

**THE CITY OF NAPLES, FLORIDA**  
Comprehensive Annual Financial Report  
For the Year Ended September 30, 2014  
(With Independent Auditor's Report Thereon)

Prepared By:  
FINANCE DEPARTMENT

**City of Naples**  
**Principal Officers**  
**September 30, 2014**



Bottom row pictured left to right: City Clerk Pat Rambosk, Mayor John F. Sorey III, Councilwoman Teresa Heitmann, Vice-Mayor Margaret "Dee" Sulick, and Councilman Sam J. Saad III.

Top row pictured left to right: City Attorney Robert Pritt, Councilman Doug Finlay, Councilwoman Linda Penniman, City Manager A. William Moss, and Councilman Bill Barnett.

**Department Directors**

Assistant City Manager	Roger Reinke
Building Director/Building Official	Craig Mole'
Community Services Director	David M. Lykins
Finance Director	Ann Marie S. Ricardi
Fire Chief	Stephen R. McInerny II
Human Resources Director	Denise K. Perez
Planning Director	Robin D. Singer
Police Chief	Thomas Weschler
Streets and Stormwater Director	Gregg Strakaluse
Technology Services Director	Selpan Inc./Mark Jackson

**CITY OF NAPLES, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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*City of Naples*

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March 31, 2015

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, 2014, 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, 2014, 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, 2014, 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:

<b>Member</b>	<b>Term Ends</b>
John F. Sorey III, Mayor	February 2016
Linda Penniman	February 2018
Bill Barnett	February 2016
Doug Finlay	February 2018
Teresa Heitmann	February 2016
Sam Saad III	February 2018
Margaret "Dee" Sulick	February 2016

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. In February, staff develops preliminary future revenue and expenditure estimates and identifies areas of need and concern. During 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 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 ordinance for Fiscal Year 2013-14.

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, an ordinance 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 \$5,000. 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***

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. The city was resilient in the face of the downward trends and is showing signs of recovery.

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.

Fiscal year 2013-14 represented continued growth in the overall economy, as the property values ticked upwards, again. The September 2013 modest increase of 5.6% in taxable value on the wake of the prior year's 2.9% growth showed the resilience of Naples' property. The subsequent growth for FY 14-15 (September 2014) of 6.9% confirmed the return of some stability.

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 and has been steady for several years.

The City continues 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.

During Fiscal Year 2013-14, the City continued its journey to enhance the quality of life for its residents. Some of the events include:

- Baker Park Development – after last year's purchase of 6.7 acres of land adjacent to 8 acres of city property, the design of Baker Park began, with the conceptual master plan approved on March 5, 2014.
- Artificial Reef creation- The City collaborated with Collier County and the City of Marco Island, using a BP Grant and other donations to create multiple reefs offshore to establish marine life habitat.
- Cambier Park playground received a much needed facelift, updating the original pirate and ocean theme with new equipment and planks, a pyramid rope climber and a new spray feature on the pirate ship.
- A pilot decorative stop sign replacement program was initiated, with 70 signs installed at high traffic intersections.
- In February, 2014, construction began on the \$1.3 million Port Royal Dredge project, which will enhance the water transportation for the affected neighborhood

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 10% in August 2014 over August 2013. Tourist tax revenues in Collier County increased by 19% from September 2013 to September 2014. Activity for the three Southwest Florida airports grew 11% over September 2013. Collier County issued 202 single family building permits in October 2014, an increase of 52 percent over October 2013.

### ***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. This report helps guide City policy relating to tax rates and budgets and aid the City in sound long-term planning.

### ***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 seventeenth consecutive year, the City of Naples received the Tree City U.S.A. designation and, for the seventh consecutive year, the City received a Tree City U.S.A. Growth Award. The City of Naples urban forest consists of 20,336 managed hardwood trees and palms on streets, rights-of-way, parks and other public property within the City. Staff planted 233 palms along Gulf Shore Blvd. North as part of the annual Tree Fill-in Program, continuing to 1) Protect and enrich the environment; 2) Maintain and improve neighborhood character; 3) Enhance the appearance of streets within the City; 4) Improve the appearance and urban design of commercial corridors while protecting the residential character and charm of the City.

## **Vision Goal: Make Naples the green jewel of Southwest Florida**

In a community visioning process, the goal of making Naples the green jewel of Southwest Florida was a critical element determined by the community and adopted by City Council. This goal included three objectives: restore Naples Bay, promote sustainability, and establish more green space.

Throughout the year, staff made over 20 presentations to service organizations, homeowner associations, and other groups regarding the environment. Staff provided information in the form of brochures to the public on subjects that include wetlands, sea turtles, mangroves, and rain gardens.

The City collaborated with Collier County and the City of Marco Island in an effort to create artificial reefs in the Gulf of Mexico. The reefs will improve the environment by establishing habitat for marine life, and provide a positive economic impact on the local economy. Funding for the project was obtained from BP grants totaling \$1.3 million.

In 2014, Aquifer Storage and Recovery (ASR) Well 3 was completed. The ASR system at the Wastewater Treatment Plant provides underground storage for excess effluent water from the treatment plant and surface water from the Golden Gate Canal. The use of the Golden Gate Canal surface water reduces the amount of pollutant laden stormwater runoff discharging into the Gordon River by sending it to ASR system for future treatment and re-use for irrigation. Water stored in the ASR wells is recovered to supplement the reclaimed water irrigation system during the dry season.

## **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 & Acoustic Series, Paradise Coastmen Barbershop Chorus, Tribute to Patsy Cline, and nationally known comedians, all performing on stage during the winter season. The Norris Center offers a mix of programs for adults and children throughout the year. For adults, programs such as art, foreign language, computer skills, and a sit and stretch program are offered. In the summer months, the building is full of children's specialty camps that focus on cultural arts and science. The Center continued a partnership with the United Arts Council to use the Art Gallery for monthly art exhibits during season. During off-season, the gallery is reserved by other local artists.

The Norris Center is also the home of Gulfshore Playhouse. This past season, Gulfshore Playhouse welcomed 19,032 patrons, an increase of 29.7% over the previous year. The 2013-14 season was Gulfshore Playhouse's highest-grossing ticket year, breaking all previous box office records.

Fleischmann Park was the headquarters for over 150 summer specialty camps (adding a dozen new ones from last year) with over 1,000 registered campers.

River Park Aquatic Center offered 81 programs, 7 camps, and held 37 rentals. Included were lifeguard training, lifeguard and water safety instructor training, learn to swim classes, swim central classes, swim & snorkel camps, recreational swim team programs, Arthritis Foundation classes, and other water exercise classes. The River Park Aquatic Center was the home pool for Naples High School for the third consecutive season, with two meets hosted. Seacrest Country Day School and The Village School had ongoing rentals, with swim practices for their own swim teams throughout the 2013-14 season.

***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 2013-14 received the GFOA's Distinguished Budget Presentation Award for the ninth 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, 2013.

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,



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A. William Moss  
City Manager



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Ann Marie S. Ricardi  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

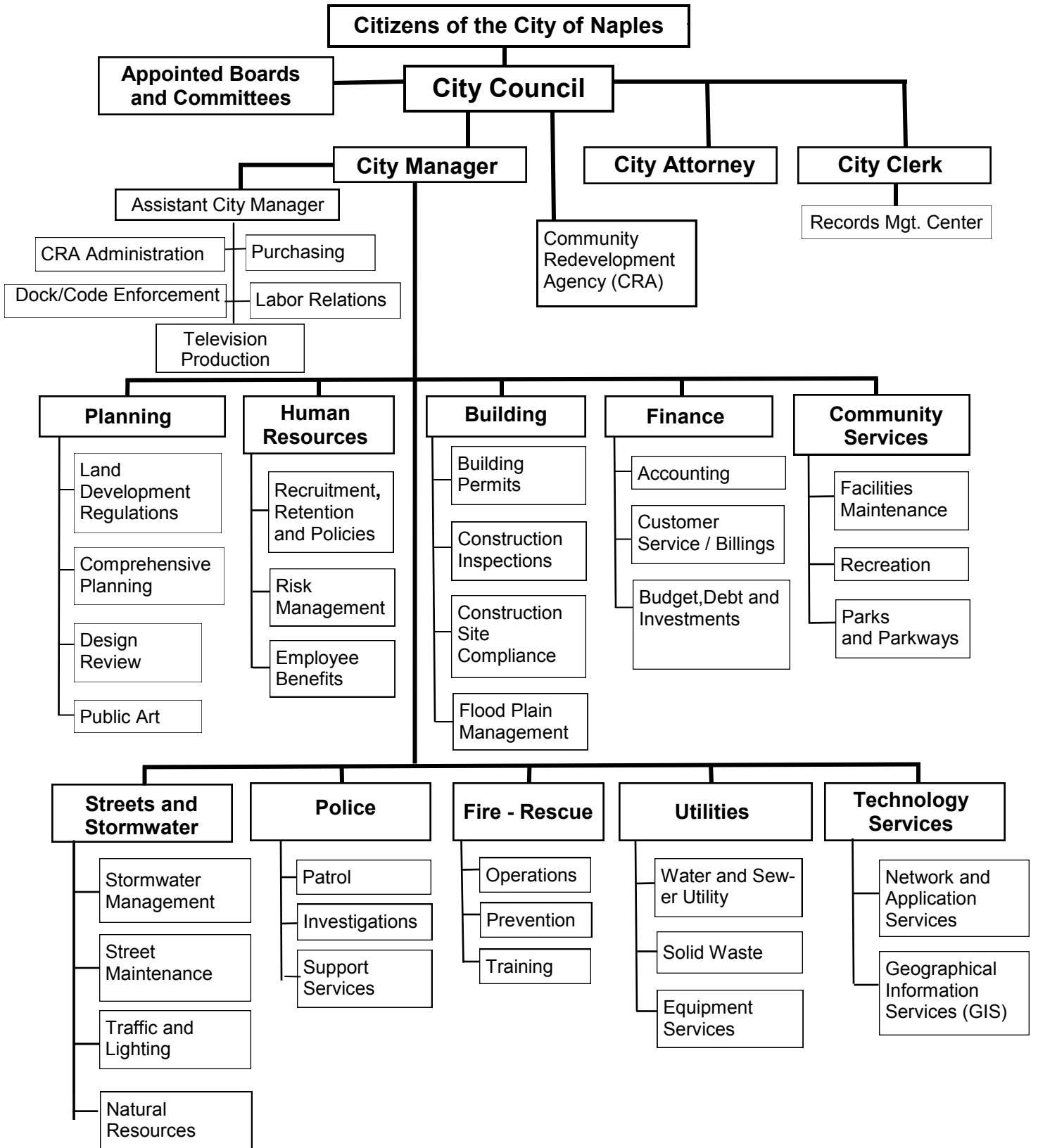
**City of Naples  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

# City of Naples Organizational Chart





## INDEPENDENT AUDITOR'S REPORT

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To the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We 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 as of September 30, 2014, 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 discussed in Note 1, the City's pension trust funds implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* as of October 1, 2013. This standard modified the reporting requirements for financial statements of defined benefit pension plans. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules on pages 5-15 and 110-113, respectively, 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 the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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 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 section and statistical section 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, 2015, 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida  
March 31, 2015

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**The City of Naples, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2014**  
**(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, 2014.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities at September 30, 2014, by \$236.4 million (net position). Of this amount, \$76.8 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 \$16.1 million.
- As of September 30, 2014, the City's governmental activities reported combined ending net position of \$101.0 million. This is an increase of \$5.67 million from the prior year. Approximately 31.5% of this total is unrestricted.
- The City's total debt decreased by \$4.3 million during the current fiscal year due to scheduled debt service payments.

**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)** is focused on the gross and net cost of various functions supported by the City's taxes and other revenues and shows how the City's net position changed during the fiscal year. This statement is intended to summarize and simplify the costs of various governmental services. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Therefore, some revenues and expenditures, such as uncollected taxes and earned but unused vacation leave, may be reported but will result in cash flows in future fiscal periods.

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" proprietary fund 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.

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. 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 Major Enterprise Funds are the Water and Sewer Fund, the Solid Waste Fund, the Stormwater Fund, and Nonmajor Enterprise Funds consist 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, 2014, was \$236.4 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	
	2014	2013	2014	2013	2014	2013
Current and other Assets	57,855	50,518	53,018	48,897	110,873	99,415
Capital Assets	66,417	66,983	111,095	104,684	177,512	171,667
Total Assets	124,272	117,501	164,113	153,581	288,385	271,082
Total deferred outflow of resources	365	415	100	108	465	523
Longterm Liabilities outstanding	19,125	20,024	22,269	24,682	41,394	44,706
Other Liabilities	4,507	2,563	6,527	3,999	11,034	6,562
Total Liabilities	23,632	22,587	28,796	28,681	52,428	51,268
Net Position					-	-
Net investment in Capital Assets	55,246	54,373	90,440	81,292	145,686	135,665
Restricted	13,909	13,908	-	-	13,909	13,908
Unrestricted	31,850	27,048	44,977	43,716	76,827	70,764
Total Net Position	101,005	95,329	135,417	125,008	236,422	220,337

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, \$76.8 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 \$100.2 million. Total expenses, City-wide were \$84.1 million. For the total primary government, including both governmental and business-type activities, net position increased \$16.1 million. Net position for Governmental activities increased by \$5.7 million. Net position for Business-type activities increased by \$10.4 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	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues						
Charges for services	11,973	6,230	46,787	42,486	58,760	48,716
Operating grants and contributions	4,140	2,803	784	557	4,924	3,360
Capital grants and contributions	779	353	1,836	1,388	2,615	1,741
General revenues						
Property taxes	18,540	17,331	-	-	18,540	17,331
Other taxes	8,114	8,925	-	-	8,114	8,925
Franchise fees	3,580	3,300	-	-	3,580	3,300
Intergovernmental revenues	3,158	2,953	-	-	3,158	2,953
Unrestricted investment earnings	233	175	201	90	434	265
Other	77	50	-	-	77	50
<b>Total revenues</b>	<b>50,594</b>	<b>42,120</b>	<b>49,608</b>	<b>44,521</b>	<b>100,202</b>	<b>86,641</b>
<b>Expenses</b>						
General government	7,715	5,301	-	-	7,715	5,301
Public safety	25,970	24,885	-	-	25,970	24,885
Physical and economic environment	2,701	2,793	-	-	2,701	2,793
Transportation	3,089	3,450	-	-	3,089	3,450
Cultural and recreation	7,094	6,942	-	-	7,094	6,942
Interest and fiscal charges	228	397	-	-	228	397
Water and sewer	-	-	24,397	23,833	24,397	23,833
Solid waste	-	-	6,012	5,489	6,012	5,489
Stormwater	-	-	3,088	3,064	3,088	3,064
Other	-	-	3,823	3,474	3,823	3,474
<b>Total expenses</b>	<b>46,797</b>	<b>43,768</b>	<b>37,320</b>	<b>35,860</b>	<b>84,117</b>	<b>79,628</b>
Increase (decrease) in net position						
before transfers	3,797	(1,648)	12,288	8,661	16,085	7,013
Transfers	1,879	2,054	(1,879)	(2,054)	-	-
<b>Change in net position</b>	<b>5,676</b>	<b>406</b>	<b>10,409</b>	<b>6,607</b>	<b>16,085</b>	<b>7,013</b>
Net position, beginning	95,329	94,923	125,008	118,401	220,337	213,324
<b>Net position, ending</b>	<b>101,005</b>	<b>95,329</b>	<b>135,417</b>	<b>125,008</b>	<b>236,422</b>	<b>220,337</b>

The total primary government revenues reported a \$13.5 million or 15% increase over last year's total revenues. The total business-type activities' revenue increased \$5 million. Revenue from governmental activities show a \$8.4 million increase. The primary reasons for the increase in governmental activity revenue are as follows:

- An increase in charges for services of \$5.7 million is related to increased permit fees and impact fees (\$1 million) and Special Assessment payments (Port Royal of \$1.5 million).
- An increase in grants and donations of \$1.3 million (Baker Park donations were \$2.2 million).
- Property taxes increased \$1.2 million due to taxable value growth.

Business-type activities showed an increase in revenues in the amount of \$5.1 million or 11% over the revenues of 2013. Charges for services provided the most significant part of that increase. Revenue in the three non major enterprise funds (which are recreational based funds), increased \$.3 million due to the improved economy. The balance of the increases can be attributed to the three utilities, Water/Sewer, Solid Waste and Stormwater.

The total primary government’s expenses increased \$4.5 million or 6%. Governmental activities reported a 7% increase in expenses, with business-type activities reporting a 4% 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 \$46.8 million. As shown in the Statement of Activities on page 20, the net cost that was ultimately paid through taxes was \$29.9 million. The \$16.9 million of costs for governmental activities not covered by general revenues was provided by:

- \$11.97 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.
- \$4.14 million in operating grants and contributions, including \$1.4 million from Collier County’s share of the Community Redevelopment tax increment financing, 2.2 million in Baker Park donations, and the remaining from other grants.
- \$0.78 million in capital grants and contributions, which includes \$.44 million from impact fees, and the balance from other grants.

The total cost of all governmental activities this year increased 7%, due primarily to public safety cost increases and general government (all other) increases.

**Table 3**  
Governmental Activities  
(In Thousands)

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
Public safety	25,970	24,885	20,700	20,305
Physical and economic environment	2,701	2,793	(1,368)	170
Transportation	3,089	3,450	2,492	3,087
Cultural and recreation	7,094	6,942	3,863	6,047
All others	7,943	5,698	4,218	4,773
	<u>46,797</u>	<u>43,768</u>	<u>29,905</u>	<u>34,382</u>

**Business-type Activities**

Revenues of the City’s business-type activities (see Table 2) totaled \$49.6 million.

The Water and Sewer Fund represents 65% of the business-type activities’ expenses. Total water and sewer operating revenues were \$3.3 million higher than last year, while operating expenses were up \$.6 million over last year.

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 scheduled annual increases (which were 1.63% and 1.06%, respectively for fiscal year 2013-2014) 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, 2014, the City's governmental funds reported combined ending fund balances of \$41.678 million, an increase of \$4.23 million in comparison with the prior year. Approximately 28% of this total (or \$11.7 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 (\$5.5 million); (2) restricted for building and zoning (\$6.0 million); (3) restricted for transportation (\$3.4 million); (4) restricted for economic development (\$2.45 million); (5) committed for City-wide emergencies (\$3.4 million); (6) assigned to meet debt service requirements (\$2.1 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 \$11.44 million, while the total fund balance was \$16.07 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 33% of the total fiscal year 2014 General Fund expenditures, while total fund balance represents 46% of that same amount.

General Fund expenditures were \$.785 million under the amended budget. 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 increased by \$1.6 million during the fiscal year. There were no extraordinary items contributing to this, simply revenues higher than budgeted and expenditures lower than budgeted.

The Debt Service Fund reports a total fund balance of \$2.15 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 \$.46 million, due to utility tax on electricity being higher than expected. Taxes received in this fund first pay for the general government debt, and the balance may be used to provide funds for general government capital projects. This year the amount transferred to fund capital projects was \$2.212 million.

The Capital Projects Fund reports a total fund balance of \$5.5 million, \$5.2 million is assigned for future capital projects, and \$332 thousand is nonspendable as advances or loans. Fund balance decreased by \$591 thousand.

The fund balance in the Community Redevelopment Fund decreased \$24 thousand in 2014 with an ending fund balance of \$2.4 million. As a fund with major capital goals, the fund balance will be directed toward future capital projects identified in the Redevelopment Plan, specifically the Central Avenue project.

The fund balance in the Streets and Traffic Fund decreased \$170 thousand in 2014 with an ending fund balance of \$3.49 million. The key factor was the appropriation of some prior year reserves for ongoing annual overlay program and capital purchase.

The combined fund balances for all governmental (major and non-major) funds increased by \$4.23 million for fiscal year 2014 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 \$25.5 million in the Water and Sewer Fund, \$2.7 million in the Solid Waste Fund, \$12.1 million in the Stormwater Fund, \$3.07 million in the Naples Beach Fund, \$679 thousand in the City Dock Fund and \$247 thousand in the Tennis Fund.

### **General Fund Budgetary Highlights**

The adopted budget for Fiscal Year 2013-14 was \$34,889,493 in expenditures and other financing uses and \$34,986,636 in revenues and other financing sources, with the difference of \$97,143 being a planned increase in fund balance. The amended budget for FY 2013-14 is \$35,496,776 in expenditures, and \$35,048,964 in revenues with a variance of \$447,812 being a planned use of fund balance. Contingency was budgeted at \$350,000. Of that, \$103,700 was appropriated by Council for Blue Ribbon Committee recommendations (\$19,200), HVAC improvements (\$66,500), and forms upgrades (\$18,000).

The increase between the General Fund's original budgeted revenue and the final budgeted revenue is \$62,328. This includes an increase of \$3,374 for a Police Grant and \$58,954 for the Insurance Premium Taxes, which were under budgeted.

The increase between the General Fund's original budgeted expenditures and the amended budgeted expenditures is \$503,583. This includes (a) an increase of \$3,374 for a Turtle Grant; (b) \$58,954 for the Insurance Premium Taxes, (c) \$299,000 was to increase funds related to the negotiated IAFF contract, (d) \$7,620 for a prior year commitment, and (e) \$134,635 was for prior year encumbrances.

## Capital Assets and Debt Administration

### Capital Assets

The City as of year-end had \$177.4 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 \$5.79 million or 3.4% over last year.

**Table 4**  
Capital Assets at Year-End  
(In Thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	16,418	16,377	3,142	3,141	19,560	19,518
Buildings	38,173	37,996	61,545	61,515	99,718	99,511
Improvements other than buildings	36,963	35,332	51,535	47,547	88,498	82,879
Infrastructure	31,736	31,993	99,940	94,313	131,676	126,306
Machinery and equipment	19,529	17,542	20,012	18,080	39,541	35,622
Construction in progress	434	518	6,530	3,991	6,964	4,509
Less accumulated depreciation	(76,836)	(72,775)	(131,610)	(123,903)	(208,446)	(196,678)
Total	<u>66,417</u>	<u>66,983</u>	<u>111,094</u>	<u>104,684</u>	<u>177,511</u>	<u>171,667</u>

This year's major additions are in the Business type activities and include:

- Reclaimed Water Distribution Expansion \$4.2 million
- Royal Harbor Water System Improvements \$.8 million
- Golden Gate Raw Water Main \$.6 million
- Water Reuse Facility Instrumentation \$.3 million

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 \$32.291 million in debt (bonds, notes, etc.) outstanding compared to \$36.525 million in 2013, a \$4.2 million decrease. This decrease is due to regular amortization in accordance with the payment schedules.

**Table 5**  
Outstanding Debt at Year-end

	2014	2013
Governmental		
General obligation bonds	-	-
Capital improvement refunding revenue note	11,536,000	13,025,000
Unamortized discount	-	-
Subtotal	11,536,000	13,025,000
Business-type		
Public Utilities refunding revenue bonds	20,675,431	23,360,227
Capital improvement refunding revenue note	80,000	140,000
Subtotal	20,755,431	23,500,227
Total	32,291,431	36,525,227

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 2014, the City Council approved a \$132.4 million budget for fiscal year 2014-15, approximately \$10.4 million more than the fiscal year 2013-14 budget. The budget includes \$97.1 million for operations and transfers and \$35.3 million for capital improvements.

The adopted fiscal year 2014-15 budget continues the City's fiscally conservative approach to budget development, while providing quality services to the citizens.

The budget for fiscal year 2014-15 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 2014-15 budget was balanced using a millage rate of 1.1800, which is 5.37% greater than the rolled back rate of 1.1199. 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 2014-15.

- The City showed the second year of increase in taxable value (after four consecutive years of decline) as values increased 6.9% over fiscal year 2013-14 to \$16.914 billion.
- Flat growth rates are expected for most other revenue sources, including investment earnings.
- The City has five union contracts for its employees. A 2% raise was approved for employees.
- The budget has a net increase of 2.2 positions over fiscal year 2014-15.
- There are no debt issues planned in fiscal year 2014-15
- Capital includes \$14.6 million for the development of the new Baker Park, \$7.3 million of water/sewer projects, \$2.9 million in stormwater projects, \$1.35 million for beach related improvements, including a \$305,000 for parking meters and \$892,000 for pier decking. Other capital improvements include \$625,000 for the air conditioning at the Police Department, \$400,000 to design the new fire station and \$250,000 for a Fire Quick Response vehicle.

## **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](mailto: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](http://www.naplesgov.com).

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF NAPLES, FLORIDA**  
Statement of Net Position  
September 30, 2014

<b>Assets</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash and investments	\$ 53,568,707	39,923,735	93,492,442
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	1,916,315	9,023,260	10,939,575
Special assessments	34,432	71,201	105,633
Utility taxes	284,348	-	284,348
Miscellaneous	2,955	-	2,955
Accrued interest	108,786	44,999	153,785
Internal balances	(1,195,001)	1,195,001	-
Due from other governments	525,073	1,387,803	1,912,876
Inventories	133,234	913,468	1,046,702
Prepaid items	356,990	-	356,990
Restricted assets			
Cash and investments	-	457,888	457,888
Net pension assets	2,119,314	-	2,119,314
Capital assets			
Land and land improvements	16,418,277	3,141,603	19,559,880
Buildings and utility plants	38,172,910	61,545,217	99,718,127
Improvements other than buildings	36,962,908	51,535,339	88,498,247
Infrastructure	31,735,904	99,940,177	131,676,081
Equipment	19,529,459	20,011,834	39,541,293
Accumulated depreciation	(76,836,301)	(131,609,690)	(208,445,991)
Construction in progress	434,245	6,530,108	6,964,353
Net capital assets	<u>66,417,402</u>	<u>111,094,588</u>	<u>177,511,990</u>
Total assets	<u>124,272,555</u>	<u>164,111,943</u>	<u>288,384,498</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	<u>364,654</u>	<u>100,443</u>	<u>465,097</u>

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

**CITY OF NAPLES, FLORIDA**

Statement of Net Position

September 30, 2014

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 3,910,367	4,213,226	8,123,593
Due to other governments	314,162	1,646,716	1,960,878
Unearned revenue	177,510	333,003	510,513
Customer deposits	89,787	39,069	128,856
Accrued interest payable	15,392	-	15,392
Liabilities payable from restricted assets			
Customer deposits	-	294,676	294,676
Total current liabilities	<u>4,507,218</u>	<u>6,526,690</u>	<u>11,033,908</u>
Noncurrent liabilities			
Revenue bonds payable, net of unamortized discounts and premiums			
Due within one year	1,489,000	2,790,194	4,279,194
Due in more than one year	10,047,000	17,965,235	28,012,235
Compensated absences			
Due within one year	387,326	185,000	572,326
Due in more than one year	2,150,508	674,805	2,825,313
Other post-employment benefits	1,469,946	653,805	2,123,751
Claims payable			
Due within one year	1,058,203	-	1,058,203
Due in more than one year	2,523,200	-	2,523,200
Total noncurrent liabilities	<u>19,125,183</u>	<u>22,269,039</u>	<u>41,394,222</u>
Total liabilities	<u>23,632,401</u>	<u>28,795,729</u>	<u>52,428,130</u>
<b>Net Position</b>			
Net investment in capital assets	55,246,056	90,439,602	145,685,658
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	31,850,608	44,977,055	76,827,663
Total net position	<u>\$ 101,004,808</u>	<u>135,416,657</u>	<u>236,421,465</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, 2014**

	<b>Expenses</b>	<b>Indirect Expenses Allocation</b>
Functions/programs		
Governmental activities		
General government	\$ 10,452,225	(2,736,970)
Public safety	25,593,584	375,920
Physical and economic environment	2,604,718	96,720
Transportation	2,984,484	104,750
Culture and recreation	7,093,524	-
Interest	227,976	-
Total governmental activities	48,956,511	(2,159,580)
Business-type activities		
Water and sewer	23,016,647	1,380,700
Solid waste	5,648,617	363,020
Stormwater	2,875,179	212,960
Beach	1,453,385	118,180
Dock	1,607,850	46,630
Tennis	558,708	38,090
Total business-type activities	35,160,386	2,159,580
Total primary government	\$ 84,116,897	-

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
3,724,592	-	-	(3,990,663)	-	(3,990,663)
4,940,975	-	328,945	(20,699,584)	-	(20,699,584)
17,616	3,976,384	75,682	1,368,244	-	1,368,244
104,501	153,994	339,032	(2,491,707)	-	(2,491,707)
3,185,180	9,628	35,444	(3,863,272)	-	(3,863,272)
-	-	-	(227,976)	-	(227,976)
<u>11,972,864</u>	<u>4,140,006</u>	<u>779,103</u>	<u>(29,904,958)</u>	<u>-</u>	<u>(29,904,958)</u>
32,117,638	-	1,835,613	-	9,555,904	9,555,904
6,102,494	-	-	-	90,857	90,857
5,039,675	250,000	-	-	2,201,536	2,201,536
1,209,986	534,245	-	-	172,666	172,666
1,785,141	-	-	-	130,661	130,661
531,792	-	-	-	(65,006)	(65,006)
<u>46,786,726</u>	<u>784,245</u>	<u>1,835,613</u>	<u>-</u>	<u>12,086,618</u>	<u>12,086,618</u>
<u>58,759,590</u>	<u>4,924,251</u>	<u>2,614,716</u>	<u>(29,904,958)</u>	<u>12,086,618</u>	<u>(17,818,340)</u>
General revenues					
Property taxes			18,539,883	-	18,539,883
Local communication and utility taxes			5,241,319	-	5,241,319
Insurance premium tax			1,412,980	-	1,412,980
Motor fuel taxes			1,190,133	-	1,190,133
Business tax			269,562	-	269,562
Franchise fees			3,579,771	-	3,579,771
Intergovernmental revenues—unrestricted			3,158,266	-	3,158,266
Unrestricted investment earnings			232,811	200,556	433,367
Gain on sale of capital assets			1,655	-	1,655
Miscellaneous revenues			75,086	-	75,086
Transfers			<u>1,878,880</u>	<u>(1,878,880)</u>	<u>-</u>
Total general revenues and transfers			<u>35,580,346</u>	<u>(1,678,324)</u>	<u>33,902,022</u>
Change in net position			5,675,388	10,408,294	16,083,682
Net position, beginning			95,329,420	125,008,363	220,337,783
Net position, ending			<u>\$ 101,004,808</u>	<u>135,416,657</u>	<u>236,421,465</u>

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

**CITY OF NAPLES, FLORIDA**

Balance Sheet  
Governmental Funds  
September 30, 2014

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and investments	\$ 15,734,753	1,871,574	5,588,960
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	1,910,040	-	-
Special assessments	-	-	34,432
Utility taxes	-	284,348	-
Accrued interest	49,384	-	15,211
Advances due from other funds	386,986	-	332,004
Due from other governments	374,826	-	-
Inventories	-	-	-
Prepaid items	338,402	-	-
<b>Total assets</b>	<u><u>\$ 18,794,391</u></u>	<u><u>\$ 2,155,922</u></u>	<u><u>\$ 5,970,607</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 1,845,157	8,336	402,292
Accrued payroll	678,419	-	-
Due to other governments	12,244	-	-
Advances payable to other funds	-	-	-
Unearned revenue	177,022	-	-
Customer deposits	-	-	-
<b>Total liabilities</b>	<u><u>2,712,842</u></u>	<u><u>8,336</u></u>	<u><u>402,292</u></u>
<b>Deferred inflows of resources</b>			
Unavailable revenue	<u>12,678</u>	<u>-</u>	<u>34,432</u>
<b>Fund balances</b>			
Nonspendable	725,388	-	332,004
Restricted	13,791	-	-
Committed	3,597,298	-	1,442,104
Assigned	293,132	2,147,586	3,759,775
Unassigned	11,439,262	-	-
<b>Total fund balances</b>	<u><u>16,068,871</u></u>	<u><u>2,147,586</u></u>	<u><u>5,533,883</u></u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u><u>\$ 18,794,391</u></u>	<u><u>2,155,922</u></u>	<u><u>5,970,607</u></u>

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

<b>Community Redevelopment Fund</b>	<b>Streets and Traffic Fund</b>	<b>Other Nonmajor Governmental Fund</b>	<b>Total</b>
2,655,835	3,625,562	14,019,848	43,496,532
-	-	6,275	1,916,315
-	-	-	34,432
-	-	-	284,348
11,773	7,846	17,113	101,327
-	28,026	-	747,016
-	86,757	61,061	522,644
-	30,241	-	30,241
-	-	-	338,402
<u>\$ 2,667,608</u>	<u>\$ 3,778,432</u>	<u>\$ 14,104,297</u>	<u>\$ 47,471,257</u>
110,950	279,233	202,535	2,848,503
19,120	11,646	74,287	783,472
-	-	301,918	314,162
83,008	-	1,328,016	1,411,024
-	-	-	177,022
-	-	89,787	89,787
<u>213,078</u>	<u>290,879</u>	<u>1,996,543</u>	<u>5,623,970</u>
-	-	121,930	169,040
-	58,267	-	1,115,659
2,454,530	3,429,286	9,934,697	15,832,304
-	-	1,754,767	6,794,169
-	-	55,591	6,256,084
-	-	240,769	11,680,031
<u>2,454,530</u>	<u>3,487,553</u>	<u>11,985,824</u>	<u>41,678,247</u>
<u>2,667,608</u>	<u>3,778,432</u>	<u>14,104,297</u>	<u>47,471,257</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, 2014

Total fund balances governmental funds (page 23)	\$ 41,678,247
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 (\$66,363,688) less amounts included in the internal service funds (\$984,850).	65,432,552
Some deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	169,040
The net pension assets and deferred outflows of resources are not available and, therefore, are not reported in the governmental funds.	2,483,968
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 (\$19,125,183) less amounts reported in the internal service funds (\$3,809,155).	(15,316,028)
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.	6,572,421
Net position of governmental activities (page 21)	<u>\$ 101,004,808</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, 2014

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>			
Taxes	\$ 21,005,562	3,415,906	-
Permits, fees and assessments	3,692,334	-	45,072
Intergovernmental	3,564,434	-	-
Charges for services	1,779,310	-	-
Charges to other funds	3,358,100	-	-
Fines and forfeitures	183,258	-	-
Interest	85,038	(13)	38,333
Donations	-	-	-
Miscellaneous	16,614	-	269
<b>Total revenues</b>	<b>33,684,650</b>	<b>3,415,893</b>	<b>83,674</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	8,097,101	62,700	72,311
Public safety	20,803,431	-	40,578
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	5,703,448	-	16,420
<b>Capital outlay</b>			
General government	-	-	1,259,310
Public safety	31,894	-	868,756
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	-	-	958,013
<b>Debt service</b>			
Principal	-	1,489,000	-
Interest and fiscal charges	-	174,969	-
<b>Total expenditures</b>	<b>34,635,874</b>	<b>1,726,669</b>	<b>3,215,388</b>
<b>Excess (deficiency) of revenues over     (under) expenditures</b>	<b>(951,224)</b>	<b>1,689,224</b>	<b>(3,131,714)</b>
<b>Other financing sources (uses)</b>			
Transfers in	2,149,480	982,770	2,687,456
Transfers out	(47,500)	(2,212,000)	(150,000)
Proceeds from sale of capital assets	5,904	-	3,756
<b>Total other financing sources (uses)</b>	<b>2,107,884</b>	<b>(1,229,230)</b>	<b>2,541,212</b>
<b>Change in fund balances</b>	<b>1,156,660</b>	<b>459,994</b>	<b>(590,502)</b>
<b>Fund balances, beginning of year</b>	<b>14,912,211</b>	<b>1,687,592</b>	<b>6,124,385</b>
<b>Fund balances, end of year</b>	<b>\$ 16,068,871</b>	<b>2,147,586</b>	<b>5,533,883</b>

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

<b>Community Redevelopment Fund</b>	<b>Streets and Traffic Fund</b>	<b>Other Nonmajor Governmental Fund</b>	<b>Total</b>
501,332	1,490,133	240,944	26,653,877
-	369,632	6,290,730	10,397,768
1,514,400	368,856	108,974	5,556,664
-	-	32,088	1,811,398
-	-	-	3,358,100
-	-	12,091	195,349
14,819	20,946	40,648	199,771
-	-	2,342,947	2,342,947
20	38	18,522	35,463
<u>2,030,571</u>	<u>2,249,605</u>	<u>9,086,944</u>	<u>50,551,337</u>
-	-	17,747	8,249,859
-	-	3,574,382	24,418,391
990,804	-	350,210	1,341,014
-	2,072,385	-	2,072,385
-	-	135,318	5,855,186
-	-	-	1,259,310
-	-	174,651	1,075,301
78,720	-	804,870	883,590
-	347,850	-	347,850
-	-	13,452	971,465
-	-	-	1,489,000
2,710	-	-	177,679
<u>1,072,234</u>	<u>2,420,235</u>	<u>5,070,630</u>	<u>48,141,030</u>
<u>958,337</u>	<u>(170,630)</u>	<u>4,016,314</u>	<u>2,410,307</u>
-	-	-	5,819,706
(982,770)	-	(618,556)	(4,010,826)
-	886	319	10,865
<u>(982,770)</u>	<u>886</u>	<u>(618,237)</u>	<u>1,819,745</u>
(24,433)	(169,744)	3,398,077	4,230,052
<u>2,478,963</u>	<u>3,657,297</u>	<u>8,587,747</u>	<u>37,448,195</u>
<u>2,454,530</u>	<u>3,487,553</u>	<u>11,985,824</u>	<u>41,678,247</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 Statement of Revenues,  
 Expenditures and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 Year Ended September 30, 2014

Net change in fund balances—total governmental funds (page 27)	\$ 4,230,052
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(674,480)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	26,675
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 of debt payments made in the current period.	1,489,000
Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	(44,389)
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.	(446,936)
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.	1,095,466
Change in net position of governmental activities (page 21)	<u>\$ 5,675,388</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, 2014

<b>Assets</b>	<b>Business-type Activities—Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>
Current assets			
Cash and investments	\$ 22,122,098	2,109,105	11,596,036
Restricted cash and investments	269,306	-	163,212
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	6,733,218	1,146,478	1,092,687
Special assessments	71,201	-	-
Accrued interest	20,419	8,168	7,922
Advances due from other funds	332,004	-	332,004
Due from other governments	1,243,400	5,383	3,000
Prepaid items	-	-	-
Inventories	888,276	-	-
Total current assets	<u>31,679,922</u>	<u>3,269,134</u>	<u>13,194,861</u>
Capital assets			
Land	1,761,684	1,145,053	234,866
Buildings and utility plants	59,101,253	528,790	-
Improvements other than buildings	40,249,136	4,401,066	-
Infrastructure	75,310,644	-	24,629,533
Equipment	14,101,432	4,024,731	541,753
Accumulated depreciation	(105,863,970)	(4,174,512)	(12,427,481)
Construction in progress	5,252,376	-	1,277,732
Net capital assets	<u>89,912,555</u>	<u>5,925,128</u>	<u>14,256,403</u>
Total assets	<u>121,592,477</u>	<u>9,194,262</u>	<u>27,451,264</u>
<b>Deferred Outflow of Resources</b>			
Deferred charge on refunding	<u>100,443</u>	<u>-</u>	<u>-</u>

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

<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities– Internal Service Funds</u>
4,096,496	39,923,735	10,072,175
25,370	457,888	-
50,877	9,023,260	2,955
-	71,201	-
8,490	44,999	7,459
-	664,008	-
136,020	1,387,803	2,429
-	-	18,588
25,192	913,468	102,993
<u>4,342,445</u>	<u>52,486,362</u>	<u>10,206,599</u>
-	3,141,603	-
1,915,174	61,545,217	831,246
6,885,137	51,535,339	-
-	99,940,177	-
1,343,918	20,011,834	2,402,453
(9,143,727)	(131,609,690)	(2,248,849)
-	6,530,108	-
<u>1,000,502</u>	<u>111,094,588</u>	<u>984,850</u>
<u>5,342,947</u>	<u>163,580,950</u>	<u>11,191,449</u>
-	100,443	-

(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, 2014

	<b>Business-type Activities—Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 2,729,487	195,131	902,279
Accrued payroll	203,565	58,585	24,887
Due to other funds	-	-	-
Due to other governments	1,646,716	-	-
Unearned revenue	244,678	-	-
Accrued interest payable	36,901	-	1,981
Current portion of compensated absences	100,000	50,000	10,000
Current maturities of long-term debt	2,417,763	-	312,431
Insurance claims payable	-	-	-
Total payable from current assets	<u>7,379,110</u>	<u>303,716</u>	<u>1,251,578</u>
Current liabilities (payable from restricted assets)			
Customer deposits	269,306	-	-
Total current liabilities	<u>7,648,416</u>	<u>303,716</u>	<u>1,251,578</u>
Noncurrent liabilities			
Due in more than one year			
Revenue bonds payable, net of unamortized discounts and premiums	16,792,466	-	1,152,769
Compensated absences	505,115	81,292	36,591
Other post-employment benefits	451,958	113,599	36,060
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>17,749,539</u>	<u>194,891</u>	<u>1,225,420</u>
Total liabilities	<u>25,397,955</u>	<u>498,607</u>	<u>2,476,998</u>
<b>Net Position</b>			
Net investment in capital assets	70,802,769	5,925,128	12,791,203
Restricted for flexible benefits	-	-	-
Unrestricted	25,492,196	2,770,527	12,183,063
Net assets of business-type activities	<u>\$ 96,294,965</u>	<u>8,695,655</u>	<u>24,974,266</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.



<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities— Internal Service Funds</u>
70,127	3,897,024	245,174
29,165	316,202	33,218
-	-	-
-	1,646,716	-
88,325	333,003	488
187	39,069	-
25,000	185,000	25,266
60,000	2,790,194	-
-	-	1,058,203
<u>272,804</u>	<u>9,207,208</u>	<u>1,362,349</u>
25,370	294,676	-
<u>298,174</u>	<u>9,501,884</u>	<u>1,362,349</u>
20,000	17,965,235	-
51,807	674,805	117,709
52,188	653,805	84,777
-	-	2,523,200
<u>123,995</u>	<u>19,293,845</u>	<u>2,725,686</u>
<u>422,169</u>	<u>28,795,729</u>	<u>4,088,035</u>
920,502	90,439,602	847,377
-	-	309,506
4,000,276	44,446,062	5,946,531
<u>4,920,778</u>	<u>134,885,664</u>	<u>7,103,414</u>
	<u>530,993</u>	
	<u>\$ 135,416,657</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, 2014

	<b>Business-type Activities—Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>
Operating revenues			
Charges for services			
Water revenues	\$ 17,668,979	-	-
Sewer revenues	14,018,179	-	-
Other	430,480	6,102,494	5,039,675
Total operating revenues	<u>32,117,638</u>	<u>6,102,494</u>	<u>5,039,675</u>
Operating expenses			
Personal services	7,561,378	1,873,560	1,014,124
Supplies, services and claims	4,376,311	3,232,066	433,662
Materials	2,032,667	-	-
Utilities	1,917,263	8,060	21,306
Depreciation and amortization	6,416,582	506,557	1,361,055
General administration	1,380,700	363,020	212,960
Other	381,280	58,925	26,342
Total operating expenses	<u>24,066,181</u>	<u>6,042,188</u>	<u>3,069,449</u>
Operating income (loss)	<u>8,051,457</u>	<u>60,306</u>	<u>1,970,226</u>
Nonoperating revenues (expenses)			
Operating grants	-	-	250,000
Interest income	108,002	27,706	43,723
Interest expense	(440,472)	-	(21,529)
Gain (loss) on sale of capital assets	9,285	16,685	-
Total nonoperating revenues (expenses)	<u>(323,185)</u>	<u>44,391</u>	<u>272,194</u>
Income (loss) before contributions and transfers	7,728,272	104,697	2,242,420
Capital contributions	1,835,613	-	-
Transfers in	47,700	-	47,700
Transfers out	(1,743,340)	(358,440)	-
Change in net position	<u>7,868,245</u>	<u>(253,743)</u>	<u>2,290,120</u>
Net position, beginning of year (restated)	88,426,720	8,949,398	22,684,146
Net position, end of year	<u>\$ 96,294,965</u>	<u>8,695,655</u>	<u>24,974,266</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>
-	17,668,979	-
-	14,018,179	-
3,526,919	15,099,568	14,144,117
<u>3,526,919</u>	<u>46,786,726</u>	<u>14,144,117</u>
1,218,932	11,667,994	1,532,506
1,945,758	9,987,797	10,741,885
-	2,032,667	-
169,549	2,116,178	24,742
213,926	8,498,120	331,573
202,900	2,159,580	388,172
82,477	549,024	5,320
<u>3,833,542</u>	<u>37,011,360</u>	<u>13,024,198</u>
<u>(306,623)</u>	<u>9,775,366</u>	<u>1,119,919</u>
534,245	784,245	-
21,125	200,556	33,041
(1,640)	(463,641)	-
(85)	25,885	1,655
<u>553,645</u>	<u>547,045</u>	<u>34,696</u>
247,022	10,322,411	1,154,615
-	1,835,613	-
127,500	222,900	70,000
-	(2,101,780)	-
<u>374,522</u>	<u>10,279,144</u>	<u>1,224,615</u>
4,546,256		5,878,799
<u>4,920,778</u>		<u>7,103,414</u>
	129,150	
	<u>\$ 10,408,294</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, 2014

	<b>Business-type Activities—Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>
Cash flows from operating activities			
Cash received from customers	\$ 27,186,686	5,558,631	4,700,601
Cash payments to suppliers	(6,658,501)	(3,709,566)	241,372
Cash payments to employees for services	(7,285,736)	(1,801,013)	(966,322)
Cash payments for interfund services	(1,380,700)	(363,020)	(212,960)
Net cash provided by operating activities	<u>11,861,749</u>	<u>(314,968)</u>	<u>3,762,691</u>
Cash flows from noncapital financing activities			
Transfers in (out)	(1,695,640)	(358,440)	47,700
Operating grants	-	-	250,000
Net cash provided by (used in) noncapital financing activities	<u>(1,695,640)</u>	<u>(358,440)</u>	<u>297,700</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(2,376,176)	-	(308,621)
Interest paid on long-term debt	(433,032)	-	(21,529)
Capital contributions	1,835,613	-	-
Proceeds from sale of capital assets	12,239	71,071	-
Acquisition and construction of capital assets	(10,629,322)	(1,937,321)	(2,203,383)
Net cash used in capital and related financing activities	<u>(11,590,678)</u>	<u>(1,866,250)</u>	<u>(2,533,533)</u>
Cash flows from investing activities			
Interest and investment earnings	101,312	26,806	39,766
Net cash provided by investing activities	<u>101,312</u>	<u>26,806</u>	<u>39,766</u>
Net increase in cash and cash equivalents	(1,323,257)	(2,512,852)	1,566,624
Cash and cash equivalents, beginning of year	23,714,661	4,621,957	10,192,624
Cash and cash equivalents, end of year	<u>\$ 22,391,404</u>	<u>2,109,105</u>	<u>11,759,248</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 8,051,457	60,306	1,970,226
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	6,416,582	506,557	1,361,055
Changes in assets and liabilities			
(Increase) decrease in accounts receivable, net	(3,615,972)	(539,206)	(597,232)
(Increase) decrease in miscellaneous receivables	-	-	-
(Increase) decrease in due from other governments	(1,243,400)	(4,657)	258,158
(Increase) decrease in inventories	(154,143)	-	-
(Increase) decrease in prepaid items	10,000	3,402	-
Increase (decrease) in accounts payable	1,117,448	(413,917)	722,682
Increase (decrease) in accrued payroll	44,696	21,204	3,731
Increase (decrease) in due to other governments	1,075,715	-	-
Increase (decrease) in unearned revenue	(26,908)	-	-
Increase (decrease) in customer deposits	(44,672)	-	-
Increase (decrease) in insurance claims payable	-	-	-
Increase (decrease) in other post-employment benefits	113,653	28,354	12,342
Increase (decrease) in compensated absences	117,293	22,989	31,729
Net cash provided (used) by operating activities	<u>\$ 11,861,749</u>	<u>(314,968)</u>	<u>3,762,691</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.

<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities– Internal Service Funds</u>
3,552,760	40,998,678	14,144,595
(2,175,124)	(12,301,819)	(10,645,020)
(1,212,524)	(11,265,595)	(1,454,511)
(202,900)	(2,159,580)	(388,172)
<u>(37,788)</u>	<u>15,271,684</u>	<u>1,656,892</u>
127,500	(1,878,880)	70,000
<u>534,245</u>	<u>784,245</u>	<u>-</u>
<u>661,745</u>	<u>(1,094,635)</u>	<u>70,000</u>
(60,000)	(2,744,797)	-
(1,640)	(456,201)	-
-	1,835,613	-
306	83,616	1,655
<u>(196,048)</u>	<u>(14,966,074)</u>	<u>(414,034)</u>
<u>(257,382)</u>	<u>(16,247,843)</u>	<u>(412,379)</u>
19,386	187,270	30,168
<u>19,386</u>	<u>187,270</u>	<u>30,168</u>
385,961	(1,883,524)	1,344,681
<u>3,735,905</u>	<u>42,265,147</u>	<u>8,727,494</u>
<u>4,121,866</u>	<u>40,381,623</u>	<u>10,072,175</u>
(306,623)	9,775,366	1,119,919
213,926	8,498,120	331,573
(4,608)	(4,757,018)	-
-	-	(2,197)
25,720	(964,179)	2,675
442	(153,701)	20,040
-	13,402	23,691
22,216	1,448,429	18,476
578	70,209	570
-	1,075,715	-
5,554	(21,354)	383
(825)	(45,497)	-
-	-	64,337
12,596	166,945	18,476
<u>(6,766)</u>	<u>165,245</u>	<u>58,949</u>
<u>(37,790)</u>	<u>15,271,682</u>	<u>1,656,892</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, 2014

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,351,614	4,744
Contributions receivable	1,468,733	-
Investments, at fair value		
U.S. Treasury securities	3,304,943	-
U.S. Government agency securities	4,799,280	-
Municipal obligations	663,889	-
Asset-backed securities	4,546,188	-
Corporate bonds	12,779,212	-
Common stock/equity funds	89,270,862	-
Real estate investment trusts	5,855,465	-
Mutual funds	8,230,358	-
Alternative investments	12,758,795	-
Total investments	142,208,992	-
Total assets	147,029,339	4,744
<b>Liabilities</b>		
Accounts payable	351,806	4,744
Total liabilities	351,806	4,744
<b>Net position</b>		
Restricted for pension benefits	\$ 146,677,533	-

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, 2014

	<u><b>Pension Trust Funds</b></u>
Additions	
Contributions	
Employee contributions	\$ 1,497,461
Employer contributions	5,207,376
State contributions	1,412,980
Total contributions	<u>8,117,817</u>
Investment earnings	
Interest and dividend income	2,718,185
Net change in fair value of investments	14,368,399
Less investment expense	<u>(737,662)</u>
Net investment earnings	<u>16,348,922</u>
Total additions	<u>24,466,739</u>
Deductions	
Benefits paid	7,830,550
Refunds of contributions	1,122,323
General administration	283,553
Total deductions	<u>9,236,426</u>
Change in net position	15,230,313
Net position, beginning of year	<u>131,447,220</u>
Net position, end of year	<u><u>\$ 146,677,533</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, 2014

### I. Summary of Significant Accounting Policies and Practices

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

#### A. Reporting Entity

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

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

**Blended Component Units.** Moorings Bay Special Taxing District, East Naples Bay Special Taxing District and the Community Redevelopment Agency are blended component units of this reporting entity, as management of the primary government has operational responsibility for the component units. 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

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

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 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.

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

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.

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.

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

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.

##### **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

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

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.

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.

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

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.

### 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

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

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.

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

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

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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 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



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fees amounted to \$3,358,100 for fiscal year 2014, and included \$2,159,580 charged to enterprise funds, \$494,000 charged to internal service and fiduciary funds, and \$704,520 charged to the debt service fund, building and zoning, streets and traffic and CRA special revenue funds, and capital projects funds.

**E. Implementation of Governmental Accounting Standards Statements**

Effective October 1, 2013, the City’s three pension plans (General Employees’ Pension Plan, Police Officers’ Pension Plan and the Fire Fighters’ Pension Plan) implemented the provisions of GASB Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, which significantly changed the disclosures required related to the plans.

**II. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net 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	\$ 2,119,314
Deferred outflows of resources	<u>364,654</u>
Net adjustment to increase fund balance—governmental funds to arrive at net assets—governmental activities.	<u>\$ 2,483,968</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	\$ (11,536,000)
Other post-employment benefits	(1,385,169)
Compensated absences	<u>(2,394,859)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net position—governmental activities.	<u>\$ (15,316,028)</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

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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	\$ 4,537,516
Depreciation expense	<u>(5,211,996)</u>
Net adjustment to increase net changes in fund balances— total governmental funds to arrive at change in net position of governmental activities.	\$ <u><u>(674,480)</u></u>

Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Change in	
Compensated absences	\$ (121,342)
Other post-employment benefits	(327,413)
Net pension asset	52,116
Deferred charge on refunding	<u>(50,297)</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>(446,936)</u></u>

**III. Stewardship, Compliance and Accountability**

**A. *Budgetary Information***

Annual budgets are adopted for the general, special revenue, debt service, and capital project funds on a basis consistent with generally accepted accounting principles. The Improvement Fund, Public Arts Fund, Grants Fund, 41-10 Open Space Fund, Parking Trust Fund, Impact Fee Fund, and Land Contribution Fund, were governmental funds excluded from the appropriation process.

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

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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.
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 include an increase in appropriations in the Community Redevelopment Fund for \$2.3 million and \$1.5 million in the Port Royal Dredging Fund, for the purchase of capital assets, respectively.

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.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

Governmental activities		
General Fund	\$	324,291
Capital Projects Fund		355,813
Community Redevelopment Fund		99,865
Streets and Traffic Fund		279,233
Nonmajor governmental funds		164,645
Internal service funds		212,396
Business-type activities		
Water and Sewer Fund		2,192,406
Solid Waste Fund		178,578
Stormwater Fund		859,957
Nonmajor Business-type funds		45,124
	\$	<u>4,712,308</u>

**B. Deficit Fund Balance/Net Position**

The East Naples Bay District Fund is reporting negative unassigned fund balances of \$525,191. Funds have been advanced to this fund to cover costs for dredging. A positive fund balance will be restored through future ad valorem assessments.

**IV. Detailed Notes on All Funds**

**A. Cash and Investments**

On March 5, 2008, the City Council formally adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds. 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 \$22,161,051 and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

**THE CITY OF NAPLES, FLORIDA**

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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 \$262,620 is reported at amortized cost and has a weighted average of 39 days to maturity as of September 30, 2014. Fund A is rated AAAM by Standard & Poors.

**Investment Portfolios**

Investment holdings consist of a \$75,145,637 General Investment Portfolio and a \$142,208,992 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 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, 2014, 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	\$ 47,074,413	11,433,910	35,640,503
U.S. Government agency securities	Aaa	16,965,040	4,505,875	12,459,165
Corporate bonds	Aaa..Aa3	10,064,815	5,068,530	4,996,285
State investment pool	Aaa	262,620	262,620	-
Certificates of deposit	N/A	778,749	778,749	-
Total investments		<u>\$ 75,145,637</u>	<u>22,049,684</u>	<u>53,095,953</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**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>More than 10</u>
U.S. Treasury securities	Aaa	\$ 3,304,943	59,986	2,225,183	1,019,774	-
U.S. Government agency securities	Aaa..A3	4,799,280	-	1,028,410	1,344,564	2,426,306
Municipal obligations	Aaa	663,889	-	-	-	663,889
Asset-backed securities	Aaa..Baa3	4,546,188	12,706	1,665,608	855,699	2,012,175
Corporate bonds	Aaa..Ba3	12,779,212	540,439	5,846,417	4,721,542	1,670,814
		26,093,512	\$ 613,131	\$ 10,765,618	\$ 7,941,579	\$ 6,773,184
Common stock/equity funds	Not rated	89,270,862				
Real estate investment trusts	Not rated	5,855,465				
Mutual funds	Not rated	8,230,358				
Alternative investments	Not rated	12,758,795				
Total investments		\$ 142,208,992				

**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.

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

### **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, 2014, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

### **Concentration of Credit Risk**

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

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

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As of September 30, 2014, 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	\$ 9,429,299	10.04%
Money Market	9,380,138	9.98%
Local Government Surplus Funds Trust Fund ("SBA"), Fund A	262,620	0.28%
Certificates of deposit	778,749	0.83%
United States Treasury securities	47,074,413	50.10%
United States Agency securities	16,965,040	18.07%
Corporate bonds	10,064,815	10.71%
Total	<u>\$ 93,955,074</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.

As of September 30, 2014, 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	\$ 1,622	0.00%
Money Market	3,349,992	2.30%
U.S. Treasury securities	3,304,943	2.27%
U.S. Government agency securities	4,799,280	3.30%
Municipal obligations	663,889	0.47%
Asset-backed securities	4,546,188	3.12%
Corporate bonds	12,779,212	8.78%
Common stock/equity funds	89,270,862	61.32%
Real estate investment trusts	5,855,465	4.02%
Mutual funds	8,230,358	5.65%
Alternative investments	12,758,795	8.77%
Total	<u>\$ 145,560,606</u>	



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**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, 2013, the assessed value of the principal taxing authority's property upon which the 2013-2014 tax levy was based was \$15.8 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2014, was 1.1800 (\$1.18 per \$1,000 of assessed value). The assessed values at January 1, 2013, of the dependent special districts, East Naples Bay and Moorings Bay, were \$423 million, and \$1,477 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, 2014.

Total ad valorem taxes collected for the year ended September 30, 2014, aggregated \$17,568,817, net of cash discounts, of which \$17,497,522 was designated for general government services, \$501,332 for the Community Redevelopment Agency, \$205,139 for East Naples Bay Taxing District, and \$35,805 for the Moorings Bay Taxing District.

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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

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For the 2013 tax roll year, the assessment roll was opened for collection on November 1, 2013, and discounts for payment prior to April 1, 2014, were determined as follows:

<b>Discounts Allowed</b>	
<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 2014 is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

**C. Receivables**

Receivables at September 30, 2014, 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	\$ 1,910,040	-	-	374,826	49,384	2,334,250
Debt Service Fund	-	-	284,378	-	-	284,378
Capital Projects Fund	-	34,432	-	-	15,211	49,643
Community Redevelopment Fund	-	-	-	-	11,773	11,773
Streets and Traffic Fund	-	-	-	86,757	7,845	94,602
Nonmajor funds	6,275	-	-	61,061	17,113	84,449
Internal Service Fund	2,955	-	-	2,429	7,459	12,843
	<u>\$ 1,919,270</u>	<u>34,432</u>	<u>284,378</u>	<u>525,073</u>	<u>108,785</u>	<u>2,871,938</u>
Business type activities						
Major funds						
Water and Sewer Fund	\$ 6,733,218	71,201	-	1,243,400	20,419	8,068,238
Solid Waste Fund	1,146,478	-	-	5,383	8,168	1,160,029
Stormwater Fund	1,092,687	-	-	3,000	7,922	1,103,609
Nonmajor funds	50,877	-	-	136,020	8,490	195,387
	<u>\$ 9,023,260</u>	<u>71,201</u>	<u>-</u>	<u>1,387,803</u>	<u>44,999</u>	<u>10,527,263</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

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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, 2014, are as follows:

Water and Sewer Fund	\$	17,095
Solid Waste Fund		2,646
Stormwater Fund		6,813
	\$	26,554

**D. Capital Assets**

**Governmental Activities**

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2014, 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	\$ 16,377,103	41,174	-	16,418,277
Construction in progress	517,749	434,245	(517,749)	434,245
Total capital assets not being depreciated	16,894,852	475,419	(517,749)	16,852,522
Capital assets being depreciated				
Buildings	37,995,529	200,291	(22,910)	38,172,910
Improvements other than buildings	35,331,800	1,935,653	(304,545)	36,962,908
Infrastructure	31,993,449	412,630	(670,175)	31,735,904
Equipment	17,542,278	2,486,236	(499,055)	19,529,459
Total capital assets being depreciated	122,863,056	5,034,810	(1,496,685)	126,401,181
Less accumulated depreciation for				
Buildings	(15,505,812)	(1,182,891)	22,730	(16,665,973)
Improvements other than buildings	(22,322,075)	(1,940,495)	303,187	(23,959,383)
Infrastructure	(22,075,955)	(840,639)	670,175	(22,246,419)
Equipment	(12,871,319)	(1,579,544)	486,337	(13,964,526)
Total accumulated depreciation	(72,775,161)	(5,543,569)	1,482,429	(76,836,301)
Total capital assets being depreciated, net	50,087,895	(508,759)	(14,256)	49,564,880
<b>Total governmental capital assets, net</b>	\$ 66,982,747	(33,340)	(532,005)	66,417,402

**THE CITY OF NAPLES, FLORIDA**

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Depreciation expense was charged to the governmental activities as follows:

Governmental activities	
General government	\$ 397,258
Public safety	1,159,917
Physical and economic environment	1,361,215
Transportation	1,072,492
Cultural and recreation	1,221,114
Internal service	<u>331,573</u>
Total depreciation expense, governmental activities	<u>\$ 5,543,569</u>

**Business-type Activities**

A summary of changes in capital assets of business-type activities for the year ended September 30, 2014, is as follows:

<b>Water and Sewer Fund</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Transfers/ Retirements</b>	<b>Balance September 30</b>
Capital assets not being depreciated				
Land and easements	\$ 1,761,684	-	-	1,761,684
Construction in progress	<u>1,847,327</u>	5,210,171	(1,805,122)	<u>5,252,376</u>
Total capital assets not being depreciated	<u>3,609,011</u>	<u>5,210,171</u>	<u>(1,805,122)</u>	<u>7,014,060</u>
Capital assets being depreciated				
Buildings and utility plants	59,067,777	35,825	(2,349)	59,101,253
Improvements other than buildings	39,643,761	647,795	(42,420)	40,249,136
Infrastructure	70,467,978	4,847,065	(4,399)	75,310,644
Equipment	<u>12,970,658</u>	1,693,590	(562,816)	<u>14,101,432</u>
Total capital assets being depreciated	182,150,174	7,224,275	(611,984)	188,762,465
Less accumulated depreciation for				
Buildings	(28,464,901)	(1,359,852)	2,349	(29,822,404)
Improvements other than buildings	(20,379,784)	(1,927,265)	42,420	(22,264,629)
Infrastructure	(41,001,787)	(2,054,565)	4,399	(43,051,953)
Equipment	<u>(10,209,947)</u>	(1,069,639)	554,602	<u>(10,724,984)</u>
Total accumulated depreciation	<u>(100,056,419)</u>	<u>(6,411,321)</u>	<u>603,770</u>	<u>(105,863,970)</u>
Total capital assets being depreciated, net	<u>82,093,755</u>	<u>812,954</u>	<u>(8,214)</u>	<u>82,898,495</u>
Water and sewer fund capital assets, net	<u>\$ 85,702,766</u>	<u>6,023,125</u>	<u>(1,813,336)</u>	<u>89,912,555</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

<b>Solid Waste Fund</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Transfers/ Retirements</b>	<b>Balance September 30</b>
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>3,288,431</u>	<u>-</u>	<u>(2,143,378)</u>	<u>1,145,053</u>
Capital assets being depreciated				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	1,159,833	3,241,233	-	4,401,066
Equipment	3,396,548	839,421	(211,238)	4,024,731
Total capital assets being depreciated	<u>5,085,171</u>	<u>4,080,654</u>	<u>(211,238)</u>	<u>8,954,587</u>
Less accumulated depreciation for				
Buildings	(338,390)	(25,544)	-	(363,934)
Improvements other than buildings	(872,753)	(45,469)	-	(918,222)
Equipment	(2,613,709)	(421,444)	142,797	(2,892,356)
Total accumulated depreciation	<u>(3,824,852)</u>	<u>(492,457)</u>	<u>142,797</u>	<u>(4,174,512)</u>
Total capital assets being depreciated, net	<u>1,260,319</u>	<u>3,588,197</u>	<u>(68,441)</u>	<u>4,780,075</u>
Solid waste fund capital assets, net	\$ <u>4,548,750</u>	<u>3,588,197</u>	<u>(2,211,819)</u>	<u>5,925,128</u>

<b>Stormwater Fund</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Transfers/ retirements</b>	<b>Balance September 30</b>
Capital assets not being depreciated				
Land	\$ 234,866	-	-	234,866
Construction in progress	-	1,277,732	-	1,277,732
Total capital assets not being depreciated	<u>234,866</u>	<u>1,277,732</u>	<u>-</u>	<u>1,512,598</u>
Capital assets being depreciated				
Infrastructure	23,844,986	784,547	-	24,629,533
Equipment	408,391	141,104	(7,742)	541,753
Total capital assets being depreciated	<u>24,253,377</u>	<u>925,651</u>	<u>(7,742)</u>	<u>25,171,286</u>
Less accumulated depreciation for				
Infrastructure	(10,948,970)	(1,295,049)	-	(12,244,019)
Equipment	(125,198)	(66,006)	7,742	(183,462)
Total accumulated depreciation	<u>(11,074,168)</u>	<u>(1,361,055)</u>	<u>7,742</u>	<u>(12,427,481)</u>
Total capital assets being depreciated, net	<u>13,179,209</u>	<u>(435,404)</u>	<u>-</u>	<u>12,743,805</u>
Stormwater fund capital assets, net	\$ <u>13,414,075</u>	<u>842,328</u>	<u>-</u>	<u>14,256,403</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

<u>Nonmajor Funds</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance September 30</u>
Capital assets being depreciated				
Buildings and utility plants	\$ 1,918,946	-	(3,772)	1,915,174
Improvements other than buildings	6,743,277	141,860	-	6,885,137
Equipment	1,304,343	53,798	(14,223)	1,343,918
Total capital assets being depreciated	9,966,566	195,658	(17,995)	10,144,229
Less accumulated depreciation for				
Buildings	(1,433,637)	(56,505)	3,772	(1,486,370)
Improvements other than buildings	(6,438,235)	(75,894)	-	(6,514,129)
Equipment	(1,075,924)	(81,527)	14,223	(1,143,228)
Total accumulated depreciation	(8,947,796)	(213,926)	17,995	(9,143,727)
Total capital assets being depreciated, net	1,018,770	(18,268)	-	1,000,502
Nonmajor fund capital assets, net	\$ 1,018,770	(18,268)	-	1,000,502
<b>Total business-type capital assets, net</b>	<b>\$ 104,684,361</b>	<b>10,435,382</b>	<b>(4,025,155)</b>	<b>111,094,588</b>

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

Business-type activities	
Water and sewer	\$ 6,411,322
Solid waste	492,457
Stormwater	1,361,055
Other	<u>213,926</u>
Total depreciation expense, business-type activities	<u>\$ 8,478,760</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**E. Interfund Transactions**

Advances from/to other funds are as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
Governmental activities		
Major funds		
General Fund	\$ 386,986	-
Capital Projects Fund	332,004	-
Community Redevelopment Fund	-	83,008
Streets and Traffic Fund	28,026	-
Nonmajor Fund		
East Naples Bay District	-	1,328,016
Business-type activities		
Major funds		
Water and Sewer Fund	332,004	-
Stormwater Fund	332,004	-
	<u>\$ 1,411,024</u>	<u>1,411,024</u>

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:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
Major funds		
General Fund	\$ 2,149,480	47,500
Debt Service Fund	982,770	2,212,000
Capital Projects Fund	2,687,456	150,000
Community Redevelopment Fund	-	982,770
Nonmajor funds	-	618,556
Internal service fund		
Technology Services Fund	70,000	-
Business-type activities		
Major funds		
Water and Sewer Fund	47,700	1,743,340
Solid Waste Fund	-	358,440
Stormwater Fund	47,700	-
Nonmajor fund		
Tennis Fund	127,500	-
	<u>\$ 6,112,606</u>	<u>6,112,606</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

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 and \$47,700 from the East Naples Bay Fund for an interfund loan. The transfer into the Debt Service Fund from the Community Redevelopment Fund in the amount of \$982,770 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 \$2,212,000 used for capital expenditures. The transfer from the Capital Projects Fund into the Technology Services Fund in the amount of \$70,000 and into the Tennis Fund in the amount of \$80,000 was for capital 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, 2014, for the City's individual major funds and for the total nonmajor funds were as follows:

	<b>Accounts Payable</b>	<b>Accrued Payroll</b>	<b>Total</b>
Governmental activities			
Major funds			
General Fund	\$ 1,845,157	678,419	2,523,576
Debt Service Fund	8,336	-	8,336
Capital Projects Fund	402,292	-	402,292
Community Redevelopment Fund	110,950	19,120	130,070
Streets and Traffic Fund	279,233	11,646	290,879
Nonmajor funds	202,535	74,287	276,822
Internal Service Fund	245,174	33,218	278,392
	\$ 3,093,677	816,690	3,910,367
Business-type activities			
Major funds			
Water and Sewer Fund	\$ 2,729,487	203,565	2,933,052
Solid Waste Fund	195,131	58,585	253,716
Stormwater Fund	902,279	24,887	927,166
Nonmajor funds	70,127	29,165	99,292
	\$ 3,897,024	316,202	4,213,226



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**G. Long-Term Obligations**

Long-term liabilities of the governmental activities at September 30, 2014, 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%.	\$ 11,536,000
Claims payable	3,581,403
Other post-employment benefits payable	1,469,946
Compensated absences payable	<u>2,537,834</u>
	<u>\$ 19,125,183</u>

Changes in long-term obligations for governmental activities for the year ended September 30, 2014, are as follows:

Governmental Activities	Balance October 1	Additions	Retired	Balance September 30	Due in One Year
Debt payable					
2013 Capital Improvement Refunding Revenue Note	\$ 13,025,000	-	(1,489,000)	11,536,000	1,468,000
Total debt payable	13,025,000	-	(1,489,000)	11,536,000	1,468,000
Claims payable	3,517,066	6,485,349	(6,421,012)	3,581,403	1,058,203
Other post-employment benefits payable	1,124,057	600,993	(255,104)	1,469,946	-
Compensated absences payable	2,357,543	567,527	(387,236)	2,537,834	387,326
Total	\$ 20,023,666	7,653,869	(8,552,352)	19,125,183	2,913,529

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 \$142,975 in compensated absences, \$3,581,403 in claims payable, and \$84,777 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 \$2,076,322, Building and Zoning Fund \$179,967, Community Redevelopment Fund \$10,872, Streets and Traffic Fund \$127,697. 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, 2014

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

**Governmental Activities**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
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	1,595,000	88,836	1,683,836
2020-2022	<u>3,801,000</u>	<u>62,272</u>	<u>3,863,272</u>
	\$ <u>11,536,000</u>	<u>638,619</u>	<u>12,174,619</u>

Long-term liabilities of the business-type activities at September 30, 2014, 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. \$ 7,194,000

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. 4,174,000

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%. 7,842,229

Other post-employment benefits payable 451,958

Compensated absences payable 605,115

Total water and sewer fund \$ 20,267,302

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**Solid Waste Fund**

Other post-employment benefits payable	\$	81,292
Compensated absences payable		<u>163,599</u>
Total solid waste fund	\$	<u><u>244,891</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%.

	\$	1,465,200
Other post-employment benefits payable		36,060
Compensated absences payable		<u>46,591</u>
Total stormwater fund	\$	<u><u>1,547,851</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%.

	\$	80,000
Other post-employment benefits payable		52,188
Compensated absences payable		<u>76,807</u>
Total nonmajor funds	\$	<u><u>208,995</u></u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

Changes in long-term obligations for business-type activities for the year ended September 30, 2014, are as follows:

<b>Business-Type Activities</b>	<b>Balance October 1</b>	<b>Additions</b>	<b>Retire d</b>	<b>Balance September 30</b>	<b>Due in One Year</b>
Debt payable					
Public Utilities Refunding Revenue Bond, Series 2012A	\$ 7,653,000	-	(459,000)	7,194,000	471,000
Public Utilities Refunding Revenue Bond, Series 2012B	4,442,000	-	(268,000)	4,174,000	275,000
Public Utilities Refunding Revenue Bond, Series 2013	11,265,227	-	(1,957,798)	9,307,429	1,984,194
2013 Capital Improvement Refunding Revenue Note	140,000	-	(60,000)	80,000	60,000
Total debt payable	<u>23,500,227</u>	-	<u>(2,744,798)</u>	<u>20,755,429</u>	<u>2,790,194</u>
Other post-employment benefits payable	486,860	267,310	(100,365)	653,805	-
Compensated absences payable	<u>694,560</u>	<u>336,575</u>	<u>(171,330)</u>	<u>859,805</u>	<u>185,000</u>
Total	<u>\$ 24,681,647</u>	<u>603,885</u>	<u>(3,016,493)</u>	<u>22,269,039</u>	<u>2,975,194</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, 2014, 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**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ended September 30			
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	1,141,761	227,401	1,369,162
2020-2024	5,169,919	753,748	5,923,667
2025-2027	<u>2,970,000</u>	<u>156,376</u>	<u>3,126,376</u>
	<u>\$ 19,210,229</u>	<u>2,444,125</u>	<u>21,654,354</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

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			
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	58,413	2,179	60,592
2020-2022	<u>130,806</u>	<u>1,920</u>	<u>132,726</u>
	<u>\$ 1,465,200</u>	<u>48,721</u>	<u>1,513,921</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			
2015	\$ 60,000	745	60,745
2016	<u>20,000</u>	<u>59</u>	<u>20,059</u>
	<u>\$ 80,000</u>	<u>804</u>	<u>80,804</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, 2014.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**Defeased Debt**

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:

	<b>Defeased Bonds Outstanding</b>
Water and Sewer Refunding Revenue Bonds, Series 2002	\$ <u>1,290,000</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**H. Fund Equity**

The following is a summary of fund balances that were nonspendable, restricted, committed or assigned as of September 30, 2014:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Community Redevelopment Fund</b>	<b>Streets and Traffic Fund</b>	<b>Other Nonmajor Governmental</b>	<b>Total</b>
Fund balances							
Nonspendable							
Inventory	\$ -	-	-	-	30,241	-	30,241
Prepaid items	338,402	-	-	-	-	-	338,402
Advances to other funds	386,986	-	332,004	-	28,026	-	747,016
	<u>725,388</u>	<u>-</u>	<u>332,004</u>	<u>-</u>	<u>58,267</u>	<u>-</u>	<u>1,115,659</u>
Restricted							
Donations, various	-	-	-	-	-	2,608,798	2,608,798
Capital projects - impact fees	-	-	-	-	-	589,242	589,242
Sabal Bay litigation	13,791	-	-	-	-	-	13,791
Transportation	-	-	-	-	3,429,286	-	3,429,286
Police programs	-	-	-	-	-	451,915	451,915
Economic development	-	-	-	2,454,530	-	-	2,454,530
Coral reef construction	-	-	-	-	-	235,215	235,215
Building and zoning operations	-	-	-	-	-	6,049,527	6,049,527
	<u>13,791</u>	<u>-</u>	<u>-</u>	<u>2,454,530</u>	<u>3,429,286</u>	<u>9,934,697</u>	<u>15,832,304</u>
Committed							
Public arts program	-	-	-	-	-	123,867	123,867
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	-	-	-	-	-	523,615	523,615
Land conservation	-	-	-	-	-	9,183	9,183
Dredging projects	-	-	-	-	-	1,098,102	1,098,102
	<u>3,597,298</u>	<u>-</u>	<u>1,442,104</u>	<u>-</u>	<u>-</u>	<u>1,754,767</u>	<u>6,794,169</u>
Assigned							
Subsequent year's expenditures	252,857	-	-	-	-	-	252,857
Debt service	-	2,147,586	-	-	-	-	2,147,586
Encumbrances	40,275	-	-	-	-	-	40,275
Economic development	-	-	-	-	-	55,591	55,591
Capital projects	-	-	3,759,775	-	-	-	3,759,775
	<u>293,132</u>	<u>2,147,586</u>	<u>3,759,775</u>	<u>-</u>	<u>-</u>	<u>55,591</u>	<u>6,256,084</u>
Unassigned	11,439,262	-	-	-	-	240,769	11,680,031
Total fund balance	\$ <u>16,068,871</u>	<u>2,147,586</u>	<u>5,533,883</u>	<u>2,454,530</u>	<u>3,487,553</u>	<u>11,985,824</u>	<u>41,678,247</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, 2014

**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, 2014, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	239
Vested terminated employees	27
Active employees	
Fully vested	142
Nonvested	159

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.	If hired prior to September 30, 2011 vesting is 100%. If hired after September 30, 2011 vesting is 100% after eight 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, 2014

As of September 30, 2014, 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, 2014, 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.

### **Plan Disclosures**

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

### **Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$61,384,920
Plan fiduciary net position	<u>(51,236,145)</u>
City's net pension liability	<u>\$10,148,775</u>
Plan fiduciary net position as a percentage of Total pension liability	83.47%

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.0%
Salary increases	4.0% to 6.0%
Investment rate of return	7.5 %

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%
Real Estate	6.90%
Hedge Funds	5.10%

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
City's net pension liability	\$ 16,470,722	\$ 10,148,775	\$ 5,263,245

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2013.

**Employer Disclosures**

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective July 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

*Annual Pension Cost and Net Pension Obligation:* The annual required contribution, annual pension cost, and net pension obligation for fiscal year 2014 was determined as part of October 1, 2013 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

	<u>2014</u>
Annual Required Contributions (ARC)	\$ 1,924,183
Interest on Net Pension Obligation (NPO)	(76,433)
Adjustment to ARC	<u>51,492</u>
Annual Pension Cost (APC)	1,899,242
Contributions made	<u>1,924,183</u>
Increase (decrease) in NPO	(24,941)
NPO at beginning of year	<u>(1,019,104)</u>
NPO at end of year	\$ <u><u>(1,044,045)</u></u>

The annual pension cost, actual contributions, and the net pension obligation for the current and previous two years are presented in the table below.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

<u>Year ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/14	\$ 1,899,242	101.3%	(1,044,045)
09/30/13	1,854,472	101.6%	(1,019,104)
09/30/12	1,638,218	101.7%	(990,314)

As of the most recent valuation date, October 1, 2014, the funded status of the Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Funded Ratio (1)/(2)</u>	<u>(4) Unfunded (1)-(2)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) UAAL as a Percentage of Covered Payroll</u>
10/1/2014	\$ 46,476,025	63,417,479	73.29%	\$ 16,941,454	15,835,700	106.98%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations above are based on the substantive plan in effect as of October 1, 2014.

The assumptions used in the October 1, 2014 actuarial valuation are as follows.

**Actuarial Assumptions**

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

Inflation	3.00%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.50% to 10.0% based on service

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 Sex-Distinct Healthy Mortality Table, projected to October 1, 2014, using Scale AA. The prior valuation projected rates to October 1, 2013, using Scale AA.
- In conjunction with this valuation, the Board approved modifying the individual salary increase assumption to 6.0% for one to two years of service, 5.5% for three through nine years of service, 5.0% for 10-19 years of service, and 4% for greater than 20 years of service.

**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, 2014, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	64
Vested terminated employees	16
DROP employees	5
Active employees	
Fully vested	50
Nonvested	12

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

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

<u>Benefits</u>	<u>Vesting</u>
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.	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.

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, 2014, 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, 2014, 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

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

to the Police Officers' Pension Plan for the year ended was \$540,981. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

**Plan Disclosures**

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

**Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$ 59,661,030
Plan fiduciary net position	(42,468,243)
City's net pension liability	<u>\$ 17,192,787</u>
Plan fiduciary net position as a percentage of Total pension liability	71.18%

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.0%
Salary increases	4.0% to 6.0%
Investment rate of return	7.5 %

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%
Real Estate	6.90%
Hedge Funds	5.10%

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
	<hr/>	<hr/>	<hr/>
City's net pension liability	\$ 24,255,006	\$ 17,192,787	\$ 11,657,177

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2013.

**Employer Disclosures**

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective July 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

*Annual Pension Cost and Net Pension Obligation:* The annual required contribution, annual pension cost, and net pension obligation for fiscal year 2014 was determined as part of October 1, 2013 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

	<b><u>2014</u></b>
Annual Required Contributions (ARC)	\$ 2,213,443
Interest on Net Pension Obligation (NPO)	(46,031)
Adjustment to ARC	<u>29,228</u>
Annual Pension Cost (APC)	2,196,640
Contributions made	<u>2,213,443</u>
Increase (decrease) in NPO	(16,803)
NPO at beginning of year	<u>(613,749)</u>
NPO at end of year	\$ <u><u>(630,552)</u></u>

The annual pension cost, actual contributions, and the net pension obligation for the current and previous two years are presented in the table below.

	<b>Annual Pension Cost (APC)</b>	<b>% of APC Contributed</b>	<b>Net Pension Obligation</b>
<b><u>Year ending</u></b>	<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>	<b><u>Obligation</u></b>
09/30/14	\$ 2,196,640	100.8%	(630,552)
09/30/13	2,093,120	100.8%	(613,749)
09/30/12	2,193,068	100.8%	(596,410)

As of the most recent valuation date, October 1, 2014, the funded status of the Plan was as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	Unfunded (1)-(2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2014	\$ 38,734,162	59,913,480	64.65%	\$ 21,179,318	4,406,901	480.59%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations above are based on the substantive plan in effect as of October 1, 2014.

The assumptions used in the October 1, 2014 actuarial valuation are as follows.

**Actuarial Assumptions**

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	3.00%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.50% to 10.0% based on service

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 Sex-Distinct Healthy Mortality Table, projected to October 1, 2014, using Scale AA. The prior valuation projected rates to October 1, 2013, using Scale AA.
- The payroll growth assumption, utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability, was lowered from 2.7% to 1.2% per year. This reduction complies with the requirements of Part VII of Chapter 112, Florida Statutes, whereby the use of a payroll growth assumption is limited to the Plan’s actual ten-year payroll growth average, determined as of the valuation date.

**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 CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

The current membership as of October 1, 2014, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	37
Vested terminated employees	5
DROP employees	6
Active employees	
Fully vested	35
Nonvested	13

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 100% after 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, 2014, 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, 2014, there were no investment types or similar

# THE CITY OF NAPLES, FLORIDA

## Notes to Financial Statements

September 30, 2014

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 May 31, 2014. 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, 2014, was \$871,999. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

### **Plan Disclosures**

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

### **Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$ 54,892,212
Plan fiduciary net position	(44,704,902)
City's net pension liability	<u>\$ 10,187,310</u>
Plan fiduciary net position as a percentage of Total pension liability	81.44%

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.0%
Salary increases	4.0% to 6.0%
Investment rate of return	7.5 %

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%
Real Estate	6.90%
Hedge Funds	5.10%

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
	<hr/>	<hr/>	<hr/>
City's net pension liability	\$ 17,636,467	\$ 10,187,310	\$ 4,318,984

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as October 1, 2013.

**Employer Disclosures**

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective July 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

*Annual Pension Cost and Net Pension Obligation:* The annual required contribution, annual pension cost, and net pension obligation for fiscal year 2014 was determined as part of October 1, 2013 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

	<b><u>2014</u></b>
Annual Required Contributions (ARC)	\$ 2,214,378
Interest on Net Pension Obligation (NPO)	(32,576)
Adjustment to ARC	<u>22,204</u>
Annual Pension Cost (APC)	2,204,006
Contributions made	<u>2,214,378</u>
Increase (decrease) in NPO	(10,372)
NPO at beginning of year	<u>(434,345)</u>
NPO at end of year	\$ <u><u>(444,717)</u></u>

The annual pension cost, actual contributions, and the net pension obligation for the current and previous two years are presented in the table below.

	<b>Annual Pension Cost (APC)</b>	<b>% of APC Contributed</b>	<b>Net Pension Obligation</b>
<b><u>Year ending</u></b>	<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>	<b><u>Obligation</u></b>
09/30/14	\$ 2,204,006	100.5%	(444,717)
09/30/13	2,699,020	100.5%	(434,345)
09/30/12	2,434,516	100.5%	(422,074)

As of the most recent valuation date, October 1, 2014, the funded status of the Plan was as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	Unfunded (1)-(2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2014	\$ 40,930,065	54,809,329	74.68%	\$ 13,879,264	3,055,169	454.29%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.



**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations above are based on the substantive plan in effect as of October 1, 2014.

The assumptions used in the October 1, 2014 actuarial valuation are as follows.

**Actuarial Assumptions**

Funding Method	Entry Age Actuarial Cost Method.
Amortization Method	Level Percentage of Pay, closed
Remaining Amortization Period	30 years
Actuarial Asset Valuation Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	3.00%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.50% to 10.0% based on service

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 Sex-Distinct Health Mortality Table, projected to October 1, 2014, using Scale AA. The prior valuation projected rates to October 1, 2013, using Scale AA.
- In conjunction with this valuation, the Board approved modifying the individual salary increase assumption to 6.0% for one to two years of service, 5.5% for three through nine years of service, 5.0% for 10-19 years of service, and 4% for greater than 20 years of service.

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, 2014, there was \$795,104 in the share plan.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

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, 2014:

**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	\$ 1,240,447	1,079,516	1,031,651
Contributions receivable	22,191	558,225	888,317
Accrued interest	-		
Investments, at fair value	<u>50,018,833</u>	<u>40,980,519</u>	<u>42,979,282</u>
Total assets	<u>51,281,471</u>	<u>42,618,260</u>	<u>44,899,250</u>
Liabilities			
Accounts payable	30,201	138,257	183,348
Deferred contribution	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>30,201</u>	<u>138,257</u>	<u>183,348</u>
Net position			
Restricted for pension benefits	<u>\$ 51,251,270</u>	<u>42,480,003</u>	<u>44,715,902</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**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	\$ 715,072	229,089	177,737
Employer contributions	1,945,282	1,672,462	1,342,378
Direct state contributions	-	540,981	871,999
Total contributions	<u>2,660,354</u>	<u>2,442,532</u>	<u>2,392,114</u>
Investment earnings			
Interest and dividend income	987,301	790,428	825,695
Net change in fair value of investments	5,140,879	4,232,721	4,396,674
Less investment expense	<u>(271,108)</u>	<u>(218,263)</u>	<u>(225,846)</u>
Net investment earnings	<u>5,857,072</u>	<u>4,804,886</u>	<u>4,996,523</u>
Total additions	<u>8,517,426</u>	<u>7,247,418</u>	<u>7,388,637</u>
Deductions			
Benefits paid	3,351,714	2,613,218	1,865,618
Refunds of contributions	536,142	9,763	45,874
General administration	<u>142,904</u>	<u>75,114</u>	<u>65,535</u>
Total deductions	<u>4,030,760</u>	<u>2,698,095</u>	<u>1,977,027</u>
Changes in net position	<u>4,486,666</u>	<u>4,549,323</u>	<u>5,411,610</u>
Net position, beginning of year	<u>46,764,604</u>	<u>37,930,680</u>	<u>39,304,292</u>
Net position, end of year	\$ <u>51,251,270</u>	<u>42,480,003</u>	<u>44,715,902</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, 2014

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, 2014, there were 172 active Plan members. Covered payroll for the year ended September 30, 2014, was \$9,739,148. City contributions for the year were \$194,783, and employee contributions were \$292,170, 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, 2014

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, 2014, 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, 2014, was \$943,274. City contributions for the year were \$52,471, and employee contributions were \$70,645.

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, 2014:

**Statements of Fiduciary Net Position**

	<b>Supplemental General Pension</b>	<b>Managers' 401 Pension</b>
	<u>                    </u>	<u>                    </u>
Assets		
Investments, at fair value	\$ 7,049,238	1,181,120
Total assets	<u>7,049,238</u>	<u>1,181,120</u>
Net position		
Restricted for pension benefits	<u>\$ 7,049,238</u>	<u>1,181,120</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**Statements of Changes in Fiduciary Net Position**

	<b>Supplemental General Pension</b>	<b>Managers' 401 Pension</b>
	<u>                    </u>	<u>                    </u>
Additions		
Contributions		
Employee contributions	\$ 304,918	70,645
Employer contributions	194,783	52,471
Total contributions	<u>499,701</u>	<u>123,116</u>
Investment earnings		
Interest and dividend income	110,637	4,124
Net change in fair value of investments	517,773	80,352
Less investment expense	<u>(21,441)</u>	<u>(1,004)</u>
Net investment earnings	<u>606,969</u>	<u>83,472</u>
Total additions	<u>1,106,670</u>	<u>206,588</u>
Deductions		
Refunds of contributions	<u>530,544</u>	-
Total deductions	<u>530,544</u>	-
Changes in net position	576,126	206,588
Net position, beginning of year	<u>6,473,112</u>	<u>974,532</u>
Net position, end of year	<u>\$ 7,049,238</u>	<u>1,181,120</u>

**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, 2013, the date of the most recent actuarial valuation, there were 30 retirees and eligible dependents receiving post-employment health care benefits along with 184 retirees participating in life insurance benefits.

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

**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 2013-2014 fiscal year the City provided required contributions of \$355,467 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 \$325,730. Required contributions are based on a projected pay-as-you-go basis.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/13	\$ -	9,946	9,946	0%	25,793	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 OPEB cost, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation for the last three years:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal cost	\$ 462,568	448,884	422,628
Amortization of unfunded actuarial accrued liability	405,735	373,838	359,460
Annual required contribution	868,303	822,722	782,088
Interest on Net OPEB obligation	64,437	48,491	31,179
Adjustment to annual required contribution	(64,437)	(44,899)	(28,870)
Total expense or annual OPEB cost	868,303	826,314	784,397
Actual contribution toward OPEB cost	(355,467)	(427,663)	(351,611)
Increase in net OPEB obligation	512,836	398,651	432,786
Net OPEB obligation, beginning of year	1,610,915	1,212,264	779,478
Net OPEB obligation, end of year	<u>\$ 2,123,751</u>	<u>1,610,915</u>	<u>1,212,264</u>

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, 2014, was as follows:

**THE CITY OF NAPLES, FLORIDA**

Notes to Financial Statements

September 30, 2014

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

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>% of AOC Contributed</b>	<b>Net OPEB Obligation</b>
09/30/14	\$ 868,303	40.94%	2,123,751
09/30/13	826,314	51.76%	1,610,915
09/30/12	784,397	44.83%	1,212,264

**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 2013-2014 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, 2014

### 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	200,000
Excess workers' compensation	350,000
Blanket bond and money and securities	25,000
Employee medical	125,000
Aggregate losses	2,000,000

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, \$80,377 and \$911,219 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, 2013. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2014, \$3,581,403 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, 2014

A reconciliation of estimated claims liabilities is as follows:

	<b>Risk Management</b>	<b>Health Benefits</b>	<b>Total</b>
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	3,075,000	442,066	3,517,066
Current year claims incurred and change in estimates	2,293,700	4,191,649	6,485,349
Claim payments	<u>(2,214,700)</u>	<u>(4,206,312)</u>	<u>(6,421,012)</u>
Balance September 30, 2014	\$ <u>3,154,000</u>	<u>427,403</u>	<u>3,581,403</u>

**4. Construction Projects**

At September 30, 2014, the City had the following commitments:

<b>Project</b>	<b>Contract Amount</b>	<b>Completed to Date</b>	<b>Balance</b>
Reclaimed Water Distribution System Expansion	\$ 3,356,917	1,468,137	1,888,780
Port Royal Dredging Project	1,308,973	465,384	843,589
Port Royal Pump Station Improvements	668,571	208,279	460,292
ASR Well No. 3 and monitoring Well No. 3	1,196,810	1,150,570	46,240
Royal Harbor Fire Flow Improvements	2,122,950	611,073	1,511,877
Public Works Pump Station Improvements	3,289,450	842,425	2,447,025
Waste Water Treatment Plant Reuse Pump Replacer	828,457	-	828,457
Replace Sewer Pump Station 6	302,938	116,039	186,899

**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.

**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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes				
Ad valorem	\$ 17,211,650	17,211,650	17,497,522	285,872
Local communication and business	2,468,815	2,468,815	2,095,060	(373,755)
Insurance premium tax	1,354,027	1,412,981	1,412,980	(1)
Permits, fees and assessments	3,462,600	3,462,600	3,692,334	229,734
Intergovernmental	3,254,300	3,257,674	3,564,434	306,760
Charges for services	1,608,793	1,608,793	1,779,310	170,517
Charges to other funds	3,112,270	3,112,270	3,358,100	245,830
Fines and forfeitures	179,300	179,300	183,258	3,958
Interest	138,000	138,000	85,038	(52,962)
Miscellaneous	15,000	15,000	16,614	1,614
Total revenues	<u>32,804,755</u>	<u>32,867,083</u>	<u>33,684,650</u>	<u>817,567</u>
<b>Expenditures</b>				
Current				
General government				
Mayor and City Council	369,888	386,990	370,407	16,583
City Attorney	524,567	524,567	485,691	38,876
City Clerk	538,981	538,981	556,126	(17,145)
City Manager	575,506	575,506	553,134	22,372
Human resources	495,878	495,878	479,688	16,190
Planning	423,266	441,266	381,192	60,074
Finance	1,295,326	1,295,326	1,285,772	9,554
Nondepartmental	4,023,342	4,213,952	3,985,091	228,861
Total general government	<u>8,246,754</u>	<u>8,472,466</u>	<u>8,097,101</u>	<u>375,365</u>
Public safety				
Fire	8,564,366	8,907,233	9,028,710	(121,477)
Police	11,781,942	11,814,508	11,620,714	193,794
Code inspections	153,670	153,670	154,007	(337)
Total public safety	<u>20,499,978</u>	<u>20,875,411</u>	<u>20,803,431</u>	<u>71,980</u>
Culture and recreation				
Community services	6,086,061	6,067,182	5,703,448	363,734
Total culture and recreation	<u>6,086,061</u>	<u>6,067,182</u>	<u>5,703,448</u>	<u>363,734</u>

**CITY OF NAPLES, FLORIDA**  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual  
 Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Capital outlay				
General government				
Nondepartmental	\$ 9,200	34,217	31,894	2,323
Total capital outlay	<u>9,200</u>	<u>34,217</u>	<u>31,894</u>	<u>2,323</u>
Total expenditures	34,841,993	35,449,276	34,635,874	813,402
Deficiency of revenues under expenditures	<u>(2,037,238)</u>	<u>(2,582,193)</u>	<u>(951,224)</u>	<u>1,630,969</u>
Other financing sources (uses)				
Transfers in	2,177,881	2,177,881	2,149,480	(28,401)
Transfers out	(47,500)	(47,500)	(47,500)	-
Proceeds from sale of capital assets	<u>4,000</u>	<u>4,000</u>	<u>5,904</u>	<u>1,904</u>
Total other financing sources	<u>2,134,381</u>	<u>2,134,381</u>	<u>2,107,884</u>	<u>(26,497)</u>
Change in fund balance	97,143	(447,812)	1,156,660	1,604,472
Fund balance, beginning of year	<u>14,912,211</u>	<u>14,912,211</u>	<u>14,912,211</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,009,354</u>	<u>14,464,399</u>	<u>16,068,871</u>	<u>1,604,472</u>

**CITY OF NAPLES, FLORIDA**  
Community Redevelopment Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem	\$ 527,720	527,720	501,332	(26,388)
Intergovernmental	1,594,105	1,594,105	1,514,400	(79,705)
Interest	18,000	18,000	14,819	(3,181)
Miscellaneous	-	-	20	20
Total revenues	<u>2,139,825</u>	<u>2,139,825</u>	<u>2,030,571</u>	<u>(109,254)</u>
Expenditures				
Current				
Economic development	1,035,727	1,061,642	990,804	70,838
Capital outlay				
Economic development	-	2,356,000	78,720	2,277,280
Debt service				
Interest	-	-	2,710	(2,710)
Total expenditures	<u>1,035,727</u>	<u>3,417,642</u>	<u>1,072,234</u>	<u>2,345,408</u>
Excess of revenues over expenditures	<u>1,104,098</u>	<u>(1,277,817)</u>	<u>958,337</u>	<u>2,236,154</u>
Other financing sources (uses)				
Transfers out	<u>(1,025,648)</u>	<u>(1,025,648)</u>	<u>(982,770)</u>	<u>42,878</u>
Total other financing sources (uses)	<u>(1,025,648)</u>	<u>(1,025,648)</u>	<u>(982,770)</u>	<u>42,878</u>
Changes in fund balance	78,450	(2,303,465)	(24,433)	2,279,032
Fund balances, beginning of year	<u>2,478,963</u>	<u>2,478,963</u>	<u>2,478,963</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,557,413</u>	<u>175,498</u>	<u>2,454,530</u>	<u>2,279,032</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Motor fuel taxes	\$ 1,487,100	1,487,100	1,490,133	3,033
Permits, fees and assessments	125,000	125,000	369,632	244,632
Intergovernmental	339,000	339,000	368,856	29,856
Interest	18,000	18,000	20,946	2,946
Miscellaneous	-	-	38	38
Total revenues	<u>1,969,100</u>	<u>1,969,100</u>	<u>2,249,605</u>	<u>280,505</u>
Expenditures				
Current				
Transportation	2,242,153	2,275,790	2,072,385	203,405
Capital outlay				
Transportation	297,000	322,117	347,850	(25,733)
Total expenditures	<u>2,539,153</u>	<u>2,597,907</u>	<u>2,420,235</u>	<u>177,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(570,053)</u>	<u>(628,807)</u>	<u>(170,630)</u>	<u>458,177</u>
Other financing sources				
Transfers in	14,477	14,477	-	(14,477)
Proceeds from sale of capital assets	-	-	886	886
Total other financing sources	<u>14,477</u>	<u>14,477</u>	<u>886</u>	<u>(13,591)</u>
Net changes in fund balances	(555,576)	(614,330)	(169,744)	444,586
Fund balances, beginning of year	<u>3,657,297</u>	<u>3,657,297</u>	<u>3,657,297</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,101,721</u>	<u>3,042,967</u>	<u>3,487,553</u>	<u>444,586</u>

**THE CITY OF NAPLES, FLORIDA**

Notes to Required Supplementary Information

September 30, 2014

**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, 2014  
(Unaudited)

**Schedule of Changes in Net Pension Liability and Related Ratios  
General Employees Pension**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 1,471,441
Interest on total pension liability	4,418,330
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	<u>(3,888,957)</u>
<b>Net change in total pension liability</b>	2,000,814
<b>Total pension liability - beginning</b>	<u>59,384,106</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 61,384,920</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,945,282
Contributions - state	-
Contributions - employee	715,072
Net investment income	5,857,072
Benefit payments, including refunds of member contributions	<u>(3,887,856)</u>
Administrative expenses	<u>(142,904)</u>
<b>Net change in plan fiduciary net position</b>	4,486,666
<b>Plan fiduciary net position - beginning</b>	<u>46,764,604</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 51,251,270</u></u>
<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 10,133,650</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	83.49%
<b>Covered-employee payroll</b>	\$ 15,618,366
<b>City's net pension liability as a percentage of covered-employee payroll</b>	64.88%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

**Schedule of Contributions  
General Employees Pension**

	<b>2014</b>
Actuarially determined contribution	\$ 1,924,183
Contributions in relation to the actuarially determined contribution	1,945,282
Contribution deficiency (excess)	<u>\$ (21,099)</u>
Covered employee payroll	\$ 15,618,366
Contributions as a percentage of covered-employee payroll	12.46%

**Notes to the Schedule:**

Valuation Date	October 1, 2012															
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.																
Methods and assumptions used to determine contribution rates:																
Funding method:	Entry age normal actuarial cost method															
Amortization method:	Level percentage of pay, closed															
Remaining amortization period:	30 years															
Asset valuation method:	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses over a five-year period.															
Inflation:	3.0% per year															
Salary increases:	<table border="0"> <tr> <th align="center"><u>Years of Service</u></th> <th align="center"><u>Increase</u></th> </tr> <tr> <td align="center">1 to 3</td> <td align="center">10%</td> </tr> <tr> <td align="center">4</td> <td align="center">9%</td> </tr> <tr> <td align="center">5 to 6</td> <td align="center">8%</td> </tr> <tr> <td align="center">7 to 8</td> <td align="center">7%</td> </tr> <tr> <td align="center">9 to 19</td> <td align="center">6%</td> </tr> <tr> <td align="center">20+</td> <td align="center">5%</td> </tr> </table>	<u>Years of Service</u>	<u>Increase</u>	1 to 3	10%	4	9%	5 to 6	8%	7 to 8	7%	9 to 19	6%	20+	5%	
<u>Years of Service</u>	<u>Increase</u>															
1 to 3	10%															
4	9%															
5 to 6	8%															
7 to 8	7%															
9 to 19	6%															
20+	5%															
Interest Rate:	7.5% per year, compounded annually, net of investment-related expenses															
Payroll growth:	4.2% per year for amortization of the Unfunded Actuarial Accrued Liability. The prior valuation utilized a 5% payroll growth assumption.															
Retirement age:	For Members hired after September 30, 2011, 100% retirement is assumed at the earlier of 1) Age 65 with 8 years of Credited Service, and 2) the completion of 33 years of Credit Service, regardless of Age.															
Early retirement	Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.															

The schedule will present 10 years of information once it is accumulated.

**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

**Schedules of Pension Investment Returns**

	<u><b>2014</b></u>
General Employees:	
Annual money-weighted rate of return, net of investment expenses	12.72%
Police:	
Annual money-weighted rate of return, net of investment expenses	12.60%
Fire:	
Annual money-weighted rate of return, net of investment expenses	12.67%

**Notes to the Schedules:**

The schedules will present 10 years of information once it is accumulated.

**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

**Schedule of Changes in Net Pension Liability and Related Ratios  
Police Officers' Pension**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 944,053
Interest on total pension liability	4,254,147
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	<u>(2,630,150)</u>
<b>Net change in total pension liability</b>	2,568,050
<b>Total pension liability - beginning</b>	<u>57,092,980</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 59,661,030</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,672,462
Contributions - state	540,981
Contributions - employee	229,089
Net investment income	4,804,886
Benefit payments, including refunds of member contributions	(2,622,981)
Administrative expenses	(75,114)
Other	-
<b>Net change in plan fiduciary net position</b>	<u>4,549,323</u>
<b>Plan fiduciary net position - beginning</b>	<u>37,930,680</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 42,480,003</u></u>
<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 17,181,027</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.20%
<b>Covered-employee payroll</b>	\$ 4,786,859
<b>City's net pension liability as a percentage of covered-employee payroll</b>	358.92%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

**Schedule of Contributions  
Police Officers' Pension**

	<u><b>2014</b></u>
Actuarially determined contribution	\$ 2,213,443
Contributions in relation to the actuarially determined contribution	<u>2,213,443</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 4,786,859
Contributions as a percentage of covered-employee payroll	46.24%

**Notes to the Schedule:**

Valuation Date October 1, 2012

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

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method		
Amortization method:	Level percentage of pay, closed		
Remaining amortization period:	30 years		
Asset valuation method:	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses over a five-year period.		
Inflation:	3.0% per year		
Salary increases:	<u>Years of Service</u>	<u>Increase</u>	
	1	10.0%	
	2-9	7.5%	
	10-14	6.0%	
	15-19	5.5%	
	20+	4.5%	
Interest Rate:	7.5% per year, compounded annually, net of investment-related expenses		
Payroll growth:	4.7% per year for amortization of Unfunded Actuarial Accrued Liability		
Retirement age:	The earlier of age 60, age 55 with 10 years of credited service, or 25 years of credited service, regardless of age. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.		
Early retirement	Hired prior to 4/1/2012: Earlier of 1) age 45 or 2) the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.		

The schedules will present 10 years of information once it is accumulated.

**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

**Schedule of Changes in Net Pension Liability and Related Ratios  
Fire Fighters' Pension**

	<u><b>2014</b></u>
<b>Total pension liability</b>	
Service cost	\$ 981,492
Interest on total pension liability	3,896,369
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,911,491)</u>
<b>Net change in total pension liability</b>	2,966,370
<b>Total pension liability - beginning</b>	<u>51,925,842</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 54,892,212</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,342,378
Contributions - state	871,999
Contributions - employee	177,737
Net investment income	4,996,523
Benefit payments, including refunds of member contributions	(1,911,492)
Administrative expenses	<u>(65,535)</u>
<b>Net change in plan fiduciary net position</b>	5,411,610
<b>Plan fiduciary net position - beginning</b>	<u>39,304,292</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 44,715,902</u></u>
<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 10,176,310</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81.46%
<b>Covered-employee payroll</b>	\$ 3,573,306
<b>City's net pension liability as a percentage of covered-employee payroll</b>	284.79%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

**Schedule of Contributions  
Fire Fighters' Pension**

	<u><b>2014</b></u>
Actuarially determined contribution	\$ 2,214,377
Contributions in relation to the actuarially determined contribution	2,214,377
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 3,573,306
Contributions as a percentage of covered-employee payroll	61.97%

**Notes to the Schedule:**

Valuation Date	October 1, 2012		
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.			
Methods and assumptions used to determine contribution rates:			
Funding method:	Entry age normal actuarial cost method		
Amortization method:	Level percentage of pay, closed		
Remaining amortization period:	30 years		
Asset valuation method:	The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.		
Inflation:	3.0% per year		
Salary increases:	<u>Years of Service</u>	<u>Increase</u>	
	1	10.0%	
	2-9	7.5%	
	10-14	6.0%	
	15-19	5.5%	
	20+	4.5%	
Interest Rate:	7.5% per year, compounded annually, net of investment-related expenses		
Payroll growth:	4.1% per year for amortization of the Unfunded Actuarial Accrued Liability.		
Post Retirement COLA:	3% per year at beginning at age 50 for Service Retirees and surviving Beneficiaries. No COLA for Disability or Vested, Terminated Members.		
Retirement age:	Earlier of 1) age 55, or 2) the completion of 25 years of credited service, regardless of age, or 3) the attainment of age 50 with 20 years of credited service.		
Early retirement	Attainment of age 50, regardless of years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.		

The schedules will present 10 years of information once it is accumulated.

**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/01/14	\$ 46,476	63,417	16,941	73%	15,836	107%
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%

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/01/14	\$ 38,734	59,913	21,179	65%	4,407	481%
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%



**THE CITY OF NAPLES, FLORIDA**

Required Supplementary Information  
September 30, 2014  
(Unaudited)

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/01/14	\$ 40,930	54,809	13,879	75%	3,055	454%
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%

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/01/13	\$ -	9,946	9,946	0%	25,793	39%
10/01/11	-	9,517	9,517	0%	24,449	39%
10/01/09	-	6,690	6,690	0%	23,317	29%

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## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

**Building and Zoning Fund**—To account for the activities related to the construction industry in the City.

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

**Baker Park Fund**—To account for receipts and disbursements related to the design and construction of the new park located on the Gordon River.

**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.

**Business Improvement District Fund**—To account for receipt and disbursement of monies used for the purpose of stabilizing and improving retail businesses within the Fifth Avenue South assessment area.

**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, 2014

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 13,424,395	595,453	14,019,848
Accounts receivable	6,275	-	6,275
Accrued interest	14,141	2,972	17,113
Due from other governments	61,061	-	61,061
<b>Total assets</b>	<b>\$ 13,505,872</b>	<b>598,425</b>	<b>14,104,297</b>
<b>Liabilities</b>			
Accounts payable	\$ 202,535	-	202,535
Accrued payroll	74,287	-	74,287
Due to other governments	301,918	-	301,918
Advances payable to other funds	1,328,016	-	1,328,016
Customer deposits	89,787	-	89,787
<b>Total liabilities</b>	<b>1,996,543</b>	<b>-</b>	<b>1,996,543</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue	121,930	-	121,930
<b>Fund balances</b>			
Restricted	9,345,455	589,242	9,934,697
Committed	1,745,584	9,183	1,754,767
Assigned	55,591	-	55,591
Unassigned	240,769	-	240,769
<b>Total fund balances</b>	<b>11,387,399</b>	<b>598,425</b>	<b>11,985,824</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,505,872</b>	<b>598,425</b>	<b>14,104,297</b>

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**CITY OF NAPLES, FLORIDA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended September 30, 2014

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Taxes—property	\$ 240,944	-	240,944
Permits, fees and assessments	5,961,785	328,945	6,290,730
Intergovernmental	108,974	-	108,974
Charges for services	32,088	-	32,088
Fines and forfeitures	12,091	-	12,091
Interest	37,052	3,596	40,648
Donations	2,342,947	-	2,342,947
Miscellaneous	18,522	-	18,522
Total revenues	<u>8,754,403</u>	<u>332,541</u>	<u>9,086,944</u>
Expenditures			
Current			
General government	17,747	-	17,747
Public safety	3,574,382	-	3,574,382
Economic and physical development	350,210	-	350,210
Culture and recreation	135,318	-	135,318
Capital outlay			
Public safety	174,651	-	174,651
Economic and physical development	804,870	-	804,870
Culture and recreation	13,452	-	13,452
Total expenditures	<u>5,070,630</u>	<u>-</u>	<u>5,070,630</u>
Excess of revenues over expenditures	<u>3,683,773</u>	<u>332,541</u>	<u>4,016,314</u>
Other financing sources (uses)			
Transfers out	(190,800)	(427,756)	(618,556)
Proceeds from sale of capital assets	319	-	319
Total other financing sources (uses)	<u>(190,481)</u>	<u>(427,756)</u>	<u>(618,237)</u>
Change in fund balances	3,493,292	(95,215)	3,398,077
Fund balances, beginning of year	7,894,107	693,640	8,587,747
Fund balances, end of year	<u>\$ 11,387,399</u>	<u>598,425</u>	<u>11,985,824</u>

**CITY OF NAPLES, FLORIDA**  
Combining Balance Sheet  
Nonmajor Governmental Special Revenue Funds  
September 30, 2014

	<b>Building and Zoning Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Baker Park Fund</b>	<b>Improvement Fund</b>	<b>Public Arts Fund</b>	<b>Grants Fund</b>
<b>Assets</b>						
Cash and investments	\$ 6,426,829	47,326	2,305,385	304,637	213,441	235,215
Accounts receivable	-	-	3,000	3,275	-	-
Accrued interest	7,851	-	-	-	213	-
Due from other governments	-	61,061	-	-	-	-
Total assets	<u>\$ 6,434,680</u>	<u>108,387</u>	<u>2,308,385</u>	<u>307,912</u>	<u>213,654</u>	<u>235,215</u>
<b>Liabilities</b>						
Accounts payable	\$ 8,951	52,796	-	7,222	-	-
Accrued payroll	74,287	-	-	-	-	-
Due to other governments	301,918	-	-	-	-	-
Advances payable to other funds	-	-	-	-	-	-
Customer deposits	-	-	-	-	89,787	-
Total liabilities	<u>385,156</u>	<u>52,796</u>	<u>-</u>	<u>7,222</u>	<u>89,787</u>	<u>-</u>
<b>Deferred inflows of resources</b>						
Unavailable revenue	-	-	-	274	-	-
<b>Fund balances</b>						
Restricted	6,049,524	-	2,308,385	300,416	-	235,215
Committed	-	-	-	-	123,867	-
Assigned	-	55,591	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>6,049,524</u>	<u>55,591</u>	<u>2,308,385</u>	<u>300,416</u>	<u>123,867</u>	<u>235,215</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,434,680</u>	<u>108,387</u>	<u>2,308,385</u>	<u>307,912</u>	<u>213,654</u>	<u>235,215</u>



<b>Confiscated Properties Fund</b>	<b>Business Improvement District Fund</b>	<b>41-10 Public Open Space Fund</b>	<b>Parking Trust Fund</b>	<b>Port Royal Dredging District Fund</b>	<b>East Naples Bay District Fund</b>	<b>Moorings Bay District Fund</b>	<b>Total Nonmajor Special Revenue</b>
456,519	4,545	157,847	359,320	1,015,160	801,844	1,096,327	13,424,395
-	-	-	-	-	-	-	6,275
183	-	1,139	764	-	2,216	1,775	14,141
-	-	-	-	-	-	-	61,061
<u>456,702</u>	<u>4,545</u>	<u>158,986</u>	<u>360,084</u>	<u>1,015,160</u>	<u>804,060</u>	<u>1,098,102</u>	<u>13,505,872</u>
4,787	-	-	-	127,544	1,235	-	202,535
-	-	-	-	-	-	-	74,287
-	-	-	-	-	-	-	301,918
-	-	-	-	-	1,328,016	-	1,328,016
-	-	-	-	-	-	-	89,787
<u>4,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,544</u>	<u>1,329,251</u>	<u>-</u>	<u>1,996,543</u>
-	-	-	-	121,656	-	-	121,930
451,915	-	-	-	-	-	-	9,345,455
-	4,545	158,986	360,084	-	-	1,098,102	1,745,584
-	-	-	-	-	-	-	55,591
-	-	-	-	765,960	(525,191)	-	240,769
<u>451,915</u>	<u>4,545</u>	<u>158,986</u>	<u>360,084</u>	<u>765,960</u>	<u>(525,191)</u>	<u>1,098,102</u>	<u>11,387,399</u>
<u>456,702</u>	<u>4,545</u>	<u>158,986</u>	<u>360,084</u>	<u>1,015,160</u>	<u>804,060</u>	<u>1,098,102</u>	<u>13,505,872</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Special Revenue Funds  
Year Ended September 30, 2014

	<b>Building and Zoning Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Baker Park Fund</b>	<b>Improvement Fund</b>	<b>Public Arts Fund</b>	<b>Grants Fund</b>
<b>Revenues</b>						
Taxes–property	\$ -	-	-	-	-	-
Permits, fees and assessments	3,953,501	-	146,300	-	-	-
Intergovernmental	-	108,974	-	-	-	-
Charges for services	22,088	10,000	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	24,310	-	-	-	-	-
Donations	-	-	2,265,633	77,314	-	-
Miscellaneous	6,349	-	-	-	12,173	-
Total revenues	<u>4,006,248</u>	<u>118,974</u>	<u>2,411,933</u>	<u>77,314</u>	<u>12,173</u>	<u>-</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	17,747	-	-
Public safety	3,531,998	-	-	5,084	-	-
Economic and physical development	-	-	-	-	-	-
Culture and recreation	-	-	103,548	31,770	-	-
<b>Capital outlay</b>						
Public safety	119,049	-	-	-	-	-
Economic and physical development	-	109,172	-	-	-	-
Culture and recreation	-	-	-	-	13,452	-
Total expenditures	<u>3,651,047</u>	<u>109,172</u>	<u>103,548</u>	<u>54,601</u>	<u>13,452</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>355,201</u>	<u>9,802</u>	<u>2,308,385</u>	<u>22,713</u>	<u>(1,279)</u>	<u>-</u>
<b>Other financing sources</b>						
Transfers out	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	355,201	9,802	2,308,385	22,713	(1,279)	-
Fund balances, beginning of year	5,694,323	45,789	-	277,703	125,146	235,215
Fund balances, end of year	<u>\$ 6,049,524</u>	<u>55,591</u>	<u>2,308,385</u>	<u>300,416</u>	<u>123,867</u>	<u>235,215</u>

<b>Confiscated Properties Fund</b>	<b>Business Improvement District Fund</b>	<b>41-10 Public Open Space Fund</b>	<b>Parking Trust Fund</b>	<b>Port Royal Dredging District Fund</b>	<b>East Naples Bay District Fund</b>	<b>Moorings Bay District Fund</b>	<b>Total Nonmajor Special Revenue</b>
-	-	-	-	-	205,139	35,805	240,944
-	328,487	-	-	1,533,497	-	-	5,961,785
-	-	-	-	-	-	-	108,974
-	-	-	-	-	-	-	32,088
12,091	-	-	-	-	-	-	12,091
4,345	-	997	2,258	(5,206)	4,536	5,812	37,052
-	-	-	-	-	-	-	2,342,947
-	-	-	-	-	-	-	18,522
<u>16,436</u>	<u>328,487</u>	<u>997</u>	<u>2,258</u>	<u>1,528,291</u>	<u>209,675</u>	<u>41,617</u>	<u>8,754,403</u>
-	-	-	-	-	-	-	17,747
37,300	-	-	-	-	-	-	3,574,382
-	327,986	-	-	7,430	208	14,586	350,210
-	-	-	-	-	-	-	135,318
55,602	-	-	-	-	-	-	174,651
-	-	-	-	688,812	6,886	-	804,870
-	-	-	-	-	-	-	13,452
<u>92,902</u>	<u>327,986</u>	<u>-</u>	<u>-</u>	<u>696,242</u>	<u>7,094</u>	<u>14,586</u>	<u>5,070,630</u>
<u>(76,466)</u>	<u>501</u>	<u>997</u>	<u>2,258</u>	<u>832,049</u>	<u>202,581</u>	<u>27,031</u>	<u>3,683,773</u>
-	-	-	-	-	(190,800)	-	(190,800)
319	-	-	-	-	-	-	319
<u>319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,800)</u>	<u>-</u>	<u>(190,481)</u>
(76,147)	501	997	2,258	832,049	11,781	27,031	3,493,292
528,062	4,044	157,989	357,826	(66,089)	(536,972)	1,071,071	7,894,107
<u>451,915</u>	<u>4,545</u>	<u>158,986</u>	<u>360,084</u>	<u>765,960</u>	<u>(525,191)</u>	<u>1,098,102</u>	<u>11,387,399</u>

**CITY OF NAPLES, FLORIDA**  
Combining Balance Sheet  
Nonmajor Governmental Capital Projects Funds  
September 30, 2014

	<b>Capital Project Funds</b>		<b>Total Nonmajor Capital Projects Funds</b>
	<b>Impact Fee Fund</b>	<b>Land Contribution Fund</b>	
<b>Assets</b>			
Cash and investments	\$ 588,732	6,721	595,453
Accrued interest	510	2,462	2,972
Total assets	<u>\$ 589,242</u>	<u>9,183</u>	<u>598,425</u>
<b>Liabilities</b>			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Restricted	589,242	-	589,242
Committed	-	9,183	9,183
Total fund balances	<u>589,242</u>	<u>9,183</u>	<u>598,425</u>
Total liabilities and fund balances	<u>\$ 589,242</u>	<u>9,183</u>	<u>598,425</u>

**CITY OF NAPLES, FLORIDA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Capital Projects Funds

Year Ended September 30, 2014

	<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	\$ 328,945	-	328,945
Interest	3,526	70	3,596
Total revenues	<u>332,471</u>	<u>70</u>	<u>332,541</u>
Expenditures			
Capital outlay			
General government	-	-	-
Economic and physical development	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	332,471	70	332,541
Other financing uses			
Transfers out	(427,756)	-	(427,756)
Total other financing uses	<u>(427,756)</u>	<u>-</u>	<u>(427,756)</u>
Change in fund balances	(95,285)	70	(95,215)
Fund balances, beginning of year	684,527	9,113	693,640
Fund balances, end of year	<u>\$ 589,242</u>	<u>9,183</u>	<u>598,425</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, 2014

	<b>Building and Zoning Fund</b>			<b>Variance With Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues				
Permits, fees and assessments	\$ 3,029,000	3,029,000	3,953,501	924,501
Intergovernmental	-	-	-	-
Charges for services	21,300	21,300	22,088	788
Interest	33,000	33,000	24,310	(8,690)
Donations	-	-	-	-
Miscellaneous	3,500	3,500	6,349	2,849
Total revenues	<u>3,086,800</u>	<u>3,086,800</u>	<u>4,006,248</u>	<u>919,448</u>
Expenditures				
Current				
Public safety	3,628,037	3,689,037	3,531,998	157,039
Culture and recreation	-	-	-	-
Capital outlay				
Public safety	60,000	85,000	119,049	(34,049)
Economic and physical development	-	-	-	-
Total expenditures	<u>3,688,037</u>	<u>3,774,037</u>	<u>3,651,047</u>	<u>122,990</u>
Excess (deficiency) of revenues over expenditures	<u>(601,237)</u>	<u>(687,237)</u>	<u>355,201</u>	<u>1,042,438</u>
Change in fund balances	(601,237)	(687,237)	355,201	1,042,438
Fund balances, beginning of year	5,694,323	5,694,323	5,694,323	-
Fund balances, end of year	<u>\$ 5,093,086</u>	<u>5,007,086</u>	<u>6,049,524</u>	<u>1,042,438</u>

<b>Community Development Block Grant Fund</b>				<b>Baker Park Fund</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
-	-	-	-	-	109,842	146,300	36,458
105,835	242,294	108,974	(133,320)	-	-	-	-
10,000	10,000	10,000	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,265,633	2,265,633
-	-	-	-	-	-	-	-
<u>115,835</u>	<u>252,294</u>	<u>118,974</u>	<u>(133,320)</u>	<u>-</u>	<u>109,842</u>	<u>2,411,933</u>	<u>2,302,091</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	129,842	103,548	26,294
-	-	-	-	-	-	-	-
-	242,294	109,172	133,122	-	-	-	-
<u>-</u>	<u>242,294</u>	<u>109,172</u>	<u>133,122</u>	<u>-</u>	<u>129,842</u>	<u>103,548</u>	<u>26,294</u>
115,835	10,000	9,802	(198)	-	(20,000)	2,308,385	2,328,385
115,835	10,000	9,802	(198)	-	(20,000)	2,308,385	2,328,385
45,789	45,789	45,789	-	-	-	-	-
<u>161,624</u>	<u>55,789</u>	<u>55,591</u>	<u>(198)</u>	<u>-</u>	<u>(20,000)</u>	<u>2,308,385</u>	<u>2,328,385</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, 2014

	<b>Confiscated Properties Fund</b>			<b>Variance With Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues				
Permits, fees and assessments	\$ -	-	-	-
Fines and forfeitures	-	-	12,091	12,091
Interest	-	-	4,345	4,345
Total revenues	<u>-</u>	<u>-</u>	<u>16,436</u>	<u>16,436</u>
Expenditures				
Current				
Public safety	-	-	37,300	(37,300)
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	-	37,536	55,602	(18,066)
Total expenditures	<u>-</u>	<u>37,536</u>	<u>92,902</u>	<u>(55,366)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(37,536)</u>	<u>(76,466)</u>	<u>(38,930)</u>
Other financing sources				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>319</u>	<u>(319)</u>
Change in fund balances	-	(37,536)	(76,147)	(38,611)
Fund balances, beginning of year	528,062	528,062	528,062	-
Fund balances, end of year	<u>\$ 528,062</u>	<u>490,526</u>	<u>451,915</u>	<u>(38,611)</u>



**Business Improvement District**

<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
328,500	328,500	328,487	(13)
-	-	-	-
-	-	-	-
<u>328,500</u>	<u>328,500</u>	<u>328,487</u>	<u>(13)</u>
-	-	-	-
328,500	328,500	327,986	514
-	-	-	-
<u>328,500</u>	<u>328,500</u>	<u>327,986</u>	<u>514</u>
-	-	501	501
-	-	-	-
-	-	501	501
4,044	4,044	4,044	-
<u>4,044</u>	<u>4,044</u>	<u>4,545</u>	<u>501</u>

**CITY OF NAPLES, FLORIDA**  
 Nonmajor Special Revenue Funds  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended September 30, 2014

	<b>Port Royal Dredging District Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues				
Taxes - property	\$ -	-	-	-
Permits, fees and assessments	160,000	160,000	1,533,497	1,373,497
Interest	-	-	(5,206)	(5,206)
Total revenues	<u>160,000</u>	<u>160,000</u>	<u>1,528,291</u>	<u>1,368,291</u>
Expenditures				
Current				
Economic and physical development	4,200	4,200	7,430	(3,230)
Capital outlay				
Economic and physical development	-	1,523,273	688,812	834,461
Total expenditures	<u>4,200</u>	<u>1,527,473</u>	<u>696,242</u>	<u>831,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,800</u>	<u>(1,367,473)</u>	<u>832,049</u>	<u>2,199,522</u>
Other financing sources				
Transfer out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	155,800	(1,367,473)	832,049	2,199,522
Fund balances, beginning of year	(66,089)	(66,089)	(66,089)	-
Fund balances, end of year	<u>\$ 89,711</u>	<u>(1,433,562)</u>	<u>765,960</u>	<u>2,199,522</u>

<b>East Naples Bay District Fund</b>				<b>Moorings Bay District Fund</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
201,000	201,000	205,139	4,139	35,400	35,400	35,805	405
-	-	-	-	-	-	-	-
2,000	2,000	4,536	2,536	5,600	5,600	5,812	212
<u>203,000</u>	<u>203,000</u>	<u>209,675</u>	<u>6,675</u>	<u>41,000</u>	<u>41,000</u>	<u>41,617</u>	<u>617</u>
11,350	11,350	208	11,142	24,250	24,250	14,586	9,664
800,000	800,000	6,886	793,114	-	-	-	-
<u>811,350</u>	<u>811,350</u>	<u>7,094</u>	<u>804,256</u>	<u>24,250</u>	<u>24,250</u>	<u>14,586</u>	<u>9,664</u>
<u>(608,350)</u>	<u>(608,350)</u>	<u>202,581</u>	<u>810,931</u>	<u>16,750</u>	<u>16,750</u>	<u>27,031</u>	<u>10,281</u>
(190,800)	(190,800)	(190,800)	-	-	-	-	-
<u>(190,800)</u>	<u>(190,800)</u>	<u>(190,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(799,150)	(799,150)	11,781	810,931	16,750	16,750	27,031	10,281
<u>(571,667)</u>	<u>(571,667)</u>	<u>(536,972)</u>	<u>34,695</u>	<u>1,071,071</u>	<u>1,071,071</u>	<u>1,071,071</u>	<u>-</u>
<u><u>(1,370,817)</u></u>	<u><u>(1,370,817)</u></u>	<u><u>(525,191)</u></u>	<u><u>845,626</u></u>	<u><u>1,087,821</u></u>	<u><u>1,087,821</u></u>	<u><u>1,098,102</u></u>	<u><u>10,281</u></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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes	\$ 3,032,585	3,032,585	3,415,906	383,321
Interest	50	50	(13)	(63)
Total revenues	<u>3,032,635</u>	<u>3,032,635</u>	<u>3,415,893</u>	<u>383,258</u>
Expenditures				
Current				
General government	62,700	62,700	62,700	-
Debt service				
Principal	1,489,000	1,489,000	1,489,000	-
Interest and fiscal charges	175,109	175,109	174,969	140
Total debt service	<u>1,664,109</u>	<u>1,664,109</u>	<u>1,663,969</u>	<u>140</u>
Total expenditures	<u>1,726,809</u>	<u>1,726,809</u>	<u>1,726,669</u>	<u>140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,305,826</u>	<u>1,305,826</u>	<u>1,689,224</u>	<u>383,398</u>
Other financing sources (uses)				
Transfers in	982,770	982,770	982,770	-
Transfers out	(2,212,000)	(2,212,000)	(2,212,000)	-
Total other financing sources (uses)	<u>(1,229,230)</u>	<u>(1,229,230)</u>	<u>(1,229,230)</u>	<u>-</u>
Change in fund balance	76,596	76,596	459,994	383,398
Fund balances, beginning of year	1,687,592	1,687,592	1,687,592	-
Fund balances, end of year	<u>\$ 1,764,188</u>	<u>1,764,188</u>	<u>2,147,586</u>	<u>383,398</u>

**CITY OF NAPLES, FLORIDA**  
 Capital Projects Funds  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended September 30, 2014

	<b>Capital Projects Fund - Major Fund</b>			<b>Variance With Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Permits, fees and assessments	\$ 51,850	51,850	45,072	(6,778)
Investment income	30,000	30,000	38,333	8,333
Miscellaneous	428,125	10,000	269	(9,731)
Total revenues	<u>509,975</u>	<u>91,850</u>	<u>83,674</u>	<u>(8,176)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	64,430	69,430	72,311	(2,881)
Public safety	-	32,326	40,578	(8,252)
Culture and recreation	-	4,148	16,420	(12,272)
<b>Capital projects</b>				
Finance	34,000	338,000	288,538	49,462
Fire	575,500	575,500	216,447	359,053
Police	605,395	665,071	652,309	12,762
Culture and recreation	3,065,681	3,064,064	958,013	2,106,051
Nondepartmental	205,000	1,088,972	970,772	118,200
Total expenditures	<u>4,550,006</u>	<u>5,837,511</u>	<u>3,215,388</u>	<u>2,622,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,040,031)</u>	<u>(5,745,661)</u>	<u>(3,131,714)</u>	<u>2,613,947</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,259,700	2,677,825	2,687,456	9,631
Transfers out	(570,000)	(570,000)	(150,000)	420,000
Proceeds from sale of capital assets	15,000	15,000	3,756	(11,244)
Total other financing sources (uses)	<u>1,704,700</u>	<u>2,122,825</u>	<u>2,541,212</u>	<u>418,387</u>
Changes in fund balance	(2,335,331)	(3,622,836)	(590,502)	3,032,334
Fund balances, beginning of year	6,124,385	6,124,385	6,124,385	-
Fund balances, end of year	<u>\$ 3,789,054</u>	<u>2,501,549</u>	<u>5,533,883</u>	<u>3,032,334</u>

## **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, 2014

<b>Assets</b>	<b>Naples Beach Fund</b>	<b>City Dock Fund</b>	<b>Tennis Fund</b>	<b>Total</b>
Current assets				
Cash and investments	\$ 3,069,548	743,385	283,563	4,096,496
Restricted cash and investments	-	25,370	-	25,370
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	35,008	15,869	-	50,877
Accrued interest	7,210	436	844	8,490
Due from other governments	132,945	3,075	-	136,020
Inventories	-	23,016	2,176	25,192
Total current assets	<u>3,244,711</u>	<u>811,151</u>	<u>286,583</u>	<u>4,342,445</u>
Capital assets				
Buildings and utility plants	1,126,190	85,715	703,269	1,915,174
Improvements other than buildings	4,371,083	2,413,880	100,174	6,885,137
Equipment	861,289	412,266	70,363	1,343,918
Accumulated depreciation	<u>(5,721,331)</u>	<u>(2,795,428)</u>	<u>(626,968)</u>	<u>(9,143,727)</u>
Net capital assets	<u>637,231</u>	<u>116,433</u>	<u>246,838</u>	<u>1,000,502</u>
Total assets	<u>\$ 3,881,942</u>	<u>927,584</u>	<u>533,421</u>	<u>5,342,947</u>



**CITY OF NAPLES, FLORIDA**  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
September 30, 2014

<b>Liabilities</b>	<b>Naples Beach Fund</b>	<b>City Dock Fund</b>	<b>Tennis Fund</b>	<b>Total</b>
Current liabilities				
Accounts payable	\$ 27,932	35,603	6,592	70,127
Accrued payroll	18,037	5,390	5,738	29,165
Accrued interest payable	-	-	187	187
Unearned revenue	36,624	51,701	-	88,325
Current portion of compensated absences	20,000	2,000	3,000	25,000
Current maturities of long-term debt	-	-	60,000	60,000
Total current liabilities	<u>102,593</u>	<u>94,694</u>	<u>75,517</u>	<u>272,804</u>
Current liabilities (payable from restricted assets)				
Customer deposits	-	25,370	-	25,370
Total current liabilities	<u>102,593</u>	<u>120,064</u>	<u>75,517</u>	<u>298,174</u>
Noncurrent liabilities				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	-	-	20,000	20,000
Other post-employment benefits	37,520	6,447	8,221	52,188
Compensated absences	31,170	5,434	15,203	51,807
Total noncurrent liabilities	<u>68,690</u>	<u>11,881</u>	<u>43,424</u>	<u>123,995</u>
Total liabilities	<u>171,283</u>	<u>131,945</u>	<u>118,941</u>	<u>422,169</u>
<b>Net Position</b>				
Net investment in capital assets	637,231	116,433	166,838	920,502
Unrestricted	3,073,428	679,206	247,642	4,000,276
Total net position	<u>\$ 3,710,659</u>	<u>795,639</u>	<u>414,480</u>	<u>4,920,778</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
Year Ended September 30, 2014

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 1,209,986	1,785,141	531,792	3,526,919
Total operating revenues	<u>1,209,986</u>	<u>1,785,141</u>	<u>531,792</u>	<u>3,526,919</u>
Operating expenses				
Personal services	726,460	207,668	284,804	1,218,932
Supplies and services	454,640	1,296,734	194,384	1,945,758
Utilities	99,402	68,984	1,163	169,549
Depreciation and amortization	118,220	41,996	53,710	213,926
General administration	118,180	46,630	38,090	202,900
Other	57,410	-	25,067	82,477
Total operating expenses	<u>1,574,312</u>	<u>1,662,012</u>	<u>597,218</u>	<u>3,833,542</u>
Operating income (loss)	<u>(364,326)</u>	<u>123,129</u>	<u>(65,426)</u>	<u>(306,623)</u>
Nonoperating revenues (expenses)				
Grant revenue	534,245	-	-	534,245
Interest income	14,792	3,488	2,845	21,125
Interest expense	-	-	(1,640)	(1,640)
Gain (loss) on sale of capital assets	304	-	(389)	(85)
Total nonoperating revenues (expenses)	<u>549,341</u>	<u>3,488</u>	<u>816</u>	<u>553,645</u>
Income (loss) before transfers	185,015	126,617	(64,610)	247,022
Transfers in	<u>-</u>	<u>-</u>	<u>127,500</u>	<u>127,500</u>
Change in net position	185,015	126,617	62,890	374,522
Net position, beginning of year	<u>3,525,644</u>	<u>669,022</u>	<u>351,590</u>	<u>4,546,256</u>
Net position, end of year	<u>\$ 3,710,659</u>	<u>795,639</u>	<u>414,480</u>	<u>4,920,778</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year Ended September 30, 2014

	<b>Naples Beach Fund</b>	<b>City Dock Fund</b>	<b>Tennis Fund</b>	<b>Total</b>
Cash flows from operating activities				
Cash received from customers	\$ 1,235,094	1,785,874	531,792	3,552,760
Cash payments to suppliers	(608,620)	(1,348,264)	(218,240)	(2,175,124)
Cash payments for employee services	(723,095)	(203,228)	(286,201)	(1,212,524)
Cash payments for interfund services	(118,180)	(46,630)	(38,090)	(202,900)
Net cash provided (used) by operating activities	<u>(214,801)</u>	<u>187,752</u>	<u>(10,739)</u>	<u>(37,788)</u>
Cash flows from noncapital financing activities				
Transfers	-	-	127,500	127,500
Operating grants	534,245	-	-	534,245
Net cash provided by noncapital financing activities	<u>534,245</u>	<u>-</u>	<u>127,500</u>	<u>661,745</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	-	-	(60,000)	(60,000)
Interest paid on long-term debt	-	-	(1,640)	(1,640)
Proceeds from sale of capital assets	306	-	-	306
Acquisition and construction of capital assets	(124,954)	(53,305)	(17,789)	(196,048)
Net cash used by capital and related financing activities	<u>(124,648)</u>	<u>(53,305)</u>	<u>(79,429)</u>	<u>(257,382)</u>
Cash flows from investing activities				
Interest and investment earnings	13,433	3,213	2,740	19,386
Net cash provided by investing activities	<u>13,433</u>	<u>3,213</u>	<u>2,740</u>	<u>19,386</u>
Net increase (decrease) in cash and cash equivalents	208,229	137,660	40,072	385,961
Cash and cash equivalents, beginning of year	2,861,319	631,095	243,491	3,735,905
Cash and cash equivalents, end of year	<u>\$ 3,069,548</u>	<u>768,755</u>	<u>283,563</u>	<u>4,121,866</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (364,326)	123,129	(65,426)	(306,623)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	118,220	41,996	53,710	213,926
Changes in assets and liabilities				
Decrease (increase) in receivables, net	2,084	(6,692)	-	(4,608)
Decrease (increase) in due from other governments	23,905	1,815	-	25,720
Decrease (increase) in inventories	-	1,203	(761)	442
Increase (decrease) in accounts payable	2,832	16,250	3,134	22,216
Increase (decrease) in accrued payroll	2,938	972	(3,332)	578
Increase (decrease) in unearned revenue	(881)	6,435	-	5,554
Increase (decrease) in customer deposits	-	(825)	-	(825)
Increase (decrease) in other post-employment benefits	8,761	1,955	1,880	12,596
Increase (decrease) in compensated absences	(8,334)	1,513	55	(6,766)
Net cash provided (used) by operating activities	<u>\$ (214,801)</u>	<u>187,751</u>	<u>(10,740)</u>	<u>(37,790)</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, 2014

<b>Assets</b>	<b>Equipment Services</b>	<b>Risk Management</b>	<b>Health Benefits</b>	<b>Technology Services</b>	<b>Total</b>
<b>Current assets</b>					
Cash and investments	\$ 230,299	6,963,654	1,891,094	987,128	10,072,175
Receivables, miscellaneous	-	-	2,955	-	2,955
Accrued interest	278	5,006	1,600	575	7,459
Due from other governments	2,429	-	-	-	2,429
Inventories	102,993	-	-	-	102,993
Prepays	-	-	-	18,588	18,588
<b>Total current assets</b>	<b>335,999</b>	<b>6,968,660</b>	<b>1,895,649</b>	<b>1,006,291</b>	<b>10,206,599</b>
<b>Capital assets</b>					
Buildings	779,289	-	-	51,957	831,246
Equipment	335,368	25,788	-	2,041,297	2,402,453
Accumulated depreciation	(761,988)	(25,788)	-	(1,461,073)	(2,248,849)
<b>Net capital assets</b>	<b>352,669</b>	<b>-</b>	<b>-</b>	<b>632,181</b>	<b>984,850</b>
<b>Total assets</b>	<b>688,668</b>	<b>6,968,660</b>	<b>1,895,649</b>	<b>1,638,472</b>	<b>11,191,449</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	57,211	20,013	492	167,458	245,174
Accrued payroll	18,972	3,582	-	10,664	33,218
Due to other funds	-	-	-	-	-
Unearned revenue	-	105	383	-	488
<b>Total current liabilities</b>	<b>76,183</b>	<b>23,700</b>	<b>875</b>	<b>178,122</b>	<b>278,880</b>
<b>Noncurrent liabilities</b>					
<b>Due within one year</b>					
Compensated absences	12,000	1,266	-	12,000	25,266
Insurance claims payable	-	630,800	427,403	-	1,058,203
<b>Due in more than one year</b>					
Compensated absences	88,768	6,747	-	22,194	117,709
Other post-employment benefits	36,653	5,050	-	43,074	84,777
Insurance claims payable	-	2,523,200	-	-	2,523,200
<b>Total noncurrent liabilities</b>	<b>137,421</b>	<b>3,167,063</b>	<b>427,403</b>	<b>77,268</b>	<b>3,809,155</b>
<b>Total liabilities</b>	<b>213,604</b>	<b>3,190,763</b>	<b>428,278</b>	<b>255,390</b>	<b>4,088,035</b>
<b>Net Position</b>					
Net investment in capital assets	352,669	-	-	494,708	847,377
Restricted, flexible benefits	-	-	309,506	-	309,506
Unrestricted	122,395	3,777,897	1,157,865	888,374	5,946,531
<b>Total net position</b>	<b>\$ 475,064</b>	<b>3,777,897</b>	<b>1,467,371</b>	<b>1,383,082</b>	<b>7,103,414</b>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds  
Year Ended September 30, 2014

	<u>Equipment Services</u>	<u>Risk Management</u>	<u>Health Benefits</u>	<u>Technology Services</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ 2,457,781	3,032,600	6,899,026	1,754,710	14,144,117
Operating expenses					
Personal services	782,746	135,279	-	614,481	1,532,506
Supplies, services and claims	1,467,651	2,388,700	6,015,686	869,848	10,741,885
Materials	-	-	-	-	-
Utilities	24,742	-	-	-	24,742
Depreciation and amortization	69,527	-	-	262,046	331,573
General administration	106,980	66,710	111,100	103,382	388,172
Other	2,687	2,633	-	-	5,320
Total operating expenses	<u>2,454,333</u>	<u>2,593,322</u>	<u>6,126,786</u>	<u>1,849,757</u>	<u>13,024,198</u>
Operating income (loss)	3,448	439,278	772,240	(95,047)	1,119,919
Nonoperating revenues (expenses)					
Interest income	731	25,546	2,403	4,361	33,041
Gain (loss) on sale of capital assets	-	1,655	-	-	1,655
Total nonoperating revenues (expenses)	<u>731</u>	<u>27,201</u>	<u>2,403</u>	<u>4,361</u>	<u>34,696</u>
Income (loss) before transfers	4,179	466,479	774,643	(90,686)	1,154,615
Transfers in	-	-	-	70,000	70,000
Change in net position	<u>4,179</u>	<u>466,479</u>	<u>774,643</u>	<u>(20,686)</u>	<u>1,224,615</u>
Net position, beginning of year	470,885	3,311,418	692,728	1,403,768	5,878,799
Net position, end of year	<u>\$ 475,064</u>	<u>3,777,897</u>	<u>1,467,371</u>	<u>1,383,082</u>	<u>7,103,414</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended September 30, 2014

	<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	\$2,460,992	3,032,600	6,896,293	1,754,710	14,144,595
Cash payments to suppliers for goods and services	(1,485,796)	(2,329,575)	(6,029,986)	(799,663)	(10,645,020)
Cash payments for employee services	(713,289)	(134,077)	-	(607,145)	(1,454,511)
Cash payments for interfund services	(106,980)	(66,710)	(111,100)	(103,382)	(388,172)
Net cash provided (used) by operating activities	<u>154,927</u>	<u>502,238</u>	<u>755,207</u>	<u>244,520</u>	<u>1,656,892</u>
Cash flows from noncapital and related financing activities					
Transfers in (out)	-	-	-	70,000	70,000
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>
Cash flows from capital and related financing activities					
Proceeds from the sale of capital assets	-	1,655	-	-	1,655
Acquisition and construction of capital assets	(14,515)	-	-	(399,519)	(414,034)
Net cash provided (used) by capital and related financing activities	<u>(14,515)</u>	<u>1,655</u>	<u>-</u>	<u>(399,519)</u>	<u>(412,379)</u>
Cash flows from investing activities					
Interest on pooled cash and investments	710	23,326	1,955	4,177	30,168
Net cash provided by investing activities	<u>710</u>	<u>23,326</u>	<u>1,955</u>	<u>4,177</u>	<u>30,168</u>
Net increase in cash and cash equivalents	141,122	527,219	757,162	(80,822)	1,344,681
Cash and cash equivalents, beginning of year	89,177	6,436,435	1,133,932	1,067,950	8,727,494
Cash and cash equivalents, end of year	<u>\$ 230,299</u>	<u>6,963,654</u>	<u>1,891,094</u>	<u>987,128</u>	<u>10,072,175</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 3,448	439,278	772,240	(95,047)	1,119,919
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	69,527	-	-	262,046	331,573
Changes in assets and liabilities					
(Increase) decrease in miscellaneous receivables	536	-	(2,733)	-	(2,197)
(Increase) decrease in due from other governments	2,675	-	-	-	2,675
(Increase) decrease in inventories	20,040	-	-	-	20,040
(Increase) decrease in prepaids	-	-	-	23,691	23,691
Increase (decrease) in accounts payable	(10,756)	(17,242)	(20)	46,494	18,476
Increase (decrease) in accrued payroll	3,790	599	-	(3,819)	570
Increase (decrease) in unearned revenue	-	-	383	-	383
Increase (decrease) in insurance claims payable	-	79,000	(14,663)	-	64,337
Increase (decrease) in other post-employment benefits	8,831	1,241	-	8,404	18,476
Increase (decrease) in compensated absences	56,836	(638)	-	2,751	58,949
Net cash provided (used) by operating activities	<u>\$ 154,927</u>	<u>502,238</u>	<u>755,207</u>	<u>244,520</u>	<u>1,656,892</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, 2014

	<b>Pension Trust</b>		
	<b>General Pension Fund</b>	<b>Supplemental General Pension</b>	<b>Managers' 401 Pension</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,240,447	-	-
Receivables			
Contributions	22,191	-	-
Investments, at fair value			
U.S. Treasury securities	1,049,727	-	-
U.S. Government agency securities	1,834,980	-	-
Municipal obligations	253,713	-	-
Asset-backed securities	1,636,810	-	-
Corporate bonds	4,812,203	-	-
Common stock/equity funds	33,238,763	-	-
Real estate investment trusts	2,342,186	-	-
Mutual funds	-	7,049,238	1,181,120
Alternative investments	4,850,451		
Total investments	<u>50,018,833</u>	<u>7,049,238</u>	<u>1,181,120</u>
Total assets	<u>51,281,471</u>	<u>7,049,238</u>	<u>1,181,120</u>
<b>Liabilities</b>			
Accounts payable	<u>30,201</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>30,201</u>	<u>-</u>	<u>-</u>
<b>Net position</b>			
Restricted for pension benefits	<u>\$ 51,251,270</u>	<u>7,049,238</u>	<u>1,181,120</u>

<b>Pension Trust</b>		
<b>Police Officers' Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
1,079,516	1,031,651	3,351,614
558,225	888,317	1,468,733
1,062,153	1,193,063	3,304,943
1,477,735	1,486,565	4,799,280
209,842	200,334	663,889
1,379,461	1,529,917	4,546,188
3,916,814	4,050,195	12,779,212
27,217,870	28,814,229	89,270,862
1,815,194	1,698,085	5,855,465
-	-	8,230,358
3,901,450	4,006,894	12,758,795
<u>40,980,519</u>	<u>42,979,282</u>	<u>142,208,992</u>
<u>42,618,260</u>	<u>44,899,250</u>	<u>147,029,339</u>
<u>138,257</u>	<u>183,348</u>	<u>351,806</u>
<u>138,257</u>	<u>183,348</u>	<u>351,806</u>
<u>42,480,003</u>	<u>44,715,902</u>	<u>146,677,533</u>

**CITY OF NAPLES, FLORIDA**  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended September 30, 2014

	<b>Pension Trust</b>		
	<b>General Pension Fund</b>	<b>Supplemental General Pension</b>	<b>Managers' 401 Pension</b>
<b>Additions</b>			
<b>Contributions</b>			
Employee contributions	\$ 715,072	304,918	70,645
Employer contributions	1,945,282	194,783	52,471
State contributions	-	-	-
Total contributions	<u>2,660,354</u>	<u>499,701</u>	<u>123,116</u>
<b>Investment earnings</b>			
Interest and dividend income	987,301	110,637	4,124
Net change in fair value of investments	5,140,879	517,773	80,352
Less investment expense	(271,108)	(21,441)	(1,004)
Net investment earnings	<u>5,857,072</u>	<u>606,969</u>	<u>83,472</u>
Total additions	<u>8,517,426</u>	<u>1,106,670</u>	<u>206,588</u>
<b>Deductions</b>			
Benefits paid	3,351,714	-	-
Refunds of contributions	536,142	530,544	-
General administration	142,904	-	-
Total deductions	<u>4,030,760</u>	<u>530,544</u>	<u>-</u>
Changes in net position	4,486,666	576,126	206,588
Net position, beginning of year	46,764,604	6,473,112	974,532
Net position, end of year	<u>\$ 51,251,270</u>	<u>7,049,238</u>	<u>1,181,120</u>

<b>Pension Trust</b>		
<b>Police Officers' Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
229,089	177,737	1,497,461
1,672,462	1,342,378	5,207,376
540,981	871,999	1,412,980
<u>2,442,532</u>	<u>2,392,114</u>	<u>8,117,817</u>
790,428	825,695	2,718,185
4,232,721	4,396,674	14,368,399
(218,263)	(225,846)	(737,662)
<u>4,804,886</u>	<u>4,996,523</u>	<u>16,348,922</u>
<u>7,247,418</u>	<u>7,388,637</u>	<u>24,466,739</u>
2,613,218	1,865,618	7,830,550
9,763	45,874	1,122,323
75,114	65,535	283,553
<u>2,698,095</u>	<u>1,977,027</u>	<u>9,236,426</u>
4,549,323	5,411,610	15,230,313
37,930,680	39,304,292	131,447,220
<u>42,480,003</u>	<u>44,715,902</u>	<u>146,677,533</u>

**CITY OF NAPLES, FLORIDA**  
Statement of Changes in Assets and Liabilities—Agency Funds  
Year Ended September 30, 2014

	<b>Balance October 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2014</b>
Assets				
Cash	\$ 2,489	12,081,067	(12,078,812)	4,744
Total assets	<u>2,489</u>	<u>12,081,067</u>	<u>(12,078,812)</u>	<u>4,744</u>
Liabilities				
Accounts payable	2,489	12,081,067	(12,078,812)	4,744
Total liabilities	<u>\$ 2,489</u>	<u>12,081,067</u>	<u>(12,078,812)</u>	<u>4,744</u>

## STATISTICAL SECTION (Unaudited)

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

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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. 152

#### 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. 163

#### 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. 170

#### 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. 176

#### 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. 178

*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 Position by Component**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities					
Net investment in capital assets	\$ 36,375,444	44,278,263	47,347,136	52,934,188	48,868,221
Restricted	3,033,223	2,989,709	2,640,493	3,004,060	3,781,152
Unrestricted	34,885,629	36,871,259	42,830,226	39,230,791	42,765,131
<b>Total governmental activities net assets</b>	<b>\$ 74,294,296</b>	<b>84,139,231</b>	<b>92,817,855</b>	<b>95,169,039</b>	<b>95,414,504</b>
Business-type activities					
Net investment in capital assets	\$ 48,443,815	50,606,313	55,460,038	60,313,029	65,279,797
Restricted	5,956,252	5,702,201	3,218,517	2,566,664	2,693,838
Unrestricted	19,428,925	22,676,063	23,418,439	23,979,666	25,931,780
<b>Total business-type activities net assets</b>	<b>\$ 73,828,992</b>	<b>78,984,577</b>	<b>82,096,994</b>	<b>86,859,359</b>	<b>93,905,415</b>
Primary government					
Net investment in capital assets	\$ 84,819,259	94,884,576	102,807,174	113,247,217	114,148,018
Restricted	8,989,475	8,691,910	5,859,010	5,570,724	6,474,990
Unrestricted	54,314,554	59,547,322	66,248,665	63,210,457	68,696,911
<b>Total primary government net assets</b>	<b>\$ 148,123,288</b>	<b>163,123,808</b>	<b>174,914,849</b>	<b>182,028,398</b>	<b>189,319,919</b>



<b>Fiscal Year</b>				
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
47,101,732	47,910,235	49,368,390	54,372,698	55,192,342
983,750	12,987,575	13,460,387	13,908,144	13,908,144
45,710,635	33,134,491	32,162,681	27,048,578	31,850,607
<u>93,796,117</u>	<u>94,032,301</u>	<u>94,991,458</u>	<u>95,329,420</u>	<u>100,951,093</u>
70,342,384	72,488,908	77,344,733	81,292,017	90,439,602
3,122,630	4,070,440	1,645,528	-	-
28,569,892	32,963,324	39,489,625	43,716,346	44,977,055
<u>102,034,906</u>	<u>109,522,672</u>	<u>118,479,886</u>	<u>125,008,363</u>	<u>135,416,657</u>
117,444,116	120,399,143	126,713,123	135,664,715	145,631,944
4,106,380	17,058,015	15,105,915	13,908,144	13,908,144
74,280,527	66,097,815	71,652,306	70,764,924	76,827,662
<u>195,831,023</u>	<u>203,554,973</u>	<u>213,471,344</u>	<u>220,337,783</u>	<u>236,367,750</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Expenses</b>					
Governmental activities					
General government	\$ 4,628,899	12,926,588 <sup>(a)</sup>	6,811,501 <sup>(a)</sup>	8,140,789	6,668,512
Public safety	18,423,475	20,692,720	22,691,091	24,409,251	25,633,909
Physical and economic environment	1,726,724	2,292,246	2,194,855	2,588,477	2,925,902
Transportation	2,347,916	2,364,917	4,010,530	3,394,912	3,520,363
Culture and recreation	6,103,599	6,488,868	7,978,079	8,584,195	7,733,570
Interest	997,829	939,738	904,623	830,822	1,033,650
Total governmental activities expenses	<u>34,228,442</u>	<u>45,705,077</u>	<u>44,590,679</u>	<u>47,948,446</u>	<u>47,515,906</u>
Business-type activities					
Water and sewer	20,052,724	20,283,437	22,354,201	23,625,071	24,816,306
Solid waste	4,858,461	5,126,911	5,652,827	5,835,401	5,501,931
Stormwater	1,301,876	1,289,960	1,431,858	1,833,201	2,088,938
Other enterprises	3,850,775	4,169,201	4,464,879	4,177,236	3,505,193
Total business-type activities	<u>30,063,836</u>	<u>30,869,509</u>	<u>33,903,765</u>	<u>35,470,909</u>	<u>35,912,368</u>
Total primary governmental expenses	<u>\$ 64,292,278</u>	<u>76,574,586</u>	<u>78,494,444</u>	<u>83,419,355</u>	<u>83,428,274</u>
<b>Program Revenues (see Schedule 3)</b>					
Governmental activities					
Charges for services					
General government	\$ 1,150,161	1,207,823	1,180,983	1,310,847	1,043,665
Public safety	4,162,944	5,001,465	4,424,734	4,492,028	3,571,827
Physical and economic environment	81,385	11,982	581,638	387,922	12,397
Transportation	258,621	65,681	69,719	74,884	-
Culture and recreation	822,085	766,409	1,028,100	881,822	819,228
Operating grants and contributions	4,294,679	11,017,352 <sup>(a)</sup>	3,041,688 <sup>(a)</sup>	2,633,209	2,978,768
Capital grants and contributions	793,780	2,821,571	1,830,543	2,350,214	1,202,496
Total governmental activities revenues	<u>11,563,655</u>	<u>20,892,283</u>	<u>12,157,405</u>	<u>12,130,926</u>	<u>9,628,381</u>
Business-type activities					
Water and sewer	21,437,118	22,736,438	22,933,821	25,299,408	28,219,062
Solid waste	5,560,064	6,175,311	6,046,768	6,369,866	6,294,650
Stormwater	1,419,256	1,500,320	1,418,188	2,890,146	4,467,178
Beach	896,446	830,339	916,767	917,236	1,071,798
Dock	1,872,307	1,880,153	2,003,808	1,767,944	1,078,547
Tennis	455,108	547,122	559,561	575,121	548,984
Operating grants and contributions	430,347	408,819	465,865	646,891	501,525
Capital grants and contributions	659,482	2,508,003	3,071,791	3,358,210	2,057,101
Total business-type activities	<u>32,730,128</u>	<u>36,586,505</u>	<u>37,416,569</u>	<u>41,824,822</u>	<u>44,238,845</u>
Total primary governmental revenues	<u>\$ 44,293,783</u>	<u>57,478,788</u>	<u>49,573,974</u>	<u>53,955,748</u>	<u>53,867,226</u>
<b>Net Expense/Revenue</b>					
Governmental activities	\$ (22,664,787)	(24,812,794)	(32,433,274)	(35,817,520)	(37,887,525)
Business-type activities	2,666,292	5,716,996	3,512,804	6,353,913	8,326,477
Total primary government net expense	<u>\$ (19,998,495)</u>	<u>(19,095,798)</u>	<u>(28,920,470)</u>	<u>(29,463,607)</u>	<u>(29,561,048)</u>

Fiscal Year				
2010	2011	2012	2013	2014
6,394,914	5,622,677	5,457,866	5,301,030	7,715,255
25,616,678	23,957,097	24,400,324	24,885,076	25,969,504
3,207,529	3,239,638	3,128,378	2,792,363	2,714,222
3,715,335	3,553,288	3,355,650	3,450,265	3,089,234
7,243,542	6,850,817	6,609,114	6,942,141	7,093,524
955,784	443,739	493,896	397,292	227,976
<u>47,133,782</u>	<u>43,667,256</u>	<u>43,445,228</u>	<u>43,768,167</u>	<u>46,809,715</u>
24,334,032	24,300,280	23,915,729	23,833,110	24,397,347
5,366,770	5,497,576	5,275,918	5,489,089	6,011,637
2,458,129	2,642,191	2,463,801	3,064,173	3,088,139
3,094,200	3,117,045	3,377,075	3,474,163	3,822,843
<u>35,253,131</u>	<u>35,557,092</u>	<u>35,032,523</u>	<u>35,860,535</u>	<u>37,319,966</u>
<u>82,386,913</u>	<u>79,224,348</u>	<u>78,477,751</u>	<u>79,628,702</u>	<u>84,129,681</u>
1,139,439	1,238,135	837,202	874,008	3,724,592
3,631,525	3,803,409	4,792,576	4,506,478	4,940,975
12,064	15,372	15,788	16,009	17,616
6,618	3,942		31,210	104,501
840,364	751,480	751,862	802,130	3,185,180
3,190,239	2,909,353	2,631,903	2,803,204	4,140,006
425,002	294,062	927,761	352,732	779,103
<u>9,245,251</u>	<u>9,015,753</u>	<u>9,957,092</u>	<u>9,385,771</u>	<u>16,891,973</u>
28,303,440	29,055,653	28,262,634	28,747,954	32,117,638
6,089,265	5,974,018	5,827,277	5,876,369	6,102,494
4,422,225	4,538,097	4,563,918	4,651,910	5,039,675
1,046,660	1,125,781	1,117,695	1,086,099	1,209,986
1,067,358	1,298,741	1,512,844	1,649,255	1,785,141
534,095	452,109	417,161	474,559	531,792
637,810	621,838	635,642	556,850	784,245
2,991,732	1,726,470	3,507,039	1,388,630	1,835,613
<u>45,092,585</u>	<u>44,792,707</u>	<u>45,844,210</u>	<u>44,431,626</u>	<u>49,406,584</u>
<u>54,337,836</u>	<u>53,808,460</u>	<u>55,801,302</u>	<u>53,817,397</u>	<u>66,298,557</u>
(37,888,531)	(34,651,503)	(33,488,136)	(34,382,396)	(29,917,742)
<u>9,839,454</u>	<u>9,235,615</u>	<u>10,811,687</u>	<u>8,571,091</u>	<u>12,086,618</u>
<u>(28,049,077)</u>	<u>(25,415,888)</u>	<u>(22,676,449)</u>	<u>(25,811,305)</u>	<u>(17,831,124)</u>

(Continued)

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>General Revenues and Other</b>						
<b>Changes in Net Position</b>						
Governmental activities						
Taxes						
Property taxes	\$ 13,029,256	14,404,764	15,926,721	20,779,629	19,415,799	19,729,516
Local communication and utility taxes	3,904,133	4,149,829	4,269,042	4,218,208	4,170,227	4,476,921
Insurance premium tax <sup>(a)</sup>	-	-	1,751,337	1,769,045	1,949,641	2,016,132
Motor fuel taxes	1,731,941	1,585,816	1,579,996	1,532,580	1,404,690	1,393,025
Business taxes	251,051	291,426	269,389	278,694	274,487	247,021
Franchise fees	2,977,388	3,165,215	3,825,979	3,877,556	3,740,236	3,971,657
Intergovernmental revenues, unrestricted	3,431,686	3,628,176	3,658,867	3,449,606	3,160,311	2,863,565
Unrestricted investment earnings	683,727	1,087,659	2,068,237	2,858,980	2,043,294	1,345,826
Miscellaneous revenues	48,428	105,030	54,863	129,518	45,489	17,461
Gain on sale of capital assets	1,986,363	-	-	-	-	88,496
Transfers	1,917,577	1,676,358	1,708,000	1,763,380	1,964,530	1,983,370
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>	<u>38,132,990</u>
Business-type activities						
Investment earnings	311,790	511,054	1,111,333	1,333,466	831,090	566,730
Gain on sale of capital assets	84,807	530	35,256	29,527	-	136,219
Special item	-	-	-	-	(458,108)	-
Transfers	(1,917,577)	(1,676,358)	(1,708,000)	(1,763,380)	(1,964,530)	(1,983,370)
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>	<u>(1,280,421)</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>	<u>36,852,569</u>
<b>Change in Net Position</b>						
Governmental activities	\$ 7,640,412	7,429,486	10,299,637	8,223,922	2,351,184	245,465
Business-type activities	<u>1,550,111</u>	<u>1,501,518</u>	<u>5,155,585</u>	<u>3,112,417</u>	<u>4,762,365</u>	<u>7,046,056</u>
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>	<u>7,291,521</u>

<sup>(a)</sup> Prior years had these amounts recorded only in the Police/Fire Pension Funds

Fiscal Year				
2010	2011	2012	2013	2014
19,418,905	17,872,322	17,390,742	17,330,532	18,539,883
4,846,484	5,208,481	5,574,086	5,977,860	5,241,319
1,440,033	1,319,318	1,354,027	1,324,166	1,412,980
1,396,616	1,386,067	1,397,806	1,367,212	1,190,133
270,748	243,716	264,110	255,890	269,562
3,498,659	3,474,511	3,361,560	3,299,823	3,579,771
2,825,967	2,847,318	2,807,044	2,952,946	3,158,266
542,317	371,937	238,259	175,612	232,811
44,415	171,799	19,273	50,070	34,155
-	4,718	26,776	-	1,655
1,986,000	1,987,500	2,013,610	2,054,280	1,878,880
<u>36,270,144</u>	<u>34,887,687</u>	<u>34,447,293</u>	<u>34,788,391</u>	<u>35,539,415</u>
258,101	186,018	153,699	90,583	200,556
17,936	53,633	5,438	-	-
-	-	-	-	-
(1,986,000)	(1,987,500)	(2,013,610)	(2,054,280)	(1,878,880)
<u>(1,709,963)</u>	<u>(1,747,849)</u>	<u>(1,854,473)</u>	<u>(1,963,697)</u>	<u>(1,678,324)</u>
<u>34,560,181</u>	<u>33,139,838</u>	<u>32,592,820</u>	<u>32,824,694</u>	<u>33,861,091</u>
(1,618,387)	236,184	959,157	405,995	5,621,673
8,129,491	7,487,766	8,957,214	6,607,394	10,408,294
<u>6,511,104</u>	<u>7,723,950</u>	<u>9,916,371</u>	<u>7,013,389</u>	<u>16,029,967</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ 3,851,388	817,651	882,906	535,922	442,112
Unreserved	5,561,460	12,119,520	15,454,863	14,774,120	16,151,990
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	<u>\$ 9,412,848</u>	<u>12,937,171</u>	<u>16,337,769</u>	<u>15,310,042</u>	<u>16,594,102</u>
All other governmental funds					
Reserved					
Special revenue funds	\$ 179,187	18,625	89,364	215,821	29,839
Capital projects funds	19,890,914	4,645,715	5,999,449	6,720,843	1,145,643
Debt service funds	1,420,125	1,707,311	1,725,940	1,486,456	1,420,125
Unreserved					
Special revenue funds	3,594,431	5,226,704	5,578,047	5,616,572	5,086,904
Capital projects funds	(362,701)	12,533,664	12,088,406	8,192,774	16,308,321
Debt service funds	457,518	494,714	737,263	978,483	1,282,620
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	<u>\$ 25,179,474</u>	<u>24,626,733</u>	<u>26,218,469</u>	<u>23,210,949</u>	<u>25,273,452</u>

<b>Fiscal Year</b>				
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
420,844	N/A	N/A	N/A	N/A
17,052,805	N/A	N/A	N/A	N/A
N/A	150,464	487,435	425,592	725,388
N/A	13,791	13,791	13,791	13,791
N/A	3,528,888	3,515,091	3,597,298	3,597,298
N/A	46,284	11,765	293,132	293,132
N/A	15,508,265	15,541,877	10,582,398	11,439,262
<u>17,473,649</u>	<u>19,247,692</u>	<u>19,569,959</u>	<u>14,912,211</u>	<u>16,068,871</u>
10,731	N/A	N/A	N/A	N/A
1,225,757	N/A	N/A	N/A	N/A
1,560,104	N/A	N/A	N/A	N/A
5,317,018	N/A	N/A	N/A	N/A
15,809,889	N/A	N/A	N/A	N/A
1,884,501	N/A	N/A	N/A	N/A
N/A	121,462	455,198	400,565	390,271
N/A	12,973,784	13,446,596	13,487,529	15,818,513
N/A	3,928,985	2,927,725	3,167,293	3,196,870
N/A	6,715,447	6,758,559	6,083,658	5,962,952
N/A	N/A	(571,667)	(603,061)	240,769
<u>25,808,000</u>	<u>23,739,678</u>	<u>23,016,411</u>	<u>22,535,984</u>	<u>25,609,375</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>					
Taxes	\$ 23,305,625	25,601,739	32,177,018 <sup>(a)</sup>	27,214,844	27,862,615
Licenses, permits, fees and assessments	2,931,552	3,787,831	3,717,384 <sup>(a)</sup>	6,953,495 <sup>(b)</sup>	6,856,060
Intergovernmental	8,015,980	16,974,405	7,883,654	7,761,199	5,856,457
Charges for services	2,009,871	1,824,433	2,373,059	2,327,605	2,020,389
Charges to other funds	3,748,880	3,806,515	3,966,100	4,165,504	4,093,450
Fines and forfeitures	553,888	578,562	374,950	405,342	338,037
Impact fees/special assessments	368,576	710,951	424,364	366,627 <sup>(b)</sup>	-
Interest	971,187	1,833,114	2,603,304	1,806,496	1,216,224
Contributions	263,988	70,505	59,716	62,715	83,101
Miscellaneous	432,022	1,159,105	153,338	73,568	115,701
Total revenues	<u>42,601,569</u>	<u>56,347,160</u>	<u>53,732,887</u>	<u>51,137,395</u>	<u>48,442,034</u>
<b>Expenditures</b>					
General government	7,516,247	15,131,257	9,591,067	11,377,879	9,688,213
Public safety	17,606,607	18,988,238	21,481,323	23,479,974	24,792,638
Physical and economic environment	1,333,438	1,734,495	1,579,013	1,813,934	1,775,115
Transportation	1,351,547	1,421,391	2,820,205	2,046,296	2,116,889
Culture and recreation	5,289,131	5,352,049	6,313,097	6,920,107	5,996,861
Capital outlay	6,621,225	11,043,085	6,768,798	9,542,548	7,053,867
Debt service					
Principal	978,603	994,107	1,070,000	1,125,000	1,497,000
Interest and fiscal charges	995,570	933,536	907,878	831,434	1,066,519
Total expenditures	<u>41,692,368</u>	<u>55,598,158</u>	<u>50,531,381</u>	<u>57,137,172</u>	<u>53,987,102</u>
Excess (deficit) of revenues over (under) expenditures	<u>909,201</u>	<u>749,002</u>	<u>3,201,506</u>	<u>(5,999,777)</u>	<u>(5,545,068)</u>
<b>Other Financing Sources (Uses)</b>					
Debt issued	-	-	-	-	6,860,000
Payments to escrow agents	-	-	-	-	-
Payments to current refund debt	-	-	-	-	-
Transfers in	4,906,256	4,797,603	5,944,576	4,720,949	12,714,292
Transfers out	(3,229,898)	(3,068,828)	(4,181,196)	(2,756,419)	(10,818,965)
Sale of capital assets	25	39,102	27,448	-	136,304
Total other financing sources (uses)	<u>1,676,383</u>	<u>1,767,877</u>	<u>1,790,828</u>	<u>1,964,530</u>	<u>8,891,631</u>
Net change in fund balance	<u>\$ 2,585,584</u>	<u>2,516,879</u>	<u>4,992,334</u>	<u>(4,035,247)</u>	<u>3,346,563</u>
Debt service as a percentage of noncapital expenditures	5.6%	4.3%	4.5%	4.1%	5.5%

**Note:** <sup>(a)</sup> In 2008, franchise fees were reclassified from taxes to licenses, permits and fees. Business licenses were reclassified from licenses, permits and fees to taxes.  
<sup>(b)</sup> In 2009, impact fees and special assessments were reclassified to permits, fees and assessments.  
<sup>(c)</sup> The City refunded the 2010 Capital Improvement Refunding Revenue Notes.



Fiscal Year				
2010	2011	2012	2013	2014
27,372,786	26,029,904	25,980,772	26,255,660	26,653,877
6,072,977	6,655,012	7,539,226	7,179,183	10,397,768
6,038,913	5,236,599	5,174,417	5,152,801	5,556,664
2,045,248	1,908,981	2,131,943	1,802,160	1,811,398
3,720,709	3,720,708	3,681,838	3,597,960	3,358,100
254,385	232,575	461,537	418,614	195,349
-	-	-	-	-
492,471	336,484	214,851	170,743	199,770
211,302	258,985	204,116	115,262	2,342,947
75,544	177,621	9,273	255,225	35,463
<u>46,284,335</u>	<u>44,556,869</u>	<u>45,397,973</u>	<u>44,947,608</u>	<u>50,551,336</u>
8,620,881	8,307,238	8,130,338	8,421,621	8,249,859
23,680,724	22,062,961	23,192,344	23,731,367	24,418,391
2,024,380	1,945,948	1,776,115	1,357,378	1,341,014
2,246,827	2,191,327	2,069,396	2,298,904	2,072,385
5,433,931	5,302,802	5,189,194	5,567,331	5,855,186
2,303,468	2,830,919	5,193,871	7,381,848	4,537,516
1,612,000	2,222,000	1,844,000 <sup>(c)</sup>	3,056,000	1,489,000
957,917	589,568	445,242	333,221	177,679
<u>46,880,128</u>	<u>45,452,763</u>	<u>47,840,500</u>	<u>52,147,670</u>	<u>48,141,030</u>
<u>(595,793)</u>	<u>(895,894)</u>	<u>(2,442,527)</u>	<u>(7,200,062)</u>	<u>2,410,306</u>
-	17,094,000	- <sup>(c)</sup>	13,830,000	-
-	(8,285,998)	-	(13,793,951)	-
-	(10,186,000)	-	-	-
5,766,183	5,705,136	6,396,488	7,032,679	5,819,706
(3,780,183)	(3,762,476)	(4,382,878)	(5,037,219)	(4,010,826)
23,888	36,953	27,917	30,378	10,865
<u>2,009,888</u>	<u>601,615</u>	<u>2,041,527</u>	<u>2,061,887</u>	<u>1,819,745</u>
<u>1,414,095</u>	<u>(294,279)</u>	<u>(401,000)</u>	<u>(5,138,175)</u>	<u>4,230,051</u>
5.8%	6.6%	5.4%	7.6%	3.8%

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

<b>Fiscal Year</b>	<b>Property</b>	<b>Utility and Communication</b>	<b>Franchise Fees</b>	<b>Fuel Taxes</b>	<b>Sales and Use</b>	<b>Other</b>	<b>Total</b>
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 <sup>(a)</sup>	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
2014	18,239,883	5,541,318	3,579,771	1,190,133	2,204,960	1,682,542	32,438,607
Change							
2005-2014	26.6%	33.5%	13.9%	-25.0%	-16.0%	67.7%	20.5%

**Source:** City of Naples Finance Department

**Notes:** <sup>(a)</sup> 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

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less Net New Taxable Value</b>	<b>Adjusted Total Taxable Value (for roll back)</b>	<b>Final Taxable Value</b>
2004-05	11,909,720,094	301,738,680	271,725,048	11,939,733,726	12,168,966,197
2005-06	13,412,338,003	345,957,486	192,180,825	13,566,114,664	13,746,713,411
2006-07	16,264,603,707	376,100,345	275,696,496	16,365,007,556	16,533,125,948
2007-08	17,086,194,348	386,182,053	410,638,803	17,061,737,598	17,456,888,406
2008-09	16,903,766,419	400,795,472	342,706,664	16,961,855,227	17,246,749,629
2009-10	15,962,605,246	421,136,474	311,015,976	16,072,725,744	16,287,802,409
2010-11	14,627,069,353	419,030,702	185,960,906	14,860,139,149	14,976,570,653
2011-12	14,232,284,825	356,269,561	106,264,047	14,482,290,339	14,557,352,859
2012-13	14,642,097,786	354,038,345	127,383,048	14,868,753,083	14,982,785,178
2013-14	15,469,458,476	355,090,471	185,411,425	15,639,137,522	15,813,172,702

**Source:** Collier County Tax Appraiser

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

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

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

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

<b>Total Direct Tax Rate</b>	<b>Market/Just Value</b>	<b>Actual Taxable Value as a Percentage of Market/Just Value</b>
1.2098	15,427,299,073	77.4%
1.1839	17,371,133,725	78.1%
1.2815	21,802,038,544	75.1%
1.1347	22,486,719,099	75.9%
1.1663	21,642,182,442	78.4%
1.2175	19,738,257,718	81.4%
1.2195	17,719,816,637	83.9%
1.2226	17,046,390,756	85.0%
1.1800	17,730,212,166	83.9%
1.1800	18,964,343,443	82.5%

**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	Water Pollution Control
2005	1.1600	0.0498	1.2098	0.0962	3.8772	0.0347
2006	1.1400	0.0439	1.1839	0.0830	3.5790	0.0347
2007	1.2450	0.0365	1.2815	0.0680	3.5790	0.0320
2008	1.0997	0.0350	1.1347	0.0635	3.1469	0.0280
2009	1.1315	0.0348	1.1663	0.0635	3.4221	0.0293
2010	1.1800	0.0375	1.2175	0.0720	3.5938	0.0293
2011	1.1800	0.0395	1.2195	0.0826	3.5645	0.0293
2012	1.1800	0.0426	1.2226	0.0934	3.5645	0.0293
2013	1.1800	0.0000	1.1800	0.1102	3.5645	0.0293
2014	1.1800	0.0000	1.1800	0.1050	3.5645	0.0293

**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\***

<b>Conservation Collier</b>	<b>School Board</b>	<b>South Water Management</b>	<b>Combined Total</b>
0.2500	6.2200	0.5265	12.2144
0.2500	5.9730	0.5265	11.7801
0.2500	5.5250	0.5266	11.4121
0.2242	5.3510	0.4814	10.5797
0.2500	4.9090	0.4814	10.4716
0.2500	5.2390	0.4814	10.8830
0.2500	5.6990	0.4814	11.3263
0.2500	5.5270	0.3418	11.0286
0.2500	5.5760	0.3390	11.0490
0.0000	5.6900	0.3278	10.8966

**Schedule 8**  
**City of Naples**  
**Principal Property Tax Payers,**  
**As of September 30, 2014**  
**(in thousands)**

	2014			2005		
	Property Taxes Levied	Rank	Percentage of Total Taxes Levied	Property Taxes Levied	Rank	Percentage of Total Taxes Levied
<b>Top 10 City of Naples Taxpayers</b>						
Florida Power & Light	\$ 157,074	1	0.83%			
The Moorings, Inc.	113,657	2	0.60%			
Coastland Center, LLC	75,144	3	0.40%	80,649	1	0.54%
Sandra Gerry	53,628	4	0.28%	58,002	2	0.39%
Westbury Properties, Inc.	50,052	5	0.26%	37,047	6	0.25%
Randal D Bellestri Trust	49,901	6	0.26%			
Harold Square Land Trust	40,636	7	0.21%			
Montana Realty Company LLC	35,019	8	0.19%			
Linda Buonanno Trust	31,303	9	0.17%			
Arthur L Allen Jr.	30,963	10	0.16%			
Lutgert Trust, Raymond L				46,504	3	0.31%
Comax Partners				41,319	4	0.28%
Estuary at Grey Oaks				37,772	5	0.25%
Panthers				27,497	7	0.18%
Larned, Gardner B				27,389	8	0.18%
Bergman Trust, Bruce J				24,376	9	0.16%
Tobin Trust				23,075	10	0.15%
	\$ <u>637,376</u>		<u>3.37%</u>	<u>403,630</u>		<u>2.71%</u>
Total property taxes levied	\$ 18,921,717.00			14,911,539.00		

**Sources:** Collier County Property Appraiser and 2005 CAFR



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

<b>Fiscal Year Ended Sept. 30</b>	<b>Taxes Levied for the Fiscal Year (1)</b>	<b>Current Collections</b>		<b>Delinquent Collections (2)</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
2005	\$ 14,911,539	14,404,764	96.6%	-	14,404,764	96.6%
2006	16,501,506	15,909,553	96.4%	8,584	15,918,137	96.5%
2007	21,488,943	20,751,659	96.6%	13,985	20,765,644	96.6%
2008	20,093,536	19,380,396	96.5%	13,308	19,393,704	96.5%
2009	20,402,060	19,722,046	96.7%	7,470	19,729,516	96.7%
2010	19,589,041	19,407,423	99.1%	11,482	19,418,905	99.1%
2011	17,989,673	17,849,758	99.2%	22,564	17,872,322	99.3%
2012	17,439,047	17,308,627	99.3%	82,115	17,390,742	99.7%
2013	17,927,260	17,242,814	96.2%	87,718	17,568,817	96.4%
2014	18,921,717	18,162,559	96.0%	77,324	17,568,817	96.4%

**Sources:** (1) DR 420 MM Line 22

**Note:** (2) From City of Naples Finance Department

**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 Loans	Non major Bonds
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
2014	-	-	-	11,536,000	19,210,230	1,465,201	80,000

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

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

<b>Total Primary Government</b>	<b>Percentage of Personal Income <sup>(a)</sup></b>	<b>Per Capita <sup>(a)</sup></b>
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
32,291,431	1.96%	403

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

<b>Fiscal Year</b>	<b>General Obligation Bonds Outstanding</b>	<b>Percentage of Actual Taxable Value of Property <sup>(a)</sup></b>	<b>Per Capita <sup>(b)</sup></b>
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	0.00%	\$ -
2014	0	0.00%	\$ -

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
The only general obligation debt was paid off in 2013.

**Schedule 12**  
**City of Naples**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2014**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(c)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>City of Naples Direct Debt</b>			
Capital Improvement Note	11,536,000	100%	<u>11,536,000</u>
Total direct debt			<u>11,536,000</u>
<b>Overlapping debt <sup>(a)</sup></b>			
Collier County	360,920,536	25%	90,230,134
			-
<b>Total direct and overlapping debt</b>			<u>90,230,134</u>
			<u>\$ 101,766,134</u>

**Sources:** Collier County Comprehensive Annual Financial Report Schedules

**Notes (a)** The City of Naples is not responsible for the Overlapping Debt. The applicable percentage was estimated using assessed property values.

Overlapping governments are those that coincide, at least in part with the geographic boundaries of the City

**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		
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
2014	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

<b>Utility Tax Revenue Bonds</b>				<b>Tax Increment Revenue Bonds</b>			
<b>Utility Tax Collections</b>	<b>Debt Service</b>		<b>Coverage</b>	<b>Tax Increment Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
	<b>Principal</b>	<b>Interest</b>			<b>Principal</b>	<b>Interest</b>	
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)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b> <i>(thousands of dollars)</i>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>County School Enrollment</b>	<b>Unemployment Rate (June)</b>
2005	22,490	1,128,908	50,196	62.4	41,588	3.7%
2006	22,970	1,248,117	54,337	62.4	42,775	3.2%
2007	23,101	1,327,060	71,033	62.4	42,062	4.3%
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	11.5%
2010	22,390	1,368,953	75,910	63.8	42,098	11.7%
2011	19,537	1,462,579	74,862	63.9	42,430	11.0%
2012	19,939	1,641,299	82,316	64.2	43,238	9.0%
2013	20,115	1,685,597	83,798	64.3	43,789	7.5%
2014	20,537	1,646,164	80,156	64.0	44,415	5.9%

**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.

\*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	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Collier County Public Schools	5,365	1	21.1%	5,335	1	19.9%
NCH Healthcare System	4,000	2	15.7%	3,500	2	13.0%
Publix Supermarkets	2,214	3	8.7%	2,226	3	8.3%
Collier County Government	1,946	4	7.7%	1,179	5	4.4%
Collier County Sheriff	1,367	5	5.4%	-	-	-
Allen Systems Group	1,200	6	4.7%	1,500	4	5.6%
Marriott Corporation, Inc. (Ritz Carlton)	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	2.8%	-	-	-
City of Naples	-	-	-	493	7	1.8%
Naples Beach and Tennis	-	-	-	491	8	1.8%
Bentley Resort	-	-	-	475	9	1.8%
Estimated other employers	-	-	-	186	10	0.7%
Estimated Total	6,325		24.9%	10,605		39.6%
	<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

**Note:** No 2005 data available, used 2004 data

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

Function/Program	Fiscal Year					
	2005	2006	2007	2008	2009	2010
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	6.0
City Attorney	1.0	1.0	1.0	1.0	1.0	1.0
City Manager	4.0	4.0	4.0	4.0	7.0	6.7
Human Resources	7.0	7.0	7.0	7.0	6.0	5.0
Planning and Code Enforcement	10.0	10.0	10.0	10.0	5.0	5.0
Finance	20.8	21.8	21.8	21.8	21.8	19.8
Community Services	42.0	42.0	47.5	45.5	36.0	30.0
Police	111.7	111.7	111.7	111.7	109.7	104.4
Fire	59.0	59.0	61.0	61.0	61.0	61.0
Non-departmental	10.0	10.0	12.0	12.0	12.0	11.0
Water and Sewer Fund	99.5	99.5	96.0	100.0	95.0	98.0
Solid Waste Fund	25.0	25.0	29.0	29.0	28.0	24.0
Streets and Traffic Fund	5.5	5.5	5.5	5.5	7.5	7.5
Stormwater Fund	5.5	5.5	5.5	6.0	5.5	6.0
City Dock Fund	5.0	5.0	5.0	5.0	4.0	3.0
Tennis Fund	4.0	4.0	4.0	4.0	4.0	4.0
Beach Fund	14.1	14.1	14.3	13.8	12.8	12.8
Technology Services Fund	11.0	11.0	11.0	11.0	10.0	10.0
Equipment Services Fund	11.0	11.0	11.0	11.0	10.0	8.5
Risk Management Fund	2.0	2.0	2.0	2.0	1.0	1.0
Building Permit Fund	26.0	26.0	28.0	27.0	26.0	17.5
Community Redevelopment	6.0	6.0	9.0	9.0	9.0	8.3
Construction Management	8.0	8.0	8.0	8.0	(a)	(a)
<b>TOTAL EMPLOYEES</b>	<b>497.1</b>	<b>498.1</b>	<b>513.3</b>	<b>514.3</b>	<b>481.3</b>	<b>451.5</b>

**Source:** City of Naples Budget Document

**Notes:** (a) Fund eliminated in 2009.

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

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
1.0	1.0	1.0	1.0
6.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0
8.9	8.9	5.9	5.9
4.0	4.0	4.0	4.0
4.0	3.5	3.5	3.5
19.8	18.8	17.8	13.8
41.0	40.0	40.5	40.5
98.4	98.4	98.4	98.4
63.0	63.0	63.0	63.0
(b)	(b)	(b)	(b)
97.0	98.0	99.0	103.0
25.5	25.5	25.5	25.5
7.5	7.5	6.1	5.5
6.0	6.0	10.4	10.0
2.6	3.6	3.6	3.6
4.0	4.0	4.0	4.0
13.0	12.0	12.0	13.0
10.0	10.0	10.0	8.0
8.5	8.5	8.5	8.5
1.0	1.0	1.0	1.0
17.5	18.0	23.8	28.0
8.3	6.3	6.3	6.3
(a)	(a)	(a)	(a)
<b>448.0</b>	<b>445.0</b>	<b>451.3</b>	<b>453.5</b>

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

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

**Sources:** Various City Departments

- Notes:**
- <sup>(b)</sup> This number represents the number of work orders given to patch hole contractor.
  - <sup>(c)</sup> Change in data collection in FY 2011 for a more accurate count
  - <sup>(d)</sup> The City did not issue permits in 2010 and 2011, and after 2011, stopped issuing free permits t

<b>Fiscal Year</b>					
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
268	237	182	285	225	144
1,994	828	961	1,267	1,229	1,133
3,164	658	465	1,111	758	634
15,105	15,985	14,351	15,107	12,906	12,778
11,087	7,601	5,641	8,168	6,767	5,489
4,810	4,423	4,812	4,839	4,901	5,217
70	61	97	96	69	98
5,200	8,412	6,557	7,882	7,761	7,299
119	101	103	153	131	119
14	10	12	17	19	21
11	9	9	5	5	4.25
59	73	98	77	72	63
759	980	3,501	3,550	3,640	3,812
15,921	N/A	N/A	5,560	6,590	6,802
943	850	876	4,510	5,350	5,531
109	70	93	172	171	226
68	16	12	16	21	14
16.0	14.7	15	14	13.5	14.3
20.4	19.2	18	19	17.8	19
6,720	6,330	5,852	5,688	5,680	5,225

o non-city residents

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

<b>Function/Program</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Police					
Number of employees	121	120	124	115	110
Total Police Incidents Handled	56,393	68,365	60,908	58,658	55,580
Fire stations	3	3	3	3	3
Refuse collection trucks	25	27	27	25	24
Other public works					
Streets (miles)	106	106	106	106	108
Streetlights	2,370	2,370	2,371	2,371	2,375
Traffic signals	47	47	47	47	44
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	17,697	17,718	17,723	17,717	17,781
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	8,638	8,651	8,647	8,645	9,052
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

**Sources:** Various City departments

<b>Fiscal Year</b>				
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
104	98	104	103	103
48,192	57,602	66,622	68,988	65,968
3	3	3	3	3
25	25	25	25	25
108	108	110	112	112
2,390	2,390	3,006	1,388	1,170
44	44	42	42	42
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
16,495	16,545	16,684	16,791	16,943
1	1	1	1	1
30	30	30	30	30
8,814	9,253	8,951	8,895	8,812
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***

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To the 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, Florida (the "City"), as of and for the year ended September 30, 2014, 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, 2015. Our report includes a reference to the changes in accounting principal resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment to GASB No. 25* as of October 1, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Management Letter as Finding 2014-01 to be a material weakness.

## **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 response to the finding identified in our audit is 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 results 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.

Bradenton, Florida  
March 31, 2015

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

### **Report on the Financial Statements**

We have audited the financial statements of the City of Naples, Florida (the "City"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 31, 2015.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 31, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as findings 2013-01 and 2013-02 were corrected during the current year and are not repeated in this year's report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., 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. The City of Naples, Florida was incorporated in 1923. Additional information on the City's creation and the City's component units is disclosed within the City's footnotes.

### **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City 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 Section 218.503(1), Florida Statutes.

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Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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.

### **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

### **Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

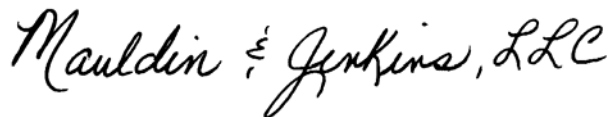
### **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

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, the Mayor and Members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Bradenton, Florida  
March 31, 2015

## Current Year Audit Findings and Recommendations

### **2014 – 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 a result of this year's audit, significant audit adjustments were necessary for the fair presentation of the financial statements in accordance with generally accepted accounting principles. These entries related to a material adjustment for the recognition of unbilled accounts receivable in the Water and Sewer Fund, Sanitation Fund, and Stormwater Fund. Additionally, various entries were made to recognize transactions in the proper fiscal year.

**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 City booked accounts receivable (for utility bills not mailed until after 9/30) in the three enterprise funds in a timely manner, and used the same method used in prior years, which was an average of all bills for two months, divided by two. This resulted in a similar amount being recorded as an Accounts Receivable in FY 14 as in prior years. However, after review with the auditors, the City and the Auditors determined it was more accurate to prorate each billed route for October and November based on the number of days billed, which resulted in a much higher Accounts Receivable booked at year end. This method should be used in the future. The recognition of transactions in the proper fiscal year was not a major issue in FY 13-14 but there were several large payments made in November and December FY14-15 that should have been booked in FY 13-14 as an Accounts Payable. Staff will continue to work with each department to get vendor payments made within a reasonable time after year-end. Large payments will always have a Senior Accountant review for proper year recognition.*

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**INDEPENDENT AUDITOR'S REPORT**

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

We have examined the City of Naples, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, 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, 2015