voted debt service millage was .0770 (\$0.077 per \$1,000 of assessed value) to pay for the principal and interest on general obligation bonds issued to purchase a tract of land to be used as a national preserve. The assessed values at January 1, 2003 of the dependent special districts, East Naples Bay and Moorings Bay, were \$312 million, and \$1,102 million, respectively. In addition to the City's 1.110 millage rate, and the voted debt service millage rate of .0770, .5000 (\$0.50 per \$1,000 of assessed value) is added to the East Naples Bay dependent special district and .0250 (\$0.025 per \$1,000 of assessed value) is added to the Moorings Bay dependent special district to finance capital projects for the fiscal year ended September 30, 2004. Total ad valorem taxes collected for the year ended September 30, 2004, aggregated \$13,029,256, net of cash discounts, of which \$11,637,357 was designated for general government services, \$558,224 for capital projects, and \$833,675 for debt service on the general obligation debt.

Taxes in the City of Naples are levied by the City Council. The millage levies are determined on the basis of estimates of revenue needs and the total taxable valuations within the jurisdiction of the City. No aggregate ad valorem tax millage in excess of 10 mills on the dollar is levied against property of the City as specified in Florida Statute 200.071.

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Notes to Financial Statements

September 30, 2004

Each year the total taxable valuation is established by the Collier County Property Appraiser for City property, and the list of property assessments is submitted to the State Department of Revenue for approval.

The property tax calendar is as follows:

Assessment date (date of property ownership)	January 1
Levy date	November 1
Due date	March 31
Delinquent date	April 1
Lien date	June 1

For the 2004 tax roll year, the assessment roll was opened for collection on November 1, 2003, and discounts for payment prior to April 1, 2004, were determined as follows:

Discounts allowed

- 4% if paid by November 30
- 3% if paid by December 31
- 2% if paid by January 31
- 1% if paid by February 28

Taxes become delinquent on April 1 of each year and tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of the same year. No amount for the property tax levy becoming due in November 2004 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

(C) Receivables

Receivables at September 30, 2004, for the City's individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts receivable</u>	<u>Special assessments</u>	<u>Utility taxes</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:						
Major funds:						
General	\$ 484,009	—	—	669,783	—	1,153,792
Debt service	—	—	191,981	67,694	10,031	269,706
Capital projects	—	287,831	—	44,272	—	332,103
Streets and traffic	—	—	—	283,665	—	283,665
Nonmajor	7,652	—	—	2,692	—	10,344
Internal service	13,495	—	—	8,830	—	22,325
	<u>\$ 505,156</u>	<u>287,831</u>	<u>191,981</u>	<u>1,076,936</u>	<u>10,031</u>	<u>2,071,935</u>
Business type activities:						
Major funds:						
Water and sewer	\$ 3,352,788	372,591	—	98,429	22,638	3,846,446
Solid waste	809,860	—	—	—	—	809,860
Stormwater	222,087	—	—	—	—	222,087
Nonmajor	51,731	—	—	508,588	7,027	567,346
	<u>\$ 4,436,466</u>	<u>372,591</u>	<u>—</u>	<u>607,017</u>	<u>29,665</u>	<u>5,445,739</u>

The above receivables are net of an allowance for uncollectible accounts which is based on historical trends and/or the age of the receivable. The allowances at September 30, 2004 are as follows:

Water and Sewer Fund	\$ 40,512
Solid Waste Fund	<u>9,000</u>
Total	<u>\$ 49,512</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

(D) Capital Assets

Governmental Activities:

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2004 is as follows:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets, not being depreciated:				
Land	\$ 11,780,407	—	—	11,780,407
Land Improvements	176,885	—	—	176,885
Construction in progress	1,630,559	74,797	(1,454,936)	250,420
	<u>13,587,851</u>	<u>74,797</u>	<u>(1,454,936)</u>	<u>12,207,712</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	26,694,526	2,345,308	(2,248,773)	26,791,061
Improvements other than buildings	20,947,668	609,711	(5,910)	21,551,469
Infrastructure	20,234,455	653,344	—	20,887,799
Equipment	11,296,984	1,228,454	(191,325)	12,334,113
	<u>79,173,633</u>	<u>4,836,817</u>	<u>(2,446,008)</u>	<u>81,564,442</u>
Total capital assets being depreciated				
Less accumulated depreciation	<u>(36,633,481)</u>	<u>(3,891,224)</u>	<u>295,680</u>	<u>(40,229,025)</u>
Total capital assets, being depreciated, net	<u>42,540,152</u>	<u>945,593</u>	<u>(2,150,328)</u>	<u>41,335,417</u>
Governmental activities capital assets, net	<u>\$ 56,128,003</u>	<u>1,020,390</u>	<u>(3,605,264)</u>	<u>53,543,129</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Business-Type Activities:

A summary of changes in capital assets of business-type activities for the year ended September 30, 2004 is as follows:

<u>Water and Sewer Fund</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Land	\$ 1,701,283	—	—	1,701,283
Construction in progress	<u>9,751</u>	<u>9,000</u>	<u>(9,751)</u>	<u>9,000</u>
Total capital assets not being depreciated	<u>1,711,034</u>	<u>9,000</u>	<u>(9,751)</u>	<u>1,710,283</u>
Capital assets being depreciated:				
Buildings and utility plants	57,008,059	72,034	—	57,080,093
Improvements other than buildings	18,790,504	279,234	(101,143)	18,968,595
Infrastructure	50,247,584	644,406	—	50,891,990
Machinery and equipment	<u>11,918,335</u>	<u>737,227</u>	<u>(119,356)</u>	<u>12,536,206</u>
Total capital assets being depreciated	<u>137,964,482</u>	<u>1,732,901</u>	<u>(220,499)</u>	<u>139,476,884</u>
Less accumulated depreciation	<u>(58,572,612)</u>	<u>(5,393,399)</u>	<u>220,499</u>	<u>(63,745,512)</u>
Total capital assets being depreciated, net	<u>79,391,870</u>	<u>(3,660,498)</u>	<u>—</u>	<u>75,731,372</u>
Water and sewer fund capital assets, net	<u>\$ 81,102,904</u>	<u>(3,651,498)</u>	<u>(9,751)</u>	<u>77,441,655</u>

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Notes to Financial Statements

September 30, 2004

Solid Waste Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 1,145,053	—	—	1,145,053
Capital assets being depreciated:				
Buildings and utility plants	576,015	—	—	576,015
Improvements other than buildings	950,806	—	—	950,806
Machinery and equipment	2,130,672	214,372	—	2,345,044
Total capital assets being depreciated	3,657,493	214,372	—	3,871,865
Less accumulated depreciation	(2,315,052)	(278,382)	—	(2,593,434)
Total capital assets being depreciated, net	1,342,441	(64,010)	—	1,278,431
Solid waste fund capital assets, net	\$ 2,487,494	(64,010)	—	2,423,484
Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 19,814	—	—	19,814
Construction in progress	77,176	—	(77,176)	—
Total capital assets not being depreciated	96,990	—	(77,176)	19,814
Capital assets being depreciated:				
Improvements other than buildings	6,820,492	578,329	(508,104)	6,890,717
Machinery and equipment	312,689	—	(9,090)	303,599
Total capital assets being depreciated	7,133,181	578,329	(517,194)	7,194,316
Less accumulated depreciation	(2,005,542)	(621,769)	517,193	(2,110,118)
Total capital assets being depreciated, net	5,127,639	(43,440)	(1)	5,084,198
Stormwater fund capital assets, net	\$ 5,224,629	(43,440)	(77,177)	5,104,012

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Notes to Financial Statements

September 30, 2004

<u>Non-major funds</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Construction in progress	\$ 459,260	14,413	(360,340)	113,333
Capital assets being depreciated:				
Buildings and utility plants	1,493,469	427,851	—	1,921,320
Improvements other than buildings	5,871,137	198,677	(4,048)	6,065,766
Machinery and equipment	874,647	96,704	(148,958)	822,393
Total capital assets being depreciated	8,239,253	723,232	(153,006)	8,809,479
Less accumulated depreciation	(4,200,258)	(713,364)	152,922	(4,760,700)
Total capital assets being depreciated, net	4,038,995	9,868	(84)	4,048,779
Nonmajor fund business-type activities capital assets, net	\$ 4,498,255	24,281	(360,424)	4,162,112
Total business - type capital assets, net	\$ 93,313,282	(3,734,666)	(447,353)	89,131,263

Depreciation expense was charged to programs of the City as follows:

Governmental activities:		
General government		\$ 428,556
Public safety		1,012,587
Physical and economic environment		352,786
Transportation		968,363
Cultural and recreation		894,190
Internal service		234,742
Total depreciation expense – governmental activities		\$ 3,891,224
Business-type activities:		
Water and sewer		\$ 5,393,399
Solid waste		278,382
Stormwater		621,769
Other nonmajor enterprise funds		713,364
Total depreciation expense – business-type activities		\$ 7,006,914

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Notes to Financial Statements

September 30, 2004

(E) Interfund Transactions

Individual fund interfund receivable and payable balances at September 30, 2004 are as follows:

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Governmental activities:		
General Fund	\$ 50,211	—
Debt Service Fund	—	67,710
Capital Projects Fund	50,211	—
Community Redevelopment Streets and Traffic Fund	50,211	—
	50,209	—
Nonmajor funds:		
Building and Zoning Fund	50,211	—
Land Conservation Trust Fund	50,211	—
Internal Service: Construction Management Fund	—	53,972
Business-type activities:		
Nonmajor funds:		
Naples Beach Fund	—	179,582
	<u>\$ 301,264</u>	<u>301,264</u>

Interfund receivables and payables generally represent recurring activities between funds as well as temporary deficit cash balances. The interfund payable of the non-major business-type activities represents project costs to be funded by grant dollars.

Advances from/to other funds are as follows:

	<u>Advances receivable</u>	<u>Advances payable</u>
Governmental activities:		
General Fund	\$ 822,592	—
Capital Projects Fund	864,745	—
Streets and Traffic Fund	472,252	—
Community Redevelopment Fund	—	2,277,733
Nonmajor Funds:		
Community Development Block Grant Fund	—	41,675
Business-type activities:		
Water and Sewer Fund	41,675	—
Stormwater Fund	118,144	—
	<u>\$ 2,319,408</u>	<u>2,319,408</u>

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Advances to other funds represent funds of the community redevelopment fund used to construct a facility which will be reimbursed from grant proceeds when received. Advances not expected to be repaid within one year are \$1,896,026.

Interfund Transfers:

Transfers during the year ended September 30, 2004 consisted of the following:

	Transfers in	Transfers out
Governmental activities:		
General Fund	\$ 1,692,000	—
Debt Service Fund	2,462,665	2,496,177
Capital Projects Fund	3,806,554	1,940,000
Community Redevelopment Fund	—	461,101
Nonmajor Funds:		
Land Conservation Trust Fund	—	1,310,377
East Naples Bay District Fund	—	61,564
Business-type activities:		
Payments in lieu of taxes:		
Water and sewer Fund	—	1,259,000
Solid waste Fund	—	334,000
Stormwater Fund	—	87,000
City dock Fund	—	12,000
	\$ 7,961,219	7,961,219

Transfers to other funds represent utility taxes collected in the debt service fund which are transferred to capital projects funds where expenditures are incurred.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

(F) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2004, for the City's individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts payable</u>	<u>Accrued payroll</u>	<u>Accrued interest</u>	<u>Total</u>
Governmental activities:				
Major funds:				
General	\$ 624,538	557,965	—	1,182,503
Debt service	17,738	—	212,049	229,787
Capital projects	95,598	—	—	95,598
Community redevelopment	8,189	4,254	—	12,443
Streets and traffic	1,097,767	11,330	—	1,109,097
Nonmajor	367,571	45,108	—	412,679
Internal service	<u>163,779</u>	<u>76,306</u>	<u>—</u>	<u>240,085</u>
	<u>\$ 2,375,180</u>	<u>694,963</u>	<u>212,049</u>	<u>3,282,192</u>
Business type activities:				
Major funds:				
Water and sewer	\$ 754,655	153,906	—	908,561
Solid waste	294,319	38,610	—	332,929
Stormwater	17,611	6,246	—	23,857
Nonmajor	<u>72,321</u>	<u>33,752</u>	<u>—</u>	<u>106,073</u>
	<u>\$ 1,138,906</u>	<u>232,514</u>	<u>—</u>	<u>1,371,420</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

(G) Long-Term Obligations

Governmental activities long-term obligations at September 30, 2004 are comprised of the following:

1993 Public Service Tax Refunding Revenue Bonds – \$5,263,189 – due in annual installments of \$135,000 to \$723,328 through July 1, 2009. Public service taxes are pledged to secure this issue. Interest ranges from 4.2% to 5.125%	\$ 912,710
2000 General Obligation Bonds – \$8,460,000 – due in annual installments of \$190,000 to \$815,000 through March 1, 2015. Ad valorem taxes are pledged to secure this issue. Interest ranges from 5.00% to 5.20%	2,050,000
2001 Public Service Tax Revenue Bonds – \$9,845,000 – due in annual installments beginning July 1, 2004 of \$183,300 to \$878,900 through July 1, 2021. Public service taxes are pledged to secure this issue. Interest rates range from 4.10% to 5.00%	9,685,000
2003 Redevelopment Revenue and Refunding Bonds – \$5,925,000 – due in annual installments beginning December 1, 2003 of \$250,000 to \$415,000 through December 1, 2021. Non-Ad Valorem taxes are pledged to secure this issue. Interest rate is 3.58%	5,675,000
2004 General Obligation Bonds – \$3,170,000 – due in annual installments beginning March 1, 2010 of \$470,000 to \$590,000 through March 1, 2015. Ad Valorem taxes are pledged to secure this issue. Interest rate is 3.84%	3,170,000
Unamortized issuance discounts	(128,307)
Compensated absences payable	1,344,261
	<u>\$ 22,708,664</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Changes in long-term obligations for the year ended September 30, 2004 are as follows:

	<u>Balance October 1</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in one year</u>
1993 Public Service Tax Refunding Bonds	\$ 1,126,090	—	213,380	912,710	238,603
1998 Public Service Tax Bonds	—	—	—	—	—
1998 Tax Increment Revenue Bonds	—	—	—	—	—
2000 General Obligation Bonds	7,410,000	—	5,360,000	2,050,000	395,000
2001 Public Service Tax Revenue Bonds	9,845,000	—	160,000	9,685,000	145,000
2003 Redevelopment Revenue and Refunding Bonds	5,925,000	—	250,000	5,675,000	200,000
2004 General Obligation Bonds	—	3,170,000	—	3,170,000	—
Unamortized issuance discounts	(139,967)	—	(11,660)	(128,307)	(11,661)
Compensated absences payable	1,436,212	124,378	216,329	1,344,261	223,027
Total	\$ <u>25,602,335</u>	<u>3,294,378</u>	<u>6,188,049</u>	<u>22,708,664</u>	<u>1,189,969</u>

Annual debt service requirements to maturity for governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2005	\$ 978,603	914,776
2006	994,107	869,723
2007	1,070,000	823,377
2008	1,125,000	775,232
2009	1,195,000	723,405
2010-2014	6,880,000	2,830,059
2015-2019	6,210,000	1,442,001
2020-2022	3,040,000	205,020
	\$ <u>21,492,710</u>	<u>8,583,593</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Long-term liabilities of the business-type activities at September 30, 2004 are comprised of the following issues:

Water and Sewer Fund:

\$12,980,000 Water and Sewer Revenue Refunding Bonds, Series 2002, due in annual installments of \$775,000 to \$1,290,000 through September 1, 2015, interest ranges from 3.50% to 5.00%. The principal and interest on the 2002 issue is payable from and secured by the net revenue of the water and sewer system and from all principal and interest received from investment of monies in various funds established by ordinance	\$ 11,400,000
\$7,275,000 Water and Sewer Revenue Refunding Bonds, Series 2001, due in annual installments of \$1,370,000 to \$1,545,000 through September 1, 2006, interest rate of 4.0%. The principal and interest on the 2001 issue is payable from and secured by the net revenue of the water and sewer system and from all principal and interest received from investment of monies in various funds established by ordinance	3,030,000
State of Florida Revolving Loan Fund payable in equal semi-annual installments of principal and interest for a period of twenty (20) years beginning in April 1998. Construction completed April 2000. Planning, engineering, and administration allowances in the amount of \$962,696 were approved in March 1995 and carry an interest rate of 3.79%. Phase I construction was approved in the amount of \$25,930,000 in June 1996 at an interest rate of 2.56%	22,444,022
Unamortized issuance discounts	(53,430)
Unamortized original issue premium	151,123
Unamortized deferred loss on refunding	(289,105)
Compensated absences payable	240,620
Total water and sewer fund	\$ 36,923,230

Stormwater Fund:

State of Florida Revolving Loan Fund payable in equal semi-annual installments of principal and interest for a period of twenty (20) years beginning with the completion of construction scheduled for Fall 2003. Construction was approved in the amount of \$4,830,210 in June 1999 at an interest rate of 3.03%	\$ 3,637,256
Compensated absences payable	3,362
Total Stormwater fund	\$ 3,640,618

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Nonmajor funds:

City Dock Fund:

\$601,811 Public Service Tax Refunding Revenue Bonds, Series 1993, due in annual installments of \$21,916 to \$30,893 through July 1, 2006, interest ranges from 2.60% to 5.125%. The principal and interest on the 1993 issue is payable from and secured by non-ad valorem taxes and from all principal and interest received from investment of monies in various funds established by ordinance \$ 57,290

City Tennis Fund:

\$605,000 Public Service Tax Refunding Revenue Bonds, Series 2001, due in annual installments beginning July 1, 2004 of \$11,100 to \$56,100 through July 1, 2021, interest ranges from 4.1% to 5.0%. The principal and interest on the 2001 issue is payable from and secured by non-ad valorem taxes and from all principal and interest received from investment of monies in various funds established by ordinance 570,000

Unamortized issuance discount (90)

Compensated absences payable 23,640

Total nonmajor funds \$ 650,840

Changes in proprietary fund debt for the year ended September 30, 2004 are as follows:

		<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Non-major</u>
Long term obligations - October 1, 2003	\$	40,365,798	81,855	2,921,115	717,642
Notes payable drawn down		-	-	972,209	-
Revenue bonds retired		(3,497,221)	-	(251,555)	(61,620)
Net change in:					
Compensated absences payable		5,351	8,025	(1,151)	(5,413)
Original issue discount		10,273	-	-	231
Original issue premium		(37,573)	-	-	-
Deferred loss on refunding		<u>76,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long term obligations - September, 2004	\$	<u><u>36,923,230</u></u>	<u><u>89,880</u></u>	<u><u>3,640,618</u></u>	<u><u>650,840</u></u>
Due in one year					
Revenue bonds	\$	<u><u>3,568,137</u></u>	<u><u>-</u></u>	<u><u>273,187</u></u>	<u><u>66,165</u></u>
Compensated absences payable	\$	<u><u>43,312</u></u>	<u><u>16,179</u></u>	<u><u>605</u></u>	<u><u>4,255</u></u>

The authorizing resolutions per the various revenue bonds of the City require deposits to restricted accounts throughout the fiscal year and the maintenance of minimum balances on deposit in such accounts.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Annual debt service requirements to maturity for water and sewer fund business-type activities are as follows:

Water and Sewer Fund:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2005	\$ 3,568,137	1,258,247
2006	3,748,646	1,129,442
2007	2,275,867	995,821
2008	2,354,130	919,307
2009	2,433,467	837,670
2010-2014	13,350,009	2,852,124
2015-2019	8,578,690	595,066
2020-2023	565,077	17,439
	<u>\$ 36,874,023</u>	<u>8,605,116</u>

Annual debt service requirements to maturity for stormwater fund business-type activities are as follows:

Stormwater Fund:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2005	\$ 273,187	132,376
2006	298,303	128,257
2007	301,704	124,856
2008	305,105	121,455
2009	305,325	114,873
2010-2014	1,398,377	323,090
2015-2019	680,188	1,020,282
2020-2023	75,067	544,278
	<u>\$ 3,637,256</u>	<u>2,509,467</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Annual debt service requirements to maturity for non-major enterprise funds are as follows:

Nonmajor Enterprise Funds:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2005	\$ 66,165	27,607
2006	71,035	24,621
2007	45,000	21,398
2008	45,000	19,553
2009	50,000	17,708
2010-2014	280,000	55,336
2015-2018	<u>70,000</u>	<u>3,325</u>
	\$ <u>627,200</u>	<u>169,548</u>

Legal Debt Margin – Neither the Charter nor the Code of the City of Naples or Florida State Statutes limits the amount of debt the City can issue.

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with long-term debt. Interest cost is not capitalized on projects financed by government grants or third-party donations. Interest cost is not capitalized on assets in the governmental activities. No interest was capitalized during the year ended September 30, 2004.

As of September 30, 2004, the following issues have been defeased by refunding issues and remain outstanding:

	<u>Defeased bonds outstanding</u>
1977 Water and Sewer Refunding Bonds	\$ <u>13,580,000</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

(H) Additional Information

The City has one nonmajor enterprise fund which has revenue bonds outstanding at September 30, 2004. The Tennis fund's revenues are pledged in support of those outstanding bonds. Relevant additional information for the Tennis fund as of and for the year ended September 30, 2004 follows:

Statement of Net Assets

Cash and investments	\$	80,369
Inventories		6,810
Restricted assets		16,170
Total current assets		<u>103,349</u>
Other assets		2,869
Capital assets, net		529,037
Total assets		<u>635,255</u>
Current liabilities		86,858
Current liabilities (payable from restricted assets)		16,170
Noncurrent liabilities		532,888
Total liabilities		<u>635,916</u>
Net assets:		
Invested in capital assets, net of related debt		(40,963)
Unrestricted		40,302
Total net assets (deficit)	\$	<u><u>(661)</u></u>

Statement of Changes in Net Assets

Operating revenues:		
Charges for services	\$	459,358
Total operating revenues		<u>459,358</u>
Operating expenses		408,663
Depreciation and amortization		37,083
Total operating expenses		<u>445,746</u>
Operating income		13,612
Nonoperating revenues (expenses):		
Interest income		1,515
Interest expense		(32,282)
Change in net assets		<u>(17,155)</u>
Net assets – beginning of year		<u>16,494</u>
Net assets (deficit) – end of year	\$	<u><u>(661)</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Statement of Cash Flows

Cash flows from operating activities:	
Cash received from customers	\$ 476,751
Cash payments to suppliers	(233,714)
Cash payments to employees	(171,785)
	<hr/>
Net cash provided by operating activities	71,252
	<hr/>
Cash flows from capital and related financing activities:	
Principal paid on long term debt	(35,000)
Interest paid on long term debt	(26,112)
	<hr/>
Net cash used in capital and related financing activities	(61,112)
	<hr/>
Cash flows from investing activities:	
Interest and investment earnings	1,515
Net cash provided by investing activities	1,515
Net increase in cash and cash equivalents	11,655
	<hr/>
Cash and cash equivalents, beginning of year	68,714
	<hr/>
Cash and cash equivalents, end of year	\$ 80,369
	<hr/> <hr/>

(I) Fund Equity

The following is a summary of fund balances that were reserved for other purposes as of September 30, 2004:

<u>Reserved for</u>	<u>Capital projects</u>	<u>Other non-major governmental funds</u>
Parks and recreation	\$ 3,342,227	—
Low income housing	182,843	—
Other	—	211,284
	<hr/>	<hr/>
	\$ 3,525,070	211,284
	<hr/> <hr/>	<hr/> <hr/>

(J) Employee Pension Plans

The City maintains three single-employer, defined benefit pension plans that cover its general, police, and fire employees, which represent substantially all of the City's employees. The City also has two defined contribution 401(a) plans that cover management and serve as a supplement to all full time city employees except persons covered by the International Association of Firefighters (IAFF) or the Fraternal Order of Police (FOP).

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

i. General Pension Plan

The General Retirement Plan provides benefits for all full-time American Federation of State and Municipal Employees (AFSME) union and nonbargaining employees of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 04-10442. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The payroll for employees covered by the plan and the government's total payroll for the year ended September 30, 2004, and current membership, as of October 1, 2004 the date of the most recent actuarial valuation, is as follows:

General pension plan:	
Covered payroll for the year ended September 30, 2004	\$ 10,945,911
Covered payroll as a percentage of the City's total payroll of \$ 17,625,632	62.1%
Retirees and beneficiaries currently receiving benefits (disabled)	178
Vested terminated employees	13
Active employees:	
Fully vested	190
Nonvested	104

Benefits are determined by category and length of service as follows:

	Benefits	Vesting
General employees	Normal retirement at age 60; early retirement at age 55 or the rule of 85 regardless of service; benefits at 2.50% of average final compensation times years of service. Early retirement benefit reduced by 0.25% for each month prior to normal retirement age	100% after five years of creditable service; 0% prior to that. General pension employees hired after March 31, 1995 have an effective start date six months after employment date

The General Pension Plan is accounted for as a pension trust fund; therefore it is accounted for in substantially the same manner as a proprietary fund with a "capital maintenance" measurement focus and the accrual basis of accounting. Plan Member contributions and employer contributions are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Plan assets are valued at fair value for financial statement purposes.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

As of September 30, 2004 there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2004, there were no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

The City Council has established contribution requirements for the City and participating employees. These requirements may be amended by the City Council at any time by ordinance.

The Plan's funding policy requires employees to contribute not less than 2% of compensation to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. As of January 1, 2004 this increased to 4.5%. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, dated October 1, 2004, after deducting estimated contributions by members, investment earnings and all Plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets.

The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 8.50% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 6.0% each year, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets is developed using a four year smoothing market value return on the valuation date. The Plan does not provide for a postretirement benefit increase; therefore, no actuarial inflation assumptions are required.

General – Three Year Trend Information

	<u>Annual pension cost (APC)</u>	<u>% of APC contributed</u>	<u>Net pension obligation</u>
Year ending:			
09/30/04	\$ 839,114	100%	(537,237)
09/30/03	185,352	200%	(540,469)
09/30/02	294,492	100%	(357,331)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

The components of the annual pension cost for the year ended September 30, 2004 are as follows:

Actuarially determined contribution	\$	839,114
Interest on net pension obligation		(45,940)
Adjustment to annual required contribution		49,172
	\$	<u>842,346</u>

ii. Police Officers' Pension Plan

The Police Officers Retirement Plan provides benefits for all full-time sworn Police personnel of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 04-10442. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2004, and current membership, as of October 1, 2004, the date of the most recent actuarial valuation is as follows:

Police pension plan:

Covered payroll for the year ended September 30, 2004	\$	3,919,246
Covered payroll as a percentage of the City's total payroll of \$ 17,625,632		22.24%
Retirees and beneficiaries currently receiving benefits		26
Vested terminated employees		14

Active employees:

Fully vested		54
Nonvested		17

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Benefits are determined by category and length of service as follows:

	<u>Benefits</u>	<u>Vesting</u>
Police officers	Normal retirement at age 50 with five years of credited service; 25 years of credited service regardless of age; benefits 3.6% of average final compensation times years of service. Early retirement at age 45 or completion of 20 years of credited service. Early retirement benefit reduced 3% for each year prior to normal retirement.	100% after five years of creditable service; 0% prior to that.

The system also provides disability and survivors' benefits.

The Police Officers' Pension Plan is accounted for as a pension trust fund; therefore it is accounted for in substantially the same manner as a proprietary fund with a "capital maintenance" measurement focus and the accrual basis of accounting. Plan Member contributions, employer contributions, and contributions from other entities are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Plan assets are valued at fair value for financial statement purposes.

As of September 30, 2004, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2004, there were no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

The City Council has established contribution requirements for the City and participating employees. These requirements may be amended by the City Council at any time by ordinance.

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from the Plan assets. The Plan is valued under the entry age normal cost method. The amortization method is the level

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 8.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 6% each year, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets is developed using a four year smoothing market value return on the valuation date. The plan provides for post retirement benefit increases of 3% per year at ages 55 to 62.

Police – Three Year Trend Information

	<u>Annual pension cost (APC)</u>	<u>% of APC contributed</u>	<u>Net pension obligation</u>
Year ending:			
09/30/04	\$ 118,210	100%	(611,869)
09/30/03	—	100%	(366,370)
09/30/02	110,488	101%	(220,512)

The components of the annual pension cost for the year ended September 30, 2004 are as follows:

Actuarially determined contribution	\$ 118,210
Interest on net pension obligation	(31,141)
Adjustment to annual required contribution	33,332
	<u>\$ 120,401</u>

iii. Firefighters' Pension Plan

The Firefighters' Retirement Plan provides benefits for all full-time sworn fire personnel of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 04-10442. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2004, and current membership, as of October 1, 2004, the date of the most recent actuarial valuation, is as follows:

Firefighters' pension plan:		
Covered payroll for the year ended September 30, 2004	\$	2,760,475
Covered payroll as a percentage of the City's total payroll of \$ 17,625,632		15.66%
Retirees and beneficiaries currently receiving benefit (includes 1 disability)		14
Vested terminated employees		5
Active employees:		
Fully vested		43
Nonvested		11

Benefits are determined by category and length of service as follows:

	<u>Benefits</u>	<u>Vesting</u>
Firefighters	Normal retirement at age 55 with five years of credited service, age 50 with twenty years of credited service, or completion of 25 years of credited service regardless of age. Benefits at 4% of average final compensation times years of service. Early retirement at age 50; benefits reduced by 3% per year prior to normal retirement.	100% after five years of credited service; 0% prior to that.

The system also provides disability and survivors' benefits.

The Firefighters' Pension Plan is accounted for as a pension trust fund; therefore it is accounted for in substantially the same manner as a proprietary fund with a "capital maintenance" measurement focus and the accrual basis of accounting. Plan Member contributions, employer contributions, and contributions from other entities are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Plan assets are valued at fair value for financial statement purposes.

As of September 30, 2004, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2004, there were no investment type or

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

The City Council has established contribution requirements for the City and participating employees. These requirements may be amended by the City Council at any time by ordinance.

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets.

The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 8.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 6% each year, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets is developed using a four year smoothing market value return on the valuation date. The plan does not provide for post-retirement benefit increase; therefore, no actuarial inflation assumptions are required.

Fire – Three-Year Trend Information

	<u>Annual pension cost (APC)</u>	<u>% of APC contributed</u>	<u>Net pension obligation</u>
Year ending:			
09/30/04	\$ —	100%	(402,960)
09/30/03	—	100%	(293,816)
09/30/02	—	100%	(238,105)

The components of the annual pension cost for the year ended September 30, 2004 are as follows:

Actuarially determined contribution	\$ —
Interest on net pension obligation	(24,974)
Adjustment to annual required contribution	<u>26,731</u>
	<u>\$ 1,757</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Statements of fiduciary net assets and statements of changes in fiduciary net assets for the City's defined benefit pension plans are as follows, as of and for the year ended September 30, 2004:

Statements of Fiduciary Net Assets

	General Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 1,237,609	1,029,199	710,932
Receivables:			
Accounts	358,869	90,446	64,643
Investments, at fair value:			
Corporate bonds	3,688,197	2,440,766	1,706,143
U.S. Government securities	3,440,415	3,084,610	2,108,330
Common stock	18,973,624	12,100,756	9,300,782
Mortgage – backed securities	1,662,604	1,266,584	874,113
Total investments	<u>27,764,840</u>	<u>18,892,716</u>	<u>13,989,368</u>
Total assets	<u>29,361,318</u>	<u>20,012,361</u>	<u>14,764,943</u>
Net assets:			
Held in trust for pension benefits	\$ <u>29,361,318</u>	<u>20,012,361</u>	<u>14,764,943</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

Statements of Changes in Fiduciary Net Assets

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Additions:			
Contributions:			
Employee contributions	\$ 426,708	339,673	170,156
Employer contributions	609,143	365,900	110,901
State contributions	—	784,882	857,887
Total contributions	<u>1,035,851</u>	<u>1,490,455</u>	<u>1,138,944</u>
Investment earnings:			
Interest and dividend income	751,320	497,195	368,162
Net appreciation (depreciation) in fair value of investments	1,899,044	1,033,869	728,226
Less investment expense	<u>(152,753)</u>	<u>(93,198)</u>	<u>(73,152)</u>
Net investment earnings	<u>2,497,611</u>	<u>1,437,866</u>	<u>1,023,236</u>
Total additions	<u>3,533,462</u>	<u>2,928,321</u>	<u>2,162,180</u>
Deductions:			
Benefits paid	1,547,107	647,280	394,505
Refunds of contributions	175,878	14,631	3,878
General administration	<u>43,444</u>	<u>23,855</u>	<u>33,354</u>
Total deductions	<u>1,766,429</u>	<u>685,766</u>	<u>431,737</u>
Changes in net assets	1,767,033	2,242,555	1,730,443
Net assets – beginning of year	<u>27,594,285</u>	<u>17,769,806</u>	<u>13,034,500</u>
Net assets – end of year	<u>\$ 29,361,318</u>	<u>20,012,361</u>	<u>14,764,943</u>

(K) Employee Retirement Savings Plans

i. Supplemental Retirement Savings Plan

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 99-8642. The Plan Ordinance may be amended by the City Council after public notice has been made, two public readings are conducted and one public hearing held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system's or entity's financial report. Membership is

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

voluntary and includes all full time employees who have completed 6 months employment with the City. Persons rendering services on a contractual basis are excluded from participation in this plan, as well as temporary and seasonal employees and persons covered by the International Association of Firefighters (IAFF) or the Fraternal Order of Police (FOP).

The plan, which started on April 1, 1995, has a plan year date of April 1. Vesting is:

Employee contributions:
100% – Immediately
Employer contributions:
25% – Year 1
50% – Year 2
100% – Year 3

The Plan is a defined contribution plan. Plan members are required to contribute 3% of annual base pay to the Plan and the City is required to contribute 2% of the employee's annual base pay. Plan provision and contribution requirements are established and may be amended by the City Council. The plan falls under IRC Code Section 401(a)(17) and IRC 414(s) rules.

As of September 30, 2004 there were 226 active Plan members. The City's contribution for the year was \$185,000. Covered payroll for the year ended September 30, 2004 was \$9,334,080. Contributions and earnings are returned to participants upon retirement or termination. Employee contributions were \$280,024 for the year ended September 30, 2004.

The City's Supplemental Retirement Savings Plan accounts for its financial activities using the accrual basis of accounting. Employer and all member contributions are recognized in the period that contributions are due.

All investments are reported at their fair value. All investments are directed by Plan participants, including the nonvested portion of the City's contributions, if any. Plan participants may elect to allocate investments among different mutual funds and fixed return funds. No individual stocks, bonds or other investments are held within the Plan. Plan administrators are Nationwide, VALIC Insurance, and ICMA.

ii. Managers' Retirement Savings Plan

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Resolution, the most recent of which is Resolution #96-7751. The Plan Resolution authorizes participation in the Plan by exempting managers from participating in the General Pension Retirement Plan. The Plan does not issue a stand-alone financial report and is not included in any other retirement system's or entity's financial report. Membership is voluntary and includes all full time employees whose service to the city is rendered on a contractual or fee basis except the city attorney.

Vesting in Employee and Employer contributions 100% – Immediately

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

The Plan is a defined contribution plan. Plan members are required to contribute 3% of annual base pay to the Plan and the City is required to contribute 7% of the employee's annual base pay. Plan provision and contribution requirements are established and may be amended by the City Council. The plan falls under IRC Code Section 401(a)(17) and IRC 414(s) rules.

As of September 30, 2004, there were four active Plan members and eight retired and terminated members who have maintained account balances. The City's contribution for the year was \$28,134. Covered payroll for the year ended September 30, 2004 was \$401,910. Employee contributions were \$12,057 for the year ended September 30, 2004.

The City's Managers' Retirement Savings Plan accounts for its financial activities using the accrual basis of accounting. Employer and all member contributions are recognized in the period that the contributions are due.

All investments are reported at their fair value. All investments are directed by Plan participants, including the City's contributions. Plan participants may elect to allocate investments among a variety of mutual funds holding U.S. Government and Agency securities, corporate and asset-backed bonds, common stocks and a variety of money market-type instruments. No individual stocks, bonds or other investments are held within the Plan. Plan administrators are ICMA Retirement Corporation and VALIC Insurance.

(L) Contingencies

i. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City that the resolution of these matters will not have a material adverse effect to the financial condition of the City.

ii. Federal and State Assistance Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

iii. Self-Insurance Funds

Since 1981, the City has been self-insured for workers' compensation, general liability, automobile liability, and the deductible portion of all insured risks. The insurance program established by the City has not changed from fiscal year 2003 with the exception of a minor increase in premiums.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

The City is responsible for the first \$100,000 – \$150,000 per occurrence and purchases excess insurance against catastrophic losses. Policies are maintained to provide coverage for all individual claims in excess of the amounts shown:

Property damage	\$	150,000
Third party liability		100,000
Workers' compensation		150,000
Blanket bond and money and securities		25,000
Employee medical		75,000
Aggregate losses		900,000

The liability for unpaid claims is estimated based upon historical actual results adjusted for current economic trends. The estimated claims liability for all self-insured risks are reported as claims payable in the Risk Management and Health Benefits Internal Service funds which include an estimate for incurred but not reported claims. In addition, reimbursements from excess loss reinsurers are netted against claims expenses, as applicable, in the Risk Management and Health Benefits Internal Service funds. During the current year, \$47,197 and \$38,733 of excess loss reimbursements were recorded in the Risk Management Fund and Health Benefits Fund, respectively.

Estimated liabilities for unpaid claims are based on estimates of pending claims and claims incurred but not reported at September 30, 2004. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2004, \$2,491,000 was accrued for estimated self-insurance claims. For the past three fiscal years the City of Naples insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

A reconciliation of estimated claims liabilities is as follows:

	<u>Risk management</u>	<u>Health benefits</u>	<u>Total</u>
Balance September 30, 2002	\$ 1,407,000	764,035	2,171,035
Current year claims incurred and change in estimates	1,860,896	2,107,160	3,968,056
Claim payments	<u>(1,792,896)</u>	<u>(2,441,195)</u>	<u>(4,234,091)</u>
Balance September 30, 2003	1,475,000	430,000	1,905,000
Current year claims incurred and change in estimates	1,927,311	3,559,612	5,486,923
Claim payments	<u>(1,696,311)</u>	<u>(3,204,612)</u>	<u>(4,900,923)</u>
Balance September 30, 2004	\$ <u>1,706,000</u>	<u>785,000</u>	<u>2,491,000</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2004

iv. Construction Projects

At September 30, 2004, the City had commitments for the completion of various construction projects totaling by fund:

Capital Projects Fund	\$	232,407
Community Redevelopment Fund		1,261,028
Streets Fund		521,888
Water and Sewer Fund		20,408
Naples Beach Fund		57,219
Stormwater Fund		104,490
	\$	<u>2,197,440</u>

v. Hurricane Charley

In August and September 2004, the State of Florida was hit by a series of severe hurricanes. One of the hurricanes, Charley, significantly impacted the City, leaving substantial debris in its wake. Clean-up and debris-removal costs incurred by the City as a result of the hurricane amounted to approximately \$472,000 for the year ended September 30, 2004. The City expects that hurricane costs incurred will be substantially reimbursed by federal and state agencies and has recorded reimbursement revenues amounting to approximately \$424,000 for the year ended September 30, 2004.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2004

(Unaudited)

General Pension Plan

Schedule of Funding Progress

(In thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) (note 1)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
10/01/04	\$ 32,966	38,022	5,055	87%	10,946	46%
10/01/03	33,113	35,356	2,243	94%	11,297	20%
10/01/02	34,466	35,661	1,194	97%	10,426	11%
10/01/01	35,556	35,556	—	100%	9,591	0%
10/01/00	34,951	34,951	—	100%	9,194	0%
10/01/99	31,732	31,732	—	100%	8,157	0%

Note 1: The Pension Plan utilized the Aggregate Cost Method for funding purposes (effective October 1, 1997). This method does not identify or separately amortize unfunded actuarial liabilities. Effective October 1, 2002, the Plan utilizes the Entry Age Normal Cost Method.

General Pension Plan

Schedule of Employer Contributions From Employer and Other Entities

(In thousands)

<u>Fiscal year ended:</u>	<u>Required annual contribution</u>	<u>Employer actual contribution</u>	<u>Percentage contributed</u>
09/30/04	\$ 839	839	100%
09/30/03	185	371	201%
09/30/02	294	294	100%
09/30/01	234	246	105%
09/30/00	38	230	605%
09/30/99	143	208	145%

See accompanying independent auditors' report.

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2004

(Unaudited)

Police Officers' Pension Plan

Schedule of Funding Progress

(In thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) (note 1)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
10/01/04	\$ 19,586	27,603	8,017	71%	3,919	205%
10/01/03	18,766	25,203	6,437	74%	3,876	166%
10/01/02	18,414	23,344	4,930	79%	3,178	155%
10/01/01	17,984	20,181	2,197	89%	3,086	71%
10/01/00	17,074	19,407	2,333	88%	3,093	75%
10/01/99	14,965	16,593	1,628	90%	2,761	59%

Note 1: The Pension Plan utilized the Aggregate Cost Method for funding purposes (effective October 1, 1995). This method does not identify or separately amortize unfunded actuarial liabilities. Effective October 1, 2002, the Plan utilizes the Entry Age Normal Cost Method.

Police Officers' Pension Plan

Schedule of Contributions From Employer and Other Entities

(In thousands)

	<u>Required annual contribution</u>	<u>Employer actual contribution</u>	<u>State actual contribution</u>	<u>Percentage contributed</u>
Fiscal year ended:				
09/30/04	\$ 781	366	663	132%
09/30/03	648	147	663	125%
09/30/02	611	118	501	101%
09/30/01	563	150	501	116%
09/30/00	385	78	501	150%
09/30/99	449	78	501	129%

See accompanying independent auditors' report.

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2004

(Unaudited)

**Firefighters' Pension Plan
Schedule of Funding Progress**

(In thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) (note 1)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
10/01/04	\$ 15,025	21,605	6,580	70%	2,761	238%
10/01/03	14,328	19,057	4,729	75%	2,618	181%
10/01/02	13,360	16,253	2,893	82%	2,367	122%
10/01/01	13,079	14,207	1,128	92%	2,176	52%
10/01/00	12,098	13,298	1,200	91%	2,115	57%
10/01/99	10,374	10,705	331	97%	1,721	19%

Note 1: The Pension Plan utilized the Aggregate Cost Method for funding purposes (effective October 1, 1995). This method does not identify or separately amortize unfunded actuarial liabilities. Effective October 1, 2002, the Plan uses the Entry Age Normal Cost Method.

**Firefighters' Pension Plan
Schedule of Contributions From Employer and Other Entities**

(In thousands)

	<u>Required annual contribution</u>	<u>Employer actual contribution</u>	<u>State actual contribution</u>	<u>Percentage contributed</u>
Fiscal year ended:				
09/30/04	\$ 682	111	709	120%
09/30/03	604	57	709	127%
09/30/02	468	57	655	152%
09/30/01	548	57	576	116%
09/30/00	277	57	555	221%
09/30/99	279	57	436	177%

See accompanying independent auditors' report.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Building and Zoning Fund

To account for the activities related to the construction industry in the City.

Community Development Block Grant

To account for Federal Grants received from the U.S. Department of Housing and Urban Development for home improvement grants for qualified recipients, and other community improvement projects in qualifying areas of the City.

Improvement Fund

To account for donations from private individuals for a specific City project.

Confiscated Properties Fund

To account for monies received pursuant to sales of confiscated properties.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Land Conservation Trust Fund

To account for the receipt and disbursement of monies used for the acquisition of park land.

East Naples Bay District

To account for the receipt and disbursement of monies used for the purpose of maintenance dredging in the canals and waterways within the area or boundary of the Districts of East Naples Bay.

Moorings Bay District

To account for the receipt and disbursement of monies used for the purpose of maintenance dredging in the canals and waterways within the area or boundary of the District of Moorings Bay and Park Shore Units 2 and 5.

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2004

	Special revenue		
	Building and Zoning Fund	Community Development Block Grant	Improvement Fund
Assets:			
Cash and investments	\$ 3,172,671	—	211,732
Accounts receivable	4,800	—	2,852
Due from other funds	50,211	—	—
Due from other governments	422	2,270	—
Total assets	\$ 3,228,104	2,270	214,584
Liabilities:			
Accounts payable	\$ 363,752	91	448
Accrued payroll	45,108	—	—
Advances payable to other funds	—	41,675	—
Deferred revenue	4,800	—	2,852
Total liabilities	413,660	41,766	3,300
Fund balances:			
Reserved for other purposes	—	—	211,284
Unreserved:			
Undesignated (deficit)	2,814,444	(39,496)	—
Total fund balances (deficit)	2,814,444	(39,496)	211,284
Total liabilities and fund balances	\$ 3,228,104	2,270	214,584

See accompanying independent auditors' report.

Capital projects

Confiscated Properties Funds	Land Conservation Trust Fund	East Naples Bay District	Moorings Bay District	Total Non-major Governmental
20,862	37,395	306,601	757,948	4,507,209
—	—	—	—	7,652
—	50,211	—	—	100,422
—	—	—	—	2,692
<u>20,862</u>	<u>87,606</u>	<u>306,601</u>	<u>757,948</u>	<u>4,617,975</u>
1,636	—	—	1,644	367,571
—	—	—	—	45,108
—	—	—	—	41,675
—	—	—	—	7,652
<u>1,636</u>	<u>—</u>	<u>—</u>	<u>1,644</u>	<u>462,006</u>
—	—	—	1,790	213,074
<u>19,226</u>	<u>87,606</u>	<u>306,601</u>	<u>754,514</u>	<u>3,942,895</u>
<u>19,226</u>	<u>87,606</u>	<u>306,601</u>	<u>756,304</u>	<u>4,155,969</u>
<u>20,862</u>	<u>87,606</u>	<u>306,601</u>	<u>757,948</u>	<u>4,617,975</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended September 30, 2004

	<u>Special revenue</u>			
	<u>Building and Zoning Fund</u>	<u>Community Development Block Grant</u>	<u>Improvement Fund</u>	<u>Confiscated Properties Fund</u>
Revenues:				
Taxes – property	\$ —	—	—	—
Licenses and permits	2,786,497	—	—	—
Intergovernmental	—	—	—	4,220
Charges for services	186,145	10,000	—	—
Fines and forfeitures	3,717	—	—	15,425
Interest	40,510	—	—	225
Donations	—	—	111,169	—
Miscellaneous	7,320	—	—	—
Total revenues	<u>3,024,189</u>	<u>10,000</u>	<u>111,169</u>	<u>19,870</u>
Expenditures:				
Current:				
General government	—	—	17,714	—
Public safety	2,140,657	—	45,468	17,040
Economic and physical development	—	2,888	—	—
Culture and recreation	—	—	44,921	—
Capital outlay:				
Public safety	27,013	—	—	5,627
Total expenditures	<u>2,167,670</u>	<u>2,888</u>	<u>108,103</u>	<u>22,667</u>
Excess (deficiency) of revenues over expenditures	856,519	7,112	3,066	(2,797)
Other financing sources (uses):				
Transfers out:				
Debt service fund	—	—	—	—
Proceeds from sale of capital assets	—	—	—	326
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>326</u>
Change in fund balances	856,519	7,112	3,066	(2,471)
Fund balances (deficit) – beginning of year	<u>1,957,925</u>	<u>(46,608)</u>	<u>208,218</u>	<u>21,697</u>
Fund balances (deficit)– end of year	\$ <u><u>2,814,444</u></u>	<u><u>(39,496)</u></u>	<u><u>211,284</u></u>	<u><u>19,226</u></u>

See accompanying independent auditors' report.

Capital projects

Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Non-major Governmental
—	150,661	26,413	177,074
—	—	—	2,786,497
—	—	—	4,220
—	—	—	196,145
—	—	—	19,142
5,236	4,666	10,636	61,273
—	—	—	111,169
950,075	—	—	957,395
<u>955,311</u>	<u>155,327</u>	<u>37,049</u>	<u>4,312,915</u>
—	—	—	17,714
—	—	—	2,203,165
—	196	31,605	34,689
—	—	—	44,921
—	—	—	32,640
—	196	31,605	2,333,129
<u>955,311</u>	<u>155,131</u>	<u>5,444</u>	<u>1,979,786</u>
(1,310,377)	(61,564)	—	(1,371,941)
—	—	—	326
<u>(1,310,377)</u>	<u>(61,564)</u>	<u>—</u>	<u>(1,371,615)</u>
(355,066)	93,567	5,444	608,171
442,672	213,034	750,860	3,547,798
<u>87,606</u>	<u>306,601</u>	<u>756,304</u>	<u>4,155,969</u>

CITY OF NAPLES, FLORIDA

Nonmajor Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year ended September 30, 2004

	Building and Zoning Fund			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Licenses and permits	\$ 2,391,300	2,391,300	2,786,497	395,197
Intergovernmental	—	—	—	—
Charges for services	184,600	184,600	186,145	1,545
Fines and forfeitures	1,000	1,000	3,717	2,717
Interest	10,000	10,000	40,510	30,510
Miscellaneous	—	37,332	7,320	—
Total revenues	<u>2,586,900</u>	<u>2,624,232</u>	<u>3,024,189</u>	<u>429,969</u>
Expenditures:				
General government	—	—	—	—
Public safety	2,586,900	2,624,232	2,167,670	456,562
Economic and physical development	—	—	—	—
Culture and recreation	—	—	—	—
Total expenditures	<u>2,586,900</u>	<u>2,624,232</u>	<u>2,167,670</u>	<u>456,562</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>856,519</u>	<u>(26,593)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	—	—	—	—
Change in fund balances	—	—	856,519	856,519
Fund balances – beginning of year	<u>1,602,646</u>	<u>1,602,646</u>	<u>1,957,925</u>	<u>355,279</u>
Fund balances – end of year	<u>\$ 1,602,646</u>	<u>1,602,646</u>	<u>2,814,444</u>	<u>1,211,798</u>

See accompanying independent auditors' report.

Community Development Block Grant				Improvement Fund		
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original and final budget	Actual	Variance with final budget positive (negative)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	10,000	10,000	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	111,169	111,169
—	—	10,000	10,000	—	111,169	111,169
—	—	—	—	—	17,714	(17,714)
—	—	—	—	—	45,468	(45,468)
—	—	2,888	(2,888)	—	—	—
—	—	—	—	—	44,921	(44,921)
—	—	2,888	(2,888)	—	108,103	(108,103)
—	—	7,112	7,112	—	3,066	3,066
—	—	—	—	—	—	—
—	—	7,112	7,112	—	3,066	3,066
(46,608)	(46,608)	(46,608)	—	173,976	208,218	34,242
(46,608)	(46,608)	(39,496)	7,112	173,976	211,284	37,308

(Continued)

CITY OF NAPLES, FLORIDA
Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Year ended September 30, 2004

	Confiscated Properties Fund			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Licenses and permits	—	—	—	—
Intergovernmental	—	4,220	4,220	—
Charges for services	—	—	—	—
Fines and forfeitures	—	15,432	15,425	(7)
Interest	—	—	225	225
Miscellaneous	—	—	—	—
Total revenues	<u>—</u>	<u>19,652</u>	<u>19,870</u>	<u>218</u>
Expenditures:				
General government	—	—	—	—
Public safety	—	—	—	—
Economic and physical development	—	19,652	22,667	(3,015)
Culture and recreation	—	—	—	—
Total expenditures	<u>—</u>	<u>19,652</u>	<u>22,667</u>	<u>(3,015)</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>(2,797)</u>	<u>(2,797)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	—	—	326	(326)
Change in fund balances	—	—	(2,471)	(2,471)
Fund balances – beginning of year	<u>21,697</u>	<u>21,697</u>	<u>21,697</u>	<u>—</u>
Fund balances – end of year	<u><u>21,697</u></u>	<u><u>21,697</u></u>	<u><u>19,226</u></u>	<u><u>(2,471)</u></u>

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CITY OF NAPLES, FLORIDA
 Nonmajor Capital Projects Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year ended September 30, 2004

	Land Conservation Trust Fund			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Taxes:				
Property	\$ —	—	—	—
Interest	—	—	5,236	5,236
Miscellaneous	—	—	950,075	950,075
Total revenues	<u>—</u>	<u>—</u>	<u>955,311</u>	<u>955,311</u>
Expenditures:				
General government	—	—	—	—
Economic and physical development	—	—	—	—
Capital outlay:				
Economic and physical development	—	—	—	—
Total capital projects	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>955,311</u>	<u>(955,311)</u>
Other financing sources (uses):				
Transfers out	—	(1,310,377)	(1,310,377)	—
Total other financing sources (uses)	<u>—</u>	<u>(1,310,377)</u>	<u>(1,310,377)</u>	<u>—</u>
Net changes in fund balances	—	(1,310,377)	(355,066)	(955,311)
Fund balances – beginning of year	2,345,855	2,345,855	442,672	(1,903,183)
Fund balances – end of year	<u>\$ 2,345,855</u>	<u>1,035,478</u>	<u>87,606</u>	<u>(2,858,494)</u>

See accompanying independent auditors' report.

East Naples Bay District				Moorings Bay District			
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original budget	Final budget	Actual	Variance with final budget positive (negative)
148,244	148,244	150,661	2,417	26,188	26,188	26,413	225
2,000	2,000	4,666	2,666	20,000	20,000	10,636	(9,364)
—	—	—	—	—	75,960	—	(75,960)
150,244	150,244	155,327	5,083	46,188	122,148	37,049	(85,099)
—	—	—	—	—	—	—	—
88,680	88,680	196	88,484	46,188	102,960	31,605	71,355
—	—	—	—	—	19,188	—	19,188
—	—	—	—	—	19,188	—	19,188
88,680	88,680	196	88,484	46,188	122,148	31,605	90,543
61,564	61,564	155,131	(93,567)	—	—	5,444	5,444
—	—	—	—	—	—	—	—
(61,564)	(64,564)	(61,564)	—	—	—	—	—
—	(3,000)	93,567	(93,567)	—	—	5,444	5,444
207,263	207,263	213,034	5,771	720,174	720,174	750,860	30,686
207,263	204,263	306,601	(87,796)	720,174	720,174	756,304	36,130

CITY OF NAPLES, FLORIDA

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Year ended September 30, 2004

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 822,860	822,860	833,675	10,815
Utility	3,084,140	3,084,140	3,325,965	241,825
Interest	30,000	30,000	25,240	(4,760)
Total revenues	<u>3,937,000</u>	<u>3,937,000</u>	<u>4,184,880</u>	<u>247,880</u>
Expenditures:				
Current:				
General government	64,000	64,000	64,000	—
Total general government	<u>64,000</u>	<u>64,000</u>	<u>64,000</u>	<u>—</u>
Debt service:				
Principal	1,083,379	1,083,379	1,083,379	—
Interest and fiscal charges	1,089,033	1,175,075	1,031,533	143,542
Total debt service	<u>2,172,412</u>	<u>2,258,454</u>	<u>2,114,912</u>	<u>143,542</u>
Total expenditures	<u>2,236,412</u>	<u>2,322,454</u>	<u>2,178,912</u>	<u>143,542</u>
Excess of revenues over expenditures	<u>1,700,588</u>	<u>1,614,546</u>	<u>2,005,968</u>	<u>391,422</u>
Other financing sources (uses):				
Transfers in	522,665	2,462,665	2,462,665	—
Transfers out	(2,223,253)	(2,223,253)	(2,496,177)	(272,924)
Proceeds from issuance of debt	—	3,170,000	3,170,000	—
Payments to refunded bond escrow agent	—	(5,023,958)	(5,021,684)	2,274
Total other financing sources (uses)	<u>(1,700,588)</u>	<u>(1,614,546)</u>	<u>(1,885,196)</u>	<u>(270,650)</u>
Change in fund balances	—	—	120,772	120,772
Fund balances – beginning of year	1,559,613	1,559,613	1,559,613	—
Fund balances – end of year	<u>\$ 1,559,613</u>	<u>1,559,613</u>	<u>1,680,385</u>	<u>120,772</u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Capital Projects Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual

Year ended September 30, 2004

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Intergovernmental	—	60,258	69,112	8,854
Special assessments	—	—	63,429	63,429
Impact fees	164,600	164,600	9,335	(155,265)
Interest	210,000	210,000	221,409	11,409
Miscellaneous	15,000	15,000	46,904	31,904
Total revenues	<u>389,600</u>	<u>449,858</u>	<u>410,189</u>	<u>(39,669)</u>
Expenditures:				
Current:				
General government	243,000	243,000	242,997	(3)
Total general government	<u>243,000</u>	<u>243,000</u>	<u>242,997</u>	<u>(3)</u>
Capital outlay:				
City Manager	78,500	78,500	4,967	73,533
Planning	—	20,000	14,393	5,607
Finance	—	30,400	—	30,400
Fire	524,500	783,513	135,019	648,494
Police	338,710	482,573	335,973	146,600
Natural resources	—	20,000	—	20,000
Development services	401,705	904,920	182,149	722,771
Community services	871,877	1,340,886	693,110	647,776
Nondepartmental	315,746	5,494,828	1,442,113	4,052,715
Total capital projects	<u>2,531,038</u>	<u>9,155,620</u>	<u>2,807,724</u>	<u>6,347,896</u>
Total expenditures	<u>2,774,038</u>	<u>9,398,620</u>	<u>3,050,721</u>	<u>6,347,893</u>
Excess of expenditures over revenues	<u>(2,384,438)</u>	<u>(8,948,762)</u>	<u>(2,640,532)</u>	<u>(6,387,562)</u>
Other financing sources (uses):				
Transfers in	2,384,438	3,694,815	3,806,554	111,739
Transfers out	—	(1,940,000)	(1,940,000)	—
Proceeds from sale of capital assets	—	—	4,002,797	4,002,797
Total other financing sources	<u>2,384,438</u>	<u>1,754,815</u>	<u>5,869,351</u>	<u>4,114,536</u>
Net changes in fund balances	—	(7,193,947)	3,228,819	10,422,766
Fund balances – beginning of year	10,036,111	10,036,111	10,036,111	—
Fund balances – end of year	<u>\$ 10,036,111</u>	<u>2,842,164</u>	<u>13,264,930</u>	<u>10,422,766</u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Community Redevelopment Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual

Year ended September 30, 2004

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 382,000	382,000	381,150	(850)
Intergovernmental	1,188,130	1,188,130	1,331,833	143,703
Interest	78,000	78,000	69,776	(8,224)
Total revenues	<u>1,648,130</u>	<u>1,648,130</u>	<u>1,782,759</u>	<u>134,629</u>
Expenditures:				
Physical and economic environment:				
Economic development	3,819,258	4,400,822	498,994	3,901,828
Interest and advances to other funds	461,130	461,130	86,826	374,304
Total physical and economic environment	<u>4,280,388</u>	<u>4,861,952</u>	<u>585,820</u>	<u>4,276,132</u>
Total expenditures	<u>4,280,388</u>	<u>4,861,952</u>	<u>585,820</u>	<u>4,276,132</u>
Excess (deficiency) of revenues over expenditures	<u>(2,632,258)</u>	<u>(3,213,822)</u>	<u>1,196,939</u>	<u>4,410,761</u>
Other financing sources (uses):				
Transfers out	<u>(395,066)</u>	<u>(395,066)</u>	<u>(461,101)</u>	<u>(66,035)</u>
Total other financing sources (uses)	<u>(395,066)</u>	<u>(395,066)</u>	<u>(461,101)</u>	<u>(66,035)</u>
Net changes in fund balances	<u>(3,027,324)</u>	<u>(3,608,888)</u>	<u>735,838</u>	<u>4,344,726</u>
Fund balances – beginning of year	<u>(1,638,379)</u>	<u>(2,280,489)</u>	<u>1,860,585</u>	<u>4,141,074</u>
Fund balances – end of year	<u><u>\$ (4,665,703)</u></u>	<u><u>(5,889,377)</u></u>	<u><u>2,596,423</u></u>	<u><u>8,485,800</u></u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Streets and Traffic Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual

Year ended September 30, 2004

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Motor fuel taxes	\$ 1,980,000	1,980,000	1,731,941	(248,059)
Licenses and permits	—	—	27,200	27,200
Intergovernmental	230,000	768,946	395,247	(373,699)
Impact fees	200,000	200,000	200,000	—
Interest	35,000	35,000	57,168	22,168
Miscellaneous	5,000	5,000	19,948	14,948
Total revenues	<u>2,450,000</u>	<u>2,988,946</u>	<u>2,431,504</u>	<u>(557,442)</u>
Expenditures:				
Current:				
Transportation:				
Developmental services	<u>2,566,875</u>	<u>4,692,029</u>	<u>2,220,256</u>	<u>2,471,773</u>
Total transportation	<u>2,566,875</u>	<u>4,692,029</u>	<u>2,220,256</u>	<u>2,471,773</u>
Total expenditures	<u>2,566,875</u>	<u>4,692,029</u>	<u>2,220,256</u>	<u>2,471,773</u>
Excess (deficiency) of revenues over expenditures	<u>(116,875)</u>	<u>(1,703,083)</u>	<u>211,248</u>	<u>1,914,331</u>
Other financing sources (uses):				
Transfers in	73,335	73,335	—	73,335
Proceeds from sale of capital assets	—	—	5	5
Total other financing sources (uses)	<u>73,335</u>	<u>73,335</u>	<u>5</u>	<u>73,340</u>
Net changes in fund balances	(43,540)	(1,629,748)	211,253	1,841,001
Fund balances – beginning of year	<u>2,767,218</u>	<u>848,277</u>	<u>2,982,675</u>	<u>2,134,398</u>
Fund balances – end of year	\$ <u><u>2,723,678</u></u>	<u><u>(781,471)</u></u>	<u><u>3,193,928</u></u>	<u><u>3,975,399</u></u>

See accompanying independent auditors' report.

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Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of net income is appropriate for accountability purposes.

Naples Beach Fund

To account for funds used in the construction of City beach improvements and beach maintenance. Financed mostly through parking meter revenue at the City's beach and related fines.

City Dock Fund

To account for funds used in the construction of the City's dock and the subsequent operations of the dock. Repayment of any funding will be provided through user charges.

Tennis Fund

To account for funds used in the construction of the City's Tennis Courts and subsequent operations of the tennis facility. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, billings and collections.

CITY OF NAPLES, FLORIDA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2004

Assets	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
	_____	_____	_____	_____
Current assets:				
Cash and investments	\$ —	583,350	80,369	663,719
Restricted cash and investments	—	7,587	—	7,587
Restricted prepaid items	—	—	16,170	16,170
Receivables (net, where applicable, of allowance for uncollectible):				
Accounts	46,857	4,874	—	51,731
Miscellaneous	—	7,027	—	7,027
Due from other governments	507,691	897	—	508,588
Inventories	—	17,910	6,810	24,720
Total current assets	554,548	621,645	103,349	1,279,542
Deferred charges	—	1,837	2,869	4,706
Capital assets:				
Buildings and utility plants	1,128,564	89,487	703,269	1,921,320
Improvements other than buildings	3,831,539	2,230,032	4,195	6,065,766
Equipment	602,920	197,359	22,114	822,393
Accumulated depreciation	(2,580,711)	(1,979,448)	(200,541)	(4,760,700)
Construction in progress	14,413	98,920	—	113,333
Net capital assets	2,996,725	636,350	529,037	4,162,112
Total assets	\$ 3,551,273	1,259,832	635,255	5,446,360

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2004

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Current liabilities:				
Accounts payable	\$ 28,324	32,088	11,909	72,321
Accrued payroll and personnel leave	19,972	7,966	5,814	33,752
Due to other funds	179,582	—	—	179,582
Deferred revenue	46,857	36,508	31,973	115,338
Customer deposits	677	22,391	—	23,068
Current portion of compensated absences	2,943	678	634	4,255
Current maturities of long-term debt	—	19,310	36,528	55,838
Total current liabilities	<u>278,355</u>	<u>118,941</u>	<u>86,858</u>	<u>484,154</u>
Current liabilities (payable from restricted assets):				
Current maturities of long-term debt	—	6,855	3,472	10,327
Accrued interest payable	—	732	12,698	13,430
Total current liabilities (payable from restricted assets)	<u>—</u>	<u>7,587</u>	<u>16,170</u>	<u>23,757</u>
Noncurrent liabilities:				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	—	31,035	530,000	561,035
Compensated absences	13,408	3,089	2,888	19,385
Total noncurrent liabilities	<u>13,408</u>	<u>34,124</u>	<u>532,888</u>	<u>580,420</u>
Total liabilities	<u>291,763</u>	<u>160,652</u>	<u>635,916</u>	<u>1,088,331</u>
Net Assets				
Invested in capital assets, net of related debt	2,996,725	579,150	(40,963)	3,534,912
Restricted for debt service	—	7,714	—	7,714
Unrestricted	262,785	512,316	40,302	815,403
Total net assets	<u>\$ 3,259,510</u>	<u>1,099,180</u>	<u>(661)</u>	<u>4,358,029</u>

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CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenses and Changes in Fund Balances

Nonmajor Enterprise Funds

Year ended September 30, 2004

	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Operating revenues:				
Charges for services	\$ 815,640	1,622,706	459,358	2,897,704
Total operating revenues	<u>815,640</u>	<u>1,622,706</u>	<u>459,358</u>	<u>2,897,704</u>
Operating expenses:				
Personal services	581,055	212,230	172,604	965,889
Supplies and services	151,153	924,645	181,435	1,257,233
Materials	—	—	2,705	2,705
Heat, light, and power	67,178	60,801	5,744	133,723
Depreciation and amortization	516,986	160,671	37,083	714,740
General administration	201,000	112,000	24,000	337,000
Other	66,685	—	22,175	88,860
Total operating expenses	<u>1,584,057</u>	<u>1,470,347</u>	<u>445,746</u>	<u>3,500,150</u>
Operating income (loss)	<u>(768,417)</u>	<u>152,359</u>	<u>13,612</u>	<u>(602,446)</u>
Nonoperating revenues (expenses):				
Operating grants	461,611	—	—	461,611
Interest income	—	8,661	1,515	10,176
Interest expense	—	(4,140)	(32,282)	(36,422)
Gain on disposal of capital assets	5,605	—	—	5,605
Total nonoperating revenues (expenses)	<u>467,216</u>	<u>4,521</u>	<u>(30,767)</u>	<u>440,970</u>
Income (loss) before contributions and transfers	<u>(301,201)</u>	<u>156,880</u>	<u>(17,155)</u>	<u>(161,476)</u>
Capital contributions	142,819	—	—	142,819
Transfers out (payment in lieu of taxes)	—	(12,000)	—	(12,000)
Change in net assets	<u>(158,382)</u>	<u>144,880</u>	<u>(17,155)</u>	<u>(30,657)</u>
Net assets – beginning of year	3,417,892	954,300	16,494	4,388,686
Net assets (deficit) – end of year	\$ <u><u>3,259,510</u></u>	<u><u>1,099,180</u></u>	<u><u>(661)</u></u>	<u><u>4,358,029</u></u>

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2004

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 750,206	1,623,933
Cash payments to suppliers	(517,984)	(1,153,342)
Cash payments to employees	(577,471)	(210,515)
Net cash provided by (used in) operating activities	<u>(345,249)</u>	<u>260,076</u>
Cash flows from noncapital financing activities:		
Operating grants	461,611	—
Net cash provided by (used in) noncapital financing activities	<u>461,611</u>	<u>—</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	—	(26,620)
Interest paid on long-term debt	—	(4,236)
Capital and operating grants and contributions	142,819	—
Proceeds from transfer/disposal of fixed assets	5,605	—
Acquisition and construction of capital assets	(264,786)	(112,518)
Net cash provided by (used in) capital and related financing activities	<u>(116,362)</u>	<u>(143,374)</u>
Cash flows from investing activities:		
Interest and investment earnings	—	8,661
Net cash provided by investing activities	<u>—</u>	<u>8,661</u>
Net increase in cash and cash equivalents	—	125,363
Cash and cash equivalents – beginning of year	<u>—</u>	<u>465,574</u>
Cash and cash equivalents – end of year	<u>\$ —</u>	<u>590,937</u>

Tennis Fund	Total
476,751	2,850,890
(233,714)	(1,905,040)
(171,785)	(959,771)
<u>71,252</u>	<u>(13,921)</u>
—	461,611
—	461,611
(35,000)	(61,620)
(26,112)	(30,348)
—	142,819
—	5,605
—	(377,304)
<u>(61,112)</u>	<u>(320,848)</u>
1,515	10,176
1,515	10,176
11,655	137,018
68,714	534,288
<u>80,369</u>	<u>671,306</u>

(Continued)

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2004

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (768,417)	152,359
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	516,986	160,671
Transfers to other funds	—	(12,000)
Changes in assets and liabilities:		
Increase in accounts receivable, net	(15,791)	(6,919)
Decrease in due from other governments	757,036	922
Increase in inventories	—	(9,666)
Increase in prepaid items	—	—
Increase (decrease) in accounts payable	(31,968)	(34,230)
Increase in accrued payroll / personal leave	7,381	2,442
Decrease in compensated absences	(3,797)	(727)
Increase in deferred revenue	14,291	6,260
Decrease in due to other funds	(821,370)	—
Increase in customer deposits	400	964
Net cash provided by (used in) operating activities	<u>\$ (345,249)</u>	<u>260,076</u>

See accompanying independent auditors' report.

Tennis Fund	Total
13,612	(602,446)
37,083	714,740
—	(12,000)
—	(22,710)
—	757,958
(1,674)	(11,340)
(892)	(892)
4,911	(61,287)
1,708	11,531
(889)	(5,413)
17,393	37,944
—	(821,370)
—	1,364
<u>71,252</u>	<u>(13,921)</u>

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Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Equipment Services Fund

To account for the costs of operating a maintenance facility for automotive equipment used by other City departments. Such costs are billed to the other departments at actual cost. Actual costs include depreciation of the garage building, improvements, and machinery and equipment used to provide the service.

Risk Management Fund

To account for the costs of operating a risk management self-insurance fund. The City has elected to self-insure up to the following amounts:

Property damage	\$	150,000
Third-party liability		100,000
Workers' compensation		150,000
Blanket bond and money and securities		25,000
Aggregate losses		900,000

Health Benefits Fund

To account for the costs of operating a health benefits self-insurance fund. The City has elected to self-insure for amounts up to \$75,000 per claim and amounts up to \$3,754,370 for aggregate losses.

Construction Management Fund

To account for the costs of the City's construction management, planning and engineering services.

Information Systems Fund

To account for the costs of operating a computer facility used by other City departments. All activities necessary to provide such services are accounted for in this fund.

CITY OF NAPLES, FLORIDA

Internal Service Funds

Combining Statement of Net Assets

September 30, 2004

Assets	Equipment services	Risk management
Current assets:		
Cash and investments	\$ 374,751	2,037,992
Receivables – miscellaneous	—	7,706
Due from other governments	8,830	—
Inventories	103,204	—
Total current assets	<u>486,785</u>	<u>2,045,698</u>
Capital assets:		
Buildings and utility plants	256,411	—
Equipment	153,370	45,409
Accumulated depreciation	(162,322)	(32,273)
Net capital assets	<u>247,459</u>	<u>13,136</u>
Total assets	<u>\$ 734,244</u>	<u>2,058,834</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 43,207	85,168
Accrued payroll and personal leave	24,149	5,233
Due to other funds	—	—
Deferred revenue	—	543
Total current liabilities	<u>67,356</u>	<u>90,944</u>
Noncurrent liabilities:		
Due within one year:		
Compensated absences	9,263	876
Insurance claims payable	—	449,853
Due in more than one year:		
Compensated absences	42,199	3,989
Insurance claims payable	—	1,256,147
Total noncurrent liabilities	<u>51,462</u>	<u>1,710,865</u>
Total liabilities	<u>118,818</u>	<u>1,801,809</u>
Net Assets		
Invested in capital assets, net of related debt	247,459	13,136
Unrestricted (deficit)	367,967	243,889
Total net assets (deficit)	<u>\$ 615,426</u>	<u>257,025</u>

See accompanying independent auditors' report.

Health benefits	Construction management	Information systems	Total
2,032,746	—	704,709	5,150,198
5,789	—	—	13,495
—	—	—	8,830
—	—	—	103,204
2,038,535	—	704,709	5,275,727
—	—	52,691	309,102
—	—	1,264,593	1,463,372
—	—	(1,030,910)	(1,225,505)
—	—	286,374	546,969
2,038,535	—	991,083	5,822,696
368	9,241	25,795	163,779
—	19,908	27,016	76,306
—	53,972	—	53,972
2,378	—	—	2,921
2,746	83,121	52,811	296,978
—	2,248	17,348	29,735
785,000	—	—	1,234,853
—	10,243	79,029	135,460
—	—	—	1,256,147
785,000	12,491	96,377	2,656,195
787,746	95,612	149,188	2,953,173
—	—	286,374	546,969
1,250,789	(95,612)	555,521	2,322,554
1,250,789	(95,612)	841,895	2,869,523

CITY OF NAPLES, FLORIDA

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Year ended September 30, 2004

	<u>Equipment services</u>	<u>Risk management</u>	<u>Health benefits</u>
Operating revenues:			
Charges for services	\$ 1,919,528	2,557,280	4,477,674
Operating expenses:			
Personal services	611,769	156,226	—
Supplies, services, and claims	421,402	2,038,830	4,250,722
Materials	530,059	—	—
Heat, light, and power	24,536	—	—
Depreciation and amortization	35,777	3,981	—
General administration	139,000	65,500	31,000
Other	30,306	15,072	—
Total operating expenses	<u>1,792,849</u>	<u>2,279,609</u>	<u>4,281,722</u>
Operating income (loss)	126,679	277,671	195,952
Nonoperating revenues:			
Interest income	1,822	19,921	24,808
Gain on sale of capital assets	37	—	—
Net income (loss)	<u>128,538</u>	<u>297,592</u>	<u>220,760</u>
Net assets (deficit)– beginning of year	<u>486,888</u>	<u>(40,567)</u>	<u>1,030,029</u>
Net assets (deficit) – end of year	\$ <u><u>615,426</u></u>	<u><u>257,025</u></u>	<u><u>1,250,789</u></u>

See accompanying independent auditors' report.

Construction management	Information systems	Total
<u>766,237</u>	<u>1,461,447</u>	<u>11,182,166</u>
615,309	811,261	2,194,565
204,318	446,426	7,361,698
400	—	530,459
—	—	24,536
—	295,731	335,489
41,000	85,000	361,500
822	153	46,353
<u>861,849</u>	<u>1,638,571</u>	<u>10,854,600</u>
(95,612)	(177,124)	327,566
—	10,857	57,408
<u>—</u>	<u>245</u>	<u>282</u>
(95,612)	(166,022)	385,256
<u>—</u>	<u>1,007,917</u>	<u>2,484,267</u>
<u>(95,612)</u>	<u>841,895</u>	<u>2,869,523</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year ended September 30, 2004

	Equipment services	Risk management
Cash flows from operating activities:		
Cash received from customers	\$ 1,912,347	2,584,856
Cash payments to suppliers	(1,203,111)	(1,819,032)
Cash payments to employees	(602,500)	(153,866)
Net cash provided by (used in) operating activities	106,736	611,958
Cash flows from noncapital and related financing activities:		
Due to other funds	—	—
Net cash used in capital and related financing activities	—	—
Cash flows from capital and related financing activities:		
Proceeds from transfer/disposal of fixed assets	37	—
Acquisition and construction of capital assets	(16,907)	(6,891)
Net cash used in capital and related financing activities	(16,870)	(6,891)
Cash flows from investing activities:		
Interest income	1,822	19,921
Net cash provided by investing activities	1,822	19,921
Net increase (decrease) in cash and cash equivalents	91,688	624,988
Cash and cash equivalents - beginning of year	283,063	1,413,004
Cash and cash equivalents - end of year	\$ 374,751	2,037,992
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 126,679	277,671
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	35,777	3,981
Changes in assets and liabilities:		
Increase (decrease) in miscellaneous receivables	1,413	28,009
Increase in due from other governments	(8,594)	—
Increase in inventories	(31,548)	—
Increase (decrease) in accounts payable	(26,260)	68,502
Increase in accrued payroll	5,437	1,276
Increase in deferred reveue	—	433
Increase in compensated absences	3,832	1,085
Increase in insurance claims payable	—	231,001
Net cash provided by (used in) operating activities	\$ 106,736	611,958

See accompanying independent auditors' report.

Health benefits	Construction management	Information systems	Total
4,472,205	766,237	1,461,447	11,197,092
(3,921,795)	(237,298)	(513,145)	(7,694,381)
—	(582,911)	(792,985)	(2,132,262)
<u>550,410</u>	<u>(53,972)</u>	<u>155,317</u>	<u>1,370,449</u>
—	53,972	—	53,972
—	53,972	—	53,972
—	—	245	282
—	—	(187,330)	(211,128)
—	—	(187,085)	(210,846)
<u>24,808</u>	<u>—</u>	<u>10,857</u>	<u>57,408</u>
<u>24,808</u>	<u>—</u>	<u>10,857</u>	<u>57,408</u>
<u>575,218</u>	<u>—</u>	<u>(20,911)</u>	<u>1,270,983</u>
<u>1,457,528</u>	<u>—</u>	<u>725,620</u>	<u>3,879,215</u>
<u>2,032,746</u>	<u>—</u>	<u>704,709</u>	<u>5,150,198</u>
195,952	(95,612)	(177,124)	327,566
—	—	295,731	335,489
(3,091)	—	—	26,331
—	—	—	(8,594)
—	—	—	(31,548)
171	9,241	18,434	70,088
—	19,908	7,691	34,312
2,378	—	—	2,811
—	12,491	10,585	27,993
355,000	—	—	586,001
<u>550,410</u>	<u>(53,972)</u>	<u>155,317</u>	<u>1,370,449</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Assets:			
Cash and investments	\$ 1,237,609	—	—
Receivables:			
Accounts	358,869	—	—
Investments, at fair value:			
Corporate bonds	3,688,197	—	—
U.S. Government securities	3,440,415	—	—
Common stock	18,973,624	—	—
Mortgage – backed securities	1,662,604	—	—
Mutual funds	—	2,786,273	833,131
Total investments	<u>27,764,840</u>	<u>2,786,273</u>	<u>833,131</u>
Total assets	<u>29,361,318</u>	<u>2,786,273</u>	<u>833,131</u>
Liabilities:			
Accounts payable	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>
Net assets:			
Held in trust for pension benefits	<u>\$ 29,361,318</u>	<u>2,786,273</u>	<u>833,131</u>

See accompanying independent auditors' report.

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
1,029,199	710,932	2,977,740
90,446	64,643	513,958
2,440,766	1,706,143	7,835,106
3,084,610	2,108,330	8,633,355
12,100,756	9,300,782	40,375,162
1,266,584	874,113	3,803,301
—	—	3,619,404
<u>18,892,716</u>	<u>13,989,368</u>	<u>64,266,328</u>
<u>20,012,361</u>	<u>14,764,943</u>	<u>67,758,026</u>
—	—	—
—	—	—
<u><u>20,012,361</u></u>	<u><u>14,764,943</u></u>	<u><u>67,758,026</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended September 30, 2004

	<u>General Pension Fund</u>	<u>Supplemental General Pension</u>	<u>Managers' 401 Pension</u>
Additions:			
Contributions:			
Employee contributions	\$ 426,708	293,345	12,057
Employer contributions	609,143	185,000	28,134
State contributions	—	—	—
Total contributions	<u>1,035,851</u>	<u>478,345</u>	<u>40,191</u>
Investment earnings:			
Interest and dividend income	751,320	184,001	64,565
Net appreciation (depreciation) in fair value of investments	1,899,044	(6,923)	(895)
Less investment expense	<u>(152,753)</u>	<u>—</u>	<u>—</u>
Net investment earnings	<u>2,497,611</u>	<u>177,078</u>	<u>63,670</u>
Total additions	<u>3,533,462</u>	<u>655,423</u>	<u>103,861</u>
Deductions:			
Benefits paid	1,547,107	—	—
Refunds of contributions	175,878	128,325	—
General administration	<u>43,444</u>	<u>—</u>	<u>—</u>
Total deductions	<u>1,766,429</u>	<u>128,325</u>	<u>—</u>
Changes in net assets	1,767,033	527,098	103,861
Net assets – beginning of year	<u>27,594,285</u>	<u>2,259,175</u>	<u>729,270</u>
Net assets – end of year	<u>\$ 29,361,318</u>	<u>2,786,273</u>	<u>833,131</u>

See accompanying independent auditors' report.

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
339,673	170,156	1,241,939
365,900	110,901	1,299,078
784,882	857,887	1,642,769
<u>1,490,455</u>	<u>1,138,944</u>	<u>4,183,786</u>
497,195	368,162	1,865,243
1,033,869	728,226	3,653,321
(93,198)	(73,152)	(319,103)
<u>1,437,866</u>	<u>1,023,236</u>	<u>5,199,461</u>
<u>2,928,321</u>	<u>2,162,180</u>	<u>9,383,247</u>
647,280	394,505	2,588,892
14,631	3,878	322,712
23,855	33,354	100,653
<u>685,766</u>	<u>431,737</u>	<u>3,012,257</u>
2,242,555	1,730,443	6,370,990
17,769,806	13,034,500	61,387,036
<u>20,012,361</u>	<u>14,764,943</u>	<u>67,758,026</u>

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OTHER SUPPLEMENTAL INFORMATION

CITY OF NAPLES, FLORIDA

Schedule of Actual Revenue, Expenses and Debt Service
Requirements as Required and Defined by the Water and Sewer Revenue
Refunding Bonds, Series 2001 and 2002

Water and Sewer – Enterprise Fund

Year ended September 30, 2004

Operating revenue:	
Water	\$ 11,955,121
Sewer	8,885,381
	<u>20,840,502</u>
Operating expenses:	
Personal services	4,568,371
Supplies and services	2,692,565
Materials	1,367,482
Heat, light, and power	2,037,640
Other	95,760
	<u>10,761,818</u>
Total operating expenses	10,761,818
Operating income	10,078,684
Other income:	
Interest	238,377
	<u>238,377</u>
Net revenue available for debt service, renewal and replacement, transfers and capital improvements	\$ <u>10,317,061</u>
Debt service requirements	\$ <u>2,962,385</u>
Debt service coverage	<u>3.48</u>
Debt service coverage requirement	<u>1.35</u>
Renewal and replacement requirements	\$ <u>936,575</u>

See accompanying independent auditors' report.

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF NAPLES, FLORIDA

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

September 30, 2004

Function and activity	Total	Land	Buildings	Improvements other than buildings & infrastructure	Machinery and equipment
General government					
Control:					
Executive	\$ 22,431	—	—	5,154	17,277
Total control	22,431	—	—	5,154	17,277
Staff agencies:					
Finance	214,681	—	131,595	1,359	81,727
Law	17,024	—	—	—	17,024
Recording and reporting	80,342	—	—	—	80,342
Human resources	6,452	—	—	—	6,452
Community development	2,754,289	548,627	44,029	1,707,754	453,879
Community redevelopment	7,418,446	51,522	4,937,328	2,416,561	13,035
Other general government	16,895,291	8,690,144	4,160,732	3,159,759	884,656
Total staff agencies	27,386,525	9,290,293	9,273,684	7,285,433	1,537,115
Total general government	27,408,956	9,290,293	9,273,684	7,290,587	1,554,392
Public safety:					
Police protection	7,220,204	—	4,178,884	139,858	2,901,462
Fire protection	5,308,817	350,978	1,875,425	156,723	2,925,691
Protective inspection	3,939,733	—	3,540,401	—	399,332
Engineering – traffic	3,828,298	—	—	3,428,812	399,486
Total public safety	20,297,052	350,978	9,594,710	3,725,393	6,625,971
Physical environment:					
Public works	354,987	37,099	102,683	7,457	207,748
Natural resources	625,601	—	—	604,813	20,788
Total physical environment	980,588	37,099	102,683	612,270	228,536
Transportation	24,207,985	556,938	196,314	23,454,733	—
Recreation	18,854,679	1,545,099	7,314,568	7,533,170	2,461,842
Total governmental funds capital assets allocated to functions	91,749,260	11,780,407	26,481,959	42,616,153	10,870,741
Construction in progress	250,420				
Total governmental funds capital assets	\$ 91,999,680				

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedule By Source

Year ended September 30, 2004

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30, 2004</u>
Governmental funds capital assets:				
Land	\$ 11,780,407	—	—	11,780,407
Buildings	26,390,594	2,339,846	(2,248,481)	26,481,959
Improvements other than buildings	21,124,553	609,711	(5,910)	21,728,354
Infrastructure	20,234,456	653,343	—	20,887,799
Machinery and equipment	9,938,820	1,022,502	(90,581)	10,870,741
Construction in progress	1,630,559	74,798	(1,454,937)	250,420
	<u>\$ 91,099,389</u>	<u>4,700,200</u>	<u>(3,799,909)</u>	<u>91,999,680</u>
Investments in governmental funds				
capital assets by source:				
Bond proceeds	26,237,133	207,669	—	26,444,802
Federal grants	4,924,919	14,108	—	4,939,027
Note proceeds	1,915,105	—	—	1,915,105
State grants	324,217	—	—	324,217
General and streets funds	18,763,500	214,656	—	18,978,156
Capital projects fund	37,125,729	2,788,696	(2,344,973)	37,569,452
Risk management fund	17,830	—	—	17,830
Contributions	1,790,956	20,135	—	1,811,091
	<u>\$ 91,099,389</u>	<u>3,245,264</u>	<u>(2,344,973)</u>	<u>91,999,680</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

CITY OF NAPLES, FLORIDA

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity

Year ended September 30, 2004

Function and activity	Balance October 1, 2003	Additions	Transfers/ retirements	Balance September 30, 2004
General government:				
Control:				
Executive	\$ 17,464	4,967	—	22,431
Total control	<u>17,464</u>	<u>4,967</u>	<u>—</u>	<u>22,431</u>
Staff agencies:				
Finance	232,595	—	(17,914)	214,681
Law	19,522	—	(2,498)	17,024
Recording and reporting	97,695	—	(17,353)	80,342
Human resources	9,755	—	(3,303)	6,452
Community development	2,732,002	22,287	—	2,754,289
Community redevelopment	7,342,721	75,725	—	7,418,446
Other general government	19,131,792	21,235	(2,257,736)	16,895,291
Total staff agencies	<u>29,566,082</u>	<u>119,247</u>	<u>(2,298,804)</u>	<u>27,386,525</u>
Total general government	<u>29,583,546</u>	<u>124,214</u>	<u>(2,298,804)</u>	<u>27,408,956</u>
Public safety:				
Police protection	6,855,950	386,725	(22,471)	7,220,204
Fire protection	5,203,659	105,158	—	5,308,817
Protective inspection	3,913,780	27,013	(1,060)	3,939,733
Engineering – traffic	3,793,626	46,224	(11,552)	3,828,298
Total public safety	<u>19,767,015</u>	<u>565,120</u>	<u>(35,083)</u>	<u>20,297,052</u>
Physical environment:				
Public works	354,987	—	—	354,987
Natural resources	625,601	—	—	625,601
Total physical environment	<u>980,588</u>	<u>—</u>	<u>—</u>	<u>980,588</u>
Transportation	23,605,867	602,118	—	24,207,985
Recreation	15,531,814	3,333,950	(11,085)	18,854,679
Total governmental funds capital assets allocated to functions	89,468,830	4,625,402	(2,344,972)	91,749,260
Construction in progress	1,630,559	74,798	(1,454,937)	250,420
Total governmental funds capital assets	\$ <u>91,099,389</u>	<u>4,700,200</u>	<u>(3,799,909)</u>	<u>91,999,680</u>

This schedule presents only the capital asset balances related to governmental funds. According, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

STATISTICAL SECTION
(Unaudited)

CITY OF NAPLES, FLORIDA

General Governmental Expenditures by Function

Last 10 fiscal years (1)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government	\$ 2,090,829	2,337,893	2,117,880	2,061,697
Planning (2)	466,859	489,502	399,650	414,270
Community Development (3)	—	—	—	—
Development Services (4)	—	—	—	—
Finance	1,431,863	1,328,046	1,016,148	914,197
Engineering (5)	—	638,880	677,552	619,669
Police	8,046,101	7,578,942	6,837,048	6,517,316
Fire	4,741,026	4,359,533	3,968,822	3,555,429
Parks and Recreation	4,914,842	4,652,042	4,676,969	4,199,158
Other	3,795,955	2,860,577	2,760,242	2,574,110
	<u>25,487,475</u>	<u>24,245,415</u>	<u>22,454,311</u>	<u>20,855,846</u>
Debt Service (6)	7,136,596	5,264,916	2,567,899	4,459,138
Total	\$ <u>32,624,071</u>	<u>29,510,331</u>	<u>25,022,210</u>	<u>25,314,984</u>

- (1) This schedule includes expenditures of the General Fund and Debt Service Fund.
- (2) Prior to 1996 Planning was in the Community Development Department. In 1996 Planning became a separate department.
- (3) Building & Zoning was included in Community Development prior to 1995. In FY 1995 Planning and Natural Resources were included in Community Development and Building & Zoning was moved to the City Manager's Department. Natural Resources is currently within the City Manager's Department.
- (4) Includes Engineering, Building & Zoning, and Natural Resources, through 1998.
- (5) 1991 Engineering and Streets expenditures are included in the General Fund; 1992 through 1995 Engineering expenditures are reported as Water and Sewer Fund expenditures, and Street expenditures are reported as Capital Projects Fund expenditures. 1996 through 1998 Engineering expenditures are included in the General Fund within Development Services. In 1999 Building & Zoning established as a separate fund.
- (6) In 1997, these expenditures included the purchase of one-third of the Pulling property and facilities maintenance division was transferred from Community Services Department to the Non-departmental Department. In 1998, these expenditures included the financing by the General Fund for the 5th Avenue Plaza.
- (7) During 1998 the City of Naples issued a bond to help the Historical Society pay for a historical house. The debt service reflects the prepayment of this debt by the Historical Society. The revenue source is in the miscellaneous category on the next schedule.

2000	1999	1998	1997	1996	1995
2,031,032	1,852,288	1,514,549	1,589,254	1,211,027	1,737,855
405,584	431,220	387,024	394,073	381,042	—
—	—	—	—	—	446,919
—	—	1,441,301	1,520,550	1,220,817	—
845,648	823,689	808,666	784,898	741,501	780,493
528,263	518,806	—	—	—	—
6,003,505	5,560,633	5,400,375	5,248,808	4,809,459	4,683,255
3,515,139	3,051,888	2,829,565	2,627,033	2,482,284	2,374,562
3,929,822	3,751,828	3,314,207	3,065,816	2,977,846	2,951,416
2,034,168	1,637,918	1,896,068	1,863,226	1,040,831	801,655
19,293,161	17,628,270	17,591,755	17,093,658	14,864,807	13,776,155
1,631,176	1,364,814	872,129	838,366	832,753	847,438
20,924,337	18,993,084	18,463,884	17,932,024	15,697,560	14,623,593

CITY OF NAPLES, FLORIDA

General Governmental Revenues by Source

Last 10 fiscal years (1)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Ad Valorem Tax	\$ 12,471,032	11,177,976	10,017,877	8,455,971
Franchise & Utilities Tax	6,881,521	8,592,173	8,210,553	7,309,636
Licenses & Permits (2)	279,256	263,867	238,808	279,263
Services	4,470,942	5,093,149	4,704,024	4,437,890
Fines & Forfeitures	329,123	369,694	251,142	378,336
Recreation (3)	738,793	674,188	566,798	415,486
State & Federal Shared Revenue	3,758,480	3,196,706	2,872,856	3,373,137
Earnings on Investments	216,404	232,986	225,498	532,735
Miscellaneous	45,277	22,695	208,610	26,842
Total	\$ <u>29,190,828</u>	<u>29,623,434</u>	<u>27,296,166</u>	<u>25,209,296</u>

- (1) This schedule includes revenue of the General Fund and Debt Service Funds.
- (2) Building & Zoning established as a separate fund in 1999.
- (3) The Tennis Fund was established as an enterprise fund in 1996.

2000	1999	1998	1997	1996	1995
6,713,341	5,811,829	5,490,397	5,107,777	4,778,204	4,640,280
6,748,789	6,548,706	6,398,626	6,225,965	6,069,908	5,526,802
265,682	259,441	1,849,787	1,305,287	1,565,131	1,159,750
4,269,480	4,110,041	3,945,554	3,352,946	3,156,224	2,557,634
395,528	412,284	342,296	368,023	325,591	394,262
298,328	261,752	247,911	198,866	171,587	327,568
3,187,330	2,981,243	2,853,281	2,773,745	2,571,127	2,529,015
372,619	287,252	457,472	369,658	443,332	438,011
429,190	169,516	15,299	11,584	28,162	25,513
22,680,287	20,842,064	21,600,623	19,713,851	19,109,266	17,598,835

CITY OF NAPLES, FLORIDA
Property Tax Levies and Collections
Last 10 fiscal years

Fiscal year ended	Total levy	Distribution			Collections			
		Operating	Debt service	Capital projects	Operating	%	Debt service	Capital projects
1995	\$ 5,105,430	4,794,229	—	311,201	\$ 4,641,548	96.82%	—	300,611
1996	5,162,568	4,950,264	—	212,304	4,782,271	93.61%	—	205,432
1997	5,405,630	5,277,055	—	128,575	5,120,304	97.03%	—	112,141
1998	5,816,252	5,679,517	—	136,735	5,510,953	97.03%	—	114,244
1999	6,194,416	6,014,609	—	179,807	5,868,179	97.57%	—	119,450
2000	7,180,330	7,038,154	—	142,176	6,817,457	96.86%	—	130,133
2001	9,014,005	8,028,890	858,020	127,095	7,771,452	96.79%	829,534	116,757
2002	10,767,250	9,766,697	868,813	131,740	9,434,431	96.60%	839,255	127,412
2003	12,113,826	11,081,943	863,258	168,625	10,680,212	96.37%	831,850	162,653
2004	14,365,967	13,598,680	583,805	183,482	12,018,507	88.38%	833,675	177,074

Source: Collier County Tax Collector
Collier County Tax Appraiser

CITY OF NAPLES, FLORIDA

Assessed and Estimated Actual Value of Taxable Property

Last 10 fiscal years

Assessed January 1	Fiscal year ended	Assessed value	Estimated actual value	Ratio of assessed value to estimated actual value
1994	1995	\$ 4,060,510,331	\$ 4,646,924,433	87.38%
1995	1996	4,192,041,398	4,814,534,769	87.07%
1996	1997	4,480,631,775	5,121,865,459	87.48%
1997	1998	4,826,553,552	5,527,505,886	87.32%
1998	1999	5,140,991,963	5,945,296,662	86.47%
1999	2000	5,966,815,878	7,132,841,028	83.65%
2000	2001	6,806,066,692	8,289,950,418	82.10%
2001	2002	8,488,615,092	10,721,508,162	79.17%
2002	2003	9,950,900,301	12,966,197,227	76.74%
2003	2004	12,168,219,538	15,427,299,073	78.87%

Source: Collier County Tax Appraiser

* Just value as defined in F.S. 193.011

CITY OF NAPLES, FLORIDA

Property Tax Rates – Direct and Overlapping Governments

Last 10 fiscal years

(Per \$1,000 of assessed value)

Fiscal year ended	City operating	City debt service	City total	Mosquito control	Collier County
1995	1.1800	—	1.1800	0.2150	3.5999
1996	1.1800	—	1.1800	0.2101	3.4889
1997	1.1800	—	1.1800	0.1883	3.7241
1998	1.1800	—	1.1800	0.1821	3.6813
1999	1.1800	—	1.1800	0.1953	3.5510
2000	1.1800	—	1.1800	0.1923	3.5058
2001	1.1800	0.1260	1.3060	0.1748	3.5028
2002	1.1500	0.1023	1.2523	0.1465	3.8772
2003	1.1130	0.0867	1.1997	0.1167	3.8772
2004	1.1100	0.0770	1.1870	0.1051	3.8772

School board	South Florida water management	Water pollution control	Big Cypress Basin	Combined total
8.3160	0.2390	0.0553	0.1820	13.7872
8.5930	0.2590	0.0506	0.1980	13.9796
8.6860	0.2840	0.0489	0.1980	14.3093
8.4240	0.2840	0.0452	0.2780	14.0746
8.5100	0.2840	0.0413	0.2780	14.0396
7.7600	0.2840	0.0355	0.2780	13.2356
7.7220	0.2840	0.0445	0.2780	13.3121
7.1370	0.2840	0.0420	0.2425	12.9815
6.9110	0.2840	0.0347	0.2425	12.6658
6.5240	0.2840	0.0347	0.2425	12.2545

CITY OF NAPLES, FLORIDA
Special Assessment Billings and Collections
Last 10 fiscal years

Year	Liens assessed		Collections	Unpaid balance
1995	\$ 934,512	(1)	\$ 78,103	\$ 980,186
1996	—		292,217	687,969
1997	37,670		136,814	588,825
1998	1,370,010	(2)	721,674	1,237,161
1999	138,497		229,518	1,146,140
2000	216,160	(3)	182,804	1,179,496
2001	—		121,567	1,057,929
2002	—		95,885	962,044
2003	—		163,476	798,568
2004	—		138,146	660,422

- (1) Special Assessment Districts were established for the following: 5th Avenue Redevelopment, Avion Sewer and Canal Maintenance, and Seagate Sewer.
- (2) Special Assessment Districts were established for the following: Twin Lakes Sewer, Big Cypress Sewer, and West Boulevard Water & Sewer.
- (3) Special Assessment District was established for the 3rd Street Lighting and assessed \$478,513. City Council abolished Special Assessment Districts for the following: 5th Ave. S., 4th Ave. N., 2nd Ave. N. and Goodlette Road Street improvements. The City refunded all principal payments made since inception and rescinded the balance \$262,353.

CITY OF NAPLES, FLORIDA

Ratio of Net General Obligation Bonded Debt
to Assessed Value and Net Bonded Debt Per Capita

Last 10 fiscal years

Fiscal year ended	Population	Taxable assessed value	Gross bonded debt	Less debt service funds	Net bonded debt	% Net debt assessed value	Net debt per capita
1995	20,605	\$ 4,060,510,331	—	—	—	0.00%	—
1996	21,157	4,192,041,398	—	—	—	0.00%	—
1997	21,202	4,480,631,775	—	—	—	0.00%	—
1998	21,233	4,826,553,552	—	—	—	0.00%	—
1999	21,087	5,140,991,963	—	—	—	0.00%	—
2000	20,976	5,966,815,878	8,460,000	—	8,460,000	0.14%	403.32
2001	21,687	6,806,066,692	8,270,000	—	8,270,000	0.12%	381.33
2002	22,057	8,488,615,092	7,850,000	—	7,850,000	0.09%	355.90
2003	22,343	9,950,900,301	7,410,000	—	7,410,000	0.07%	331.65
2004	22,547	12,168,219,538	5,220,000	—	5,220,000	0.04%	231.52

CITY OF NAPLES, FLORIDA

Summary of Direct and Overlapping Debt

September 30, 2004 (a)

Direct debt:			
General obligation indebtedness	\$	5,220,000	
Less reserve fund		<u>—</u>	<u>5,220,000</u>
Non self-supporting indebtedness:			
Improvement revenue bonds			
(all series)		10,597,710	
Less reserve fund		<u>(1,420,125)</u>	<u>9,177,585</u>
Self-supporting indebtedness:			
Water and sewer revenue bonds (a)		14,430,000	
Less reserve fund		<u>(2,962,385)</u>	<u>11,467,615</u>
Bay/Dock/Tennis/Redevelopment Funds (b)		6,302,291	
Less reserve fund		<u>—</u>	<u>6,302,291</u>
Total direct debt			\$ 32,167,491
Overlapping debt (c):			
Collier County (d)		<u>—</u>	
		25%	<u>—</u>
Total overlapping debt			<u>—</u>
Total direct and overlapping debt			\$ <u><u>32,167,491</u></u>

- (a) Bonds only.
- (b) Payable with Special District Ad Valorem/Enterprise Fund.
- (c) The City of Naples is not responsible for the overlapping debt.
- (d) Payable from County-wide General Property Taxes.

CITY OF NAPLES, FLORIDA

Ratio of Annual Debt Service for General Bonded
Debt to Total General Expenditures

Last 10 fiscal years

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total general expenditures</u>	<u>Debt service as a percent of total general expenditures</u>
1995	\$ —	—	—	14,623,593	0.00%
1996	—	—	—	15,697,560	0.00%
1997	—	—	—	17,932,024	0.00%
1998	—	—	—	18,463,884	0.00%
1999	—	—	—	18,993,084	0.00%
2000	—	—	—	20,924,337	0.00%
2001	190,000	618,940	808,940	25,314,984	3.20%
2002	420,000	406,860	826,860	25,022,210	3.30%
2003	440,000	385,360	825,360	29,510,331	2.80%
2004	460,000	362,860	822,860	32,624,071	2.52%

CITY OF NAPLES, FLORIDA

Schedule of Governmental Funds Revenue Bond Coverage –
Series 1993, 2001 and 2003

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Revenue available for debt service</u>	<u>Coverage</u>
1995	\$ 515,609	\$ 331,829	\$ 847,438	\$ 2,570,764	3.03
1996	532,507	300,246	832,753	2,721,889	3.27
1997	563,554	274,812	838,366	2,703,976	3.23
1998	585,063	287,066	872,129	2,774,968	3.18
1999	739,689	625,125	1,364,814	2,910,443	2.13
2000	994,015	637,161	1,631,176	3,077,741	1.89
2001	1,217,059	1,251,868	2,468,927	3,833,779	1.55
2002	1,268,084	1,299,815	2,567,899	4,322,705	1.68
2003	4,138,329	1,126,587	5,264,916	4,455,652	0.85
2004	5,983,379	1,153,217	7,136,596	4,184,878	0.59

In FY 2001 the City of Naples refunded bond series 1997. The payoff amounts of principal and interest associated with the refunding are reflected in this calculation.

CITY OF NAPLES, FLORIDA

Schedule of Enterprise Funds Revenue Bond Coverage –
Water and Sewer Fund

Last 10 fiscal years

Fiscal year	Gross revenue (1)	Expenses (2)	Net revenue available for debt service	Debt service requirement	Bond coverage (3)
1995	\$ 15,154,316	\$ 7,331,463	\$ 7,822,853	\$ 3,522,646	\$ 2.22
1996	15,681,855	7,079,087	8,602,768	3,896,133	2.21
1997	16,481,342	7,073,985	9,407,357	3,985,904	2.36
1998	18,932,603	7,437,659	11,494,944	3,251,928	3.53
1999	17,450,115	7,868,245	9,581,870	3,382,963	2.83
2000	18,962,427	8,549,149	10,413,278	3,256,350	3.20
2001	18,638,160	8,872,732	9,765,428	3,249,941	3.00
2002	19,151,096	9,916,239	9,234,857	2,860,347	3.23
2003	18,646,334	9,935,755	8,710,579	2,957,085	2.95
2004	21,110,339	10,843,838	10,266,501	2,962,385	3.47

(1) Operating revenue plus other income.

(2) Total expenses excluding depreciation, bond interest, amortization, payment in lieu of taxes, and General Fund overhead charge.

(3) Net revenue divided by total debt service requirements.

CITY OF NAPLES, FLORIDA

Demographic Statistics

<u>Year</u>	<u>City of Naples</u>	<u>Collier County</u>	<u>State of Florida</u>
1950	1,463	6,488	2,771,305
1960	4,655	15,753	4,951,560
1970	12,042	38,040	6,791,400
1980	17,598	85,971	9,746,400
1990	19,505	152,099	12,937,926
Last 10 Fiscal Years			
1994	20,425	180,540	13,878,905
1995	20,605	186,504	14,149,317
1996	21,157	193,036	14,411,563
1997	21,202	200,024	14,712,922
1998	21,233	210,095	15,000,475
1999	21,087	219,685	15,322,040
2000	20,976	251,377	15,982,378
2001	21,687	270,667	16,331,739
2002	22,057	276,691	16,713,149
2003	22,343	292,466	17,071,508
<u>Population Projections</u>			
2004	22,443 (1)	306,186 (2)	17,516,732
2006	23,068 (1)	343,585 (2)	Not Available

Sources: University of Florida Bureau of Economic and Business Research.
 (1) City of Naples Planning Department 2002
 (2) Collier County Department of Community Development 2002

<u>Population by Age Group – 2000 Census</u>		
<u>Age</u>	<u>City</u>	<u>County</u>
0-14	1,866	41,562
15-24	895	25,090
25-44	3,052	61,720
45-64	6,299	61,492
65+	8,864	61,513

Source: University of Florida Bureau of Economic and Business Research, 2001.

CITY OF NAPLES, FLORIDA

Ten Largest Taxpayers – City of Naples

September 2004

Taxpayer	Type of business	Assessed values	% of total City of Naples assessed values
Coastland Center Joint Venture	Retail Mall	\$ 78,038,829	0.64%
Florida Power & Light Company	Electric Utility	43,941,238	0.36%
Sandra Gerry	Vacant Lots	38,258,248	0.31%
Sprint-Florida Incorporated	Utility/Communication	29,450,253	0.24%
Panthers RPN Limited	Hotel	21,627,961	0.18%
Westbury Property	Single Family Home	20,882,713	0.17%
Naples Hospitality LTD Partnership	Hotel	19,512,199	0.16%
Marvin & Judith Herb	Single Family Home	19,351,424	0.16%
Heritage Realty Mgt. Inc.	Retail Center	19,161,988	0.16%
Susan McCurry Trust	Single Family Home	17,828,837	0.15%

Source: Property Appraiser – Collier County, Florida Computation as of September 30, 2004

CITY OF NAPLES, FLORIDA

Schedule of Insurance Coverage

September 30, 2004

<u>Policy</u>		<u>Coverage</u>	<u>Effective date</u>
Property:			
Building and Contents	\$ 161,853,304	per occurrence excess of \$25,000 deductible	10/01/03
Boiler and Machinery	\$ 50,000,000	per occurrence excess of \$25,000 deductible	10/01/03
Crime/Fidelity (Employee Dishonesty & Faithful Performance)	\$ 525,000	per occurrence excess of \$1,000 deductible	10/01/03
Public Officials E & O Liability	\$ 1,000,000 \$ 1,000,000	per claim excess of \$100,000 deductible aggregate	10/01/03
Comprehensive General Liability	\$ 1,900,000 6,000,000	per occurrence excess of \$100,000 general aggregate	10/01/03
Automobile liability	\$ 1,900,000	per occurrence excess of \$100,000 deductible \$1,000 comprehensive & collision deductible	10/01/03
Physical Damage	Actual Cash Value		
Flood insurance (Flood zones B & C)	\$ 2,500,000	\$25,000 deductible	10/01/03
National Flood Insurance Program (Flood zones A & V)	\$ 500,000 Various	per building contents per building	Various
Workers' Compensation:			
Excess specific	Statutory	excess of \$150,000 SIR	10/01/03
Employer's liability	\$ 1,000,000	excess of \$150,000 SIR	10/01/03
Accidental Death and Dismemberment	\$ Statutory	per employee unlawful & intentional death	10/01/03
(Police and Firefighters)	Statutory	in line of duty/fresh pursuit	
Fiduciary Liability	\$ 1,000,000	per fund/claim/aggregate \$10,000 deductible	10/01/03
Skateboard Park Accident Medical	\$ 25,000	per person	11/26/03
Petroleum Liability	\$ 1,000,000 \$ 2,000,000	each incident aggregate	05/09/04
Community Service Workers	\$ 10,000 \$ 5,000	AD&D Medical	12/14/04
Group Medical & Dental Insurance	\$ Standard Benefits		01/01/04
Group Life	\$ Two Times Annual Salary Rounded to Nearest 1,000		01/01/04

CITY OF NAPLES, FLORIDA

Miscellaneous Statistical Data

Date of incorporation	December 1, 1923	
Date of adoption of City Charter	June 3, 1949	
Form of government	Council – Manager	
Area	14.26 square miles	
Streets	106.3 miles of paved streets	
Fire protection:		
Number of stations	3	
Number of employees	59	
Police protection:		
Number of employees	122	
Demand for services	54,710	
Recreation:		
Swimming pools	1	
Community centers	3	
Pier	1	
Dock	1	
Water and sewer:		
	<u>Water</u>	<u>Sewer</u>
Active accounts	17,520	8,614
Plants	1	1
Capacity per day (millions gal.)	30	10.0
Employees as of September 30, 2004	490	
Election:		
Number of registered voters	15,002	
Number of votes cast last election	3,193	
Number of street lights	2,370	

CITY OF NAPLES, FLORIDA

City Property Value, Construction and County Bank Deposits

Last 10 fiscal years

Fiscal year	Commercial construction (1)		Residential construction (1)		Bank deposits (2) (in thousands)	Number of bank offices
	Number of permits	Value	Number of permits	Value		
1995	308	\$ 57,241,611	655	\$ 80,591,612	\$ 2,999,868	81
1996	436	58,643,284	481	93,384,078	3,112,346	81
1997	454	35,734,423	516	71,060,825	3,463,731	92
1998	241	45,800,602	604	148,403,640	3,805,538	90
1999	236	75,936,780	649	176,746,176	4,030,258	87
2000	267	92,870,297	816	335,210,850	4,273,081	95
2001	302	94,593,804	989	371,453,205	5,153,782	114
2002	308	85,651,650	782	301,567,452	5,844,144	115
2003	239	45,065,877	831	264,257,781	6,021,333	109
2004	247	63,697,410	974	400,849,888	8,360,793	129

(1) City of Naples Building & Zoning

(2) Branch Deposit Report by Florida Bankers Association, as of June 30, 2002



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of the City Council
City of Naples, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida as of and for the year ended September 30, 2004, which collectively comprise the City of Naples, Florida's basic financial statements and have issued our report thereon dated January 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Naples, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Naples, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the Mayor, City Council, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 28, 2005



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Honorable Mayor and Members of the City Council
City of Naples, Florida:

Compliance

We have audited the compliance of the City of Naples, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The City of Naples, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Naples, Florida's management. Our responsibility is to express an opinion on the City of Naples, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Naples, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Naples, Florida's compliance with those requirements.

In our opinion, the City of Naples, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the City of Naples, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Naples, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 18, 2005

CITY OF NAPLES, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2004

Federal or state grantor/pass-through grantor/program title	CFDA# / CSFA#	Pass-through entity identifying grant/ loan number	Expenditures
U.S. Department of Justice:			
Byrne Formula Grant	16.579	MIA9A1900001	\$ 13,600
Equitable Sharing of Federally Forfeited Property	16.000	None	12,040
COPS More	16.710	2000-CM-WX-0010	<u>4,220</u>
Local Law Enforcement Block Grant:			
Bulletproof Vest Partnership Program	16.607	2001-LB-BX-0234	538
Tactical Training Equipment	16.607	2003-LB-BX-1709	<u>14,865</u>
Total program			<u>15,403</u>
Total U.S. Department of Justice			<u>45,263</u>
U.S. Environmental Protection Agency:			
Passed through Florida Department of Environmental Protection State Revolving Loan-Stormwater	66.458	SW120712070	<u>968,726</u>
Total U.S. Environmental Protection Agency			<u>968,726</u>
U.S. Department of Interior:			
Passed through State of Florida Land and Water Conservation Fund	15.916	LW413	<u>41,976</u>
Total U.S. Department of Interior			<u>41,976</u>
U.S. Department of Transportation:			
Passed through State of Florida Speed Enforcement Motorcycle	21.601	AND63	27,136
Virtual DUI Education	21.601	ANG40	<u>3,998</u>
Total U.S. Department of Transportation			<u>31,134</u>
U.S. Department of Homeland Security:			
Passed through State of Florida Disaster Relief Funding-Hurricane Charley	97.036	05-PA-C5-09-21-02-420	<u>424,377</u>
Total U.S. Department of Homeland Security			<u>424,377</u>
Total expenditures of federal awards			\$ <u>1,511,476</u>
Florida Department of Environmental Protection:			
Direct Program:			
Beach and Erosion Control	37.003	01C02	\$ 6,657
Florida Department of Community Affairs:			
Hurricane Charley Disaster Assistance	52600308	05-PA-C5-09-21-02-420	<u>23,577</u>
Total expenditures of state financial assistance			\$ <u>30,234</u>

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

THE CITY OF NAPLES, FLORIDA

Notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance

Year ended September 30, 2004

(1) General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal awards and state financial assistance programs of the City of Naples, Florida (the City). Federal awards and state financial assistance received directly from grant agencies, and financial assistance passed through other government agencies are included on the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 215.97, *Florida Statutes*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual or accrual basis of accounting, which is described in note 1 to the City's basic financial statements.

(3) Relationship to Basic Financial Statements

Federal and state financial assistance revenues are included in the City's basic financial statements as intergovernmental revenues.

(4) Loans Outstanding

The City had the following loan balances outstanding at September 30, 2004:

State Revolving Loan – Stormwater	\$	3,637,256
State Revolving Loan – Drinking Water	\$	22,444,022

THE CITY OF NAPLES, FLORIDA
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2004

(1) Summary of Auditor's Results

- (a) An unqualified opinion was issued on the basic financial statements.
- (b) There were no reportable conditions or material weaknesses in internal control disclosed by the audit of the basic financial statements.
- (c) There were no instances of noncompliance which are material to the basic financial statements.
- (d) There were no reportable conditions or material weaknesses in internal control over major federal programs disclosed by the OMB Circular A-133 audit.
- (e) An unqualified opinion was issued on compliance for major federal programs.
- (f) There were no audit findings which are required to be reported under Section 510(a) of OMB Circular A-133.
- (g) Major programs:

	CFDA #
Federal:	
Disaster Relief Funding Agreement	97.036
State Revolving Loan - Stormwater	66.458

- (h) A \$300,000 dollar threshold was used to distinguish between Type A and Type B programs for major federal programs.
- (i) The auditee did qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.

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KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Management Letter

Honorable Mayor and Members of the City Council
City of Naples, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida (the City) as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have also issued our report dated January 28, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, and our auditors' report on compliance applicable to each major federal awards program and the related schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated January 28, 2005 and February 18, 2005, respectively, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of governmental audits performed in the State of Florida and require that certain items be addressed in this letter. The *Rules of the Auditor General* Section 10.554(1)(h)(1) require that, unless otherwise required to be reported in the auditors' report on internal control over financial reporting and compliance and other matters, a management letter shall include a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been addressed to our satisfaction.

The *Rules of the Auditor General* Section 10.554(1)(h)(2) require that we determine whether or not the City complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds. The City was in compliance with Section 218.415, *Florida Statutes* as it relates to the investment of public funds.

The *Rules of the Auditor General*, Section 10.554(1)(h)(3) require that we report any recommendations to improve the City's financial management, accounting procedures, and internal controls. There were no recommendations to improve the City's financial management, accounting procedures, and internal controls during the year ended September 30, 2004.



The *Rules of the Auditor General*, Section 10.554(1)(h)(4) state that, if not already reported in the auditors' report on internal control over financial reporting and compliance and other matters, the management letter shall include, unless clearly inconsequential:

- (a) Violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit.
- (b) Improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.
- (c) Deficiencies in internal control that are not reportable conditions, including, but not limited to:
 - (1) Improper or inadequate accounting procedures (i.e., the omission of required disclosures from the annual financial statements).
 - (2) Failures to properly record financial transactions.
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

The results of our audit disclosed no violations of laws, rules, regulations or contractual provisions or abuse, no improper or illegal expenditures, or other deficiencies in internal control.

The *Rules of the Auditor General* Section 10.554(1)(h)(5) also require that we report on the City's name or official title and legal authority. In that regard, the legal authority to establish a municipality is Chapter 59-1598, Laws of the State of Florida, Acts of 1959. Article 1, Section 1.1 of the Charter of the City of Naples established the municipality in accordance with the aforementioned Laws of the State of Florida.

As required by the *Rules of Auditor General* Section 10.554(1)(h)(6)(a), the scope of our audit included a review of the provisions of Section 218.503(1), *Florida Statutes*, regarding financial emergencies. In connection with our audit, we determined that the City is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), *Florida Statutes*.

As required by the *Rules of the Auditor General* Section 10.554(1)(h)(6)(b), we determined that the annual financial report for the City for the fiscal year ended September 30, 2004, filed with the Florida Department of Financial Services pursuant to Section 218.32, *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2004.

As required by the *Rules of the Auditor General* Sections 10.554(h)(6)(c) and 10.556, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

* * * * *



This management letter is intended solely for the information and use of the Mayor, City Council, management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 28, 2005