

City of Naples



**Comprehensive Annual Financial Report
For the Year Ended September 30, 2010**

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2010
(With Independent Auditors' Report Thereon)

Prepared By:
FINANCE DEPARTMENT



City of Naples, Florida

Principal Officials

September 30, 2010

Mayor

Bill Barnett

Vice Mayor

John F. Sorey III

City Council

Douglas Finlay

Teresa Heitmann

Gary B. Price II

Sam J. Saad III

Margaret Sulick

City Attorney

Robert D. Pritt

City Clerk

Tara Norman

City Manager

A. William Moss

Department Directors

Assistant City Manager

Building Official

Chief of Police & Fire Department

Community Services Director

Finance Director

Human Resources Director

Planning Director

Streets and Stormwater Director

Technology Services Director

Utilities Director

Roger Reinke

Paul Bollenback

Thomas Weschler

David M. Lykins

Ann Marie S. Ricardi

Denise K. Perez

Robin D. Singer

Ronald A. Wallace

Stephen A. Weeks

Robert Middleton

CITY OF NAPLES, FLORIDA

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City of Naples

FINANCE DEPARTMENT
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March 7, 2011

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

The Comprehensive Annual Financial Report (CAFR) of the City of Naples, Florida, (the City) for the fiscal year ended September 30, 2010, is hereby submitted. This Annual Report was prepared by the Finance Department, and is in compliance with Florida Statutes Chapter 218.39, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 2-601 of the City Code of Ordinances.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City of Naples' basic financial statements have been audited by CPA Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City of Naples' financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

The Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of "Management's Discussion and Analysis" (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found just preceding the basic financial statements in the CAFR's financial section.

Profile of the Government

The City of Naples is located in the Southwestern portion of the State of Florida and has a permanent population of approximately 23,000, increasing to 33,000 during the peak winter season. The region enjoys a climate that is classified as subtropical. Cool weather is moderated by the warm waters of the Gulf of Mexico and hot summer days are relieved by Gulf breezes.

Originally developed as a winter retreat for people with permanent homes in the north, Naples continues to attract a retirement population that is among the most affluent and well educated in the State. These characteristics resulted in the early adoption of sound planning policies and zoning codes. Early community leaders had a stake in the local economy and practiced policies that led to Naples becoming the center of commerce and culture in Collier County. Today, the business community primarily supplies goods and services to the retiree population and the tourist industry.

Naples continues to enjoy the results of proper planning. Parks and open space are abundant and most roadway medians are wide and well landscaped. Naples is one of the few Florida communities that offer adequate public access to beaches. Beachfront property is almost exclusively residential zoning; commercial uses are focused along U.S. 41 and in a number of upscale shopping districts within the community.

The original Town of Naples was incorporated on December 1, 1923. Naples is approximately 15 square miles and has 108 centerline miles of streets.

Naples is managed under a Council-City Manager form of government. The legislative and governing body of the City consists of a Mayor and six Council Members. Each Council Member is elected to a four year staggered term. There is a limit of two consecutive terms that any elected City official may serve.

The Members of the City Council for the period represented by this report, and their terms are as follows:

Member	Term Ends
Bill Barnett, Mayor	February 2012
Douglas Finlay	February 2014
Teresa Heitmann	February 2012
Gary B. Price II	February 2014
Sam Saad III	February 2014
John Sorey III	February 2012
Margaret “Dee” Sulick	February 2012

The City Council appoints the City Manager, who is the chief administrative officer of the City. As Chief Executive Officer, the City Manager hires all other City employees, except the City Clerk and the Deputy City Clerk, who are appointed by the City Council. City Manager A. William Moss was selected by the City Council to be the City Manager as of January 1, 2008.

The Reporting Entity and its Services

The City provides a full range of municipal services authorized by statute and local charter. These include police and fire services, streets, sidewalks and stormwater systems, parks and parkways, recreation, planning, water, sewer, solid waste, and general administrative services. Schools are provided by Collier County School District, while ambulance, jail, animal control, judicial, library, and human services are provided by Collier County.

Moorings Bay Special Taxing District, East Naples Bay Special Taxing District and the Community Redevelopment Agency are blended component units of this reporting entity, because these Districts are governed by Naples City Council. The two Special Taxing Districts were created and established by Ordinances #87-5328 and #87-5330, respectively, for 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 the taxing districts are provided through an ad valorem tax that is levied only within these specified districts. Ordinance #94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from Collier County and the City provide the source of revenue for the Community Redevelopment Agency.

The Naples Airport Authority, although governed by board members who are directly appointed by the City Council, is not a part of this report, as it does not meet the criteria of Statement Number 14 of the Governmental Accounting Standards Board. The Collier County school system is an independent special district and not part of the City of Naples. Its financial data is not included in the financial statements in this report. Naples Community Hospital is a private nonprofit corporation providing quality medical care to the community. It is not part of the City of Naples municipal government and its financial data is not included in the financial statements in this report.

Accounting System and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: a) the cost of a control should not exceed the benefits likely to be derived there from; and b) the evaluation of costs and benefits requires estimates and judgments by management.

We believe all internal control evaluations occur within the above framework and that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of Federal, State and County financial assistance, the government is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

The City's Fiscal Year begins October 1. By January, staff is already preparing for the next budget year by developing preliminary estimates and identifying areas of need and concern. Staff begins working with boards, committees, and the City Council to gather goals for the upcoming fiscal year. By March, departments will be preparing their Five-Year Capital Improvement requests.

During April, departments will begin preparing their budget requests using line-item budget formats. At the same time, Finance will begin assessing available and potential revenue sources.

The Five-Year Capital Improvement Program is presented to City Council by June 1, in accordance with the City Code of Ordinances, but the final budget is not adopted until September.

The adopted budget may be amended in two ways.

1. The budget ordinance authorizes the City Manager to transfer money within a fund, except that he cannot increase regular staffing levels or modify the intent of the Capital Improvement Budget.

- Changes that would increase the total budget of a fund, increase staffing levels, or modify the intent of the Capital Improvement Budget must have City Council approval by resolution.

The City has established standard procedures for budget amendments to control the integrity of the budget system. Budget amendments are prepared by the Department head, identifying both the object of expenditure requiring the budget amendment and source of funds for the amendment. All budget amendments are reviewed by the Director of Finance and forwarded to the City Manager for approval. If needed, a resolution is prepared for City Council approval as well.

The City utilizes the State of Florida’s uniform chart of accounts for all account names, numbers, and reporting purposes. During the course of the year, budgetary control was maintained over appropriations by use of monthly revenue and expenditure reports that compare budgeted appropriations with actual expenditures and encumbrances and estimated revenues with actual revenues. In the integrated automated financial system, a purchase order is required prior to committing funds. The automated system verifies the availability of funds prior to issuance of a purchase order. Budget control is maintained at the department level in the General Fund and the fund level in all other funds.

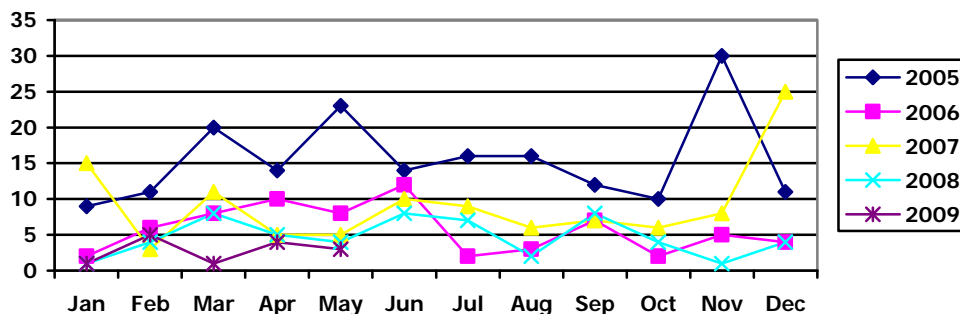
Factors Affecting Financial Condition

Local Economy

The City of Naples typically enjoys a stable economic environment but the economic challenges that have affected the nation have presented economic challenges to the City of Naples as well. Naples has a relatively limited economic base that primarily includes tourism, retail, construction and health care.

Fiscal year 2009-10 represented the third year of governmental cutbacks and expenditure reductions to address the affects of the nationwide economic decline and the change in citizen attitudes about money. The City has a reputation as a high-end tourist destination and a retreat for the wealthy, but the economic conditions were taking a toll. Building permits, an indicator of economic activity, is shown on the chart below. Local construction remains significantly lower than the peak of 2005.

Single Family Home permits (for new home construction) issued



The General Fund receives approximately 50% of its revenue from the property tax. Until 2007, the City, like other governments, was benefitting from the rapid growth in property values. Services and related expenditures increased, as did salaries, to maintain competitiveness in the labor market. However, the 2008 state referendum that established property tax reform passed by 64% state-wide and 81% in Collier County, giving the City a consensus for change. Following that directive, the FY08-09 budget reduced the City staffing level by 33

positions and froze or reduced most employees' salaries, then the FY09-10 budget followed up with another reduction of 32 positions.

Naples' taxable value continued to decline as part of the overall national economic decline. As of September 2010, the taxable value of the City was \$14.98 billion, compared to the 2009 valuation of \$16.29 billion, a decrease of 8% from the prior year. This three year decline has the City's taxable value now approaching the value from 2005. The City's taxable value decrease has been considerably less than the County's and State's overall decrease of 11%.

The City is limited by the Constitution of the State of Florida to an ad valorem tax levy of ten mills on each dollar of assessed valuation for operating expenditures. At 1.1800 mills, Naples' ad valorem tax remains significantly below the maximum allowed.

Although the national economy was struggling and the City faced fiscal challenges, the City continued to be a destination point for Collier County residents and visitors, in part due to its 40 public beach access points, the City Pier, and the multitude of vibrant mixed-use retail/dining areas. Beach parking revenues, which to some degree track the number of visitors here, remained as high as in previous years.

For 2009 (the most current available data), the U. S Census Bureau estimated Naples' per capita income at \$73,608, compared to the national average of \$27,041 and the state average of \$26,053. Collier County's estimated per capital income is \$36,942.

In April 2010, the oil rig *Deepwater Horizon* exploded in the gulf, flowing oil into the Gulf of Mexico until the well was capped on July 15. The explosion killed 11 men working on the platform and injured 17 others. The topical oil was never seen in the Naples, but people still cancelled their vacations due to the spill, causing an impact to the local economy. Many businesses in Collier County were awarded claims by BP due to their losses. However, sales taxes, a key economic indicator for the County, did not show a decrease from the prior periods.

In 2010, Fitch ratings upgraded the rating of the City's Public Service Tax Bonds to 'AAA' from 'AA+'. According to Fitch, this "reflects the demonstrated ongoing stability of pledged revenues despite the current economic recession, continuing to provide strong debt service coverage. Financial management remains sound, characterized by operating surpluses, high reserve levels, and abundant financial flexibility."

Long-term financial planning

In June 2007, the City established a Ten-Year Vision Plan, which was created by the Citizens and adopted by the City Council. This vision has been incorporated into each subsequent budget with goals and objectives to achieve the vision.

The City's Five-Year Capital Improvement Program (CIP) is used to plan for current and future financial needs. Developed during the spring and presented to City Council in June, fundable projects from this document are incorporated into the adopted budget.

Relevant Financial Policies

In September 2009, the City Council passed Resolution 09-12512, revising the adopted financial policies. These policies covered five major areas: Budgetary and Financial Planning; Financial Reporting; Capital Improvement; Debt Management; Investments and Fund Balance.

The purpose of these policies was to demonstrate that the City is committed to strong financial operations and to provide a strong precedent for future policy makers and financial managers regarding the city's financial goals.

During 2009-10, the City carefully monitored fund balance, particularly in the General Fund, where the undesignated fund balance is exceeding the maximum recommended amount. Discussions about preserving fund balance included identifying that increases in fund balance over the maximum threshold could be considered “Tax Mitigation Funds.” Although not legally described as such, future budget planning includes mitigating the need for short term tax increases with the overage of fund balances.

Major Initiatives

The Ten-Year Vision Plan adopted in 2007 provided a framework for many of the City’s programs and projects. Major initiatives of the City typically are aimed at achieving the major goals of the vision plan. Listed below are a few of the initiatives taken to address some of the visions.

Vision Goal: Preserve the Town’s distinctive character and culture.

The Parkways Division of the Community Services Department planted 45 new trees along Gordon Drive as part of the annual tree planting program.

A partnered effort between the City and the Third Street South Association resulted in a replacement of fifty weak and diseased street trees along the Third Street South commercial area between Broad Avenue South and 15th Avenue South.

For the 13th consecutive year, the City of Naples received the Tree City U.S.A. designation.

In keeping with preservation of green space, the former Fun Time Nursery site along 10th Street North is being converted to a passive park. A total of \$111,802 in Community Development Block Grant (CDBG) funding has been allocated to replace the air conditioning baffling at River Park Community Center.

Vision Goal : Make Naples the green jewel of southwest Florida.

The Natural Resources Department completed several new or innovative projects to protect and enhance the environment of Naples as follow:

- Carried out a highly successful oyster farming program involving residents;
- Created another artificial oyster reef in Naples Bay as part of a boy scout project;
- Established a protected mangrove area along the shoreline of Bayview Park;
- Successfully administered the City’s landscape certification program;
- Established an energy reduction program; and
- Worked directly with residents on reducing sea turtle beach lighting violations.

The Community Services Department did their part as well. The Department planted 213 trees and palms within the Park Shore Homeowners area; planted 96 trees and palms within the Royal Harbor and Oyster Bay Homeowners areas and completed the Lethal Yellow inoculations of all City owned Coconut and Canary Island Date Palms.

A major replanting project on 5th Avenue South included installation of 87 pots/planters, while six medians along Gulf Shore Boulevard North were replanted and updated. The Cambridge-Perry Park was dedicated on October 27, 2010. In keeping with preservation of green space, this park, formerly the Fun Time Nursery site along Tenth Street North, was converted to a passive park. A total of \$110,000 in Community Development Block Grant funds (CDBG) funded this project

At the Naples Preserve, volunteers located and are tracking an additional 24 gopher hatchlings (total of over 56 since 2009) along with 26 adults. The City received a research and education permit through Department of Fish and Wildlife for the monitoring the gopher tortoises. Nature talks were offered weekly for the months of January through May, and October through December. Eco tours were offered January through May twice a month through local parks and preserves. A butterfly garden was planted around the solar pond.

Vision Goal: Strengthen the economic health and vitality of the City.

The Community Redevelopment Agency (CRA) partnered with the Downtown Naples Association (DNA) and businesses in the redevelopment area to fund a multimedia promotion and marketing campaign. The promotion focused on “The Unique Flavor of Downtown Naples and Fabulous Fifth Avenue South.” Television, radio and print advertising drove nearly 75,000 visitors to the website www.DowntownFlavors.com.

City Council responded to citizen requests to create a walking map of downtown Old Naples showing the relative distance between five unique commercial areas: Historic Third Street South, Crayton Cove, the Historic Waterfront District, Fifth Avenue South and the Tenth Street Design District. The completed map has been highly sought after and is being distributed at City offices, hotels, retail stores and dining establishments.

Awards and Acknowledgments

Independent Audit

The City Charter requires an annual audit of the books of accounts, financial records, and transactions of all administrative departments of the City by an independent certified public accountant selected by the City Council. We have complied with this requirement, and the independent auditors’ report has been included in this report.

Distinguished Budget

The City’s budget for 2009-10 received the GFOA’s Distinguished Budget Presentation Award. In order to qualify for the Distinguished Budget Presentation Award, the budget had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Certificate of Achievement

The Government Finance Officers’ Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Naples, Florida, for our Annual Financial Report for the fiscal year ended September 30, 2009.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The timely preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated service and teamwork of the Accounting Division of the Finance Department and we express our appreciation to them. We also thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In addition, we wish to express our appreciation to our audit firm, CPA Associates for their examination of our accounts.

Respectfully submitted,



A. William Moss
City Manager

Ann Marie S. Ricardi
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Naples
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

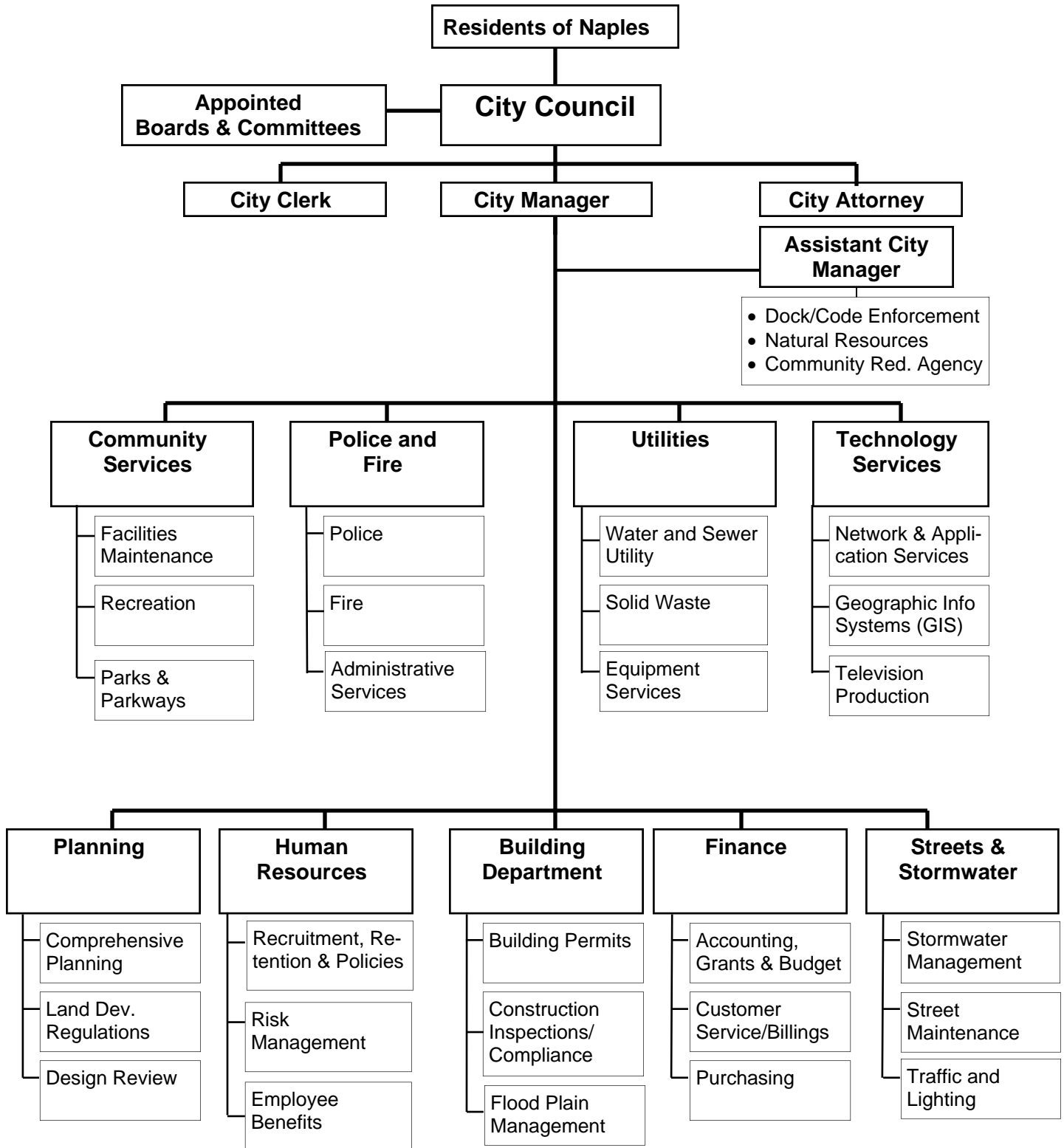
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Naples Budget Organizational Chart





INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council
and City Manager
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, (the City) as of and for the year ended September 30, 2010, 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'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010, 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 March 7, 2011, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the pension and other post-employment benefit schedules on pages 3 through 13 and pages 96 through 99, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. In addition, the accompanying Schedule of Expenditures of Federal Programs 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*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CPA Associates

Bradenton, Florida
March 7, 2011

The City of Naples, Florida

Management's Discussion and Analysis

September 30, 2010

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, 2010.

Financial Highlights

- The assets of the City of Naples exceeded its liabilities at September 30, 2010, by \$195.8 million (net assets). Of this amount, \$74.3 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 \$6.5 million.
- As of September 30, 2010, the City of Naples' governmental activities reported combined ending net assets of \$93.8 million. This is a decrease of \$1.6 million from the prior year. Approximately 49% of this total is unrestricted.
- The City of Naples total debt decreased by \$3.9 million during the current fiscal year. This decrease is discussed further in Debt Administration.

Overview of the Financial Statements

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.

Major Fund Presentation

An important element of the governmental financial reporting model is the focus on reporting significant financial activity by fund type with emphasis on major funds in both governmental and proprietary fund financial statements. In following GASB 34, the City is required to separate major funds from nonmajor funds. Only major funds are shown separately in the financial statements while nonmajor funds are combined together and shown in a single column. Nonmajor funds, however, are disclosed separately in the combining and individual fund financial statements and schedules section of this report.

GASB requires that the General Fund always be considered a major fund. The statement also requires other governmental and or enterprise funds to be shown as major funds if they meet the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total of all funds of that category; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the total for all governmental and enterprise funds combined.

The statement also allows management the flexibility to report funds that do not meet the above criteria since management believes the funds have a significant impact on the City. Management determined that four additional funds, the Debt Service Fund, Capital Projects Fund, Community Redevelopment Fund, and Streets and Traffic Fund, were to be included as a major funds, even though they do not meet the above criteria.

The Government-Wide Financial Statements

Government-wide financial statements are designed to be corporate-like in structure, showing and combining governmental- and business-type activities. 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. For the purpose of these statements, both governmental and business type activities are measured and reported using the economic resource measurement focus and the full accrual basis of accounting.

Statement of Net Assets (page 16) 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 (page 18) 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, street maintenance, 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 Naples Beach, City Dock and Tennis are reported here. These services are supported primarily from user fees. Financing of major capital is sometimes necessary. Both user fees and impact fees support debt service.

Fund Financial Statements

The Fund Financial Statements, which report by individual fund, begin on page 20. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

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. In a highly regulatory environment, fund accounting serves a very important purpose, in that funds received for specific purposes are identified as such. All of the funds of the City can be divided into three categories:

- ***Governmental funds*** – account for the City's tax-supported activities and those supported by other special revenues. These governmental funds 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 Public Arts Fund, the Grants Fund, the Land Conservation Trust Fund, the 41-10 Public Open Space Fund, the Parking Trust Fund, the Impact Fee 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 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.

- **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. The internal service funds include the Equipment Services Fund, Risk Management Fund, Health Benefits Fund and Technology Services 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.

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 combining 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 governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore you will find reconciliations on pages 23 and 27 that convert this data to an economic resource measurement focus and the accrual basis of accounting for use in the Government-wide Financial Statements.

The total column on the Proprietary Fund Financial Statements (pages 30-39) is the same as the Business-type activities column on 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).

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 43.

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.

Government-wide Financial Analysis

The City's combined net assets as of September 30, 2010, were \$195.8 million. The City's combined revenues, including contributions, grants, charges for services and taxes were \$88.9 million. Total expenses citywide were \$82.4 million. Table 1 reflects the summary statement of net assets for the current and prior year.

Table 1

Statement of Net Assets

(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 56,326	55,467	38,587	36,650	94,913	92,117
Capital assets	68,108	71,478	101,038	98,278	169,146	169,756
Total assets	124,434	126,945	139,625	134,928	264,059	261,873
Long term liabilities outstanding	26,195	27,373	30,671	32,831	56,866	60,204
Other liabilities	4,443	4,158	6,919	8,192	11,362	12,350
Total liabilities	30,638	31,531	37,590	41,023	68,228	72,554
Net assets:						
Invested in capital assets, net of debt	47,102	48,868	70,342	65,280	117,444	114,148
Restricted	983	3,781	3,123	2,693	4,106	6,474
Unrestricted	45,711	42,765	28,570	25,932	74,281	68,697
Total net assets	\$ 93,796	95,414	102,035	93,905	195,831	189,319

The largest portion of the City's net assets (60%) 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 2% of the total net assets) are subject to external restrictions on how they may be used. The remaining 38% of unrestricted net assets, \$74.3 million, may be used to meet the City's ongoing obligations to the citizens and creditors.

For the total primary government, including both governmental and business type activities, net assets increased \$6.512 million. Governmental activities decreased by \$1.618 million. Business type activities increased \$8.130 million.

Table 2 reflects the summary statement of activities (in thousands) 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 5,630	5,447	41,463	41,680	47,093	47,127
Operating grants and contributions	3,190	2,979	638	502	3,828	3,481
Capital grants and contributions	425	1,202	2,992	2,057	3,417	3,259
General Revenues:						
Property taxes	19,419	19,730	-	-	19,419	19,730
Other taxes	7,954	8,133	-	-	7,954	8,133
Franchise fees	3,499	3,972	-	-	3,499	3,972
Intergovernmental revenues	2,826	2,863	-	-	2,826	2,863
Unrestricted investment earnings	542	1,346	258	566	800	1,912
Other	45	106	18	136	63	242
Total revenues	<u>43,530</u>	<u>45,778</u>	<u>45,369</u>	<u>44,941</u>	<u>88,899</u>	<u>90,719</u>
Expenses:						
General government	6,395	6,669	-	-	6,395	6,669
Public safety	25,617	25,634	-	-	25,617	25,634
Physical and economic environment	3,208	2,926	-	-	3,208	2,926
Transportation	3,715	3,520	-	-	3,715	3,520
Cultural and recreation	7,243	7,733	-	-	7,243	7,733
Interest and fiscal charges	956	1,034	-	-	956	1,034
Water and sewer	-	-	24,334	24,816	24,334	24,816
Solid waste	-	-	5,367	5,502	5,367	5,502
Stormwater	-	-	2,458	2,089	2,458	2,089
Other	-	-	3,094	3,505	3,094	3,505
Total expenses	<u>47,134</u>	<u>47,516</u>	<u>35,253</u>	<u>35,912</u>	<u>82,387</u>	<u>83,428</u>
Increase (decrease) in net assets before special items and transfers	(3,604)	(1,738)	10,116	9,029	6,512	7,291
Special item	-	-	-	-	-	-
Transfers	1,986	1,983	(1,986)	(1,983)	-	-
Increase in net assets	<u>(1,618)</u>	<u>245</u>	<u>8,130</u>	<u>7,046</u>	<u>6,512</u>	<u>7,291</u>
Net assets - beginning	<u>95,414</u>	<u>95,169</u>	<u>93,905</u>	<u>86,859</u>	<u>189,319</u>	<u>182,028</u>
Net assets - ending	<u>\$ 93,796</u>	<u>95,414</u>	<u>102,035</u>	<u>93,905</u>	<u>195,831</u>	<u>189,319</u>

The total primary government revenues show a \$1.820 million decrease or 2% under last year's total revenues. The total Business-type activities increased \$0.43 million. Governmental activities decreased \$2.25 million.

The primary reasons for this decrease in governmental activity revenue are as follows:

- A decrease of \$473 thousand occurred in the area of franchise fees while a decrease of \$777 thousand occurred in capital grants and contributions.
- Investment earnings decreased \$804 thousand or 60% from the prior year due to the weakening economy.

Business-type activities showed an increase in revenues, increasing \$428 thousand or 1% over the revenues of 2009. Business type activity revenue was led by an increase in capital grants and contributions. There were capital contributions from the South Florida Water Management District for stormwater runoff improvements.

The total primary government's expenses decreased \$1.04 million or 1%. Governmental activities reported a 1% decrease in expenses, with business type activities reporting a 2% decrease. The primary reason for the governmental activity decrease is the reduction in employees.

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 cost of all governmental activities this year was \$47.1 million. As shown in the statement of activities on page 18, the net cost that was ultimately paid through taxes was \$37.9 million. The \$9.2 million of cost of governmental activities not covered by taxes was provided by:

- \$5.6 million in charges for services, made of \$2.3 million in building/permit fees, \$1.0 million in police and fire services, \$0.8 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$3.2 million in operating grants and contributions, including \$2.2 million from Collier County's share of the Community Redevelopment Tax Increment Financing District and the remaining from other grants from agencies including FDOT, Tourism Development and Collier County.
- \$0.4 million in capital grants and contributions, which includes \$.2 million from community development block grants, \$.1 million from transportation impact fees, and \$0.1 million from public safety and recreation grants.

Table 3

Governmental Activities

(In thousands)

	Total Cost of Service		Net Cost of Service	
	2010	2009	2010	2009
Public safety	\$ 25,617	25,634	21,864	21,993
Physical and economic environment	3,208	2,926	222	(528)
Transportation	3,715	3,520	3,389	2,980
Cultural and recreation	7,243	7,733	6,207	6,794
All others	7,351	7,703	6,206	6,649
Totals	\$ 47,134	47,516	37,888	37,888

Business-type activities

Revenues of the City's business-type activities (see Table 2) totaled \$45.4 million.

The Water and Sewer fund represents 74% of the business-type activities' net assets. Total Water and Sewer operating revenues were up \$84,378 and operating expenses were down \$436,143 from last year. Interest income from all Business-type activities showed a 54% decrease over the prior year, due to the overall declining investment market.

Based on a rate study, City Council increased water rates 12.74%. City Code allows for solid waste and stormwater fees to be adjusted automatically, based on the Consumer Price Index. Sewer fees are allowed to be adjusted by the Public Service Commission Deflator Index. There were no increases in sewer, solid waste or stormwater fees. Reuse water rates were adjusted during the year. The bulk user rate increased 18% and the general service user rate decreased by 23%.

Financial Analysis of the City's Funds

The City of Naples uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The fund financial statements for the governmental funds are shown on pages 20-29. The focus of the City of Naples's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Naples' financing requirements.

In particular, unreserved fund balance may serve as a useful measurement of a government's net resources for spending at the end of the fiscal year. As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$43.282 million, an increase of \$1.414 million in comparison with the prior year. Approximately 82% of this total (or \$35.631 million) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been already committed to 1) liquidate encumbrances of the prior period (\$1.030 million), 2) meet reserve requirements for debt service in accordance with bond covenants (\$1.560 million), 3) pay for a City-wide emergency (\$3.592 million), 4) advances paid to other funds (\$0.389 million), and 5) a variety of other restricted purposes (\$1.080 million).

The General Fund is the chief operating fund of the City of Naples. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$13.461 million, while the total fund balance was \$17.474 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37.92% of the total fiscal year 2010 general fund expenditures, while total general fund balance represents 49.22% of that same amount.

General Fund expenditures were \$1,003,782 under budget. Most variances in general government areas were minor and due to short periods of vacancies or minor cost under-runs in operating expenses. There were two over-runs in the Mayor and Council, and Police department due to personnel costs. These amounts were \$2,217 and \$267,863, respectively.

Offsetting the budgetary over-runs was the cost under-runs in the City Attorney Office, Community Services and Non-departmental areas. The City Attorney was \$192,562 under budget. Community Services expended \$696,135 less than the budgeted amount, primarily due to median maintenance supplies and professional services that were \$473,325 under budget.

The City used \$88,573 of prior year reserves to fund prior year-end professional services and equipment commitments.

The fund balance of the City's general fund increased by \$0.880 million during the fiscal year. The budget was developed as a balanced budget, with revenues equal expenditures, therefore factors in this incline are primarily due to expenditures less than budget, as described above.

The Debt Service Fund has a total fund balance of \$3.445 million of which \$1.560 million is reserved for the payment of debt service and \$1.885 million is unreserved, undesignated. The net increase in fund balance during the current year in the debt service fund was \$741,860. Taxes received in this fund first pay for the general government debt and then the balance is used to provide funds for general government capital projects. This year the amount transferred to capital projects was \$1,425,000.

The Capital Projects Fund has a total fund balance of \$5.462 million of which \$0.367 million is reserved or designated for prior year encumbrances, advances to other funds and other purposes. The remaining \$5.095 million represents an undesignated unreserved balance. The net decrease in fund balance during the year in the capital projects fund was \$0.584 million, which was used to fund prior year projects that were completed in the current year.

The fund balance in the Community Redevelopment fund increased \$51,963 in 2010 with an ending fund balance of \$3.244 million. As a fund with major capital goals, the increase in fund balance will be directed toward future capital projects named in the fifteen year plan.

The fund balance in the Streets and Traffic fund increased \$370,004 in 2010 with an ending fund balance of \$4.811 million. The key factor was the funding by City Council which transferred in \$900,000 for the annual overlay program and capital purchases.

The combined fund balances for all governmental (major and non-major) funds increased by \$1,414,095 for FY 2010 or 3.4%.

Proprietary funds. Like the fund financial statements of governmental funds, the fund financial statements for the City's proprietary funds provide the same type of information in the government-wide financial statements, but in more detail. The fund statements of the proprietary funds start on page 30.

Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$16.009 million in the Water and Sewer Fund, \$5.743 million in the Solid Waste Fund, \$4.916 million in the Stormwater fund, \$1.505 million in the Naples Beach Fund, \$81.7 thousand in the City Dock Fund and \$316 thousand in the Tennis Fund. Other factors concerning these finances have already been addressed in the discussion of the City's of Naples business-type activities.

General Fund Budgetary Highlights

The following is a brief review of the budgeting changes from the original to final budget.

The increase in budgeted revenues of \$1,358,620 was attributed to a) a \$1,440,035 increase in Insurance Premium Tax revenue from the State of Florida for police and fire pensions, b) a \$28,425 increase in intergovernmental grants and c) a \$109,840 decrease for mid-year budget reductions in ad valorem taxes.

The increase between the General Fund's original appropriations and the final amended budget was \$1,447,193 and the City also transferred \$355,290 to various departments from the General Fund contingency to provide addition funding. Of this change, **a)** \$190,502 was allocated to General Government services to provide funding for employee benefits consulting services (\$100,000), an electronic agenda (\$32,000), the connectivity to downtown (\$12,500), a dredging project (\$10,000), and prior year commitments (\$36,002), **b)** \$1,555,340 was allocated to Public Safety to provide pension contributions to the police and fire pension funds (\$893,185 and \$546,850 respectively), operating expenses (\$85,492), and capital purchases (\$29,813), and **c)** \$56,641 was allocated to Physical and Economic Environment to provide funding for capital purchases (\$51,041) and a conservation grant(\$5,600).

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$169.1 million invested in a variety of capital assets, as reflected in the following table, which represents a net decrease (additions less retirements and depreciation) of \$0.61 million or 0.36% from the end of last year . The City has been recording infrastructure, including streets, sidewalks, bridges, lighting and storm drainage, as a separate asset since 1980.

Table 4

Capital Assets at Year-End

(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 11,826	11,826	3,112	3,112	14,938	14,938
Buildings	37,730	37,142	61,299	61,296	99,029	98,438
Improvements other than buildings	31,225	30,442	33,150	30,516	64,375	60,958
Infrastructure	31,112	30,987	86,716	80,180	117,828	111,167
Machinery and equipment	16,094	16,028	16,166	15,395	32,260	31,423
Construction in progress	231	149	3,603	2,774	3,834	2,923
Less accumulated depreciation	(60,110)	(55,095)	(103,008)	(94,995)	(163,118)	(150,090)
Totals	\$ 68,108	71,479	101,038	98,278	169,146	169,757

This year's major additions are:

Governmental activities:

Police Air Conditioning Upgrade	\$	580,424
Fifth Ave S. Lighting		743,683
Citywide Phone System		264,000

Business-type activities:

East Naples Solana Rd Booster Pump	\$	377,684
Alternative Water Supply		972,770
Cove Pump Station		1,545,430
Basin V Stormwater Improvement		1,427,657
Riverside Filter Marsh		382,638

Additional information regarding the City's capital assets is included in the Note D to the financial statements.

Debt Outstanding

As of year-end, the City had \$51,702,065 in debt (bonds, notes, etc.) outstanding compared to \$55,608,589 in 2009, a \$3,906,524 (7.03%) decrease.

Table 3
Outstanding Debt at Year-end

	<u>2010</u>	<u>2009</u>
Governmental:		
General obligation	\$ 2,700,000	3,170,000
Public service tax revenue	7,895,000	8,405,000
Redevelopment	10,481,000	11,113,000
Unamortized issuance discount	<u>(69,771)</u>	<u>(77,622)</u>
Subtotal	<u>21,006,229</u>	<u>22,610,378</u>
Business-type:		
Water/Wastewater revenue	13,981,281	14,561,785
State revolving loan - Wastewater	14,065,564	15,559,471
State revolving loan - Stormwater	2,377,508	2,557,149
Public service tax - Tennis	300,000	350,000
Unamortized issuance discount	<u>(28,517)</u>	<u>(30,194)</u>
Subtotal	<u>30,695,836</u>	<u>32,998,211</u>
Total	<u>\$ 51,702,065</u>	<u>55,608,589</u>

Additional information regarding the City's outstanding debt is included in the Note G to financial statements.

Economic Factors and Next Year Budget and Rates

In September 2010, the City Council approved a \$114.8 million budget for fiscal year 2010-11, which is approximately a 3.5% increase over the prior year's budget. The budget for FY10-11 was developed with an emphasis on:

- The City's ten-year vision plan
- Reasonable revenue projections
- Maintenance of levels of service desired by the community
- Maintenance of fiscally responsible reserves

The City of Naples' 2010-11 budget was balanced using a millage rate less than the roll back millage rate, despite the property tax reform bills passed by the Florida legislature. The budget assumes a millage rate of 1.1800, which is 8.26% less than the rolled back rate of 1.2862 and the same as the 2009-10 millage rate. Increased costs included employee health insurance and increases in fuel costs, improvements other than buildings, vehicle purchases and a reserve for Fire Station #1. These were again offset by the reduction in force, with a net 3 ½ fewer positions than in FY 2009-10 City-wide. With minor exceptions, operating departments show a decrease from the FY 2009-10 budget.

Property taxes are the largest source of revenue to the General Fund, providing 48% of the revenue to that fund.

The following economic factors were considered in developing the budget for fiscal year 2010-11:

- Taxable values of \$15,046,100,055 decreased 7.6% under the prior year.
- Personnel costs make up a significant portion of City operating costs. For 2010-11, wage concessions or benefit reductions were negotiated to reduce city costs.
- Pension expenses are projected to increase approximately 3.45% for police contributions; .99% for general pension contributions, and a decrease of 10.92% for fire contributions.
- There was a net decrease of 3 1/2 positions City-wide for the 2010-11 budget.
- Continued low levels of building permit activity.
- The continued declines in consumer wealth and consumer spending combined with the overall decline in economic activity and property values affected property taxes and certain charges for services. These are projected to be lower than the 2009-10 fiscal year.

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 or email to finance@naplesgov.com. Additional information about the City, including email addresses for the various departments, can be obtained at the City's website www.naplesgov.com.

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BASIC FINANCIAL STATEMENTS

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2010

Assets	Primary Government		
	Governmental activities	Business-type activities	Total
Cash and investments	\$ 49,686,073	25,181,959	74,868,032
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	505,708	6,829,264	7,334,972
Special assessments	231,762	129,144	360,906
Utility taxes	216,145	-	216,145
Miscellaneous	7,493	1,170	8,663
Accrued interest	95,390	44,195	139,585
Due from other governments	839,601	529,194	1,368,795
Inventories	184,487	1,128,981	1,313,468
Prepaid items	189,073	-	189,073
Restricted assets:			
Cash and investments	1,560,104	4,650,666	6,210,770
Net pension assets	2,670,024	-	2,670,024
Deferred charges	140,088	91,978	232,066
Capital assets:			
Land and land improvements	11,826,200	3,111,902	14,938,102
Buildings and utility plants	37,729,466	61,299,584	99,029,050
Improvements other than buildings	31,225,100	33,149,981	64,375,081
Infrastructure	31,111,712	86,715,969	117,827,681
Equipment	16,094,142	16,165,962	32,260,104
Accumulated depreciation	(60,110,039)	(103,007,890)	(163,117,929)
Construction in progress	231,380	3,602,712	3,834,092
Net capital assets	68,107,961	101,038,220	169,146,181
Total assets	124,433,909	139,624,771	264,058,680

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

September 30, 2010

Liabilities	Primary Government		
	Governmental activities	Business-type activities	Total
Accounts payable and other current liabilities	\$ 3,644,558	3,455,256	7,099,814
Due to other governments	5,930	897,241	903,171
Unearned revenue	202,420	1,018,683	1,221,103
Customer deposits	13,710	19,689	33,399
Liabilities payable from restricted assets:			
Customer deposits	-	373,796	373,796
Current maturities of long-term debt	398,121	887,675	1,285,796
Accrued interest payable	178,233	266,565	444,798
Noncurrent liabilities:			
Revenue bonds payable, net of unamortized discounts and premiums:			
Due within one year	1,286,028	1,488,575	2,774,603
Due in more than one year	19,322,080	28,319,586	47,641,666
Compensated absences:			
Due within one year	349,058	147,716	496,774
Due in more than one year	1,996,627	581,650	2,578,277
Other post employment benefits	333,027	133,433	466,460
Claims payable:			
Due within one year	968,000	-	968,000
Due in more than one year	1,940,000	-	1,940,000
Total noncurrent liabilities	26,194,820	30,670,960	56,865,780
Total liabilities	30,637,792	37,589,865	68,227,657
Net Assets			
Invested in capital assets, net of related debt	47,101,732	70,342,384	117,444,116
Restricted for:			
Debt service	983,750	1,428,868	2,412,618
Renewal and replacement	-	1,693,762	1,693,762
Unrestricted	45,710,635	28,569,892	74,280,527
Total net assets	\$ 93,796,117	102,034,906	195,831,023

CITY OF NAPLES, FLORIDA

Statement of Activities

Year Ended September 30, 2010

	<u>Expenses</u>	<u>Indirect expenses allocation</u>	<u>Charges for services</u>
Functions/programs:			
Governmental activities:			
General government	\$ 9,480,817	(3,085,903)	1,139,439
Public safety	25,236,995	379,683	3,631,525
Physical and economic environment	3,079,562	127,967	12,064
Transportation	3,582,961	132,374	6,618
Culture and recreation	7,243,542	-	840,364
Interest	955,784	-	-
Total governmental activities	<u>49,579,661</u>	<u>(2,445,879)</u>	<u>5,630,010</u>
Business-type activities:			
Water and sewer	22,605,668	1,728,364	28,303,440
Solid waste	5,029,120	337,650	6,089,265
Stormwater	2,299,223	158,906	4,422,225
Beach	1,350,385	132,820	1,046,660
Dock	1,062,463	49,980	1,067,358
Tennis	460,393	38,159	534,095
Total business-type activities	<u>32,807,252</u>	<u>2,445,879</u>	<u>41,463,043</u>
Total primary government	<u>\$ 82,386,913</u>	<u>-</u>	<u>47,093,053</u>

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
4,911	-	(5,250,564)	-	(5,250,564)
78,888	42,164	(21,864,101)	-	(21,864,101)
2,746,037	227,752	(221,676)	-	(221,676)
182,725	137,201	(3,388,791)	-	(3,388,791)
177,678	17,885	(6,207,615)	-	(6,207,615)
-	-	(955,784)	-	(955,784)
<u>3,190,239</u>	<u>425,002</u>	<u>(37,888,531)</u>	<u>-</u>	<u>(37,888,531)</u>
-	1,197,871		5,167,279	5,167,279
-	-		722,495	722,495
-	1,793,861		3,757,957	3,757,957
637,810	-		201,265	201,265
-	-		(45,085)	(45,085)
-	-		35,543	35,543
<u>637,810</u>	<u>2,991,732</u>	<u>-</u>	<u>9,839,454</u>	<u>9,839,454</u>
<u>3,828,049</u>	<u>3,416,734</u>	<u>(37,888,531)</u>	<u>9,839,454</u>	<u>(28,049,077)</u>
General revenues:				
Property taxes		19,418,905	-	19,418,905
Local communication and utility taxes		4,846,484	-	4,846,484
Insurance premium tax		1,440,033	-	1,440,033
Motor fuel taxes		1,396,616	-	1,396,616
Business tax		270,748	-	270,748
Franchise fees		3,498,659	-	3,498,659
Intergovernmental revenues—unrestricted		2,825,967	-	2,825,967
Unrestricted investment earnings		542,317	258,101	800,418
Miscellaneous revenues		44,415	-	44,415
Gain on sale of capital assets		-	17,936	17,936
Transfers		1,986,000	(1,986,000)	-
Total general revenues and transfers		<u>36,270,144</u>	<u>(1,709,963)</u>	<u>34,560,181</u>
Change in net assets		(1,618,387)	8,129,491	6,511,104
Net assets—beginning		<u>95,414,504</u>	<u>93,905,415</u>	<u>189,319,919</u>
Net assets—ending		<u>\$ 93,796,117</u>	<u>102,034,906</u>	<u>195,831,023</u>

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2010

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Assets:			
Cash and investments	\$ 18,057,054	3,164,018	5,616,302
Receivables (net, where applicable, of allowance for uncollectible):			
Accounts	501,986	-	-
Special assessments	-	-	231,762
Utility taxes	-	216,145	-
Accrued interest	41,202	-	11,574
Due from other funds	143,458	-	-
Advances due from other funds	208,817	-	74,049
Due from other governments	315,630	195,470	21,938
Inventories	-	-	-
Prepaid items	189,073	-	-
Total assets	\$ 19,457,220	3,575,633	5,955,625
Liabilities:			
Accounts payable	\$ 497,849	131,028	254,683
Accrued payroll	1,287,385	-	-
Due to other governments	5,930	-	-
Due to other funds	-	-	-
Advances payable to other funds	-	-	-
Deferred revenue	192,407	-	236,663
Customer deposits	-	-	1,842
Total liabilities	1,983,571	131,028	493,188
Fund balances:			
Reserved:			
Encumbrances	22,954	-	110,138
Advances	208,817	-	74,049
Inventories	-	-	-
Prepaid items	189,073	-	-
Debt service	-	1,560,104	-
Unreserved, designated:			
Reported in general fund	3,591,868	-	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	182,843
Unreserved, undesignated:			
Reported in general fund	13,460,937	-	-
Reported in debt service fund	-	1,884,501	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	5,095,407
Total fund balances	17,473,649	3,444,605	5,462,437
Total liabilities and fund balances	\$ 19,457,220	3,575,633	5,955,625

See accompanying notes to financial statements.

Community redevelopment	Streets and traffic	Other nonmajor governmental	Total
4,222,933	4,920,202	9,061,421	45,041,930
-	-	3,722	505,708
-	-	-	231,762
-	-	-	216,145
9,479	7,457	15,486	85,198
-	-	-	143,458
-	106,444	-	389,310
-	104,080	196,126	833,244
-	48,819	-	48,819
-	-	-	189,073
4,232,412	5,187,002	9,276,755	47,684,647
567,098	339,597	189,192	1,979,447
31,717	36,682	82,567	1,438,351
-	-	-	5,930
-	-	143,458	143,458
389,310	-	-	389,310
-	-	3,722	432,792
-	-	11,868	13,710
988,125	376,279	430,807	4,402,998
331,480	527,430	38,128	1,030,130
-	106,444	-	389,310
-	48,819	-	48,819
-	-	-	189,073
-	-	-	1,560,104
-	-	-	3,591,868
-	-	336,291	336,291
-	-	322,184	505,027
-	-	-	13,460,937
-	-	-	1,884,501
-	-	4,980,727	4,980,727
2,912,807	4,128,030	3,168,618	15,304,862
3,244,287	4,810,723	8,845,948	43,281,649
4,232,412	5,187,002	9,276,755	47,684,647

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CITY OF NAPLES, FLORIDA

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

September 30, 2010

Total fund balances governmental funds (page 21)	\$ 43,281,649
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 (\$68,107,961) less amounts included in the internal service funds (\$1,169,577).	66,938,384
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(178,233)
Long term liabilities, including bonds payable, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore are not reported in the funds. Total long term liabilities (\$26,592,941) less amounts reported in the internal service funds (\$3,099,305).	(23,493,636)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.	231,763
Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.	2,810,112
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>4,206,078</u>
Net assets of governmental activities (page 17)	<u>\$ 93,796,117</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, 2010

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Revenues:			
Taxes	\$ 21,299,183	3,716,989	-
Permits, fees, and assessments	3,560,988	-	87,559
Intergovernmental	3,248,540	-	21,938
Charges for services	1,751,278	-	-
Charges to other funds	3,720,709	-	-
Fines and forfeitures	202,265	-	-
Interest	227,898	4,521	82,012
Donations	-	-	-
Miscellaneous	61,181	-	3,326
Total revenues	<u>34,072,042</u>	<u>3,721,510</u>	<u>194,835</u>
Expenditures:			
Current:			
General government	8,481,334	63,087	61,745
Public safety	21,093,703	-	-
Physical and economic environment	402,368	-	-
Transportation	-	-	-
Culture and recreation	5,415,070	-	-
Capital outlay:			
General government	25,264	-	79,211
Public safety	29,712	-	698,067
Physical and economic environment	51,041	-	-
Transportation	-	-	-
Culture and recreation	-	-	153,950
Debt service:			
Principal	-	1,612,000	-
Interest and fiscal charges	-	936,863	-
Total expenditures	<u>35,498,492</u>	<u>2,611,950</u>	<u>992,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,426,450)</u>	<u>1,109,560</u>	<u>(798,138)</u>
Other financing sources (uses):			
Transfers in	2,370,000	1,057,300	1,425,000
Transfers out	(67,883)	(1,425,000)	(1,230,000)
Proceeds from sale of capital assets	3,880	-	19,354
Total other financing sources (uses)	<u>2,305,997</u>	<u>(367,700)</u>	<u>214,354</u>
Change in fund balances	879,547	741,860	(583,784)
Fund balances—beginning of year	16,594,102	2,702,745	6,046,221
Fund balances—end of year	<u>\$ 17,473,649</u>	<u>3,444,605</u>	<u>5,462,437</u>

See accompanying notes to financial statements.

<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
712,226	1,396,616	247,772	27,372,786
-	137,201	2,287,229	6,072,977
2,151,466	420,843	196,126	6,038,913
-	-	293,970	2,045,248
-	-	-	3,720,709
-	-	52,120	254,385
40,268	46,749	91,023	492,471
-	-	211,302	211,302
1,194	6,618	3,225	75,544
<u>2,905,154</u>	<u>2,008,027</u>	<u>3,382,767</u>	<u>46,284,335</u>
-	-	14,715	8,620,881
-	-	2,587,021	23,680,724
1,045,037	-	576,975	2,024,380
-	2,246,827	-	2,246,827
-	-	18,861	5,433,931
-	-	-	104,475
-	-	50,576	778,355
743,683	-	180,114	974,838
-	291,850	-	291,850
-	-	-	153,950
-	-	-	1,612,000
21,054	-	-	957,917
<u>1,809,774</u>	<u>2,538,677</u>	<u>3,428,262</u>	<u>46,880,128</u>
<u>1,095,380</u>	<u>(530,650)</u>	<u>(45,495)</u>	<u>(595,793)</u>
13,883	900,000	-	5,766,183
(1,057,300)	-	-	(3,780,183)
-	654	-	23,888
<u>(1,043,417)</u>	<u>900,654</u>	<u>-</u>	<u>2,009,888</u>
51,963	370,004	(45,495)	1,414,095
3,192,324	4,440,719	8,891,443	41,867,554
<u>3,244,287</u>	<u>4,810,723</u>	<u>8,845,948</u>	<u>43,281,649</u>

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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, 2010

Net Changes in Fund Balances – total governmental funds (page 25)	\$	1,414,095
Amounts reported for governmental activities in the statement of activities 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 depreciation (\$5,697,077) exceeded capital outlays (\$2,303,468) in the current period.		(3,393,609)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(72,447)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt payments during the current period.		1,612,000
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.		(87,559)
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.		(413,861)
Decreases in the net pension asset in the statement of activities do not provide current financial resources and therefore are not reported in governmental funds.		(127,378)
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.		<u>(549,628)</u>
Change in net assets of governmental activities (page 19)	\$	<u><u>(1,618,387)</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, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 17,653,700	17,543,860	17,868,402	324,542
Local communication and business	1,994,000	1,994,000	1,990,748	(3,252)
Insurance premium tax	-	1,440,035	1,440,033	(2)
Permits, fees, and assessments	4,017,700	4,017,700	3,560,988	(456,712)
Intergovernmental	3,017,119	3,045,544	3,248,540	202,996
Charges for services	1,895,978	1,895,978	1,751,278	(144,700)
Charges to other funds	3,720,708	3,720,708	3,720,709	1
Fines and forfeitures	355,000	355,000	202,265	(152,735)
Interest	220,000	220,000	227,898	7,898
Miscellaneous	12,000	12,000	61,181	49,181
Total revenues	<u>32,886,205</u>	<u>34,244,825</u>	<u>34,072,042</u>	<u>(172,783)</u>
Expenditures:				
Current:				
General government:				
Mayor and City Council	342,238	342,238	344,455	(2,217)
City Attorney	646,782	646,782	454,220	192,562
City Clerk	535,949	535,949	489,546	46,403
City Manager	593,944	593,944	583,298	10,646
Human resources	519,985	519,985	518,632	1,353
Planning	584,624	584,624	549,980	34,644
Finance	1,747,654	1,747,654	1,738,304	9,350
Nondepartmental	3,792,809	3,951,311	3,802,899	148,412
Total general government	<u>8,763,985</u>	<u>8,922,487</u>	<u>8,481,334</u>	<u>441,153</u>
Public safety:				
Fire	8,147,477	9,083,081	8,967,028	116,053
Police	11,268,889	11,858,812	12,126,675	(267,863)
Total public safety	<u>19,416,366</u>	<u>20,941,893</u>	<u>21,093,703</u>	<u>(151,810)</u>
Physical and economic environment:				
Natural resources	408,235	413,835	402,368	11,467
Total physical and economic environment	<u>408,235</u>	<u>413,835</u>	<u>402,368</u>	<u>11,467</u>
Culture and recreation:				
Community services	6,111,205	6,111,205	5,415,070	696,135
Total culture and recreation	<u>6,111,205</u>	<u>6,111,205</u>	<u>5,415,070</u>	<u>696,135</u>

CITY OF NAPLES, FLORIDA

General Fund

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

Year Ended September 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Capital outlay:				
Public safety:				
Fire	\$ -	15,031	14,989	42
Police	-	14,782	14,723	59
Physical and economic development	-	51,041	51,041	-
Nondepartmental	-	32,000	25,264	6,736
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital outlay	-	112,854	106,017	6,837
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	34,699,791	36,502,274	35,498,492	1,003,782
Excess (deficiency) of revenues over (under) expenditures	<u>(1,813,586)</u>	<u>(2,257,449)</u>	<u>(1,426,450)</u>	<u>830,999</u>
Other financing sources (uses):				
Transfers in	2,494,218	2,494,218	2,370,000	(124,218)
Transfers out	(67,883)	(67,883)	(67,883)	-
Proceeds from sale of capital assets	5,000	5,000	3,880	(1,120)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	2,431,335	2,431,335	2,305,997	(125,338)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in fund balances	617,749	173,886	879,547	705,661
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances—beginning of year	16,594,102	16,594,102	16,594,102	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances—end of year	\$ <u><u>17,211,851</u></u>	\$ <u><u>16,767,988</u></u>	\$ <u><u>17,473,649</u></u>	\$ <u><u>705,661</u></u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2010

Assets	Business-type activities – Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets:			
Cash and investments	\$ 13,036,840	5,264,266	4,962,223
Restricted cash and investments	4,428,376	-	205,150
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	5,170,432	915,977	653,624
Special assessments	129,144	-	-
Miscellaneous	-	-	-
Accrued interest	20,771	8,092	8,848
Due from other governments	200,000	-	195,025
Inventories	1,107,489	-	-
Total current assets	24,093,052	6,188,335	6,024,870
Capital assets:			
Land	1,731,983	1,145,053	234,866
Buildings and utility plants	58,851,848	528,790	-
Improvements other than buildings	25,455,166	917,933	-
Infrastructure	67,970,773	-	18,745,196
Equipment	11,763,758	2,968,830	279,753
Accumulated depreciation	(85,300,574)	(2,726,758)	(6,917,330)
Construction in progress	3,602,712	-	-
Net capital assets	84,075,666	2,833,848	12,342,485
Unamortized issuance cost	90,544	-	-
Total noncurrent assets	84,166,210	2,833,848	12,342,485
Total assets	108,259,262	9,022,183	18,367,355

See accompanying notes to financial statements.

Nonmajor Funds	Total	Governmental activities – Internal Service Funds
1,918,630	25,181,959	6,204,247
17,140	4,650,666	-
89,231	6,829,264	-
-	129,144	-
1,170	1,170	7,493
6,484	44,195	10,192
134,169	529,194	6,357
21,492	1,128,981	135,668
<u>2,188,316</u>	<u>38,494,573</u>	<u>6,363,957</u>
-	3,111,902	-
1,918,946	61,299,584	831,246
6,776,882	33,149,981	-
-	86,715,969	-
1,153,621	16,165,962	2,309,401
(8,063,228)	(103,007,890)	(1,971,070)
-	3,602,712	-
<u>1,786,221</u>	<u>101,038,220</u>	<u>1,169,577</u>
1,434	91,978	-
<u>1,787,655</u>	<u>101,130,198</u>	<u>1,169,577</u>
<u>3,975,971</u>	<u>139,624,771</u>	<u>7,533,534</u>

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2010

	Business-type activities – Enterprise Funds		
Liabilities	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current liabilities:			
Accounts payable	\$ 2,457,019	221,507	243,584
Accrued payroll	336,572	79,205	27,419
Due to other governments	897,241	-	-
Unearned revenue	294,372	-	628,677
Customer deposits	-	-	-
Current portion of compensated absences	74,289	45,043	10,471
Current maturities of long-term debt	1,323,444	-	123,881
Insurance claims payable	-	-	-
Total payable from current assets	<u>5,382,937</u>	<u>345,755</u>	<u>1,034,032</u>
Current liabilities (payable from restricted assets):			
Customer deposits	373,796	-	-
Current maturities of long-term debt	812,681	-	61,244
Accrued interest payable	239,162	-	24,013
Total payable from restricted assets	<u>1,425,639</u>	<u>-</u>	<u>85,257</u>
Total current liabilities	<u>6,808,576</u>	<u>345,755</u>	<u>1,119,289</u>
Noncurrent liabilities:			
Due in more than one year:			
Revenue bonds payable, net of unamortized discounts and premiums	25,882,203	-	2,192,383
Compensated absences	407,047	77,315	47,973
Other post-employment benefits	91,864	22,575	6,896
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>26,381,114</u>	<u>99,890</u>	<u>2,247,252</u>
Total liabilities	<u>33,189,690</u>	<u>445,645</u>	<u>3,366,541</u>
Net Assets			
Invested in capital assets, net of related debt	56,057,338	2,833,848	9,964,977
Restricted for debt service	1,308,975	-	119,893
Restricted for renewal and replacement	1,693,762	-	-
Restricted for flexible benefits	-	-	-
Unrestricted	16,009,497	5,742,690	4,915,944
Net assets of business-type activities	<u>\$ 75,069,572</u>	<u>8,576,538</u>	<u>15,000,814</u>

See accompanying notes to financial statements.

Nonmajor funds	Total	Governmental activities – Internal Service Funds
40,944	2,963,054	132,848
49,006	492,202	93,912
-	897,241	-
95,634	1,018,683	1,391
19,689	19,689	-
17,913	147,716	9,490
41,250	1,488,575	-
-	-	968,000
<u>264,436</u>	<u>7,027,160</u>	<u>1,205,641</u>
-	373,796	-
13,750	887,675	-
3,390	266,565	-
<u>17,140</u>	<u>1,528,036</u>	<u>-</u>
<u>281,576</u>	<u>8,555,196</u>	<u>1,205,641</u>
245,000	28,319,586	-
49,315	581,650	163,929
12,098	133,433	17,886
-	-	1,940,000
<u>306,413</u>	<u>29,034,669</u>	<u>2,121,815</u>
<u>587,989</u>	<u>37,589,865</u>	<u>3,327,456</u>
1,486,221	70,342,384	1,169,577
-	1,428,868	-
-	1,693,762	-
-	-	77,845
<u>1,901,761</u>	<u>28,569,892</u>	<u>2,958,656</u>
<u><u>3,387,982</u></u>	<u><u>102,034,906</u></u>	<u><u>4,206,078</u></u>

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended September 30, 2010

	<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	\$ 16,208,873	-	-
Sewer revenues	12,094,567	-	-
Other	-	6,089,265	4,422,225
Total operating revenues	<u>28,303,440</u>	<u>6,089,265</u>	<u>4,422,225</u>
Operating expenses:			
Personal services	6,740,639	1,566,596	532,464
Supplies and services	4,464,121	2,946,748	315,249
Materials	2,286,592	-	-
Utilities	1,917,438	16,206	25,108
Depreciation and amortization	6,135,958	437,318	1,326,115
General administration	1,728,364	337,650	158,906
Other	87,556	62,252	25,970
Total operating expenses	<u>23,360,668</u>	<u>5,366,770</u>	<u>2,383,812</u>
Operating income (loss)	<u>4,942,772</u>	<u>722,495</u>	<u>2,038,413</u>
Nonoperating revenues (expenses):			
Operating grants	-	-	-
Interest income	141,667	44,944	48,791
Interest expense	(950,257)	-	(74,317)
Gain (loss) on sale of capital assets	(23,107)	53	15,570
Total nonoperating revenues (expenses)	<u>(831,697)</u>	<u>44,997</u>	<u>(9,956)</u>
Income (loss) before contributions and transfers	4,111,075	767,492	2,028,457
Capital contributions	1,197,871	-	1,793,861
Transfers in	-	-	-
Transfers out	(1,668,000)	(372,000)	-
Change in net assets	<u>3,640,946</u>	<u>395,492</u>	<u>3,822,318</u>
Net assets—beginning of year	<u>71,428,626</u>	<u>8,181,046</u>	<u>11,178,496</u>
Net assets—end of year	<u>\$ 75,069,572</u>	<u>8,576,538</u>	<u>15,000,814</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Totals</u>	<u>Governmental activities – Internal Service Funds</u>
-	16,208,873	-
-	12,094,567	-
2,648,113	13,159,603	12,162,583
<u>2,648,113</u>	<u>41,463,043</u>	<u>12,162,583</u>
1,028,526	9,868,225	1,790,689
1,043,664	8,769,782	9,392,544
-	2,286,592	830,356
144,303	2,103,055	27,252
556,231	8,455,622	328,147
220,959	2,445,879	387,550
85,384	261,162	8,030
<u>3,079,067</u>	<u>34,190,317</u>	<u>12,764,568</u>
<u>(430,954)</u>	<u>7,272,726</u>	<u>(601,985)</u>
637,810	637,810	-
22,699	258,101	49,846
(15,133)	(1,039,707)	-
2,313	(5,171)	2,511
<u>647,689</u>	<u>(148,967)</u>	<u>52,357</u>
216,735	7,123,759	(549,628)
-	2,991,732	-
54,000	54,000	-
-	(2,040,000)	-
<u>270,735</u>	<u>8,129,491</u>	<u>(549,628)</u>
<u>3,117,247</u>	<u>93,905,415</u>	<u>4,755,706</u>
<u><u>3,387,982</u></u>	<u><u>102,034,906</u></u>	<u><u>4,206,078</u></u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2010

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 29,839,391	6,463,293
Cash payments to suppliers	(8,221,716)	(3,091,439)
Cash payments to employees for services	(6,582,778)	(1,564,513)
Cash payments for interfund services	(1,728,364)	(337,650)
Net cash provided by operating activities	<u>13,306,533</u>	<u>1,469,691</u>
Cash flows from noncapital financing activities:		
Transfers	(1,668,000)	(372,000)
Loans/advances and repayments from (to) other funds	-	-
Operating grants	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,668,000)</u>	<u>(372,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(2,074,411)	-
Interest paid on long-term debt	(971,057)	-
Capital contributions	359,032	-
Proceeds from sale of capital assets	32,208	53
Acquisition and construction of capital assets	(7,061,109)	(30,782)
Net cash used in capital and related financing activities	<u>(9,715,337)</u>	<u>(30,729)</u>
Cash flows from investing activities:		
Interest and investment earnings	<u>162,179</u>	<u>50,038</u>
Net cash provided by investing activities	<u>162,179</u>	<u>50,038</u>
Net increase in cash and cash equivalents	2,085,375	1,117,000
Cash and cash equivalents—beginning of year	<u>15,379,841</u>	<u>4,147,266</u>
Cash and cash equivalents—end of year	\$ <u><u>17,465,216</u></u>	\$ <u><u>5,264,266</u></u>

Stormwater Fund	Nonmajor Funds	Total	Governmental Activities – Internal Service Funds
4,651,750	2,645,613	43,600,047	12,159,255
(1,051,527)	(1,363,773)	(13,728,455)	(10,314,643)
(521,883)	(1,016,266)	(9,685,440)	(1,749,703)
(158,906)	(220,959)	(2,445,879)	(387,550)
<u>2,919,434</u>	<u>44,615</u>	<u>17,740,273</u>	<u>(292,641)</u>
-	54,000	(1,986,000)	-
14,449	-	14,449	-
-	609,090	609,090	-
<u>14,449</u>	<u>663,090</u>	<u>(1,362,461)</u>	<u>-</u>
(179,641)	(50,000)	(2,304,052)	-
(76,131)	(15,658)	(1,062,846)	-
1,362,500	-	1,721,532	-
15,570	2,313	50,144	2,511
(4,090,009)	(83,685)	(11,265,585)	(423,566)
<u>(2,967,711)</u>	<u>(147,030)</u>	<u>(12,860,807)</u>	<u>(421,055)</u>
<u>46,363</u>	<u>19,054</u>	<u>277,634</u>	<u>58,658</u>
<u>46,363</u>	<u>19,054</u>	<u>277,634</u>	<u>58,658</u>
12,535	579,729	3,794,639	(655,038)
5,154,838	1,356,041	26,037,986	6,859,285
<u>5,167,373</u>	<u>1,935,770</u>	<u>29,832,625</u>	<u>6,204,247</u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2010

	<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)	\$ 4,942,772	722,495
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,135,958	437,318
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	1,504,529	374,028
Decrease in miscellaneous receivables	-	-
Decrease in due from other governments	-	-
(Increase) decrease in inventories	126,896	-
Increase (decrease) in accounts payable	407,095	(66,233)
Increase (decrease) in accrued payroll	18,005	(7,843)
Increase (decrease) in due to other governments	(66,963)	-
Increase (decrease) in unearned revenue	55,919	-
(Increase) decrease in customer deposits	42,466	-
(Increase) decrease in insurance claims payable	-	-
(Increase) decrease in other post-employment benefits	63,133	15,332
(Increase) decrease in compensated absences payable	76,723	(5,406)
Net cash provided by operating activities	\$ <u>13,306,533</u>	<u>1,469,691</u>

See accompanying notes to financial statements.

Stormwater Fund	Nonmajor funds	Total	Governmental Activities – Internal Service Funds
2,038,413	(430,954)	7,272,726	(601,985)
1,326,115	556,231	8,455,622	328,147
229,525	-	2,108,082	-
-	(2,845)	(2,845)	(2,480)
-	(4,867)	(4,867)	388
-	130	127,026	6,566
(685,200)	(90,552)	(434,890)	(66,663)
262	3,602	14,026	5,320
-	-	(66,963)	-
-	4,020	59,939	(1,236)
-	1,192	43,658	-
-	-	-	5,000
4,781	7,878	91,124	12,189
5,538	780	77,635	22,113
<u>2,919,434</u>	<u>44,615</u>	<u>17,740,273</u>	<u>(292,641)</u>

CITY OF NAPLES, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2010

	Pension Trust Funds	Agency Funds
Assets:		
Cash and investments	\$ 7,528,581	2,991
Accounts receivable	67,556	-
Investments, at fair value:		
Corporate bonds	12,963,127	-
U.S. Government securities	10,002,051	-
Common stock	53,485,474	-
Mortgage-backed securities	5,490,809	-
Mutual funds	6,686,579	-
Total investments	<u>88,628,040</u>	<u>-</u>
Total assets	<u>96,224,177</u>	<u>2,991</u>
Liabilities:		
Accounts payable	458	2,991
DROP payable	285,584	-
Deferred contributions	174,293	-
Total liabilities	<u>460,335</u>	<u>2,991</u>
Net assets:		
Held in trust for pension benefits and other purposes	<u>\$ 95,763,842</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, 2010

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employee contributions	\$ 1,751,515
Employer contributions	5,595,743
State contributions	1,440,033
Total contributions	<u>8,787,291</u>
Investment earnings:	
Interest and dividend income	2,261,090
Net appreciation in fair value of investments	5,526,318
Less investment expense	(450,679)
Net investment earnings	<u>7,336,729</u>
Total additions	<u>16,124,020</u>
Deductions:	
Benefits paid	5,372,771
Refunds of contributions	472,581
General administration	261,552
Total deductions	<u>6,106,904</u>
Change in net assets	10,017,116
Net assets—beginning of year	<u>85,746,726</u>
Net assets—end of year	<u><u>\$ 95,763,842</u></u>

See accompanying notes to financial statements.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(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 Council Manager form of government. The governing body of the City is comprised of an elected City Council (six members) and an elected 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 pension and 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 Special Taxing District, East Naples Bay Special Taxing District and the Community Redevelopment Agency are blended component units of this reporting entity, because all districts are governed by Naples City Council. The two Special Taxing Districts were created and established by Ordinances No. 87-5328 and No. 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 the taxing districts are provided through an ad valorem tax that is levied only within these specified districts. Ordinance No. 94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from both Collier County and the City provides the source of revenue for the Community Redevelopment Agency.

Separate financial statements for the blended component units are not prepared.

Entities that benefit residents of the City but are excluded from this report are the Naples Community Hospital and the Naples Airport Authority. They are excluded because 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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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 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. Agency funds do not have a measurement focus and only report assets and liabilities. 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 as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Property taxes, gas taxes, utility taxes, franchise fees, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. 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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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 – a blended component unit 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 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 technology 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.

Agency Funds – account for the activities of the City's internal payroll clearing account.

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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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, other nonmajor enterprise funds, 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 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 and consist of cash on hand, cash on deposit with financial institutions, and funds on deposit in the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration.

(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 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."

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(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 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 Streets 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 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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(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 one year. 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.

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	10-50 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

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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 balance which are not appropriable 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. See Section (H) for a detail of designated fund balances by fund and purpose.

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.

(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 expenditure in the governmental funds. Such fees amounted to \$3,720,709 for fiscal year 2010, and included \$509,974 charged to internal service and fiduciary funds and \$764,856 charged to the debt service fund, Building and Zoning special revenue fund, and capital projects funds.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(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 reconciliation between *total fund balances—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, compensated absences, and other post employment benefits are not due and payable in the current period, and therefore are not reported in the funds.” The details of this (\$23,493,636) difference are as follows:

Bonds payable	\$ (21,076,000)
Less issuance discounts	69,771
Other post employment benefits	(315,141)
Compensated absences	<u>(2,172,266)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net assets—governmental activities	\$ <u><u>(23,493,636)</u></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 \$2,810,112 difference are as follows:

Net pension assets	\$ 2,670,024
Unamortized bond issuance costs	<u>140,088</u>
Net adjustment to increase fund balance—governmental funds to arrive at net assets—governmental activities	\$ <u><u>2,810,112</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(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 reconciliation between *net changes in fund balance—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 (\$3,393,609) difference are as follows:

Capital outlay	\$ 2,303,468
Depreciation expense	<u>(5,697,077)</u>
Net adjustment to decrease net changes in fund balances— total governmental funds to arrive at change in net assets of governmental activities.	\$ <u><u>(3,393,609)</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 (\$72,449) difference are as follows:

The statement of activities report losses arising from the trade-in or the disposal of existing capital assets. Conversely, governmental funds to not report any gain or loss on a trade-in or disposal of capital assets.	\$ <u>(72,447)</u>
Net adjustment to decrease net changes in fund balances— total governmental funds to arrive at change in net assets of governmental activities.	\$ <u><u>(72,447)</u></u>

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Notes to Financial Statements

September 30, 2010

Another element of that reconciliation states that “debt proceeds provide current financial resources to governmental funds, while the repayment of the debt principal is an expenditure in 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 \$1,612,000 difference are as follows:

Principal repayments:	
General obligation debt	\$ 470,000
Revenue bonds debt	<u>1,142,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities.	\$ <u><u>1,612,000</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 (\$413,861) difference are as follows:

Change in:	
Compensated absences	\$ (184,710)
Other post employment benefits	(213,554)
Accrued interest	9,984
Bond issuance costs	(17,730)
Bond discounts	<u>(7,851)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities.	\$ <u><u>(413,861)</u></u>

(III) Stewardship, Compliance, and Accountability

(A) Budgetary Information

Annual budgets are adopted for the General, Special Revenue, Debt Service, and Capital Project Funds on a basis consistent with generally accepted accounting principles. The Improvement Fund, Public Arts Fund, 41-10 Open Space Fund, Parking Trust Fund, Impact Fee Fund, and Land Conservation Trust Fund are the only governmental funds excluded from the appropriation process.

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

1. The budget process begins in March, with the development of the Capital Improvement Program and the Operating Budgets.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

2. Draft documents are presented to Council in June.
3. Workshops on the proposed budget are conducted during August.
4. In September, two public hearings are conducted to obtain taxpayer comments.
5. The budget is legally enacted through passage of an ordinance, effective October 1.
6. The appropriated budget is prepared by fund, function, 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 in accordance with the adopted annual budget ordinance. Total expenditures may not legally exceed appropriations for each budgeted fund.
7. Within a single fund or department, budget amendments may be made by the department head with the City Manager's approval. All other changes, including increasing the budget, transfers, capital amendments and addition of employees require City Council approval via resolution.
8. 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 throughout the fiscal year as an operating tool for budgeted 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, 2010, expenditures exceeded appropriations as follows:

General Fund—Mayor and Council	\$	2,217
General Fund—Police		267,863

In the General fund, the overages were funded by sufficient unused appropriations within the fund.

(IV) Detailed Notes on All Funds

(A) Cash and Investments

On March 5, 2008, the City Council formally adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

In addition, several separate accounts are maintained for specialty purposes including debt service, capital projects and trust funds.

Cash and Cash Equivalents

Cash equivalents consist of money market accounts held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes in the amount of \$13,405,880 and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in the Local Government Surplus Funds Trust Fund ("LGIP") Fund A, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$91,383 is reported at amortized cost and has a weighted average of 52 days to maturity as of September 30, 2010. Fund A is rated AAAM by Standard & Poors. The City's investment in the LGIP Fund B is accounted for as a fluctuating NAV pool. The fair value for the City's investment in the LGIP Fund B is \$267,828 with a weighted average life of 7.49 years as of September 30, 2010. Fund B is not rated by any nationally recognized statistical rating agency.

Investment Portfolios

Investment holdings consist of a \$63,847,219 General Investment Portfolio and an \$88,628,040 Pension Portfolio. Both portfolios are reported at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

Section 218.415, Florida Statutes, limits the types of investments in which the City can invest unless specifically authorized in the City's investment policy.

The City has a formal investment policy for excess funds that allows for the following investments: Local Government Surplus Funds Trust Fund ("SBA"), United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, Corporate Notes, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds), and Intergovernmental Investment Pools.

The City has a formal investment policy for the pension funds that allows for the following investments: Federal Instrumentalities, Collateralized Mortgage Obligations, Interest Bearing Time Deposit or Saving Accounts, Commercial Paper, Corporate Notes, Bankers' Acceptances, asset-backed securities (ABS), Real Estate Investment Trusts (REIT), Collateralized Mortgage Obligations (CMO), and equity securities (including convertible bonds).

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

As of September 30, 2010, the City had the following investments with effective durations presented in terms of years:

General Investment Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
United States Treasury Securities	\$ 48,200,456	0.88
United States Agency Securities	11,129,792	0.47
Commercial Paper	2,997,836	0.23
Certificates of Deposit	1,519,135	0.78
Total	\$ <u>63,847,219</u>	0.78

Interest receivable on the City's investment portfolio amounted to \$139,585 as of September 30, 2010.

Pension Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
United States Treasury Securities	\$ 8,683,987	
United States Agency Securities	1,318,064	
Corporate Bonds	12,963,127	
Corporate Stocks	53,485,474	
Asset Backed Securities	5,490,809	
Mutual Funds	6,686,579	
Total	\$ <u>88,628,040</u>	4.25

Interest Rate Risk

In accordance with the City's investment policy, the City has purchased investments with maturities that are less than or equal to three years in length. This policy reduces the City's exposure to fluctuations in interest rates over the life of the investments. Also, although it is not the City's policy to hold investments to maturity, most investments are purchased with the intent to do so.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

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The City utilizes “effective duration” as a measurement of interest rate risk and as of September 30, 2010, the investment portfolio had an effective duration of 2.42 years. The chart below shows the City’s investments by investment portfolio and their respective duration.

Total Portfolio

Cash and Investment Accounts	Fair Value	Average Effective Duration
Cash	\$ 12,774,740	-
Money Market	11,629,204	-
Local Government Surplus Funds Trust Fund ("SBA) - Fund A	91,383	0.09
Local Government Surplus Funds Trust Fund ("SBA) - Fund B	267,828	7.49
Investment Portfolio	63,847,219	0.78
Pension Portfolio	88,628,040	4.25
Total	\$ <u>177,238,414</u>	2.42

Liquidity Rate Risk

The City’s investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Unless matched to a specific cash flow requirement, such as a bond requirement, the City will not directly invest in securities maturing more than three years from the date of purchase.

Credit Risk

The City’s investment policy permits investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least “A” by Moody’s and “A” by Standard & Poor’s for long-term debt.

Bankers’ acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time or purchase, the short-term paper is rated, at a minimum, “P-1” by Moody’s Investors Services and “A-1” by Standard & Poor’s. Additionally, the bank shall not be listed with any recognized credit watch information service.

Commercial paper of any United States company that is rated, at the time or purchase, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s (prime commercial paper). Additionally, the company shall not be listed with any recognized credit watch information service.

As of September 30, 2010, the City’s investment securities in the general investment and pension portfolios, valued at \$152,475,259 were individually rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Services.

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Notes to Financial Statements

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The City's cash balance of \$24,403,944 was deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

The City's investment in the Local Government Surplus Funds Trust Fund ("LGIP") Fund A in the amount of \$91,383 is rated AAAM by Standard & Poors. The City's investment in the LGIP Fund B in the amount of \$267,828 is not rated by any nationally recognized statistical rating agency.

The portfolios also contain \$53,485,474 in equity securities, \$6,686,579 in mutual funds, and \$1,519,135 in certificates of deposit that are not rated.

Custodial Credit Risk

The City's investment policy pursuant to Section 218.415(18), Florida Statutes requires securities, with the exception of certificates of deposits, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of September 30, 2010, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

Concentration of Credit Risk

The City's investment policy has established asset allocation limits on the following investments which are designed to reduce concentration of credit risk of the City's investment portfolio.

All or 100% of available funds may be invested in United States Government Securities with the exception of Treasury Strips, which are limited to 10% of available funds, 50% of available funds may be invested in U.S. Government Agencies and Federal Instrumentalities, 25% of available funds may be invested in the SBA, prime commercial paper, bankers' acceptances, State and Local Government debts or intergovernmental investment pools, 20% of available funds may be invested in repurchase agreements or money market mutual funds, 15% of available funds may be invested in corporate notes, and 10% of available funds may be invested in non-negotiable interest-bearing time certificates of deposit.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

As of September 30, 2010, the City's Investment Portfolio had the following issuer concentration based on fair value:

General Concentration

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 12,477,663	15.39%
Money Market	4,397,700	5.42%
Local Government Surplus Funds Trust Fund ("SBA) - Fund A	91,383	0.11%
Local Government Surplus Funds Trust Fund ("SBA) - Fund B	267,828	0.33%
United States Treasury Securities	48,200,456	59.45%
United States Agency Securities	11,129,792	13.73%
Commercial Paper	2,997,836	3.70%
Certificates of Deposit	1,519,135	1.87%
Total	<u>\$ 81,081,793</u>	

The City's Pension Investment Policy has established asset allocation limits on the following investments which are designed to reduce concentration of credit risk of the City's pension investment portfolio.

A maximum of 42.5% of available funds may be invested in Fixed Income Securities, 70% in domestic equity securities and 10% in international equity securities. The equity position in any one company shall not exceed 5% of the total portfolio at market value.

As of September 30, 2010, the City's Pension Portfolio had the following issuer concentration based on fair value:

Pension Concentration

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 297,077	0.31%
Money Market	7,231,504	7.52%
United States Treasury Securities	8,683,987	9.03%
United States Agency Securities	1,318,064	1.37%
Corporate Bonds	12,963,127	13.48%
Corporate Stocks	53,485,474	55.62%
Mortgage-backed Securities	5,490,809	5.71%
Mutual Funds	6,686,579	6.95%
Total	<u>\$ 96,156,621</u>	

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Foreign Currency Risk

The City's investment policy does not allow for investments in foreign currency therefore the City has no exposure foreign currency risk.

(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. At January 1, 2009, the assessed value of the principal taxing authority's property upon which the 2009-10 levy was based was \$16.3 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2010 was 1.1800 (\$1.18 per \$1,000 of assessed value). The voted debt service millage was 0.0375 (\$0.0375 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 nature preserve. The assessed values at January 1, 2009 of the dependent special districts, East Naples Bay and Moorings Bay, were \$437 million, and \$1,557 million, respectively. In addition to the City's millage rate and the voted debt service millage rate, 0.5000 (\$0.5000 per \$1,000 of assessed value) is added to the East Naples Bay dependent special district and 0.0237 (\$0.0237 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, 2010. Total ad valorem taxes collected for the year ended September 30, 2010, aggregated \$19,418,905, net of cash discounts, of which \$17,868,402 was designated for general government services, \$712,226 for the Community Redevelopment agency, \$212,281 for East Naples Bay Taxing District, \$35,491 for the Moorings Bay Taxing District and \$590,505 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. As specified in Florida Statute 200.081, no aggregate ad valorem tax millage in excess of 10 mills on the dollar is levied against property of the City.

Each year on July 1st, the total taxable valuation is established by the Collier County Property Appraiser for City property.

The property owners' 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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

For the 2010 tax roll year, the assessment roll was opened for collection on November 1, 2009, and discounts for payment prior to April 1, 2010, 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 2010 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

(C) Receivables

Receivables at September 30, 2010, 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>Interest and other</u>	<u>Total</u>
Governmental activities:						
Major funds:						
General	\$ 501,986	-	-	315,630	41,202	858,818
Debt service	-	-	216,145	195,470	-	411,615
Capital projects	-	231,762	-	21,938	11,574	265,274
Community redevelopment	-	-	-	-	9,479	9,479
Streets and traffic	-	-	-	104,080	7,457	111,537
Nonmajor funds	3,722	-	-	196,126	15,486	215,334
Internal service	-	-	-	6,357	17,685	24,042
	<u>\$ 505,708</u>	<u>231,762</u>	<u>216,145</u>	<u>839,601</u>	<u>102,883</u>	<u>1,896,099</u>
Business type activities:						
Major funds:						
Water and sewer	\$ 5,170,432	129,144	-	200,000	20,771	5,520,347
Solid waste	915,977	-	-	-	8,092	924,069
Stormwater	653,624	-	-	195,025	8,848	857,497
Nonmajor funds	89,231	-	-	134,169	7,654	231,054
	<u>\$ 6,829,264</u>	<u>129,144</u>	<u>-</u>	<u>529,194</u>	<u>45,365</u>	<u>7,532,967</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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, 2010, are as follows:

Water and sewer	\$	36,692
Solid waste		<u>7,248</u>
	\$	<u><u>43,940</u></u>

(D) Capital Assets

Governmental Activities:

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2010, is as follows:

Governmental activities	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 11,826,200	-	-	11,826,200
Construction in progress	<u>149,596</u>	<u>231,379</u>	<u>(149,595)</u>	<u>231,380</u>
Total capital assets not being depreciated	<u>11,975,796</u>	<u>231,379</u>	<u>(149,595)</u>	<u>12,057,580</u>
Capital assets being depreciated:				
Buildings	37,141,750	659,621	(71,905)	37,729,466
Improvements other than buildings	30,441,462	1,005,481	(221,843)	31,225,100
Infrastructure	30,986,816	130,147	(5,251)	31,111,712
Equipment	<u>16,028,017</u>	<u>850,001</u>	<u>(783,876)</u>	<u>16,094,142</u>
Total capital assets being depreciated	114,598,045	2,645,250	(1,082,875)	116,160,420
Less accumulated depreciation for:				
Buildings	(10,747,283)	(1,218,393)	63,677	(11,901,999)
Improvements other than buildings	(15,272,807)	(2,154,559)	216,367	(17,210,999)
Infrastructure	(18,496,360)	(965,377)	2,557	(19,459,180)
Equipment	<u>(10,578,792)</u>	<u>(1,686,895)</u>	<u>727,826</u>	<u>(11,537,861)</u>
Total accumulated depreciation	<u>(55,095,242)</u>	<u>(6,025,224)</u>	<u>1,010,427</u>	<u>(60,110,039)</u>
Total capital assets being depreciated, net	<u>59,502,803</u>	<u>(3,379,974)</u>	<u>(72,448)</u>	<u>56,050,381</u>
Total governmental capital assets, net	\$ <u>71,478,599</u>	<u>(3,148,595)</u>	<u>(222,043)</u>	<u>68,107,961</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Depreciation expense was charged to the governmental activities as follows:

Governmental activities:	
General government	\$ 453,392
Public safety	1,060,917
Physical and economic environment	1,170,824
Transportation	1,398,331
Cultural and recreation	1,613,613
Internal service	<u>328,147</u>
Total depreciation expense - governmental activities	<u><u>\$ 6,025,224</u></u>

Business-Type Activities:

A summary of changes in capital assets of business-type activities for the year ended September 30, 2010, is as follows:

<u>Water and Sewer Fund</u>	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance</u> <u>September 30</u>
Capital assets not being depreciated:				
Land	\$ 1,731,983	-	-	1,731,983
Construction in progress	<u>2,717,799</u>	<u>1,947,977</u>	<u>(1,063,064)</u>	<u>3,602,712</u>
Total capital assets not being depreciated	<u>4,449,782</u>	<u>1,947,977</u>	<u>(1,063,064)</u>	<u>5,334,695</u>
Capital assets being depreciated:				
Buildings and utility plants	58,853,469	25,271	(26,892)	58,851,848
Improvements other than buildings	22,696,967	2,758,199	-	25,455,166
Infrastructure	65,580,562	2,501,183	(110,972)	67,970,773
Equipment	<u>11,131,421</u>	<u>891,543</u>	<u>(259,206)</u>	<u>11,763,758</u>
Total capital assets being depreciated	158,262,419	6,176,196	(397,070)	164,041,545
Less accumulated depreciation for:				
Buildings	(23,087,987)	(1,384,757)	18,454	(24,454,290)
Improvements other than buildings	(11,565,104)	(2,335,124)	-	(13,900,228)
Infrastructure	(37,025,823)	(1,275,350)	85,049	(38,216,124)
Equipment	<u>(7,832,783)</u>	<u>(1,135,401)</u>	<u>238,252</u>	<u>(8,729,932)</u>
Total accumulated depreciation	<u>(79,511,697)</u>	<u>(6,130,632)</u>	<u>341,755</u>	<u>(85,300,574)</u>
Total capital assets being depreciated, net	<u>78,750,722</u>	<u>45,564</u>	<u>(55,315)</u>	<u>78,740,971</u>
Water and sewer fund capital assets, net	<u><u>\$ 83,200,504</u></u>	<u><u>1,993,541</u></u>	<u><u>(1,118,379)</u></u>	<u><u>84,075,666</u></u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Solid Waste Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 1,145,053	-	-	1,145,053
Total capital assets not being depreciated	<u>1,145,053</u>	<u>-</u>	<u>-</u>	<u>1,145,053</u>
Capital assets being depreciated:				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	917,933	-	-	917,933
Equipment	2,960,068	30,781	(22,019)	2,968,830
Total capital assets being depreciated	<u>4,406,791</u>	<u>30,781</u>	<u>(22,019)</u>	<u>4,415,553</u>
Less accumulated depreciation for:				
Buildings	(230,467)	(27,463)	-	(257,930)
Improvements other than buildings	(742,139)	(56,147)	-	(798,286)
Equipment	(1,338,853)	(353,708)	22,019	(1,670,542)
Total accumulated depreciation	<u>(2,311,459)</u>	<u>(437,318)</u>	<u>22,019</u>	<u>(2,726,758)</u>
Total capital assets being depreciated, net	<u>2,095,332</u>	<u>(406,537)</u>	<u>-</u>	<u>1,688,795</u>
Solid waste fund capital assets, net	\$ <u>3,240,385</u>	<u>(406,537)</u>	<u>-</u>	<u>2,833,848</u>
Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 234,866	-	-	234,866
Construction in progress	55,909	-	(55,909)	-
Total capital assets not being depreciated	<u>290,775</u>	<u>-</u>	<u>(55,909)</u>	<u>234,866</u>
Capital assets being depreciated:				
Infrastructure	14,599,279	4,145,917	-	18,745,196
Equipment	301,056	-	(21,303)	279,753
Total capital assets being depreciated	<u>14,900,335</u>	<u>4,145,917</u>	<u>(21,303)</u>	<u>19,024,949</u>
Less accumulated depreciation for:				
Infrastructure	(5,482,825)	(1,299,485)	-	(6,782,310)
Equipment	(129,693)	(26,630)	21,303	(135,020)
Total accumulated depreciation	<u>(5,612,518)</u>	<u>(1,326,115)</u>	<u>21,303</u>	<u>(6,917,330)</u>
Total capital assets being depreciated, net	<u>9,287,817</u>	<u>2,819,802</u>	<u>-</u>	<u>12,107,619</u>
Stormwater fund capital assets, net	\$ <u>9,578,592</u>	<u>2,819,802</u>	<u>(55,909)</u>	<u>12,342,485</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Nonmajor Funds	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets being depreciated:				
Buildings and utility plants	\$ 1,918,946	-	-	1,918,946
Improvements other than buildings	6,777,534	47,695	(48,347)	6,776,882
Equipment	1,121,295	35,990	(3,664)	1,153,621
Total capital assets being depreciated	9,817,775	83,685	(52,011)	9,849,449
Less accumulated depreciation for:				
Buildings	(1,118,370)	(127,816)	-	(1,246,186)
Improvements other than buildings	(5,606,847)	(330,958)	48,347	(5,889,458)
Equipment	(834,029)	(97,219)	3,664	(927,584)
Total accumulated depreciation	(7,559,246)	(555,993)	52,011	(8,063,228)
Total capital assets being depreciated, net	2,258,529	(472,308)	-	1,786,221
Nonmajor fund capital assets, net	\$ 2,258,529	(472,308)	-	1,786,221
Total business-type capital assets, net	\$ 98,278,010	3,934,498	(1,174,288)	101,038,220

Depreciation expense was charged to the business-type activities as follows:

Business-type activities:	
Water and sewer	\$ 6,130,632
Solid waste	437,318
Stormwater	1,326,115
Other	555,993
Total depreciation expense - business-type activities	\$ 8,450,058

(E) Interfund Transactions

Individual fund interfund receivable and payable balances at September 30, 2010, are as follows:

	Interfund receivable	Interfund payable
Governmental activities:		
Major fund:		
General	\$ 143,458	-
Nonmajor funds:		
Community Development Block Grant Fund	-	124,006
Grants Fund	-	19,452
	\$ 143,458	143,458

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Interfund receivables and payables generally represent recurring activities between funds as well as temporary deficit cash balances.

Advances from/to other funds are as follows:

	<u>Advances receivable</u>	<u>Advances payable</u>
Governmental activities:		
Major funds:		
General	\$ 208,817	-
Capital projects	74,049	-
Community redevelopment	-	389,310
Streets and traffic	106,444	-
	<u>\$ 389,310</u>	<u>389,310</u>

Advances to other funds represent funds of the community redevelopment fund used to construct certain infrastructure improvements and will be repaid according to a set schedule. Advances expected to be repaid within one year are \$202,295.

Transfers during the year ended September 30, 2010, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities:		
Major funds:		
General	\$ 2,370,000	67,883
Debt service	1,057,300	1,425,000
Capital projects	1,425,000	1,230,000
Community redevelopment	13,883	1,057,300
Streets and traffic	900,000	-
Business-type activities:		
Major funds:		
Water and sewer	-	1,668,000
Solid waste	-	372,000
Nonmajor fund:		
Tennis	54,000	-
	<u>\$ 5,820,183</u>	<u>5,820,183</u>

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Transfers into the General Fund amounted to \$2,370,000 of which \$2,040,000 were payments in-lieu of taxes from the Water and Sewer Fund and Solid Waste Fund and \$330,000 was from the Capital Projects Fund to help fund operations. The transfer into the Debt Service Fund from the Community Redevelopment Fund in the amount of \$1,057,300 was for debt service payments. The transfer into the Capital Projects Fund from the Debt Service Fund in the amount of \$1,425,000 was utility tax revenues to be used for expenditures. The transfer from the Capital Projects Fund into the Streets and Traffic Fund in the amount of \$900,000 was for the overlay program and other capital improvements. The transfer from the General Fund into the Tennis Fund in the amount of \$54,000 was to help defer costs when members could not use the facility due to tournaments and public events.

(F) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2010, for the City's individual major funds and for the total nonmajor funds were as follows:

	Accounts payable	Accrued payroll	Total
Governmental activities:			
Major funds:			
General	\$ 497,849	1,287,385	1,785,234
Debt service	131,028	-	131,028
Capital projects	254,683	-	254,683
Community redevelopment	567,098	31,717	598,815
Streets and traffic	339,597	36,682	376,279
Nonmajor funds	189,192	82,567	271,759
Internal service	132,848	93,912	226,760
	\$ 2,112,295	1,532,263	3,644,558
Business-type activities:			
Major funds:			
Water and sewer	\$ 2,457,019	336,572	2,793,591
Solid waste	221,507	79,205	300,712
Stormwater	243,584	27,419	271,003
Nonmajor funds	40,944	49,006	89,950
	\$ 2,963,054	492,202	3,455,256

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(G) Long-Term Obligations

Long-term liabilities of the governmental activities at September 30, 2010, are comprised of the following:

Public Service Tax Revenue Bonds, Series 2001, issued in the amount of \$9,845,000 for the acquisition and construction of improvements to the City's recreational facilities and to refund the Public Service Tax Revenue Bonds, Series 1997, due in annual installments of \$530,000 to \$935,000 through July 1, 2021. Public service taxes are pledged to secure this issue. Interest rates range from 4.20% to 5.00%

\$ 7,895,000

Redevelopment Revenue and Refunding Bonds, Series 2003, issued in the amount of \$5,925,000 for the purpose of fully refunding the City's Redevelopment Revenue Bonds, Series 1998, and financing the cost of the design, installation, construction and reconstruction of street, public right-of-way, drainage and other related improvements within the CRA District, due in annual installments of \$295,000 to \$415,000 through December 1, 2021. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 3.58%.

4,280,000

Capital Improvement Revenue Note, Series 2008, issued in the amount of \$6,860,000 for the purpose of financing the cost of the design, installation, construction, and equipping of a parking garage within the City, due in annual installments of \$372,000 to \$598,000 through September 1, 2023. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 4.04%.

6,201,000

General Obligation Bonds, Series 2004, issued in the amount of \$3,170,000 to partially refund the General Obligation Bonds, Series 2000, due in annual installments of \$495,000 to \$590,000 through March 1, 2015. Ad valorem taxes are pledged to secure this issue. Interest rate is 3.84%.

2,700,000

Unamortized issuance discounts (69,771)

Claims payable 2,908,000

Other post-employment benefits payable 333,027

Compensated absences payable 2,345,685

\$ 26,592,941

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Changes in long-term obligations for governmental activities for the year ended September 30, 2010, are as follows:

Governmental Activities	Balance October 1	Additions	Retired	Balance September 30	Due in One Year
Bonds payable:					
2004 General Obligation Bonds	\$ 3,170,000	-	(470,000)	2,700,000	495,000
2001 Public Service Tax Revenue Bonds	8,405,000	-	(510,000)	7,895,000	530,000
2003 Redevelopment Revenue and Refunding Bonds	4,555,000	-	(275,000)	4,280,000	295,000
2008 Capital Improvement Note	6,558,000	-	(357,000)	6,201,000	372,000
	<u>22,688,000</u>	-	<u>(1,612,000)</u>	<u>21,076,000</u>	<u>1,692,000</u>
Less: unamortized discounts	(77,622)		7,851	(69,771)	(7,851)
Total bonds payable	<u>22,610,378</u>	-	<u>(1,604,149)</u>	<u>21,006,229</u>	<u>1,684,149</u>
Claims payable	2,903,000	6,460,243	(6,455,243)	2,908,000	968,000
Other post-employment benefits payable	107,284	450,714	(224,971)	333,027	-
Compensated absences payable	2,138,862	554,821	(347,998)	2,345,685	349,058
Total	<u>\$ 27,759,524</u>	<u>7,465,778</u>	<u>(8,632,361)</u>	<u>26,592,941</u>	<u>3,001,207</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$173,419 in compensated absences, \$2,908,000 in claims payable, and \$17,886 in other post-employment benefits reported in the internal service funds are included in the above amounts. The compensated absences balances are made up by the following funds: General Fund \$1,951,006, Building and Zoning Fund \$90,326, Community Redevelopment Fund \$15,235, Streets and Traffic Fund \$115,699, and internal service funds \$173,419.

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

	Principal	Interest
Year ended September 30:		
2011	\$ 1,692,000	872,135
2012	1,757,000	804,574
2013	1,838,000	733,101
2014	1,919,000	657,711
2015	2,001,000	578,241
2016-2020	8,388,000	1,832,981
2021-2023	3,481,000	218,015
	<u>\$ 21,076,000</u>	<u>5,696,758</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Long-term liabilities of the business-type activities at September 30, 2010, are comprised of the following issues:

Water and Sewer Fund:

Public Utilities Revenue Bond, Series 2007A, issued in the amount of \$10,000,000 to finance the costs of water and sewer capital projects. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 3.84%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance. \$ 8,844,082

Public Utilities Refunding Revenue Bond, Series 2007B, issued in the amount of \$5,819,677 to currently refund the outstanding principal amount of the city's Capital Improvement Note, Series 2005. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 3.62%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance. 5,137,199

State of Florida Revolving Loan Funds, used to upgrade and expand the City's water and sewage treatment plant, payable in equal semi-annual installments of principal and interest for a period of twenty (20) years beginning in April 1998. Planning, engineering and administration allowances in the amount of \$962,696 were approved in March 1995, at 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%. 14,065,564

Unamortized issuance discounts (28,517)

Other post-employment benefits payable 91,864

Compensated absences payable 481,336

Total water and sewer fund \$ 28,591,528

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Solid Waste Fund:

Other post-employment benefits payable	\$	22,575
Compensated absences payable		<u>122,558</u>
Total solid waste fund	\$	<u><u>145,133</u></u>

Stormwater Fund:

State of Florida Revolving Loan Funds issued in the amount of \$4,830,210 for improvements to the City's stormwater system, principal and interest payable in equal semi-annual installments of \$127,886 for a period of twenty (20) years until final maturity on June 15, 2021, with interest of 3.03%. The principal and interest is secured by net revenues of the stormwater utility system, including investment income.

	\$	2,377,508
Other post-employment benefits payable		6,896
Compensated absences payable		<u>58,444</u>
Total stormwater fund	\$	<u><u>2,442,848</u></u>

Nonmajor funds:

Public Service Tax Refunding Bonds, Series 2001, issued in the amount of \$605,000 for the acquisition and construction of improvements to the City's recreational facilities and to refund the Public Service Tax Revenue Bonds, Series 1997, due in annual installments through July 1, 2021, with interest rates ranging from 4.20% to 5.00%. The principal and interest is payable from and secured by non-ad valorem taxes and from the investment of monies in various funds established by Ordinance.

	\$	300,000
Other post-employment benefits payable		12,098
Compensated absences payable		<u>67,228</u>
Total nonmajor funds	\$	<u><u>379,326</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Changes in long-term obligations for business-type activities for the year ended September 30, 2010, are as follows:

<u>Business-Type Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Bonds payable:					
Public Utilities Revenue Bond, Series 2007A	\$ 9,208,456	-	(364,374)	8,844,082	378,366
Public Utilities Refunding Revenue Bond, Series 2007B	5,353,329	-	(216,130)	5,137,199	223,954
Water and Sewer - State Revolving Fund	15,559,471	-	(1,493,907)	14,065,564	1,535,482
Stormwater - State Revolving Fund	2,557,149	-	(179,641)	2,377,508	185,125
Public Service Tax Revenue Refunding, Series 2001	350,000	-	(50,000)	300,000	55,000
	<u>33,028,405</u>	<u>-</u>	<u>(2,304,052)</u>	<u>30,724,353</u>	<u>2,377,927</u>
Less: unamortized discounts	(30,194)	-	1,677	(28,517)	(1,677)
Total bonds payable	<u>32,998,211</u>	<u>-</u>	<u>(2,302,375)</u>	<u>30,695,836</u>	<u>2,376,250</u>
Other post-employment benefits payable	42,309	181,937	(90,813)	133,433	-
Compensated absences payable	<u>651,731</u>	<u>161,320</u>	<u>(83,685)</u>	<u>729,366</u>	<u>147,716</u>
Total	<u>\$ 33,692,251</u>	<u>343,257</u>	<u>(2,476,873)</u>	<u>31,558,635</u>	<u>2,523,966</u>

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

In accordance with bond covenants and Section 148 of the Internal Revenue Code, the City is required to rebate to the U.S. Treasury, every five years, arbitrage earnings on bond proceeds in excess of the bond yield. For the fiscal year ending September 30, 2010, no amounts were earned that will have to be rebated.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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:		
2011	\$ 2,137,802	905,801
2012	2,203,180	840,422
2013	2,270,610	772,992
2014	2,340,155	703,446
2015	2,411,887	631,714
2016-2020	9,625,361	2,074,126
2021-2025	4,923,184	950,974
2026-2027	2,134,666	121,133
	<u>\$ 28,046,845</u>	<u>7,000,608</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:		
2011	\$ 185,125	70,647
2012	190,777	64,995
2013	196,601	59,171
2014	202,603	53,168
2015	208,789	46,983
2016-2020	1,143,539	135,320
2021	250,074	5,697
	<u>\$ 2,377,508</u>	<u>435,981</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Annual debt service requirements to maturity for nonmajor enterprise funds are as follows:

Nonmajor Enterprise Funds:

Nonmajor Funds:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2011	\$ 55,000	13,558
2012	55,000	11,220
2013	60,000	8,800
2014	60,000	6,100
2015	70,000	3,325
	<u>\$ 300,000</u>	<u>43,003</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. Interest was not capitalized during the year ended September 30, 2010.

Defeased Debt

The following issue has been defeased by refunding issues and remains outstanding:

	<u>Defeased bonds outstanding</u>
Water and Sewer Refunding Revenue Bonds, Series 2002	\$ <u>5,865,000</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(H) Fund Equity

The following is a summary of fund balances that were designated for other purposes as of September 30, 2010:

<u>Designated for</u>	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other nonmajor governmental funds</u>
Sable Bay litigation	\$ 13,791	-	-
Emergency reserve	3,538,542	-	-
Handicap accessibility	39,535	-	-
Low income housing	-	182,843	-
Donation requests	-	-	326,162
Public art	-	-	10,129
Downtown parking	-	-	54,512
Fifth Avenue payment in lieu of parking	-	-	267,672
	<u>\$ 3,591,868</u>	<u>182,843</u>	<u>658,475</u>

(I) Additional Information

The City has one nonmajor enterprise fund which has revenue bonds outstanding at September 30, 2010. 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, 2010 follows:

Statement of Net Assets

Cash and investments	\$ 326,821
Inventories	6,010
Accrued interest	748
Restricted cash and investments	17,140
Total current assets	<u>350,719</u>
Other assets	1,434
Capital assets, net	371,787
Total assets	<u>723,940</u>
Current liabilities	57,467
Current liabilities (payable from restricted assets)	17,140
Noncurrent liabilities	261,970
Total liabilities	<u>336,577</u>
Net assets:	
Invested in capital assets, net of related debt	71,787
Unrestricted	315,576
Total net assets	<u>\$ 387,363</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Statement of Changes in Net Assets

Operating revenues:	
Charges for services	\$ 534,095
Total operating revenues	<u>534,095</u>
Operating expenses	435,454
Depreciation and amortization	47,965
Total operating expenses	<u>483,419</u>
Operating income	50,676
Nonoperating revenues (expenses):	
Interest income	3,931
Interest expense	(15,133)
Total nonoperating revenues (expenses)	<u>(11,202)</u>
Transfers in	<u>54,000</u>
Change in net assets	93,474
Net assets – beginning of year	<u>293,889</u>
Net assets – end of year	<u>\$ 387,363</u>
Cash flows from operating activities:	
Cash received from customers	\$ 534,095
Cash payments to suppliers	(183,423)
Cash payments to employees	(209,600)
Cash payments for interfund services	(38,159)
Net cash provided by operating activities	<u>102,913</u>
Cash flows from noncapital financing activities:	
Transfers	<u>54,000</u>
Net cash provided by noncapital financing activities	<u>54,000</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(50,000)
Interest paid on long-term debt	(15,658)
Acquisition and construction of capital assets	(18,915)
Net cash used in capital and related financing activities	<u>(84,573)</u>
Cash flows from investing activities:	
Interest and investment earnings	<u>4,053</u>
Net cash provided by investing activities	<u>4,053</u>
Net increase in cash and cash equivalents	76,393
Cash and cash equivalents - beginning of year	<u>267,568</u>
Cash and cash equivalents - end of year	<u>\$ 343,961</u>

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

(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).

i. General Pension Plan

The General Retirement Plan provides benefits for all full-time American Federation of State and Municipal Employees (AFSME) Union, Government Supervisor Association of Florida Office and Professional Employees International Union (OPEIU) 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 10-12676. 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, 2010, and current membership as of October 1, 2010, the date of the most recent actuarial valuation, is as follows:

General pension plan:

Covered payroll for the year ended September 30, 2010	\$ 15,831,192
Covered payroll as a percentage of the City’s total payroll of \$ 25,211,701	62.8%
Retirees and beneficiaries currently receiving benefits	211
Vested terminated employees	19
 Active employees:	
Fully vested	174
Nonvested	117

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

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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 using the “economic resources” 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.

As of September 30, 2010, 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, 2010, there was 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 5% of compensation 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 actuarial required contribution for fiscal year ending September 30, 2010, was determined in accordance with the October 1, 2008, actuarial valuation. 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 8.0% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 6-13% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The Plan does not provide for a postretirement benefit increase; therefore, no actuarial inflation assumptions are required.

As of the most recent actuarial valuation dated October 1, 2010, the funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</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>
10/01/10	\$ 40,623	63,179	22,556	64%	15,831	142%

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

General - Three Year Trend Information

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/10	\$ 2,124,650	97.1%	(1,023,428)
09/30/09	1,932,075	107.9%	(1,084,494)
09/30/08	1,162,381	123.8%	(932,759)

**General Pension Plan
Annual Pension Cost and Net Pension Obligation**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contributions (ARC)	\$ 2,063,584	1,881,902	1,110,259
Interest on Net Pension Obligation (NPO)	(81,337)	(74,621)	(52,534)
Adjustment to ARC	142,403	124,794	104,656
Annual Pension Cost (APC)	2,124,650	1,932,075	1,162,381
Contributions made	2,063,584	2,083,810	1,438,469
Increase (decrease) in NPO	61,066	(151,735)	(276,088)
NPO at beginning of year	(1,084,494)	(932,759)	(656,671)
NPO at end of year	\$ <u>(1,023,428)</u>	<u>(1,084,494)</u>	<u>(932,759)</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 10-12678. 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, 2010

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2010, and current membership as of October 1, 2010, the date of the most recent actuarial valuation is as follows:

Police pension plan:	
Covered payroll for the year ended September 30, 2010	\$ 5,490,110
Covered payroll as a percentage of the City's total payroll of \$ 25,211,701	21.8%
Retirees and beneficiaries currently receiving benefits	51
Vested terminated employees	15
Active employees:	
Fully vested	44
Nonvested	22

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

	Benefits	Vesting
Police officers	Normal retirement at age 50 with five years of credited service; 25 years of credited service regardless of age; benefits 3.63% 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 using the "economic resources" 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

As of September 30, 2010, 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, 2010, there were no investment types 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 State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Police Officers' Pension Plan for the year ended September 30, 2010 was \$546,848. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The actuarial required contribution for fiscal year ending September 30, 2010, was determined in accordance with the October 1, 2008, actuarial valuation. 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 rate of return is assumed at 8.00% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 6.5-13% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The plan provides for post retirement benefit increases of 3% per year at ages 55 to 62.

As of the most recent actuarial valuation dated October 1, 2010, the funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</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>
10/01/10	\$ 30,894	53,574	22,680	58%	5,490	413%

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police - Three Year Trend Information

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/10	\$ 2,199,807	98.1%	(629,781)
09/30/09	1,884,145	101.7%	(671,038)
09/30/08	1,527,110	105.6%	(638,242)

**Police Pension Plan
Annual Pension Cost and Net Pension Obligation**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contributions (ARC)	\$ 2,158,550	1,850,214	1,487,575
Interest on Net Pension Obligation (NPO)	(50,328)	(51,059)	(44,229)
Adjustment to ARC	91,585	84,990	83,764
Annual Pension Cost (APC)	2,199,807	1,884,145	1,527,110
Contributions made	2,158,550	1,916,941	1,612,486
Increase (decrease) in NPO	41,257	(32,796)	(85,376)
NPO at beginning of year	(671,038)	(638,242)	(552,866)
NPO at end of year	\$ <u>(629,781)</u>	<u>(671,038)</u>	<u>(638,242)</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 10-12677. 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. A stop/restart provision has been implemented and the City may use up to \$1,668,662 each year to offset its cost for the existing benefits. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

The payroll for employees covered by the Plan and the government’s total payroll for the year ended September 30, 2010, and current membership as of October 1, 2010, the date of the most recent actuarial valuation, is as follows:

Firefighters’ pension plan:	
Covered payroll for the year ended September 30, 2010	\$ 3,890,399
Covered payroll as a percentage of the City’s total payroll of \$ 25,211,701	15.4%
Retirees and beneficiaries currently receiving benefit (includes 1 disability)	25
Vested terminated employees	6
Active employees:	
Fully vested	40
Nonvested	13

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 using the “economic resources” 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

As of September 30, 2010, 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, 2010, there were no investment types 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 Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Firefighters' Pension Plan for the year ended September 30, 2010, was \$893,185. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The actuarial required contribution for fiscal year ending September 30, 2010, was determined in accordance with the October 1, 2008, actuarial valuation. 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 7.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 7.5-13% each year, and include an inflation rate of 3%. The actuarial value of assets is developed using a five year smoothing market value return on the valuation date. The gains/losses are phased in 20% per year, up to 100% after 5 years. The plan does provide for post-retirement benefit increases of 3.0% per year beginning at the age of 50 for retirements after June 30, 2005.

As of the most recent actuarial valuation dated October 1, 2010, the funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</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>
10/01/10	\$ 28,955	48,047	19,092	60%	3,890	491%

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/10	\$ 2,601,496	99.0%	(1,016,815)
09/30/09	2,086,408	128.4%	(1,041,870)
09/30/08	1,659,069	100.3%	(449,309)

**Fire Pension Plan
Annual Pension Cost and Net Pension Obligation**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contributions (ARC)	\$ 2,576,441	2,076,324	1,628,489
Interest on Net Pension Obligation (NPO)	(78,140)	(33,698)	(33,328)
Adjustment to ARC	103,195	43,782	63,908
Annual Pension Cost (APC)	2,601,496	2,086,408	1,659,069
Contributions made	<u>2,576,441</u>	<u>2,678,969</u>	<u>1,664,007</u>
Increase (decrease) in NPO	25,055	(592,561)	(4,938)
NPO at beginning of year	<u>(1,041,870)</u>	<u>(449,309)</u>	<u>(444,371)</u>
NPO at end of year	<u>\$ (1,016,815)</u>	<u>(1,041,870)</u>	<u>(449,309)</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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, 2010:

Statements of Fiduciary Net Assets

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Assets:			
Cash and investments	\$ 1,836,818	1,985,387	3,706,376
Receivables:			
Accounts	19,674	47,882	-
Investments, at fair value:			
Corporate bonds	5,122,002	4,142,514	3,698,611
U.S. Government securities	4,018,910	3,085,345	2,897,796
Common stock	22,234,733	16,629,083	14,621,658
Mortgage-backed securities	2,152,306	1,766,028	1,572,475
Mutual funds	598,063	412,714	366,256
Total investments	<u>34,126,014</u>	<u>26,035,684</u>	<u>23,156,796</u>
Total assets	<u>35,982,506</u>	<u>28,068,953</u>	<u>26,863,172</u>
Liabilities:			
Accounts payable	-	-	458
DROP payable	285,584	-	-
Deferred pension contribution	-	-	174,293
Total liabilities	<u>285,584</u>	<u>-</u>	<u>174,751</u>
Net assets:			
Held in trust for pension benefits	\$ <u>35,696,922</u>	<u>28,068,953</u>	<u>26,688,421</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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	\$ 901,026	276,297	183,864
Employer contributions	2,067,958	1,611,702	1,683,255
Direct state contributions	-	546,848	893,185
Total contributions	<u>2,968,984</u>	<u>2,434,847</u>	<u>2,760,304</u>
Investment earnings:			
Interest and dividend income	909,345	694,639	621,195
Net appreciation (depreciation) in fair value of investments	2,096,460	1,674,334	1,472,110
Less investment expense	(184,397)	(129,230)	(124,490)
Net investment earnings	<u>2,821,408</u>	<u>2,239,743</u>	<u>1,968,815</u>
Total additions	<u>5,790,392</u>	<u>4,674,590</u>	<u>4,729,119</u>
Deductions:			
Benefits paid	2,414,080	1,841,302	1,117,389
Refunds of contributions	108,648	-	-
General administration	138,894	75,392	47,266
Total deductions	<u>2,661,622</u>	<u>1,916,694</u>	<u>1,164,655</u>
Changes in net assets	3,128,770	2,757,896	3,564,464
Net assets - beginning of year	<u>32,568,152</u>	<u>25,311,057</u>	<u>23,123,957</u>
Net assets - end of year	<u>\$ 35,696,922</u>	<u>28,068,953</u>	<u>26,688,421</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 Supplemental Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report. Membership is 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 CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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, 2010 there were 174 active Plan members. The City's contribution for the year was \$191,031. Covered payroll for the year ended September 30, 2010 was \$9,685,222. Contributions and earnings are returned to participants upon retirement or termination. Employee contributions were \$325,953 for the year ended September 30, 2010.

The City's Supplemental Retirement Savings Plan accounts for its financial activities using the accrual basis of accounting. Employer and 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 No. 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.

Employee and employer contributions are 100% vested immediately.

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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

As of September 30, 2010, there were five active Plan members and five retired and terminated members who have maintained account balances. The City's contribution for the year was \$41,797. Covered payroll for the year ended September 30, 2010, was \$782,950. Employee contributions were \$64,375 for the year ended September 30, 2010.

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.

Statements of fiduciary net assets and statements of changes in fiduciary net assets for the City's defined contribution pension plans are as follows, as of and for the year ended September 30, 2010:

Statements of Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Assets:		
Investments, at fair value:		
Mutual funds	\$ 4,661,231	648,315
Total investments	<u>4,661,231</u>	<u>648,315</u>
Total assets	<u>4,661,231</u>	<u>648,315</u>
Liabilities:		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets:		
Held in trust for pension benefits	<u>\$ 4,661,231</u>	<u>648,315</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Statements of Changes in Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
Additions:		
Contributions:		
Employee contributions	\$ 325,953	64,375
Employer contributions	191,031	41,797
Total contributions	516,984	106,172
Investment earnings:		
Interest and dividend income	34,673	1,238
Net appreciation (depreciation) in fair value of investments	241,333	42,081
Less investment expense	(12,204)	(358)
Net investment earnings	263,802	42,961
Total additions	780,786	149,133
Deductions:		
Refunds of contributions	291,427	72,506
Total deductions	291,427	72,506
Changes in net assets	489,359	76,627
Net assets – beginning of year	4,171,872	571,688
Net assets – end of year	\$ 4,661,231	648,315

(L) Other post employment benefits

Plan Description. The Post employment Health Care Benefits Plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City’s self-funded health and hospitalization plans for medical and prescription drug coverage, as well as participate in the life insurance group plan. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees who are eligible for Medicare are in a stand alone plan with no cost to the employer. The Post employment Health Care Benefits Plan does not issue a stand-alone financial report.

As of October 1, 2009, there were 26 retirees and eligible dependents receiving post employment health care benefits along with 165 retirees participating in life insurance benefits.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Funding Policy – Contribution requirements for the Post employment Health Care Benefits Plan of the City are established and may be amended through recommendations of the Insurance Committee and action from the City Council. The City has not advance-funded or established a funding methodology for the annual Other Post employment Benefit (OPEB) costs or the net OPEB obligation. For the 2009-10 fiscal year the City provided required contributions of \$315,784 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, net of retiree contributions totaling \$174,847. Required contributions are based on a projected pay-as-you-go basis.

As of the most recent actuarial valuation, the funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</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>
10/1/2009	\$ -	7,382	7,382	0%	23,317	32%

The schedule of funding progress included as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual OPEB Cost and Net OPEB Obligation – The following table shows the City’s annual OPEB cost, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the last two years:

	<u>2010</u>	<u>2009</u>
Normal cost	\$ 372,237	176,900
Amortization of unfunded actuarial accrued liability	259,588	90,677
Interest on normal cost and amortization	-	12,041
Annual required contribution	<u>631,825</u>	<u>279,618</u>
Interest on Net OPEB obligation	5,984	-
Amortization of net OPEB obligation	<u>(5,158)</u>	-
Total expense or annual OPEB cost	632,651	279,618
Actual contribution toward OPEB cost	<u>(315,784)</u>	<u>(130,025)</u>
Increase in net OPEB obligation	316,867	149,593
Net OPEB obligation, beginning of year	<u>149,593</u>	-
Net OPEB obligation, end of year	<u>\$ 466,460</u>	<u>149,593</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2010, was as follows:

**Other Post Employment Benefits
Two Year Trend Information**

Fiscal Year Ended	Annual OPEB Cost (AOC)	% of AOC Contributed	Net OPEB Obligation
09/30/09	\$ 279,618	46.50%	149,593
09/30/10	632,651	49.91%	466,460

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's OPEB actuarial valuation for the 2009-10 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. The amortization method is a level percentage, closed with a 29 year remaining amortization period. Although the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0% rate of return on invested assets (including inflation at 3%), which is the City's long-term expectation of investment returns under its investment policy. The actuarial assumptions included projected salary increases ranging from 6% to 13% per year (including inflation at 3%), and a 4% payroll growth assumption. The initial trend rate was 10.5% for the first year, 9% for the second year, and 5% for the ultimate trend rate.

(M) 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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

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 2004 with the exception of a minor increase in premiums.

The City is responsible up to specified limits for the self insurance retention amounts 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	\$	25,000
Third party liability		100,000
Workers' compensation		200,000
Blanket bond and money and securities		25,000
Employee medical		100,000
Aggregate losses		1,050,000

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, \$95,730 and \$308,942 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, 2010. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2010, \$2,908,000 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.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

A reconciliation of estimated claims liabilities is as follows:

	Risk management	Health benefits	Total
Balance September 30, 2008	\$ 2,033,000	433,000	2,466,000
Current year claims incurred and change in estimates	2,451,551	4,827,460	7,279,011
Claim payments	<u>(1,986,551)</u>	<u>(4,855,460)</u>	<u>(6,842,011)</u>
Balance September 30, 2009	2,498,000	405,000	2,903,000
Current year claims incurred and change in estimates	2,354,002	4,106,241	6,460,243
Claim payments	<u>(2,319,002)</u>	<u>(4,136,241)</u>	<u>(6,455,243)</u>
Balance September 30, 2010	<u>\$ 2,533,000</u>	<u>375,000</u>	<u>2,908,000</u>

iv. Construction Projects

At September 30, 2010, the City had the following commitments:

Project	Contract amount	Completed to date	Balance
Solana Pump Station			
Contractors	\$ 2,530,000	377,684	2,152,316
Engineers	65,208	45,516	19,692
Aquifer Storage Recovery Test Well			
Contractors	1,530,000	769,733	760,267
Engineers	357,320	163,173	194,147

(N) Subsequent Events

Events and transactions that occur after fiscal year-end but prior to issuance of the CAFR are subsequent events. Common subsequent events are debt issuances and settlement or initiation of litigation. Additional events may be natural disasters, major changes in legislation, mergers, takeovers, annexations.

The City has evaluated all subsequent events through March 7, 2011, the date the financial statements were available to be issued.

Debt: On December 2, 2010, the City issued Capital Improvement Refunding Revenue Note, Series 2010 in the amount of \$17,394,000 to refund the Series 2003 Redevelopment Revenue and Refunding Bonds, Series 2008 Capital Improvement Note, and Series 2001 Public Service Tax Revenue Bonds. The note bears interest at a rate of 2.18% and matures on December 1, 2021.

(Continued)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2010

Special District: On December 15, 2010, the City approved the establishment and funding of the Fifth Avenue South Business Improvement District for business improvements designed to stabilize and improve commercial property through promotion, management, marketing, administrative, and other similar activities. Annual special assessments will be levied to fund authorized activities based upon the taxable value of real property.

(O) *New Pronouncement*

Effective October 1, 2009, the City implemented Governmental Accounting Standards Board Statement 51, "Accounting and Financial Reporting for Intangible Assets." This Statement requires retroactive reporting of all intangible assets except those considered to have indefinite useful lives and those that would be considered internally generated. The City did not identify any intangible assets that required retroactive reporting.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2010

(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) Entry Age</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>
10/01/10	\$ 40,623	63,179	22,556	64%	15,831	142%
10/01/09	39,082	57,061	17,979	68%	16,207	111%
10/01/08	37,871	51,629	13,758	73%	15,780	87%
10/01/07	38,726	46,673	7,947	83%	13,816	58%
10/01/06	36,354	39,652	3,298	92%	11,422	29%
10/01/05	33,998	37,339	3,341	91%	11,268	30%

**General Pension Plan
Schedule of Employer Contributions
(in thousands)**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
9/30/10	\$ 2,064	2,064	100%
9/30/09	1,882	2,084	111%
9/30/08	1,110	1,438	130%
9/30/07	1,094	1,160	106%
9/30/06	982	1,044	106%
9/30/05	883	1,002	113%

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2010

(Unaudited)

**Police Officer's Pension Plan
Schedule of Funding Progress
(in thousands)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</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>
10/01/10	\$ 30,894	53,574	22,680	58%	5,490	413%
10/01/09	29,816	46,628	16,812	64%	5,738	293%
10/01/08	28,760	44,114	15,354	65%	5,434	283%
10/01/07	27,380	39,524	12,144	69%	4,634	262%
10/01/06	22,535	32,420	9,885	70%	4,239	233%
10/01/05	20,543	29,415	8,872	70%	4,052	219%

**Police Pension Plan
Schedule of Contributions from Employer and Other Entities
(in thousands)**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
9/30/10	\$ 2,159	1,612	547	100%
9/30/09	1,850	1,292	625	104%
9/30/08	1,488	886	726	108%
9/30/07	1,333	704	662 *	102%
9/30/06	1,042	379	662 *	100%
9/30/05	903	286	662 *	105%

* Baseline amount per Chapter 185, F.S.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2010

(Unaudited)

**Fire Pension Plan
Schedule of Funding Progress
(in thousands)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</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>
10/01/10	\$ 28,955	48,047	19,092	60%	3,890	491%
10/01/09	26,748	43,855	17,107	61%	3,780	453%
10/01/08	23,543	41,533	17,990	57%	3,682	489%
10/01/07	21,992	37,118	15,126	59%	3,552	426%
10/01/06	18,677	30,409	11,732	61%	3,249	361%
10/01/05	16,019	24,141	8,122	66%	2,982	272%

**Fire Pension Plan
Schedule of Contributions from Employer and Other Entities
(in thousands)**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
9/30/10	\$ 2,576	1,683	893	100%
9/30/09	2,076	1,288	1,391	129%
9/30/08	1,628	888	776 *	102%
9/30/07	1,253	573	776 *	108%
9/30/06	976	288	709 *	102%
9/30/05	831	126	709 *	100%

* Baseline amount per Chapter 175, F.S.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2010

(Unaudited)

**Other Post-Employment Benefits
Schedule of Funding Progress
(in thousands)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</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>
10/1/2009	\$ -	7,382	7,382	0%	23,317	32%
9/30/2009	-	2,614	2,614	0%	28,864	9%

**Other Post-Employment Benefits Plan
Schedule of Employer Contributions
(in thousands)**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>City Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/10	\$ 633	316	50%	466
9/30/09	279	130	47%	149

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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.

Public Arts Fund – To account for donations from private individuals for specific art in public places.

Grants Fund – To account for American Reinvestment Recovery Act (ARRA) grant activity.

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.

41-10 Public Open Space Fund – To account for the receipt and disbursement of monies used for the acquisition of capital.

Parking Trust Fund – To account for the receipt and disbursement of monies used for the acquisition of capital.

Impact Fee Fund – To account for the receipt and disbursement of monies used for the acquisition of capital from impact fees.

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, 2010

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 5,539,620	3,521,801	9,061,421
Accounts receivable	3,722	-	3,722
Accrued interest	8,444	7,042	15,486
Due from other governments	196,126	-	196,126
Total assets	<u>\$ 5,747,912</u>	<u>3,528,843</u>	<u>9,276,755</u>
Liabilities:			
Accounts payable	\$ 178,548	10,644	189,192
Accrued payroll	82,567	-	82,567
Due to other funds	143,458	-	143,458
Customer deposits	11,868	-	11,868
Deferred revenue	3,722	-	3,722
Total liabilities	<u>420,163</u>	<u>10,644</u>	<u>430,807</u>
Fund balances:			
Reserved for encumbrances	10,731	27,397	38,128
Unreserved:	-		
Designated for other purposes	336,291	322,184	658,475
Undesignated	4,980,727	3,168,618	8,149,345
Total fund balances	<u>5,327,749</u>	<u>3,518,199</u>	<u>8,845,948</u>
Total liabilities and fund balances	<u>\$ 5,747,912</u>	<u>3,528,843</u>	<u>9,276,755</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2010

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes–property	\$ -	247,772	247,772
Permits, fees, and assessments	2,260,896	26,333	2,287,229
Intergovernmental	196,126	-	196,126
Charges for services	293,970	-	293,970
Fines and forfeitures	52,120	-	52,120
Interest	44,654	46,369	91,023
Donations	211,302	-	211,302
Miscellaneous	3,225	-	3,225
	<u>3,062,293</u>	<u>320,474</u>	<u>3,382,767</u>
Total revenues			
Expenditures:			
Current:			
General government	14,715	-	14,715
Public safety	2,587,021	-	2,587,021
Economic and physical development	-	576,975	576,975
Culture and recreation	18,861	-	18,861
Capital outlay:			
Public safety	50,576	-	50,576
Economic and physical development	180,114	-	180,114
	<u>2,851,287</u>	<u>576,975</u>	<u>3,428,262</u>
Total expenditures			
Change in fund balances	211,006	(256,501)	(45,495)
Fund balances–beginning of year	<u>5,116,743</u>	<u>3,774,700</u>	<u>8,891,443</u>
Fund balances–end of year	<u>\$ 5,327,749</u>	<u>3,518,199</u>	<u>8,845,948</u>

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Special Revenue Funds

September 30, 2010

	Building and Zoning Fund	Community Development Block Grant	Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 4,950,209	-	326,193
Accounts receivable	-	-	3,722
Accrued interest	8,023	-	-
Due from other governments	-	176,674	-
Total assets	\$ 4,958,232	176,674	329,915
	<u> </u>	<u> </u>	<u> </u>
Liabilities:			
Accounts payable	\$ 113,846	36,879	31
Accrued payroll	82,567	-	-
Due to other funds	-	124,006	-
Customer deposits	-	-	-
Deferred revenue	-	-	3,722
Total liabilities	196,413	160,885	3,753
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Reserved for encumbrances	-	-	-
Unreserved:			
Designated for other purposes	-	-	326,162
Undesignated	4,761,819	15,789	-
Total fund balances	4,761,819	15,789	326,162
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 4,958,232	176,674	329,915
	<u> </u>	<u> </u>	<u> </u>

Public Arts Fund	Grants Fund	Confiscated Properties Fund	Total Nonmajor Special Revenue
67,218	-	196,000	5,539,620
-	-	-	3,722
108	-	313	8,444
-	19,452	-	196,126
<u>67,326</u>	<u>19,452</u>	<u>196,313</u>	<u>5,747,912</u>
-	-	27,792	178,548
-	-	-	82,567
-	19,452	-	143,458
11,868	-	-	11,868
-	-	-	3,722
<u>11,868</u>	<u>19,452</u>	<u>27,792</u>	<u>420,163</u>
-	-	10,731	10,731
10,129	-	-	336,291
45,329	-	157,790	4,980,727
<u>55,458</u>	<u>-</u>	<u>168,521</u>	<u>5,327,749</u>
<u>67,326</u>	<u>19,452</u>	<u>196,313</u>	<u>5,747,912</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Special Revenue Funds

Year Ended September 30, 2010

	Building and Zoning Fund	Community Development Block Grant	Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Permits, fees, and assessments	\$ 2,260,896	-	-
Intergovernmental	-	176,674	-
Charges for services	279,827	10,000	-
Fines and forfeitures	-	-	-
Interest	40,809	-	-
Donations	-	-	211,302
Miscellaneous	3,225	-	-
	<u>2,584,757</u>	<u>186,674</u>	<u>211,302</u>
Total revenues			
Expenditures:			
Current:			
General government	-	-	14,715
Public safety	2,508,200	-	27,701
Culture and recreation	-	-	18,861
Capital outlay:			
Public safety	17,864	-	-
Economic and physical development	-	180,114	-
	<u>2,526,064</u>	<u>180,114</u>	<u>61,277</u>
Total expenditures			
Change in fund balances	58,693	6,560	150,025
Fund balances—beginning of year	<u>4,703,126</u>	<u>9,229</u>	<u>176,137</u>
Fund balances—end of year	<u><u>\$ 4,761,819</u></u>	<u><u>15,789</u></u>	<u><u>326,162</u></u>

Public Arts Fund	Grants Fund	Confiscated Properties Fund	Total Nonmajor Special Revenue
-	-	-	2,260,896
-	19,452	-	196,126
4,143	-	-	293,970
-	-	52,120	52,120
1,082	-	2,763	44,654
-	-	-	211,302
-	-	-	3,225
<u>5,225</u>	<u>19,452</u>	<u>54,883</u>	<u>3,062,293</u>
-	-	-	14,715
-	19,452	31,668	2,587,021
-	-	-	18,861
-	-	32,712	50,576
-	-	-	180,114
<u>-</u>	<u>19,452</u>	<u>64,380</u>	<u>2,851,287</u>
5,225	-	(9,497)	211,006
<u>50,233</u>	<u>-</u>	<u>178,018</u>	<u>5,116,743</u>
<u><u>55,458</u></u>	<u><u>-</u></u>	<u><u>168,521</u></u>	<u><u>5,327,749</u></u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Capital Projects Funds
September 30, 2010

	41-10 Public Open Space Fund	Parking Trust Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 154,324	351,313	160,072
Accrued interest	1,135	754	239
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 155,459</u>	<u>352,067</u>	<u>160,311</u>
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for encumbrances	-	-	-
Unreserved:			
Designated for other purposes	-	322,184	-
Undesignated	<u>155,459</u>	<u>29,883</u>	<u>160,311</u>
Total fund balances	<u>155,459</u>	<u>352,067</u>	<u>160,311</u>
Total liabilities and fund balances	<u>\$ 155,459</u>	<u>352,067</u>	<u>160,311</u>

Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Nonmajor Capital Projects
758,663	1,087,984	1,009,445	3,521,801
1,297	1,864	1,753	7,042
-	-	-	-
<u>759,960</u>	<u>1,089,848</u>	<u>1,011,198</u>	<u>3,528,843</u>
-	10,644	-	10,644
-	10,644	-	10,644
-	27,397	-	27,397
-	-	-	322,184
<u>759,960</u>	<u>1,051,807</u>	<u>1,011,198</u>	<u>3,168,618</u>
<u>759,960</u>	<u>1,079,204</u>	<u>1,011,198</u>	<u>3,518,199</u>
<u>759,960</u>	<u>1,089,848</u>	<u>1,011,198</u>	<u>3,528,843</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Capital Projects Funds

Year Ended September 30, 2010

	41-10 Public Open Space Fund	Parking Trust Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes, property	\$ -	-	-
Permits, fees, and assessments	-	-	26,333
Interest	7,684	6,752	2,316
	<u>7,684</u>	<u>6,752</u>	<u>28,649</u>
Total revenues			
Expenditures:			
Current:			
Economic and physical development	441,000	78,138	-
	<u>441,000</u>	<u>78,138</u>	<u>-</u>
Total expenditures			
	<u>441,000</u>	<u>78,138</u>	<u>-</u>
Change in fund balances	(433,316)	(71,386)	28,649
Fund balances—beginning of year	588,775	423,453	131,662
	<u>588,775</u>	<u>423,453</u>	<u>131,662</u>
Fund balances—end of year	\$ <u>155,459</u>	<u>352,067</u>	<u>160,311</u>

Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Nonmajor Capital Projects
-	212,281	35,491	247,772
-	-	-	26,333
6,108	12,307	11,202	46,369
<u>6,108</u>	<u>224,588</u>	<u>46,693</u>	<u>320,474</u>
-	43,919	13,918	576,975
-	43,919	13,918	576,975
6,108	180,669	32,775	(256,501)
753,852	898,535	978,423	3,774,700
<u>759,960</u>	<u>1,079,204</u>	<u>1,011,198</u>	<u>3,518,199</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, 2010

	Building and Zoning Fund			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Permits, fees, and assessments	\$ 2,095,100	2,095,100	2,260,896	165,796
Intergovernmental	-	-	-	-
Charges for services	274,807	274,807	279,827	5,020
Fines and forfeitures	-	-	-	-
Interest	52,000	52,000	40,809	(11,191)
Miscellaneous	2,000	2,000	3,225	1,225
Total revenues	<u>2,423,907</u>	<u>2,423,907</u>	<u>2,584,757</u>	<u>160,850</u>
Expenditures:				
Current:				
Public safety	2,600,423	2,601,948	2,508,200	93,748
Capital outlay:				
Public safety	-	33,315	17,864	15,451
Economic and physical development	-	-	-	-
Total expenditures	<u>2,600,423</u>	<u>2,635,263</u>	<u>2,526,064</u>	<u>109,199</u>
Change in fund balances	(176,516)	(211,356)	58,693	270,049
Fund balances—beginning of year	<u>4,703,126</u>	<u>4,703,126</u>	<u>4,703,126</u>	-
Fund balances—end of year	<u>\$ 4,526,610</u>	<u>4,491,770</u>	<u>4,761,819</u>	<u>270,049</u>

Community Development Block Grant

Original budget	Final budget	Actual	Variance with final budget positive (negative)
-	-	-	-
252,167	221,802	176,674	(45,128)
-	-	10,000	10,000
-	-	-	-
-	-	-	-
-	-	-	-
<u>252,167</u>	<u>221,802</u>	<u>186,674</u>	<u>(35,128)</u>
-	-	-	-
-	-	-	-
252,167	221,802	180,114	41,688
<u>252,167</u>	<u>221,802</u>	<u>180,114</u>	<u>41,688</u>
-	-	6,560	6,560
<u>9,229</u>	<u>9,229</u>	<u>9,229</u>	<u>-</u>
<u>9,229</u>	<u>9,229</u>	<u>15,789</u>	<u>6,560</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, 2010

	Confiscated Properties Fund			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	52,120	52,120
Interest	-	-	2,763	2,763
Total revenues	<u>-</u>	<u>-</u>	<u>54,883</u>	<u>54,883</u>
Expenditures:				
Current:				
Public safety	-	86,000	31,668	54,332
Capital outlay:				
Public safety	-	75,000	32,712	42,288
Total expenditures	<u>-</u>	<u>161,000</u>	<u>64,380</u>	<u>96,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(161,000)</u>	<u>(9,497)</u>	<u>151,503</u>
Change in fund balances	-	(161,000)	(9,497)	151,503
Fund balances—beginning of year	<u>178,018</u>	<u>178,018</u>	<u>178,018</u>	<u>-</u>
Fund balances—end of year	<u><u>178,018</u></u>	<u><u>17,018</u></u>	<u><u>168,521</u></u>	<u><u>151,503</u></u>

Grants Fund

<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
-	67,730	19,452	(48,278)
-	-	-	-
-	-	-	-
<u>-</u>	<u>67,730</u>	<u>19,452</u>	<u>(48,278)</u>
-	19,365	19,452	(87)
-	48,365	-	48,365
<u>-</u>	<u>67,730</u>	<u>19,452</u>	<u>48,278</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF NAPLES, FLORIDA
Nonmajor Capital Projects Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended September 30, 2010

	East Naples Bay District			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Taxes:				
Property	\$ 208,400	208,400	212,281	3,881
Intergovernmental	-	-	-	-
Interest	7,950	7,950	12,307	4,357
Total revenues	<u>216,350</u>	<u>216,350</u>	<u>224,588</u>	<u>8,238</u>
Expenditures:				
Current:				
Economic and physical development	255,220	295,000	43,919	251,081
Total expenditures	<u>255,220</u>	<u>295,000</u>	<u>43,919</u>	<u>251,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,870)</u>	<u>(78,650)</u>	<u>180,669</u>	<u>259,319</u>
Net changes in fund balances	(38,870)	(78,650)	180,669	259,319
Fund balances—beginning of year	<u>898,535</u>	<u>898,535</u>	<u>898,535</u>	<u>-</u>
Fund balances—end of year	<u><u>\$ 859,665</u></u>	<u><u>819,885</u></u>	<u><u>1,079,204</u></u>	<u><u>259,319</u></u>

Moorings Bay District

Original budget	Final budget	Actual	Variance with final budget positive (negative)
35,055	35,055	35,491	436
-	-	-	-
9,250	9,250	11,202	1,952
<u>44,305</u>	<u>44,305</u>	<u>46,693</u>	<u>2,388</u>
50,220	50,220	13,918	36,302
<u>50,220</u>	<u>50,220</u>	<u>13,918</u>	<u>36,302</u>
<u>(5,915)</u>	<u>(5,915)</u>	<u>32,775</u>	<u>38,690</u>
(5,915)	(5,915)	32,775	38,690
<u>978,423</u>	<u>978,423</u>	<u>978,423</u>	<u>-</u>
<u><u>972,508</u></u>	<u><u>972,508</u></u>	<u><u>1,011,198</u></u>	<u><u>38,690</u></u>

CITY OF NAPLES, FLORIDA

Debt Service Fund

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

Year Ended September 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 582,704	582,704	590,505	7,801
Utility	2,376,000	2,376,000	3,126,484	750,484
Interest	25,000	25,000	4,521	(20,479)
Total revenues	<u>2,983,704</u>	<u>2,983,704</u>	<u>3,721,510</u>	<u>737,806</u>
Expenditures:				
Current:				
General government	63,087	63,087	63,087	-
Total general government	<u>63,087</u>	<u>63,087</u>	<u>63,087</u>	<u>-</u>
Debt service:				
Principal	1,612,000	1,612,000	1,612,000	-
Interest and fiscal charges	936,864	936,864	936,863	1
Total debt service	<u>2,548,864</u>	<u>2,548,864</u>	<u>2,548,863</u>	<u>1</u>
Total expenditures	<u>2,611,951</u>	<u>2,611,951</u>	<u>2,611,950</u>	<u>1</u>
Excess of revenues over expenditures	<u>371,753</u>	<u>371,753</u>	<u>1,109,560</u>	<u>737,807</u>
Other financing sources (uses):				
Transfers in	1,057,300	1,057,300	1,057,300	-
Transfers out	(1,425,000)	(1,425,000)	(1,425,000)	-
Total other financing sources (uses)	<u>(367,700)</u>	<u>(367,700)</u>	<u>(367,700)</u>	<u>-</u>
Change in fund balances	4,053	4,053	741,860	737,807
Fund balances—beginning of year	<u>2,702,745</u>	<u>2,702,745</u>	<u>2,702,745</u>	<u>-</u>
Fund balances—end of year	<u>\$ 2,706,798</u>	<u>2,706,798</u>	<u>3,444,605</u>	<u>737,807</u>

CITY OF NAPLES, FLORIDA

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Permits, fees, and assessments	\$ 59,200	59,200	87,559	28,359
Intergovernmental	20,000	21,938	21,938	-
Interest	67,000	67,000	82,012	15,012
Miscellaneous	-	203,261	3,326	(199,935)
Total revenues	<u>146,200</u>	<u>351,399</u>	<u>194,835</u>	<u>(156,564)</u>
Expenditures:				
Current:				
General government	61,745	61,745	61,745	-
Total general government	<u>61,745</u>	<u>61,745</u>	<u>61,745</u>	<u>-</u>
Capital projects:				
City clerk	15,000	15,000	14,879	121
Finance	15,000	15,000	15,000	-
Fire	131,000	827,938	106,596	721,342
Police	130,500	636,820	591,471	45,349
Community services	488,000	691,261	153,950	537,311
Nondepartmental	50,000	50,000	49,332	668
Total capital projects	<u>829,500</u>	<u>2,236,019</u>	<u>931,228</u>	<u>1,304,791</u>
Total expenditures	<u>891,245</u>	<u>2,297,764</u>	<u>992,973</u>	<u>1,304,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(745,045)</u>	<u>(1,946,365)</u>	<u>(798,138)</u>	<u>1,148,227</u>
Other financing sources:				
Transfers in	1,572,572	1,572,572	1,425,000	(147,572)
Transfers out	(1,230,000)	(1,230,000)	(1,230,000)	-
Proceeds from sale of capital assets	-	-	19,354	19,354
Total other financing sources	<u>342,572</u>	<u>342,572</u>	<u>214,354</u>	<u>(128,218)</u>
Net changes in fund balances	<u>(402,473)</u>	<u>(1,603,793)</u>	<u>(583,784)</u>	<u>1,020,009</u>
Fund balances—beginning of year	6,046,221	6,046,221	6,046,221	
Fund balances—end of year	\$ <u>5,643,748</u>	<u>4,442,428</u>	<u>5,462,437</u>	<u>1,020,009</u>

CITY OF NAPLES, FLORIDA

Community Redevelopment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 712,226	712,226	712,226	-
Intergovernmental	2,121,468	2,121,468	2,151,466	29,998
Interest	28,000	28,000	40,268	12,268
Miscellaneous	-	-	1,194	1,194
Total revenues	<u>2,861,694</u>	<u>2,861,694</u>	<u>2,905,154</u>	<u>43,460</u>
Expenditures:				
Current:				
Economic development	1,219,832	1,284,832	1,045,037	239,795
Capital Outlay:				
Economic development	-	1,772,202	743,683	1,028,519
Debt service:				
Interest	<u>359,673</u>	<u>359,673</u>	<u>21,054</u>	<u>338,619</u>
Total expenditures	<u>1,579,505</u>	<u>3,416,707</u>	<u>1,809,774</u>	<u>1,606,933</u>
Excess of expenditures over revenues	<u>1,282,189</u>	<u>(555,013)</u>	<u>1,095,380</u>	<u>1,650,393</u>
Other financing sources (uses):				
Transfers in	13,883	13,883	13,883	-
Transfers out	<u>(1,057,300)</u>	<u>(1,057,300)</u>	<u>(1,057,300)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,043,417)</u>	<u>(1,043,417)</u>	<u>(1,043,417)</u>	<u>-</u>
Net changes in fund balances	238,772	(1,598,430)	51,963	1,650,393
Fund balances—beginning of year	<u>3,192,324</u>	<u>3,192,324</u>	<u>3,192,324</u>	<u>-</u>
Fund balances—end of year	<u>\$ 3,431,096</u>	<u>1,593,894</u>	<u>3,244,287</u>	<u>1,650,393</u>

CITY OF NAPLES, FLORIDA

Streets and Traffic Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Motor fuel taxes	\$ 1,320,000	1,320,000	1,396,616	76,616
Permits, fees, and assessments	200,000	200,000	137,201	(62,799)
Intergovernmental	715,358	391,958	420,843	28,885
Interest	28,000	28,000	46,749	18,749
Miscellaneous	5,000	5,000	6,618	1,618
Total revenues	<u>2,268,358</u>	<u>1,944,958</u>	<u>2,008,027</u>	<u>63,069</u>
Expenditures:				
Current:				
Transportation:	2,508,080	2,647,780	2,246,827	400,953
Capital outlay:				
Transportation:	1,034,000	805,375	291,850	513,525
Total expenditures	<u>3,542,080</u>	<u>3,453,155</u>	<u>2,538,677</u>	<u>914,478</u>
Excess of expenditures over revenues	<u>(1,273,722)</u>	<u>(1,508,197)</u>	<u>(530,650)</u>	<u>977,547</u>
Other financing sources:				
Transfers in	973,335	973,335	900,000	(73,335)
Proceeds from sale of capital assets	500	500	654	154
Total other financing sources	<u>973,835</u>	<u>973,835</u>	<u>900,654</u>	<u>(73,181)</u>
Net changes in fund balances	<u>(299,887)</u>	<u>(534,362)</u>	<u>370,004</u>	<u>904,366</u>
Fund balances—beginning of year	4,440,719	4,440,719	4,440,719	-
Fund balances—end of year	<u>\$ 4,140,832</u>	<u>3,906,357</u>	<u>4,810,723</u>	<u>904,366</u>

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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, 2010

Assets	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 1,474,720	117,089	326,821	1,918,630
Restricted cash and investments	-	-	17,140	17,140
Receivables (net, where applicable, of allowance for uncollectible):				
Accounts	70,290	18,941	-	89,231
Miscellaneous	-	1,170	-	1,170
Accrued interest	5,538	198	748	6,484
Due from other governments	128,460	5,709	-	134,169
Inventories	-	15,482	6,010	21,492
Total current assets	<u>1,679,008</u>	<u>158,589</u>	<u>350,719</u>	<u>2,188,316</u>
Capital assets:				
Buildings and utility plants	1,126,190	89,487	703,269	1,918,946
Improvements other than buildings	4,348,634	2,387,824	40,424	6,776,882
Equipment	736,051	367,461	50,109	1,153,621
Accumulated depreciation	<u>(5,092,422)</u>	<u>(2,548,791)</u>	<u>(422,015)</u>	<u>(8,063,228)</u>
Net capital assets	<u>1,118,453</u>	<u>295,981</u>	<u>371,787</u>	<u>1,786,221</u>
Unamortized issuance cost	-	-	1,434	1,434
Total assets	<u>\$ 2,797,461</u>	<u>454,570</u>	<u>723,940</u>	<u>3,975,971</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Net Assets

Nonmajor Enterprise Funds

September 30, 2010

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current liabilities:				
Accounts payable	\$ 25,550	12,117	3,277	40,944
Accrued payroll	30,914	7,565	10,527	49,006
Unearned revenue	67,053	28,581	-	95,634
Customer deposits	-	19,689	-	19,689
Current portion of compensated absences	13,813	1,687	2,413	17,913
Current maturities of long-term debt	-	-	41,250	41,250
Total current liabilities	<u>137,330</u>	<u>69,639</u>	<u>57,467</u>	<u>264,436</u>
Current liabilities (payable from restricted assets):				
Current maturities of long-term debt	-	-	13,750	13,750
Accrued interest payable	-	-	3,390	3,390
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>17,140</u>	<u>17,140</u>
Total current liabilities	<u>137,330</u>	<u>69,639</u>	<u>74,607</u>	<u>281,576</u>
Noncurrent liabilities:				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	-	-	245,000	245,000
Other post-employment benefits	8,563	1,273	2,262	12,098
Compensated absences	28,583	6,024	14,708	49,315
Total noncurrent liabilities	<u>37,146</u>	<u>7,297</u>	<u>261,970</u>	<u>306,413</u>
Total liabilities	<u>174,476</u>	<u>76,936</u>	<u>336,577</u>	<u>587,989</u>
Net Assets				
Invested in capital assets, net of related debt	1,118,453	295,981	71,787	1,486,221
Unrestricted	1,504,532	81,653	315,576	1,901,761
Total net assets	<u>\$ 2,622,985</u>	<u>377,634</u>	<u>387,363</u>	<u>3,387,982</u>

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CITY OF NAPLES, FLORIDA

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

Nonmajor Enterprise Funds

Year Ended September 30, 2010

	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Operating revenues:				
Charges for services	\$ 1,046,660	1,067,358	534,095	2,648,113
Total operating revenues	<u>1,046,660</u>	<u>1,067,358</u>	<u>534,095</u>	<u>2,648,113</u>
Operating expenses:				
Personal services	650,431	166,332	211,763	1,028,526
Supplies and services	169,688	721,402	152,574	1,043,664
Utilities	81,577	56,508	6,218	144,303
Depreciation and amortization	390,045	118,221	47,965	556,231
General administration	132,820	49,980	38,159	220,959
Other	58,644	-	26,740	85,384
Total operating expenses	<u>1,483,205</u>	<u>1,112,443</u>	<u>483,419</u>	<u>3,079,067</u>
Operating income (loss)	<u>(436,545)</u>	<u>(45,085)</u>	<u>50,676</u>	<u>(430,954)</u>
Nonoperating revenues (expenses):				
Grant revenue	637,810	-	-	637,810
Interest income	16,416	2,352	3,931	22,699
Interest expense	-	-	(15,133)	(15,133)
Gain on sale of capital assets	2,313	-	-	2,313
Total nonoperating revenues (expenses)	<u>656,539</u>	<u>2,352</u>	<u>(11,202)</u>	<u>647,689</u>
Income (loss) before contributions and transfers	219,994	(42,733)	39,474	216,735
Transfers in	<u>-</u>	<u>-</u>	<u>54,000</u>	<u>54,000</u>
Change in net assets	219,994	(42,733)	93,474	270,735
Net assets—beginning of year	<u>2,402,991</u>	<u>420,367</u>	<u>293,889</u>	<u>3,117,247</u>
Net assets—end of year	<u>\$ 2,622,985</u>	<u>377,634</u>	<u>387,363</u>	<u>3,387,982</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2010

	Naples Beach Fund	City Dock Fund
Cash flows from operating activities:		
Cash received from customers	\$ 1,048,202	1,063,316
Cash payments to suppliers	(298,796)	(881,554)
Cash payments for benefits on behalf of employees	(644,413)	(162,253)
Cash payments for interfund services	(132,820)	(49,980)
Net cash provided by (used in) operating activities	(27,827)	(30,471)
Cash flows from noncapital financing activities:		
Transfers	-	-
Operating grants	609,090	-
Net cash provided by noncapital financing activities	609,090	-
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Capital contributions	-	-
Proceeds from sale of capital assets	2,313	-
Acquisition and construction of capital assets	(64,770)	-
Net cash used in capital and related financing activities	(62,457)	-
Cash flows from investing activities:		
Interest and investment earnings	12,759	2,242
Net cash provided by investing activities	12,759	2,242
Net increase (decrease) in cash and cash equivalents	531,565	(28,229)
Cash and cash equivalents—beginning of year	943,155	145,318
Cash and cash equivalents—end of year	\$ 1,474,720	117,089

Tennis Fund	Total
534,095	2,645,613
(183,423)	(1,363,773)
(209,600)	(1,016,266)
(38,159)	(220,959)
<u>102,913</u>	<u>44,615</u>
54,000	54,000
-	609,090
<u>54,000</u>	<u>663,090</u>
(50,000)	(50,000)
(15,658)	(15,658)
-	-
-	2,313
(18,915)	(83,685)
<u>(84,573)</u>	<u>(147,030)</u>
4,053	19,054
<u>4,053</u>	<u>19,054</u>
76,393	579,729
<u>267,568</u>	<u>1,356,041</u>
<u><u>343,961</u></u>	<u><u>1,935,770</u></u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2010

	Naples Beach Fund	City Dock Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (436,545)	(45,085)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	390,045	118,221
Changes in assets and liabilities:		
Decrease (increase) in receivables, net	(699)	(2,146)
Decrease (increase) in due from other governments	-	(4,867)
Decrease (increase) in inventories	-	(2,020)
Increase (decrease) in accounts payable	11,113	(101,624)
Increase (decrease) in accrued payroll	182	2,163
Increase (decrease) in unearned revenue	2,241	1,779
Increase (decrease) in customer deposits	-	1,192
Increase (decrease) in other post-employment benefits	5,410	850
Increase (decrease) in compensated absences	426	1,066
Net cash provided by (used in) operating activities	\$ (27,827)	(30,471)

<u>Tennis Fund</u>	<u>Total</u>
50,676	(430,954)
47,965	556,231
-	(2,845)
-	(4,867)
2,150	130
(41)	(90,552)
1,257	3,602
-	4,020
-	1,192
1,618	7,878
(712)	780
<u>102,913</u>	<u>44,615</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.

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 \$100,000 per claim and amounts up to \$3,916,525 for aggregate losses.

Technology Services – 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
Combining Statement of Net Assets
Internal Service Funds
September 30, 2010

Assets	Equipment services	Risk management
Current assets:		
Cash and investments	\$ 322,742	4,112,921
Receivables–miscellaneous	-	2,275
Accrued interest	420	6,300
Due from other governments	6,357	-
Inventories	135,668	-
Total current assets	465,187	4,121,496
Capital assets:		
Buildings	779,289	-
Equipment	263,080	36,795
Accumulated depreciation	(442,263)	(36,795)
Net capital assets	600,106	-
Total assets	1,065,293	4,121,496
Liabilities		
Current liabilities:		
Accounts payable	48,932	40,035
Accrued payroll	32,963	6,479
Unearned revenue	-	149
Total current liabilities	81,895	46,663
Noncurrent liabilities:		
Due within one year:		
Compensated absences	6,073	1,060
Insurance claims payable	-	593,000
Due in more than one year:		
Compensated absences	56,156	5,603
Other post-employment benefits	7,396	947
Insurance claims payable	-	1,940,000
Total noncurrent liabilities	69,625	2,540,610
Total liabilities	151,520	2,587,273
Net Assets		
Invested in capital assets, net of related debt	600,106	-
Restricted	-	-
Unrestricted	313,667	1,534,223
Total net assets	\$ 913,773	1,534,223

Health benefits	Technology services	Total
1,126,741	641,843	6,204,247
5,218	-	7,493
2,367	1,105	10,192
-	-	6,357
-	-	135,668
<u>1,134,326</u>	<u>642,948</u>	<u>6,363,957</u>
-	51,957	831,246
-	2,009,526	2,309,401
-	(1,492,012)	(1,971,070)
-	569,471	1,169,577
<u>1,134,326</u>	<u>1,212,419</u>	<u>7,533,534</u>
2,368	41,513	132,848
-	54,470	93,912
1,242	-	1,391
<u>3,610</u>	<u>95,983</u>	<u>228,151</u>
-	2,357	9,490
375,000	-	968,000
-	102,170	163,929
-	9,543	17,886
-	-	1,940,000
<u>375,000</u>	<u>114,070</u>	<u>3,099,305</u>
<u>378,610</u>	<u>210,053</u>	<u>3,327,456</u>
-	569,471	1,169,577
77,845	-	77,845
677,871	432,895	2,958,656
<u>755,716</u>	<u>1,002,366</u>	<u>4,206,078</u>

CITY OF NAPLES, FLORIDA

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

Internal Service Funds

Year Ended September 30, 2010

	<u>Equipment services</u>	<u>Risk management</u>	<u>Health benefits</u>
Operating revenues:			
Charges for services	\$ 2,310,343	2,574,055	5,493,046
Operating expenses:			
Personal services	635,724	125,783	-
Supplies, services, and claims	511,777	2,475,192	5,735,627
Materials	830,356	-	-
Utilities	27,252	-	-
Depreciation and amortization	86,274	945	-
General administration	119,486	70,276	88,543
Other	3,720	4,310	-
Total operating expenses	<u>2,214,589</u>	<u>2,676,506</u>	<u>5,824,170</u>
Operating income (loss)	95,754	(102,451)	(331,124)
Nonoperating revenues:			
Interest income	4,042	31,110	9,978
Gain on sale of capital assets	2,114	-	-
Change in net assets	101,910	(71,341)	(321,146)
Net assets—beginning of year	<u>811,863</u>	<u>1,605,564</u>	<u>1,076,862</u>
Net assets—end of year	\$ <u><u>913,773</u></u>	<u><u>1,534,223</u></u>	<u><u>755,716</u></u>

Technology services	Total
<u>1,785,139</u>	<u>12,162,583</u>
1,029,182	1,790,689
669,948	9,392,544
-	830,356
-	27,252
240,928	328,147
109,245	387,550
-	8,030
<u>2,049,303</u>	<u>12,764,568</u>
(264,164)	(601,985)
4,716	49,846
397	2,511
<u>(259,051)</u>	<u>(549,628)</u>
<u>1,261,417</u>	<u>4,755,706</u>
<u><u>1,002,366</u></u>	<u><u>4,206,078</u></u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2010

	<u>Equipment services</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,310,731
Cash payments to suppliers for goods and services	(1,406,539)
Cash payments to employees for services	(622,661)
Cash payments for interfund services	(119,486)
Net cash provided by (used in) operating activities	<u>162,045</u>
Cash flows from capital and related financing activities:	
Proceeds from the sale of fixed assets	2,114
Acquisition and construction of capital assets	-
Net cash provided (used) in capital and related financing activities	<u>2,114</u>
Cash flows from investing activities:	
Interest on pooled cash and investments	3,622
Net cash provided by investing activities	<u>3,622</u>
Net increase (decrease) in cash and cash equivalents	167,781
Cash and cash equivalents – beginning of year	<u>154,961</u>
Cash and cash equivalents – end of year	<u>\$ 322,742</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 95,754
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	86,274
Changes in assets and liabilities:	
(Increase) decrease in miscellaneous receivables	-
(Increase) decrease in due from other governments	388
(Increase) decrease in inventories	6,566
Increase (decrease) in accounts payable	(40,000)
Increase (decrease) in accrued payroll	506
Increase (decrease) in unearned revenue	-
Increase (decrease) in insurance claims payable	-
Increase (decrease) in other post-employment benefits	4,575
Increase (decrease) in compensated absences	7,982
Net cash provided by (used in) operating activities	<u>\$ 162,045</u>

Risk management	Health benefits	Technology services	Total
2,571,780	5,491,605	1,785,139	12,159,255
(2,464,819)	(5,790,592)	(652,693)	(10,314,643)
(120,659)	-	(1,006,383)	(1,749,703)
(70,276)	(88,543)	(109,245)	(387,550)
(83,974)	(387,530)	16,818	(292,641)
-	-	397	2,511
-	-	(423,566)	(423,566)
-	-	(423,169)	(421,055)
34,237	14,020	6,779	58,658
34,237	14,020	6,779	58,658
(49,737)	(373,510)	(399,572)	(655,038)
4,162,658	1,500,251	1,041,415	6,859,285
4,112,921	1,126,741	641,843	6,204,247
(102,451)	(331,124)	(264,164)	(601,985)
945	-	240,928	328,147
(2,275)	(205)	-	(2,480)
-	-	-	388
-	-	-	6,566
(18,953)	(24,965)	17,255	(66,663)
448	-	4,366	5,320
-	(1,236)	-	(1,236)
35,000	(30,000)	-	5,000
682	-	6,932	12,189
2,630	-	11,501	22,113
(83,974)	(387,530)	16,818	(292,641)

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Fiduciary Funds

Fiduciary Funds are used to account for the activities of funds held in a trustee or agency capacity for others that cannot be used to support the City's own programs. The City reports pension trust funds which are to account for the activities of the City's retirement systems, which accumulate resources for pension benefit payments made to employees.

General Pension Fund – To account for the activities of the City's defined benefit retirement plan for all full-time non-bargaining employees and employees of the American Federation of State and Municipal Employees (AFSCME) Union and Government Supervisor Association of Florida Office and Professional Employees International Union (OPEIU).

Supplemental General Pension Fund – To account for the activities of the City's supplemental defined contribution retirement plan available to all full-time employees except those covered by the International Association of Firefighters (IAFF) or Fraternal Order of Police (FOP) unions.

Managers' 401 Pension Fund – To account for the activities of the City's defined contribution retirement plan available to all employees whose service to the City is rendered on a contractual or fee basis.

Police Officers' Pension Fund – To account for the activities of the City's defined benefit retirement plan for all full-time sworn police personnel.

Firefighters' Pension Fund – To account for the activities of the City's defined benefit retirement plan for all full-time sworn fire personnel.

Agency Fund – To account for the activities of the City's internal payroll clearing account.

CITY OF NAPLES, FLORIDA

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2010

	<u>Pension Trust</u>		
	<u>General Pension Fund</u>	<u>Supplemental General Pension</u>	<u>Managers' 401 Pension</u>
Assets:			
Cash and cash equivalents	\$ 1,836,818	-	-
Receivables:			
Accounts	19,674	-	-
Investments, at fair value:			
Corporate bonds	5,122,002	-	-
U.S. Government securities	4,018,910	-	-
Common stock	22,234,733	-	-
Mortgage - backed securities	2,152,306	-	-
Mutual funds	598,063	4,661,231	648,315
Total investments	<u>34,126,014</u>	<u>4,661,231</u>	<u>648,315</u>
Total assets	<u>35,982,506</u>	<u>4,661,231</u>	<u>648,315</u>
Liabilities:			
Accounts payable	-	-	-
DROP payable	285,584	-	-
Deferred contributions	-	-	-
Total liabilities	<u>285,584</u>	<u>-</u>	<u>-</u>
Net assets:			
Held in trust for pension benefits	<u>\$ 35,696,922</u>	<u>4,661,231</u>	<u>648,315</u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
1,985,387	3,706,376	7,528,581
47,882	-	67,556
4,142,514	3,698,611	12,963,127
3,085,345	2,897,796	10,002,051
16,629,083	14,621,658	53,485,474
1,766,028	1,572,475	5,490,809
412,714	366,256	6,686,579
<u>26,035,684</u>	<u>23,156,796</u>	<u>88,628,040</u>
<u>28,068,953</u>	<u>26,863,172</u>	<u>96,224,177</u>
-	458	458
-	-	285,584
-	174,293	174,293
<u>-</u>	<u>174,751</u>	<u>460,335</u>
<u><u>28,068,953</u></u>	<u><u>26,688,421</u></u>	<u><u>95,763,842</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended September 30, 2010

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Additions:			
Contributions:			
Employee contributions	\$ 901,026	325,953	64,375
Employer contributions	2,067,958	191,031	41,797
State contributions	-	-	-
Total contributions	<u>2,968,984</u>	<u>516,984</u>	<u>106,172</u>
Investment earnings:			
Interest and dividend income	909,345	34,673	1,238
Net appreciation (depreciation) in fair value of investments	2,096,460	241,333	42,081
Less investment expense	<u>(184,397)</u>	<u>(12,204)</u>	<u>(358)</u>
Net investment earnings	<u>2,821,408</u>	<u>263,802</u>	<u>42,961</u>
Total additions	<u>5,790,392</u>	<u>780,786</u>	<u>149,133</u>
Deductions:			
Benefits paid	2,414,080	-	-
Refunds of contributions	108,648	291,427	72,506
General administration	<u>138,894</u>	<u>-</u>	<u>-</u>
Total deductions	<u>2,661,622</u>	<u>291,427</u>	<u>72,506</u>
Changes in net assets	3,128,770	489,359	76,627
Net assets—beginning of year	<u>32,568,152</u>	<u>4,171,872</u>	<u>571,688</u>
Net assets—end of year	<u>\$ 35,696,922</u>	<u>4,661,231</u>	<u>648,315</u>

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
276,297	183,864	1,751,515
1,611,702	1,683,255	5,595,743
546,848	893,185	1,440,033
<u>2,434,847</u>	<u>2,760,304</u>	<u>8,787,291</u>
694,639	621,195	2,261,090
1,674,334	1,472,110	5,526,318
(129,230)	(124,490)	(450,679)
<u>2,239,743</u>	<u>1,968,815</u>	<u>7,336,729</u>
<u>4,674,590</u>	<u>4,729,119</u>	<u>16,124,020</u>
1,841,302	1,117,389	5,372,771
-	-	472,581
75,392	47,266	261,552
<u>1,916,694</u>	<u>1,164,655</u>	<u>6,106,904</u>
2,757,896	3,564,464	10,017,116
25,311,057	23,123,957	85,746,726
<u>28,068,953</u>	<u>26,688,421</u>	<u>95,763,842</u>

CITY OF NAPLES, FLORIDA

Statement of Changes in Assets and Liabilities – Agency Funds

Year Ended September 30, 2010

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
Assets				
Cash	\$ 8,358	20,006,139	20,011,506	2,991
Total assets	<u>\$ 8,358</u>	<u>20,006,139</u>	<u>20,011,506</u>	<u>2,991</u>
Liabilities				
Accounts payable	\$ 8,358	20,006,139	20,011,506	2,991
Total liabilities	<u>\$ 8,358</u>	<u>20,006,139</u>	<u>20,011,506</u>	<u>2,991</u>

STATISTICAL SECTION (Unaudited)

This part of the City of Naples, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 148

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax. 158

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The City has no legal debt margin and therefore it is not reported in these schedules. 168

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. 174

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. 176

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Schedule 1
City of Naples
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 31,961,883	32,178,726	36,375,444	44,278,263	47,347,136
Restricted	2,410,852	2,972,191	3,033,223	2,989,709	2,640,493
Unrestricted	24,851,663	31,713,893	34,885,629	36,871,259	42,830,226
Total governmental activities net assets	\$ 59,224,398	66,864,810	74,294,296	84,139,231	92,817,855
Business-type activities					
Invested in capital assets, net of related debt	\$ 49,577,562	48,184,197	48,443,815	50,606,313	55,460,038
Restricted	5,956,252	5,956,252	5,956,252	5,702,201	3,218,517
Unrestricted	15,243,549	18,187,025	19,428,925	22,676,063	23,418,439
Total business-type activities net assets	\$ 70,777,363	72,327,474	73,828,992	78,984,577	82,096,994
Primary government					
Invested in capital assets, net of related debt	\$ 81,539,445	80,362,923	84,819,259	94,884,576	102,807,174
Restricted	8,367,104	8,928,443	8,989,475	8,691,910	5,859,010
Unrestricted	40,095,212	49,900,918	54,314,554	59,547,322	66,248,665
Total primary government net assets	\$ 130,001,761	139,192,284	148,123,288	163,123,808	174,914,849

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003

Fiscal Year		
2008	2009	2010
52,934,188	48,868,221	47,101,732
3,004,060	3,781,152	983,750
<u>39,230,791</u>	<u>42,765,131</u>	<u>45,710,635</u>
<u>95,169,039</u>	<u>95,414,504</u>	<u>93,796,117</u>
60,313,029	65,279,797	70,342,384
2,566,664	2,693,838	3,122,630
<u>23,979,666</u>	<u>25,931,780</u>	<u>28,569,892</u>
<u>86,859,359</u>	<u>93,905,415</u>	<u>102,034,906</u>
113,247,217	114,148,018	117,444,116
5,570,724	6,474,990	4,106,380
<u>63,210,457</u>	<u>68,696,911</u>	<u>74,280,527</u>
<u>182,028,398</u>	<u>189,319,919</u>	<u>195,831,023</u>

Schedule 2
City of Naples
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities					
General government	\$ 2,621,124	3,807,311	4,628,899	12,926,588 (a)	6,811,501
Public safety	14,255,588	15,527,189	18,423,475	20,692,720	22,691,091
Physical and economic environment	1,343,270	1,295,407	1,726,724	2,292,246	2,194,855
Transportation	3,699,598	2,800,124	2,347,916	2,364,917	4,010,530
Culture and recreation	5,384,033	5,645,216	6,103,599	6,488,868	7,978,079
Interest	1,254,318	1,445,860	997,829	939,738	904,623
Total governmental activities expenses	<u>28,557,931</u>	<u>30,521,107</u>	<u>34,228,442</u>	<u>45,705,077</u>	<u>44,590,679</u>
Business-type activities					
Water and sewer	20,151,629	19,524,832	20,052,724	20,283,437	22,354,201
Solid Waste	4,811,567	4,752,101	4,858,461	5,126,911	5,652,827
Stormwater	1,505,526	1,293,518	1,301,876	1,289,960	1,431,858
Other Enterprises	3,654,629	3,536,572	3,850,775	4,169,201	4,464,879
Total business-type activities	<u>30,123,351</u>	<u>29,107,023</u>	<u>30,063,836</u>	<u>30,869,509</u>	<u>33,903,765</u>
Total primary governmental expenses	<u>\$ 58,681,282</u>	<u>59,628,130</u>	<u>64,292,278</u>	<u>76,574,586</u>	<u>78,494,444</u>
Program Revenues (see Schedule 3)					
Governmental activities					
Charges for services					
General government	\$ 636,232	867,843	1,150,161	1,207,823	1,180,983
Public safety	3,547,146	3,997,967	4,162,944	5,001,465	4,424,734
Physical and economic environment	15,405	10,795	81,385	11,982	581,638
Transportation	128,521	83,378	258,621	65,681	69,719
Culture and recreation	674,188	738,793	822,085	766,409	1,028,100
Operating grants and contributions	1,789,766	2,015,157	4,294,679	11,017,352 (a)	3,041,688
Capital grants and contributions	1,133,100	486,036	793,780	2,821,571	1,830,543
Total governmental activities revenues	<u>7,924,358</u>	<u>8,199,969</u>	<u>11,563,655</u>	<u>20,892,283</u>	<u>12,157,405</u>
Business-type activities					
Water and sewer	18,236,793	20,840,502	21,437,118	22,736,438	22,933,821
Solid Waste	5,484,007	5,632,027	5,560,064	6,175,311	6,046,768
Stormwater	1,375,177	1,414,879	1,419,256	1,500,320	1,418,188
Beach	753,252	815,640	896,446	830,339	916,767
Dock	1,780,935	1,622,706	1,872,307	1,880,153	2,003,808
Tennis	467,090	459,358	455,108	547,122	559,561
Operating grants and contributions	390,000	486,170	430,347	408,819	465,865
Capital grants and contributions	1,688,115	906,832	659,482	2,508,003	3,071,791
Total business-type activities	<u>30,175,369</u>	<u>32,178,114</u>	<u>32,730,128</u>	<u>36,586,505</u>	<u>37,416,569</u>
Total primary governmental revenues	<u>\$ 38,099,727</u>	<u>40,378,083</u>	<u>44,293,783</u>	<u>57,478,788</u>	<u>49,573,974</u>
Net Expense/Revenue					
Governmental activities	\$ (20,633,573)	(22,321,138)	(22,664,787)	(24,812,794)	(32,433,274)
Business-type activities	52,018	3,071,091	2,666,292	5,716,996	3,512,804
Total primary government net expense	<u>\$ (20,581,555)</u>	<u>(19,250,047)</u>	<u>(19,998,495)</u>	<u>(19,095,798)</u>	<u>(28,920,470)</u>

Fiscal Year		
2008	2009	2010
8,140,789	6,668,512	6,394,914
24,409,251	25,633,909	25,616,678
2,588,477	2,925,902	3,207,529
3,394,912	3,520,363	3,715,335
8,584,195	7,733,570	7,243,542
830,822	1,033,650	955,784
<u>47,948,446</u>	<u>47,515,906</u>	<u>47,133,782</u>
23,625,071	24,816,306	24,334,032
5,835,401	5,501,931	5,366,770
1,833,201	2,088,938	2,458,129
4,177,236	3,505,193	3,094,200
<u>35,470,909</u>	<u>35,912,368</u>	<u>35,253,131</u>
<u>83,419,355</u>	<u>83,428,274</u>	<u>82,386,913</u>
1,310,847	1,043,665	1,139,439
4,492,028	3,571,827	3,631,525
387,922	12,397	12,064
74,884	-	6,618
881,822	819,228	840,364
2,633,209	2,978,768	3,190,239
2,350,214	1,202,496	425,002
<u>12,130,926</u>	<u>9,628,381</u>	<u>9,245,251</u>
25,299,408	28,219,062	28,303,440
6,369,866	6,294,650	6,089,265
2,890,146	4,467,178	4,422,225
917,236	1,071,798	1,046,660
1,767,944	1,078,547	1,067,358
575,121	548,984	534,095
646,891	501,525	637,810
3,358,210	2,057,101	2,991,732
<u>41,824,822</u>	<u>44,238,845</u>	<u>45,092,585</u>
<u>53,955,748</u>	<u>53,867,226</u>	<u>54,337,836</u>
(35,817,520)	(37,887,525)	(37,888,531)
<u>6,353,913</u>	<u>8,326,477</u>	<u>9,839,454</u>
<u>(29,463,607)</u>	<u>(29,561,048)</u>	<u>(28,049,077)</u>
		(Continued)

Schedule 2
City of Naples
Changes in Net Assets (Continued)
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other					
Changes in Net Assets					
Governmental activities					
Taxes					
Property taxes	\$ 11,674,715	13,029,256	14,404,764	15,926,721	20,779,629
Local communication and utility taxes	4,314,896	3,904,133	4,149,829	4,269,042	4,218,208
Insurance Premium Tax (b)	-	-	-	1,751,337	1,769,045
Motor fuel taxes	2,044,949	1,731,941	1,585,816	1,579,996	1,532,580
Business taxes	239,422	251,051	291,426	269,389	278,694
Franchise fees	2,619,252	2,977,388	3,165,215	3,825,979	3,877,556
Intergovernmental revenues - unrestricted	3,343,425	3,431,686	3,628,176	3,658,867	3,449,606
Unrestricted investment earnings	730,500	683,727	1,087,659	2,068,237	2,858,980
Miscellaneous revenues	20,265	48,428	105,030	54,863	129,518
Gain on sale of capital assets	72,636	1,986,363	-	-	-
Transfers	1,658,026	1,917,577	1,676,358	1,708,000	1,763,380
Total governmental activities	<u>26,718,086</u>	<u>29,961,550</u>	<u>30,094,273</u>	<u>35,112,431</u>	<u>40,657,196</u>
Business-type activities					
Investment earnings	402,726	311,790	511,054	1,111,333	1,333,466
Gain on sale of capital assets	125,781	84,807	530	35,256	29,527
Special item	-	-	-	-	-
Transfers	-	(1,917,577)	(1,676,358)	(1,708,000)	(1,763,380)
Total business-type activities	<u>528,507</u>	<u>(1,520,980)</u>	<u>(1,164,774)</u>	<u>(561,411)</u>	<u>(400,387)</u>
Total primary government	<u>\$ 27,246,593</u>	<u>28,440,570</u>	<u>28,929,499</u>	<u>34,551,020</u>	<u>40,256,809</u>
Change in Net Assets					
Governmental activities	\$ 6,084,513	7,640,412	7,429,486	10,299,637	8,223,922
Business-type activities	580,525	1,550,111	1,501,518	5,155,585	3,112,417
Total primary government	<u>\$ 6,665,038</u>	<u>9,190,523</u>	<u>8,931,004</u>	<u>15,455,222</u>	<u>11,336,339</u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003

(a) In 2006, the City had Hurricane Wilma damage expenditures of \$7,097,000 and operating grant revenue from FEMA of \$6,421,000.

(b) The City in FY 2006 recorded the Premium Fire and Casualty Insurance Tax in General Fund Revenue. In prior years, those amounts were deposited directly into the Police and Fire Pension Funds.

Fiscal Year		
2008	2009	2010
19,415,799	19,729,516	19,418,905
4,170,227	4,476,921	4,846,484
1,949,641	2,016,132	1,440,033
1,404,690	1,393,025	1,396,616
274,487	247,021	270,748
3,740,236	3,971,657	3,498,659
3,160,311	2,863,565	2,825,967
2,043,294	1,345,826	542,317
45,489	17,461	44,415
-	88,496	-
1,964,530	1,983,370	1,986,000
<u>38,168,704</u>	<u>38,132,990</u>	<u>36,270,144</u>
831,090	566,730	258,101
-	136,219	17,936
(458,108)	-	-
<u>(1,964,530)</u>	<u>(1,983,370)</u>	<u>(1,986,000)</u>
<u>(1,591,548)</u>	<u>(1,280,421)</u>	<u>(1,709,963)</u>
<u>36,577,156</u>	<u>36,852,569</u>	<u>34,560,181</u>
2,351,184	245,465	(1,618,387)
<u>4,762,365</u>	<u>7,046,056</u>	<u>8,129,491</u>
<u>7,113,549</u>	<u>7,291,521</u>	<u>6,511,104</u>

Schedule 3
City of Naples
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2001	2002	2003	2004	2005
General fund					
Reserved	\$ 3,596,323	3,672,155	3,726,578	3,974,214	3,851,388
Unreserved	1,380,837	1,154,208	2,114,052	3,140,889	5,561,460
Total general fund	<u>\$ 4,977,160</u>	<u>4,826,363</u>	<u>5,840,630</u>	<u>7,115,103</u>	<u>9,412,848</u>
All other governmental funds					
Reserved					
Special revenue funds	\$ -	-	208,218	211,284	179,187
Capital projects funds	14,682,899	13,701,547	13,327,848	17,068,197	19,890,914
Debt service funds	817,618	1,320,027	1,210,197	1,420,125	1,420,125
Unreserved					
Special revenue funds	225,907	997,805	1,933,014	2,794,174	3,594,431
Capital projects funds	573,548	3,412,003	2,958,089	3,137,595	(362,701)
Debt service funds	-	-	349,416	260,260	457,518
Total other governmental funds	<u>\$ 16,299,972</u>	<u>19,431,382</u>	<u>19,986,782</u>	<u>24,891,635</u>	<u>25,179,474</u>

Fiscal Year				
2006	2007	2008	2009	2010
817,651	882,906	535,922	442,112	420,844
<u>12,119,520</u>	<u>15,454,863</u>	<u>14,774,120</u>	<u>16,151,990</u>	<u>17,052,805</u>
<u><u>12,937,171</u></u>	<u><u>16,337,769</u></u>	<u><u>15,310,042</u></u>	<u><u>16,594,102</u></u>	<u><u>17,473,649</u></u>
18,625	89,364	215,821	29,839	10,731
4,645,715	5,999,449	6,720,843	1,145,643	1,225,757
1,707,311	1,725,940	1,486,456	1,420,125	1,560,104
5,226,704	5,578,047	5,616,572	5,086,904	5,317,018
12,533,664	12,088,406	8,192,774	16,308,321	15,809,889
<u>494,714</u>	<u>737,263</u>	<u>978,483</u>	<u>1,282,620</u>	<u>1,884,501</u>
<u><u>24,626,733</u></u>	<u><u>26,218,469</u></u>	<u><u>23,210,949</u></u>	<u><u>25,273,452</u></u>	<u><u>25,808,000</u></u>

Schedule 4
City of Naples
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2001	2002	2003	2004	2005
Revenues					
Taxes	\$ 16,204,981	19,020,097	20,653,811	21,642,718	23,305,625
Licenses, permits, fees, and assessments	2,127,794	2,881,466	2,687,224	3,092,953	2,931,552
Intergovernmental	4,688,744	8,067,873	5,254,668	5,558,406	8,015,980
Charges for services	1,031,482	1,337,358	1,506,150	1,692,378	2,009,871
Charges to other funds	4,001,900	4,125,700	4,459,952	3,713,502	3,748,880
Fines and forfeitures	426,039	260,495	410,760	348,265	553,888
Impact fees/special assessments	453,224	509,215	379,159	272,764	368,576
Interest	1,568,401	833,326	678,041	626,030	971,187
Contributions	-	-	141,580	111,169	263,988
Miscellaneous	120,939	574,301	561,071	1,065,765	432,022
Total Revenues	30,623,504	37,609,831	36,732,416	38,123,950	42,601,569
Expenditures					
General government	6,709,873	7,916,054	6,568,239	7,555,904	7,516,247
Public safety	13,161,699	12,708,737	13,944,299	14,990,292	17,606,607
Physical and economic environment	980,472	1,688,135	1,005,981	948,272	1,333,438
Transportation	-	-	2,729,772	1,911,489	1,351,547
Culture and recreation	4,199,158	4,676,969	4,715,056	4,959,763	5,289,131
Capital outlay	5,445,100	6,297,839	6,838,305	3,224,855	6,621,225
Debt service					
Principal	612,058	1,268,084	3,071,257	1,083,379	978,603
Interest and fiscal charges	1,477,080	1,299,815	1,215,697	1,118,359	995,570
Total Expenditures	32,585,440	35,855,633	40,088,606	35,792,313	41,692,368
Excess (deficit) of revenues over (under) expenditures	(1,961,936)	1,754,198	(3,356,190)	2,331,637	909,201
Other Financing Sources (uses)					
Debt issued	9,845,000	-	5,925,000	3,170,000	-
Payments to escrow agents	(2,370,000)	-	(2,965,529)	(5,021,684)	-
Transfers in	11,126,414	3,861,437	6,931,440	7,961,219	4,906,256
Transfers out	(9,670,521)	(2,701,577)	(5,273,414)	(6,269,219)	(3,229,898)
Sale of capital assets	-	-	72,636	4,007,373	25
Total other financing sources (uses)	8,930,893	1,159,860	4,690,133	3,847,689	1,676,383
Net change in fund balance	\$ 6,968,957	2,914,058	1,333,943	6,179,326	2,585,584
Debt Service as a percentage of noncapital expenditures	7.7%	8.7%	12.9%	6.8%	5.6%

Note: (a) In 2008, franchise fees were reclassified from Taxes to Licenses, Permits, and Fees and business licenses were reclassified from Licenses, Permits, and Fees to Taxes.

(b) In 2009, impact fees and special assessments were reclassified to Permits, Fees, and Assessments.

Fiscal Year				
2006	2007	2008	2009	2010
25,601,739	32,177,018 (a)	27,214,844	27,862,615	27,372,786
3,787,831	3,717,384 (a)	6,953,495 (b)	6,856,060	6,072,977
16,974,405	7,883,654	7,761,199	5,856,457	6,038,913
1,824,433	2,373,059	2,327,605	2,020,389	2,045,248
3,806,515	3,966,100	4,165,504	4,093,450	3,720,709
578,562	374,950	405,342	338,037	254,385
710,951	424,364	366,627 (b)	-	-
1,833,114	2,603,304	1,806,496	1,216,224	492,471
70,505	59,716	62,715	83,101	211,302
1,159,105	153,338	73,568	115,701	75,544
<u>56,347,160</u>	<u>53,732,887</u>	<u>51,137,395</u>	<u>48,442,034</u>	<u>46,284,335</u>
15,131,257	9,591,067	11,377,879	9,688,213	8,620,881
18,988,238	21,481,323	23,479,974	24,792,638	23,680,724
1,734,495	1,579,013	1,813,934	1,775,115	2,024,380
1,421,391	2,820,205	2,046,296	2,116,889	2,246,827
5,352,049	6,313,097	6,920,107	5,996,861	5,433,931
11,043,085	6,768,798	9,542,548	7,053,867	2,303,468
994,107	1,070,000	1,125,000	1,497,000	1,612,000
933,536	907,878	831,434	1,066,519	957,917
<u>55,598,158</u>	<u>50,531,381</u>	<u>57,137,172</u>	<u>53,987,102</u>	<u>46,880,128</u>
<u>749,002</u>	<u>3,201,506</u>	<u>(5,999,777)</u>	<u>(5,545,068)</u>	<u>(595,793)</u>
-	-	-	6,860,000	-
-	-	-	-	-
4,797,603	5,944,576	4,720,949	12,714,292	5,766,183
(3,068,828)	(4,181,196)	(2,756,419)	(10,818,965)	(3,780,183)
39,102	27,448	-	136,304	23,888
<u>1,767,877</u>	<u>1,790,828</u>	<u>1,964,530</u>	<u>8,891,631</u>	<u>2,009,888</u>
<u>2,516,879</u>	<u>4,992,334</u>	<u>(4,035,247)</u>	<u>3,346,563</u>	<u>1,414,095</u>
4.3%	4.5%	4.1%	5.5%	5.8%

Schedule 5
City of Naples
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>Fiscal year</u>	<u>Property (a)</u>	<u>Payment in lieu of taxes</u>	<u>Utility and communication</u>	<u>Franchise fees</u>	<u>Fuel taxes</u>
2001	\$ 8,717,744	1,668,600	2,874,956	2,729,117	1,846,201
2002	10,401,098	1,596,900	4,118,185	2,468,600	2,005,345
2003	11,674,715	1,658,026	4,314,896	2,612,851	2,044,949
2004	13,029,256	1,692,000 (b)	3,904,133	2,959,293	1,731,941 (c)
2005	14,404,764	1,676,358	4,149,829	3,141,721	1,585,816
2006	15,926,721	1,708,000	4,269,042	3,792,489	1,579,996
2007	20,779,629	1,763,380	4,218,209	3,877,556	1,532,580
2008	19,415,799	1,964,530	4,170,227	3,740,236	1,404,690
2009	19,729,516	2,168,546	4,476,921	3,971,657	1,393,025
2010	19,418,905	2,040,000	4,846,484	3,498,659	1,396,616
Change 2001-2010	122.8%	22.3%	68.6%	28.2%	-24.4%

Source: City of Naples Finance Department

Notes: (a) The City was able to keep its property tax rates fairly stable during the last ten years of this schedule because of substantial growth in property tax values. (See Schedule 6).

(b) Starting in FY 2004, Payments in Lieu of Taxes were reclassified to Transfers In.

(c) New inter-local agreement with County reduced the funding. Agreement is based on total transportation expenditures and percentage of City's total to the total expenditures.

(d) The City in FY 2006 began recording the Premium Fire and Casualty Insurance Tax in the General Fund Revenue. In prior years, those amounts were deposited directly into the Police and Fire Pension Funds.

<u>Sales and use</u>	<u>Other</u>	<u>Total</u>
2,589,911	769,325	21,195,854
2,332,893	767,934	23,690,955
2,560,660	782,765	25,648,862
2,596,520	835,166	26,748,309
2,624,802	1,003,374	28,586,664
2,651,227	2,758,977 (d)	32,686,452
2,455,218	2,763,432	37,390,004
2,196,319	2,913,633	35,805,434
1,927,205	2,263,153	35,930,023
1,896,824	2,535,655	35,633,143
-26.8%	229.6%	68.1%

Schedule 6
City of Naples
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal year		Real property	Personal property	Less net new taxable value	Adjusted total taxable value (for roll back)
2001	\$	6,564,055,070	240,089,300	102,231,972	6,701,912,398
2002		8,243,538,300	262,417,299	267,814,678	8,238,140,921
2003		9,754,294,253	267,069,987	189,917,985	9,831,446,255
2004		10,960,725,735	286,782,236	499,568,676	10,747,939,295
2005		11,909,720,094	301,738,680	271,725,048	11,939,733,726
2006		13,412,338,003	345,957,486	192,180,825	13,566,114,664
2007		16,264,603,707	376,100,345	275,696,496	16,365,007,556
2008		17,086,194,348	386,182,053	410,638,803	17,061,737,598
2009		16,903,766,419	400,795,472	342,706,664	16,961,855,227
2010		15,962,605,246	421,136,474	311,015,976	16,072,725,744

Source: Collier County Tax Appraiser

Notes: A constitutional revision took effect January 1, 1995, known as "Save our Homes." It annually limits the increase in the assessment of Homestead properties at 3% or the Consumer Price Index (CPI), whichever is less. Tax rates are per \$1,000 of assessed value.

Adjusted Taxable Value is the number upon which the state required Truth In Millage (TRIM) data is submitted. Adjusted taxable values are presented to the City by July 1, on Form DR420. The Final Taxable Values are the taxable values as of the start of the fiscal year and are presented to the City in October on Form DR422.

Net New Taxable Value consists of new construction + additions + rehabilitative improvements increasing assessed value by at least 100% + annexations - deletions.

Market/Just Value as defined in F.S. 193.011

Final taxable value	Total direct tax rate	Market/Just value	Actual taxable value value as a percentage of market/just value
6,806,066,692	1.3060	8,289,950,418	80.844%
8,488,615,092	1.2523	10,721,508,162	76.838%
9,950,900,301	1.1997	12,966,197,227	75.824%
11,212,894,783	1.1870	14,426,299,363	74.502%
12,168,966,197	1.2098	15,427,299,073	77.394%
13,746,713,411	1.1839	17,371,133,725	78.096%
16,533,125,948	1.2815	21,802,038,544	75.062%
17,456,888,406	1.1347	22,486,719,099	75.875%
17,248,160,366	1.1663	21,859,610,787	77.594%
16,287,802,409	1.2175	19,738,257,718	81.429%

Schedule 7
City of Naples
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal year	City Millage Rates			Overlapping Rates*		
	Operating rate	General obligation debt service	City total	Mosquito control	Collier County	Conservation Collier
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	-
2005	1.1600	0.0498	1.2098	0.0962	3.8772	0.2500
2006	1.1400	0.0439	1.1839	0.0830	3.5790	0.2500
2007	1.2450	0.0365	1.2815	0.0680	3.5790	0.2500
2008	1.0997	0.0350	1.1347	0.0635	3.1469	0.2242
2009	1.1315	0.0348	1.1663	0.0635	3.4221	0.2500
2010	1.1800	0.0375	1.2175	0.0720	3.5938	0.2500

Source: Collier County Property Tax Appraiser

Note: The City's Operating and Debt Service Rates are not limited and are established by City Ordinances, Bond Resolutions and/or referendums in full compliance with Florida Statutes.

* Overlapping rates are those of local and County governments that apply to property owners within the City of Naples.

Overlapping Rates*

Caribbean Gardens	School Board	South Florida Water Management	Water pollution control	Big Cypress Basin	Combined total
-	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
-	6.2200	0.2840	0.0347	0.2425	12.2144
0.1500	5.9730	0.2840	0.0347	0.2425	11.7801
0.1500	5.5250	0.2840	0.0320	0.2426	11.4121
0.1500	5.3510	0.2549	0.0280	0.2265	10.5797
0.1500	4.9090	0.2549	0.0293	0.2265	10.4716
	5.2390	0.2549	0.0293	0.2265	10.8830

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Schedule 8
City of Naples
Principal Property Tax Payers,
Current Year and Ten Years Ago

Taxpayer	2010			2001		
	Taxable assessed value	Rank	Percentage of total assessed value	Taxable assessed value	Rank	Percentage of total assessed value
Florida Power & Light Company	\$ 115,070,646	1	0.71%	26,720,289	3	0.39%
The Moorings, Inc.	77,946,745	2	0.48%			
Coastland Center LP	75,922,109	3	0.47%	81,183,395	1	1.19%
Sandra Gerry	49,086,667	4	0.30%	11,508,000	10	0.17%
Gardner and Judith Larned	33,192,174	5	0.20%			
Westbury Properties Inc.	32,414,883	6	0.20%	14,553,286	6	0.21%
Arthur Allen Jr.	31,225,558	7	0.19%			
Judith Herb Trust	27,135,749	8	0.17%			
Centurylink	25,126,015	9	0.15%			
Panthers RPN Limited	23,973,328	10	0.15%	20,336,983	4	0.30%
Sprint-Florida Incorporated				26,897,148	2	0.40%
Net Realty Holding Trust				17,097,113	5	0.25%
Naples Golf & Beach Club				12,275,038	7	0.18%
Poinciana Professional Park				12,135,433	8	0.18%
Miles Collier				11,526,224	9	0.17%
	\$ <u>491,093,874</u>		<u>3.02%</u>	<u>234,232,909</u>		<u>3.44%</u>

Sources: Collier County Property Appraiser
Collier County Tax Collector

Schedule 9
City of Naples
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year ended Sept 30,	Taxes levied for the fiscal year	Collected within the fiscal year of levy		Collections in subsequent years
		Amount	% of Levy	
2001	\$ 9,014,005	8,717,743	96.7%	-
2002	10,767,250	10,401,098	96.6%	-
2003	12,118,652	11,674,715	96.3%	-
2004	13,492,687	13,029,256	96.6%	-
2005	14,911,539	13,949,624	93.5%	-
2006	16,501,506	15,918,137	96.5%	8,584
2007	21,488,943	20,765,644	96.6%	13,985
2008	20,093,536	19,393,704	96.5%	13,308
2009	20,402,060	19,723,805	96.7%	7,470
2010	20,089,045	19,414,761	96.6%	-

Sources: Collier County Tax Appraiser
Collier County Tax Collector

Note: Collections in Subsequent Years not available prior to 2006.

**Total collections
to date**

<u>Amount</u>	<u>% of Levy</u>
8,717,743	96.7%
10,401,098	96.6%
11,674,715	96.3%
13,029,256	96.6%
13,949,624	93.5%
15,926,721	96.5%
20,779,629	96.7%
19,407,012	96.6%
19,731,275	96.7%
19,414,761	96.6%

Schedule 10
City of Naples
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal year	Government Activities			Business-type Activities		
	General Obligation Bonds	Public Service Tax Bonds	Redevelopment and Refunding Bonds	Water Bonds/Loans	Storm-water SBA Loan	Non major Bonds
2001	\$ 8,270,000	14,375,429	3,000,000	42,067,666	3,156,185	736,713
2002	7,850,000	13,552,345	2,975,000	43,074,428	2,948,408	616,002
2003	7,410,000	10,971,090	5,925,000	40,130,531	2,916,602	688,590
2004	5,220,000	10,597,710	5,675,000	36,682,610	3,637,256	627,290
2005	4,825,000	10,214,107	5,475,000	33,114,472	3,386,237	560,893
2006	4,440,000	9,710,015	5,265,000	30,730,759	3,144,816	490,000
2007	4,040,000	9,271,676	5,045,000	32,974,049	2,900,622	445,000
2008	3,615,000	8,809,527	4,815,000	32,102,331	2,731,467	400,000
2009	3,170,000	8,405,000	11,113,000	30,121,256	2,557,149	350,000
2010	2,700,000	7,895,000	10,481,000	28,046,845	2,377,508	300,000

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Total primary government	Percentage of personal income (a)	Per capita (a)
71,605,993	8.29%	1,797
71,016,183	8.03%	1,770
68,041,813	7.38%	1,649
62,439,866	6.46%	1,449
57,575,709	5.10%	1,147
53,780,590	4.31%	990
54,676,347	4.12%	952
52,473,325	3.77%	849
55,716,405	4.07%	881
51,800,353	3.78%	847

Schedule 11
City of Naples
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal year	General Bonded Debt Outstanding			Percentage of actual taxable value of property (a)	Per capita (b)
	General Obligation Bonds	Redevelopment Bonds	Total		
2001	\$ 8,270,000	3,000,000	11,270,000	0.17%	519.67
2002	7,850,000	2,975,000	10,825,000	0.13%	491.00
2003	7,410,000	5,925,000	13,335,000	0.14%	596.83
2004	5,220,000	5,675,000	10,895,000	0.10%	485.45
2005	4,825,000	5,475,000	10,300,000	0.09%	457.98
2006	4,440,000	5,265,000	9,705,000	0.07%	422.51
2007	4,040,000	5,045,000	9,085,000	0.06%	393.27
2008	3,615,000	4,815,000	8,430,000	0.05%	373.74
2009	3,170,000	11,113,000	14,283,000	0.08%	659.69
2010	2,700,000	10,481,000	13,181,000	0.08%	588.70

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 6 for the property tax values.

(b) Population data can be found in Schedule 14.

Schedule 12
City of Naples
Direct and Overlapping Governmental Activities Debt
As of September 30, 2010

	<u>Debt outstanding</u>	<u>Estimated percentage applicable (c)</u>	<u>Estimated share of direct and overlapping debt</u>
City of Naples Direct Debt:			
General Obligation Bonds	\$ 2,700,000	100.00%	2,700,000
Public Service Tax Bonds	7,895,000	100.00%	7,895,000
Redevelopment and Refunding Bonds	4,280,000	100.00%	4,280,000
Capital Improvement Note	6,201,000	100.00%	<u>6,201,000</u>
Total direct debt			<u>21,076,000</u>
Overlapping debt (a):			
Collier County (b):			
Conservation Collier	31,129,204	26.51%	<u>8,252,411</u>
Total overlapping debt			<u>8,252,411</u>
Total direct and overlapping debt			\$ <u>29,328,411</u>

- (a) The City of Naples is not responsible for the overlapping debt.
- (b) Payable from County-wide General Property Taxes.
- (c) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.

Sources: Assessed value data used to estimate applicable percentages was provided by the Collier County Property Appraisers Office. Debt outstanding data was provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Naples. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

Schedule 13
City of Naples
Pledged-Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds					
Fiscal year	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirement	Coverage
2001	\$ 18,638,160	8,872,732	9,765,428	3,047,302	3.20
2002	19,127,894	9,916,239	9,211,655	2,957,085	3.12
2003	18,575,596	9,936,785	8,638,811	2,957,085	2.92
2004	21,078,879	10,761,818	10,317,061	2,962,385	3.48
2005	21,437,118	11,711,345	9,725,773	2,962,385	3.28
2006	22,736,438	12,414,794	10,321,644	2,962,385	3.48
2007	22,933,820	14,633,548	8,300,272	1,355,985	6.12
2008	25,299,408	15,407,221	9,892,187	1,357,735	7.29
2009	28,219,062	17,995,779	10,223,283	1,127,899	9.06
2010	28,303,440	17,224,710	11,078,730	1,127,899	9.82

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

(a) Revenue includes the sale of parking spaces at the Parking Garage.

(b) Includes principal and interest paid by the Enterprise Funds and Debt Service Fund.

Utility Tax Revenue Bonds				Tax Increment Revenue Bonds				
Utility tax collections	Debt service		Coverage	Tax increment revenue	Debt service		Coverage	
	Principal	Interest			Principal	Interest		
3,704,490	970,000	292,414	2.93 (b)	651,502	-	132,600	4.91	
4,285,595	755,000	657,494	3.03 (b)	1,166,200	25,000	132,048	7.43	
4,420,958	785,000	583,749	3.23 (b)	1,583,361	50,000	130,390	8.78	
4,159,640	435,000	546,002	4.24 (b)	1,782,759	250,000	211,101	3.87	
4,157,163	450,000	525,935	4.26 (b)	2,152,936	200,000	202,367	5.35	
4,091,549	470,000	504,480	4.20 (b)	2,815,241	210,000	194,927	6.95	
3,877,556	495,000	481,984	3.97 (b)	3,205,099	220,000	187,123	7.87	
3,707,751	515,000	460,746	3.80 (b)	3,028,298	230,000	179,185	7.40	
3,135,961	540,000	438,195	3.21 (b)	2,965,522	562,000	412,793	3.04	
3,716,989	510,000	390,860	4.13 (b)	2,863,692	632,000	425,286	2.71	

Schedule 14
City of Naples
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar year	Population	Personal income <i>(thousands of dollars)</i>	Per capita personal income	Median age	County school enrollment	Unemployment rate
2001	21,687	\$ 864,053	39,842	44.1	33,858	4.1%
2002	22,047	884,548	40,121	40.5	36,010	4.2%
2003	22,343	922,073	41,269	44.1	37,718	4.7%
2004	22,443	967,181	43,095	45.2	39,821	3.9%
2005	22,490	1,128,908	50,196	45.6	41,588	3.6%
2006	22,970	1,248,117	54,337	44.7	42,775	2.7%
2007	23,101	1,327,060	57,446	45.5	42,062	5.1%
2008	22,556	1,393,690	61,788	45.4	41,666	8.2%
2009	21,651	1,369,989	63,276	46.2	42,786	10.0%
2010	22,390	1,368,953	61,141	47.5	42,098	12.4%

Sources: Population provided by the U.S. Census Bureau; Per Capita Personal Income by the University of Florida, Bureau of Economic and Business Research; Median Age by Florida Statistical Abstract (Table 1.51) County school enrollment data and education level provided by the Collier County Public Schools Finance Department.

Notes: Population and median age information are based on surveys conducted during the last quarter of the calendar year. School enrollment is based on the County-wide census at the start of the school year. Increase in unemployment rate due to a decrease in construction, retail sales and tourism. Certain information prior to GASB Statement 34 is not available.

Schedule 15
City of Naples
Principal Employers,
Current Year and Nine Years Ago

Employer	2010			2001		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Collier County Public Schools	5,393	1	14.9%	3,393	1	14.6%
NCH Healthcare System	3,725	2	10.3%	2,317	3	10.0%
Collier County Government	1,727	3	4.8%	2,784	2	12.0%
Collier County Sheriff	1,387	4	3.8%	1,076	4	4.6%
Home Depot	1,012	5	2.8%	-		
Ritz-Carlton Hotel	743	6	2.1%	758	5	3.3%
Naples Grande Beach Resort	605	7	1.7%	600	6	2.6%
City of Naples	451	8	1.2%	493	7	2.1%
Naples Beach and Tennis Club	423	9	1.2%	491	8	2.1%
Collier County Health Department	235	10	0.7%	186	10	0.8%
Bentley Resort	-			475	9	2.0%
Other employers	20,423		56.5%	10,605		45.8%
Total	36,124		100.0%	23,178		100.0%

Sources: Naples Economic Development Council
Employer Historical Records

Note: Certain information prior to GASB 34 is not available for 2001.

Schedule 16
City of Naples
Full-time-Equivalent City Government Employees by Function/Program,
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Mayor and Council	1.0	1.0	1.0	1.0	1.0
City Clerk	7.0	8.0	7.0	8.0	8.0
City Attorney	1.0	1.0	1.0	1.0	1.0
City Manager	4.0	5.0	4.0	3.0	4.0
Human Resources	7.0	7.0	7.0	7.0	7.0
Planning & Code Enforcement	8.0	8.0	8.0	7.0	10.0
Engineering	10.0	10.0	10.0	(b)	(b)
Building & Zoning	(a)	(a)	(a)	(a)	(a)
Finance	18.6	19.8	20.8	21.8	20.8
Community Services	51.0	51.0	50.0	43.0	42.0
Police and Emergency Services					
Police	114.2	115.7	111.7	111.7	111.7
Fire	54.0	55.0	59.0	59.0	59.0
Natural Resources	2.0	2.0	2.5	(c)	(c)
Non-Departmental	10.0	10.0	10.0	10.0	10.0
Water and Sewer Fund	94.6	93.5	94.0	96.0	99.5
Solid Waste Fund	33.0	30.0	26.0	25.0	25.0
Streets and Traffic Fund	4.0	5.0	5.0	5.0	5.5
Stormwater Fund	6.0	7.0	7.0	7.0	5.5
City Dock Fund	4.0	5.0	4.0	5.0	5.0
Tennis Fund	6.0	6.0	6.2	4.0	4.0
Beach Fund	11.9	13.3	12.6	13.1	14.1
Information Services Fund	9.0	10.0	10.0	11.0	11.0
Equipment Services Fund	11.0	11.0	11.0	11.0	11.0
Risk Management Fund	1.0	1.0	2.0	2.0	2.0
Building Permit Fund	22.5	24.5	24.5	27.5	26.0
Community Redevelopment	2.0	2.5	3.5	3.5	6.0
Construction Management	(b)	(b)	(b)	8.0	8.0
TOTAL EMPLOYEES	<u>492.8</u>	<u>502.3</u>	<u>497.8</u>	<u>490.6</u>	<u>497.1</u>

Source: City of Naples Finance Department

Notes: (a) Reclassified from the General Fund to the Building Permit Fund starting in 1999.
(b) Reclassified from Engineering in the General Fund to the Construction Management Fund.
(c) Reclassified to Community Services in the General Fund.
(d) Reclassified from Community Services to City Manager in the General Fund.
(e) Fund eliminated in 2009.

Fiscal Year				
2006	2007	2008	2009	2010
1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	8.0	6.0
1.0	1.0	1.0	1.0	1.0
4.0	4.0	4.0	7.0	6.7
7.0	7.0	7.0	6.0	5.0
10.0	10.0	10.0	5.0	5.0
(b)	(b)	(b)	(b)	(b)
(a)	(a)	(a)	(a)	(a)
21.8	21.8	21.8	21.8	19.8
42.0	47.5	45.5	36.0	30.0
111.7	111.7	111.7	109.7	104.4
59.0	61.0	61.0	61.0	61.0
(c)	(c)	(c)	(d)	(d)
10.0	12.0	12.0	12.0	11.0
99.5	96.0	100.0	95.0	98.0
25.0	29.0	29.0	28.0	24.0
5.5	5.5	5.5	7.5	7.5
5.5	5.5	6.0	5.5	6.0
5.0	5.0	5.0	4.0	3.0
4.0	4.0	4.0	4.0	4.0
14.1	14.3	13.8	12.8	12.8
11.0	11.0	11.0	10.0	10.0
11.0	11.0	11.0	10.0	8.5
2.0	2.0	2.0	1.0	1.0
26.0	28.0	27.0	26.0	17.5
6.0	9.0	9.0	9.0	8.3
8.0	8.0	8.0	(e)	(e)
498.1	513.3	514.3	481.3	451.5

Schedule 17
City of Naples
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2001	2002	2003	2004	2005
General government					
Commercial Permits Issued	322	308	239	247	221
Residential Permits Issued	888	782	831	974	1,050
Police					
Physical arrests	1,114	1,152	1,273	1,138	1,234
Parking violations	17,625	17,767	17,238	16,692	16,631
Traffic violations	9,541	10,652	11,446	9,183	8,587
Fire					
Emergency responses (a)	4,557	4,498	4,548	4,696	4,654
Fires extinguished (a)	74	52	64	65	56
Inspections (a)	4,044	5,011	5,979	7,120	7,154
Refuse collection					
Refuse (tons per day)	122	124	122	125	118
Recyclables (tons per day) (b)	N/A	N/A	N/A	8	9
Other public works					
Street resurfacing (miles)	2	4	3	3	1
Potholes repaired (c)	N/A	12	10	2	22
Parks and recreation					
Special events - participants (d)	N/A	1,001	1,101	1,313	1,130
Beach parking permits issued (e)	18,017	18,945	16,297	23,082	21,309
Camps, classes - participants (d)	N/A	187	194	621	770
Water					
New connections	288	300	190	262	249
Water main breaks	42	24	23	9	16
Average daily consumption (millions of gallons)	17.6	18.5	17.1	17.5	16.9
Peak daily consumption (millions of gallons)	24.0	24.0	22.5	23.5	21.3
Wastewater					
Average daily sewage treatment (thousands of gallons)	6,510	6,900	7,080	6,800	7,240

Sources: Various City Departments

- Notes:**
- (a) Fire Department computer crash lost all data .
 - (b) The City contracted for recycle prior to 2004.
 - (c) This number represents the number of work orders given to patch hole contractor.
 - (d) Data was not available prior to this period.
 - (e) The City no longer issues County beach parking permits.

Fiscal Year				
2006	2007	2008	2009	2010
251	247	280	268	237
1,113	1,317	1,164	1,994	828
972	875	965	3,164	658
15,307	14,253	14,439	15,105	15,985
10,974	9,706	9,843	11,087	7,601
4,487	4,490	4,437	4,810	4,423
53	54	49	70	61
6,337	6,510	6,427	5,200	8,412
129	124	114	119	101
10	13	15	14	10
2	2	15	11	9
65	72	75	59	73
571	675	712	759	980
21,236	22,329	20,410	15,921	N/A
725	883	897	943	850
133	133	116	109	70
13	21	22	68	16
17.8	15.3	15.3	16.0	14.7
22.4	23.3	21.2	20.4	19.2
6,830	7,135	6,673	6,720	6,330

Schedule 18
City of Naples
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2001	2002	2003	2004	2005
Police					
Number of employees	122	123	122	122	121
Demand for services	43,302	36,669	38,095	54,710	56,393
Fire Stations	3	3	3	3	3
Refuse collection trucks	29	29	25	25	25
Other public works					
Streets (miles)	106	106	106	106	106
Streetlights	2,370	2,370	2,370	2,370	2,370
Traffic signals	46	47	47	47	47
Parks and recreation					
Swimming pools	1	1	1	1	1
Community centers	3	3	3	3	3
Pier	1	1	1	1	1
Dock	1	1	1	1	1
Water					
Active accounts	16,788	17,196	17,311	17,520	17,697
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	8,496	8,637	8,602	8,614	8,638
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

Sources: Various City Departments

Fiscal Year

2006	2007	2008	2009	2010
120	124	115	110	104
68,365	60,908	58,658	63,325	52,700
3	3	3	3	3
27	27	25	24	25
106	106	106	108	108
2,370	2,371	2,371	2,375	2,390
47	47	47	44	44
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
17,718	17,723	17,717	17,781	16,495
1	1	1	1	1
30	30	30	30	30
8,651	8,647	8,645	9,052	8,814
1	1	1	1	1
10	10	10	10	10

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, City Council
and City Manager
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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 7, 2011. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Management Letter as Finding 10-01 and 10-02 under the heading *Current Year Findings and Recommendations* that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a Management Letter dated March 7, 2011. Management's responses to the findings identified in the Management Letter were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of City Council, management, 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.

CPA Associates

Bradenton, Florida
March 7, 2011



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor, City Council
and City Manager
City of Naples, Florida

We have audited compliance for the City of Naples, Florida, (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major Federal programs for the year ended September 30, 2010. The City's major Federal programs are identified in the summary of auditor's 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's management. Our responsibility is to express an opinion on the City'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 circular 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'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's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of the City 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's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the Management Letter as Finding 10-03 under the heading *Current Year Findings and Recommendations*. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Management's responses to the findings identified in the Management Letter are included in this report. We did not audit the responses and, accordingly, we express no opinion on them.

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

CPA Associates

Bradenton, Florida
March 7, 2011

CITY OF NAPLES, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass Through Grantor Number	Federal Expenditures
U.S. Department of Commerce			
Gulf of Mexico Foundation			
Habitat Conservation	11.463	8001	\$ 3,952
National Oceanic and Atmospheric Administration			
Educational Partnership Program	11.481	N/A	51,078
Total U.S. Department of Commerce			<u>55,030</u>
U.S. Department of Housing and Urban Development			
Collier County			
Community Development Block Grants/Entitlement Grants	14.218	B-09-UC-12-0016	103,474
Community Development Block Grants/Entitlement Grants	14.218	B-08-UC-12-0016	73,200
Total U.S. Department of Housing and Urban Development			<u>176,674</u>
U.S. Department of Justice			
Direct			
Edward Byrne Memorial Formula Grant Program	16.579	MI9A1900001	16,903
Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-JAGD-COLL-1-4Y-051	8,475
Direct			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Governments	16.804	2009-SB-B9-0669	19,452
Total U.S. Department of Justice			<u>44,830</u>
U.S. Department of Transportation			
Florida Department of Transportation			
State and Community Highway Safety	20.600	PS-10-08-11	14,089
Total U.S. Department of Transportation			<u>14,089</u>
U.S. Department of Treasury			
Direct			
Equitable Sharing of Federally Forfeited Property	21.Unknown	FL0110100	59,826
Total U.S. Department of Treasury			<u>59,826</u>
Environmental Protection Agency			
Florida Department of Environmental Protection			
Nonpoint Source Implementation Grants	66.460	G0285	152,525
Total Florida Department of Environmental Protection			<u>152,525</u>
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant	97.044	EMW-2008-FO-09667	21,938
Total U.S. Department of Homeland Security			<u>21,938</u>
Total Federal Programs			<u>\$ 524,912</u>

Notes to Schedule:

The Schedule includes the Federal grant activity of the City of Naples, Florida, for the fiscal year ending September 30, 2010, and is presented using the modified accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements.

THE CITY OF NAPLES, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section I – Summary of Auditor's Results

Basic Financial Statements

Type of auditor's report issued:		<u>Unqualified Opinion</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
Significant deficiencies identified?	<u> X </u>	yes	<u> </u>	no
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> X </u>	no

Federal Programs

Type of auditor's report issued on compliance for major programs:		<u>Unqualified Opinion</u>		
Internal control over major programs:				
Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
Significant deficiencies identified?	<u> X </u>	yes	<u> </u>	no
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> X </u>	yes	<u> </u>	no

Identification of major programs:

- CFDA 14.218 – Community Development Block Grants/
Entitlement Grants
- CFDA 16.804 – Recovery Act – Edward Byrne Memorial
Justice Assistance Grant Program/Grants to Units of
Local Governments
- CFDA 66.460 – Nonpoint Source Implementation Grants

Dollar threshold used to distinguish Type A programs:		<u>\$ 300,000</u>		
Auditee qualified as low-risk auditee?	<u> </u>	yes	<u> X </u>	no

THE CITY OF NAPLES, FLORIDA

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2010

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Significant deficiencies required to be reported in accordance with *Government Auditing Standards* are reported in the Management Letter under the heading *Current Year Findings and Recommendations*. No material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the basic financial statements were identified.

Section III – Federal Program Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any abuse findings involving Federal programs that are material to a major program.

A significant deficiency related to a Federal program has been reported in the Management Letter under the heading *Current Year Findings and Recommendations*. No material weaknesses or material instances of noncompliance, including questioned costs, as well as any abuse findings involving Federal programs were identified.

THE CITY OF NAPLES, FLORIDA
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2010

Audit Finding Number	Title/Program	Brief Description	Status	Comments
09-01	Grant Accounting	The financial reporting process for grants needed improvements. Several audit adjustments were required at year-end to record receivables, deferred revenue, and revenue related to grant activity.	Partially Corrected.	Improvements in the accounting for grant activity was noted and there were significantly fewer audit adjustments required. However, one significant audit adjustment was noted after year-end. See the Current Year Findings and Recommendations.
09-02	Meter Collections	There are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters, with no other compensating controls in place.	Not corrected	See Current Year Findings and Recommendations.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor, City Council
and City Manager
City of Naples, Florida

We have audited the basic financial statements of the City of Naples, Florida, (the City), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 7, 2011.

We conducted our audit 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*. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 7, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of prior year findings are reported in the *Summary Schedule of Prior Audit Findings*.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Matters required to be disclosed are reported under the heading *Current Year Findings and Recommendations*.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Honorable Mayor, City Council,
and City Manager
City of Naples, Florida

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was established pursuant to Article I, Section 1.1 of the Charter for the City of Naples, Florida, in accordance with Chapter 59-1598, Laws of the State of Florida, Acts of 1959. The three blended component units of the City of Naples, Florida, were created and established by ordinances of the City Council— Moorings Bay Special Taxing District, East Naples Bay Special Taxing District, and the Community Redevelopment Agency.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that City did not meet any of the conditions described in the statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of City Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates

Bradenton, Florida
March 7, 2011

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

10-01 Grant Accounting

In the prior year audit, we noted the financial reporting process for grants needed improvement. Several audit adjustments were required at year-end to adjust receivables, deferred revenue and revenue related to grants. From our observations, it appeared the year-end process used to record grant activity was inefficient and ineffective. In the current year, we noted that significant improvements had been made in properly accounting and reporting for grant activity. The number of year-end audit adjustments related to grant activity was reduced, and Finance personnel appeared to have a better understanding of the individual grant provisions.

We recommend the City continue their efforts to improve the accounting process for grant activities.

10-02 Meter Collections

As noted in the prior year audit, there are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters, with no other compensating controls in place to ensure that all amounts collected are deposited and reported. The amounts in question may appear insignificant; however, over time this situation creates the potential for significant amounts of cash being misappropriated. Although the City periodically monitors parking meter collections by zone, this procedure does not mitigate the risk of loss.

Therefore, we recommend the City implement internal control procedures to eliminate this risk.

10-03 Suspension and Debarment (Federal Grant Finding)

Federal Agency: Environmental Protection Agency
Pass-through Entity: Florida Department of Environmental Protection
Program: CFDA 66.460 – Nonpoint Source Implementation Grants
Finding Type: Significant Deficiency
Questioned Costs: Not Applicable

The City entered into a contract with a vendor for services in the amount of \$404,836 using Federal funds, without verifying that the vendor was not suspended or debarred from receiving Federal funds. U.S. Office of Management and Budget (OMB) Circular A-133 provides that when a non-federal entity enters into a transaction with a vendor receiving Federal money of \$25,000 or more, the non-Federal entity must verify that the vendor and its principals are not suspended or debarred from receiving Federal funds. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the contract with the vendor. Although we verified that the vendor was not included on the GSA's *Excluded Party List*, audit procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.

Therefore, we recommend that the City enhance procedures for determining if vendors are suspended or debarred prior to entering into contracts, and document this process.

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City of Naples

FINANCE DEPARTMENT
TELEPHONE (239) 213-1820 • FACSIMILE (239) 213-1805
735 EIGHTH STREET SOUTH • NAPLES, FLORIDA 34102-6796

March 7, 2011

The Honorable David W. Martin, CPA
State of Florida Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Please see the current year 2010 Management Letter comments and response, below:

10-01 Grant Accounting

In the prior year audit, we noted the financial reporting process for grants needed improvement. Several audit adjustments were required at year-end to adjust receivables, deferred revenue and revenue related to grants. From our observations, it appeared the year-end process used to record grant activity was inefficient and ineffective. In the current year, we noted that significant improvements had been made in properly accounting and reporting for grant activity. The number of year-end audit adjustments related to grant activity was reduced, and Finance personnel appeared to have a better understanding of the individual grant provisions.

Response: The City agrees there needs to be an enhanced process, and will update and begin using this technology for 2011. In addition, with the Grants Coordinator now being assigned to the Finance Department (as of October 2009), there has been bi-monthly updates of grants progress between the involved staff members, with the Accounting Division being directly involved in this process. Finance personnel will continue efforts to improve the accounting process for grant activities.

10-02 Meter Collections

As noted in the prior year audit, there are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters, with no other compensating controls in place to ensure that all amounts collected are deposited and

Ethics above all else... Service to others before self... Quality in all that we do.

reported. The amounts in question may appear insignificant; however, over time this situation creates the potential for significant amounts of cash being misappropriated. Although the City periodically monitors parking meter collections by zone, this procedure does not mitigate the risk of loss.

Response: The City has purchased and installed software from the meter vendor that will register all coins deposited in each meter. Due to the age of the current meters, Finance personnel are working with the meter vendor to assign a separate meter number to all of the City's meters in order to record all revenues collected at the meters. The Finance Department will implement the meters by section across the City. The City also has two pay stations that submit via email an audit to the Accounting Manager every time the machines are emptied; therefore these are audited at least twice weekly.

10-03 Suspension and Debarment (Federal Grant Funding)

Federal AGENCY: Environmental Protection Agency

Pass-through Entity: Florida Department of Environmental Protection

Program: CFDA 66.460 –Nonpoint Source Implementation Grants

Finding Type: Significant Deficiency

Questioned Costs: Not Applicable

The City entered into a contract with a vendor for services in the amount of \$404,836 using Federal funds, without verifying that the vendor was not suspended or debarred from receiving Federal funds. U.S. Office of Management and Budget (OMB) Circular A-133 provides that when a non-Federal entity enters into a transaction with a vendor receiving Federal money of \$25,000 or more, the non-Federal entity must verify that the vendor and its principals are not suspended or debarred from receiving Federal funds. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the contract with the vendor. Although we verified that the vendor was not included on the GSA's *Excluded Party List*, audit procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.

Response: The contract was issued prior to recommendations for Grant Accounting implemented last year. The Purchasing Division will now incorporate a section for contract funding in their Request for Proposal. All grant funded Request for Proposals over \$25,000 will be provided to the Grants Coordinator to insure all Federal guidelines are followed and internal controls are met.

Respectfully,



Ann Marie S. Ricardi

Finance Director

Ethics above all else... Service to others before self... Quality in all that we do.