

City of Naples, Florida



**Comprehensive Annual Financial Report
For the Year Ended September 30, 2013**

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2013
(With Independent Auditor's Report Thereon)

Prepared By:
FINANCE DEPARTMENT

City of Naples



Principal Officers

September 30, 2013



Back Row: Vice-Mayor Gary B. Price, Councilmember Doug Finlay, Mayor John F. Sorey III, Councilmember Sam Saad, City Manager Bill Moss, Attorney Robert Pritt

Front Row: Councilmember Teresa Heitmann, City Clerk Patricia L Rambosk, Councilmember Margaret “Dee” Sulick, Councilmember Bill Barnett

Department Directors

Assistant City Manager
Building Director/Building Official
Community Services Director
Finance Director
Fire Chief
Human Resources Director
Planning Director
Police Chief
Streets and Stormwater Director
Technology Services Director

Roger Reinke
Paul Bollenback
David M. Lykins
Ann Marie S. Ricardi
Stephen R. McNerny II
Denise K. Perez
Robin D. Singer
Thomas Weschler
Gregg Strakaluse
Stephen A. Weeks

CITY OF NAPLES, FLORIDA

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City of Naples

FINANCE DEPARTMENT
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March 31, 2014

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, 2013, 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 Management. 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 activities have been included.

The City’s basic financial statements have been audited by Maudlin & Jenkins, LLC, 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, 2013, 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’s financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with Generally Accepted Accounting Principles (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 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.

City Profile

The City is considered by many to be the crown jewel of Southwest Florida. With its subtropical climate tempered by the soft breezes from the Gulf of Mexico, people are struck by its natural beach beauty, well designed streets and structures, and the flora and fauna that are unparalleled in any community.

With a history dating back to the late 1800's, Naples was incorporated on December 1, 1923. It is approximately 16 square miles in size and has 108 miles of streets. Originally developed as a winter retreat for people with permanent homes in the north, Naples grew from a small frontier-style fishing camp in the 1920s to its current status as a premier city. Naples continues to attract a retirement population that is among the most affluent and well educated in the State.

The City is located on the Gulf of Mexico in Southwest Florida, and it is the cultural and activity center of Collier County. The City has a permanent population of approximately 19,500, increasing to 33,000 during the peak winter season. In addition to its natural features, the City is known for its world-class shopping and exceptional dining opportunities.

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.

Still, the City is less than 20 miles away from the tropical wilderness of the Florida Everglades, with its alligators, natural orchids, Florida panther, wood storks, West Indian manatee, cypress forests and mangrove forests.

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 are as follows:

Member	Term Ends
John F. Sorey III, Mayor	February 2016
Gary B. Price II, Vice Mayor	February 2014
Bill Barnett	February 2016
Doug Finlay	February 2014
Teresa Heitmann	February 2016
Sam Saad III	February 2014
Margaret "Dee" Sulick	February 2016

Subsequent to this report, the terms of Vice Mayor Gary Price, Doug Finlay and Sam Saad III expired. The withdrawal of a candidate resulted in the cancellation of the February 4, 2014, election, and the three remaining candidates were elected. This is the first term for Linda Penniman and the second term for Doug Finlay and Sam Saad III whose terms will expire in February 2018.

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 government.

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 provides 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. 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's 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 therefrom; 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 develops preliminary future revenue and expenditure estimates and identifies areas of need and concern. During January and February, the Five Year General Fund Sustainability Report is developed for a March presentation. Concurrently, staff begins working with boards, committees, and the City Council to gather goals for the upcoming fiscal year. In March, Departments start preparing their Five-Year Capital Improvement Program 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. The proposed budget is presented to Council in July then discussed during August and September, and the budget is adopted by ordinance in 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.
2. 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 for Fiscal Year 2012-2013.

The City has established standard procedures for budget amendments to control the integrity of the budget system. Budget amendments are prepared and entered at the department level, approved by the Department head, identifying both the object of expenditure requiring the budget amendment and source of funds for the amendment. Budget amendments are reviewed by the Director of Finance and may be 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 account names, numbers, and reporting purposes. During the course of the year, budgetary control was maintained over appropriations by use of on demand and quarterly 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, although minor purchases may be made with a purchasing card. Purchasing cards have individually set limits, typically between \$1,000 and \$1,500. The City's automated enterprise software system verifies the availability of funds prior to issuance of a purchase order. Although the budget is adopted by Fund, practical 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

Each fiscal year provides the City an opportunity to identify, address and resolve issues facing our community, our residents and our guests.

With the City near build-out, the major challenge is to preserve and maintain the City's infrastructure and services in the manner in which the citizens and guests have become accustomed. This quality of life attracted considerable growth to our community in years past, and has become the definition of the City. High quality support systems such as transportation, stormwater management, potable (drinking) water, wastewater treatment, and solid waste collection must be balanced carefully with the quality of life amenities, such as parks, recreation, entertainment, and cultural opportunities. Naples, between the dramatic Everglades to the east and the grandeur of the Gulf of Mexico to the west, provides an atmosphere of resort living in the middle of nature.

For many years, the City enjoyed a stable, sometimes booming, economic environment. The economic challenges that began to affect the nation in 2007-2008 also presented economic challenges to the City, as income and property values declined, while unemployment rates rose. Naples has a relatively undiversified trade and industry base that depends on tourism as well as retail, construction and health care. Despite the economic slide, the charm that brought people to the City during the good times kept many coming back in the economic downturn. The City felt the financial pinches of the economic downturn, including declining property values, but still needed to provide the levels of service to residents and visitors.

Fiscal year 2012-2013 represented a change in the overall economy, as the property values ticked upwards, after four years of decline. However, the September 2012 modest increase of 2.92% taxable value does not cover the nearly 17% decline in property value since the value peak in 2007. As of September 2013, taxable values increased by 5.54%, thus confirming that the 2.92% was not an irregularity.

Until Fiscal Year 2012-2013, annual operating changes included eliminating positions, revamping the health insurance program, refinancing debt, and reducing overall operating expenditures. More than 60 positions were eliminated since 2007-2008.

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, attractive active and passive parks, the Naples Pier, and the multitude of vibrant mixed-use retail/dining areas. Beach parking revenues, which to some degree track the number of visitors, remained as high as in previous years.

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.

During Fiscal Year 2012-2013, the City encountered several unique opportunities to make Naples a better place to live.

- Purchased land: A parcel of land near the downtown Fifth Avenue Business District became available for purchase. The acquisition used about \$1.6 million of General Fund Balance and the property will be used for additional downtown parking.
- Purchased land: A 6.7 acre parcel of land on the Gordon River, adjacent to other city owned parcels, was offered to the city, enabling the City to create a large 15.2 acre waterfront park with a planned connection to the Gordon River Greenway.
- Paid off and refinanced debt: Continued reduced interest rates made the refinancing of additional debt and the payoff of a General Obligation bond be financially reasonable.

The trends in the Southwest Florida economy continue to experience a moderate recovery. According to a report by the Florida Gulf Coast University, taxable sales for the region were up 11% in November 2013 compared to November 2012. Tourism tax revenues (for the three coastal counties) increased by 17% from December 2012 to December 2013, and by nine percent for the full calendar year. Activity for the three Southwest Florida airports totaled 894,176 passengers in December 2013, up 12% over December 2012. Collier County single family home sales are trending upwards as are sales prices.

Long-term Financial Planning

The City has several long-term financial and operating planning processes in place, all of which eventually integrate into the budget. 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 while establishing a needs assessment for future years.

Annually, shortly after each fiscal year end, the Finance Department prepares a General Fund Five-Year Sustainability Report. This report, which combines fact with projections, identifies the potential fiscal shortfalls in the next five years. Concurrently, the Community Redevelopment Agency (CRA) Sustainability Report is prepared; however, instead of for five years, the CRA report projects revenues and expenditures for the life of the CRA. Because both of these funds (General and CRA) are dependent on property taxes, the reports help guide City policy relating to tax rates and budgets. All these reports aid the City in sound long-term financial planning and assist in maintaining the levels of services expected by the residents.

Relevant Financial Policies

In September 2009, the City Council passed Resolution #09-12512, which amended and updated the City's financial policies. These policies covered five major areas: Budgetary and Financial Planning; Financial Reporting; Capital Improvement; Debt Management; Investments and Fund Balance. These were subsequently amended in 2012, retroactively to September 30, 2011, to have the Fund Balance Policy reflect the requirements of GASB 54.

The financial policies exist 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.

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 City's Distinctive Character and Culture

Residents and visitors alike recognize the ambiance created by the tree-lined streets of Naples. For the sixteenth consecutive year, the City received the Tree City U.S.A. designation. For the sixth consecutive year, the City received a Tree City U.S.A. Growth Award. In addition, the City was selected the winner of the 2012 Friends of our Urban Forest Awards Program in the category of Outstanding Urban Forestry Program—Small Community. The awards selection committee felt that the City program efforts stood above all other applicants in exemplifying excellence in Urban Forestry throughout the State of Florida. The award was presented in February 2013.

During the year, the Parkways Division planted 215 trees and palms along Gulf Shore Boulevard South and Gordon Drive as part of the fiscal year Tree Fill-in Program, and a total of 10 Royal Palms were accepted as a part of the City's Tree Donation Program.

In the spring of 2013, the City Council approved the purchase of a 15.2 acre parcel off of Riverside Drive adjacent to the Gordon River for a new community park. MHK Architecture & Planning was selected as the park's design firm on a pro bono basis. In addition to the joint meetings with City Council and the Community Services Advisory Board, the Community Services Department and Matthew Kragh, President of MHK Architecture & Planning, held several Public Design Charettes to obtain public input and direction. The Public Design Charettes will continue through the approval process toward a March 2014 deadline. Construction is anticipated to begin during the summer/fall of 2014.

Vision Goal: Maintain an Extraordinary Quality of Life for Residents

The Community Services Department, Recreation Division, provides a wide variety of recreational opportunities for residents of all ages, integrating social and cultural pursuits. The Norris Center at Cambier Park remains known for the variety of cultural programs that are offered such as the Bluewater Bluegrass and Acoustic Series, Comedy Series, Paradise Coastmen Barbershop Chorus, Musical Entertainment from the 50's and 60's and other performers from around the country. The Norris Center is also the home of the Gulfshore Playhouse. Last year this group saw 14,667 patrons, an increase of 12.5% over the previous year. Two of the shows broke box office records. These events contribute to the overall success of the community, because, based on national averages, these patrons spend approximately three-quarters of a million dollars in the City on auxiliary services such as shopping and dining.

Contracted instructors and rental groups at Fleischmann Park offer a successful after-school program, recreation classes, and numerous summer and school break specialty camps. Pickleball continued to gain popularity resulting in the park adding a fourth court. The sand volleyball courts are full nightly with numerous teams of adults and young adults.

River Park offered 83 classes, 4 camps and 165 clubs/rentals which included exercise classes, art classes, culinary classes, dance classes, holiday camps, day camps, school day out, fitness memberships, computer lab public access and Girl Scouts.

The River Park Aquatic Center offered 89 classes, 2 camps and 24 rentals which included Learn to Swim, Swim Central, Swim & Snorkel, Arthritis Foundation and exercise classes. Naples High School and Village School used the aquatic facility as a home pool. The River Park Aquatic Center was the only aquatic facility in Collier County to participate in the World's Largest Swimming Lesson on June 18, 2013.

City operated facilities provide an abundance of activities to entertain residents and visitors. Cambier Park hosts a variety of outdoor concerts; the Arthur L. Allen Tennis Center sponsors numerous events and camps; the Naples Preserve offers nature talks and "Eco Tours" with activities that included the monitoring of adult gopher tortoises and new hatchlings; the Edge "Johnny Nocera" Skate Park provides a venue for skateboard enthusiasts; and the Naples Pier had nearly one million visitors.

The Citizen Police Academy exposes the citizens of the City to the world of law enforcement; from how police patrol neighborhoods, to youth programs and everything in between. The Citizen Police Academy is much like the academy used to train police officers. Participants in the academy learn about a variety of law enforcement topics; however, after graduation, citizens are armed with knowledge that they then can use to help make our community a better place to live. Graduates are encouraged to share their positive experience with others.

Vision Goal: Maintain and Enhance Governance Capacity for Public Service and Leadership

The City achieved the Family Friendly Workplace designation by the Naples Alliance for Children for the 15th consecutive year. This award is given to agencies that have policies and programs in place to assist employees in taking an active part in raising their children. Some of these policies and programs include: flexible work schedules, employee benefits, employee assistance programs, disaster plans, and sick and personal leave plans.

The Human Resources Department continued the Wellness Incentive Program with wellness based health targets. 156 employees submitted Wellness Target forms and received additional funding in their Health Reimbursement Accounts. Additional wellness activities included Weight Watchers at Work program with weight loss in excess of 500 pounds; flu shots provided to 165 employees/spouses; and a series of wellness/nutrition seminars that were offered throughout the year.

The Code Enforcement Division processed over 400 code enforcement issues per month. These range from a phone call to the preparation of a case before the Code Enforcement Board. In a recent city by city comparison by the Florida Benchmarking Consortium, the City Code Enforcement was consistently in the top 10% bracket for efficiency based on number of issues, population and number of code enforcement officers. Code Enforcement Board meetings are scheduled monthly. However, due to the diligence put forth by the Code Enforcement Division to obtain compliance, only four meetings were held this past year. This reduction in meetings resulted in cost savings for City Clerk, Attorney fees, and staff case preparation. This is attributed to the effort put forth by the Division, working with banks and their foreclosures, to keep this expense low. Additionally, Code Enforcement collected almost \$50,000 in fines.

Eleven multi-space parking stations were installed in the City's larger beach parking areas, replacing two old pay stations and 135 single head parking meters. The new machines are solar powered. The machines accept credit cards and coins, no longer accepting dollar bills nor giving a receipt, resulting in no down time from paper jams. The money collected from parking tickets goes directly into the Beach Fund.

In October 2012, the Finance Department began implementation and conversion of the General Accounting Ledger from HTE SunGard software to Tyler Munis software. The City began working with the Munis platform in April 2013 for Accounting, Budgeting, Purchasing, and Accounts Payable. Other systems, such as Fixed Assets, Utility Billing, Cash Receipts, Accounts Receivable, Business Tax Receipts and Parking Tickets, are in various stages of conversion. Final conversion of all financial systems is expected by October 2014.

Late last year, the City deployed an Interactive Voice Recognition (IVR) payment option for utility bills. A year later 7,986 customers have used the feature and the City collected almost \$1.5 million using the Utility Billing IVR, which is a 24 hours a day function to pay utility bills and parking tickets. Other electronic successes include 27% of the customers who signed up to pay their utility bill automatically through auto draft, 27% who have online access, and 10% who receive bills via email. Approximately 22% of all vendor payments made are now made via Electronic Funds Transfer, reducing the number of checks written.

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. The City staff has complied with this requirement, and the independent auditors' report has been included in this report.

Distinguished Budget

The City’s budget for 2012-2013 received the GFOA’s Distinguished Budget Presentation Award for the eighth time. 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 the Annual Financial Report for the fiscal year ended September 30, 2012.

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, Maudlin & Jenkins, LLC for their examination of our accounts.

Respectfully submitted,



A. William Moss
City Manager



Ann Marie S. Ricardi
Finance Director



Government Finance Officers Association

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

Presented to

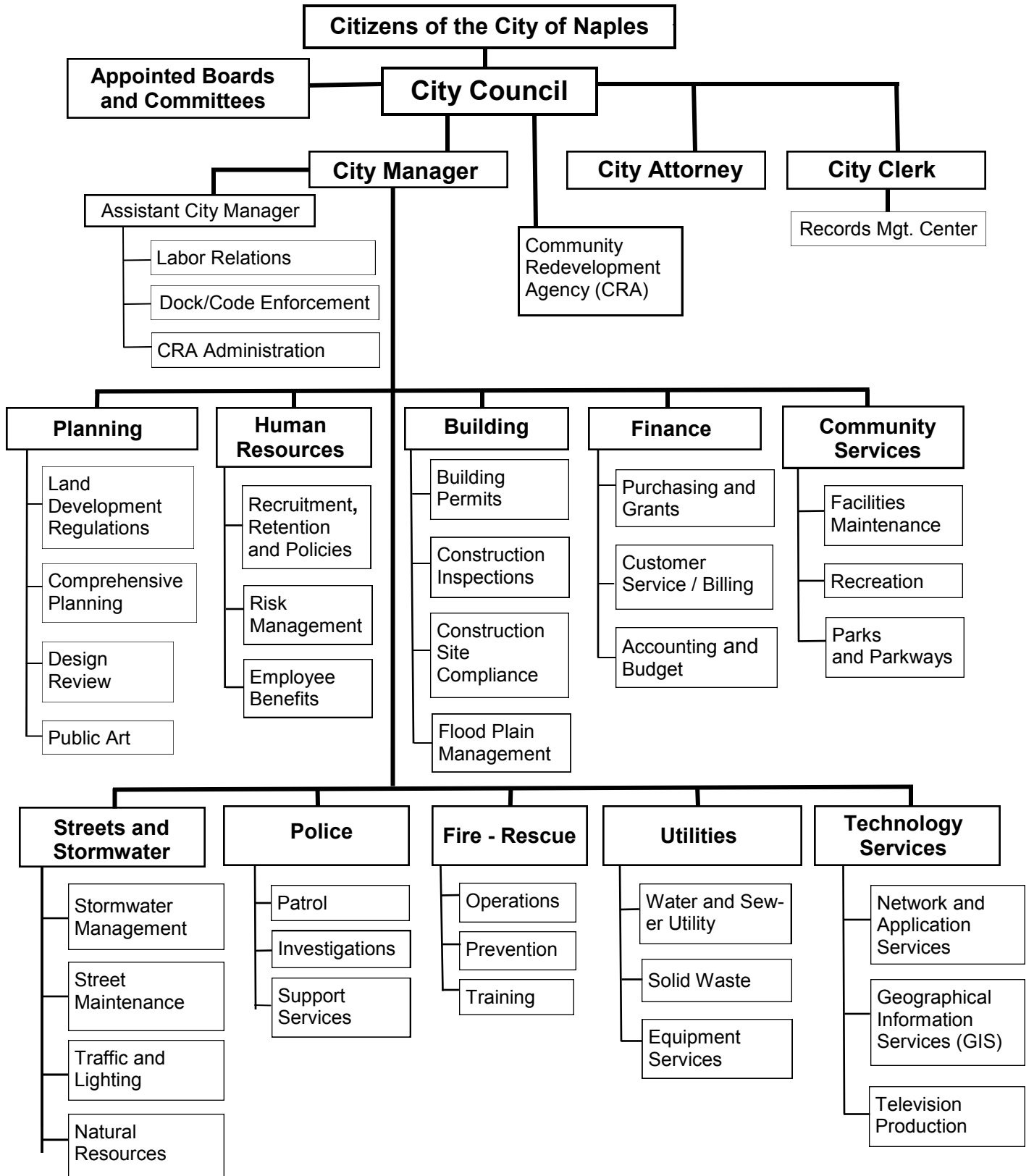
**City of Naples
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

City of Naples Organizational Chart



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

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

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

Opinions

In our opinion, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note I to the financial statements, the City adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of October 1, 2012. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 31, 2014

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The City of Naples, Florida
Management's Discussion and Analysis
September 30, 2013
(Unaudited)

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, 2013.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at September 30, 2013, by \$220.3 million (net position). Of this amount, \$70.1 million of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7 million.
- As of September 30, 2013, the City's governmental activities reported combined ending net position of \$95.3 million. This is an increase of \$.4 million from the prior year. Approximately 28% of this total is unrestricted.
- The City's total debt decreased by \$5.4 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% 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% 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 but believe the funds have a significant impact on the City. Management determined that three additional funds, the Capital Projects Fund, Community Redevelopment Fund and Streets and Traffic Fund, were to be included as major funds even though they did 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 resources measurement focus and the full accrual basis of accounting.

The Statement of Net Position (page 18) presents information on all the City's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or not.

The Statement of Activities (page 20) presents the information showing how the City's net position changed during the fiscal year. All changes in net position 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 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 fees, 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 22. 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 Public Arts Fund, the Grants Fund, the Confiscated Properties Fund, the Business Improvement District, the 41-10 Public Open Space Fund, the Parking Trust Fund, the Impact Fee Fund,

the Land Contribution Fund, and the Maintenance Dredging Funds for the East Naples Bay District, Port Royal 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 basis of 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 the 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. 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. The reconciliations on page 25 and 29 convert this data to an economic resources 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 is reconciled to the business-type activities column in the government-wide statements on pages 30–37.

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 41.

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), the budgetary comparison schedules for the General Fund, Community Redevelopment Fund, and Streets and Traffic Fund, and trend data on pension funding and other post-employment benefits.

Government-wide Financial Analysis

The City's combined net position as of September 30, 2013, was \$220.3 million. Table 1 reflects the summary Statement of Net Position (in thousands) for the current and prior year.

Table 1

Statement of Net Position

(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	(restated) 2012	2013	(restated) 2012	2013	(restated) 2012
Current and other assets	\$ 50,518	55,588	48,897	47,497	99,415	103,085
Capital assets	66,983	64,918	104,684	103,182	171,667	168,100
Total assets	117,501	120,506	153,581	150,679	271,082	271,185
Total deferred outflow of resources	415	-	108	-	523	-
Long term liabilities outstanding	20,024	22,068	24,682	26,036	44,706	48,104
Other liabilities	2,563	3,515	3,999	6,241	6,562	9,756
Total liabilities	22,587	25,583	28,681	32,277	51,268	57,860
Net position:						
Net investment in capital assets	54,373	49,368	81,292	77,345	135,665	126,713
Restricted	13,908	13,460	-	1,646	13,908	15,106
Unrestricted	27,048	32,095	43,716	39,410	70,764	71,505
Total net position	\$ 95,329	94,923	125,008	118,401	220,337	213,324

The largest portion of the City's net position (62%) 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 position (representing 6% of the total net position) is subject to external restrictions on how it may be used. The remaining 32% of unrestricted net position, \$70.1 million, may be used to meet the City's ongoing obligations to the citizens and creditors.

The City's combined revenues, including contributions, grants, charges for services and taxes were \$86.6 million. Total expenses, City-wide were \$79.6 million. For the total primary government, including both governmental and business-type activities, net position increased \$7 million. Governmental activities increased by \$0.4 million. Business-type activities increased \$6.6 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 Position
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	(restated)		(restated)		(restated)	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 6,230	6,397	42,486	41,702	48,716	48,099
Operating grants and contributions	2,803	2,632	557	636	3,360	3,268
Capital grants and contributions	353	928	1,388	3,507	1,741	4,435
General revenues						
Property taxes	17,331	17,391	-	-	17,331	17,391
Other taxes	8,925	8,590	-	-	8,925	8,590
Franchise fees	3,300	3,361	-	-	3,300	3,361
Intergovernmental revenues	2,953	2,807	-	-	2,953	2,807
Unrestricted investment earnings	175	238	90	154	265	392
Other	50	46		5	50	51
Total revenues	42,120	42,390	44,521	46,004	86,641	88,394
Expenses						
General government	5,301	5,458	-	-	5,301	5,458
Public safety	24,885	24,400	-	-	24,885	24,400
Physical and economic environment	2,793	3,128	-	-	2,793	3,128
Transportation	3,450	3,356	-	-	3,450	3,356
Cultural and recreation	6,942	6,609	-	-	6,942	6,609
Interest and fiscal charges	397	494	-	-	397	494
Water and sewer	-	-	23,833	23,916	23,833	23,916
Solid waste	-	-	5,489	5,276	5,489	5,276
Stormwater	-	-	3,064	2,464	3,064	2,464
Other	-	-	3,474	3,377	3,474	3,377
Total expenses	43,768	43,445	35,860	35,033	79,628	78,478
Increase (decrease) in net position before special items and transfers	(1,648)	(1,055)	8,661	10,971	7,013	9,916
Transfers	2,054	2,014	(2,054)	(2,014)	-	-
Change in net position	406	959	6,607	8,957	7,013	9,916
Net position, beginning (restated)	94,923	93,964	118,401	109,444	213,324	203,408
Net position, ending	\$ 95,329	94,923	125,008	118,401	220,337	213,324

The total primary government revenues reported a \$1.753 million or 1.98% decrease over last year's total revenues. The total business-type activities decreased \$1.483 million. Governmental activities show a \$0.270 million decrease. The primary reasons for the decrease in governmental activity revenue are as follows:

- A decrease in capital grants and contributions of \$575 thousand.
- A decrease in investment earnings of \$63 thousand or 26% from the prior year, due to the continued low interest rate environment with no high yield securities in the portfolio.

Business-type activities showed a decrease in revenues in the amount of \$1.48 million or 3.2% over the revenues of 2012. Like the governmental activities, the decrease in business-type activity revenues was the result of a decrease in capital grants and contributions in the amount of \$2.1 million.

The total primary government’s expenses increased \$1.15 million or 1.47%. Governmental activities reported a 0.74% increase in expenses, with business-type activities reporting a 2.36% increase.

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 \$43.77 million. As shown in the Statement of Activities on page 20, the net cost that was ultimately paid through taxes was \$34.38 million. The \$9.39 million of costs for governmental activities not covered by general revenues was provided by:

- \$6.23 million in charges for services, made of \$3.2 million in building/permit fees, \$.88 million in police and fire services, \$.76 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$2.80 million in operating grants and contributions, including \$1.4 million from Collier County’s share of the Community Redevelopment tax increment financing and the remaining from other grants from agencies including FDOT, Tourism Development and Collier County.
- \$0.35 million in capital grants and contributions, which includes \$.20 million from impact fees, and \$.15 million from general government, community development, public safety and recreation grants.

Table 3
Governmental Activities
(In thousands)

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
Public safety	\$ 24,885	24,400	20,305	19,171
Physical and economic environment	2,793	3,128	170	1,143
Transportation	3,450	3,356	3,087	3,001
Cultural and recreation	6,942	6,609	6,047	5,062
All others	5,698	5,952	4,773	5,111
Totals	\$ 43,768	43,445	34,382	33,488

Business-type Activities

Revenues of the City’s business-type activities (see Table 2) totaled \$44.5 million.

The Water and Sewer Fund represents 71% of the business-type activities’ net position. Total water and sewer operating revenues were \$485,000 higher than last year, while operating expenses were up \$266,000 over last year. Interest income from all business-type activities showed a \$64,000 decrease from the prior year, due to the continued low yields in the investment market.

City Code allows for Water Sewer Fees and Stormwater Fees to be adjusted automatically, based on the Public Services Commission Deflator Index and the Consumers Price Index, respectively. These small annual increases (1.63% and 1.06%, respectively) help prevent any major rate jumps in any single year. There were no increases in Solid Waste Fees.

Financial Analysis of the City's Funds

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

Governmental Funds

The fund financial statements for the governmental funds start on page 22. The focus of the City'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's financing requirements.

In particular, unassigned 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, 2013, the City's governmental funds reported combined ending fund balances of \$37.448 million, a decrease of \$5.1 million in comparison with the prior year. Approximately 26.6% of this total (or \$9.979 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending. Major restrictions, commitments or assignments include funds: (1) restricted for capital projects (\$4.35 million); (2) restricted for building and zoning (\$5.69 million); (3) restricted for transportation (\$3.59 million); (4) restricted for economic development (\$2.48 million); (5) committed for City-wide emergencies (\$3.42 million); (6) assigned to meet debt service requirements (\$1.69 million); and (7) for a variety of other restricted, committed, and other assignments.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.582 million, while the total fund balance was \$14.912 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27.1% of the total fiscal year 2013 General Fund expenditures, while total fund balance represents 38.2% of that same amount.

General Fund expenditures were \$3.355 million under the amended budget. The primary reason for this variance was that the City had \$2.5 million budgeted but not consumed for the improvements to the new park on the Gordon River. Most variances in general government areas were minor and due to short periods of vacancies or minor cost under-runs in operating expenses.

The fund balance in the General Fund decreased by \$4,657,748 during the fiscal year. During the fiscal year, the City used a portion of the fund balance to purchase land and pay off debt, as follows:

- A parcel of land near the downtown Fifth Avenue Business District became available for purchase. The acquisition used about \$1.6 million of General Fund Balance and the property will be used for additional downtown parking.
- A 6.7 acre parcel of land on the Gordon River, adjacent to other city owned parcels, was offered to the city, enabling the City to create a large 15.2 acre waterfront park with a planned connection to the Gordon River Greenway.
- The City paid off the general obligation bonds using a portion of fund balance due to reduced interest rates on investment earnings.

The Debt Service Fund reports a total fund balance of \$1.688 million which is totally assigned for the payment of debt service. The increase in fund balance during the current year in the Debt Service Fund was \$253,874. 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 fund capital projects was \$2,212,337.

The Capital Projects Fund reports a total fund balance of \$6.124 million of which \$1.442 million is committed for contracts issued, \$4.35 million is assigned for future capital projects, and \$332 thousand is nonspendable due to advances owed other funds. Fund balance increased by \$198 thousand.

The fund balance in the Community Redevelopment Fund decreased \$180,377 in 2013 with an ending fund balance of \$2,478,963. As a fund with major capital goals, the fund balance will be directed toward future capital projects identified in the Redevelopment Plan.

The fund balance in the Streets and Traffic Fund decreased \$363,330 in 2013 with an ending fund balance of \$3.657 million. The key factor was the funding by City Council of prior year reserves for ongoing annual overlay program and capital purchases.

The combined fund balances for all governmental (major and non-major) funds decreased by \$5.1 million for fiscal year 2013 or 12%.

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 position of the proprietary funds at the end of the fiscal year amounted to \$24.2 million in the Water and Sewer Fund, \$4.4 million in the Solid Waste Fund, \$11.04 million in the Stormwater Fund, \$2.895 million in the Naples Beach Fund, \$564 thousand in the City Dock Fund and \$208 thousand in the Tennis Fund.

General Fund Budgetary Highlights

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

The adopted budget for Fiscal Year 2012-2013 was \$33,698,226 in expenditures and other financing uses (plus \$500,000 in Contingency) and \$33,414,947 in revenues and other financing sources, with the difference of \$283,279 being a planned use of fund balance. The subsequent increase in budgeted revenues to \$32,563,181 is due to a \$1,324,165 increase in insurance premium tax revenue from the State of Florida for police and fire pensions not in original budget.

The increase between the General Fund's original appropriations and the final amended budget was \$9,640,387. Of this change: (a) \$102,767 was for prior year commitments; (b) \$1,324,165 was to provide pension contributions to the police and fire pension funds from the insurance premium tax, (c) \$1,610,000 was to pay for the Naples Woman's Club parking lot, (d) \$157,900 was transferred from contingency for a 2% raise for AFSCME, OPEIO and non-bargaining employees (e) \$5,500,000 was for the purchase of the Pulling Family property of 6.7 acres (f) \$20,000 was transferred from contingency for a portion of the Park Street project (g) \$904,555 was for a pay off the general obligation debt of the City and (h) \$21,000 was for the acquisition of a Kronos time keeping software.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$171.6 million invested in a variety of capital assets, as reflected in the following table, which represents a net increase (additions less retirements and depreciation) of \$3.57 million or 2.12% from the end of last year .

Table 4

Capital Assets at Year-End

(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 16,377	11,826	3,141	3,141	19,518	14,967
Buildings	37,996	37,946	61,515	61,518	99,511	99,464
Improvements other than buildings	35,332	35,462	47,547	43,528	82,879	78,990
Infrastructure	31,993	31,809	94,313	88,810	126,306	120,619
Machinery and equipment	17,542	17,434	18,080	18,329	35,622	35,763
Construction in progress	518	600	3,991	5,059	4,509	5,659
Less accumulated depreciation	(72,775)	(70,159)	(123,903)	(117,203)	(196,678)	(187,362)
Totals	\$ 66,983	64,918	104,684	103,182	171,667	168,100

This year's major additions are:

Governmental activities

Land, Gordon River Park	\$ 3,011,814
Land, Women's Club parking lot	1,536,969
Pumper Truck	334,354

Business-type activities

Water treatment plant filter control rehab projec	807,558
Golden Gate canal intake structure	1,874,512
Aquifer storage recovery - Golden Gate	1,861,193
Alternative water supply	1,516,655
Basin III stormwater improvements	471,948

Additional information regarding the City's capital assets is included in the Note 5 (D) to the financial statements.

Debt Outstanding

As of year-end, the City had \$36,525,227 in debt (bonds, notes, etc.) outstanding compared to \$41,967,587 in 2012, a \$5,442,360 (12.97%) decrease.

Table 3
Outstanding Debt at Year-end

	<u>2013</u>	<u>2012</u>
Governmental		
General obligation bonds	\$ -	1,690,000
Capital improvement refunding revenue note	13,025,000	14,333,000
Unamortized discount	-	(7,877)
Subtotal	<u>13,025,000</u>	<u>16,015,123</u>
Business-type		
Public utilities refunding revenue bonds	23,360,227	12,804,000
State revolving loans, water and sewer	-	10,951,858
State revolving loan, stormwater	-	2,001,606
Capital improvement refunding revenue note	140,000	195,000
Subtotal	<u>23,500,227</u>	<u>25,952,464</u>
Total	<u>\$ 36,525,227</u>	<u>41,967,587</u>

Additional information regarding the City's outstanding debt is included in the Note 5 (G) to the financial statements.

Economic Factors and Next Year Budget and Rates

In September 2013, the City Council approved a \$121.9 million budget for fiscal year 2013-2014, approximately \$3.1 million more than the fiscal year 2012-2013 budget. The budget includes \$94.6 million for operations and transfers and \$27.3 million for capital improvements.

The adopted fiscal year 2013-14 budget continues the City's fiscally conservative approach to budget development, while providing quality services to the citizens.

The budget for fiscal year 2013-2014 was developed with an emphasis on:

- The City's 10-year vision plan
- Reasonable revenue projections
- Maintenance of levels of service desired by the community
- Maintenance of fiscally responsible reserves

The City's 2013-2014 budget was balanced using a millage rate of 1.1800, which is 4.2% greater than the rolled back rate of 1.1314. The millage rate has remained the same since 2009-2010.

The following economic and operating factors were considered in developing the budget for fiscal year 2013-2014:

- The City showed the second year of increase in taxable value (after four consecutive years of decline) as values increased 5.5% over fiscal year 2012-13 to \$15,813,172,702.
- Revenues from investments are expected to continue to be extremely low due to the continued low interest rates available to the City's investment portfolio.
- Flat growth rates are expected for most other revenue sources.
- The City has five union contracts for its employees. A 2% raise was approved for all unions except the Fire union contract which has still not been settled.
- There is no debt issues planned in fiscal year 2013-14.
- Capital in the amount of \$27.3 million includes \$2.5 million for the development of the new Gordon River Park, \$7.9 million for reclaimed water projects, \$3.2 million for the Public Works pump station improvements at Riverside Circle, and \$2.24 million for water line/fire flow improvements.
- The fiscal year 2013-14 budget has a net increase of two positions over fiscal year 2012-13. Three positions were deleted; two in Technology Services and one in Streets and Stormwater, while four have been added to the Building Permits Fund. In the Building Permits Fund, two of the four positions were approved by Council and added during fiscal year 2012-13. A plumbing inspector and a compliance inspector were added as of October 1, 2013. One position was added to the Beach Fund as part of the Tourist Development Council (TDC) grant.

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 South, Naples, Florida 34102, or at (239) 213-1820, or by email at 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 Position

September 30, 2013

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 47,900,178	41,924,974	89,825,152
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	447,548	4,243,733	4,691,281
Special assessments	71,013	93,710	164,723
Utility taxes	255,628	-	255,628
Miscellaneous	758	-	758
Accrued interest	88,560	31,719	120,279
Internal balances	(1,065,852)	1,065,852	-
Due from other governments	549,435	423,624	973,059
Inventories	150,006	759,767	909,773
Prepaid items	54,279	13,402	67,681
Restricted assets			
Cash and investments	-	340,173	340,173
Net pension assets	2,067,198	-	2,067,198
Capital assets			
Land and land improvements	16,377,103	3,141,603	19,518,706
Buildings and utility plants	37,995,529	61,515,513	99,511,042
Improvements other than buildings	35,331,800	47,546,871	82,878,671
Infrastructure	31,993,449	94,312,964	126,306,413
Equipment	17,542,278	18,079,940	35,622,218
Accumulated depreciation	(72,775,161)	(123,903,235)	(196,678,396)
Construction in progress	517,749	3,990,705	4,508,454
Net capital assets	66,982,747	104,684,361	171,667,108
Total assets	117,501,498	153,581,315	271,082,813
Deferred Outflows of Resources			
Deferred charge on refunding	414,951	107,883	522,834

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA

Statement of Net Position

September 30, 2013

Liabilities	Primary Government		
	Governmental Activities	Business-type Activities	Total
Accounts payable and other current liabilities	\$ 2,306,654	2,694,588	5,001,242
Due to other governments	16,191	571,001	587,192
Unearned revenue	161,689	354,357	516,046
Customer deposits	63,437	39,069	102,506
Accrued interest payable	15,392	-	15,392
Liabilities payable from restricted assets			
Customer deposits	-	340,173	340,173
Total current liabilities	<u>2,563,363</u>	<u>3,999,188</u>	<u>6,562,551</u>
Noncurrent liabilities			
Revenue bonds payable, net of unamortized discounts and premiums			
Due within one year	1,489,000	2,744,797	4,233,797
Due in more than one year	11,536,000	20,755,430	32,291,430
Compensated absences			
Due within one year	387,326	171,330	558,656
Due in more than one year	1,970,217	523,230	2,493,447
Other post-employment benefits	1,124,057	486,860	1,610,917
Claims payable			
Due within one year	1,057,066	-	1,057,066
Due in more than one year	2,460,000	-	2,460,000
Total noncurrent liabilities	<u>20,023,666</u>	<u>24,681,647</u>	<u>44,705,313</u>
Total liabilities	<u>22,587,029</u>	<u>28,680,835</u>	<u>51,267,864</u>
Net Position			
Net investment in capital assets	54,372,698	81,292,017	135,664,715
Restricted for			
Building and zoning	5,694,323	-	5,694,323
Capital projects	684,527	-	684,527
Streets and infrastructure	3,588,736	-	3,588,736
Economic development	2,478,963	-	2,478,963
Police programs	528,062	-	528,062
Other governmental projects	933,533	-	933,533
Unrestricted	<u>27,048,578</u>	<u>43,716,346</u>	<u>70,764,924</u>
Total net position	<u>\$ 95,329,420</u>	<u>125,008,363</u>	<u>220,337,783</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA

Statement of Activities

Year Ended September 30, 2013

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
Functions/programs		
Governmental activities		
General government	\$ 8,247,449	(2,946,419)
Public safety	24,518,136	366,940
Physical and economic environment	2,681,203	111,160
Transportation	3,339,015	111,250
Culture and recreation	6,942,141	-
Interest	397,292	-
Total governmental activities	<u>46,125,236</u>	<u>(2,357,069)</u>
Business-type activities		
Water and sewer	22,265,690	1,567,420
Solid waste	5,106,749	382,340
Stormwater	2,862,873	201,300
Beach	1,287,678	119,820
Dock	1,469,601	46,400
Tennis	510,875	39,789
Total business-type activities	<u>33,503,466</u>	<u>2,357,069</u>
Total primary government	<u>\$ 79,628,702</u>	<u>-</u>

The accompanying notes to financial statements are an integral part of this statement.

Charges for Services	Program Revenues		Net (Expense) Revenue and Change In Net Position		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
874,008	51,251		(4,375,771)	-	(4,375,771)
4,506,478	53,889	19,821	(20,304,888)	-	(20,304,888)
16,009	2,504,586	102,146	(169,622)	-	(169,622)
31,210	131,684	200,000	(3,087,371)	-	(3,087,371)
802,130	61,794	30,765	(6,047,452)	-	(6,047,452)
-	-	-	(397,292)	-	(397,292)
<u>6,229,835</u>	<u>2,803,204</u>	<u>352,732</u>	<u>(34,382,396)</u>	<u>-</u>	<u>(34,382,396)</u>
28,747,954	-	956,720	-	5,871,564	5,871,564
5,876,369	-	-	-	387,280	387,280
4,651,910	-	431,910	-	2,019,647	2,019,647
1,086,099	556,850	-	-	235,451	235,451
1,649,255	-	-	-	133,254	133,254
474,559	-	-	-	(76,105)	(76,105)
<u>42,486,146</u>	<u>556,850</u>	<u>1,388,630</u>	<u>-</u>	<u>8,571,091</u>	<u>8,571,091</u>
<u>48,715,981</u>	<u>3,360,054</u>	<u>1,741,362</u>	<u>(34,382,396)</u>	<u>8,571,091</u>	<u>(25,811,305)</u>
General revenues					
Property taxes			17,330,532	-	17,330,532
Local communication and utility taxes			5,977,860	-	5,977,860
Insurance premium tax			1,324,166	-	1,324,166
Motor fuel taxes			1,367,212	-	1,367,212
Business tax			255,890	-	255,890
Franchise fees			3,299,823	-	3,299,823
Intergovernmental revenues— unrestricted			2,952,946	-	2,952,946
Unrestricted investment earnings			175,612	90,583	266,195
Miscellaneous revenues			50,070	-	50,070
Transfers			2,054,280	(2,054,280)	-
Total general revenues and transfers			<u>34,788,391</u>	<u>(1,963,697)</u>	<u>32,824,694</u>
Change in net position			405,995	6,607,394	7,013,389
Net position, beginning (restated)			<u>94,923,425</u>	<u>118,400,969</u>	<u>213,324,394</u>
Net position, ending			<u>\$ 95,329,420</u>	<u>125,008,363</u>	<u>220,337,783</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA

Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 14,867,410	1,447,895	6,172,767
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	445,362	-	-
Special assessments	-	-	71,013
Utility taxes	-	255,628	-
Accrued interest	41,295	1	12,485
Advances due from other funds	413,592	-	332,004
Due from other governments	415,455	5	21,938
Inventories	-	-	-
Prepaid items	12,000	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 16,195,114	1,703,529	6,610,207
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Accounts payable	\$ 497,565	15,937	414,802
Accrued payroll	588,996	-	-
Due to other governments	16,191	-	-
Advances payable to other funds	-	-	-
Unearned revenue	161,584	-	-
Customer deposits	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,264,336	15,937	414,802
	<u> </u>	<u> </u>	<u> </u>
Deferred inflows of resources			
Unavailable revenue	18,567	-	71,020
Fund balances			
Nonspendable	425,592	-	332,004
Restricted	13,791	-	-
Committed	3,597,298	-	1,442,104
Assigned	293,132	1,687,592	4,350,277
Unassigned	10,582,398	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	14,912,211	1,687,592	6,124,385
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	\$ 16,195,114	1,703,529	6,610,207
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes to financial statements are an integral part of this statement.

Community Redevelopment Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
2,646,768	3,715,399	10,322,445	39,172,684
-	-	2,186	447,548
-	-	-	71,013
-	-	-	255,628
9,906	6,721	13,567	83,975
-	41,588	-	787,184
-	106,933	-	544,331
-	26,973	-	26,973
-	-	-	12,000
<u>2,656,674</u>	<u>3,897,614</u>	<u>10,338,198</u>	<u>41,401,336</u>
41,170	230,695	183,229	1,383,398
13,365	9,622	51,927	663,910
-	-	-	16,191
123,176	-	1,328,016	1,451,192
-	-	-	161,584
-	-	63,437	63,437
<u>177,711</u>	<u>240,317</u>	<u>1,626,609</u>	<u>3,739,712</u>
-	-	123,842	213,429
-	68,561	-	826,157
2,478,963	3,588,736	7,419,830	13,501,320
-	-	1,725,189	6,764,591
-	-	45,789	6,376,790
-	-	(603,061)	9,979,337
<u>2,478,963</u>	<u>3,657,297</u>	<u>8,587,747</u>	<u>37,448,195</u>
<u>2,656,674</u>	<u>3,897,614</u>	<u>10,338,198</u>	<u>41,401,336</u>

The accompanying notes to financial statements are an integral part of this statement.

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CITY OF NAPLES, FLORIDA

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

September 30, 2013

Total fund balances governmental funds (page 23)	\$ 37,448,195
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Total capital assets (\$66,982,747) less amounts included in the internal service funds (\$902,390).	66,080,357
Some deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	213,429
The net pension assets and deferred outflows of resources are not available and, therefore, are not reported in the governmental funds.	2,482,149
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(15,392)
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 (\$20,023,666) less amounts reported in the internal service funds (\$3,667,393).	(16,356,273)
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. This is the net position included in the governmental activities in the Statement of Net Position.	<u>5,476,955</u>
Net position of governmental activities (page 21)	<u><u>\$ 95,329,420</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund
Revenues			
Taxes	\$ 20,705,481	3,192,492	-
Permits, fees and assessments	3,421,141	-	39,373
Intergovernmental	3,392,631	-	-
Charges for services	1,772,034	-	-
Charges to other funds	3,597,960	-	-
Fines and forfeitures	217,622	-	-
Interest	96,938	26	32,310
Donations	-	-	-
Miscellaneous	14,404	-	23
Total revenues	<u>33,218,211</u>	<u>3,192,518</u>	<u>71,706</u>
Expenditures			
Current			
General government	8,245,256	55,032	105,064
Public safety	20,632,674	-	18,027
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	5,478,013	-	7,271
Capital outlay			
General government	4,635,117	-	481,845
Public safety	16,949	-	882,151
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	3,993	-	556,061
Debt service			
Principal	-	3,056,000	-
Interest and fiscal charges	-	299,886	-
Total expenditures	<u>39,012,002</u>	<u>3,410,918</u>	<u>2,050,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,793,791)</u>	<u>(218,400)</u>	<u>(1,978,713)</u>
Other financing sources (uses)			
Transfers in	2,101,780	2,648,562	2,212,337
Transfers out	(972,055)	(2,212,337)	(58,820)
Debt issued	-	13,830,000	-
Payments to escrow agents	-	(13,793,951)	-
Proceeds from sale of capital assets	6,318	-	23,170
Total other financing sources (uses)	<u>1,136,043</u>	<u>472,274</u>	<u>2,176,687</u>
Change in fund balances	<u>(4,657,748)</u>	<u>253,874</u>	<u>197,974</u>
Fund balances, beginning of year	<u>19,569,959</u>	<u>1,433,718</u>	<u>5,926,411</u>
Fund balances, end of year	<u>\$ 14,912,211</u>	<u>1,687,592</u>	<u>6,124,385</u>

The accompanying notes to financial statements are an integral part of this statement.

Community Redevelopment Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
466,605	1,667,212	223,870	26,255,660
-	231,210	3,487,459	7,179,183
1,409,499	350,671	-	5,152,801
-	-	30,126	1,802,160
-	-	-	3,597,960
-	-	200,992	418,614
8,816	11,382	21,271	170,743
-	-	115,262	115,262
-	502	240,296	255,225
1,884,920	2,260,977	4,319,276	44,947,608
-	-	16,269	8,421,621
-	-	3,080,666	23,731,367
880,368	-	477,010	1,357,378
-	2,298,904	-	2,298,904
-	-	82,047	5,567,331
-	-	-	5,116,962
-	-	126,207	1,025,307
152,347	-	128,775	281,122
-	398,403	-	398,403
-	-	-	560,054
-	-	-	3,056,000
3,575	-	29,760	333,221
1,036,290	2,697,307	3,940,734	52,147,670
848,630	(436,330)	378,542	(7,200,062)
-	70,000	-	7,032,679
(1,029,007)	-	(765,000)	(5,037,219)
-	-	-	13,830,000
-	-	-	(13,793,951)
-	-	890	30,378
(1,029,007)	70,000	(764,110)	2,061,887
(180,377)	(366,330)	(385,568)	(5,138,175)
2,659,340	4,023,627	8,973,315	42,586,370
2,478,963	3,657,297	8,587,747	37,448,195

The accompanying notes to financial statements are an integral part of this statement.

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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, 2013

Net change in fund balances—total governmental funds (page 27)	\$ (5,138,175)
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 capital outlays exceeded depreciation expense in the current period.	2,087,381
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(58,745)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt payments exceeded debt proceeds.	2,998,000
Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	83,526
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.	(318,179)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurances and information systems. This is the net revenue(expense) of the internal service funds reported within governmental activiteis.	<u>752,187</u>
Change in net position of governmental activities (page 21)	<u>\$ 405,995</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA

Statement of Net Position

Proprietary Funds

September 30, 2013

Assets	Business-type Activities—Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets			
Cash and investments	\$ 23,400,683	4,621,957	10,192,624
Restricted cash and investments	313,978	-	-
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	3,094,737	607,272	495,455
Special assessments	93,710	-	-
Accrued interest	13,733	7,268	3,965
Advances due from other funds	332,004	-	332,004
Due from other governments	-	726	261,158
Prepaid items	10,000	3,402	-
Inventories	734,133	-	-
Total current assets	<u>27,992,978</u>	<u>5,240,625</u>	<u>11,285,206</u>
Capital assets			
Land	1,761,684	1,145,053	234,866
Buildings and utility plants	59,067,777	528,790	-
Improvements other than buildings	39,643,761	1,159,833	-
Infrastructure	70,467,978	-	23,844,986
Equipment	12,970,658	3,396,548	408,391
Accumulated depreciation	(100,056,419)	(3,824,852)	(11,074,168)
Construction in progress	1,847,327	2,143,378	-
Net capital assets	<u>85,702,766</u>	<u>4,548,750</u>	<u>13,414,075</u>
Total assets	<u>113,695,744</u>	<u>9,789,375</u>	<u>24,699,281</u>
Deferred Outflow of Resources			
Deferred charge on refunding	<u>107,883</u>	<u>-</u>	<u>-</u>

The accompanying notes to financial statements are an integral part of this statement.

Nonmajor Funds	Total	Governmental Activities– Internal Service Funds
3,709,710	41,924,974	8,727,494
26,195	340,173	-
46,269	4,243,733	758
-	93,710	-
6,753	31,719	4,585
-	664,008	-
161,740	423,624	5,104
-	13,402	42,279
25,634	759,767	123,033
3,976,301	48,495,110	8,903,253
-	3,141,603	-
1,918,946	61,515,513	831,245
6,743,277	47,546,871	-
-	94,312,964	-
1,304,343	18,079,940	2,027,718
(8,947,796)	(123,903,235)	(1,956,573)
-	3,990,705	-
1,018,770	104,684,361	902,390
4,995,071	153,179,471	9,805,643
-	107,883	-

(Continued)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA

Statement of Net Position

Proprietary Funds

September 30, 2013

	<u>Business-type Activities—Enterprise Funds</u>		
Liabilities	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Current liabilities			
Accounts payable	\$ 1,612,039	609,048	179,597
Accrued payroll	158,869	37,381	21,156
Due to other governments	571,001	-	-
Unearned revenue	271,586	-	-
Accrued interest payable	36,901	-	1,981
Current portion of compensated absences	100,000	45,043	-
Current maturities of long-term debt	2,376,523	-	308,274
Insurance claims payable	-	-	-
Total payable from current assets	<u>5,126,919</u>	<u>691,472</u>	<u>511,008</u>
Current liabilities (payable from restricted assets)			
Customer deposits	313,978	-	-
Total current liabilities	<u>5,440,897</u>	<u>691,472</u>	<u>511,008</u>
Noncurrent liabilities			
Due in more than one year			
Revenue bonds payable, net of unamortized discounts and premiums	19,209,883	-	1,465,547
Compensated absences	387,822	63,260	14,862
Other post-employment benefits	338,305	85,245	23,718
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>19,936,010</u>	<u>148,505</u>	<u>1,504,127</u>
Total liabilities	<u>25,376,907</u>	<u>839,977</u>	<u>2,015,135</u>
Net Position			
Net investment in capital assets	64,224,243	4,548,750	11,640,254
Restricted for flexible benefits	-	-	-
Unrestricted	<u>24,202,477</u>	<u>4,400,648</u>	<u>11,043,892</u>
Net assets of business-type activities	<u>\$ 88,426,720</u>	<u>8,949,398</u>	<u>22,684,146</u>

Adjustment to report cumulative internal balance for the net effect of the activity between the internal service and the enterprise funds.

Net position of business-type activities

The accompanying notes to financial statements are an integral part of this statement.

Nonmajor Funds	Total	Governmental Activities— Internal Service Funds
47,911	2,448,595	226,698
28,587	245,993	32,648
-	571,001	-
82,771	354,357	105
187	39,069	-
26,287	171,330	26,326
60,000	2,744,797	-
-	-	1,057,066
<u>245,743</u>	<u>6,575,142</u>	<u>1,342,843</u>
<u>26,195</u>	<u>340,173</u>	<u>-</u>
<u>271,938</u>	<u>6,915,315</u>	<u>1,342,843</u>
80,000	20,755,430	-
57,286	523,230	57,700
39,592	486,860	66,301
-	-	2,460,000
<u>176,878</u>	<u>21,765,520</u>	<u>2,584,001</u>
<u>448,816</u>	<u>28,680,835</u>	<u>3,926,844</u>
878,770	81,292,017	902,390
-	-	309,506
3,667,485	43,314,502	4,666,903
<u>4,546,255</u>	<u>124,606,519</u>	<u>5,878,799</u>
	<u>401,844</u>	
\$	<u><u>125,008,363</u></u>	

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

Year Ended September 30, 2013

	<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	\$ 15,870,198	-	-
Sewer revenues	12,877,756	-	-
Other	-	5,876,369	4,651,910
Total operating revenues	<u>28,747,954</u>	<u>5,876,369</u>	<u>4,651,910</u>
Operating expenses			
Personal services	7,053,293	1,691,974	930,867
Supplies, services and claims	4,065,371	2,983,898	449,606
Materials	2,266,251	-	-
Utilities	1,794,200	13,955	25,633
Depreciation and amortization	6,223,134	394,457	1,332,371
General administration	1,567,420	382,340	201,300
Other	492,606	68,863	27,264
Total operating expenses	<u>23,462,275</u>	<u>5,535,487</u>	<u>2,967,041</u>
Operating income (loss)	<u>5,285,679</u>	<u>340,882</u>	<u>1,684,869</u>
Nonoperating revenues (expenses)			
Operating grants	-	-	-
Interest income	45,118	15,683	21,363
Interest expense	(572,805)	-	(36,548)
Gain (loss) on sale of capital assets	(112,411)	1,993	(74,958)
Total nonoperating revenues (expenses)	<u>(640,098)</u>	<u>17,676</u>	<u>(90,143)</u>
Income (loss) before contributions and transfers	4,645,581	358,558	1,594,726
Capital contributions	956,720	-	431,910
Transfers in	-	-	-
Transfers out	(1,743,340)	(358,440)	-
Change in net position	3,858,961	118	2,026,636
Net position, beginning of year (restated)	<u>84,567,759</u>	<u>8,949,280</u>	<u>20,657,510</u>
Net position, end of year	<u>\$ 88,426,720</u>	<u>8,949,398</u>	<u>22,684,146</u>

Adjustment for the net effect of the current year activity
between the internal service funds and the enterprise funds.

<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities– Internal Service Funds</u>
-	15,870,198	-
-	12,877,756	-
3,209,913	13,738,192	13,712,743
<u>3,209,913</u>	<u>42,486,146</u>	<u>13,712,743</u>
1,161,497	10,837,631	1,561,482
1,600,403	9,099,278	10,302,731
-	2,266,251	-
162,952	1,996,740	25,814
278,233	8,228,195	314,703
206,009	2,357,069	411,727
89,163	677,896	5,864
<u>3,498,257</u>	<u>35,463,060</u>	<u>12,622,321</u>
<u>(288,344)</u>	<u>7,023,086</u>	<u>1,090,422</u>
556,850	556,850	-
8,419	90,583	4,869
(2,940)	(612,293)	-
<u>(1,650)</u>	<u>(187,026)</u>	<u>(80)</u>
<u>560,679</u>	<u>(151,886)</u>	<u>4,789</u>
272,335	6,871,200	1,095,211
-	1,388,630	-
47,500	47,500	58,820
-	(2,101,780)	-
319,835	6,205,550	1,154,031
<u>4,226,420</u>	<u>4,724,768</u>	<u>4,724,768</u>
<u>4,546,255</u>	<u>5,878,799</u>	<u>5,878,799</u>
	<u>401,844</u>	
\$	<u>6,607,394</u>	

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2013

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Cash flows from operating activities			
Cash received from customers	\$ 29,115,492	5,867,208	4,626,832
Cash payments to suppliers	(9,224,059)	(3,059,796)	(548,862)
Cash payments to employees for services	(7,006,887)	(1,660,720)	(933,582)
Cash payments for interfund services	<u>(1,567,420)</u>	<u>(382,340)</u>	<u>(201,300)</u>
Net cash provided by operating activities	<u>11,317,126</u>	<u>764,352</u>	<u>2,943,088</u>
Cash flows from noncapital financing activities			
Transfers in (out)	(1,743,340)	(358,440)	-
Loans/advances and repayments from (to) other funds	36,309	-	36,309
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,707,031)</u>	<u>(358,440)</u>	<u>36,309</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(12,469,955)	-	(2,152,816)
Interest paid on long-term debt	(708,646)	-	(54,783)
Capital contributions	1,803,181	-	520,000
Proceeds from issuance of debt	10,300,503	-	1,925,031
Proceeds from sale of capital assets	61,390	2,521	14,068
Acquisition and construction of capital assets	<u>(5,850,766)</u>	<u>(1,870,906)</u>	<u>(1,961,171)</u>
Net cash used in capital and related financing activities	<u>(6,864,293)</u>	<u>(1,868,385)</u>	<u>(1,709,671)</u>
Cash flows from investing activities			
Interest and investment earnings	<u>52,626</u>	<u>17,447</u>	<u>26,702</u>
Net cash provided by investing activities	<u>52,626</u>	<u>17,447</u>	<u>26,702</u>
Net increase in cash and cash equivalents	2,798,428	(1,445,026)	1,296,428
Cash and cash equivalents, beginning of year	<u>20,916,233</u>	<u>6,066,983</u>	<u>8,896,196</u>
Cash and cash equivalents, end of year	\$ <u>23,714,661</u>	<u>4,621,957</u>	<u>10,192,624</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 5,285,679	340,882	1,684,869
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	6,223,134	394,457	1,332,371
Changes in assets and liabilities			
(Increase) decrease in accounts receivable, net	489,998	(13,990)	(25,078)
(Increase) decrease in miscellaneous receivables	-	-	-
(Increase) decrease in due from other governments	-	4,829	-
(Increase) decrease in inventories	180,494	-	-
(Increase) decrease in prepaid items	(10,000)	(3,402)	-
Increase (decrease) in accounts payable	(776,125)	10,322	(46,359)
Increase (decrease) in accrued payroll	31,296	8,318	11,901
Increase (decrease) in due to other governments	(116,850)	-	-
Increase (decrease) in unearned revenue	56,792	-	-
Increase (decrease) in customer deposits	(62,402)	-	-
Increase (decrease) in insurance claims payable	-	-	-
Increase (decrease) in other post-employment benefits	91,102	21,519	6,957
Increase (decrease) in compensated absences	<u>(75,992)</u>	<u>1,417</u>	<u>(21,573)</u>
Net cash provided (used) by operating activities	\$ <u>11,317,126</u>	<u>764,352</u>	<u>2,943,088</u>
Noncash investing, capital, and financing activities			
Amortization of loss on revenue refunding bonds	\$ 7,440	-	-

The accompanying notes to financial statements are an integral part of this statement.

Nonmajor Funds	Total	Governmental Activities– Internal Service Funds
3,227,131	42,836,663	13,722,363
(2,003,350)	(14,836,067)	(10,017,135)
(1,127,821)	(10,729,010)	(1,622,415)
<u>(206,009)</u>	<u>(2,357,069)</u>	<u>(411,727)</u>
(110,049)	14,914,517	1,671,086
47,500	(2,054,280)	58,820
-	72,618	-
<u>531,850</u>	<u>531,850</u>	<u>-</u>
579,350	(1,449,812)	58,820
(55,000)	(14,677,771)	-
(3,107)	(766,536)	-
-	2,323,181	-
-	12,225,534	-
-	77,979	796
<u>(141,363)</u>	<u>(9,824,206)</u>	<u>(351,425)</u>
(199,470)	(10,641,819)	(350,629)
10,107	106,882	11,362
<u>10,107</u>	<u>106,882</u>	<u>11,362</u>
279,938	2,929,768	1,390,639
<u>3,455,967</u>	<u>39,335,379</u>	<u>7,336,855</u>
<u>3,735,905</u>	<u>42,265,147</u>	<u>8,727,494</u>
(288,344)	7,023,086	1,090,422
278,233	8,228,195	314,703
3,168	454,098	-
-	-	5,567
1,685	6,514	7,597
(2,393)	178,101	89,441
-	(13,402)	(42,279)
(148,439)	(960,601)	62,928
9,581	61,096	(296)
-	(116,850)	-
14,031	70,823	(3,544)
(1,666)	(64,068)	-
-	-	207,184
8,743	128,321	16,888
15,352	(80,796)	(77,525)
<u>(110,049)</u>	<u>14,914,517</u>	<u>1,671,086</u>

- 7,440 -

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 10,289,697	2,489
Contributions receivable	332,768	-
Investments, at fair value		
U.S. Treasury securities	3,831,121	-
U.S. Government agency securities	3,111,187	-
Municipal obligations	685,044	-
Asset-backed securities	7,247,500	-
Corporate bonds	12,024,799	-
Common stock/equity funds	81,055,552	-
Real estate investment trusts	5,491,233	-
Mutual funds	7,447,644	-
Total investments	<u>120,894,080</u>	<u>-</u>
Total assets	<u>131,516,545</u>	<u>2,489</u>
Liabilities		
Accounts payable	27,857	2,489
Deferred contributions	41,468	-
Total liabilities	<u>69,325</u>	<u>2,489</u>
Net position		
Held in trust for pension benefits and other purposes	<u>\$ 131,447,220</u>	<u>-</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF NAPLES, FLORIDA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2013

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employee contributions	\$ 1,514,883
Employer contributions	5,618,318
State contributions	1,324,166
Total contributions	<u>8,457,367</u>
Investment earnings	
Interest and dividend income	2,866,094
Net change in fair value of investments	13,382,772
Less investment expense	<u>(682,510)</u>
Net investment earnings	<u>15,566,356</u>
Total additions	<u>24,023,723</u>
Deductions	
Benefits paid	7,421,124
Refunds of contributions	870,502
General administration	277,039
Total deductions	<u>8,568,665</u>
Change in net position	15,455,058
Net position, beginning of year	<u>115,992,162</u>
Net position, end of year	<u><u>\$ 131,447,220</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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:

Implementation of New Governmental Accounting Standards

The City adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Other than GASB Statement No. 63 and No. 65, the implementation of these standards had no significant effect on the financial statements of the City. See Note II for the effect GASB Statement No. 65 had on beginning net position.

GASB Statement No. 63 establishes new accounting and financial reporting for deferred outflows of resources and deferred inflows of resources and the concept of net position as the residual of all other elements presented in the Statement of Net Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify and recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result, beginning net position for the City has been restated (see Note 2).

A. Reporting Entity

The City 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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 the payment of principal, interest and other expenditures on long-term debt, other than notes and bonds payable from the operation of Proprietary Funds.

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

Community Redevelopment Fund, 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, State revenue sharing 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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, and account for the activities of the City's internal payroll clearing account.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and 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 and 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 Fund Balance/Net Position

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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.”

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 nonspendable fund balance, 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 nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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

Restricted cash and investments are reported for amounts held as deposits in the enterprise funds.

5. Capital Assets

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

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

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	2-10 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 Position. 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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

8. Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components—invested in capital assets (net of related debt), restricted and unrestricted.

Net investment in Capital Assets—This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.

Restricted—This component of net position consists of funds that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use of these funds.

Unrestricted—This component consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

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.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components—nonspendable, restricted, committed, assigned and unassigned.

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Nonspendable—This component includes amounts that cannot be spent because they are either (a) not in spendable form or, (b) legally or contractually required to be maintained intact.

Restricted—This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed—This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of an ordinance. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned—This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and City Council are designated the authorities for assigning fund balance.

Unassigned—This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

See Section 5 (H) for a detail of restricted, committed and assigned fund balances.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Fund Balance/Net Position Policy

A fund balance/net position policy has been adopted by the City Council to protect against unanticipated events that would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. This policy ensures the City maintains an adequate fund balance/net position in the City's various operating funds to provide the capacity to: (1) provide sufficient cash flow for daily financial needs, (2) secure and maintain investment grade bond ratings, (3) offset significant economic downturns and revenue shortfalls, and (4) provide funds for unforeseen expenditures related to emergencies.

In the General Fund, there is committed fund balance equal to 10% of the prior year adopted General Fund operating budget as an emergency reserve for recovery after catastrophic events such as a hurricane. In addition, the General Fund shall retain an unassigned fund balance of

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16% to 30% of the prior year General Fund operating budget. In any fiscal year where the City is unable to fund the unassigned fund balance as required in this section, the City shall not budget an amount of unassigned fund balance for the purpose of balancing the budget.

Enterprise Funds—The City maintains a Solid Waste Fund, a Water and Sewer Fund, a Stormwater Fund, a City Dock Fund, a Tennis Fund and a Naples Beach Fund. With the exclusion of the City Dock and Tennis Funds the City’s policy requires a balance of unrestricted net position equal to 8% to 16% of the annual budget for that fund plus 10% of the net capital assets from the most recent audit. For the purposes of this calculation, the current year shall be the budget as originally adopted by resolution on or before September 30, for the subsequent fiscal year. The unrestricted amount shall be in addition to all other required restrictions of net position.

Utilization of Surplus Reserve—In the event that the unassigned fund balance or unrestricted net position exceeds the amounts set forth above, the excess may be utilized for any lawful purpose.

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 \$3,597,960 for fiscal year 2013, and included \$2,357,069 charged to enterprise funds, \$522,850 charged to internal service and fiduciary funds, and \$718,041 charged to the debt service fund, building and zoning, streets and traffic and CRA special revenue funds, and capital projects funds.

II. Restatement

Beginning net position has been restated due to the early implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This new standard requires that certain bond issuance costs be expensed rather than amortized. This resulted in a decrease in unamortized bond costs in the amount of \$68,033 and \$78,917 in the governmental activities and business-type activities, respectively, which were reported as deferred charges in the prior year Statement of Net Assets. The restated beginning net position is as follows:

	Governmental Activities	Business-type Activities	Water and Sewer Fund
Net position, October 1, 2012, as previously reported	\$ 94,991,458	118,479,886	84,646,676
GASB Statement No. 65 adjustment	(68,033)	(78,917)	(78,917)
Net position, October 1, 2012, as restated	<u>\$ 94,923,425</u>	<u>118,400,969</u>	<u>84,567,759</u>

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III. 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 Position*

The governmental funds balance sheet includes reconciliation between *total fund balances—governmental funds and net position—governmental activities* as reported in the government-wide Statement of Net Position.

One element of that reconciliation explains that “net pension assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore are not recorded in the funds.” The details of this difference are as follows:

Net pension assets	\$ 2,067,198
Deferred outflows of resources	<u>414,951</u>
Net adjustment to increase fund balance—governmental funds to arrive at net assets—governmental activities.	<u>\$ 2,482,149</u>

Another 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 difference are as follows:

Debt payable	\$ (13,025,000)
Other post-employment benefits	(1,057,756)
Compensated absences	<u>(2,273,517)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net position—governmental activities.	<u>\$ (16,356,273)</u>

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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 the *net change in fund balances—total governmental funds* and *change in net position 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 difference are as follows:

Capital outlay	\$	7,381,848
Depreciation expense		<u>(5,294,467)</u>
Net adjustment to increase net changes in fund balances— total governmental funds to arrive at change in net position of governmental activities.		<u>\$ 2,087,381</u>

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 position. Also, governmental funds report the effects of premiums and discounts when debt is first issued as an expenditure, whereas these amounts are deferred and amortized in the Statement of Activities. The details of this difference are as follows:

Debt issued		(13,830,000)
Payments to escrow agent		13,772,000
Principal repayments		
Bonds payable	\$	1,690,000
Notes payable		<u>1,366,000</u>
Net adjustment to increase net changes in fund balances— total governmental funds to arrive at change in net position of governmental activities.		<u>\$ 2,998,000</u>

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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 difference are as follows:

Change in	
Compensated absences	\$ (81,015)
Other post-employment benefits	(253,444)
Accrued interest	16,054
Net pension asset	58,400
Deferred charge on refunding	(50,297)
Bond discounts	<u>(7,877)</u>
Net adjustment to decrease net changes in fund balances— total governmental funds to arrive at change in net position of governmental activities.	\$ <u><u>(318,179)</u></u>

IV. 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, Grants Fund, 41-10 Open Space Fund, Parking Trust Fund, and Impact Fee Fund, were 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.
2. The Five Year Capital Improvement Program document is presented to Council in June.
3. The Preliminary Budget document is presented to Council in July.
4. A workshop on the proposed budget is conducted in August.
5. In September, two public hearings are conducted to obtain taxpayer comments.
6. The budget is legally enacted through passage of an ordinance, effective October 1.
7. 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 fund level in accordance with the adopted annual budget ordinance. Total expenditures may not legally exceed appropriations for each budgeted fund.

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- 8. 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.
- 9. 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. Significant budget amendments made during the year an increase in appropriations in the General Fund for \$1.7 million to pay off the 2004 General Obligation Bonds, an increase in appropriations for \$.765 million in the Land Conservation Trust Fund and \$.904 million in the General Fund for the purchase of land, and an increase in appropriations for \$5.5 million in the General Fund for the acquisition and improvements to certain property.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to restrict 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 restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities.

Governmental activities	
General Fund	\$ 164,887
Capital Projects Fund	1,462,497
Community Redevelopment Fund	83,335
Streets and Traffic Fund	143,037
Nonmajor governmental funds	1,575,809
Internal service funds	174,668
Business-type activities	
Water and Sewer Fund	5,018,809
Solid Waste Fund	1,522,210
Stormwater Fund	356,042
	<hr/>
	\$ 10,501,294
	<hr/> <hr/>

B. Deficit Fund Balance/Net Position

The Port Royal Dredging District Fund and East Naples Bay District Fund are reporting negative unassigned fund balances of \$66,089 and \$536,972, respectively. Funds have been advanced to these funds to cover costs for dredging. A positive fund balance will be restored through future ad valorem assessments.

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

Cash and Cash Equivalents

Cash and cash equivalents in the general investment portfolio and pension portfolio consist of cash and money market accounts held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes in the amount of \$17,380,290 and \$10,289,697, respectively, in addition to 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 in the general investment portfolio. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The funds in the money market accounts are rated Aaa by Moody's. 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 \$149,116 is reported at amortized cost and has a weighted average of 44 days to maturity as of September 30, 2013. Fund A is rated AAAM by Standard & Poors. The City's investment in the LGIP Fund B is accounted for as a fluctuating net asset value (NAV) pool. The fair value for the City's investment in the LGIP Fund B is \$128,374 with a weighted average life of 4.04 years as of September 30, 2013. Fund B is not rated by any nationally recognized statistical rating agency.

Investment Portfolios

Investment holdings consist of a \$72,787,524 General Investment Portfolio and a \$120,894,080 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 investments in the 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

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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, 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), equity securities, and private real estate investments.

As of September 30, 2013, the City had the following investments with effective durations presented in terms of years:

General Investment Portfolio

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Market</u>	<u>Investment Maturity (in Years)</u>	
			<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury securities	Aaa	\$ 38,862,399	8,508,850	30,353,549
U.S. Government agency securities	Aaa	23,938,805	4,002,180	19,936,625
Commercial paper	P-1	4,798,320	4,798,320	-
Corporate bonds	Aaa..Aa2	5,188,000	-	5,188,000
Total investments		<u>\$ 72,787,524</u>	<u>17,309,350</u>	<u>55,478,174</u>

Pension Portfolio

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Market</u>	<u>Investment Maturity (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10</u>
U.S. Treasury securities	Aaa	3,831,121	306,608	1,971,266	1,553,247	-
U.S. Government agency securities	Aaa..A3	3,111,187	-	-	157,567	2,953,620
Municipal obligations	Aaa	685,044	-	-	-	685,044
Asset-backed securities	Aaa..Baa3	7,247,500	-	1,735,119	3,791,372	1,721,009
Corporate bonds	Aaa..Ba3	12,024,799	1,386,349	5,739,515	4,538,101	360,834
		26,899,651	<u>\$ 1,692,957</u>	<u>\$ 9,445,900</u>	<u>\$ 10,040,287</u>	<u>\$ 5,720,507</u>
Common stock/equity funds	Not rated	81,055,552				
Real estate investment trusts	Not rated	5,491,233				
Mutual funds	Not rated	7,447,644				
Total investments		<u>\$ 120,894,080</u>				

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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.

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 of 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 of 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.

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, 2013, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

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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.

As of September 30, 2013, the City's General 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	\$ 3,527,481	3.91%
Money Market	12,526,142	13.89%
Local Government Surplus Funds Trust Fund ("SBA"), Fund A	149,116	0.17%
Local Government Surplus Funds Trust Fund ("SBA"), Fund B	128,374	0.14%
Certificates of deposit	1,049,177	1.16%
United States Treasury securities	38,862,399	43.10%
United States Agency securities	23,938,805	26.56%
Corporate bonds	5,188,000	5.75%
Commercial paper	4,798,320	5.32%
Total	\$ <u>90,167,814</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.

The pension investment policies target an asset allocation of 65% in equities, 30% in fixed income securities, and 5% in private real estate.

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Notes to Financial Statements

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As of September 30, 2013, 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	\$ 305,611	0.23%
Money Market	9,984,086	7.61%
U.S. Treasury securities	3,831,121	2.92%
U.S. Government agency securities	3,111,187	2.37%
Municipal obligations	685,044	0.53%
Asset-backed securities	7,247,500	5.52%
Corporate bonds	12,024,799	9.17%
Common stock/equity funds	81,055,552	61.78%
Real estate investment trusts	5,491,233	4.19%
Mutual funds	7,447,644	5.68%
Total	\$ <u>131,183,777</u>	

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, 2011, the assessed value of the principal taxing authority's property upon which the 2012-2013 tax levy was based was \$14.9 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2013, was 1.1800 (\$1.18 per \$1,000 of assessed value). The assessed values at January 1, 2012, of the dependent special districts, East Naples Bay and Moorings Bay, were \$392 million, and \$1,404 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 0.0252 (\$0.0252 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, 2013.

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Total ad valorem taxes collected for the year ended September 30, 2013, aggregated \$17,330,532, net of cash discounts, of which \$16,638,841 was designated for general government services, \$466,605 for the Community Redevelopment Agency, \$189,701 for East Naples Bay Taxing District, and \$34,169 for the Moorings Bay Taxing District. The City also collected \$1,216 from debt service millage from the prior year.

Taxes in the City 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 1, 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

For the 2012 tax roll year, the assessment roll was opened for collection on November 1, 2012, and discounts for payment prior to April 1, 2013, were determined as follows:

Discounts Allowed	
<u>Percentage</u>	<u>If Paid By</u>
4%	November 30
3%	December 31
2%	January 31
1%	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 2013 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

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C. Receivables

Receivables at September 30, 2013, for the City's individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts/ Miscellaneous 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 Fund	\$ 445,362	-	-	415,455	41,295	902,112
Debt Service Fund	-	-	255,628	5	1	255,634
Capital Projects Fund	-	71,013	-	21,938	12,485	105,436
Community Redevelopment Fund	-	-	-	-	9,906	9,906
Streets and Traffic Fund	-	-	-	106,933	6,721	113,654
Nonmajor funds	2,186	-	-	-	13,567	15,753
Internal Service Fund	758	-	-	5,104	4,585	10,447
	<u>\$ 448,306</u>	<u>71,013</u>	<u>255,628</u>	<u>549,435</u>	<u>88,560</u>	<u>1,412,942</u>
Business type activities						
Major funds						
Water and Sewer Fund	\$ 3,094,737	93,710	-	-	13,733	3,202,180
Solid Waste Fund	607,272	-	-	726	7,268	615,266
Stormwater Fund	495,455	-	-	261,158	3,965	760,578
Nonmajor funds	46,269	-	-	161,740	6,753	214,762
	<u>\$ 4,243,733</u>	<u>93,710</u>	<u>-</u>	<u>423,624</u>	<u>31,719</u>	<u>4,792,786</u>

The above receivables are net of an allowance for uncollectible accounts which is based on historical trends and/or the age of the receivable. The allowances at September 30, 2013, are as follows:

Water and Sewer Fund	\$ 18,105
Solid Waste Fund	2,682
Stormwater Fund	6,834
	<u>\$ 27,621</u>

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D. Capital Assets

Governmental Activities

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2013, is as follows:

<u>Governmental Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land	\$ 11,826,200	4,555,183	(4,280)	16,377,103
Construction in progress	600,386	251,716	(334,353)	517,749
Total capital assets not being depreciated	<u>12,426,586</u>	<u>4,806,899</u>	<u>(338,633)</u>	<u>16,894,852</u>
Capital assets being depreciated				
Buildings	37,945,921	89,120	(39,512)	37,995,529
Improvements other than buildings	35,462,335	994,616	(1,125,151)	35,331,800
Infrastructure	31,808,795	243,542	(58,888)	31,993,449
Equipment	17,433,749	1,933,449	(1,824,920)	17,542,278
Total capital assets being depreciated	<u>122,650,800</u>	<u>3,260,727</u>	<u>(3,048,471)</u>	<u>122,863,056</u>
Less accumulated depreciation for				
Buildings	(14,325,858)	(1,213,009)	33,055	(15,505,812)
Improvements other than buildings	(21,349,591)	(2,074,028)	1,101,544	(22,322,075)
Infrastructure	(21,293,897)	(836,726)	54,668	(22,075,955)
Equipment	(13,189,775)	(1,485,406)	1,803,862	(12,871,319)
Total accumulated depreciation	<u>(70,159,121)</u>	<u>(5,609,169)</u>	<u>2,993,129</u>	<u>(72,775,161)</u>
Total capital assets being depreciated, net	<u>52,491,679</u>	<u>(2,348,442)</u>	<u>(55,342)</u>	<u>50,087,895</u>
Total governmental capital assets, net	\$ <u>64,918,265</u>	<u>2,458,457</u>	<u>(393,975)</u>	<u>66,982,747</u>

Depreciation expense was charged to the governmental activities as follows:

Governmental activities	
General government	\$ 330,114
Public safety	1,053,778
Physical and economic environment	1,458,679
Transportation	1,144,749
Cultural and recreation	1,307,146
Internal service	<u>314,703</u>
Total depreciation expense, governmental activities	<u>\$ 5,609,169</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Business-type Activities

A summary of changes in capital assets of business-type activities for the year ended September 30, 2013, is as follows:

<u>Water and Sewer Fund</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land and easements	\$ 1,761,684	-	-	1,761,684
Construction in progress	4,800,632	1,794,045	(4,747,350)	1,847,327
Total capital assets not being depreciated	<u>6,562,316</u>	<u>1,794,045</u>	<u>(4,747,350)</u>	<u>3,609,011</u>
Capital assets being depreciated				
Buildings and utility plants	59,070,133	-	(2,356)	59,067,777
Improvements other than buildings	35,698,203	4,292,700	(347,142)	39,643,761
Infrastructure	66,855,613	3,716,273	(103,908)	70,467,978
Equipment	13,182,428	812,917	(1,024,687)	12,970,658
Total capital assets being depreciated	<u>174,806,377</u>	<u>8,821,890</u>	<u>(1,478,093)</u>	<u>182,150,174</u>
Less accumulated depreciation for				
Buildings	(27,094,951)	(1,370,080)	130	(28,464,901)
Improvements other than buildings	(18,728,932)	(1,925,185)	274,333	(20,379,784)
Infrastructure	(39,127,203)	(1,906,560)	31,976	(41,001,787)
Equipment	(10,186,491)	(1,021,309)	997,853	(10,209,947)
Total accumulated depreciation	<u>(95,137,577)</u>	<u>(6,223,134)</u>	<u>1,304,292</u>	<u>(100,056,419)</u>
Total capital assets being depreciated, net	<u>79,668,800</u>	<u>2,598,756</u>	<u>(173,801)</u>	<u>82,093,755</u>
Water and sewer fund capital assets, net	\$ <u>86,231,116</u>	<u>4,392,801</u>	<u>(4,921,151)</u>	<u>85,702,766</u>

<u>Solid Waste Fund</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land	\$ 1,145,053	-	-	1,145,053
Construction in progress	-	2,143,378	-	2,143,378
Total capital assets not being depreciated	<u>1,145,053</u>	<u>2,143,378</u>	<u>-</u>	<u>3,288,431</u>
Capital assets being depreciated				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	1,086,446	73,387	-	1,159,833
Equipment	3,299,624	120,408	(23,484)	3,396,548
Total capital assets being depreciated	<u>4,914,860</u>	<u>193,795</u>	<u>(23,484)</u>	<u>5,085,171</u>
Less accumulated depreciation for				
Buildings	(312,291)	(26,099)	-	(338,390)
Improvements other than buildings	(840,996)	(31,757)	-	(872,753)
Equipment	(2,300,064)	(336,601)	22,956	(2,613,709)
Total accumulated depreciation	<u>(3,453,351)</u>	<u>(394,457)</u>	<u>22,956</u>	<u>(3,824,852)</u>
Total capital assets being depreciated, net	<u>1,461,509</u>	<u>(200,662)</u>	<u>(528)</u>	<u>1,260,319</u>
Solid waste fund capital assets, net	\$ <u>2,606,562</u>	<u>1,942,716</u>	<u>(528)</u>	<u>4,548,750</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated				
Land	\$ 234,866	-	-	234,866
Construction in progress	258,215	-	(258,215)	-
Total capital assets not being depreciated	<u>493,081</u>	<u>-</u>	<u>(258,215)</u>	<u>234,866</u>
Capital assets being depreciated				
Infrastructure	21,954,079	1,890,907	-	23,844,986
Equipment	605,075	15,874	(212,558)	408,391
Total capital assets being depreciated	<u>22,559,154</u>	<u>1,906,781</u>	<u>(212,558)</u>	<u>24,253,377</u>
Less accumulated depreciation for				
Infrastructure	(9,672,101)	(1,276,869)	-	(10,948,970)
Equipment	(193,228)	(55,502)	123,532	(125,198)
Total accumulated depreciation	<u>(9,865,329)</u>	<u>(1,332,371)</u>	<u>123,532</u>	<u>(11,074,168)</u>
Total capital assets being depreciated, net	<u>12,693,825</u>	<u>574,410</u>	<u>(89,026)</u>	<u>13,179,209</u>
Stormwater fund capital assets, net	<u>\$ 13,186,906</u>	<u>574,410</u>	<u>(347,241)</u>	<u>13,414,075</u>
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	6,743,277	-	-	6,743,277
Equipment	1,241,521	141,363	(78,541)	1,304,343
Total capital assets being depreciated	<u>9,903,744</u>	<u>141,363</u>	<u>(78,541)</u>	<u>9,966,566</u>
Less accumulated depreciation for				
Buildings	(1,374,322)	(59,315)	-	(1,433,637)
Improvements other than buildings	(6,302,894)	(135,341)	-	(6,438,235)
Equipment	(1,069,238)	(83,577)	76,891	(1,075,924)
Total accumulated depreciation	<u>(8,746,454)</u>	<u>(278,233)</u>	<u>76,891</u>	<u>(8,947,796)</u>
Total capital assets being depreciated, net	<u>1,157,290</u>	<u>(136,870)</u>	<u>(1,650)</u>	<u>1,018,770</u>
Nonmajor fund capital assets, net	<u>\$ 1,157,290</u>	<u>(136,870)</u>	<u>(1,650)</u>	<u>1,018,770</u>
Total business-type capital assets, net	<u>\$ 103,181,874</u>	<u>6,773,057</u>	<u>(5,270,570)</u>	<u>104,684,361</u>

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

Business-type activities	
Water and sewer	\$ 6,223,134
Solid waste	394,457
Stormwater	1,332,371
Other	<u>278,233</u>
Total depreciation expense, business-type activities	<u>\$ 8,228,195</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

E. Interfund Transactions

Advances from/to other funds are as follows:

	Advances Receivable	Advances Payable
Governmental activities		
Major funds		
General Fund	\$ 413,592	-
Capital Projects Fund	332,004	-
Community Redevelopment Fund	-	123,176
Streets and Traffic Fund	41,588	-
Nonmajor Fund		
East Naples Bay District	-	1,328,016
Business-type activities		
Major funds		
Water and Sewer Fund	332,004	-
Stormwater Fund	332,004	-
	\$ 1,451,192	1,451,192

Advances to other funds represent funds provided to the Community Redevelopment Fund and the East Naples Bay District Fund used to construct certain infrastructure and dredging improvements and will be repaid according to set schedules. Advances expected to be repaid within one year are \$40,168 and \$148,174, respectively.

Transfers during the year consisted of the following:

	Transfers In	Transfers Out
Governmental activities		
Major funds		
General Fund	\$ 2,101,780	972,055
Debt Service Fund	2,648,562	2,212,337
Capital Projects Fund	2,212,337	58,820
Community Redevelopment Fund	-	1,029,007
Streets and Traffic Fund	70,000	-
Nonmajor funds	-	765,000
Internal service fund		
Technology Services Fund	58,820	-
Business-type activities		
Major funds		
Water and Sewer Fund	-	1,743,340
Solid Waste Fund	-	358,440
Nonmajor fund		
Tennis Fund	47,500	-
	\$ 7,138,999	7,138,999

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Transfers into the General Fund in the amount of \$2,101,780 were payments in-lieu of taxes from the Water and Sewer Fund and Solid Waste Fund. The transfer into the Debt Service Fund from the General Fund in the amount of \$904,555, the Community Redevelopment Fund in the amount of \$979,007, and the Land Contribution Fund in the amount of \$765,000 was for debt service payments. The transfer into the Capital Projects Fund included utility tax revenues from the Debt Service Fund in the amount of \$2,212,337 used for capital expenditures. The transfer from the Capital Projects Fund into the Technology Services Fund in the amount of \$58,820 was for technology expenditures. The transfer from the General Fund into the Tennis Fund in the amount of \$47,500 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, 2013, for the City's individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts Payable</u>	<u>Accrued Payroll</u>	<u>Total</u>
Governmental activities			
Major funds			
General Fund	\$ 497,565	588,996	1,086,561
Debt Service Fund	15,937	-	15,937
Capital Projects Fund	414,802	-	414,802
Community Redevelopment Fund	41,170	13,365	54,535
Streets and Traffic Fund	230,695	9,622	240,317
Nonmajor funds	183,229	51,927	235,156
Internal Service Fund	226,698	32,648	259,346
	<u>\$ 1,610,096</u>	<u>696,558</u>	<u>2,306,654</u>
Business-type activities			
Major funds			
Water and Sewer Fund	\$ 1,612,039	158,869	1,770,908
Solid Waste Fund	609,048	37,381	646,429
Stormwater Fund	179,597	21,156	200,753
Nonmajor funds	47,911	28,587	76,498
	<u>\$ 2,448,595</u>	<u>245,993</u>	<u>2,694,588</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

G. Long-Term Obligations

Long-term liabilities of the governmental activities at September 30, 2013, are comprised of the following:

Capital Improvement Refunding Revenue Note, Series 2013, issued in the amount of \$13,830,000 (total note was \$14,000,000) to currently refund the outstanding principal amount of the Capital Improvement Refunding Revenue Note, Series 2010; monthly principal and interest payments range from \$137,340 to \$156,096 through December 1, 2021. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 1.42%.	\$ 13,025,000
Claims payable	3,517,066
Other post-employment benefits payable	1,124,057
Compensated absences payable	<u>2,357,543</u>
	<u>\$ 20,023,666</u>

Changes in long-term obligations for governmental activities for the year ended September 30, 2013, are as follows:

<u>Governmental Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Debt payable					
2004 General Obligation Bonds	\$ 1,690,000	-	(1,690,000)	-	-
2010 Capital Improvement Refunding Revenue Note	14,333,000		(14,333,000)	-	-
2013 Capital Improvement Refunding Revenue Note	-	13,830,000	(805,000)	13,025,000	1,489,000
	<u>16,023,000</u>	<u>13,830,000</u>	<u>(16,828,000)</u>	<u>13,025,000</u>	<u>1,489,000</u>
Less unamortized discounts	(7,877)	-	7,877	-	-
Total debt payable	<u>16,015,123</u>	<u>13,830,000</u>	<u>(16,820,123)</u>	<u>13,025,000</u>	<u>1,489,000</u>
Claims payable	3,309,882	6,264,428	(6,057,244)	3,517,066	1,057,066
Other post-employment benefits payable	853,725	560,324	(289,992)	1,124,057	-
Compensated absences payable	<u>2,354,053</u>	<u>166,198</u>	<u>(162,708)</u>	<u>2,357,543</u>	<u>387,236</u>
Total	<u>\$ 22,532,783</u>	<u>20,820,950</u>	<u>(23,330,067)</u>	<u>20,023,666</u>	<u>2,933,302</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 \$84,026 in compensated absences, \$3,517,066 in claims payable, and \$66,301 in other post-employment benefits reported in the internal service funds are included in the above amounts and will be liquidated by the internal service funds. The remaining compensated absences balances are made up by the following funds: General Fund \$1,937,685, Building and Zoning Fund \$149,580, Community Redevelopment Fund \$18,973, Streets and Traffic Fund \$167,279. These funds will be used to liquidate the compensated absences liability. The remaining other post-employment benefits payable will generally be liquidated by the General Fund.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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

Governmental Activities

Year ended September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,489,000	175,011	1,664,011
2015	1,468,000	154,248	1,622,248
2016	1,516,000	133,197	1,649,197
2017	1,566,000	111,230	1,677,230
2018	1,590,000	88,836	1,678,836
2019-2022	<u>5,396,000</u>	<u>130,522</u>	<u>5,526,522</u>
	<u>\$ 13,025,000</u>	<u>793,044</u>	<u>13,818,044</u>

Long-term liabilities of the business-type activities at September 30, 2013, are comprised of the following issues:

Water and Sewer Fund

Public Utilities Refunding Revenue Bond, Series 2012A, issued in the amount of \$8,324,000 to currently refund the outstanding principal amount of the City's Public Utilities Revenue Bond, Series 2007A. 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 2.65%. 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.	\$ 7,653,000
Public Utilities Refunding Revenue Bond, Series 2012B, issued in the amount of \$4,835,000 to currently refund the outstanding principal amount of the City's Public Utilities Revenue Bond, Series 2007B. 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 2.54%. 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.	4,442,000
Public Utilities Refunding Revenue Bond, Series 2013 issued in the amount of \$10,300,503 (total bond issue was \$12,225,534) to currently refund the outstanding principal amount of State of Florida Revolving Loan Funds; monthly principal and interest payments range from \$10,264 to \$233,804, with final maturity on October 1, 2021; secured by net revenues of the water/sewer utility system; interest rate of 1.34%.	9,491,406
Other post-employment benefits payable	338,305
Compensated absences payable	<u>487,822</u>
Total water and sewer fund	<u>\$ 22,412,533</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Solid Waste Fund

Other post-employment benefits payable	\$	85,245
Compensated absences payable		<u>108,303</u>
Total solid waste fund	\$	<u><u>193,548</u></u>

Stormwater Fund

Public Utilities Refunding Revenue Bond, Series 2013 issued in the amount of \$1,925,031 (total bond issue was \$12,225,534) to currently refund the outstanding principal amount of State of Florida Revolving Loan Funds; monthly principal and interest payments range from \$1,918 to \$43,695 with final maturity on October 1, 2021; secured by net revenues of the stormwater utility system; interest rate is 1.34%.

	\$	1,773,821
Other post-employment benefits payable		23,718
Compensated absences payable		<u>14,862</u>
Total stormwater fund	\$	<u><u>1,812,401</u></u>

Nonmajor funds

Capital Improvement Refunding Revenue Note, Series 2013, issued in the amount of \$170,000 for refunding the Capital Improvement Refunding Revenue Note, Series 2010, due in monthly installments of \$5,000 through January 1, 2016. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 1.42%.

	\$	140,000
Other post-employment benefits payable		39,592
Compensated absences payable		<u>83,573</u>
Total nonmajor funds	\$	<u><u>263,165</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Changes in long-term obligations for business-type activities for the year ended September 30, 2013, 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>
Debt payable					
Public Utilities Refunding Revenue Bond, Series 2012A	\$ 8,100,000	-	(447,000)	7,653,000	459,000
Public Utilities Refunding Revenue Bond, Series 2012B	4,704,000	-	(262,000)	4,442,000	268,000
Public Utilities Refunding Revenue Bond, Series 2013	-	12,225,535	(960,308)	11,265,227	1,957,797
Water and Sewer - State Revolving Funds	10,951,858	-	(10,951,858)	-	-
Stormwater, State Revolving Fund	2,001,606	-	(2,001,606)	-	-
2010 Capital Improvement Refunding Revenue Note	195,000	-	(195,000)	-	-
2013 Capital Improvement Refunding Revenue Note	-	170,000	(30,000)	140,000	60,000
Total debt payable	<u>25,952,464</u>	<u>12,395,535</u>	<u>(14,847,772)</u>	<u>23,500,227</u>	<u>2,744,797</u>
Other post-employment benefits payable	358,539	265,990	(137,669)	486,860	-
Compensated absences payable	<u>775,356</u>	-	<u>(80,796)</u>	<u>694,560</u>	<u>171,330</u>
Total	<u>\$ 27,086,359</u>	<u>12,661,525</u>	<u>(15,066,237)</u>	<u>24,681,647</u>	<u>2,916,127</u>

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, 2013, no amounts were earned that will have to be rebated.

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>	<u>Total</u>
Year ended September 30			
2014	\$ 2,376,522	432,685	2,809,207
2015	2,417,762	391,475	2,809,237
2016	2,459,386	349,467	2,808,853
2017	2,502,073	306,661	2,808,734
2018	2,549,328	258,997	2,808,325
2019-2023	5,370,335	879,082	6,249,417
2024-2027	<u>3,911,000</u>	<u>258,442</u>	<u>4,169,442</u>
	<u>\$ 21,586,406</u>	<u>2,876,809</u>	<u>24,463,215</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Annual debt service requirements to maturity for Stormwater Fund business-type activities are as follows:

Stormwater Fund

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
2014	\$ 308,274	21,876	330,150
2015	312,431	17,719	330,150
2016	316,659	13,507	330,166
2017	320,899	9,238	330,137
2018	325,992	4,158	330,150
2019-2022	189,566	4,099	193,665
	<u>\$ 1,773,821</u>	<u>70,597</u>	<u>1,844,418</u>

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

Nonmajor Enterprise Funds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
2014	\$ 60,000	1,598	61,598
2015	60,000	745	60,745
2016	20,000	59	20,059
	<u>\$ 140,000</u>	<u>2,402</u>	<u>142,402</u>

Legal Debt Margin—Neither the Charter nor the Code of the City of Naples or Florida 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, 2013.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Defeased Debt

On February 27, 2013, the City issued Capital Improvement Refunding Revenue Note, Series 2013 in the amount of \$14,000,000, to currently refund the Capital Improvement Refunding Revenue Note, Series 2010. The proceeds and an additional \$27,000 were used to pay off the 2010 note and costs of issuance. The City completed the refunding to reduce its total debt service payments \$454,323 and to obtain an economic gain (difference between the present value of the old debt and new debt service payments) of \$400,022.

On February 27, 2013, the City issued Public Utilities Refunding Revenue Bond, Series 2013 in the amount of \$12,225,535 to currently refund all outstanding State Revolving Fund loans in the Water and Sewer Fund and Stormwater Fund. The proceeds were used to pay off these debt obligations and costs of issuance. The City completed the refunding to reduce its total debt service payments \$502,973 and to obtain an economic gain (difference between the present value of the old debt and new debt service payments) of \$499,144.

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

	Defeased Bonds Outstanding
Water and Sewer Refunding Revenue Bonds, Series 2002	\$ <u>2,515,000</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

H. Fund Equity

The following is a summary of fund balances that were nonspendable, restricted, committed or assigned as of September 30, 2013:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Community Redevelopment Fund</u>	<u>Streets and Traffic Fund</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
Fund balances							
Nonspendable							
Inventory	\$ -	-	-	-	26,973	-	26,973
Prepaid items	12,000	-	-	-	-	-	12,000
Advances to other funds	413,592	-	332,004	-	41,588	-	787,184
	<u>425,592</u>	<u>-</u>	<u>332,004</u>	<u>-</u>	<u>68,561</u>	<u>-</u>	<u>826,157</u>
Restricted							
Donations, various	-	-	-	-	-	277,703	277,703
Capital projects - impact fees	-	-	-	-	-	684,527	684,527
Sabal Bay litigation	13,791	-	-	-	-	-	13,791
Transportation	-	-	-	-	3,588,736	-	3,588,736
Police programs	-	-	-	-	-	528,062	528,062
Economic development	-	-	-	2,478,963	-	-	2,478,963
Coral reef construction	-	-	-	-	-	235,215	235,215
Building and zoning operations	-	-	-	-	-	5,694,323	5,694,323
	<u>13,791</u>	<u>-</u>	<u>-</u>	<u>2,478,963</u>	<u>3,588,736</u>	<u>7,419,830</u>	<u>13,501,320</u>
Committed							
Public arts program	-	-	-	-	-	125,146	125,146
Emergency reserve	3,419,823	-	-	-	-	-	3,419,823
Capital projects	-	-	1,442,104	-	-	-	1,442,104
Contracts	124,612	-	-	-	-	-	124,612
Handicap accessibility	52,863	-	-	-	-	-	52,863
Economic development	-	-	-	-	-	519,859	519,859
Land conservation	-	-	-	-	-	9,113	9,113
Dredging projects	-	-	-	-	-	1,071,071	1,071,071
	<u>3,597,298</u>	<u>-</u>	<u>1,442,104</u>	<u>-</u>	<u>-</u>	<u>1,725,189</u>	<u>6,764,591</u>
Assigned							
Subsequent year's expenditures	252,857	-	-	-	-	-	252,857
Debt service	-	1,687,592	-	-	-	-	1,687,592
Encumbrances	40,275	-	-	-	-	-	40,275
Economic development	-	-	-	-	-	45,789	45,789
Capital projects	-	-	4,350,277	-	-	-	4,350,277
	<u>293,132</u>	<u>1,687,592</u>	<u>4,350,277</u>	<u>-</u>	<u>-</u>	<u>45,789</u>	<u>6,376,790</u>
Unassigned	10,582,398	-	-	-	-	(603,061)	9,979,337
Total fund balance	\$ <u>14,912,211</u>	<u>1,687,592</u>	<u>6,124,385</u>	<u>2,478,963</u>	<u>3,657,297</u>	<u>8,587,747</u>	<u>37,448,195</u>

I. Employee Pension Plans

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

General Pension Plan (the “Plan”)

The 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 non-bargaining 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 12-13142 which reinstated benefits for certain members previously reduced by the provisions of Ordinance 11-12951. 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 current membership as of October 1, 2013, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	228
Vested terminated employees	22
Active employees	
Fully vested	201
Nonvested	104

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

<u>Benefits</u>	<u>Vesting</u>
Normal retirement is at age 60 with 5 years of service or the rule of 85 (when age plus service equals 85). For members hired after September 30, 2011, normal retirement is the earlier of age 65 with 8 years of credited service or the completion of 33 years of credited service regardless of age. Benefits are 2.50% of average final compensation (AFC) times years of service for each year of service prior to September 30, 2011, plus 1.6% of AFC for each year of credited service after September 30, 2011. The early retirement benefit is reduced by 3% for each year that the early retirement date precedes age 60, or for members hired after September 30, 2011, the early retirement benefit is reduced by 5% for each year that the early retirement date precedes age 65.	100% after five years of creditable service; 0% prior to that. General pension employees hired after February 28, 1995, have an effective start date six months after employment.

The 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

As of September 30, 2013, 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 position available for benefits. As of September 30, 2013, 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 no less than 5% of compensation to the Plan on a pre-tax basis, or 3% for employees hired after September 30, 2011. 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 expenses. 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 annual required contribution for fiscal year ending September 30, 2013, was determined in accordance with the October 1, 2011, 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 4.5 to 10% each year based on service, 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 post-retirement benefit increase; therefore, no actuarial inflation assumptions are required.

As of the most recent actuarial valuation dated October 1, 2013, the funded status of the plan (in thousands) 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>
10/01/13	\$ 42,971	60,614	17,643	71%	15,987	110%

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

There have been no plan changes since the prior actuarial valuation. Actuarial assumption/method changes since prior actuarial valuation include the following:

- Mortality rates are based on the RP 2000 Combined Healthy Table, projected to October 1, 2013, using Scale AA. The prior valuation projected rates to October 1, 2012, using Scale AA.
- In order to comply with Part VII of Chapter 112, Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the unfunded actuarial accrued liability has decreased from 4.2% to 3.5% per year.

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>
09/30/13	\$ 1,854,472	101.6%	(1,019,104)
09/30/12	1,638,218	101.7%	(990,314)
09/30/11	2,395,397	97.4%	(962,338)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contributions (ARC)	\$ 1,883,262	1,666,194	2,334,307
Interest on Net Pension Obligation (NPO)	(74,274)	(72,175)	(76,757)
Adjustment to ARC	45,484	44,199	137,847
Annual Pension Cost (APC)	1,854,472	1,638,218	2,395,397
Contributions made	1,883,262	1,666,194	2,334,307
Increase (decrease) in NPO	(28,790)	(27,976)	61,090
NPO at beginning of year	(990,314)	(962,338)	(1,023,428)
NPO at end of year	\$ <u>(1,019,104)</u>	<u>(990,314)</u>	<u>(962,338)</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Police Officers' Pension Plan (the "Plan")

The 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 12-13063. 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 current membership as of October 1, 2013, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	62
Vested terminated employees	12
DROP employees	4
Active employees	
Fully vested	52
Nonvested	15

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

<u>Benefits</u>	<u>Vesting</u>
<p>If hired prior to April 1, 2012, normal retirement is age 50 with 5 years of credited service or 25 years of credited service regardless of age, and if hired after March 31, 2012, normal retirement is age 60 with 8 years of credited service or 30 years of credited service regardless of age. If hired prior to April 1, 2012, benefits are frozen as of March 31, 2012, plus future benefits are 3% of average final compensation (AFC) times each year of service beyond March 31, 2012. If hired after March 31, 2012, benefits are 3% of AFC times years of credited service. If hired prior to April 1, 2012, early retirement is at age 45 or the completion of 20 years of credited service. If hired after March 31, 2012, early retirement is at age 45 and the completion of 20 years of credited service. The early retirement benefit is reduced 3% for each year prior to normal retirement for members hired prior to April 1, 2012 and 5% for members hired after March 31, 2012.</p>	<p>If hired prior to April 1, 2012, vesting is 100% after five years of credited service, and if hired after March 31, 2012, vesting is 100% after eight years of credited service; 0% prior to that.</p>

The system also provides disability and survivors' benefits.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

The 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.

As of September 30, 2013, 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 position available for benefits. As of September 30, 2013, 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 or 3% for employees hired after April 1, 2012. 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 was \$512,284. 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, 2013, was determined in accordance with the October 1, 2011, 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 7.5% per year, compounded annually, net of investment-related expenses. Salary increases are assumed at 4.5 to 10% each year based on service, and includes 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 from ages 55 to 62. For members hired after April 1, 2012, there is no cost of living increase.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

As of the most recent actuarial valuation dated October 1, 2013, the funded status of the Plan (in thousands) 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>
10/01/13	\$ 35,017	56,926	21,909	62%	5,063	433%

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.

There have been no plan changes since the prior actuarial valuation. Actuarial assumption/method changes since prior actuarial valuation include the following:

- In order to comply with Part VII of Chapter 112, Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the unfunded actuarial accrued liability has decreased from 4.7% to 2.7% per year.

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>
09/30/13	\$ 2,093,120	100.8%	(613,749)
09/30/12	2,193,068	100.8%	(596,410)
09/30/11	2,149,906	97.7%	(579,562)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contributions (ARC)	\$ 2,110,459	2,209,916	2,099,687
Interest on Net Pension Obligation (NPO)	(44,731)	(43,467)	(47,234)
Adjustment to ARC	<u>27,392</u>	<u>26,619</u>	<u>97,453</u>
Annual Pension Cost (APC)	2,093,120	2,193,068	2,149,906
Contributions made	<u>2,110,459</u>	<u>2,209,916</u>	<u>2,099,687</u>
Increase (decrease) in NPO	(17,339)	(16,848)	50,219
NPO at beginning of year	<u>(596,410)</u>	<u>(579,562)</u>	<u>(629,781)</u>
NPO at end of year	\$ <u><u>(613,749)</u></u>	<u><u>(596,410)</u></u>	<u><u>(579,562)</u></u>

Firefighters' Pension Plan (the "Plan")

The 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 13-13283. 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 current membership as of October 1, 2013, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	35
Vested terminated employees	5
Active employees	
Fully vested	31
Nonvested	14

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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

<u>Benefits</u>	<u>Vesting</u>
Normal retirement at age 55 with 5 years of credited service, age 50 with 20 years of credited service, or the completion of 25 years of credited service regardless of age. For members hired after May 31, 2013, the normal retirement date is the earlier of age 55 with 8 years of credited service, or the completion of 25 years of credited service, regardless of age. Benefits are 4% of average final compensation (AFC) times years of service for each year prior to May 31, 2013, plus 3% of AFC times years of service for each year of credited service after May 31, 2013. The early retirement benefit is reduced 3% for each year prior to age 55 or the completion of 20 years of credited service for members hired prior to May 31, 2013, and for all other members early retirement is reduced for each year early retirement precedes the earlier of age 55 and 8 years of credited service, or the completion of 25 years of credited of service, regardless of age.	100% after 5 years of credited service for members hired prior to May 31, 2013, and 8 years of credited service for members hired after May 31, 2013; 0% prior to that.

The system also provides disability and survivors' benefits.

The 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.

As of September 30, 2013, 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 position available for benefits. As of September 30, 2013, 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 CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

The Plan’s funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis or 3% for employees hired after May 31, 2013. 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, 2013, was \$811,882. 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, 2013, was determined in accordance with the October 1, 2011, 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 4.5 to 10% each year based on service, 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 retirees and beneficiaries. Cost of living adjustments are not applicable to benefits accrued after May 31, 2013.

As of the most recent actuarial valuation dated October 1, 2013, the funded status of the plan (in thousands) 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>
10/01/13	\$ 36,452	51,832	15,380	70%	3,601	427%

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

There have been plan changes since the prior actuarial valuation as outlined in Ordinance 13-13283 which reduced benefits prospectively for credited service after May 31, 2013. Actuarial assumption/method changes since prior actuarial valuation include the following:

- Mortality rates are based on the RP 2000 Combined Healthy Table, projected to October 1, 2013, using Scale AA. The prior valuation projected rates to October 1, 2012, using Scale AA.
- In order to comply with Part VII of Chapter 112, Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the unfunded actuarial accrued liability has decreased from 4.1% to 3.2% per year.

There have been no changes in benefits and no changes in actuarial assumptions or methods since the prior valuation.

Fire—Three Year Trend Information

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/13	\$ 2,699,020	100.5%	(434,345)
09/30/12	2,434,516	100.5%	(422,074)
09/30/11	2,462,427	99.2%	(410,151)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contributions (ARC)	\$ 2,711,291	2,446,439	2,443,915
Interest on Net Pension Obligation (NPO)	(31,656)	(30,761)	(32,150)
Adjustment to ARC	19,385	18,838	50,662
Annual Pension Cost (APC)	2,699,020	2,434,516	2,462,427
Contributions made	2,711,291	2,446,439	2,443,915
Increase (decrease) in NPO	(12,271)	(11,923)	18,512
NPO at beginning of year	(422,074)	(410,151)	(428,663)
NPO at end of year	\$ <u>(434,345)</u>	<u>(422,074)</u>	<u>(410,151)</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

The “share plan” supplemental retirement benefit, effective October 1, 2009, created an individual share account for each active firefighter as of that date. This supplemental benefit is funded solely by the premium tax revenues received by the City. The initial amount allocated to the active members’ share accounts was \$663,717. For all years beginning on and after October 1, 2009, all premium tax revenues received by the City in excess of \$1,668,662 are allocated to the members’ individual share accounts. Effective January 1, 2011, and each January following, the individual share accounts for each active firefighter is credited or debited with earnings or losses at a rate equal to the Plan’s actual net rate of investment return for the preceding Plan year. A firefighter must attain 5 complete years of credited service to be entitled to receive a distribution of their accumulated account. At September 30, 2013, there was \$746,126 in the share plan.

Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for the City’s defined benefit pension plans are as follows, as of and for the year ended September 30, 2013:

Statements of Fiduciary Net Position

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Assets			
Cash and investments	\$ 3,630,087	3,474,713	3,184,897
Contributions receivable	128,632	80,549	123,587
Accrued interest	-		
Investments, at fair value	<u>43,015,559</u>	<u>34,429,803</u>	<u>36,001,074</u>
Total assets	<u>46,774,278</u>	<u>37,985,065</u>	<u>39,309,558</u>
Liabilities			
Accounts payable	9,674	12,917	5,266
Deferred contribution	<u>-</u>	<u>41,468</u>	<u>-</u>
Total liabilities	<u>9,674</u>	<u>54,385</u>	<u>5,266</u>
Net position			
Held in trust for pension benefits	\$ <u>46,764,604</u>	<u>37,930,680</u>	<u>39,304,292</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Statements of Changes in Fiduciary Net Position

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Additions			
Contributions			
Employee contributions	\$ 726,061	237,355	179,495
Employer contributions	1,883,173	1,598,175	1,899,409
Direct state contributions	-	512,284	811,882
Total contributions	<u>2,609,234</u>	<u>2,347,814</u>	<u>2,890,786</u>
Investment earnings			
Interest and dividend income	1,081,264	857,772	856,160
Net change in fair value of investments	4,856,440	3,817,893	3,965,407
Less investment expense	<u>(257,269)</u>	<u>(201,785)</u>	<u>(205,100)</u>
Net investment earnings	<u>5,680,435</u>	<u>4,473,880</u>	<u>4,616,467</u>
Total additions	<u>8,289,669</u>	<u>6,821,694</u>	<u>7,507,253</u>
Deductions			
Benefits paid	3,178,113	2,445,095	1,797,916
Refunds of contributions	344,512	7,169	89,303
General administration	<u>143,635</u>	<u>70,556</u>	<u>62,848</u>
Total deductions	<u>3,666,260</u>	<u>2,522,820</u>	<u>1,950,067</u>
Changes in net position	4,623,409	4,298,874	5,557,186
Net position, beginning of year	<u>42,141,195</u>	<u>33,631,806</u>	<u>33,747,106</u>
Net position, end of year	<u>\$ 46,764,604</u>	<u>37,930,680</u>	<u>39,304,292</u>

J. Employee Retirement Savings Plans

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, 2013

The plan, which started on April 1, 1995, has a plan year date of April 1. Employee contributions vest immediately and employer contributions vest as follows:

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, 2013, there were 160 active Plan members. Covered payroll for the year ended September 30, 2013, was \$9,305,893. City contributions for the year were \$186,118, and employee contributions were \$279,177, excluding rollovers. Contributions and earnings are returned to participants upon retirement or termination.

The 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 non-vested 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.

Managers' Retirement Savings Plan (the "Plan")

All 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 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 CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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. The City contributes 25% of the City Manager's salary.

As of September 30, 2013, there were six active Plan members and four retired and terminated members who have maintained account balances. Covered payroll for the year ended September 30, 2013, was \$923,603. City contributions for the year were \$51,443, and employee contributions were \$69,224.

The 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 Position and Statements of Changes in Fiduciary Net Position for the City's defined contribution pension plans are as follows, as of and for the year ended September 30, 2013:

Statements of Fiduciary Net Position

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Assets		
Investments, at fair value	\$ 6,473,113	974,531
Total assets	<u>6,473,113</u>	<u>974,531</u>
Net position		
Held in trust for pension benefits	\$ <u>6,473,113</u>	<u>974,531</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Statements of Changes in Fiduciary Net Position

	Supplemental General Pension	Managers' 401 Pension
Additions		
Contributions		
Employee contributions	\$ 302,748	69,224
Employer contributions	186,118	51,443
Total contributions	488,866	120,667
Investment earnings		
Interest and dividend income	67,474	3,424
Net change in fair value of investments	652,567	90,465
Less investment expense	(17,592)	(764)
Net investment earnings	702,449	93,125
Total additions	1,191,315	213,792
Deductions		
Refunds of contributions	429,518	-
Total deductions	429,518	-
Changes in net position	761,797	213,792
Net position, beginning of year	5,711,316	760,739
Net position, end of year	\$ 6,473,113	974,531

K. Other Post-Employment Benefits

Plan Description. The post-employment Health Care Benefits Plan (the “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 Plan does not issue a stand-alone financial report.

As of October 1, 2011, the date of the most recent actuarial valuation, there were 29 retirees and eligible dependents receiving post-employment health care benefits along with 179 retirees participating in life insurance benefits.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

Funding Policy. Contribution requirements for the 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 2012-2013 fiscal year the City provided required contributions of \$427,663 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 \$326,495. 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:

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/11	\$ -	9,517	9,517	0%	24,449	39%

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 OBEP cost, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation for the last three years:

	2013	2012	2011
Normal cost	\$ 448,884	422,628	353,847
Amortization of unfunded actuarial accrued liability	373,838	359,460	244,674
Annual required contribution	822,722	782,088	598,521
Interest on Net OPEB obligation	48,491	31,179	18,658
Adjustment to annual required contribution	(44,899)	(28,870)	(16,659)
Total expense or annual OPEB cost	826,314	784,397	600,520
Actual contribution toward OPEB cost	(427,663)	(351,611)	(287,502)
Increase in net OPEB obligation	398,651	432,786	313,018
Net OPEB obligation, beginning of year	1,212,264	779,478	466,460
Net OPEB obligation, end of year	\$ 1,610,915	1,212,264	779,478

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

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, 2013, was as follows:

**Other Post-employment Benefits
Three Year Trend Information**

Fiscal Year Ended	Annual OPEB Cost (AOC)	% of AOC Contributed	Net OPEB Obligation
09/30/13	\$ 826,314	51.76%	1,610,915
09/30/12	784,397	44.83%	1,212,264
09/30/11	600,520	47.88%	779,478

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 2012-2013 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 26 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 4.5% to 10% per year (including inflation at 3%), and a 4% payroll growth assumption. The initial trend rate was 5% for the first year, 8% for the second year, and 5.35% for the ultimate trend rate.

L. Contingencies

1. 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

2. 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.

3. 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 increases 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
Excess 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 Fund and Health Benefits Fund 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, \$219,937 and \$276,958 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, 2012. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2013, \$3,517,066 was accrued for estimated self-insurance claims. For the past three fiscal years, the City's insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2013

A reconciliation of estimated claims liabilities is as follows:

	<u>Risk</u>	<u>Health</u>	<u>Total</u>
	<u>Management</u>	<u>Benefits</u>	
Balance September 30, 2011	\$ 2,615,000	348,000	2,963,000
Current year claims incurred and change in estimates	2,125,541	4,205,966	6,331,507
Claim payments	<u>(1,822,541)</u>	<u>(4,162,084)</u>	<u>(5,984,625)</u>
Balance September 30, 2012	2,918,000	391,882	3,309,882
Current year claims incurred and change in estimates	1,975,611	4,288,817	6,264,428
Claim payments	<u>(1,818,611)</u>	<u>(4,238,633)</u>	<u>(6,057,244)</u>
Balance September 30, 2013	\$ <u>3,075,000</u>	<u>442,066</u>	<u>3,517,066</u>

4. Construction Projects

At September 30, 2013, the City had the following commitments:

<u>Project</u>	<u>Contract</u>	<u>Completed</u>	<u>Balance</u>
	<u>Amount</u>	<u>to Date</u>	
Reclaimed Water Distribution System Expansion	\$ 2,475,162	730,842	1,744,320
HVAC Replacement	998,297	856,625	141,672
Recycling Transfer Facility	2,954,656	2,101,346	853,310
Port Royal Dredging Project	1,308,973	-	1,308,973

M. Subsequent Events

Events and transactions that occur after fiscal year-end but prior to issuance of the CAFR are subsequent events. The City has evaluated all subsequent events through the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NAPLES, FLORIDA

General Fund

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

Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes				
Ad valorem	\$ 16,344,065	16,344,065	16,638,842	294,777
Local communication and business	2,419,835	2,419,835	2,742,473	322,638
Insurance premium tax	-	1,324,165	1,324,166	1
Permits, fees and assessments	3,663,800	3,663,800	3,421,141	(242,659)
Intergovernmental	3,265,800	3,265,800	3,392,631	126,831
Charges for services	1,620,133	1,620,133	1,772,034	151,901
Charges to other funds	3,586,983	3,586,983	3,597,960	10,977
Fines and forfeitures	184,400	184,400	217,622	33,222
Interest	138,000	138,000	96,938	(41,062)
Miscellaneous	16,000	16,000	14,404	(1,596)
Total revenues	<u>31,239,016</u>	<u>32,563,181</u>	<u>33,218,211</u>	<u>655,030</u>
Expenditures				
Current				
General government				
Mayor and City Council	344,353	351,999	351,999	-
City Attorney	522,310	557,275	557,275	-
City Clerk	527,927	535,697	505,994	29,703
City Manager	555,185	563,895	529,484	34,411
Human resources	449,823	456,113	455,696	417
Planning	415,667	421,677	398,273	23,404
Finance	1,506,428	1,529,438	1,473,801	55,637
Nondepartmental	3,932,223	4,018,579	3,972,734	45,845
Total general government	<u>8,253,916</u>	<u>8,434,673</u>	<u>8,245,256</u>	<u>189,417</u>
Public safety				
Fire	8,283,706	9,141,213	9,141,213	-
Police	11,043,730	11,562,649	11,345,155	217,494
Code inspections	155,505	155,505	146,306	9,199
Total public safety	<u>19,482,941</u>	<u>20,859,367</u>	<u>20,632,674</u>	<u>226,693</u>
Culture and recreation				
Community services	5,902,169	5,899,761	5,478,013	421,748
Total culture and recreation	<u>5,902,169</u>	<u>5,899,761</u>	<u>5,478,013</u>	<u>421,748</u>

CITY OF NAPLES, FLORIDA

General Fund

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

Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital outlay				
General government				
Nondepartmental	-	7,131,000	4,635,117	2,495,883
Public safety				
Fire	11,700	6,200	5,884	316
Police	-	12,839	11,065	1,774
Culture and recreation				
Community services	-	22,718	3,993	18,725
Total capital outlay	<u>11,700</u>	<u>7,172,757</u>	<u>4,656,059</u>	<u>2,516,698</u>
Total expenditures	33,650,726	42,366,558	39,012,002	3,354,556
Excess (deficiency) of revenues over (under) expenditures	<u>(2,411,710)</u>	<u>(9,803,377)</u>	<u>(5,793,791)</u>	<u>4,009,586</u>
Other financing sources (uses)				
Transfers in	2,173,931	2,173,931	2,101,780	(72,151)
Transfers out	(47,500)	(972,055)	(972,055)	-
Proceeds from sale of capital assets	2,000	2,000	6,318	4,318
Total other financing sources (uses)	<u>2,128,431</u>	<u>1,203,876</u>	<u>1,136,043</u>	<u>(67,833)</u>
Change in fund balance	(283,279)	(8,599,501)	(4,657,748)	3,941,753
Fund balance, beginning of year	<u>19,569,959</u>	<u>19,569,959</u>	<u>19,569,959</u>	-
Fund balance, end of year	<u>\$ 19,286,680</u>	<u>10,970,458</u>	<u>14,912,211</u>	<u>3,941,753</u>

CITY OF NAPLES, FLORIDA

Community Redevelopment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive Negative</u>
Revenues				
Taxes				
Ad valorem	\$ 466,605	466,605	466,605	-
Intergovernmental	1,409,500	1,409,500	1,409,499	(1)
Interest	24,000	24,000	8,816	(15,184)
Total revenues	<u>1,900,105</u>	<u>1,900,105</u>	<u>1,884,920</u>	<u>(15,185)</u>
Expenditures				
Current				
Economic development	895,876	1,074,306	880,368	193,938
Capital outlay				
Economic development	250,000	250,000	152,347	97,653
Debt service				
Interest	-	-	3,575	(3,575)
Total expenditures	<u>1,145,876</u>	<u>1,324,306</u>	<u>1,036,290</u>	<u>288,016</u>
Excess of revenues over expenditures	<u>754,229</u>	<u>575,799</u>	<u>848,630</u>	<u>272,831</u>
Other financing sources (uses)				
Transfers out	<u>(1,071,885)</u>	<u>(1,071,885)</u>	<u>(1,029,007)</u>	<u>42,878</u>
Total other financing sources (uses)	<u>(1,071,885)</u>	<u>(1,071,885)</u>	<u>(1,029,007)</u>	<u>42,878</u>
Changes in fund balance	(317,656)	(496,086)	(180,377)	315,709
Fund balances, beginning of year	<u>2,659,340</u>	<u>2,659,340</u>	<u>2,659,340</u>	-
Fund balances, end of year	<u>\$ 2,341,684</u>	<u>2,163,254</u>	<u>2,478,963</u>	<u>315,709</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes				
Motor fuel taxes	\$ 1,693,000	1,693,000	1,667,212	(25,788)
Permits, fees and assessments	200,000	200,000	231,210	31,210
Intergovernmental	343,000	343,000	350,671	7,671
Interest	25,000	25,000	11,382	(13,618)
Miscellaneous	-	-	502	502
Total revenues	<u>2,261,000</u>	<u>2,261,000</u>	<u>2,260,977</u>	<u>(23)</u>
Expenditures				
Current				
Transportation	2,276,473	2,665,535	2,298,904	366,631
Capital outlay				
Transportation	<u>380,000</u>	<u>508,037</u>	<u>398,403</u>	<u>109,634</u>
Total expenditures	<u>2,656,473</u>	<u>3,173,572</u>	<u>2,697,307</u>	<u>476,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(395,473)</u>	<u>(912,572)</u>	<u>(436,330)</u>	<u>476,242</u>
Other financing sources				
Transfers in	64,477	84,477	70,000	(14,477)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>64,477</u>	<u>84,477</u>	<u>70,000</u>	<u>(14,477)</u>
Net changes in fund balances	(330,996)	(828,095)	(366,330)	461,765
Fund balances, beginning of year	<u>4,023,627</u>	<u>4,023,627</u>	<u>4,023,627</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,692,631</u>	<u>3,195,532</u>	<u>3,657,297</u>	<u>461,765</u>

THE CITY OF NAPLES, FLORIDA

Notes to Required Supplementary Information

September 30, 2013

Basis of Presentation

The budget was adopted on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting. Expenditures were controlled at the fund level.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2013
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/13	\$ 42,971	60,614	17,643	71%	15,987	110%
10/01/12	40,286	58,018	17,732	69%	15,662	113%
10/01/11	40,504	56,408	15,904	72%	15,028	106%
10/01/10	40,623	63,179	22,556	64%	15,831	142%
10/01/09	39,082	60,137	21,055	65%	16,207	130%
10/01/08	37,871	51,629	13,758	73%	15,780	87%

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

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
09/30/13	\$ 1,883	1,883	100%
09/30/12	1,666	1,666	100%
09/30/11	2,334	2,334	100%
09/30/10	2,064	2,064	100%
09/30/09	1,882	2,084	111%
09/30/08	1,110	1,438	130%

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2013
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/13	\$ 35,017	56,926	21,909	62%	5,063	433%
10/01/12	32,249	54,399	22,150	59%	5,035	440%
10/01/11	31,260	57,751	26,491	54%	5,016	528%
10/01/10	30,894	53,574	22,680	58%	5,490	413%
10/01/09	29,816	49,470	19,654	60%	5,738	343%
10/01/08	28,760	44,114	15,354	65%	5,434	283%

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

Fiscal Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
09/30/13	\$ 2,110	1,598	512	100%
09/30/12	2,210	1,691	519	100%
09/30/11	2,100	1,546	554	100%
09/30/10	2,159	1,612	547	100%
09/30/09	1,850	1,292	625	104%
09/30/08	1,488	886	726	108%

* Frozen pursuant to the provisions of Chapter 185, Florida Statutes, as amended.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2013
(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>
10/01/13	\$ 36,452	51,832	15,380	70%	3,601	427%
10/01/12	32,388	53,780	21,392	60%	3,545	603%
10/01/11	29,408	51,166	21,758	57%	3,640	598%
10/01/10	28,280	48,047	19,767	59%	3,890	508%
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%

**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>
09/30/13	\$ 2,711	1,899	812	100%
09/30/12	2,446	1,612	835	100%
09/30/11	2,444	1,678	766	100%
09/30/10	2,576	1,683	893	100%
09/30/09	1,998	608	1,391	100%
09/30/08	1,628	888	776 *	102%

* Frozen pursuant to the provisions of Chapter 175, Florida Statutes, as amended.

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information

September 30, 2013
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/11	\$ -	9,517	9,517	0%	24,449	39%
10/01/09 *	-	6,690	6,690	0%	23,317	29%
09/30/09	-	2,614	2,614	0%	28,864	9%

* After benefit changes.

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 specific City projects.

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

Grants Fund—To account for various grant activity.

Confiscated Properties Fund—To account for monies received pursuant to sales of confiscated properties.

41-10 Public Open Space Fund—To account for the receipt and disbursement of monies used for the purpose of acquiring land and or the construction or reconstruction of public open space in the Downtown District.

Parking Trust Fund—To account for the receipt and disbursement of monies used for the purpose of construction or reconstruction of parking spaces in the Downtown District.

Port Royal Dredging 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 Port Royal.

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 district 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.

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.

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

Land Contribution Fund—To account for the receipt and disbursement of monies used for the acquisition of park land.

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2013

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 9,631,499	690,946	10,322,445
Accounts receivable	2,186	-	2,186
Accrued interest	10,873	2,694	13,567
Total assets	<u>\$ 9,644,558</u>	<u>693,640</u>	<u>10,338,198</u>
Liabilities			
Accounts payable	\$ 183,229	-	183,229
Accrued payroll	51,927	-	51,927
Advances payable to other funds	1,328,016	-	1,328,016
Customer deposits	63,437	-	63,437
Total liabilities	<u>1,626,609</u>	<u>-</u>	<u>1,626,609</u>
Deferred inflows of resources			
Unavailable revenue	123,842	-	123,842
Fund balances			
Restricted	6,735,303	684,527	7,419,830
Committed	1,716,076	9,113	1,725,189
Assigned	45,789	-	45,789
Unassigned	(603,061)	-	(603,061)
Total fund balances	<u>7,894,107</u>	<u>693,640</u>	<u>8,587,747</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,644,558</u>	<u>693,640</u>	<u>10,338,198</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2013

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes—property	\$ 223,870	-	223,870
Permits, fees and assessments	3,436,873	50,586	3,487,459
Charges for services	30,126	-	30,126
Fines and forfeitures	200,992	-	200,992
Interest	12,293	8,978	21,271
Donations	115,262	-	115,262
Miscellaneous	240,296	-	240,296
Total revenues	<u>4,259,712</u>	<u>59,564</u>	<u>4,319,276</u>
Expenditures			
Current			
General government	16,269	-	16,269
Public safety	3,080,666	-	3,080,666
Economic and physical development	477,010	-	477,010
Culture and recreation	82,047	-	82,047
Capital outlay			
Public safety	126,207	-	126,207
Economic and physical development	128,775	-	128,775
Debt service			
Interest	29,760	-	29,760
Total expenditures	<u>3,940,734</u>	<u>-</u>	<u>3,940,734</u>
Excess of revenues over expenditures	<u>318,978</u>	<u>59,564</u>	<u>378,542</u>
Other financing sources (uses)			
Transfers out	-	(765,000)	(765,000)
Proceeds from sale of capital assets	890	-	890
Total other financing sources (uses)	<u>890</u>	<u>(765,000)</u>	<u>(764,110)</u>
Change in fund balances	319,868	(705,436)	(385,568)
Fund balances, beginning of year	<u>7,574,239</u>	<u>1,399,076</u>	<u>8,973,315</u>
Fund balances, end of year	<u>\$ 7,894,107</u>	<u>693,640</u>	<u>8,587,747</u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
September 30, 2013

	Building and Zoning Fund	Community Development Block Grant Fund	Improvement Fund	Public Arts Fund	Grants Fund	Confiscated Properties Fund
Assets						
Cash and investments	\$ 5,905,163	45,789	288,712	188,370	235,215	531,873
Accounts receivable	-	-	2,186	-	-	-
Accrued interest	5,633	-	-	213	-	107
Total assets	\$ 5,910,796	45,789	290,898	188,583	235,215	531,980
Liabilities						
Accounts payable	\$ 164,546	-	11,009	-	-	3,918
Accrued payroll	51,927	-	-	-	-	-
Advances payable to other funds	-	-	-	-	-	-
Customer deposits	-	-	-	63,437	-	-
Total liabilities	216,473	-	11,009	63,437	-	3,918
Deferred inflows of resources						
Unavailable revenue	-	-	2,186	-	-	-
Fund balances						
Restricted	5,694,323	-	277,703	-	235,215	528,062
Committed	-	-	-	125,146	-	-
Assigned	-	45,789	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	5,694,323	45,789	277,703	125,146	235,215	528,062
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,910,796	45,789	290,898	188,583	235,215	531,980

Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	Port Royal Dredging District Fund	East Naples Bay District Fund	Moorings Bay District Fund	Total Nonmajor Special Revenue
4,044	156,910	357,198	55,567	789,181	1,073,477	9,631,499
-	-	-	-	-	-	2,186
-	1,079	628	-	1,863	1,350	10,873
<u>4,044</u>	<u>157,989</u>	<u>357,826</u>	<u>55,567</u>	<u>791,044</u>	<u>1,074,827</u>	<u>9,644,558</u>
-	-	-	-	-	3,756	183,229
-	-	-	-	-	-	51,927
-	-	-	-	1,328,016	-	1,328,016
-	-	-	-	-	-	63,437
-	-	-	-	1,328,016	3,756	1,626,609
-	-	-	121,656	-	-	123,842
-	-	-	-	-	-	6,735,303
4,044	157,989	357,826	-	-	1,071,071	1,716,076
-	-	-	-	-	-	45,789
-	-	-	(66,089)	(536,972)	-	(603,061)
<u>4,044</u>	<u>157,989</u>	<u>357,826</u>	<u>(66,089)</u>	<u>(536,972)</u>	<u>1,071,071</u>	<u>7,894,107</u>
<u>4,044</u>	<u>157,989</u>	<u>357,826</u>	<u>55,567</u>	<u>791,044</u>	<u>1,074,827</u>	<u>9,644,558</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Special Revenue Funds

Year Ended September 30, 2013

	Building and Zoning Fund	Community Development Block Grant Fund	Improvement Fund	Public Arts Fund	Grants Fund
Revenues					
Taxes—property	\$ -	-	-	-	-
Permits, fees and assessments	3,184,001	-	-	-	-
Charges for services	20,126	10,000	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	9,011	-	-	(3,875)	-
Donations	-	-	115,262	-	-
Miscellaneous	5,081	-	-	-	235,215
Total revenues	<u>3,218,219</u>	<u>10,000</u>	<u>115,262</u>	<u>(3,875)</u>	<u>235,215</u>
Expenditures					
Current					
General government	-	-	16,269	-	-
Public safety	3,031,675	-	24,505	-	-
Economic and physical development	-	-	7,000	-	-
Culture and recreation	-	-	25,375	56,672	-
Capital outlay					
Public safety	90,251	-	-	-	-
Economic and physical development	-	-	-	-	-
Debt service					
Interest					
Total expenditures	<u>3,121,926</u>	<u>-</u>	<u>73,149</u>	<u>56,672</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>96,293</u>	<u>10,000</u>	<u>42,113</u>	<u>(60,547)</u>	<u>235,215</u>
Other financing sources					
Proceeds from sale of capital assets					
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	96,293	10,000	42,113	(60,547)	235,215
Fund balances, beginning of year	<u>5,598,030</u>	<u>35,789</u>	<u>235,590</u>	<u>185,693</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,694,323</u>	<u>45,789</u>	<u>277,703</u>	<u>125,146</u>	<u>235,215</u>

Confiscated Properties Fund	Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	Port Royal Dredging District Fund	East Naples Bay District Fund	Moorings Bay District Fund	Total Nonmajor Special Revenue
-	-	-	-	-	189,701	34,169	223,870
-	252,872	-	-	-	-	-	3,436,873
-	-	-	-	-	-	-	30,126
200,992	-	-	-	-	-	-	200,992
(59)	-	907	2,065	-	2,453	1,791	12,293
-	-	-	-	-	-	-	115,262
-	-	-	-	-	-	-	240,296
<u>200,933</u>	<u>252,872</u>	<u>907</u>	<u>2,065</u>	<u>-</u>	<u>192,154</u>	<u>35,960</u>	<u>4,259,712</u>
-	-	-	-	-	-	-	16,269
24,486	-	-	-	-	-	-	3,080,666
-	252,872	-	-	186,679	203	30,256	477,010
-	-	-	-	-	-	-	82,047
35,956	-	-	-	-	-	-	126,207
-	-	-	-	1,279	127,496	-	128,775
-	-	-	-	-	29,760	-	29,760
<u>60,442</u>	<u>252,872</u>	<u>-</u>	<u>-</u>	<u>187,958</u>	<u>157,459</u>	<u>30,256</u>	<u>3,940,734</u>
<u>140,491</u>	<u>-</u>	<u>907</u>	<u>2,065</u>	<u>(187,958)</u>	<u>34,695</u>	<u>5,704</u>	<u>318,978</u>
<u>890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>890</u>
<u>890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>890</u>
<u>141,381</u>	<u>-</u>	<u>907</u>	<u>2,065</u>	<u>(187,958)</u>	<u>34,695</u>	<u>5,704</u>	<u>319,868</u>
<u>386,681</u>	<u>4,044</u>	<u>157,082</u>	<u>355,761</u>	<u>121,869</u>	<u>(571,667)</u>	<u>1,065,367</u>	<u>7,574,239</u>
<u>528,062</u>	<u>4,044</u>	<u>157,989</u>	<u>357,826</u>	<u>(66,089)</u>	<u>(536,972)</u>	<u>1,071,071</u>	<u>7,894,107</u>

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Capital Projects Funds

September 30, 2013

	<u>Capital Project Funds</u>		
	<u>Impact Fee Fund</u>	<u>Land Contribution Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets			
Cash and investments	\$ 684,292	6,654	690,946
Accrued interest	235	2,459	2,694
Total assets	<u>\$ 684,527</u>	<u>9,113</u>	<u>693,640</u>
Liabilities			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	684,527	-	684,527
Committed	<u>-</u>	<u>9,113</u>	<u>9,113</u>
Total fund balances	<u>684,527</u>	<u>9,113</u>	<u>693,640</u>
Total liabilities and fund balances	<u>\$ 684,527</u>	<u>9,113</u>	<u>693,640</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Capital Projects Funds

Year Ended September 30, 2013

	<u>Capital Project Funds</u>		<u>Total Nonmajor Capital Projects Funds</u>
	<u>Impact Fee Fund</u>	<u>Land Contribution Fund</u>	
Revenues			
Permits, fees and assessments	\$ 50,586	-	50,586
Interest	3,729	5,249	8,978
Total revenues	<u>54,315</u>	<u>5,249</u>	<u>59,564</u>
Expenditures			
Current			
Economic and physical development	-	-	-
Capital outlay			
Economic and physical development	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	54,315	5,249	59,564
Other financing uses			
Transfers out	-	(765,000)	(765,000)
Total other financing uses	<u>-</u>	<u>(765,000)</u>	<u>(765,000)</u>
Change in fund balances	54,315	(759,751)	(705,436)
Fund balances, beginning of year	630,212	768,864	1,399,076
Fund balances, end of year	<u>\$ 684,527</u>	<u>9,113</u>	<u>693,640</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, 2013

	Building and Zoning Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Permits, fees and assessments	\$ 2,675,400	2,675,400	3,184,001	508,601
Intergovernmental	-	-	-	-
Charges for services	120,956	120,956	20,126	(100,830)
Interest	35,000	35,000	9,011	(25,989)
Miscellaneous	3,500	3,500	5,081	1,581
Total revenues	<u>2,834,856</u>	<u>2,834,856</u>	<u>3,218,219</u>	<u>383,363</u>
Expenditures				
Current				
Public safety	3,046,149	3,230,929	3,031,675	199,254
Capital outlay				
Public safety	91,000	127,560	90,251	37,309
Economic and physical development	-	-	-	-
Total expenditures	<u>3,137,149</u>	<u>3,358,489</u>	<u>3,121,926</u>	<u>236,563</u>
Excess (deficiency) of revenues over expenditures	<u>(302,293)</u>	<u>(523,633)</u>	<u>96,293</u>	<u>619,926</u>
Other financing uses				
Transfers in	-	-	-	-
Change in fund balances	(302,293)	(523,633)	96,293	619,926
Fund balances, beginning of year	<u>5,598,030</u>	<u>5,598,030</u>	<u>5,598,030</u>	<u>-</u>
Fund balances, end of year	\$ <u><u>5,295,737</u></u>	<u><u>5,074,397</u></u>	<u><u>5,694,323</u></u>	<u><u>619,926</u></u>

Community Development Block Grant Fund

Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
-	-	-	-
105,835	105,835	-	(105,835)
10,000	10,000	10,000	-
-	-	-	-
-	-	-	-
<u>115,835</u>	<u>115,835</u>	<u>10,000</u>	<u>(105,835)</u>
-	-	-	-
-	-	-	-
<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>170,000</u>
<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>170,000</u>
<u>(54,165)</u>	<u>(54,165)</u>	<u>10,000</u>	<u>64,165</u>
<u>54,165</u>	<u>54,165</u>	<u>-</u>	<u>54,165</u>
-	-	10,000	10,000
<u>35,789</u>	<u>35,789</u>	<u>35,789</u>	<u>-</u>
<u>35,789</u>	<u>35,789</u>	<u>45,789</u>	<u>10,000</u>

(Continued)

CITY OF NAPLES, FLORIDA
 Nonmajor Special Revenue Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 Year Ended September 30, 2013

	Confiscated Properties Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Permits, fees and assessments	\$ -	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	162,000	200,992	38,992
Interest	-	-	(59)	(59)
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>162,000</u>	<u>200,933</u>	<u>38,933</u>
Expenditures				
Current				
Public safety	-	76,000	24,486	51,514
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	-	86,000	35,956	50,044
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>162,000</u>	<u>60,442</u>	<u>101,558</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>140,491</u>	<u>140,491</u>
Other financing sources				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>890</u>	<u>(890)</u>
Change in fund balances	-	-	141,381	141,381
Fund balances, beginning of year	<u>386,681</u>	<u>386,681</u>	<u>386,681</u>	<u>-</u>
Fund balances, end of year	<u>\$ 386,681</u>	<u>386,681</u>	<u>528,062</u>	<u>141,381</u>

Business Improvement District

Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
255,560	255,560	252,872	(2,688)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>255,560</u>	<u>255,560</u>	<u>252,872</u>	<u>(2,688)</u>
-	-	-	-
255,560	255,560	252,872	2,688
-	-	-	-
-	-	-	-
-	-	-	-
<u>255,560</u>	<u>255,560</u>	<u>252,872</u>	<u>2,688</u>
-	-	-	-
-	-	-	-
-	-	-	-
4,044	4,044	4,044	-
<u>4,044</u>	<u>4,044</u>	<u>4,044</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, 2013

	Port Royal Dredging District Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes				
Property	\$ 160,000	160,000	-	(160,000)
Interest	-	-	-	-
Total revenues	<u>160,000</u>	<u>160,000</u>	<u>-</u>	<u>(160,000)</u>
Expenditures				
Current				
Economic and physical development	-	166,516	186,679	(20,163)
Capital outlay				
Economic and physical development	1,645,000	1,609,473	1,279	1,608,194
Debt service				
Interest	-	-	-	-
Total expenditures	<u>1,645,000</u>	<u>1,775,989</u>	<u>187,958</u>	<u>1,588,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,485,000)</u>	<u>(1,615,989)</u>	<u>(187,958)</u>	<u>1,428,031</u>
Other financing sources				
Transfer in	1,485,000	1,485,000	-	(1,485,000)
Transfer out	-	-	-	-
Total other financing sources	<u>1,485,000</u>	<u>1,485,000</u>	<u>-</u>	<u>(1,485,000)</u>
Change in fund balances	-	(130,989)	(187,958)	(56,969)
Fund balances, beginning of year	<u>121,869</u>	<u>121,869</u>	<u>121,869</u>	<u>-</u>
Fund balances, end of year	<u>\$ 121,869</u>	<u>(9,120)</u>	<u>(66,089)</u>	<u>(56,969)</u>

East Naples Bay District Fund				Moorings Bay District Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
186,555	186,555	189,701	3,146	33,670	33,670	34,169	499
2,000	2,000	2,453	453	5,600	5,600	1,791	(3,809)
<u>188,555</u>	<u>188,555</u>	<u>192,154</u>	<u>3,599</u>	<u>39,270</u>	<u>39,270</u>	<u>35,960</u>	<u>(3,310)</u>
5,250	5,250	203	5,047	9,250	53,035	30,256	22,779
-	32,496	127,496	(95,000)	-	-	-	-
-	-	29,760	(29,760)	-	-	-	-
<u>5,250</u>	<u>37,746</u>	<u>157,459</u>	<u>(119,713)</u>	<u>9,250</u>	<u>53,035</u>	<u>30,256</u>	<u>22,779</u>
<u>183,305</u>	<u>150,809</u>	<u>34,695</u>	<u>(116,114)</u>	<u>30,020</u>	<u>(13,765)</u>	<u>5,704</u>	<u>19,469</u>
-	-	-	-	-	-	-	-
<u>(175,000)</u>	<u>(175,000)</u>	-	175,000	-	-	-	-
<u>(175,000)</u>	<u>(175,000)</u>	-	175,000	-	-	-	-
8,305	(24,191)	34,695	58,886	30,020	(13,765)	5,704	19,469
<u>(571,667)</u>	<u>(571,667)</u>	<u>(571,667)</u>	-	<u>1,065,367</u>	<u>1,065,367</u>	<u>1,065,367</u>	-
<u>(563,362)</u>	<u>(595,858)</u>	<u>(536,972)</u>	<u>58,886</u>	<u>1,095,387</u>	<u>1,051,602</u>	<u>1,071,071</u>	<u>19,469</u>

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CITY OF NAPLES, FLORIDA

Debt Service Fund

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

Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,947,585	2,947,585	3,192,492	244,907
Interest	75	75	26	(49)
Total revenues	<u>2,947,660</u>	<u>2,947,660</u>	<u>3,192,518</u>	<u>244,858</u>
Expenditures				
Current				
General government	56,350	56,350	55,032	1,318
Total general government	<u>56,350</u>	<u>56,350</u>	<u>55,032</u>	<u>1,318</u>
Debt service				
Principal	1,359,000	3,049,000	3,056,000	(7,000)
Interest and fiscal charges	298,980	308,535	299,886	8,649
Total debt service	<u>1,657,980</u>	<u>3,357,535</u>	<u>3,355,886</u>	<u>1,649</u>
Total expenditures	<u>1,714,330</u>	<u>3,413,885</u>	<u>3,410,918</u>	<u>2,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,233,330</u>	<u>(466,225)</u>	<u>(218,400)</u>	<u>247,825</u>
Other financing sources (uses)				
Transfers in	979,007	2,678,562	2,648,562	(30,000)
Transfers out	(2,212,337)	(2,212,337)	(2,212,337)	-
Debt issued	-	13,830,000	13,830,000	-
Payment to escrow agent	-	(13,830,000)	(13,793,951)	36,049
Total other financing sources (uses)	<u>(1,233,330)</u>	<u>466,225</u>	<u>472,274</u>	<u>6,049</u>
Change in fund balance	-	-	253,874	253,874
Fund balances, beginning of year	1,433,718	1,433,718	1,433,718	-
Fund balances, end of year	<u>\$ 1,433,718</u>	<u>1,433,718</u>	<u>1,687,592</u>	<u>253,874</u>

CITY OF NAPLES, FLORIDA

Capital Projects Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year Ended September 30, 2013

	Capital Projects Fund - Major Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Permits, fees and assessments	\$ 51,650	51,650	39,373	(12,277)
Investment income	55,000	55,000	32,310	(22,690)
Miscellaneous	-	-	23	23
Total revenues	106,650	106,650	71,706	(34,944)
Expenditures				
Current				
General government	104,580	104,580	105,064	(484)
Public safety	-	11,010	18,027	(7,017)
Culture and recreation	-	-	7,271	(7,271)
Total current expenditures	104,580	115,590	130,362	(14,772)
Capital projects				
Finance	450,000	561,444	251,716	309,728
Fire	341,500	597,996	341,019	256,977
Police	650,074	648,052	541,132	106,920
Natural resources	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	416,800	693,611	556,061	137,550
Nondepartmental	770,000	1,140,909	230,129	910,780
Total capital projects	2,628,374	3,642,012	1,920,057	1,721,955
Total expenditures	2,732,954	3,757,602	2,050,419	1,707,183
Excess (deficiency) of revenues over (under) expenditures	(2,626,304)	(3,650,952)	(1,978,713)	1,672,239
Other financing sources (uses)				
Transfers in	2,256,087	2,256,087	2,212,337	(43,750)
Transfers out	(558,820)	(558,820)	(58,820)	500,000
Proceeds from sale of capital assets	45,000	45,000	23,170	(21,830)
Total other financing sources (uses)	1,742,267	1,742,267	2,176,687	434,420
Changes in fund balance	(884,037)	(1,908,685)	197,974	2,106,659
Fund balances, beginning of year	5,926,411	5,926,411	5,926,411	-
Fund balances, end of year	\$ <u>5,042,374</u>	<u>4,017,726</u>	<u>6,124,385</u>	<u>2,106,659</u>

Land Contribution Fund - Nonmajor Fund

Original Budget	Final Budget	Actual	Variance With Final Budget Positive Negative)
-	-	-	-
5,000	5,000	5,249	249
-	-	-	-
5,000	5,000	5,249	249
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,000	5,000	5,249	249
(54,165)	(819,165)	(765,000)	54,165
(54,165)	(819,165)	(765,000)	54,165
(49,165)	(814,165)	(759,751)	54,414
768,864	768,864	768,864	-
<u>719,699</u>	<u>(45,301)</u>	<u>9,113</u>	<u>54,414</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 Position
Nonmajor Enterprise Funds
September 30, 2013

Assets	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Current assets				
Cash and investments	\$ 2,861,319	604,900	243,491	3,709,710
Restricted cash and investments	-	26,195	-	26,195
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	37,092	9,177	-	46,269
Accrued interest	5,851	163	739	6,753
Due from other governments	156,850	4,890	-	161,740
Inventories	-	24,219	1,415	25,634
Total current assets	<u>3,061,112</u>	<u>669,544</u>	<u>245,645</u>	<u>3,976,301</u>
Capital assets				
Buildings and utility plants	1,126,190	89,487	703,269	1,918,946
Improvements other than buildings	4,299,928	2,360,575	82,774	6,743,277
Equipment	818,396	412,266	73,681	1,304,343
Accumulated depreciation	<u>(5,614,016)</u>	<u>(2,757,205)</u>	<u>(576,575)</u>	<u>(8,947,796)</u>
Net capital assets	<u>630,498</u>	<u>105,123</u>	<u>283,149</u>	<u>1,018,770</u>
Total assets	<u>\$ 3,691,610</u>	<u>774,667</u>	<u>528,794</u>	<u>4,995,071</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2013

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Current liabilities				
Accounts payable	\$ 25,100	19,353	3,458	47,911
Accrued payroll	15,099	4,418	9,070	28,587
Accrued interest payable	-	-	187	187
Unearned revenue	37,505	45,266	-	82,771
Current portion of compensated absences	20,000	1,687	4,600	26,287
Current maturities of long-term debt	-	-	60,000	60,000
Total current liabilities	<u>97,704</u>	<u>70,724</u>	<u>77,315</u>	<u>245,743</u>
Current liabilities (payable from restricted assets)				
Customer deposits	-	26,195	-	26,195
Total current liabilities	<u>97,704</u>	<u>96,919</u>	<u>77,315</u>	<u>271,938</u>
Noncurrent liabilities				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	-	-	80,000	80,000
Other post-employment benefits	28,759	4,492	6,341	39,592
Compensated absences	39,504	4,234	13,548	57,286
Total noncurrent liabilities	<u>68,263</u>	<u>8,726</u>	<u>99,889</u>	<u>176,878</u>
Total liabilities	<u>165,967</u>	<u>105,645</u>	<u>177,204</u>	<u>448,816</u>
Net Position				
Net investment in capital assets	630,498	105,123	143,149	878,770
Unrestricted	2,895,145	563,899	208,441	3,667,485
Total net position	<u>\$ 3,525,643</u>	<u>669,022</u>	<u>351,590</u>	<u>4,546,255</u>

CITY OF NAPLES, FLORIDA

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

Nonmajor Enterprise Funds

Year Ended September 30, 2013

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 1,086,099	1,649,255	474,559	3,209,913
Total operating revenues	<u>1,086,099</u>	<u>1,649,255</u>	<u>474,559</u>	<u>3,209,913</u>
Operating expenses				
Personal services	689,254	192,836	279,407	1,161,497
Supplies and services	286,905	1,162,535	150,963	1,600,403
Utilities	96,853	64,975	1,124	162,952
Depreciation and amortization	163,162	60,578	54,493	278,233
General administration	119,820	46,400	39,789	206,009
Other	62,437	-	26,726	89,163
Total operating expenses	<u>1,418,431</u>	<u>1,527,324</u>	<u>552,502</u>	<u>3,498,257</u>
Operating income (loss)	<u>(332,332)</u>	<u>121,931</u>	<u>(77,943)</u>	<u>(288,344)</u>
Nonoperating revenues (expenses)				
Grant revenue	556,850	-	-	556,850
Interest income	6,297	1,066	1,056	8,419
Interest expense	-	-	(2,940)	(2,940)
Gain on sale of capital assets	(1,650)	-	-	(1,650)
Total nonoperating revenues (expenses)	<u>561,497</u>	<u>1,066</u>	<u>(1,884)</u>	<u>560,679</u>
Income (loss) before transfers	229,165	122,997	(79,827)	272,335
Transfers in	-	-	47,500	47,500
Change in net position	229,165	122,997	(32,327)	319,835
Net position, beginning of year	3,296,478	546,025	383,917	4,226,420
Net position, end of year	\$ <u><u>3,525,643</u></u>	<u><u>669,022</u></u>	<u><u>351,590</u></u>	<u><u>4,546,255</u></u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2013

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers	\$ 1,092,532	1,660,040	474,559	3,227,131
Cash payments to suppliers	(526,462)	(1,296,486)	(180,402)	(2,003,350)
Cash payments for employee services	(670,873)	(187,028)	(269,920)	(1,127,821)
Cash payments for interfund services	(119,820)	(46,400)	(39,789)	(206,009)
Net cash provided (used) by operating activities	<u>(224,623)</u>	<u>130,126</u>	<u>(15,552)</u>	<u>(110,049)</u>
Cash flows from noncapital financing activities				
Transfers	-	-	47,500	47,500
Operating grants	531,850	-	-	531,850
Net cash provided by noncapital financing activities	<u>531,850</u>	<u>-</u>	<u>47,500</u>	<u>579,350</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	-	-	(55,000)	(55,000)
Interest paid on long-term debt	-	-	(3,107)	(3,107)
Acquisition and construction of capital assets	(141,363)	-	-	(141,363)
Net cash used by capital and related financing activities	<u>(141,363)</u>	<u>-</u>	<u>(58,107)</u>	<u>(199,470)</u>
Cash flows from investing activities				
Interest and investment earnings	7,617	1,440	1,050	10,107
Net cash provided by investing activities	<u>7,617</u>	<u>1,440</u>	<u>1,050</u>	<u>10,107</u>
Net increase (decrease) in cash and cash equivalents	173,481	131,566	(25,109)	279,938
Cash and cash equivalents, beginning of year	2,687,838	499,529	268,600	3,455,967
Cash and cash equivalents, end of year	<u>\$ 2,861,319</u>	<u>631,095</u>	<u>243,491</u>	<u>3,735,905</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (332,332)	121,931	(77,943)	(288,344)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	163,162	60,578	54,493	278,233
Changes in assets and liabilities				
Decrease (increase) in receivables, net	839	2,329	-	3,168
Decrease (increase) in due from other governments	-	1,685	-	1,685
Decrease (increase) in inventories	-	(4,647)	2,254	(2,393)
Increase (decrease) in accounts payable	(80,267)	(64,329)	(3,843)	(148,439)
Increase (decrease) in accrued payroll	2,655	1,450	5,476	9,581
Increase (decrease) in unearned revenue	5,594	8,437	-	14,031
Increase (decrease) in customer deposits	-	(1,666)	-	(1,666)
Increase (decrease) in other post-employment benefits	6,399	1,144	1,200	8,743
Increase (decrease) in compensated absences	9,327	3,214	2,811	15,352
Net cash provided (used) by operating activities	<u>\$ (224,623)</u>	<u>130,126</u>	<u>(15,552)</u>	<u>(110,049)</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.

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 Position
Internal Service Funds
September 30, 2013

Assets	Equipment Services	Risk Management	Health Benefits	Technology Services	Total
Current assets					
Cash and investments	\$ 89,177	6,436,435	1,133,932	1,067,950	8,727,494
Receivables, miscellaneous	536	-	222	-	758
Accrued interest	256	2,786	1,152	391	4,585
Due from other governments	5,104	-	-	-	5,104
Inventories	123,033	-	-	-	123,033
Prepays	-	-	-	42,279	42,279
Total current assets	<u>218,106</u>	<u>6,439,221</u>	<u>1,135,306</u>	<u>1,110,620</u>	<u>8,903,253</u>
Capital assets					
Buildings	779,289	-	-	51,956	831,245
Equipment	320,854	25,788	-	1,681,076	2,027,718
Accumulated depreciation	(692,461)	(25,788)	-	(1,238,324)	(1,956,573)
Net capital assets	<u>407,682</u>	<u>-</u>	<u>-</u>	<u>494,708</u>	<u>902,390</u>
Total assets	<u>625,788</u>	<u>6,439,221</u>	<u>1,135,306</u>	<u>1,605,328</u>	<u>9,805,643</u>
Liabilities					
Current liabilities					
Accounts payable	67,967	37,255	512	120,964	226,698
Accrued payroll	15,182	2,983	-	14,483	32,648
Unearned revenue	-	105	-	-	105
Total current liabilities	<u>83,149</u>	<u>40,343</u>	<u>512</u>	<u>135,447</u>	<u>259,451</u>
Noncurrent liabilities					
Due within one year					
Compensated absences	12,000	2,326	-	12,000	26,326
Insurance claims payable	-	615,000	442,066	-	1,057,066
Due in more than one year					
Compensated absences	31,932	6,325	-	19,443	57,700
Other post-employment benefits	27,822	3,809	-	34,670	66,301
Insurance claims payable	-	2,460,000	-	-	2,460,000
Total noncurrent liabilities	<u>71,754</u>	<u>3,087,460</u>	<u>442,066</u>	<u>66,113</u>	<u>3,667,393</u>
Total liabilities	<u>154,903</u>	<u>3,127,803</u>	<u>442,578</u>	<u>201,560</u>	<u>3,926,844</u>
Net Position					
Net investment in capital assets	407,682	-	-	494,708	902,390
Restricted, flexible benefits	-	-	309,506	-	309,506
Unrestricted	63,203	3,311,418	383,222	909,060	4,666,903
Total net position	<u>\$ 470,885</u>	<u>3,311,418</u>	<u>692,728</u>	<u>1,403,768</u>	<u>5,878,799</u>

CITY OF NAPLES, FLORIDA

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

Internal Service Funds

Year Ended September 30, 2013

	Equipment Services	Risk Management	Health Benefits	Technology Services	Total
Operating revenues					
Charges for services	\$ 2,404,779	3,122,140	6,109,412	2,076,412	13,712,743
Operating expenses					
Personal services	653,159	132,771	-	775,552	1,561,482
Supplies, services and claims	1,592,563	2,080,046	6,035,278	594,844	10,302,731
Utilities	25,814	-	-	-	25,814
Depreciation and amortization	78,413	-	-	236,290	314,703
General administration	112,360	72,030	116,177	111,160	411,727
Other	2,288	3,576	-	-	5,864
Total operating expenses	2,464,597	2,288,423	6,151,455	1,717,846	12,622,321
Operating income (loss)	(59,818)	833,717	(42,043)	358,566	1,090,422
Nonoperating revenues (expenses)					
Interest income	197	4,344	-	328	4,869
Gain (loss) on sale of capital assets	796	-	-	(876)	(80)
Total nonoperating revenues (expenses)	993	4,344	-	(548)	4,789
Income (loss) before transfers	(58,825)	838,061	(42,043)	358,018	1,095,211
Transfers in	-	-	-	58,820	58,820
Change in net position	(58,825)	838,061	(42,043)	416,838	1,154,031
Net position, beginning of year	529,710	2,473,357	734,771	986,930	4,724,768
Net position, end of year	\$ 470,885	3,311,418	692,728	1,403,768	5,878,799

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2013

	<u>Equipment Services</u>	<u>Risk Management</u>	<u>Health Benefits</u>	<u>Technology Services</u>	<u>Total</u>
Cash flows from operating activities					
Cash received from customers	\$ 2,413,253	3,122,096	6,110,602	2,076,412	13,722,363
Cash payments to suppliers for goods and services	(1,562,596)	(1,907,494)	(5,987,315)	(559,730)	(10,017,135)
Cash payments for employee services	(677,147)	(128,271)	-	(816,997)	(1,622,415)
Cash payments for interfund services	(112,360)	(72,030)	(116,177)	(111,160)	(411,727)
Net cash provided (used) by operating activities	<u>61,150</u>	<u>1,014,301</u>	<u>7,110</u>	<u>588,525</u>	<u>1,671,086</u>
Cash flows from noncapital and related financing activities					
Transfers in (out)	-	-	-	58,820	58,820
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,820</u>	<u>58,820</u>
Cash flows from capital and related financing activities					
Proceeds from the sale of capital assets	796	-	-	-	796
Acquisition and construction of capital assets	-	-	-	(351,425)	(351,425)
Net cash provided (used) by capital and related financing activities	<u>796</u>	<u>-</u>	<u>-</u>	<u>(351,425)</u>	<u>(350,629)</u>
Cash flows from investing activities					
Interest on pooled cash and investments	317	8,323	1,695	1,027	11,362
Net cash provided by investing activities	<u>317</u>	<u>8,323</u>	<u>1,695</u>	<u>1,027</u>	<u>11,362</u>
Net increase in cash and cash equivalents	62,263	1,022,624	8,805	296,947	1,390,639
Cash and cash equivalents, beginning of year	26,914	5,413,811	1,125,127	771,003	7,336,855
Cash and cash equivalents, end of year	<u>\$ 89,177</u>	<u>6,436,435</u>	<u>1,133,932</u>	<u>1,067,950</u>	<u>8,727,494</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (59,818)	833,717	(42,043)	358,566	1,090,422
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	78,413	-	-	236,290	314,703
Changes in assets and liabilities					
(Increase) decrease in miscellaneous receivables	877	-	4,690	-	5,567
(Increase) decrease in due from other governments	7,597	-	-	-	7,597
(Increase) decrease in inventories	89,441	-	-	-	89,441
(Increase) decrease in prepaids	-	-	-	(42,279)	(42,279)
Increase (decrease) in accounts payable	(31,372)	19,128	(2,221)	77,393	62,928
Increase (decrease) in accrued payroll	2,566	570	-	(3,432)	(296)
Increase (decrease) in unearned revenue	-	(44)	(3,500)	-	(3,544)
Increase (decrease) in insurance claims payable	-	157,000	50,184	-	207,184
Increase (decrease) in other post-employment benefits	7,349	1,033	-	8,506	16,888
Increase (decrease) in compensated absences	(33,903)	2,897	-	(46,519)	(77,525)
Net cash provided (used) by operating activities	<u>\$ 61,150</u>	<u>1,014,301</u>	<u>7,110</u>	<u>588,525</u>	<u>1,671,086</u>

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 Position

Fiduciary Funds

September 30, 2013

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
	<hr/>	<hr/>	<hr/>
Assets			
Cash and cash equivalents	\$ 3,630,087	-	-
Receivables			
Contributions	128,632	-	-
Investments, at fair value			
U.S. Treasury securities	1,175,830	-	-
U.S. Government agency securities	1,218,486	-	-
Municipal obligations	261,947	-	-
Asset-backed securities	2,800,224	-	-
Corporate bonds	4,680,816	-	-
Common stock/equity funds	30,681,763	-	-
Real estate investment trusts	2,196,493	-	-
Mutual funds	-	6,473,113	974,531
Total investments	<hr/> 43,015,559	<hr/> 6,473,113	<hr/> 974,531
Total assets	<hr/> 46,774,278	<hr/> 6,473,113	<hr/> 974,531
Liabilities			
Accounts payable	9,674	-	-
Deferred contributions	-	-	-
Total liabilities	<hr/> 9,674	<hr/> -	<hr/> -
Net position			
Held in trust for pension benefits	<hr/> <hr/> \$ 46,764,604	<hr/> <hr/> 6,473,113	<hr/> <hr/> 974,531

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
3,474,713	3,184,897	10,289,697
80,549	123,587	332,768
968,960	1,686,331	3,831,121
936,612	956,089	3,111,187
216,604	206,493	685,044
2,226,981	2,220,295	7,247,500
3,669,377	3,674,606	12,024,799
24,708,987	25,664,802	81,055,552
1,702,282	1,592,458	5,491,233
-	-	7,447,644
<u>34,429,803</u>	<u>36,001,074</u>	<u>120,894,080</u>
<u>37,985,065</u>	<u>39,309,558</u>	<u>131,516,545</u>
12,917	5,266	27,857
<u>41,468</u>	<u>-</u>	<u>41,468</u>
<u>54,385</u>	<u>5,266</u>	<u>69,325</u>
<u><u>37,930,680</u></u>	<u><u>39,304,292</u></u>	<u><u>131,447,220</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended September 30, 2013

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Additions			
Contributions			
Employee contributions	\$ 726,061	302,748	69,224
Employer contributions	1,883,173	186,118	51,443
State contributions	-	-	-
Total contributions	2,609,234	488,866	120,667
Investment earnings			
Interest and dividend income	1,081,264	67,474	3,424
Net change in fair value of investments	4,856,440	652,567	90,465
Less investment expense	(257,269)	(17,592)	(764)
Net investment earnings	5,680,435	702,449	93,125
Total additions	8,289,669	1,191,315	213,792
Deductions			
Benefits paid	3,178,113	-	-
Refunds of contributions	344,512	429,518	-
General administration	143,635	-	-
Total deductions	3,666,260	429,518	-
Changes in net position	4,623,409	761,797	213,792
Net position, beginning of year	42,141,195	5,711,316	760,739
Net position, end of year	\$ 46,764,604	6,473,113	974,531

Pension Trust		
Police Officers' Pension Fund	Firefighters' Pension Fund	Total
237,355	179,495	1,514,883
1,598,175	1,899,409	5,618,318
512,284	811,882	1,324,166
<u>2,347,814</u>	<u>2,890,786</u>	<u>8,457,367</u>
857,772	856,160	2,866,094
3,817,893	3,965,407	13,382,772
(201,785)	(205,100)	(682,510)
<u>4,473,880</u>	<u>4,616,467</u>	<u>15,566,356</u>
<u>6,821,694</u>	<u>7,507,253</u>	<u>24,023,723</u>
2,445,095	1,797,916	7,421,124
7,169	89,303	870,502
70,556	62,848	277,039
<u>2,522,820</u>	<u>1,950,067</u>	<u>8,568,665</u>
4,298,874	5,557,186	15,455,058
<u>33,631,806</u>	<u>33,747,106</u>	<u>115,992,162</u>
<u>37,930,680</u>	<u>39,304,292</u>	<u>131,447,220</u>

CITY OF NAPLES, FLORIDA

Statement of Changes in Assets and Liabilities—Agency Funds

Year Ended September 30, 2013

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013
Assets				
Cash	\$ 234	12,081,067	(12,078,812)	2,489
Total assets	<u>\$ 234</u>	<u>12,081,067</u>	<u>(12,078,812)</u>	<u>2,489</u>
Liabilities				
Accounts payable	\$ 234	12,081,067	(12,078,812)	2,489
Total liabilities	<u>\$ 234</u>	<u>12,081,067</u>	<u>(12,078,812)</u>	<u>2,489</u>

CITY OF NAPLES, FLORIDA

Other Supplementary Information

Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill

Year Ended September 30, 2013

Source	Amount Received in 2012-2013 Fiscal Year	Amount Expended in 2012-2013 Fiscal Year
BP Exploration & Production, Inc.	\$ 235,215	-

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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

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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. 142

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. 153

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. 160

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. 166

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. 168

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Net investment in capital assets	\$ 32,178,726	36,375,444	44,278,263	47,347,136	52,934,188
Restricted	2,972,191	3,033,223	2,989,709	2,640,493	3,004,060
Unrestricted	31,713,893	34,885,629	36,871,259	42,830,226	39,230,791
Total governmental activities net assets	\$ 66,864,810	74,294,296	84,139,231	92,817,855	95,169,039
Business-type activities					
Net investment in capital assets	\$ 48,184,197	48,443,815	50,606,313	55,460,038	60,313,029
Restricted	5,956,252	5,956,252	5,702,201	3,218,517	2,566,664
Unrestricted	18,187,025	19,428,925	22,676,063	23,418,439	23,979,666
Total business-type activities net assets	\$ 72,327,474	73,828,992	78,984,577	82,096,994	86,859,359
Primary government					
Net investment in capital assets	\$ 80,362,923	84,819,259	94,884,576	102,807,174	113,247,217
Restricted	8,928,443	8,989,475	8,691,910	5,859,010	5,570,724
Unrestricted	49,900,918	54,314,554	59,547,322	66,248,665	63,210,457
Total primary government net assets	\$ 139,192,284	148,123,288	163,123,808	174,914,849	182,028,398

Fiscal Year				
2009	2010	2011	2012	2013
48,868,221	47,101,732	47,910,235	49,368,390	54,372,698
3,781,152	983,750	12,987,575	13,460,387	13,908,144
42,765,131	45,710,635	33,134,491	32,162,681	27,048,578
<u>95,414,504</u>	<u>93,796,117</u>	<u>94,032,301</u>	<u>94,991,458</u>	<u>95,329,420</u>
65,279,797	70,342,384	72,488,908	77,344,733	81,292,017
2,693,838	3,122,630	4,070,440	1,645,528	-
25,931,780	28,569,892	32,963,324	39,489,625	43,716,346
<u>93,905,415</u>	<u>102,034,906</u>	<u>109,522,672</u>	<u>118,479,886</u>	<u>125,008,363</u>
114,148,018	117,444,116	120,399,143	126,713,123	135,664,715
6,474,990	4,106,380	17,058,015	15,105,915	13,908,144
68,696,911	74,280,527	66,097,815	71,652,306	70,764,924
<u>189,319,919</u>	<u>195,831,023</u>	<u>203,554,973</u>	<u>213,471,344</u>	<u>220,337,783</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
General government	\$ 3,807,311	4,628,899	12,926,588 ^(a)	6,811,501 ^(a)	8,140,789
Public safety	15,527,189	18,423,475	20,692,720	22,691,091	24,409,251
Physical and economic environment	1,295,407	1,726,724	2,292,246	2,194,855	2,588,477
Transportation	2,800,124	2,347,916	2,364,917	4,010,530	3,394,912
Culture and recreation	5,645,216	6,103,599	6,488,868	7,978,079	8,584,195
Interest	1,445,860	997,829	939,738	904,623	830,822
Total governmental activities expenses	<u>30,521,107</u>	<u>34,228,442</u>	<u>45,705,077</u>	<u>44,590,679</u>	<u>47,948,446</u>
Business-type activities					
Water and sewer	19,524,832	20,052,724	20,283,437	22,354,201	23,625,071
Solid waste	4,752,101	4,858,461	5,126,911	5,652,827	5,835,401
Stormwater	1,293,518	1,301,876	1,289,960	1,431,858	1,833,201
Other enterprises	3,536,572	3,850,775	4,169,201	4,464,879	4,177,236
Total business-type activities	<u>29,107,023</u>	<u>30,063,836</u>	<u>30,869,509</u>	<u>33,903,765</u>	<u>35,470,909</u>
Total primary governmental expenses	<u>\$ 59,628,130</u>	<u>64,292,278</u>	<u>76,574,586</u>	<u>78,494,444</u>	<u>83,419,355</u>
Program Revenues (see Schedule 3)					
Governmental activities					
Charges for services					
General government	\$ 867,843	1,150,161	1,207,823	1,180,983	1,310,847
Public safety	3,997,967	4,162,944	5,001,465	4,424,734	4,492,028
Physical and economic environment	10,795	81,385	11,982	581,638	387,922
Transportation	83,378	258,621	65,681	69,719	74,884
Culture and recreation	738,793	822,085	766,409	1,028,100	881,822
Operating grants and contributions	2,015,157	4,294,679	11,017,352 ^(a)	3,041,688 ^(a)	2,633,209
Capital grants and contributions	486,036	793,780	2,821,571	1,830,543	2,350,214
Total governmental activities revenues	<u>8,199,969</u>	<u>11,563,655</u>	<u>20,892,283</u>	<u>12,157,405</u>	<u>12,130,926</u>
Business-type activities					
Water and sewer	20,840,502	21,437,118	22,736,438	22,933,821	25,299,408
Solid waste	5,632,027	5,560,064	6,175,311	6,046,768	6,369,866
Stormwater	1,414,879	1,419,256	1,500,320	1,418,188	2,890,146
Beach	815,640	896,446	830,339	916,767	917,236
Dock	1,622,706	1,872,307	1,880,153	2,003,808	1,767,944
Tennis	459,358	455,108	547,122	559,561	575,121
Operating grants and contributions	486,170	430,347	408,819	465,865	646,891
Capital grants and contributions	906,832	659,482	2,508,003	3,071,791	3,358,210
Total business-type activities	<u>32,178,114</u>	<u>32,730,128</u>	<u>36,586,505</u>	<u>37,416,569</u>	<u>41,824,822</u>
Total primary governmental revenues	<u>\$ 40,378,083</u>	<u>44,293,783</u>	<u>57,478,788</u>	<u>49,573,974</u>	<u>53,955,748</u>
Net Expense/Revenue					
Governmental activities	\$ (22,321,138)	(22,664,787)	(24,812,794)	(32,433,274)	(35,817,520)
Business-type activities	3,071,091	2,666,292	5,716,996	3,512,804	6,353,913
Total primary government net expense	<u>\$ (19,250,047)</u>	<u>(19,998,495)</u>	<u>(19,095,798)</u>	<u>(28,920,470)</u>	<u>(29,463,607)</u>

Fiscal Year				
2009	2010	2011	2012	2013
6,668,512	6,394,914	5,622,677	5,457,866	5,301,030
25,633,909	25,616,678	23,957,097	24,400,324	24,885,076
2,925,902	3,207,529	3,239,638	3,128,378	2,792,363
3,520,363	3,715,335	3,553,288	3,355,650	3,450,265
7,733,570	7,243,542	6,850,817	6,609,114	6,942,141
1,033,650	955,784	443,739	493,896	397,292
<u>47,515,906</u>	<u>47,133,782</u>	<u>43,667,256</u>	<u>43,445,228</u>	<u>43,768,167</u>
24,816,306	24,334,032	24,300,280	23,915,729	23,833,110
5,501,931	5,366,770	5,497,576	5,275,918	5,489,089
2,088,938	2,458,129	2,642,191	2,463,801	3,064,173
3,505,193	3,094,200	3,117,045	3,377,075	3,474,163
<u>35,912,368</u>	<u>35,253,131</u>	<u>35,557,092</u>	<u>35,032,523</u>	<u>35,860,535</u>
<u>83,428,274</u>	<u>82,386,913</u>	<u>79,224,348</u>	<u>78,477,751</u>	<u>79,628,702</u>
1,043,665	1,139,439	1,238,135	837,202	874,008
3,571,827	3,631,525	3,803,409	4,792,576	4,506,478
12,397	12,064	15,372	15,788	16,009
-	6,618	3,942		31,210
819,228	840,364	751,480	751,862	802,130
2,978,768	3,190,239	2,909,353	2,631,903	2,803,204
1,202,496	425,002	294,062	927,761	352,732
<u>9,628,381</u>	<u>9,245,251</u>	<u>9,015,753</u>	<u>9,957,092</u>	<u>9,385,771</u>
28,219,062	28,303,440	29,055,653	28,262,634	28,747,954
6,294,650	6,089,265	5,974,018	5,827,277	5,876,369
4,467,178	4,422,225	4,538,097	4,563,918	4,651,910
1,071,798	1,046,660	1,125,781	1,117,695	1,086,099
1,078,547	1,067,358	1,298,741	1,512,844	1,649,255
548,984	534,095	452,109	417,161	474,559
501,525	637,810	621,838	635,642	556,850
2,057,101	2,991,732	1,726,470	3,507,039	1,388,630
<u>44,238,845</u>	<u>45,092,585</u>	<u>44,792,707</u>	<u>45,844,210</u>	<u>44,431,626</u>
<u>53,867,226</u>	<u>54,337,836</u>	<u>53,808,460</u>	<u>55,801,302</u>	<u>53,817,397</u>
(37,887,525)	(37,888,531)	(34,651,503)	(33,488,136)	(34,382,396)
8,326,477	9,839,454	9,235,615	10,811,687	8,571,091
<u>(29,561,048)</u>	<u>(28,049,077)</u>	<u>(25,415,888)</u>	<u>(22,676,449)</u>	<u>(25,811,305)</u>

(Continued)

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Revenues and Other					
Changes in Net Assets					
Governmental activities					
Taxes					
Property taxes	\$ 13,029,256	14,404,764	15,926,721	20,779,629	19,415,799
Local communication and utility taxes	3,904,133	4,149,829	4,269,042	4,218,208	4,170,227
Insurance premium tax ^(b)	-	-	1,751,337	1,769,045	1,949,641
Motor fuel taxes	1,731,941	1,585,816	1,579,996	1,532,580	1,404,690
Business taxes	251,051	291,426	269,389	278,694	274,487
Franchise fees	2,977,388	3,165,215	3,825,979	3,877,556	3,740,236
Intergovernmental revenues, unrestricted	3,431,686	3,628,176	3,658,867	3,449,606	3,160,311
Unrestricted investment earnings	683,727	1,087,659	2,068,237	2,858,980	2,043,294
Miscellaneous revenues	48,428	105,030	54,863	129,518	45,489
Gain on sale of capital assets	1,986,363	-	-	-	-
Transfers	1,917,577	1,676,358	1,708,000	1,763,380	1,964,530
Total governmental activities	<u>29,961,550</u>	<u>30,094,273</u>	<u>35,112,431</u>	<u>40,657,196</u>	<u>38,168,704</u>
Business-type activities					
Investment earnings	311,790	511,054	1,111,333	1,333,466	831,090
Gain on sale of capital assets	84,807	530	35,256	29,527	-
Special item	-	-	-	-	(458,108)
Transfers	(1,917,577)	(1,676,358)	(1,708,000)	(1,763,380)	(1,964,530)
Total business-type activities	<u>(1,520,980)</u>	<u>(1,164,774)</u>	<u>(561,411)</u>	<u>(400,387)</u>	<u>(1,591,548)</u>
Total primary government	<u>\$ 28,440,570</u>	<u>28,929,499</u>	<u>34,551,020</u>	<u>40,256,809</u>	<u>36,577,156</u>
Change in Net Assets					
Governmental activities	\$ 7,640,412	7,429,486	10,299,637	8,223,922	2,351,184
Business-type activities	1,550,111	1,501,518	5,155,585	3,112,417	4,762,365
Total primary government	<u>\$ 9,190,523</u>	<u>8,931,004</u>	<u>15,455,222</u>	<u>11,336,339</u>	<u>7,113,549</u>

^(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 fiscal year 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				
2009	2010	2011	2012	2013
19,729,516	19,418,905	17,872,322	17,390,742	17,330,532
4,476,921	4,846,484	5,208,481	5,574,086	5,977,860
2,016,132	1,440,033	1,319,318	1,354,027	1,324,166
1,393,025	1,396,616	1,386,067	1,397,806	1,367,212
247,021	270,748	243,716	264,110	255,890
3,971,657	3,498,659	3,474,511	3,361,560	3,299,823
2,863,565	2,825,967	2,847,318	2,807,044	2,952,946
1,345,826	542,317	371,937	238,259	175,612
17,461	44,415	171,799	19,273	50,070
88,496	-	4,718	26,776	-
1,983,370	1,986,000	1,987,500	2,013,610	2,054,280
<u>38,132,990</u>	<u>36,270,144</u>	<u>34,887,687</u>	<u>34,447,293</u>	<u>34,788,391</u>
566,730	258,101	186,018	153,699	90,583
136,219	17,936	53,633	5,438	-
-	-	-	-	-
<u>(1,983,370)</u>	<u>(1,986,000)</u>	<u>(1,987,500)</u>	<u>(2,013,610)</u>	<u>(2,054,280)</u>
<u>(1,280,421)</u>	<u>(1,709,963)</u>	<u>(1,747,849)</u>	<u>(1,854,473)</u>	<u>(1,963,697)</u>
<u>36,852,569</u>	<u>34,560,181</u>	<u>33,139,838</u>	<u>32,592,820</u>	<u>32,824,694</u>
245,465	(1,618,387)	236,184	959,157	405,995
<u>7,046,056</u>	<u>8,129,491</u>	<u>7,487,766</u>	<u>8,957,214</u>	<u>6,607,394</u>
<u>7,291,521</u>	<u>6,511,104</u>	<u>7,723,950</u>	<u>9,916,371</u>	<u>7,013,389</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Reserved	\$ 3,974,214	3,851,388	817,651	882,906	535,922
Unreserved	3,140,889	5,561,460	12,119,520	15,454,863	14,774,120
Non-spendable	N/A	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A	N/A
Total General Fund	\$ 7,115,103	9,412,848	12,937,171	16,337,769	15,310,042
All other governmental funds					
Reserved					
Special revenue funds	\$ 211,284	179,187	18,625	89,364	215,821
Capital projects funds	17,068,197	19,890,914	4,645,715	5,999,449	6,720,843
Debt service funds	1,420,125	1,420,125	1,707,311	1,725,940	1,486,456
Unreserved					
Special revenue funds	2,794,174	3,594,431	5,226,704	5,578,047	5,616,572
Capital projects funds	3,137,595	(362,701)	12,533,664	12,088,406	8,192,774
Debt service funds	260,260	457,518	494,714	737,263	978,483
Non-spendable	N/A	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A	N/A
Total other governmental funds	\$ 24,891,635	25,179,474	24,626,733	26,218,469	23,210,949

Fiscal Year				
2009	2010	2011	2012	2013
442,112	420,844	N/A	N/A	N/A
16,151,990	17,052,805	N/A	N/A	N/A
N/A	N/A	150,464	487,435	425,592
N/A	N/A	13,791	13,791	13,791
N/A	N/A	3,528,888	3,515,091	3,597,298
N/A	N/A	46,284	11,765	293,132
N/A	N/A	15,508,265	15,541,877	10,582,398
<u>16,594,102</u>	<u>17,473,649</u>	<u>19,247,692</u>	<u>19,569,959</u>	<u>14,912,211</u>
29,839	10,731	N/A	N/A	N/A
1,145,643	1,225,757	N/A	N/A	N/A
1,420,125	1,560,104	N/A	N/A	N/A
5,086,904	5,317,018	N/A	N/A	N/A
16,308,321	15,809,889	N/A	N/A	N/A
1,282,620	1,884,501	N/A	N/A	N/A
N/A	N/A	121,462	455,198	400,565
N/A	N/A	12,973,784	13,446,596	13,487,529
N/A	N/A	3,928,985	2,927,725	3,167,293
N/A	N/A	6,715,447	6,758,559	6,083,658
N/A	N/A	N/A	(571,667)	(603,061)
<u>25,273,452</u>	<u>25,808,000</u>	<u>23,739,678</u>	<u>23,016,411</u>	<u>22,535,984</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
Taxes	\$ 21,642,718	23,305,625	25,601,739	32,177,018 ^(a)	27,214,844
Licenses, permits, fees and assessments	3,092,953	2,931,552	3,787,831	3,717,384 ^(a)	6,953,495 ^(b)
Intergovernmental	5,558,406	8,015,980	16,974,405	7,883,654	7,761,199
Charges for services	1,692,378	2,009,871	1,824,433	2,373,059	2,327,605
Charges to other funds	3,713,502	3,748,880	3,806,515	3,966,100	4,165,504
Fines and forfeitures	348,265	553,888	578,562	374,950	405,342
Impact fees/special assessments	272,764	368,576	710,951	424,364	366,627 ^(b)
Interest	626,030	971,187	1,833,114	2,603,304	1,806,496
Contributions	111,169	263,988	70,505	59,716	62,715
Miscellaneous	1,065,765	432,022	1,159,105	153,338	73,568
Total revenues	38,123,950	42,601,569	56,347,160	53,732,887	51,137,395
Expenditures					
General government	7,555,904	7,516,247	15,131,257	9,591,067	11,377,879
Public safety	14,990,292	17,606,607	18,988,238	21,481,323	23,479,974
Physical and economic environment	948,272	1,333,438	1,734,495	1,579,013	1,813,934
Transportation	1,911,489	1,351,547	1,421,391	2,820,205	2,046,296
Culture and recreation	4,959,763	5,289,131	5,352,049	6,313,097	6,920,107
Capital outlay	3,224,855	6,621,225	11,043,085	6,768,798	9,542,548
Debt service					
Principal	1,083,379	978,603	994,107	1,070,000	1,125,000
Interest and fiscal charges	1,118,359	995,570	933,536	907,878	831,434
Total expenditures	35,792,313	41,692,368	55,598,158	50,531,381	57,137,172
Excess (deficit) of revenues over (under) expenditures	2,331,637	909,201	749,002	3,201,506	(5,999,777)
Other Financing Sources (Uses)					
Debt issued	3,170,000	-	-	-	-
Payments to escrow agents	(5,021,684)	-	-	-	-
Payments to current refund debt	-	-	-	-	-
Transfers in	7,961,219	4,906,256	4,797,603	5,944,576	4,720,949
Transfers out	(6,269,219)	(3,229,898)	(3,068,828)	(4,181,196)	(2,756,419)
Sale of capital assets	4,007,373	25	39,102	27,448	-
Total other financing sources (uses)	3,847,689	1,676,383	1,767,877	1,790,828	1,964,530
Net change in fund balance	\$ 6,179,326	2,585,584	2,516,879	4,992,334	(4,035,247)
Debt service as a percentage of noncapital expenditures	6.8%	5.6%	4.3%	4.5%	4.1%

Note: ^(a) In 2008, franchise fees were reclassified from taxes to licenses, permits and fees and business licenses were reclassified from licenses, permits and
^(b) In 2009, impact fees and special assessments were reclassified to permits, fees and assessments.
^(c) The City currently refunded the 2010 Capital Improvement Refunding Revenue Notes.

Fiscal Year				
2009	2010	2011	2012	2013
27,862,615	27,372,786	26,029,904	25,980,772	26,255,660
6,856,060	6,072,977	6,655,012	7,539,226	7,179,183
5,856,457	6,038,913	5,236,599	5,174,417	5,152,801
2,020,389	2,045,248	1,908,981	2,131,943	1,802,160
4,093,450	3,720,709	3,720,708	3,681,838	3,597,960
338,037	254,385	232,575	461,537	418,614
-	-	-	-	-
1,216,224	492,471	336,484	214,851	170,743
83,101	211,302	258,985	204,116	115,262
115,701	75,544	177,621	9,273	255,225
<u>48,442,034</u>	<u>46,284,335</u>	<u>44,556,869</u>	<u>45,397,973</u>	<u>44,947,608</u>
9,688,213	8,620,881	8,307,238	8,130,338	8,421,621
24,792,638	23,680,724	22,062,961	23,192,344	23,731,367
1,775,115	2,024,380	1,945,948	1,776,115	1,357,378
2,116,889	2,246,827	2,191,327	2,069,396	2,298,904
5,996,861	5,433,931	5,302,802	5,189,194	5,567,331
7,053,867	2,303,468	2,830,919	5,193,871	7,381,848
1,497,000	1,612,000	2,222,000	1,844,000 ^(c)	3,056,000
1,066,519	957,917	589,568	445,242	333,221
<u>53,987,102</u>	<u>46,880,128</u>	<u>45,452,763</u>	<u>47,840,500</u>	<u>52,147,670</u>
<u>(5,545,068)</u>	<u>(595,793)</u>	<u>(895,894)</u>	<u>(2,442,527)</u>	<u>(7,200,062)</u>
6,860,000	-	17,094,000	- ^(c)	13,830,000
-	-	(8,285,998)	-	(13,793,951)
-	-	(10,186,000)	-	-
12,714,292	5,766,183	5,705,136	6,396,488	7,032,679
(10,818,965)	(3,780,183)	(3,762,476)	(4,382,878)	(5,037,219)
136,304	23,888	36,953	27,917	30,378
<u>8,891,631</u>	<u>2,009,888</u>	<u>601,615</u>	<u>2,041,527</u>	<u>2,061,887</u>
<u>3,346,563</u>	<u>1,414,095</u>	<u>(294,279)</u>	<u>(401,000)</u>	<u>(5,138,175)</u>
5.5%	5.8%	6.6%	5.4%	7.6%

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

Fiscal Year	Property ^(a)	Utility and Communication	Franchise Fees	Fuel Taxes	Sales and Use	Other	Total
2004	\$ 13,029,256	3,904,133	2,959,293	1,731,941 ^(b)	2,596,520	835,166	25,056,309
2005	14,404,764	4,149,829	3,141,721	1,585,816	2,624,802	1,003,374	26,910,306
2006	15,926,721	4,269,042	3,792,489	1,579,996	2,651,227	2,758,977 ^(c)	30,978,452
2007	20,779,629	4,218,209	3,877,556	1,532,580	2,455,218	2,763,432	35,626,624
2008	19,415,799	4,170,227	3,740,236	1,404,690	2,196,319	2,913,633	33,840,904
2009	19,729,516	4,476,921	3,971,657	1,393,025	1,927,205	2,263,153	33,761,477
2010	19,418,905	4,846,484	3,498,659	1,396,616	1,896,824	2,535,655	33,593,143
2011	17,872,322	5,208,481	3,474,511	1,386,067	1,911,574	2,487,454	32,340,409
2012	17,390,742	5,574,086	3,361,560	1,397,806	1,875,396	1,618,137	31,217,727
2013	17,330,532	5,977,860	3,299,823	1,367,212	2,006,377	1,580,056	31,561,860
Change 2004-2013	33.0%	53.1%	11.5%	-21.1%	-22.7%	89.2%	26.0%

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) 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.
 - ^(c) In fiscal year 2006, the City began recording the Premium Fire and Casualty Insurance Tax in the General Fund. In prior years, those amounts were deposited directly into the Police and Fire Pension Funds.

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)	Final Taxable Value
2004	\$ 10,960,725,735	286,782,236	499,568,676	10,747,939,295	11,212,894,783
2005	11,909,720,094	301,738,680	271,725,048	11,939,733,726	12,168,966,197
2006	13,412,338,003	345,957,486	192,180,825	13,566,114,664	13,746,713,411
2007	16,264,603,707	376,100,345	275,696,496	16,365,007,556	16,533,125,948
2008	17,086,194,348	386,182,053	410,638,803	17,061,737,598	17,456,888,406
2009	16,903,766,419	400,795,472	342,706,664	16,961,855,227	17,246,749,629
2010	15,962,605,246	421,136,474	311,015,976	16,072,725,744	16,287,802,409
2011	14,627,069,353	419,030,702	185,960,906	14,860,139,149	14,976,570,653
2012	14,234,876,028	353,678,358	125,853,141	14,462,701,245	14,557,352,859
2013	15,469,458,476	355,090,471	185,411,425	15,639,137,522	14,982,785,178

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

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

Total Direct Tax Rate	Market/Just Value	Actual Taxable Value as a Percentage of Market/Just Value
1.1870	14,426,299,363	74.502%
1.2098	15,427,299,073	77.394%
1.1839	17,371,133,725	78.096%
1.2815	21,802,038,544	75.062%
1.1347	22,486,719,099	75.875%
1.1663	21,642,182,442	78.374%
1.2175	19,738,257,718	81.429%
1.2195	17,719,816,637	83.862%
1.2226	17,046,390,756	84.843%
1.1800	17,730,212,166	88.206%

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	Caribbean Gardens
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	0.1500
2007	1.2450	0.0365	1.2815	0.0680	3.5790	0.2500	0.1500
2008	1.0997	0.0350	1.1347	0.0635	3.1469	0.2242	0.1500
2009	1.1315	0.0348	1.1663	0.0635	3.4221	0.2500	0.1500
2010	1.1800	0.0375	1.2175	0.0720	3.5938	0.2500	-
2011	1.1800	0.0395	1.2195	0.0826	3.5645	0.2500	-
2012	1.1800	0.0426	1.2226	0.0934	3.5645	0.2500	-
2013	1.1800	-	1.1800	0.1102	3.5645	0.2500	-

Source: Mosquito Control, Collier County, Collier County School Board, South Florida Water Management.

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*

School Board	South Florida Water Management	Water Pollution Control	Big Cypress Basin	Combined Total
6.5240	0.2840	0.0347	0.2425	12.2545
6.2200	0.2840	0.0347	0.2425	12.2144
5.9730	0.2840	0.0347	0.2425	11.7801
5.5250	0.2840	0.0320	0.2426	11.4121
5.3510	0.2549	0.0280	0.2265	10.5797
4.9090	0.2549	0.0293	0.2265	10.4716
5.2390	0.2549	0.0293	0.2265	10.8830
5.6990	0.2549	0.0293	0.2265	11.3263
5.5760	0.1785	0.2930	0.1633	11.3413
5.6900	0.1685	0.0293	0.1593	11.1518

Schedule 8
City of Naples
Principal Property Tax Payers,
Current Year and nine years ago
(in thousands)

Taxpayer	2013			2004		
	Property Taxes Levied	Rank	Percentage of Total Taxes Levied	Property Taxes Levied	Rank	Percentage of Total Taxes Levied
Florida Power & Light	\$ 131,622	1	0.72%	52,180	2	0.36%
The Moorings, Inc.	110,250	2	0.60%	-		
City National Bank of Miami	78,048	3	0.43%	-		
Coastland Center, LLC	73,641	4	0.40%	92,671	1	0.65%
Marco Beach Hotel, Inc.	66,750	5	0.37%	-		
Sandra Gerry	52,835	6	0.29%	45,432	3	0.32%
Randal D Bellestri Trust	49,162	7	0.27%	-		
Westbury Properties, Inc.	45,502	8	0.25%	24,798	6	0.17%
Harold Square Land Trust	40,034	9	0.22%	-		
Marriott Ownership Resorts	36,079	10	0.20%	-		
Sprint-Florida Incorporated	-			34,972	4	0.24%
Panthers RPN Limited	-			25,683	5	0.18%
Naples Hospitality LTD Partnership	-			23,171	7	0.16%
Judith Herb	-			22,980	8	0.16%
Heritage Realty Mgt., Inc.	-			22,755	9	0.16%
Susan McCurry Trust	-			21,172	10	0.15%
	\$ <u>683,923</u>		<u>3.75%</u>	<u>365,814</u>		<u>2.55%</u>
Total property taxes levied	\$ 18,223,815.00			14,365,967		

Sources: Collier County Property Appraiser

**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	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2004	\$ 13,492,687	13,029,256	96.6%	-	13,029,256	96.6%
2005	14,911,539	14,404,764	96.6%	-	14,404,764	96.6%
2006	16,501,506	15,918,137	96.5%	8,584	15,926,721	96.5%
2007	21,488,943	20,765,644	96.6%	13,985	20,779,629	96.7%
2008	20,093,536	19,393,704	96.5%	13,308	19,407,012	96.6%
2009	20,402,060	19,723,805	96.7%	7,470	19,731,275	96.7%
2010	20,089,045	19,414,761	96.6%	-	19,414,761	96.6%
2011	18,522,784	17,382,006	93.8%	8,736	17,390,742	93.9%
2012	18,024,021	17,330,532	96.2%	-	17,330,532	96.2%
2013	18,223,815	17,568,817	96.4%	-	17,568,817	96.4%

Sources: Collier County Tax Collector

Note: Collections in subsequent years not available prior to 2006.

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	Capital Improvement Note	Water Bonds/Loans	Storm-water SBA Loan	Non major Bonds
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
2011	2,205,000	-	-	15,662,000	25,908,943	2,182,795	255,000
2012	1,690,000	-	-	14,333,000	23,755,858	2,001,606	195,000
2013	-	-	-	13,025,000	21,586,406	1,773,821	140,000

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)
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%	770
52,473,325	3.77%	662
55,716,405	4.07%	726
51,800,353	3.78%	682
46,213,738	3.16%	617
41,975,464	2.56%	510
36,525,227	2.17%	436

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

Fiscal Year	General Obligation Bonds Outstanding	Percentage of Actual Taxable Value of Property ^(a)	Per Capita ^(b)
2004	\$ 5,220,000	0.05%	232.59
2005	4,825,000	0.04%	214.54
2006	4,440,000	0.03%	193.30
2007	4,040,000	0.02%	174.88
2008	3,615,000	0.02%	160.27
2009	3,170,000	0.02%	146.41
2010	2,700,000	0.02%	120.59
2011	2,205,000	0.01%	112.86
2012	1,690,000	0.01%	84.76
2013	-	0.00%	-

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, 2013

	<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	\$ -	100.00%	-
Capital Improvement Note	13,165,000	100.00%	13,165,000
Total direct debt			<u>13,165,000</u>
Overlapping debt ^(a)			
N/A	386,281,000	25%	96,570,250
	453,462,105	7%	31,742,347
Total direct and overlapping debt			<u>128,312,597</u>
			<u>\$ 141,477,597</u>

Sources: 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

Fiscal Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Requirement		
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
2011	29,055,653	23,415,659	5,639,994	1,127,899		5.00
2012	28,262,634	23,195,559	5,067,075	1,127,899		4.49
2013	28,747,954	23,462,275	5,285,679	1,043,132		5.07

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.

(1) These issues were refunded by the 2010 Capital Improvement Refunding Revenue Note, which was subsequently refunded by the 2013 Capital Improvement Refunding Revenue Note

Utility Tax Revenue Bonds				Tax Increment Revenue Bonds			
Utility Tax Collections	Debt Service		Coverage	Tax Increment Revenue	Debt Service		Coverage
	Principal	Interest			Principal	Interest	
4,159,640	435,000	546,002	4.24	1,782,759	250,000	211,101	3.87
4,157,163	450,000	525,935	4.26	2,152,936	200,000	202,367	5.35
4,091,549	470,000	504,480	4.20	2,815,241	210,000	194,927	6.95
3,877,556	495,000	481,984	3.97	3,205,099	220,000	187,123	7.87
3,707,751	515,000	460,746	3.80	3,028,298	230,000	179,185	7.40
3,135,961	540,000	438,195	3.21	2,965,522	562,000	412,793	3.04
3,716,989	510,000	390,860	4.13	2,863,692	632,000	425,286	2.71
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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 Income	Median Age	County School Enrollment	Unemployment Rate
2004	22,443	\$ 967,181	43,095	60.7	39,821	3.9%
2005	22,490	1,128,908	50,196	62.4	41,588	3.6%
2006	22,970	1,248,117	54,337	62.4	42,775	2.7%
2007	23,101	1,327,060	71,033	62.4	42,062	5.1%
2008	22,556	1,393,690	79,315	63.0	41,666	8.2%
2009	21,651	1,369,989	76,708	62.5	42,786	10.0%
2010	22,390	1,368,953	75,910	63.8	42,098	12.4%
2011	19,537	1,462,579	74,862	63.9	42,430	10.3%
2012	19,939	1,641,299	82,316	64.2	44,346	10.0%
2013	20,115	1,685,597	83,798	64.3	44,881	7.2%

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

Notes: Population information is 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. Decrease in unemployment rate due to a geographical relocation of construction workers, slight increase in tourism and retail sales. Certain information prior to GASB Statement 34 is not available.

*Prior to 2007 Information on per capita income and median age was not available specifically for the City. For median age, 3 year estimates were provided by the American Community Survey Office. Prior to 2007, per capita income was an estimate based on various information from Collier County and the Bureau of Economic and Business Research.

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Collier County Public Schools	5,288	1	20.8%	5,335	1	19.9%
NCH Healthcare System	4,000	2	15.7%	3,500	2	13.0%
Collier County Government	2,157	3	8.5%	2,226	3	8.3%
Collier County Sheriff	1,867	4	7.4%	1,179	5	4.4%
Allen Systems Group	1,300	5	5.1%	-	-	-
Marriott Corporation, Inc. (Ritz Carlton)	1,100	6	4.3%	1,500	4	5.6%
Publix Supermarkets	800	7	3.1%	-	-	-
Waldorf Astoria (Naples Grande)	760	8	3.0%	830	6	3.1%
Fifth-Third Bank	733	9	2.9%	-	-	-
The Moorings	730	10	2.9%	-	-	-
City of Naples	-	-	-	493	7	1.8%
Naples Beach and Tennis	-	-	-	491	8	1.8%
Bentley Resort	-	-	-	475	9	1.8%
Collier County Health Department	-	-	-	186	10	0.7%
Estimated other employers	6,684		26.3%	10,605		39.6%
Estimated Total	<u>25,419</u>		<u>100.0%</u>	<u>26,820</u>		<u>100.0%</u>

Sources: U.S. Bureau of Labor Statistics
Employer Historical Records
Collier County Clerk of Courts

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

Function/Program	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Fund						
Mayor and Council	1.0	1.0	1.0	1.0	1.0	1.0
City Clerk	8.0	8.0	8.0	8.0	8.0	8.0
City Attorney	1.0	1.0	1.0	1.0	1.0	1.0
City Manager	3.0	4.0	4.0	4.0	4.0	7.0
Human Resources	7.0	7.0	7.0	7.0	7.0	6.0
Planning and Code Enforcement	7.0	10.0	10.0	10.0	10.0	5.0
Engineering	(a)	(a)	(a)	(a)	(a)	(a)
Building and Zoning	(a)	(a)	(a)	(a)	(a)	(a)
Finance	21.8	20.8	21.8	21.8	21.8	21.8
Community Services	43.0	42.0	42.0	47.5	45.5	36.0
Police and Emergency Services						
Police	111.7	111.7	111.7	111.7	111.7	109.7
Fire	59.0	59.0	59.0	61.0	61.0	61.0
Natural Resources	(b)	(b)	(b)	(b)	(b)	(c)
Non-departmental	10.0	10.0	10.0	12.0	12.0	12.0
Water and Sewer Fund	96.0	99.5	99.5	96.0	100.0	95.0
Solid Waste Fund	25.0	25.0	25.0	29.0	29.0	28.0
Streets and Traffic Fund	5.0	5.5	5.5	5.5	5.5	7.5
Stormwater Fund	7.0	5.5	5.5	5.5	6.0	5.5
City Dock Fund	5.0	5.0	5.0	5.0	5.0	4.0
Tennis Fund	4.0	4.0	4.0	4.0	4.0	4.0
Beach Fund	13.1	14.1	14.1	14.3	13.8	12.8
Information Services Fund	11.0	11.0	11.0	11.0	11.0	10.0
Equipment Services Fund	11.0	11.0	11.0	11.0	11.0	10.0
Risk Management Fund	2.0	2.0	2.0	2.0	2.0	1.0
Building Permit Fund	27.5	26.0	26.0	28.0	27.0	26.0
Community Redevelopment	3.5	6.0	6.0	9.0	9.0	9.0
Construction Management	8.0	8.0	8.0	8.0	8.0	(e)
TOTAL EMPLOYEES	490.6	497.1	498.1	513.3	514.3	481.3

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.
 - (f) Reclassified from Nonoperating to Community Services in the General Fund.

Fiscal Year			
2010	2011	2012	2013
1.0	1.0	1.0	1.0
6.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0
6.7	8.9	8.9	5.9
5.0	4.0	4.0	4.0
5.0	4.0	3.5	3.5
(a)	(a)	(a)	(b)
(a)	(a)	(a)	(a)
19.8	19.8	18.8	17.8
30.0	41.0	40.0	40.5
104.4	98.4	104.0	98.4
61.0	63.0	63.0	63.0
(c)	(c)	(c)	(d)
11.0	(d)	(d)	(f)
98.0	97.0	98.0	99.0
24.0	25.5	25.5	25.5
7.5	7.5	7.5	6.1
6.0	6.0	6.0	10.4
3.0	2.6	3.6	3.6
4.0	4.0	4.0	4.0
12.8	13.0	12.0	12.0
10.0	10.0	10.0	10.0
8.5	8.5	8.5	8.5
1.0	1.0	1.0	1.0
17.5	17.5	18.0	23.8
8.3	8.3	6.3	6.3
(e)	(e)	(e)	(e)
451.5	448.0	450.6	451.3

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

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
General government					
Commercial permits issued	247	221	251	247	280
Residential permits issued	974	1,050	1,113	1,317	1,164
Police					
Physical arrests	1,138	1,234	972	875	965
Parking violations	16,692	16,631	15,307	14,253	14,439
Traffic violations	9,183	8,587	10,974	9,706	9,843
Fire					
Emergency responses	4,696	4,654	4,487	4,490	4,437
Fires extinguished	65	56	53	54	49
Inspections	7,120	7,154	6,337	6,510	6,427
Refuse collection					
Refuse (tons per day)	125	118	129	124	114
Recyclables (tons per day) ^(a)	8	9	10	13	15
Other public works					
Street resurfacing (miles)	3	1	2	2	15
Potholes repaired ^(b)	2	22	65	72	75
Parks and recreation					
Special events, participants ^(c)	1,313	1,130	571	675	712
Beach parking permits issued ^(d)	23,082	21,309	21,236	22,329	20,410
Camps, classes, participants	621	770	725	883	897
Water					
New connections	262	249	133	133	116
Water main breaks	9	16	13	21	22
Average daily consumption (millions of gallons)	17.5	16.9	17.8	15.3	15.3
Peak daily consumption (millions of gallons)	23.5	21.3	22.4	23.3	21.2
Wastewater					
Average daily sewage treatment (thousands of gallons)	6,800	7,240	6,830	7,135	6,673

Sources: Various City Departments

- Notes:**
- ^(a) The City contracted for recycle prior to 2004.
 - ^(b) This number represents the number of work orders given to patch hole contractor.
 - ^(c) Data was not available prior to this period.
 - ^(d) The City no longer issues County beach parking permits.
 - ^(e) Riverside Park, Outdoor Movie Nights and Cambier Park Art Festivals increased in this period.

Fiscal Year				
2009	2010	2011	2012	2013
268	237	182	285	225
1,994	828	961	1,267	1,229
3,164	658	465	1,111	758
15,105	15,985	14,351	15,107	12,906
11,087	7,601	5,641	8,168	6,767
4,810	4,423	4,812	4,839	4,901
70	61	97	96	69
5,200	8,412	6,557	7,882	7,761
119	101	103	153	131
14	10	12	17	19
11	9	9	5	5
59	73	98	77	72
759	980	3,501	3,550	3,640
15,921	N/A	N/A	5,560	6,590
943	850	876	4,510	5,350
109	70	93	172	171
68	16	12	16	21
16.0	14.7	15	14	13.5
20.4	19.2	18	19	17.8
6,720	6,330	5,852	5,688	5,680

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

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
Police					
Number of employees	122	121	120	124	115
Demand for services	54,710	56,393	68,365	60,908	58,658
Fire stations	3	3	3	3	3
Refuse collection trucks	25	25	27	27	25
Other public works					
Streets (miles)	106	106	106	106	106
Streetlights	2,370	2,370	2,370	2,371	2,371
Traffic signals	47	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	17,520	17,697	17,718	17,723	17,717
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	8,614	8,638	8,651	8,647	8,645
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

Sources: Various City departments

Fiscal Year				
2009	2010	2011	2012	2013
110	104	98	104	103
55,580	48,192	45,764	43,237	68,012
3	3	3	3	3
24	25	25	25	25
108	108	108	110	112
2,375	2,390	2,390	3,006	1,388
44	44	44	42	42
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
17,781	16,495	16,545	16,684	16,791
1	1	1	1	1
30	30	30	30	30
9,052	8,814	9,253	8,951	4,895
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2014. As referenced in our report, the City adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of October 1, 2012.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 accompanying Management Letter as Findings 2013-01 and 2013-02 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*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Management Letter. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 31, 2014

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Naples, Florida (the "City"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 31, 2014.

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. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated March 31, 2014, 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:

- 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.

2012-01 Audit Adjustments—Not corrected. See current year finding 2013-01 under the heading Current Year Audit Findings and Recommendations.

- 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 Audit Findings and Recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contract 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., 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 this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)6.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 the City did not meet any of the conditions described in the statute.
- Section 10.554(1)(i)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.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.
- Section 10.554(1)(i)6.e., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity complied with state and Federal laws, rules, regulations, contracts, or grant agreements governing the receipt and expenditure of those funds. Funds related to the Deepwater Horizon oil spill may include, but are not limited to, funds received pursuant to Section 288.8017, Florida Statutes, and Public Law 112-141 (33 U.S.C.A. ss. 1321(t)); state or local grants; and moneys received directly from British Petroleum. In connection with our audit, our tests disclosed no instances of noncompliance.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 31, 2014

Current Year Audit Findings and Recommendations

2013-01 Audit Adjustments

The City is responsible for accurate financial reporting which includes detecting and preventing misstatements in the financial statements, as well as within the underlying financial records. As noted in the prior year, some significant audit adjustments were necessary for the fair presentation of the financial statements in accordance with generally accepted accounting principles. These entries related to an accrual for a construction invoice, an accrual for the compensated absences liability, and entries related to capital assets (see Finding 2013-02 below).

Therefore, we recommend that the City implement procedures to ensure all reconciliations are performed and closing entries are recorded to ensure the preparation of financial statements in accordance with generally accepted accounting principles.

Management's Response

The compensated absences liability was an accounting error that will not recur. In the future, that entry will be made in October by the Payroll Accountant to ensure timeliness, consistency and most important, proper supervision of the calculations. The capital assets themselves were intentionally kept on the old software through September 30 to ensure a smooth transition at year-end from SunGard to Tyler. Unfortunately, there was an information gap between what was done in the old system and what was needed in the new system to reconcile the ledgers. This responsibility has been assigned to a staff accountant for future entries. Pulling reports and getting information out of the new Tyler system was a challenge for the first year. Having a full year of experience with this new system should result in timely and responsive audit information. Finally, a construction invoice in the amount of \$236,846 was charged to an incorrect year, due to an error in using the new system. The payment was valid, but was incorrectly charged to fiscal year 2014, even though it was identified as a fiscal year 2013 invoice. These latter two problems are effectively resolved due to employees fully understanding how the new system acts and interacts.

2013-02 Capital Asset Reconciliation

During our review of capital assets, we noted that no reconciliation was being performed between the amounts reported at year-end in the City's capital asset listing with amounts reported in the general ledger. As a result, significant adjustments were necessary to properly report amounts in the financial statements. Although the City reconciled additions in the capital asset listing with the general ledger detail, no reconciliation was performed for the capital asset deletions, therefore allowing erroneous entries that were imported into the general ledger from the City's old financial software (where the City's capital asset listing is still being maintained) to go undetected.

We recommend that the City implement procedures to perform this reconciliation as part of the year-end closing process.

Management's Response

The capital asset reconciliation is an important part of closing. Although significant time was spent performing this function at year-end, there were many changes in how the systems were reported and the reconciliations were incomplete. Staff has been self-trained based on the guidance and corrections given by the auditors to ensure that the next year reconciliations will be correct and on time. By no longer having the old system, the reconciliation will be a simpler process that can be accomplished timely and responsibly.