

Comprehensive Annual Financial Report

For the Year Ended September 30, 2017



City of Naples, Florida

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2017
(With Independent Auditor's Report Thereon)

Prepared By:
FINANCE DEPARTMENT

City of Naples
Principal Officers
September 30, 2017



Left to right: City Manager A. William Moss, City Clerk Patricia Rambosk, Mayor Bill Barnett, Council Member Terry Hutchison, Council Member Michelle McLeod, Vice-Mayor Gary Price, Council Member Ellen Seigel, Council Member Reg Buxton, Council Member Linda Penniman and City Attorney Robert Pritt.

Department Directors

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

Roger Reinke
Craig Mole'
Dana Souza
Ann Marie S. Ricardi
Pete Di Maria
Denise K. Matson
Robin D. Singer
Thomas Weschler
Gregg Strakaluse
Selpan Inc./Mark Jackson
Bob Middleton

CITY OF NAPLES, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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City of Naples

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March 13, 2018

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, 2017, 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, 2017, 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 unmodified opinion that the City’s financial statements for the fiscal year ended September 30, 2017, 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 112 lane miles of streets and 58 miles of sidewalks. 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 20,500, increasing to over 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 is abundant while 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.

Naples is a multifaceted community where the many residential opportunities include beachfront mansions, canal frontage manors, central city villas, bungalows, and high-rise condominiums, disbursed between a cohesive blend of both older and newer communities. Naples commerce has numerous shopping enclaves and venues such as the redeveloped and bustling Naples Bay which is directly adjacent to, and serves as a gateway for, a charming and successful downtown business and arts district.

Naples strives to respect and nurture its picturesque natural surroundings and all that inhabit it. Nature and all of its beauty and benefits is at the forefront in Naples as evidenced by its numerous parks, open spaces, preserves, and the Naples Zoo. In addition, Naples is positioned less than 20 miles from the tropical wilderness that is the Florida Everglades. The Florida Everglades reveals its natural wonder in the form of alligators, natural orchids, Florida panthers, wood storks, West Indian manatee, cypress forests, and mangrove forests, just to name a few.

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

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

Member	Term Ends
Bill Barnett, Mayor	February 2020
Gary Price	February 2022
Reg Buxton	February 2020
Terry Hutchison	February 2022
Michelle McLeod	February 2020
Linda Penniman	February 2022
Ellen Seigel	February 2020

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.

Included in the City's activities is Moorings Bay Special Taxing District and East Naples Bay Special Taxing District. 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.

The Community Redevelopment Agency is a blended component unit of this reporting entity, because this District is governed by Naples City Council and a financial benefit/burden relationship does exist between the two entities. 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 resolution for Fiscal Year 2016-17.

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

The City utilizes the State of Florida's uniform chart of accounts for account names, numbers, and reporting purposes. During the course of the year, budgetary control was maintained over appropriations by use of on demand and quarterly revenue and expenditure reports that compare budgeted appropriations with actual expenditures and encumbrances and estimated revenues with actual revenues. In the integrated automated financial system, a purchase order is required prior to committing funds, although minor purchases may be made with a purchasing card. Purchasing cards have individually set limits, typically between \$1,000 and \$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

Fiscal year 2016-17 represented the fifth year of taxable value growth in the City. The taxable values increased by 10.4% for the fiscal year 16-17, following a 8.2% growth in fiscal year 15-16. The subsequent growth for fiscal year 17-18 (September 2017) of 7.6% projects continued stability. With more than half of the City's General Fund revenue coming from the taxable values, values and growth rates must be monitored for potential unsustainable growth patterns, similar to that which occurred in the early 2000s.

Despite the City nearing build-out, there are significant construction projects planned or underway on vacant or recently vacated sites. Because of this, the City faces a challenge to preserve and maintain the City's infrastructure and services in the manner to which the citizens and guests have become accustomed. The City has maintained a high-quality infrastructure system of transportation, stormwater management, potable (drinking) water and waste water and public safety, all which tends to be less visible than the quality of life amenities, such as parks, recreation, entertainment, and cultural opportunities, although they all rank high in importance.

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 1.150 mills in 2017, Naples' ad valorem tax remains significantly below the maximum allowed and has remained unchanged for several years.

The City continues to be a destination point for Collier County residents and visitors, in part due to its 42 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 2016-17, the City continued its journey to enhance the quality of life for its residents while providing the best essential services possible. Some of the events and projects include:

- In 2014, the City acquired 6.7 acres of land adjacent to 8 acres of City property, to create a park. The design of Baker Park began with a conceptual master plan approved on March 5, 2014. Through 2017, the Baker Park architectural/engineering plans continued while construction began on the Gordon River Bridge, with expenses reaching approximately \$2.9 million, in 2017. This brings the total expensed through 2017 to \$4.3 million of the estimated total project cost of \$18.5 million. The total project cost includes \$13.4 million in park development and an

additional \$5.1 million in the Gordon River Bridge component of the project. The City has received over \$3.0 million in donations since the project began in 2014. Additional donations and pledges will be forthcoming to offset a portion of the City Funds presently allocated for the completion of the park. In 2017, the City received \$398 thousand in donations and transferred an additional \$8.4 million from the City's General Fund for the projects.

- The replacement of the Naples City Dock started with architectural/engineering plans completed and construction beginning in May 2017. The construction in progress reached \$1.9 million, in 2017. The design of the City Dock included a floating dock for enhanced efficiency, plus structural redesign to maximize its usage and the satisfaction of its tenants and customers. The City Dock construction was completed in February 2018. The dock project was funded with an internal loan of \$6.5 million, payable over 20 years from dock revenues.
- The City's Tree fill-in project and landscape median restoration project expensed \$0.4 and \$0.3 million respectively in 2017. These initiatives demonstrate that maintaining esthetically pleasing trees and roadways is an ongoing priority for the City and its residents. Hurricane Irma's impact on City trees is estimated to be in excess of \$5.0 million dollars.
- The Central Ave improvement project began in 2016 and was completed in 2017. The \$4.6 million construction project was 72% complete heading into 2017. This project consisted of removal and replacement of existing roadway, adding two roundabouts, median improvement and adding esthetically pleasing trees and landscaping to improve City connectivity in accordance with the streetscape plan.
- Fire Station #1, in the heart of downtown, has been scheduled for replacement for several years. The replacement station will be built to withstand potential flood waters and a Category 5 hurricane, therefore being able to double as the Emergency Operation Center. In 2017, the City spent \$559,742 on design and preliminary work, bringing the total spent to date on the project to \$676 thousand. This state of the art fire station will increase the square footage from 7,500 sq. ft. to just under 20,000 sq. ft. The total cost of the project is estimated to be \$9.9 million for design, demolition, construction, and furnishings. Demolition of the old station occurred in late 2017 and construction began in February 2018. The City is expected to issue debt of \$3.4 million in the form of a private placement loan to fund a portion of the construction costs in 2018. The remaining \$6.5 is budgeted in 2018 from reserves as planned in the City's CIP.
- Fire Station #2. The City expensed \$148,687 and \$250,000 in 2017 and 2016, respectively, budgeted \$250,000 in 2018, and has included an additional \$400,000 in capital improvements in its 2018-2022 Capital Improvement Plan. The primary aspect of initial improvements will focus on the complete rewiring of the building and the complete replacement of the HVAC system. Additionally, the renovation will address upgrades to the kitchen, bunkroom, bathrooms, and bays. All renovation will be in an effort to make the structure NFPA and OSHA compliant.
- Water and Sewer infrastructure, equipment, and facilities improvements of \$8.6 million in 2017 including; \$3.8 million in reclaimed water construction and expansion, \$1.3 million on utility-wide pump station improvements, \$1.2 million in water main improvements, \$1.2 aquifer storage project, \$1.1 million in sewer main replacement, as well as continued emphasis on equipment and motor vehicle replacement programs.

The trends in the Southwest Florida economy continue to show a moderate but steady growth with some certain economic indicators showing signs of slowing as 2017 came to a close. In addition, Hurricane Irma had a significant impact on tourism in the final month of FY16-17 and the 1st quarter of 2018. Following Hurricane Irma, the cleanup related commerce and reconstruction have been vibrant and seasonal tourism has revived and remained strong in the 2nd quarter of 2018. According to a report by the Florida Gulf Coast University in year over year comparisons, taxable sales for Collier County were up 6% in November 2017 (the latest month available), tourist tax revenues in Collier County increased 32% in December 2017 and 9% for the year over 2016. A portion of this increase results from an estimated increase in the Collier tourist development tax rate to 5% effective September 1, 2017. The three Southwest Florida airports grew 5% in December 2017 (the latest month available). The unemployment rate for Collier County was 3.8% in December 2017 down from the 4.5% in December 2016. In addition, Collier County recorded 222 single family building permits in January 2018, up 9% from January 2017. While Collier's single-family homes sales were virtually unchanged in January 2018, 280 compared to 284 in 2017, the median price showed an increase to \$430,000 yielding an increase of \$33,000 from January 2018 from the same period in 2017.

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 historical data with projections, identifies the potential fiscal shortfalls and opportunities in the next five years. This report helps guide City policy relating to tax rates and budgets and aids 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. The financial policies were subsequently amended in 2012, retroactively to September 30, 2011, to have the Fund Balance Policy reflect the requirements of GASB 54, with resolutions 12-13051. The Fund balance Policy was adopted by Resolution 16-13831.

In 2017, the Investment Policy of the City was updated, via resolution 17-13942 to meet the standards of the Investment Policy Certification award, which was subsequently received.

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

The Naples Pier, originally built in 1888, is one of the most visited attractions in southwest Florida, drawing over 1.1 million visitors annually. The last major renovation of the structure occurred in two phases, first in the mid-1990s and the remainder in 2001. In February 2014, a structural evaluation of the Pier was conducted by the AD Morgan Corporation to assess conditions, identify structural deficiencies, and determine future scheduling and probable costs of required maintenance and desired improvements intended to enhance safety and extend the useful life of the structure. The total renovation project cost, including design, and project management fees, was \$2,710,907. The Pier was closed on July 6, 2015, to begin the renovations, including the replacement of deck boards and railings with IPE wood, a Brazilian hardwood with a life expectancy exceeding thirty years. New lighting was installed, and the restrooms were completely rebuilt and expanded to double the capacity. A reopening ceremony of the Pier was held on Friday November 13, 2015. Despite the closure period, 894,434 visitors were recorded at the Pier during the fiscal year. The Pier experienced significant damage from Hurricane Irma in September 2017, sustaining approximately \$750 thousand in damages. Engineering plans have begun for needed repairs while approximately 50% of the Pier remains closed to visitors.

Residents and visitors alike recognize the ambiance created by the tree-lined streets of Naples. For the twentieth consecutive year, the City of Naples received the Tree City U.S.A. designation, and for the ninth consecutive year, the City received a Tree City U.S.A. Growth Award. The City of Naples urban forest consists of 20,537 managed hardwood trees and palms on streets, rights-of-way, parks and other public property within the City. Staff continued the annual Tree Fill-In Program with particular emphasis on Gulf Shore Blvd. North in 2016, completing the installation of an additional 109. The Trees Fill-In Program continues 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.

The City continued the process of developing a Parks Master Plan in 2017, engaging a firm to facilitate community involvement and input in establishing recommendations in the plan presented to City Council. A draft master plan is being presented and communicated to officials, community leaders, and citizens alike in further attempts to obtain feedback on proposals before finalizing the plan. The project schedule, slowed by the effects of hurricane Irma, is expected to have final conclusions presented in 2018.

Vision Goal: Make Naples the green jewel of Southwest Florida

In a community-vision 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: (1) restore Naples Bay, (2) promote sustainability, and (3) establish more green space.

Throughout the year, staff made numerous 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 benefited from Collier County's \$3.9 million Beach Re-nourishment Project in Collier County, of which approximately \$0.9 million was spent on beaches within the City in 2017. The project was completed in December 2017 shortly before the influx of seasonal arrivals and peak tourism. This investment comes on the heels of Collier's expenditure of \$2.7 million on the Naples Beach Re-nourishment Project in 2015.

Vision Goal: Maintain an extraordinary quality of life for residents

The Community Services Department - Recreation Division during fiscal year 2016-2017 provided a wide variety of recreational opportunities for residents of all ages and socio-economic status, integrating social, athletic, educational and cultural pursuits.

Norris Center/Cambier Park

The Norris Center throughout the year offers a mix of programs for adults and children. For adults, in season, the following programs are offered: watercolor, Italian, open painting and drawing classes. In the summer months, the building is full of children's specialty camps that focus on cultural arts, technology, and science. The center also provides cultural arts offerings including on stage musical, comedic and dance performances. The Norris Center serves as the home of the Gulfshore Playhouse. During the 2016-2017, season, the theatre performances presented by Gulfshore Playhouse and the Norris Center's programs attracted 26,847 patrons, an increase of approximately 20% from the previous year. Attendance is limited to 200 patrons per performance and evening performances are generally sold out. Cambier Park Outdoor Concerts continue to be popular FREE concerts are presented on Sunday afternoons and Monday evenings throughout the winter season.

Arthur L. Allen Tennis Center in Cambier Park

In 2017, the tennis center offered fifteen USTA sanctioned and non-sanctioned tournaments that drew 1,156 participating athletes. Ten events were designed for juniors that attend from around the state and country. The other four tournaments were structured for adult participation. This year's 48th Annual "Clay in May" Tennis Championship hosted 491 players playing in a total of 821 events. There are 28 different clinics and round robins for members and guests to participate targeted for all skill levels. These programs serve to develop new memberships for the center and provide opportunities for members and guests to meet other players.

Fleischmann Park

Fleischmann Park provides multiple recreational opportunities and supports several athletic leagues for City and County residents. The athletic areas of Fleischmann Park are filled with activities every evening with programs changing seasonally. Youth activities and leagues include youth flag football, Naples Gators football (2 separate seasons), futsal soccer (year-long), little league baseball (2 separate seasons) and boy's and girl's lacrosse. Adult sports include co-ed softball (2 separate seasons), pickleball, frisbee football, volleyball leagues, and several boot camps that use the park for fitness programs. The Edge Johnny Nocera Skate Park is also located at Fleischmann Park. The skate park is very popular with both skateboarding and BMX enthusiasts with an estimated 10,000 visitors annually. Fleischmann Park is the headquarters for over 150 summer specialty camps with over 1,000 registered

campers. From Fleischmann campers are transported to other city location including Lowdermilk Park, The Naples Preserve, Arthur Allen Tennis Center and the Norris Center. Fleischmann Park hosts gymnastic camps, rock climbing, dance, art camps, fitness and a variety of outdoor sports camps.

Naples Preserve

Nature Talks and Eco Tours are offered weekly from January - April with the Preserve's conservation partners speaking on a variety of interesting topics. The Gopher Tortoise habitat now supports over 200 tortoises and is continually monitored by staff and volunteers. The Naples Preserve received several improvements this year including: Exotics removal project to reduce weedy vines, remove exotic vegetation, signage that identifies native plants and animals seen in the Preserve. A new event was introduced in 2017 "Gopher Tortoise Day" which was very well attended and will now become an annual event. A handful of Eco-tours are offered each year to provide the public with an opportunity to learn and visit other local sites.

River Park

The River Park Community Center is an active facility with a computer lab, fitness center, full kitchen, classroom/meeting rooms and a covered outdoor basketball court. The playground is located across the street from the community center. River Park staff and contracted instructors successfully offered multiple programs and specialty camps, which included art classes, culinary classes, dance classes, camps - Winter/Spring/Summer and school day out. River Park Community Center continues to collaborate with organizations, schools and apartment managers to identify children needing services. Facility improvements for River Park Community Center this year include, VCT flooring in both classes rooms, new rug for the outside entrance area. Back to School program served 287 children going into K through 12th grade with needed school supplies. Santa also made an appearance at Santa's Coming to Town and made a delivery of 295 gifts to very excited children.

River Park Aquatic Center

The River Park Aquatic Center offered multiple classes, programs and camps. Included were Lifeguard Training, Lifeguard and Water Safety Instructor Training, Red Cross Learn to Swim classes, Swim Central Classes, Swim & Snorkel camps, and Recreational (Rosters) Swim Team program. The aquatic center continues to serve as an important community asset and is the home pool for Naples High School. River Park Aquatic Center continued its close collaboration with Safe and Healthy Children's Coalition with active participation in the coalition's swim central program providing preschool and special needs children with 5 important water safety skills to decrease the likelihood of the children drowning. Facility improvements for the aquatic center included slide restoration, installation of tile flooring in the lifeguard room and office, installation of tile in bathrooms, and installation of tile in the zero-entry area.

Anthony Park

Anthony Park continues to host the Girls Scouts Troop 1083, as well as Archery and Fishing camps in summer 2017 with 37 enrolled. Fall Tennis classes were offered by a group of City volunteers with 7 enrolled. Facility improvement for Anthony Park included the basketball court being regraded/resurfaced, and sections of the walkway were newly asphalted.

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 2016-17, received the GFOA's Distinguished Budget Presentation Award. The City has achieved this award for 12 years. 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, 2016.

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

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

Acknowledgements

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

Respectfully submitted,



A. William Moss
City Manager



Ann Marie S. Ricardi
Finance Director



Government Finance Officers Association

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

Presented to

**City of Naples
Florida**

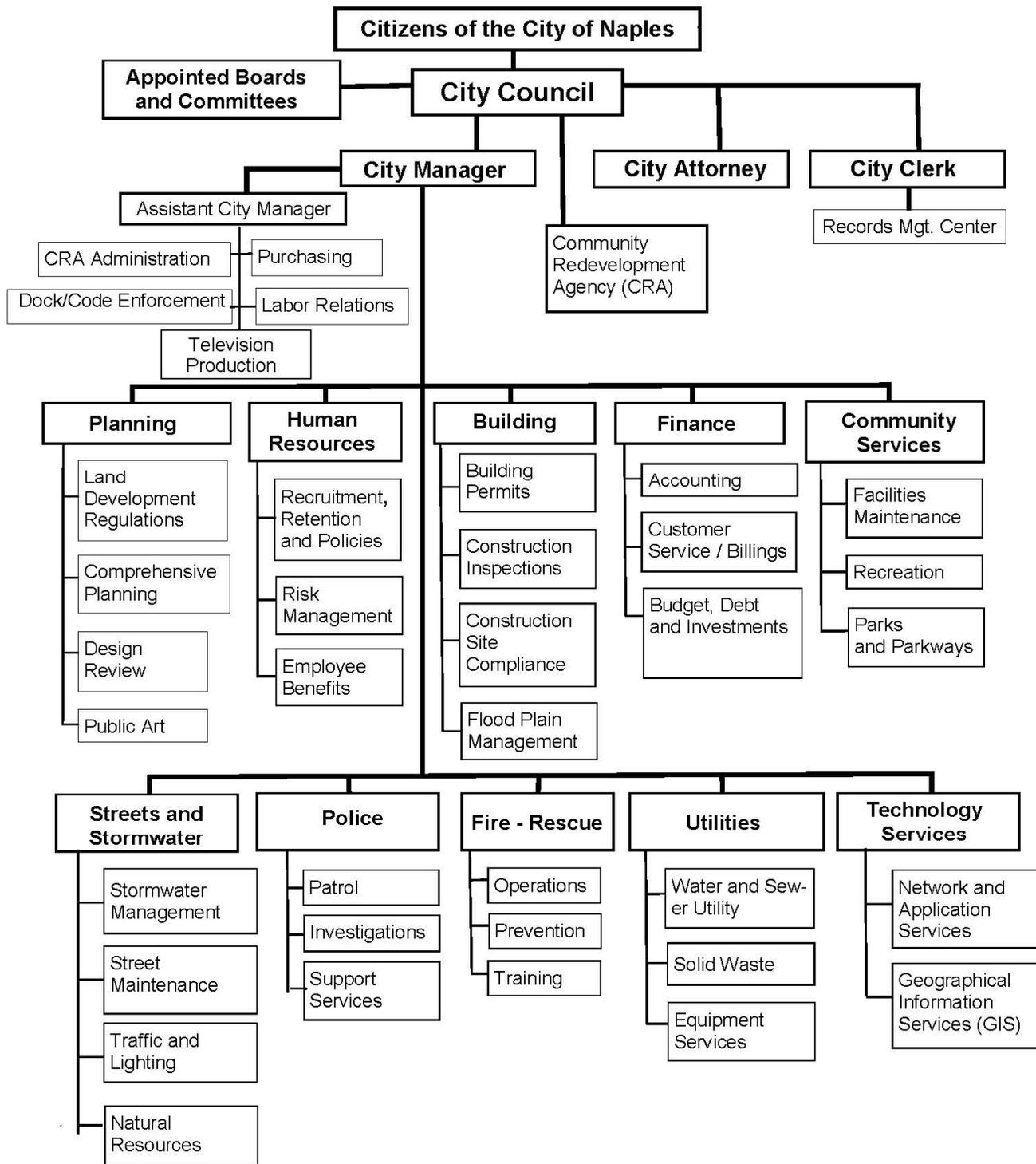
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morvill

Executive Director/CEO

City of Naples Organizational Chart



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INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 2017, 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.

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 3-12 and 89-102, 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 basic financial statements.

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

The introductory 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 13, 2018, 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 cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in black ink and is positioned to the right of the main text block.

Bradenton, Florida
March 13, 2018

The City of Naples, Florida
Management's Discussion and Analysis
September 30, 2017
(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, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at September 30, 2017, by \$235.9 million (net position). Of this amount, \$34.3 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 \$11.7 million.
- As of September 30, 2017, the City's governmental activities reported combined ending net position of \$77.6 million. This is an increase of \$2.8 million from the prior year. The City's governmental activities unrestricted net position is a negative \$8.8 million.
- The City's total debt decreased by \$4.45 million during the current fiscal year due to scheduled debt service payments. The City did not issue new debt in 2017. However, the City did utilize internal financing from its available pooled investment fund in the amount of \$6.5 million to construct a new enterprise fund City Dock.

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 14) 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 17) 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.

Effective October 1, 2014, the City implemented the provisions of **GASB No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27**, which significantly changed the City's accounting for pension amounts by requiring that the total net pension liability and the deferred inflows and outflows of resources related to the net pension liability and the deferred inflows and outflows of resources related to the net pension liability be reported in the government-wide financial statements. Specifically, the net pension liability is listed on the Statement of Net Position and the amount is explained in the related note disclosure.

Fund Financial Statements

The Fund Financial Statements, which report by individual fund, begin on page 19.

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 Baker Park 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, the City Dock Fund, and Nonmajor Enterprise Funds consist of the Naples Beach 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 22 and 26 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 27–34.

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 38.

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, 2017, was \$235.9 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 64,728	64,010	54,911	50,171	119,639	114,181
Capital assets	69,080	64,677	127,993	125,829	197,073	190,506
Total assets	133,808	128,687	182,904	176,000	316,712	304,687
Total deferred outflow of resources	11,295	9,808	1,517	1,173	12,812	10,981
Long term liabilities outstanding	60,530	58,314	19,620	21,781	80,150	80,095
Other liabilities	5,721	4,640	6,062	5,940	11,783	10,580
Total liabilities	66,251	62,954	25,682	27,721	91,933	90,675
Total deferred inflows of resources	1,299	780	367	-	1,666	780
Net position:						
Net investment in capital assets	62,307	56,389	115,191	110,152	177,498	166,541
Restricted	24,076	21,362	-	-	24,076	21,362
Unrestricted	(8,830)	(2,990)	43,181	39,300	34,351	36,310
Total net position	<u>\$ 77,553</u>	<u>74,761</u>	<u>158,372</u>	<u>149,452</u>	<u>235,925</u>	<u>224,213</u>

The largest portion of the City's net position (75%) 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 10% of the total net position) is subject to external restrictions on how it may be used. The remaining 15% of unrestricted net position, \$34.3 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 \$105.8 million. Total expenses, City-wide were \$94.1 million. For the total primary government, including both governmental and business-type activities, net position increased \$11.7 million. Net position for Governmental activities increased by \$2.8 million and net position for Business-type activities increased by \$8.9 million in 2017.

Table 2 on the following page 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	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 10,318	9,790	49,598	45,289	59,916	55,079
Operating grants and contributions	4,364	3,493	127	1,212	4,491	4,705
Capital grants and contributions	346	501	1,425	1,999	1,771	2,500
General revenues						
Property taxes	22,707	21,163	-	-	22,707	21,163
Other taxes	8,332	8,159	-	-	8,332	8,159
Franchise fees	3,523	3,451	-	-	3,523	3,451
Intergovernmental revenues	3,824	3,440	-	-	3,824	3,440
Unrestricted investment earnings	416	524	302	433	718	957
Other	552	35	-	-	552	35
Total revenues	<u>54,382</u>	<u>50,556</u>	<u>51,452</u>	<u>48,933</u>	<u>105,834</u>	<u>99,489</u>
Expenses						
General government	9,455	9,555	-	-	9,455	9,555
Public safety	30,592	29,016	-	-	30,592	29,016
Physical and economic environment	2,634	2,806	-	-	2,634	2,806
Transportation	3,124	4,042	-	-	3,124	4,042
Cultural and recreation	7,645	8,397	-	-	7,645	8,397
Interest and fiscal charges	160	188	-	-	160	188
Water and sewer	-	-	25,831	24,213	25,831	24,213
Solid waste	-	-	6,613	6,481	6,613	6,481
Stormwater	-	-	4,117	3,505	4,117	3,505
City dock	-	-	1,077	1,395	1,077	1,395
Other	-	-	2,874	2,746	2,874	2,746
Total expenses	<u>53,610</u>	<u>54,004</u>	<u>40,512</u>	<u>38,340</u>	<u>94,122</u>	<u>92,344</u>
Change in net position before transfers	772	(3,448)	10,940	10,593	11,712	7,145
Transfers	2,020	2,020	(2,020)	(2,020)	-	-
Change in net position	<u>2,792</u>	<u>(1,428)</u>	<u>8,920</u>	<u>8,573</u>	<u>11,712</u>	<u>7,145</u>
Net position, beginning	74,761	76,189	149,452	140,879	224,213	217,068
Net position, ending	<u>\$ 77,553</u>	<u>74,761</u>	<u>158,372</u>	<u>149,452</u>	<u>235,925</u>	<u>224,213</u>

The total primary government revenues reported a \$6.3 million or 6.4% increase over last year's total revenues. The total business-type activities' revenue increased \$2.5 million. Revenue from governmental activities show a \$3.8 million increase. The primary reasons for the increase in governmental activity revenue are as follows:

- An increase in charges for service of \$488 thousand
- An increase in operating grants of \$871 thousand
- An increase in property tax revenue \$1.5 million due to taxable value growth.
- With minimal offsetting changes in operating grant, other taxes, franchise fees, intergovernmental revenue, and interest.

Business-type activities showed an increase in revenues in the amount of \$2.5 million or 5.0% above the revenues of 2017. The charges for services increased by \$4.3 million in 2017; however, this increase was offset by a decrease of \$1.1 million and \$574 thousand in operating and capital grants respectively. Revenue in the two non-major enterprise funds (which are recreational based funds), increased \$187 thousand due to increased usage. The balance of the increase can be attributed to the three utilities, Water/Sewer, Solid Waste and Stormwater these increases would be offset by a decrease of \$329 thousand from the City Dock closure and reconstruction in 2017.

The total primary government's expenses increased \$1.8 million or 1.9%. Governmental activities reported a 0.7% decrease in expenses, with business-type activities reporting a 5.7% 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 \$53.6 million. As shown in the Statement of Activities on page 17, the net cost that was ultimately paid through taxes was \$38.6 million. The \$14.9 million of costs for governmental activities not covered by general revenues was provided by:

- \$10.3 million in charges for services, made of \$4.1 million in building/permit fees, \$1.1 million in police and fire services, \$1.0 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$4.3 million in operating grants and contributions including \$1.9 million from Collier County's share of the Community Redevelopment tax increment financing.
- \$345 thousand in capital grants and contributions.

The total cost of all governmental activities this year decreased 0.7%, due primarily to decreases in costs related to physical and economic environment, transportation, and general government (all other) offset by an increase in public safety.

Table 3
Governmental Activities
(In thousands)

	Net Expense (Revenue)		Net Expense (Revenue)	
	2017	2016	2017	2016
Public safety	\$ 30,594	29,016	25,977	23,445
Physical and economic environment	2,634	2,806	(2,037)	(509)
Transportation	3,124	4,042	2,810	3,785
Cultural and recreation	7,645	8,397	5,431	7,231
All others	9,614	9,743	6,402	6,268
Totals	\$ 53,611	54,004	38,583	40,220

Business-type Activities

Revenues of the City's business-type activities (see Table 2) totaled \$51.5 million.

The Water and Sewer Fund represents 63.8% of the business-type activities' expenses. Total water and sewer operating revenues were \$2.9 million higher than last year, while corresponding operating expenses were \$2.5 million higher as well. City Code allows for Water Sewer Fees, Stormwater Fees, and Solid Waste Fees to be adjusted automatically, based on the Consumers Price Index, respectively. The Water and Sewer fees were increased 2.5% 2016 and an additional 1.0% in 2017 across all components of the rate structure. The 2017 Solid Waste rate study identified and adjusted various components of the rate structure including adding a new recycling fee and increasing rates in April of 2017. The overall impact of the 2017 rate study resulted in an aggregate rate adjustment of approximately 3.5% for 2017.

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 19. 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, 2017, the City's governmental funds reported combined ending fund balances of \$48.9 million, a decrease of \$780 thousand in comparison with the prior year. Approximately 1.17% of this total (or \$576 thousand) 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 (\$8.8 million); (2) restricted for building and zoning (\$3.9 million); (3) restricted for transportation (\$2.9 million); (4) restricted for economic development (\$1.2 million); (5) committed for City-wide emergencies (\$3.6 million); (6) assigned to meet debt service requirements (\$1.2 million); (7) restricted for Baker Park capital construction project (\$14.2 million); and (8) for a variety of other assignments (\$8.8 million).

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 \$575 thousand, while the total fund balance was \$12.3 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 1.5% of the total fiscal year 2017 General Fund expenditures, while total fund balance represents 31% of that same amount.

General Fund expenditures were \$871 thousand 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 non-departmental negative variance is the result of costs related to Hurricane Irma.

The fund balance in the General Fund decreased by \$7.6 million during the fiscal year. This was a strategic decrease due to the City's commitment to utilize \$8.5 million to fund the Baker Park construction in 2017.

The Debt Service Fund reports a total fund balance of \$1.20 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 the net effect of increased tax revenue of \$620 thousand and offset by slight increase in debt service and increased transfers to fund capital projects. 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 \$3.2 million.

The Capital Projects Fund reports a total fund balance of \$8.8 million, \$7.0 million is assigned for future capital projects, and \$1.9 is committed to existing project contractual commitments. Fund balance increased by \$3.2 million, primarily due to transfers from other funds in the amount of \$5.5 million in excess of capital expenditures in the amount of 2.3 million.

The fund balance in the Community Redevelopment Fund decreased \$2.2 million in 2017 with an ending fund balance of \$1.2 million. This was caused by transfers of approximately \$1.0 million to each the Debt Service and Baker Park funds for debt service and capital project expenditures, respectively. As a fund with major capital goals, the fund balance will be directed toward future capital projects identified in the Redevelopment Plan.

The fund balance in the Baker Park Fund reports a total fund balance of \$14.2 million. This is an increase of \$5.9 million driven by a transfer in from the General Fund of \$8.5 million offset by the \$3.0 million in capital expenditures on the park construction.

The fund balance in the Streets and Traffic Fund increased \$338 thousand in 2017 with an ending fund balance of \$2.9 million. The key factor was an increase in total revenue of \$421 thousand in 2017.

The combined fund balances for all governmental (major and non-major) funds decreased by \$780 thousand for fiscal year 2017 or 1.6%.

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 27.

Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$30 million in the Water and Sewer Fund, \$836 thousand in the Solid Waste Fund, \$8.7 million in the Stormwater Fund, (\$858) thousand in the City Dock Fund, \$3.3 million in the Naples Beach Fund, and \$303 thousand in the Tennis Fund.

General Fund Budgetary Highlights

The adopted budget for Fiscal year 2016-17 was \$45,737,851 in expenditures and other financing uses and \$38,908,020 in revenues and other financing sources, with the difference of \$6,829,831 being a planned decrease in fund balance. This planned decrease included \$5,500,000 for construction costs related to Baker Park. The amended budget for Fiscal year 2016-17 is \$48,443,374 in expenditures, and \$39,508,020 in revenues with a variance of \$8,935,354 resulting in a planned reduction of fund balance of which \$7,214,160 was directed toward Baker Park.

The increase between the General Fund's original budgeted revenue and the final budgeted revenue is \$600,000. This includes increases in excess of \$313,000 for ad valorem property taxes, \$170,000 in Parks and related activities, and \$117,000 in interest revenue.

The increase between the General Fund's original budgeted expenditures and the amended budgeted expenditures is \$2,705,523. This includes: (a) \$1,714,160 for additional construction costs for the Baker Park Gordon Bridge, (b) \$600,000 was for initial costs related to Hurricane Irma, and (c) \$41,363 was for prior year encumbrances.

The General Fund contingency was budgeted at \$350,000. Of that, \$350,000 was appropriated during the year by City Council. The purposes included: (1) \$198,837 for expenses related to Hurricane IRMA, \$33,000 for half year salary for new Zoning Plans Examiner, \$27,000 for Council chamber sound system, \$12,000 for Police and Fire scheduling and payroll software, \$417,000 for fire-rescue mobile eyes software, and \$62,163 for Police Public Safety annual software maintenance which included modules for mobile units, records management, fire, and computer-aided dispatch.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$197.1 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 \$6.60 million or 3.45% over last year.

Table 4
Capital Assets at Year End
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 16,418	16,418	3,142	3,142	19,560	19,560
Buildings	39,128	38,936	63,718	62,427	102,846	101,363
Improvements other than buildings	40,970	38,544	64,286	63,648	105,256	102,192
Infrastructure	32,082	31,877	118,078	111,991	150,160	143,868
Machinery and equipment	24,915	23,274	28,735	24,346	53,650	47,620
Construction in progress	6,681	1,774	6,780	8,862	13,461	10,636
Less accumulated depreciation	(91,115)	(86,146)	(156,745)	(148,587)	(247,860)	(234,733)
Totals	\$ 69,079	64,677	127,994	125,829	197,073	190,506

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

- Central Avenue Improvement – Street and Storm Water \$3.5 million
- Reclaimed Water System Construction and Expansion \$3.8 million
- Utilities Building Project-Wide Pump Station Improvements \$1.3 million
- Water Main Improvements \$1.2 million
- Aquifer Storage Project \$1.2 million
- Sewer Main Installations & Replacement \$1.1 million
- Police Armor Vehicle \$227 thousand.

Additional information regarding the City's capital assets is included in the Note 4 (D) to the financial statements.

Debt Outstanding

As of year-end, the City had \$19.87 million in debt (bonds, notes, etc.) outstanding compared to \$24.31 million in 2016, a \$4.45 million decrease. This decrease is the net effect of regular amortization in accordance with the payment schedules of \$4.45 million.

Table 5
Outstanding Debt at Year-end

	2017	2016
Governmental		
Capital improvement refunding revenue note	\$ 6,986,000	8,552,000
Subtotal	6,986,000	8,552,000
Business-type		
Public utilities refunding revenue bonds	12,879,367	15,762,283
Total	\$ 19,865,367	24,314,283

Additional information regarding the City's outstanding debt is included in the Note 4 (G) to the financial statements.

Economic Factors and Next Year Budget and Rates

In September 2017, the City Council approved a \$148.5 million budget for fiscal year 2017-18, approximately \$6.5 million more than the fiscal year 2016-17 budget. The budget includes \$98.9 million for operations and transfers, \$5.2 million for debt service, and \$44.4 million for capital improvements.

The adopted fiscal year 2017-18 budget continues the City's fiscally conservative approach to budget development, while providing quality services to the citizens.

The budget for fiscal year 2017-18 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 while utilizing excess reserves to provide capital investment into quality of life improvement initiatives and essential service infrastructure.

The City's 2017-18 General Fund budget was balanced using a millage rate of 1.1500. The 2018 millage rate represents no change from 2017. Prior to 2017 the millage rate had remained constant at 1.1800 since 2009-2010. The East Naples Bay Taxing District millage rate remained at .5000 and the Moorings Bay Taxing District decreased to .0125. The City's aggregate millage rate of 1.1653 is greater than the aggregate roll back rate of 1.1107 mills.

The following economic and operating factors were considered in developing the budget for fiscal year 2017-18.

- The City showed the fifth consecutive year of increase in taxable value (after four consecutive years of decline) as values increased 7.65% over fiscal year 2016-17 to \$21.8 billion.
- The City expects minimal fluctuations for most other revenue sources, including an incremental increase in investment earnings.
- The City has five union contracts for its employees. A 3% raise was approved for employees depending upon the collective bargaining agreement.
- The budget has a net increase of 8.0 positions over fiscal year 2016-17.
- There is one debt issuance planned in fiscal year 2017-18. This private placement bank loan is for \$3.4 million related to the construction of a new CAT5 rated fire station in the heart of downtown and adjacent to Naples City Hall. The total cost of the fire station is \$9.9 million the remaining \$6.5 is appropriated in 2018 from City reserves. Other Capital includes: \$14.4 for new Baker Park, \$17.9 million of water/sewer projects, \$2.5 million in stormwater projects, \$0.7 million on annual pavement resurfacing program, an additional \$1.9 million on various other roadway and traffic improvement, \$150,000 on a Pedestrian & Bicycle Master Plan Project, \$300,000 Tree Fill In and Replacement Program, \$75,000 Median Restoration, \$30,000 Fleischmann Park, \$30,000 River Park, \$190,000 Norris Center, and \$225,000 on city hall improvements. Police department projects include \$160,000 for Marine Vessel, \$103,200 two marked vehicles, \$67,000 two motorcycles, \$87,000 3D crime scene mapping equipment and software. Other capital improvements include \$300,000 in renovations to Fire Station No.2, and \$35,000 for portable radio replacement, \$51,500 in improvements within the Tennis Fund, \$100,000 for Lowdermilk Park pavilion repair, \$200,000 for 8th Ave S. beach park improvements, \$175,000 Anthony Park Restrooms.

Requests for Information

This financial report is designed to provide a general overview of the City of Naples finances to all users (citizens, taxpayers, customers, investors and creditors). If you have questions regarding this report or need additional financial information, contact the Finance Director at City Hall, 735 8th Street South, Naples, Florida 34102, or at (239) 213-1820, or by email at finance@naplesgov.com. Additional information about the City, including email addresses for the various departments, can be obtained at the City's website www.naplesgov.com.

BASIC FINANCIAL STATEMENTS

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CITY OF NAPLES, FLORIDA

Statement of Net Position

September 30, 2017

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 54,905,477	45,578,753	100,484,230
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	827,635	6,967,249	7,794,884
Special assessments	-	507,313	507,313
Utility taxes	256,771	-	256,771
Accrued interest	194,235	114,336	308,571
Internal balances	392,551	(392,551)	-
Due from other governments	2,284,600	669,356	2,953,956
Inventories	115,908	957,717	1,073,625
Prepaid items	5,751,354	-	5,751,354
Restricted assets			
Cash and investments	-	509,422	509,422
Capital assets			
Land and land improvements	16,418,277	3,141,603	19,559,880
Buildings and utility plants	39,127,843	63,717,903	102,845,746
Improvements other than buildings	40,970,191	64,285,620	105,255,811
Infrastructure	32,081,870	118,077,891	150,159,761
Equipment	24,915,347	28,734,847	53,650,194
Accumulated depreciation	(91,114,855)	(156,745,077)	(247,859,932)
Construction in progress	6,680,933	6,779,860	13,460,793
Net capital assets	<u>69,079,606</u>	<u>127,992,647</u>	<u>197,072,253</u>
Total assets	<u>133,808,137</u>	<u>182,904,242</u>	<u>316,712,379</u>
Deferred Outflows of Resources			
Deferred outflows - pensions	11,081,439	1,438,525	12,519,964
Deferred charge on refunding	213,763	78,123	291,886
Total deferred outflows of resources	<u>11,295,202</u>	<u>1,516,648</u>	<u>12,811,850</u>

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

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CITY OF NAPLES, FLORIDA

Statement of Net Position

September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable and other current liabilities	\$ 5,469,704	4,429,286	9,898,990
Due to other governments	7,774	1,381,604	1,389,378
Unearned revenue	164,515	109,186	273,701
Customer deposits	71,325	26,272	97,597
Accrued interest payable	8,267	-	8,267
Liabilities payable from restricted assets			
Customer deposits	-	114,643	114,643
Total current liabilities	<u>5,721,585</u>	<u>6,060,991</u>	<u>11,782,576</u>
Noncurrent liabilities			
Revenue bonds payable, net of unamortized discounts and premiums			
Due within one year	1,590,000	2,936,673	4,526,673
Due in more than one year	5,396,000	9,942,695	15,338,695
Compensated absences			
Due within one year	398,060	225,000	623,060
Due in more than one year	2,255,677	677,122	2,932,799
Net pension liability	44,532,930	4,630,127	49,163,057
Other post-employment benefits	2,655,897	1,208,494	3,864,391
Claims payable			
Due within one year	1,002,833	-	1,002,833
Due in more than one year	2,698,400	-	2,698,400
Total noncurrent liabilities	<u>60,529,797</u>	<u>19,620,111</u>	<u>80,149,908</u>
Total liabilities	<u>66,251,382</u>	<u>25,681,102</u>	<u>91,932,484</u>
Deferred Inflows of Resources			
Deferred inflows - pensions	<u>1,299,113</u>	<u>367,180</u>	<u>1,666,293</u>
Net Position			
Net investment in capital assets	62,307,369	115,191,402	177,498,771
Restricted for			
Building and zoning	3,871,949	-	3,871,949
Capital projects	1,187,040	-	1,187,040
Streets and infrastructure	2,871,506	-	2,871,506
Economic development	1,169,752	-	1,169,752
Police programs	489,316	-	489,316
Culture and recreation improvements	14,485,991	-	14,485,991
Unrestricted	(8,830,079)	43,181,206	34,351,127
Total net position	<u>\$ 77,552,844</u>	<u>158,372,608</u>	<u>235,925,452</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, 2017

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
Functions/programs		
Governmental activities		
General government	\$ 11,980,010	(2,525,950)
Public safety	30,309,045	285,000
Physical and economic environment	2,525,139	108,690
Transportation	3,030,945	92,680
Culture and recreation	7,644,773	-
Interest	160,230	-
Total governmental activities	<u>55,650,142</u>	<u>(2,039,580)</u>
Business-type activities		
Water and sewer	24,485,961	1,344,580
Solid waste	6,311,420	301,970
Stormwater	3,940,494	176,080
Dock	1,022,581	54,330
Beach	2,186,247	123,440
Tennis	523,621	39,180
Total business-type activities	<u>38,470,324</u>	<u>2,039,580</u>
Total primary government	<u>\$ 94,120,466</u>	<u>-</u>

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

Program Revenues			Net (Expense) Revenue and Change In Net Position		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
3,212,513	-	-	(6,241,547)	-	(6,241,547)
4,448,668	-	168,329	(25,977,048)	-	(25,977,048)
530,000	4,137,149	3,869	2,037,189	-	2,037,189
87,288	226,621	-	(2,809,716)	-	(2,809,716)
2,039,913	-	173,789	(5,431,071)	-	(5,431,071)
-	-	-	(160,230)	-	(160,230)
<u>10,318,382</u>	<u>4,363,770</u>	<u>345,987</u>	<u>(38,582,423)</u>	<u>-</u>	<u>(38,582,423)</u>
33,695,352	-	1,424,561	-	9,289,372	9,289,372
7,126,711	-	-	-	513,321	513,321
5,040,865	-	-	-	924,291	924,291
1,201,692	-	-	-	124,781	124,781
1,972,942	127,100	-	-	(209,645)	(209,645)
560,179	-	-	-	(2,622)	(2,622)
<u>49,597,741</u>	<u>127,100</u>	<u>1,424,561</u>	<u>-</u>	<u>10,639,498</u>	<u>10,639,498</u>
<u>59,916,123</u>	<u>4,490,870</u>	<u>1,770,548</u>	<u>(38,582,423)</u>	<u>10,639,498</u>	<u>(27,942,925)</u>
General revenues					
Property taxes			22,706,983	-	22,706,983
Local communication and utility taxes			5,504,862	-	5,504,862
Insurance premium tax			1,302,545	-	1,302,545
Motor fuel taxes			1,221,409	-	1,221,409
Business tax			302,857	-	302,857
Franchise fees			3,523,250	-	3,523,250
Intergovernmental revenues—unrestricted			3,823,706	-	3,823,706
Unrestricted investment earnings			415,611	301,621	717,232
Gain on sale of capital assets			552,483	-	552,483
Transfers			2,020,100	(2,020,100)	-
Total general revenues and transfers			<u>41,373,806</u>	<u>(1,718,479)</u>	<u>39,655,327</u>
Change in net position			2,791,383	8,921,019	11,712,402
Net position, beginning			74,761,461	149,451,589	224,213,050
Net position, ending			<u>\$ 77,552,844</u>	<u>158,372,608</u>	<u>235,925,452</u>

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

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 6,171,532	909,918	9,032,638
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	668,187	-	-
Utility taxes	-	256,771	-
Accrued interest	86,076	1,361	22,992
Due from other funds	62,500	-	-
Advances due from other funds	1,187,500	-	-
Due from other governments	2,075,857	-	-
Inventories	-	-	-
Prepaid items	5,751,354	-	-
Total assets	<u><u>\$ 16,003,006</u></u>	<u><u>1,168,050</u></u>	<u><u>9,055,630</u></u>
Liabilities			
Accounts payable	\$ 2,571,045	-	233,829
Accrued payroll	979,411	-	-
Due to other governments	7,774	-	-
Unearned revenue	163,809	-	-
Customer deposits	-	-	-
Total liabilities	<u><u>3,722,039</u></u>	<u><u>-</u></u>	<u><u>233,829</u></u>
Deferred inflows of resources			
Unavailable revenue	<u>14,158</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	6,938,854	-	-
Restricted	-	-	-
Committed	4,126,391	-	1,857,161
Assigned	625,890	1,168,050	6,964,640
Unassigned	575,674	-	-
Total fund balances	<u>12,266,809</u>	<u>1,168,050</u>	<u>8,821,801</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 16,003,006</u></u>	<u><u>1,168,050</u></u>	<u><u>9,055,630</u></u>

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

Community Redevelopment Fund	Baker Park Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
1,381,038	14,422,796	3,248,237	8,823,170	43,989,329
-	-	-	154,450	822,637
-	-	-	-	256,771
15,142	-	11,808	29,536	166,915
-	-	-	-	62,500
-	-	-	-	1,187,500
-	-	183,388	12,849	2,272,094
-	-	15,333	-	15,333
-	-	-	-	5,751,354
<u>1,396,180</u>	<u>14,422,796</u>	<u>3,458,766</u>	<u>9,020,005</u>	<u>54,524,433</u>
212,153	233,753	552,146	327,735	4,130,661
14,275	-	19,781	109,372	1,122,839
-	-	-	-	7,774
-	-	-	-	163,809
-	-	-	71,325	71,325
<u>226,428</u>	<u>233,753</u>	<u>571,927</u>	<u>508,432</u>	<u>5,496,408</u>
-	-	-	154,450	168,608
-	-	15,333	-	6,954,187
1,169,752	14,189,043	2,871,506	5,845,253	24,075,554
-	-	-	2,462,466	8,446,018
-	-	-	49,404	8,807,984
-	-	-	-	575,674
<u>1,169,752</u>	<u>14,189,043</u>	<u>2,886,839</u>	<u>8,357,123</u>	<u>48,859,417</u>
<u>1,396,180</u>	<u>14,422,796</u>	<u>3,458,766</u>	<u>9,020,005</u>	<u>54,524,433</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, 2017

Total fund balances governmental funds (page 19)	\$ 48,859,417
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 (\$69,079,606) less amounts included in the internal service funds (\$1,102,257).	67,977,349
Some deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	168,608
The deferred charge on refunding is not a financial resource and, therefore, is not reported in the governmental funds.	213,763
Accrued interest on long term debt is not due and payable in the current period and, therefore, is not reported in the funds.	(8,267)
Deferred outflows (\$11,081,439), deferred inflows (\$1,299,113), and the net pension liability (\$44,532,930) related to the City's pension plans less amounts reported in the internal service funds (\$436,754) are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.	(34,313,850)
Long term liabilities, including bonds payable, compensated absences, other post-employment benefits, and insurance claims payable are not due and payable in the current period and, therefore, are not reported in the funds. This is the total amount of long term liabilities (\$15,996,867) less the amounts reported in the internal service funds (\$3,952,416) for compensated absences, other post-employment benefits, and insurance claims payable.	(12,044,451)
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.	6,700,275
Net position of governmental activities (page 16)	<u>\$ 77,552,844</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, 2017

	General Fund	Debt Service Fund	Capital Projects Fund
Revenues			
Taxes	\$ 24,100,412	4,037,845	-
Permits, fees and assessments	3,584,307	-	-
Intergovernmental	4,367,475	-	-
Charges for services	1,859,660	-	-
Charges to other funds	3,024,260	-	-
Fines and forfeitures	210,291	-	-
Interest	196,213	1,796	58,873
Donations	-	-	-
Miscellaneous	250,880	-	13,861
Total revenues	<u>37,593,498</u>	<u>4,039,641</u>	<u>72,734</u>
Expenditures			
Current			
General government	9,392,374	46,510	63,320
Public safety	22,447,262	-	-
Physical and economic environment	-	-	-
Transportation	-	-	-
Culture and recreation	6,453,281	-	-
Capital outlay			
General government	-	-	451,617
Public safety	18,673	-	1,543,291
Physical and economic environment	-	-	-
Transportation	-	-	306,413
Culture and recreation	61,182	-	-
Debt service			
Principal	-	1,566,000	-
Interest and fiscal charges	-	111,230	-
Total expenditures	<u>38,372,772</u>	<u>1,723,740</u>	<u>2,364,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(779,274)</u>	<u>2,315,901</u>	<u>(2,291,907)</u>
Other financing sources (uses)			
Transfers in	2,067,600	990,461	5,456,000
Transfers out	(9,211,660)	(3,235,000)	-
Proceeds from sale of capital assets	251,281	-	48,111
Total other financing sources (uses)	<u>(6,892,779)</u>	<u>(2,244,539)</u>	<u>5,504,111</u>
Change in fund balances	<u>(7,672,053)</u>	<u>71,362</u>	<u>3,212,204</u>
Fund balances, beginning of year	19,938,862	1,096,688	5,609,597
Fund balances, end of year	<u>\$ 12,266,809</u>	<u>1,168,050</u>	<u>8,821,801</u>

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

Community Redevelopment Fund	Baker Park Fund	Streets and Traffic Fund	Other Nonmajor Governmental Fund	Total
753,825	-	1,846,409	300,165	31,038,656
-	-	272,510	3,872,981	7,729,798
2,336,531	-	805,904	3,869	7,513,779
-	-	-	531,210	2,390,870
-	-	-	-	3,024,260
-	-	-	349,498	559,789
23,750	-	18,270	56,527	355,429
-	398,198	-	145,789	543,987
-	-	14,807	394,909	674,457
<u>3,114,106</u>	<u>398,198</u>	<u>2,957,900</u>	<u>5,654,948</u>	<u>53,831,025</u>
-	-	-	25,675	9,527,879
-	-	-	4,192,863	26,640,125
898,502	-	-	478,827	1,377,329
-	-	2,279,983	-	2,279,983
-	-	-	4,860	6,458,141
-	-	-	-	451,617
-	-	-	636,844	2,198,808
2,486,289	2,965,160	-	160,619	5,612,068
-	-	590,971	-	897,384
-	-	-	-	61,182
-	-	-	-	1,566,000
-	-	-	556	111,786
<u>3,384,791</u>	<u>2,965,160</u>	<u>2,870,954</u>	<u>5,500,244</u>	<u>57,182,302</u>
<u>(270,685)</u>	<u>(2,566,962)</u>	<u>86,946</u>	<u>154,704</u>	<u>(3,351,277)</u>
-	8,464,160	-	-	16,978,221
(1,990,461)	-	-	(521,000)	(14,958,121)
-	-	251,812	-	551,204
<u>(1,990,461)</u>	<u>8,464,160</u>	<u>251,812</u>	<u>(521,000)</u>	<u>2,571,304</u>
<u>(2,261,146)</u>	<u>5,897,198</u>	<u>338,758</u>	<u>(366,296)</u>	<u>(779,973)</u>
<u>3,430,898</u>	<u>8,291,845</u>	<u>2,548,081</u>	<u>8,723,419</u>	<u>49,639,390</u>
<u>1,169,752</u>	<u>14,189,043</u>	<u>2,886,839</u>	<u>8,357,123</u>	<u>48,859,417</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, 2017

Net change in fund balances—total governmental funds (page 23)	\$ (779,973)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	4,299,752
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(14,416)
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 principal payments made in the current period.	1,566,000
Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	(61,845)
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.	(2,857,807)
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 activities.	639,672
Change in net position of governmental activities (page 18)	<u>\$ 2,791,383</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, 2017

Assets	Business-type Activities—Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	City Dock Fund
Current assets				
Cash and investments	\$ 25,752,765	1,416,121	7,925,412	6,453,614
Restricted cash and investments	509,422	-	-	-
Receivables (net, where applicable, of allowance for uncollectible)				
Accounts	5,184,954	987,117	711,792	16,478
Special assessments	507,313	-	-	-
Accrued interest	67,621	7,577	24,705	2,961
Advances due from other funds	3,800,000	-	1,187,500	-
Due from other governments	430,655	836	-	-
Due from other funds	200,000	-	62,500	-
Inventories	952,351	-	-	2,467
Total current assets	<u>37,405,081</u>	<u>2,411,651</u>	<u>9,911,909</u>	<u>6,475,520</u>
Capital assets				
Land	1,761,684	1,145,053	234,866	-
Buildings and utility plants	61,253,719	528,790	-	-
Improvements other than buildings	52,033,383	4,511,402	-	647,755
Infrastructure	86,528,273	-	31,549,618	-
Equipment	21,509,746	4,452,321	1,138,064	269,266
Accumulated depreciation	(125,547,759)	(5,419,603)	(17,401,419)	(915,689)
Construction in progress	835,557	-	3,981,129	1,960,555
Net capital assets	<u>98,374,603</u>	<u>5,217,963</u>	<u>19,502,258</u>	<u>1,961,887</u>
Total assets	<u>135,779,684</u>	<u>7,629,614</u>	<u>29,414,167</u>	<u>8,437,407</u>
Deferred Outflow of Resources				
Deferred outflows - pensions	930,782	221,751	135,144	32,834
Deferred charge on refunding	78,123	-	-	-
Total deferred outflow of resources	<u>1,008,905</u>	<u>221,751</u>	<u>135,144</u>	<u>32,834</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>
4,030,841	45,578,753	10,916,148
-	509,422	-
66,908	6,967,249	4,998
-	507,313	-
11,472	114,336	27,320
-	4,987,500	-
237,865	669,356	12,506
-	262,500	-
2,899	957,717	100,575
<u>4,349,985</u>	<u>60,554,146</u>	<u>11,061,547</u>
-	3,141,603	-
1,935,394	63,717,903	846,944
7,093,080	64,285,620	-
-	118,077,891	-
1,365,450	28,734,847	3,248,779
(7,460,607)	(156,745,077)	(2,993,466)
2,619	6,779,860	-
<u>2,935,936</u>	<u>127,992,647</u>	<u>1,102,257</u>
<u>7,285,921</u>	<u>188,546,793</u>	<u>12,163,804</u>
118,014	1,438,525	176,544
-	78,123	-
<u>118,014</u>	<u>1,516,648</u>	<u>176,544</u>

(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, 2017

	Business-type Activities—Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	City Dock Fund
Liabilities				
Current liabilities				
Accounts payable	\$ 1,798,313	622,438	708,614	730,953
Accrued payroll	283,685	65,418	42,934	2,784
Due to other funds	-	-	-	325,000
Due to other governments	1,381,604	-	-	-
Unearned revenue	30,938	-	-	772
Accrued interest payable	25,229	-	1,043	-
Current portion of compensated absences	119,000	56,000	25,000	2,000
Current maturities of long-term debt	2,707,864	-	228,809	-
Insurance claims payable	-	-	-	-
Total payable from current assets	<u>6,346,633</u>	<u>743,856</u>	<u>1,006,400</u>	<u>1,061,509</u>
Current liabilities (payable from restricted assets)				
Customer deposits	114,643	-	-	-
Total current liabilities	<u>6,461,276</u>	<u>743,856</u>	<u>1,006,400</u>	<u>1,061,509</u>
Noncurrent liabilities				
Due in more than one year				
Revenue bonds payable, net of unamortized discounts and premiums	9,237,543	-	705,152	-
Compensated absences	484,200	83,290	46,598	3,246
Advances due to other funds	-	-	-	6,175,000
Net pension liability	2,995,874	713,741	434,984	105,683
Other post-employment benefits	819,601	200,153	78,252	12,626
Insurance claims payable	-	-	-	-
Total noncurrent liabilities	<u>13,537,218</u>	<u>997,184</u>	<u>1,264,986</u>	<u>6,296,555</u>
Total liabilities	<u>19,998,494</u>	<u>1,741,040</u>	<u>2,271,386</u>	<u>7,358,064</u>
Deferred Inflows of Resources				
Deferred amount on pension	<u>237,580</u>	<u>56,601</u>	<u>34,495</u>	<u>8,381</u>
Net Position				
Net investment in capital assets	86,507,319	5,217,963	18,568,297	1,961,887
Restricted for flexible benefits	-	-	-	-
Unrestricted	30,045,196	835,761	8,675,133	(858,091)
Net position of business-type activities	<u>\$ 116,552,515</u>	<u>6,053,724</u>	<u>27,243,430</u>	<u>1,103,796</u>

Adjustment to report cumulative internal balance for the net effect of the activity between the internal service funds 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>
134,611	3,994,929	170,639
39,536	434,357	45,565
-	325,000	-
-	1,381,604	-
77,476	109,186	706
-	26,272	-
23,000	225,000	26,000
-	2,936,673	-
-	-	1,002,833
<u>274,623</u>	<u>9,433,021</u>	<u>1,245,743</u>
-	114,643	-
<u>274,623</u>	<u>9,547,664</u>	<u>1,245,743</u>
-	9,942,695	-
59,788	677,122	78,931
-	6,175,000	-
379,845	4,630,127	568,236
97,862	1,208,494	146,252
-	-	2,698,400
<u>537,495</u>	<u>22,633,438</u>	<u>3,491,819</u>
<u>812,118</u>	<u>32,181,102</u>	<u>4,737,562</u>
<u>30,123</u>	<u>367,180</u>	<u>45,062</u>
2,935,936	115,191,402	1,102,257
-	-	362,907
<u>3,625,758</u>	<u>42,323,757</u>	<u>6,092,560</u>
<u><u>6,561,694</u></u>	<u><u>157,515,159</u></u>	<u><u>7,557,724</u></u>
	<u>857,449</u>	
	<u><u>\$ 158,372,608</u></u>	

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

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2017

	Business-type Activities—Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	City Dock Fund
Operating revenues				
Charges for services				
Water revenues	\$ 17,894,993	-	-	-
Sewer revenues	15,739,859	-	-	-
Other	60,500	7,126,711	5,040,865	1,201,692
Total operating revenues	<u>33,695,352</u>	<u>7,126,711</u>	<u>5,040,865</u>	<u>1,201,692</u>
Operating expenses				
Personal services	8,063,313	1,882,774	1,168,799	188,796
Supplies, services and claims	4,740,345	3,813,189	854,658	724,849
Materials	2,190,459	-	-	-
Utilities	1,849,201	23,238	30,607	60,221
Depreciation and amortization	7,193,606	644,217	1,916,132	16,859
General administration	1,344,580	301,970	176,080	54,330
Other	275,762	43,423	(36,214)	-
Total operating expenses	<u>25,657,266</u>	<u>6,708,811</u>	<u>4,110,062</u>	<u>1,045,055</u>
Operating income (loss)	<u>8,038,086</u>	<u>417,900</u>	<u>930,803</u>	<u>156,637</u>
Nonoperating revenues (expenses)				
Operating grants	-	-	-	-
Interest income	195,699	5,969	52,692	12,154
Interest expense	(311,721)	-	(13,906)	-
Gain (loss) on sale of capital assets	49,513	78,895	3,085	(37,089)
Total nonoperating revenues (expenses)	<u>(66,509)</u>	<u>84,864</u>	<u>41,871</u>	<u>(24,935)</u>
Income (loss) before contributions and transfers	7,971,577	502,764	972,674	131,702
Capital contributions	1,424,561	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,722,000)	(345,600)	-	-
Change in net position	<u>7,674,138</u>	<u>157,164</u>	<u>972,674</u>	<u>131,702</u>
Net position, beginning of year	<u>108,878,377</u>	<u>5,896,560</u>	<u>26,270,756</u>	<u>972,094</u>
Net position, end of year	<u>\$ 116,552,515</u>	<u>6,053,724</u>	<u>27,243,430</u>	<u>1,103,796</u>

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

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

<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Governmental Activities– Internal Service Funds</u>
-	17,894,993	-
-	15,739,859	-
2,533,121	15,962,889	13,606,549
<u>2,533,121</u>	<u>49,597,741</u>	<u>13,606,549</u>
1,139,796	12,443,478	1,289,118
804,546	10,937,587	10,937,468
-	2,190,459	-
133,673	2,096,940	25,140
551,232	10,322,046	274,696
162,620	2,039,580	388,480
90,164	373,135	7,132
<u>2,882,031</u>	<u>40,403,225</u>	<u>12,922,034</u>
<u>(348,910)</u>	<u>9,194,516</u>	<u>684,515</u>
127,100	127,100	-
35,107	301,621	60,182
-	(325,627)	-
3,824	98,228	15,695
<u>166,031</u>	<u>201,322</u>	<u>75,877</u>
(182,879)	9,395,838	760,392
-	1,424,561	-
47,500	47,500	-
-	(2,067,600)	-
<u>(135,379)</u>	<u>8,800,299</u>	<u>760,392</u>
<u>6,697,073</u>		<u>6,797,332</u>
<u>6,561,694</u>		<u>7,557,724</u>
	<u>120,720</u>	
	<u>\$ 8,921,019</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, 2017

	Business-type Activities—Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	City Dock Fund
Cash flows from operating activities				
Cash received from customers	\$ 31,939,820	6,614,436	4,693,165	1,105,973
Cash payments to suppliers	(9,138,685)	(3,433,247)	(1,759,813)	(76,795)
Cash payments to employees for services	(7,623,917)	(1,776,599)	(1,089,694)	(54,330)
Cash payments for interfund services	(1,344,580)	(301,970)	(176,080)	(185,775)
Net cash provided by operating activities	<u>13,832,638</u>	<u>1,102,620</u>	<u>1,667,578</u>	<u>789,073</u>
Cash flows from noncapital financing activities				
Transfers in (out)	(1,722,000)	(345,600)	(1,006,424)	-
Loans/advances and repayments from other funds	(4,215,854)	-	-	6,500,000
Operating grants	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(5,937,854)</u>	<u>(345,600)</u>	<u>(1,006,424)</u>	<u>6,500,000</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	(2,657,202)	-	(225,713)	-
Interest paid on long-term debt	(315,678)	-	(14,158)	-
Capital contributions	1,424,561	-	-	-
Proceeds from sale of capital assets	49,513	78,895	3,085	-
Acquisition and construction of capital assets	(8,103,951)	(393,587)	(1,911,630)	(1,808,238)
Net cash used in capital and related financing activities	<u>(9,602,757)</u>	<u>(314,692)</u>	<u>(2,148,416)</u>	<u>(1,808,238)</u>
Cash flows from investing activities				
Interest and investment earnings	171,237	4,991	44,925	10,767
Net cash provided by investing activities	<u>171,237</u>	<u>4,991</u>	<u>44,925</u>	<u>10,767</u>
Net change in cash and cash equivalents	(1,536,736)	447,319	(1,442,337)	5,491,602
Cash and cash equivalents, beginning of year	27,798,923	968,802	9,367,749	962,012
Cash and cash equivalents, end of year	<u>\$ 26,262,187</u>	<u>1,416,121</u>	<u>7,925,412</u>	<u>6,453,614</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 8,038,086	417,900	930,803	156,637
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	7,193,606	644,217	1,916,132	16,859
Changes in assets and liabilities				
Increase in accounts receivable, net	(1,776,427)	(511,830)	(350,700)	(13,770)
Increase in miscellaneous receivables	-	-	-	-
(Increase) decrease in due from other governments	27,245	(445)	3,000	4,264
(Increase) decrease in inventories	3,244	-	-	12,989
Increase in deferred outflows	(227,292)	(54,151)	(33,001)	(8,018)
Increase (decrease) in accounts payable	(285,993)	446,603	(910,762)	695,286
Increase (decrease) in accrued payroll	(28,838)	(871)	1,288	(5,100)
Increase in due to other governments	205,447	-	-	-
Increase (decrease) in unearned revenue	(6,350)	-	-	(22,565)
Decrease in customer deposits	(5,616)	-	-	(63,648)
Decrease in insurance claims payable	-	-	-	-
Increase in deferred inflows	237,580	56,601	34,495	8,381
Increase in net pension liability	314,319	74,884	45,638	11,088
Increase in other post-employment benefits	132,005	32,127	15,677	1,806
Increase (decrease) in compensated absences	11,622	(2,415)	15,008	(5,136)
Net cash provided by operating activities	<u>\$ 13,832,638</u>	<u>1,102,620</u>	<u>1,667,578</u>	<u>789,073</u>
Noncash investing, capital, and financing activities				
Amortization of loss on revenue refunding bonds	\$ 7,440	-	-	-

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

Nonmajor Funds	Total	Governmental Activities– Internal Service Funds
2,541,041	46,894,435	13,594,565
(838,939)	(15,247,479)	(11,191,807)
(891,121)	(11,435,661)	(829,486)
<u>(333,327)</u>	<u>(2,341,732)</u>	<u>(811,166)</u>
<u>477,654</u>	<u>17,869,563</u>	<u>762,106</u>
47,500	(3,026,524)	-
17,913	2,302,059	-
<u>127,100</u>	<u>127,100</u>	<u>-</u>
<u>192,513</u>	<u>(597,365)</u>	<u>-</u>
-	(2,882,915)	-
-	(329,836)	-
-	1,424,561	-
3,824	135,317	15,695
<u>(298,265)</u>	<u>(12,515,671)</u>	<u>(392,008)</u>
<u>(294,441)</u>	<u>(14,168,544)</u>	<u>(376,313)</u>
31,544	263,464	51,653
<u>31,544</u>	<u>263,464</u>	<u>51,653</u>
407,270	3,367,118	437,446
<u>3,623,571</u>	<u>42,721,057</u>	<u>10,478,702</u>
<u>4,030,841</u>	<u>46,088,175</u>	<u>10,916,148</u>
(348,910)	9,194,516	684,515
551,232	10,322,046	274,696
(30,855)	(2,683,582)	-
-	-	(823)
123,057	157,121	(11,301)
163	16,396	(47,265)
(28,819)	(351,281)	(43,111)
66,224	11,358	(85,706)
1,015	(32,506)	(6,825)
-	205,447	-
38,775	9,860	140
-	(69,264)	-
-	-	(89,096)
30,123	367,180	45,062
39,852	485,781	59,617
19,572	201,187	22,012
<u>16,225</u>	<u>35,304</u>	<u>(39,809)</u>
<u>477,654</u>	<u>17,869,563</u>	<u>762,106</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, 2017

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,164,031	137
Contributions receivable	2,084,494	-
Investments, at fair value		
U.S. Treasury securities	6,238,546	-
U.S. Government agency securities	1,473,606	-
Municipal obligations	337,189	-
Asset-backed securities	6,587,223	-
Corporate bonds	12,265,130	-
Common stock/equity funds	107,427,628	-
Real estate investment trusts	11,793,704	-
Mutual funds	10,690,106	-
Alternative investments	6,919,072	-
Total investments	163,732,204	-
Total assets	170,980,729	137
Liabilities		
Accounts payable	372,059	137
Total liabilities	372,059	137
Net position		
Restricted for pension benefits	\$ 170,608,670	-

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, 2017

	Pension Trust Funds
Additions	
Contributions	
Employee contributions	\$ 1,462,183
Employer contributions	5,265,977
State contributions	1,302,545
Total contributions	8,030,705
Investment earnings	
Interest and dividend income	3,182,954
Net change in fair value of investments	18,521,738
Less investment expense	(850,248)
Net investment earnings	20,854,444
Total additions	28,885,149
Deductions	
Benefits paid	10,589,454
Refunds of contributions	633,638
General administration	367,916
Total deductions	11,591,008
Change in net position	17,294,141
Net position, restricted for pension benefits	
Beginning of year	153,314,529
End of year	\$ 170,608,670

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, 2017

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.

Included in the City's activities are the Moorings Bay Special Taxing District and the East Naples Bay Special Taxing District. 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.

The accompanying financial statements present the government and its blended component unit, 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 Unit. The Community Redevelopment Agency is a blended component unit of this reporting entity, as the governing board of the Community Redevelopment Agency is substantively the same as the City Council and a financial benefit/burden relationship does exist between the two entities. 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 unit are not prepared.

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

B. Government-wide and Fund Financial Statements

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

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The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus and only report assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of grant revenues as they are considered available when eligible expenditures have occurred even though they may be collected for up to one year after the current fiscal year end. Property taxes, gas taxes, utility taxes, franchise fees, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured.

The City reports the following major governmental funds:

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

Debt Service Fund is used to account for the accumulation of resources for 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.

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Notes to Financial Statements September 30, 2017

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

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.

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

Additionally the City reports the following fund types:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund, Solid Waste Enterprise Fund, Stormwater Enterprise Fund, other Nonmajor Enterprise Funds, and the City's Internal Service Funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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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 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.

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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, works of art and similar items, and capital assets received in a service concession arrangement are recorded at the acquisition value at the date of donation.

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

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

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

Buildings	10-50 years
Utility plants	40-50 years
Improvements other than buildings	5-20 years
Infrastructure	10-50 years
Equipment	2-10 years

6. **Compensated Absences**

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

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

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is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expenses.

8. Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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.

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Notes to Financial Statements September 30, 2017

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

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

See Section 4 (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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

9. Administrative Fees

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as expenditure in the governmental funds. Such fees amounted to \$3,024,260 for fiscal year 2017, and included \$2,039,580 charged to enterprise funds, \$388,480 charged to internal service and fiduciary funds, and \$596,200 charged to the debt service fund, building and zoning, streets and traffic and CRA special revenue funds, and capital projects funds.

10. Deferred Outflows/Inflows of Resources

The City has deferred inflows and deferred outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. The changes in proportion and differences between City contributions and proportionate share of contributions are also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

11. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plans and additions to/deductions from these plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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Notes to Financial Statements
September 30, 2017

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 “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	\$ (6,986,000)
Other post-employment benefits	(2,509,645)
Compensated absences	<u>(2,548,806)</u>
Net adjustment to reduce total fund balance—governmental funds to arrive at net position—governmental activities.	<u>\$ (12,044,451)</u>

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	\$ 9,289,186
Depreciation expense	<u>(4,989,434)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities.	<u>\$ 4,299,752</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	\$ (74,063)
Other post-employment benefits	(428,276)
Deferred outflows - pensions	1,493,928
Accrued interest	1,853
Net pension liability	(3,326,728)
Deferred charge on refunding	(50,297)
Deferred inflows - pensions	<u>(474,224)</u>
Net adjustment to decrease net change in fund balances—total governmental funds to arrive at change in net position of governmental activities.	<u>\$ (2,857,807)</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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 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 City Dock Fund of \$496 thousand for continued design, engineering, and construction management services to replace the City dock and \$750 thousand in the Baker Park Fund for the engineering, design, and permitting process related to the City's construction of the new Baker Park.

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.

Table with 2 columns: Fund Name and Amount. Rows include Governmental activities (General Fund, Capital Projects Fund, etc.) and Business-type activities (Water and Sewer Fund, Solid Waste Fund, etc.) with a total of \$13,985,568.

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Notes to Financial Statements
September 30, 2017

IV. Detailed Notes on All Funds

A. *Cash and Investments*

On April 18, 2014, 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 \$14,715,926 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 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 \$315,254 is reported at amortized cost and has a weighted average of 51 days to maturity as of September 30, 2017. Fund A is rated AAAM by Standard & Poors.

Investment Portfolios

Investment holdings consist of a \$91,441,894 General Investment Portfolio and a \$163,732,204 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
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As of September 30, 2017, 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	\$ 54,389,309	25,202,057	29,187,252
U.S. Government agency securities	Aaa	31,027,009	11,021,326	20,005,683
Corporate bonds	Aaa..Aa2	2,807,926	1,000,376	1,807,550
Money market fund	Aaa..Aa2	2,108,617	2,108,617	-
State investment pool	AAAm	315,254	315,254	-
Certificates of deposit	N/A	793,779	793,779	-
Total investments		<u>\$ 91,441,894</u>	<u>40,441,409</u>	<u>51,000,485</u>

Pension Portfolio

<u>Investment Type</u>	<u>Credit Rating (Moody's)</u>	<u>Fair Market</u>	<u>Investment Maturity (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Treasury securities	Aaa	\$ 6,238,546	-	1,758,760	4,479,786	-
U.S. Government agency securities	Aaa..A3	1,473,606	-	26,539	2,842	1,444,225
Municipal obligations	Aaa	337,189	-	-	337,189	-
Asset-backed securities	Aaa..Baa3	6,587,223	-	3,250,437	1,169,850	2,166,936
Corporate bonds	Aaa..Ba3	12,265,130	1,326,750	7,372,685	2,941,851	623,844
		26,901,694	<u>\$ 1,326,750</u>	<u>\$12,408,421</u>	<u>\$8,931,518</u>	<u>\$ 4,235,005</u>
Common stock/equity funds	Not rated	107,427,628				
Real estate investment trusts	Not rated	11,793,704				
Mutual funds	Not rated	10,690,106				
Alternative investments	Not rated	6,919,072				
Total investments		<u>\$ 163,732,204</u>				

Fair Value Measurements

The City categorizes its fair value measurements within fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs for similar assets; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2017:

General Investment Portfolio

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury securities	\$ 54,389,309	54,389,309	-	-
U.S. Government agency securities	31,027,009	-	31,027,009	-
Corporate bonds	2,807,926	-	2,807,926	-
Investments Exempt from Level Disclosure:				
Money market fund	2,108,617	-	-	-
State investment pool	315,254	-	-	-
Certificates of deposit	793,779	-	-	-
Total investments	<u>\$ 91,441,894</u>	<u>54,389,309</u>	<u>33,834,935</u>	<u>-</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements September 30, 2017

Pension Portfolio

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury securities	\$ 6,238,546	6,238,546	-	-
U.S. Government agency securities	1,473,606	-	1,473,606	-
Municipal obligations	337,189	-	337,189	-
Asset-backed securities	6,587,223	-	6,587,223	-
Corporate bonds	12,265,130	-	12,265,130	-
Common stock/equity funds	107,427,628	105,465,835	1,961,793	-
Real estate investment trusts	-	-	-	-
Mutual funds	10,690,106	10,690,106	-	-
Alternative investments	-	-	-	-
Total by fair value level	<u>145,019,428</u>	<u>\$ 122,394,487</u>	<u>22,624,941</u>	<u>-</u>
Investments Measured at NAV:				
Real estate trust funds	11,793,704			
Alternative investments	6,919,072			
Total measured at fair value	<u>\$ 163,732,204</u>			

Real estate funds. This type includes two real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or its equivalent) of the Plan's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years. 20% of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed. There were no known unfunded commitments for the City's funds.

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.

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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.

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, 2017, 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.

As of September 30, 2017, 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	\$ 9,551,895	9.46%
Money Market	2,108,617	2.09%
Local Government Surplus Funds Trust Fund ("SBA"), Fund A	315,254	0.31%
Certificates of deposit	793,779	0.79%
United States Treasury securities	54,389,309	53.85%
United States Agency securities	31,027,009	30.73%
Corporate bonds	2,807,926	2.78%
Total	<u>\$ 100,993,789</u>	

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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, 2017, 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	\$ 2,875	0.00%
Money Market	5,161,156	3.06%
U.S. Treasury securities	6,238,546	3.69%
U.S. Government agency securities	1,473,606	0.87%
Municipal obligations	337,189	0.20%
Asset-backed securities	6,587,223	3.90%
Corporate bonds	12,265,130	7.26%
Common stock/equity funds	107,427,628	63.61%
Real estate investment trusts	11,793,704	6.98%
Mutual funds	10,690,106	6.33%
Alternative investments	6,919,072	4.10%
Total	<u>\$ 168,896,235</u>	

Foreign Currency Risk

The City’s investment policy does not allow for investments in foreign currency; therefore, the City has no exposure to 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, 2016, the assessed value of the principal taxing authority’s property upon which the 2016-2017 tax levy was based was \$19.7 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2017, was 1.1800 (\$1.18 per \$1,000 of assessed value). The assessed values at January 1, 2016, of the dependent special districts, East Naples Bay and Moorings Bay, were \$558 million, and \$1,802 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 0.0125 (\$0.0125 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, 2017.

Total ad valorem taxes collected for the year ended September 30, 2017, aggregated \$22,706,969, net of cash discounts, of which \$21,652,979 was designated for general government services, \$753,825 for the Community Redevelopment Agency, \$278,120 for East Naples Bay Taxing District, and \$22,045 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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
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Statute 200.081, no aggregate ad valorem tax millage in excess of 10 mills on the dollar is levied against property of the City.

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

The property owners' tax calendar is as follows:

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

For the 2016 tax roll year, the assessment roll was opened for collection on November 1, 2016, and discounts for payment prior to April 1, 2017, were determined as follows:

Discounts Allowed	
Percentage	If Paid By
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 2017, 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, 2017, for the City's individual major funds and for the total nonmajor funds were as follows:

	Accounts/					Total
	Miscellaneous Receivable	Special Assessments	Utility Taxes	Due From Other Governments	Interest and Other	
Governmental activities						
Major funds						
General Fund	\$ 668,187	-	-	2,075,857	86,076	2,830,120
Debt Service Fund	-	-	256,771	-	1,361	258,132
Capital Projects Fund	-	-	-	-	22,992	22,992
Community Redevelopment Fund	-	-	-	-	15,142	15,142
Streets and Traffic Fund	-	-	-	183,388	11,808	195,196
Nonmajor funds	154,450	-	-	12,849	29,536	196,835
Internal Service Fund	4,998	-	-	12,506	27,320	44,824
	<u>\$ 827,635</u>	<u>-</u>	<u>256,771</u>	<u>2,284,600</u>	<u>194,235</u>	<u>3,563,241</u>
Business type activities						
Major funds						
Water and Sewer Fund	\$ 5,184,954	507,313	-	430,655	67,621	6,190,543
Solid Waste Fund	987,117	-	-	836	7,577	995,530
Stormwater Fund	711,792	-	-	-	24,705	736,497
City Dock Fund	16,478	-	-	-	2,961	19,439
Nonmajor funds	66,908	-	-	237,865	11,472	316,245
	<u>\$ 6,967,249</u>	<u>507,313</u>	<u>-</u>	<u>669,356</u>	<u>114,336</u>	<u>8,258,254</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, 2017, are as follows:

Water and Sewer Fund	\$	18,241
Solid Waste Fund		2,284
Stormwater Fund		4,387
		<u>4,387</u>
	\$	<u>24,912</u>

D. Capital Assets

Governmental Activities

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2017, 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	\$ 16,418,277	-	-	16,418,277
Construction in progress	1,773,716	5,087,115	(179,898)	6,680,933
Total capital assets not being depreciated	<u>18,191,993</u>	<u>5,087,115</u>	<u>(179,898)</u>	<u>23,099,210</u>
Capital assets being depreciated				
Buildings	38,935,949	191,894	-	39,127,843
Improvements other than buildings	38,543,914	2,426,277	-	40,970,191
Infrastructure	31,876,708	205,162	-	32,081,870
Equipment	23,274,126	1,950,643	(309,422)	24,915,347
Total capital assets being depreciated	<u>132,630,697</u>	<u>4,773,976</u>	<u>(309,422)</u>	<u>137,095,251</u>
Less accumulated depreciation for				
Buildings	(19,187,459)	(1,221,754)	-	(20,409,213)
Improvements other than buildings	(27,258,512)	(1,569,856)	-	(28,828,368)
Infrastructure	(23,714,750)	(761,891)	-	(24,476,641)
Equipment	(15,985,011)	(1,710,629)	295,007	(17,400,633)
Total accumulated depreciation	<u>(86,145,732)</u>	<u>(5,264,130)</u>	<u>295,007</u>	<u>(91,114,855)</u>
Total capital assets being depreciated, net	<u>46,484,965</u>	<u>(490,154)</u>	<u>(14,415)</u>	<u>45,980,396</u>
Total governmental capital assets, net	<u>\$ 64,676,958</u>	<u>4,596,961</u>	<u>(194,313)</u>	<u>69,079,606</u>

Depreciation expense was charged to the governmental activities as follows:

Governmental activities	
General government	\$ 420,719
Public safety	1,327,438
Physical and economic environment	1,254,621
Transportation	853,156
Cultural and recreation	1,133,500
Internal service	274,696
	<u>274,696</u>
Total depreciation expense, governmental activities	<u>\$ 5,264,130</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

Business-type Activities

A summary of changes in capital assets of business-type activities for the year ended September 30, 2017, is as follows:

Water and Sewer Fund	Balance October 1	Additions	Transfers/ Retirements	Balance September 30
Capital assets not being depreciated				
Land and easements	\$ 1,761,684	-	-	1,761,684
Construction in progress	4,494,231	721,426	(4,380,100)	835,557
Total capital assets not being depreciated	<u>6,255,915</u>	<u>721,426</u>	<u>(4,380,100)</u>	<u>2,597,241</u>
Capital assets being depreciated				
Buildings and utility plants	59,982,998	1,270,721	-	61,253,719
Improvements other than buildings	51,584,643	448,740	-	52,033,383
Infrastructure	80,712,196	5,816,077	-	86,528,273
Equipment	17,452,792	4,227,087	(170,133)	21,509,746
Total capital assets being depreciated	<u>209,732,629</u>	<u>11,762,625</u>	<u>(170,133)</u>	<u>221,325,121</u>
Less accumulated depreciation for				
Buildings	(31,500,755)	(1,024,980)	-	(32,525,735)
Improvements other than buildings	(26,518,240)	(2,630,002)	-	(29,148,242)
Infrastructure	(47,695,628)	(2,305,813)	-	(50,001,441)
Equipment	(12,817,103)	(1,225,371)	170,133	(13,872,341)
Total accumulated depreciation	<u>(118,531,726)</u>	<u>(7,186,166)</u>	<u>170,133</u>	<u>(125,547,759)</u>
Total capital assets being depreciated, net	<u>91,200,903</u>	<u>4,576,459</u>	<u>-</u>	<u>95,777,362</u>
Water and sewer fund capital assets, net	<u>\$ 97,456,818</u>	<u>5,297,885</u>	<u>(4,380,100)</u>	<u>98,374,603</u>
Solid Waste Fund	Balance October 1	Additions	Transfers/ Retirements	Balance September 30
Capital assets not being depreciated				
Land	\$ 1,145,053	-	-	1,145,053
Total capital assets not being depreciated	<u>1,145,053</u>	<u>-</u>	<u>-</u>	<u>1,145,053</u>
Capital assets being depreciated				
Buildings and utility plants	528,790	-	-	528,790
Improvements other than buildings	4,444,975	66,427	-	4,511,402
Equipment	4,143,979	327,161	(18,819)	4,452,321
Total capital assets being depreciated	<u>9,117,744</u>	<u>393,588</u>	<u>(18,819)</u>	<u>9,492,513</u>
Less accumulated depreciation for				
Buildings	(415,018)	(25,516)	-	(440,534)
Improvements other than buildings	(1,328,477)	(215,294)	-	(1,543,771)
Equipment	(3,050,710)	(403,407)	18,819	(3,435,298)
Total accumulated depreciation	<u>(4,794,205)</u>	<u>(644,217)</u>	<u>18,819</u>	<u>(5,419,603)</u>
Total capital assets being depreciated, net	<u>4,323,539</u>	<u>(250,629)</u>	<u>-</u>	<u>4,072,910</u>
Solid waste fund capital assets, net	<u>\$ 5,468,592</u>	<u>(250,629)</u>	<u>-</u>	<u>5,217,963</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

Nonmajor Funds	Balance October 1	Additions	Transfers/ Retirements	Balance September 30
Capital assets not being depreciated:				
Construction in progress	\$ -	2,619	-	2,619
Total capital assets not being depreciated	-	2,619	-	2,619
Capital assets being depreciated				
Buildings and utility plants	1,829,459	105,935	-	1,935,394
Improvements other than buildings	7,031,221	61,859	-	7,093,080
Equipment	1,258,528	127,852	(20,930)	1,365,450
Total capital assets being depreciated	10,119,208	295,646	(20,930)	10,393,924
Less accumulated depreciation for				
Buildings	(1,514,400)	(52,631)	-	(1,567,031)
Improvements other than buildings	(4,557,825)	(368,388)	-	(4,926,213)
Equipment	(858,080)	(130,213)	20,930	(967,363)
Total accumulated depreciation	(6,930,305)	(551,232)	20,930	(7,460,607)
Total capital assets being depreciated, net	3,188,903	(255,586)	-	2,933,317
Nonmajor fund capital assets, net	\$ 3,188,903	(252,967)	-	2,935,936
Total business-type capital assets, net	\$ 125,828,669	8,194,793	(6,030,815)	127,992,647

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

Business-type activities	
Water and sewer	\$ 7,186,166
Solid waste	644,217
Stormwater	1,916,132
City dock	16,859
Other	551,232
	<u>551,232</u>
Total depreciation expense, business-type activities	<u>\$ 10,314,606</u>

E. Interfund Transactions

Advances from/to other funds are as follows:

	Advances Receivable	Advances Payable
Governmental activities		
Major fund		
General Fund	\$ 1,187,500	-
Business-type activities		
Major funds		
Water & Sewer Fund	3,800,000	-
Stormwater Fund	1,187,500	-
City Dock Fund	-	6,175,000
	<u>\$ 6,175,000</u>	<u>6,175,000</u>

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Notes to Financial Statements
September 30, 2017

Advances to the City Dock Fund represent funds used to construct certain infrastructure and dredging improvements and will be repaid according to set schedules. Repayment amounts scheduled to be paid within one year are recorded as Due from the City Dock Fund, as follows:

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Governmental activities		
Major fund		
General Fund	\$ 62,500	-
Business-type activities		
Major funds		
Water & Sewer Fund	200,000	-
Stormwater Fund	62,500	-
City Dock Fund	-	325,000
	<u>\$ 325,000</u>	<u>325,000</u>

Transfers during the year consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
Major funds		
General Fund	\$ 2,067,600	9,211,660
Debt Service Fund	990,461	3,235,000
Capital Projects Fund	5,456,000	-
Community Redevelopment Fund	-	1,990,461
Baker Park Fund	8,464,160	-
Nonmajor funds	-	521,000
Business-type activities		
Major funds		
Water and Sewer Fund	-	1,722,000
Solid Waste Fund	-	345,600
Nonmajor fund		
Tennis Fund	47,500	-
	<u>\$ 17,025,721</u>	<u>17,025,721</u>

Transfers into the General Fund in the amount of \$2,067,600 were payments in-lieu of taxes from the Water and Sewer Fund and Solid Waste Fund. The transfer into the Debt Service Fund from the Community Redevelopment Fund in the amount of \$990,461 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 \$5,456,000 used 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. Transfers into the Baker Park Fund in the amount of \$8,464,160 were used for capital expenditures related to Baker Park.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
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F. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2017, for the City’s individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts Payable</u>	<u>Accrued Payroll</u>	<u>Total</u>
Governmental activities			
Major funds			
General Fund	\$ 2,571,045	979,411	3,550,456
Capital Projects Fund	233,829	-	233,829
Community Redevelopment Fund	233,753	-	233,753
Community Redevelopment Fund	212,153	14,275	226,428
Streets and Traffic Fund	552,146	19,781	571,927
Nonmajor funds	327,735	109,372	437,107
Internal Service Fund	170,639	45,565	216,204
	<u>\$ 4,301,300</u>	<u>1,168,404</u>	<u>5,469,704</u>
Business-type activities			
Major funds			
Water and Sewer Fund	\$ 1,798,313	283,685	2,081,998
Solid Waste Fund	622,438	65,418	687,856
Stormwater Fund	708,614	42,934	751,548
Nonmajor funds	865,564	42,320	907,884
	<u>\$ 3,994,929</u>	<u>434,357</u>	<u>4,429,286</u>

G. Long-Term Obligations

Long-term liabilities of the governmental activities at September 30, 2017, 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%.	\$ 6,986,000
Claims payable	3,701,233
Net pension liability	44,532,930
Other post-employment benefits payable	2,655,897
Compensated absences payable	2,653,737
	<u>\$ 60,529,797</u>

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September 30, 2017

Changes in long-term obligations for governmental activities for the year ended September 30, 2017, 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	\$ 8,552,000	-	(1,566,000)	6,986,000	1,590,000
Total debt payable	8,552,000	-	(1,566,000)	6,986,000	1,590,000
Claims payable	3,790,329	5,911,263	(6,000,359)	3,701,233	1,002,833
Net pension liability	41,146,585	19,777,594	(16,391,249)	44,532,930	-
Other post-employment benefits payable	2,205,609	487,300	(37,012)	2,655,897	-
Compensated absences payable	2,619,483	1,956,045	(1,921,791)	2,653,737	398,060
Total	<u>\$58,314,006</u>	<u>28,132,202</u>	<u>(25,916,411)</u>	<u>60,529,797</u>	<u>2,990,893</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$104,931 in compensated absences, \$3,701,233 in claims payable, \$146,252 in other post-employment benefits, and \$568,236 in Net Pension Liability 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 expected to be liquidated by the following funds in the following amounts: General Fund \$2,241,130, Building and Zoning Fund \$137,306, Community Redevelopment Fund \$12,156, Streets and Traffic Fund \$158,214. The remaining other post-employment benefits payable and net pension liability will generally be liquidated by the General Fund.

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

Governmental Activities

	Principal	Interest	Total
Year ended September 30			
2018	\$ 1,590,000	88,836	1,678,836
2019	1,595,000	66,250	1,661,250
2020	1,625,000	43,386	1,668,386
2021	1,730,000	19,824	1,749,824
2022	446,000	1,061	447,061
	<u>\$ 6,986,000</u>	<u>219,357</u>	<u>7,205,357</u>

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Long-term liabilities of the business-type activities at September 30, 2017, 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. \$ 5,744,000

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. 3,328,000

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%. 2,340,260

Special Assessment Revenue Bond, Series 2015, issued in the amount of \$650,000 to currently fund the Bembury Project; semi-annual principal and interest payments are \$73,882, with final maturity on July 1, 2025; secured by special assessment revenues of the water/sewer utility system; interest rate of 533,147

Net pension liability 2,995,874
Other post-employment benefits payable 819,601
Compensated absences payable 603,200
Total water and sewer fund \$ 16,364,082

Solid Waste Fund

Net pension liability \$ 713,741
Other post-employment benefits payable 200,153
Compensated absences payable 139,290
Total solid waste fund \$ 1,053,184

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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%.

	\$ 933,960
Net pension liability	434,984
Other post-employment benefits payable	78,252
Compensated absences payable	<u>71,598</u>
Total stormwater fund	<u><u>\$ 1,518,794</u></u>

Nonmajor funds

Net pension liability	\$ 485,528
Other post-employment benefits payable	110,488
Compensated absences payable	<u>88,034</u>
Total nonmajor funds	<u><u>\$ 684,050</u></u>

Changes in long-term obligations for business-type activities for the year ended September 30, 2017, are as follows:

<u>Business-Type Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Debt payable					
Public Utilities Refunding Revenue Bond, Series 2012A	\$ 6,240,000	-	(496,000)	5,744,000	509,000
Public Utilities Refunding Revenue Bond, Series 2012B	3,617,000	-	(289,000)	3,328,000	296,000
Public Utilities Refunding Revenue Bond, Series 2013	5,312,192	-	(2,037,972)	3,274,220	2,070,320
Special Assessment Revenue Bond, Series 2015	<u>593,091</u>	-	<u>(59,944)</u>	<u>533,147</u>	<u>61,353</u>
Total debt payable	15,762,283	-	(2,882,916)	12,879,367	2,936,673
Net pension liability	4,144,346	2,189,993	(1,704,212)	4,630,127	-
Other post-employment benefits payable	1,007,307	217,723	(16,536)	1,208,494	-
Compensated absences payable	<u>866,818</u>	<u>102,461</u>	<u>(67,157)</u>	<u>902,122</u>	<u>225,000</u>
Total	<u><u>\$ 21,780,754</u></u>	<u><u>2,510,177</u></u>	<u><u>(4,670,821)</u></u>	<u><u>19,620,110</u></u>	<u><u>3,161,673</u></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, 2017, no amounts were earned that will have to be rebated.

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

Water and Sewer Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended September 30			
2018	\$ 2,707,867	264,569	2,972,436
2019	1,031,080	232,638	1,263,718
2020	1,056,473	207,677	1,264,150
2021	1,081,892	182,080	1,263,972
2022	1,029,125	155,907	1,185,032
2023 - 2027	5,038,970	394,436	5,433,406
	<u>\$ 11,945,407</u>	<u>1,437,307</u>	<u>13,382,714</u>

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			
2018	\$ 228,806	11,114	239,920
2019	231,891	8,030	239,921
2020	235,033	4,903	239,936
2021	238,230	1,332	239,562
	<u>\$ 933,960</u>	<u>25,379</u>	<u>959,339</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, 2017.

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H. Fund Equity

The following is a summary of fund balances that were nonspendable, restricted, committed or assigned as of September 30, 2017:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Community Redevelopment Fund</u>	<u>Baker Park Fund</u>	<u>Streets and Traffic Fund</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
Fund balances								
Nonspendable								
Inventory	\$ -	-	-	-	-	15,333	-	15,333
Prepaid items	5,751,354	-	-	-	-	-	-	5,751,354
Advances to other funds	1,187,500	-	-	-	-	-	-	1,187,500
	<u>6,938,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,333</u>	<u>-</u>	<u>6,954,187</u>
Restricted								
Donations, various	-	-	-	-	5,724,883	-	296,948	6,021,831
Capital projects - impact fees	-	-	-	-	-	-	672,969	672,969
Capital projects - parks & rec.	-	-	-	-	8,464,160	-	-	8,464,160
Dredging projects	-	-	-	-	-	-	505,911	505,911
Transportation	-	-	-	-	-	2,871,506	-	2,871,506
Police programs	-	-	-	-	-	-	489,316	489,316
Economic development	-	-	-	1,169,752	-	-	-	1,169,752
Coral reef construction	-	-	-	-	-	-	8,160	8,160
Building and zoning operations	-	-	-	-	-	-	3,871,949	3,871,949
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,169,752</u>	<u>14,189,043</u>	<u>2,871,506</u>	<u>5,845,253</u>	<u>24,075,554</u>
Committed								
Public arts program	-	-	-	-	-	-	513,602	513,602
Emergency reserve	3,562,759	-	-	-	-	-	-	3,562,759
Capital projects	-	-	1,132,206	-	-	-	-	1,132,206
Contracts	494,405	-	724,955	-	-	-	-	1,219,360
Handicap accessibility	69,227	-	-	-	-	-	-	69,227
Economic development	-	-	-	-	-	-	751,289	751,289
Land conservation	-	-	-	-	-	-	9,210	9,210
Dredging projects	-	-	-	-	-	-	1,188,365	1,188,365
	<u>4,126,391</u>	<u>-</u>	<u>1,857,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,462,466</u>	<u>8,446,018</u>
Assigned								
Debt service	-	1,168,050	-	-	-	-	-	1,168,050
Encumbrances	625,890	-	-	-	-	-	-	625,890
Economic development	-	-	-	-	-	-	49,404	49,404
Capital projects	-	-	6,964,640	-	-	-	-	6,964,640
	<u>625,890</u>	<u>1,168,050</u>	<u>6,964,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,404</u>	<u>8,807,984</u>
Unassigned	<u>575,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,674</u>
Total fund balance	<u>\$ 12,266,809</u>	<u>1,168,050</u>	<u>8,821,801</u>	<u>1,169,752</u>	<u>14,189,043</u>	<u>2,886,839</u>	<u>8,357,123</u>	<u>48,859,417</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).

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

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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, 2017, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	247
Vested terminated employees	77
Active employees	301

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.

As of September 30, 2017, 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, 2017, 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.

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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 City’s net pension liability was measured as of September 30, 2016. The components of the net pension liability of the City at September 30, 2017, were as follows:

Total pension liability	\$ 66,303,352
Plan fiduciary net position	<u>(50,987,023)</u>
City's net pension liability	<u>\$ 15,316,329</u>
Plan fiduciary net position as a percentage of Total pension liability	76.90%

For the year ended September 30, 2017, the City recognized pension expense of \$3,451,432 for the general employee plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,882,262	-
Differences between expected and actual experience	252,065	1,214,621
Net difference between projected and actual earnings on investments	838,827	-
City pension plan contributions subsequent to the measurement date	<u>1,785,446</u>	-
Total	<u>\$ 4,758,600</u>	<u>1,214,621</u>

The deferred outflows of resources related to the Pension Plan, totaling \$1,785,446 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

Year ended September 30,	
2018	\$ 485,779
2019	485,779
2020	842,674
2021	(55,699)
2022	-
Total	<u>\$ 1,758,533</u>

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Notes to Financial Statements
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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.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016, updated to September 30, 2017, using the following actuarial assumptions applied to all measurement periods.

Inflation	2.3%
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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	6.02%
International Equity	5.60%
Fixed Income	2.12%
Real Estate	2.97%
Hedge Funds	2.72%
MLPs	4.75%

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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.

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September 30, 2017

Changes in the Net Pension Liability of the City. The changes in components of the net pension liability to the City for the year ended September 30, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2016	\$ 63,587,582	49,878,199	13,709,383
Changes for the year:			
Service cost	1,515,025	-	1,515,025
Interest	4,718,425	-	4,718,425
Differences between expected and actual experience	(1,619,494)	-	(1,619,494)
Assumption Changes	2,509,683	-	2,509,683
Contributions-employer	-	1,970,406	(1,970,406)
Contributions-employee	-	711,740	(711,740)
Net investment income	-	2,994,961	(2,994,961)
Benefit payments, including refunds of employee contributions	(4,407,869)	(4,407,869)	-
Administrative expense	-	(160,414)	160,414
Net changes	2,715,770	1,108,824	1,606,946
Balances at September 30, 2017	\$ 66,303,352	50,987,023	15,316,329

The required schedule of changes in the City's net pension liability and related ratios, immediately following the notes to the financial statements, present multiyear trend information about whether the value of the plan assets is increasing or decreasing over time relative to 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%, 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%) or 1-percentage-point higher (8.50%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.50%	7.50%	8.50%
City's net pension liability	\$ 21,128,685	15,316,329	8,615,303

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, 2016.

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The assumptions used in the October 1, 2016, 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	2.30%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.0% to 6.0% 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, 2017, using Scale AA. The prior valuation projected rates to October 1, 2014, 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, 2017, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	69
Vested terminated employees	17
DROP employees	10
Active employees	56

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Notes to Financial Statements
September 30, 2017

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

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

The Plan 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, 2017, 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, 2017, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis or 3% for employees hired after April 1, 2012. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from the Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Police Officers' Pension Plan for the year ended was \$792,677. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

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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 City’s net pension liability was measured as of September 30, 2016. The components of the net pension liability of the City at September 30, 2017, were as follows:

Total pension liability	\$ 65,006,262
Plan fiduciary net position	<u>(45,056,993)</u>
City's net pension liability	<u>\$ 19,949,269</u>
Plan fiduciary net position as a percentage of Total pension liability	69.31%

For the year ended September 30, 2017, the City recognized pension expense of \$2,567,998 for the police employee plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 435,941	-
Differences between expected and actual experience	108,694	286,983
Net difference between projected and actual earnings on investments	768,005	-
City pension plan contributions subsequent to the measurement date	<u>2,596,355</u>	<u>-</u>
Total	<u>\$ 3,908,995</u>	<u>286,983</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,596,355 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

Year ended September 30,	
2018	\$ 128,445
2019	415,427
2020	524,748
2021	(42,963)
2022	<u>-</u>
Total	<u>\$ 1,025,657</u>

THE CITY OF NAPLES, FLORIDA

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September 30, 2017

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.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016, updated to September 30, 2017, using the following actuarial assumptions applied to all measurement periods.

Inflation	2.3%
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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	6.02%
International Equity	5.60%
Fixed Income	2.12%
Real Estate	2.97%
Hedge Funds	2.72%
MLPs	4.75%

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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, 2017

Changes in the Net Pension Liability of the City. The changes in components of the net pension liability to the City for the year ended September 30, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2016	\$ 61,555,656	42,513,922	19,041,734
Changes for the year:			
Service cost	943,492	-	943,492
Interest	4,579,541	-	4,579,541
Differences between expected and actual experience	163,041	-	163,041
Assumption Changes	653,912	-	653,912
Contributions—employer	-	1,985,703	(1,985,703)
Contributions—state	-	610,146	(610,146)
Contributions—employee	-	210,895	(210,895)
Net investment income	-	2,724,152	(2,724,152)
Benefit payments, including refunds of employee contributions	(2,889,380)	(2,889,380)	-
Administrative expense	-	(98,445)	98,445
Net changes	3,450,606	2,543,071	907,535
Balances at September 30, 2017	\$ 65,006,262	45,056,993	19,949,269

The required schedule of changes in the City’s net pension liability and related ratios immediately following the notes to the financial statements present multiyear trend information about whether the value of the plan assets is increasing or decreasing over time relative to 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%, 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%) or 1-percentage-point higher (8.50%) than the current rate:

	Current		
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 26,584,887	19,949,269	13,189,709

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, 2016.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

The assumptions used in the October 1, 2016, 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	2.30%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.0% to 6.0% 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, 2015, using Scale AA. The prior valuation projected rates to October 1, 2014, 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 current membership as of October 1, 2017, the date of the most recent actuarial valuation, is as follows:

Retirees and beneficiaries currently receiving benefits	39
Vested terminated employees	6
DROP employees	10
Active employees	46

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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 Plan 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, 2017, 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, 2017, 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 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, 2017, was \$509,868. The

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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 City’s net pension liability was measured as of September 30, 2016. The components of the net pension liability of the City at September 30, 2017, were as follows:

Total pension liability	\$61,926,344
Plan fiduciary net position	<u>(48,028,885)</u>
City's net pension liability	<u>\$13,897,459</u>
Plan fiduciary net position as a percentage of Total pension liability	77.56%

For the year ended September 30, 2017, the City recognized pension expense of \$3,280,284 for the firefighters employee plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows related to its plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,033,338	-
Differences between expected and actual experience	97,100	164,689
Net difference between projected and actual earnings on investments	812,754	-
City pension plan contributions subsequent to the measurement date	<u>1,909,177</u>	<u>-</u>
Total	<u>\$ 3,852,369</u>	<u>164,689</u>

The deferred outflows of resources related to the Pension Plan, totaling \$1,909,177 resulting from City contributions to the plans subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

Year ended September 30,	
2018	\$ 336,231
2019	336,231
2020	740,873
2021	139,083
2022	<u>226,085</u>
Total	<u>\$ 1,778,503</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements September 30, 2017

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.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016, updated to September 30, 2017, using the following actuarial assumptions applied to all measurement periods.

Inflation	2.3%
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, 2017, are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	6.02%
International Equity	5.60%
Fixed Income	2.12%
Real Estate	2.97%
Hedge Funds	2.64%
MLPs	4.75%

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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, 2017

Changes in the Net Pension Liability of the City. The changes in components of the net pension liability to the City for the year ended September 30, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2016	\$ 57,525,965	44,986,151	12,539,814
Changes for the year:			
Service cost	874,002	-	874,002
Interest	4,299,587	-	4,299,587
Differences between expected and actual experience	116,520	-	116,520
Assumption Changes	1,240,006	-	1,240,006
Contributions-buy back	15,021	-	15,021
Contributions-employer	-	1,573,305	(1,573,305)
Contributions-state	-	581,196	(581,196)
Contributions-employee	-	171,558	(171,558)
Net investment income	-	2,941,905	(2,941,905)
Benefit payments, including refunds of employee contributions	(2,144,757)	(2,144,757)	-
Administrative expense	-	(80,473)	80,473
Net changes	4,400,379	3,042,734	1,357,645
Balances at September 30, 2017	\$ 61,926,344	48,028,885	13,897,459

The required schedule of changes in the City’s net pension liability and related ratios immediately following the notes to the financial statements present multiyear trend information about whether the value of the plan assets is increasing or decreasing over time relative to 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%, 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%) or 1-percentage-point higher (8.50%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.50%	7.50%	8.50%
City's net pension liability	\$ 21,632,671	13,897,459	6,393,822

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, 2016.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

The assumptions used in the October 1, 2016, 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	2.30%
Interest rate	7.50% per year, compounded annually, net of investment related expenses.
Projected Salary Increases	4.0% to 6.0% 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, 2015, 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, 2017, there was \$887,267 in the share plan.

Applicable totals for all of the City’s defined benefit pension plans are reflected below:

	General Employees Pension Plan	Police Officers' Pension Plan	Firefighters' Pension Plan	Totals
Net Pension Liability	\$ 15,316,329	19,949,269	13,897,459	49,163,057
Deferred Outflows	4,758,600	3,908,995	3,852,369	12,519,964
Deferred Inflows	1,214,621	286,983	164,689	1,666,293
Pension Expense	3,451,432	2,567,998	3,280,284	9,299,714

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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, 2017:

Statements of Fiduciary Net Position

	<u>General Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Assets			
Cash and cash equivalents	\$ 1,717,939	1,659,586	1,786,506
Contributions receivable	172,522	1,095,022	790,497
Investments, at fair value	<u>54,454,276</u>	<u>47,190,989</u>	<u>51,396,833</u>
Total assets	<u>56,344,737</u>	<u>49,945,597</u>	<u>53,973,836</u>
Liabilities			
Accounts payable	<u>105,341</u>	<u>259,177</u>	<u>7,541</u>
Total liabilities	<u>105,341</u>	<u>259,177</u>	<u>7,541</u>
Net position			
Restricted for pension benefits	<u>\$ 56,239,396</u>	<u>49,686,420</u>	<u>53,966,295</u>

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	\$ 670,402	232,664	141,266
Employer contributions	1,785,446	1,803,678	1,399,309
Direct state contributions	-	792,677	509,868
Total contributions	<u>2,455,848</u>	<u>2,829,019</u>	<u>2,050,443</u>
Investment earnings			
Interest and dividend income	1,141,704	985,095	1,031,749
Net change in fair value of investments	6,367,846	5,427,505	5,743,014
Less investment expense	<u>(297,489)</u>	<u>(258,199)</u>	<u>(268,920)</u>
Net investment earnings	<u>7,212,061</u>	<u>6,154,401</u>	<u>6,505,843</u>
Total additions	<u>9,667,909</u>	<u>8,983,420</u>	<u>8,556,286</u>
Deductions			
Benefits paid	3,877,446	4,241,835	2,470,173
Refunds of contributions	369,450	8,000	53,585
General administration	<u>168,640</u>	<u>104,158</u>	<u>95,118</u>
Total deductions	<u>4,415,536</u>	<u>4,353,993</u>	<u>2,618,876</u>
Changes in net position	5,252,373	4,629,427	5,937,410
Net position, beginning of year	<u>50,987,023</u>	<u>45,056,993</u>	<u>48,028,885</u>
Net position, end of year	<u>\$ 56,239,396</u>	<u>49,686,420</u>	<u>53,966,295</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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements September 30, 2017

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 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, 2017, there were 192 active Plan members. Covered payroll for the year ended September 30, 2017, was \$10,989,927. City contributions for the year were \$219,836, and employee contributions were \$342,489, 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 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, 2017, there were seven active Plan members and four retired and terminated members who have maintained account balances. Covered payroll for the year ended September 30, 2017, was \$1,027,806. City contributions for the year were \$57,708, and employee contributions were \$75,362.

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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, 2017:

Statements of Fiduciary Net Position

	Supplemental General Pension	Managers' 401 Pension
Assets		
Contributions receivable	\$ 21,500	4,953
Investments, at fair value	8,953,538	1,736,568
Total assets	8,975,038	1,741,521
Net position		
Restricted for pension benefits	\$ 8,975,038	1,741,521

Statements of Changes in Fiduciary Net Position

	Supplemental General Pension	Managers' 401 Pension
Additions		
Contributions		
Employee contributions	\$ 9,437,731	75,362
Employer contributions	219,836	57,708
Total contributions	9,657,567	133,070
Investment earnings		
Interest and dividend income	22,623	1,783
Net change in fair value of investments	831,076	152,297
Less investment expense	(21,883)	(3,757)
Net investment earnings	831,816	150,323
Total additions	10,489,383	283,393
Deductions		
Refunds of contributions	9,239,947	57,898
Total deductions	9,239,947	57,898
Changes in net position	1,249,436	225,495
Net position, beginning of year	7,725,602	1,516,026
Net position, end of year	\$ 8,975,038	1,741,521

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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, 2015, the date of the most recent actuarial valuation, there were 26 retirees and eligible dependents receiving post-employment health care benefits along with 51 retirees participating in life insurance benefits.

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 2016-2017 fiscal year the City provided required contributions of \$337,180 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 \$260,133. 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>
10/01/15	\$ -	6,636	6,636	0%	26,698	25%

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>2017</u>	<u>2016</u>	<u>2015</u>
Normal cost	\$ 434,835	\$ 426,309	\$ 482,088
Amortization of unfunded actuarial accrued liability	303,778	293,505	421,964
Annual required contribution	738,613	719,814	904,052
Interest on Net OPEB obligation	112,452	96,131	84,951
Adjustment to annual required contribution	(146,042)	(119,417)	(88,490)
Total expense or annual OPEB cost	705,023	696,528	900,513
Actual contribution toward OPEB cost	(53,548)	(230,213)	(277,663)
Increase in net OPEB obligation	651,475	466,315	622,850
Net OPEB obligation, beginning of year	3,212,916	2,746,601	2,123,751
Net OPEB obligation, end of year	<u>\$ 3,864,391</u>	<u>\$ 3,212,916</u>	<u>\$ 2,746,601</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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, 2017, was as follows:

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

Fiscal Year Ended	Annual OPEB Cost (AOC)	% of AOC Contributed	Net OPEB Obligation
09/30/17	\$ 705,023	7.60%	3,864,391
09/30/16	696,528	33.05%	3,212,916
09/30/15	900,513	30.83%	2,746,601

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 2016-2017 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.

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

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, \$126,477 and \$247,082 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, 2017. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2017, \$3,701,233 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.

A reconciliation of estimated claims liabilities is as follows:

	Risk Management	Health Benefits	Total
Balance September 30, 2015	\$ 3,356,000	467,330	3,823,330
Current year claims incurred and change in estimates	2,482,222	4,591,291	7,073,513
Claim payments	<u>(2,433,222)</u>	<u>(4,673,292)</u>	<u>(7,106,514)</u>
Balance September 30, 2016	3,405,000	385,329	3,790,329
Current year claims incurred and change in estimates	1,445,155	4,466,108	5,911,263
Claim payments	<u>(1,477,155)</u>	<u>(4,523,204)</u>	<u>(6,000,359)</u>
Balance September 30, 2017	<u>\$ 3,373,000</u>	<u>328,233</u>	<u>3,701,233</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2017

4. Construction Projects

At September 30, 2017, the City had the following commitments:

Project	Contract Amount	Completed to Date	Balance
Gordon River Bridge (Baker Park)	\$ 4,071,045	1,723,025	2,348,020
Baker Park Engineering	1,321,667	1,164,022	157,645
City Dock Replacement	3,914,936	1,248,041	2,666,895
City Dock Replacement	1,456,701	297,537	1,159,164
Fire Station #1 Design Services	571,344	517,076	54,268
3rd Avenue South Improvements	1,059,655	403,025	656,630

M. Subsequent Events

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

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF NAPLES, FLORIDA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem	\$ 21,339,937	21,652,937	21,652,979	42
Local communication and business	1,044,050	1,044,050	1,144,888	100,838
Insurance premium tax	1,354,027	1,354,027	1,302,545	(51,482)
Permits, fees and assessments	3,739,600	3,739,600	3,584,307	(155,293)
Intergovernmental	4,202,700	4,202,700	4,367,475	164,775
Charges for services	1,748,460	1,918,460	1,859,660	(58,800)
Charges to other funds	3,024,260	3,024,260	3,024,260	-
Fines and forfeitures	175,850	175,850	210,291	34,441
Interest	188,536	305,536	196,213	(109,323)
Miscellaneous	20,000	20,000	250,880	230,880
Total revenues	<u>36,837,420</u>	<u>37,437,420</u>	<u>37,593,498</u>	<u>156,078</u>
Expenditures				
Current				
General government				
Mayor and City Council	376,843	376,843	359,303	17,540
City Attorney	611,907	646,944	605,971	40,973
City Clerk	618,683	618,683	597,347	21,336
City Manager	784,946	785,896	778,950	6,946
Human resources	561,714	561,714	523,186	38,528
Planning	558,712	589,945	550,585	39,360
Finance	1,099,857	1,117,857	1,028,856	89,001
Nondepartmental	4,501,671	4,606,723	4,948,176	(341,453)
Total general government	<u>9,114,333</u>	<u>9,304,605</u>	<u>9,392,374</u>	<u>(87,769)</u>
Public safety				
Fire	9,551,167	9,892,867	9,649,748	243,119
Police	12,008,983	12,426,546	12,453,027	(26,481)
Code inspections	376,775	376,775	344,487	32,288
Total public safety	<u>21,936,925</u>	<u>22,696,188</u>	<u>22,447,262</u>	<u>248,926</u>
Culture and recreation				
Community services	7,199,593	7,176,811	6,453,281	723,530
Total culture and recreation	<u>7,199,593</u>	<u>7,176,811</u>	<u>6,453,281</u>	<u>723,530</u>

CITY OF NAPLES, FLORIDA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Capital outlay				
General government	\$ -	1,767	-	1,767
Public safety	3,500	2,800	18,673	(15,873)
Culture and recreation	-	63,543	61,182	2,361
Total capital outlay	<u>3,500</u>	<u>68,110</u>	<u>79,855</u>	<u>(11,745)</u>
 Total expenditures	<u>38,254,351</u>	<u>39,245,714</u>	<u>38,372,772</u>	<u>872,942</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(1,416,931)</u>	<u>(1,808,294)</u>	<u>(779,274)</u>	<u>1,029,020</u>
 Other financing sources (uses)				
Transfers in	2,067,600	2,067,600	2,067,600	-
Transfers out	(7,483,500)	(9,197,660)	(9,211,660)	(14,000)
Proceeds from sale of capital assets	3,000	3,000	251,281	248,281
Total other financing sources (uses)	<u>(5,412,900)</u>	<u>(7,127,060)</u>	<u>(6,892,779)</u>	<u>234,281</u>
 Change in fund balance	(6,829,831)	(8,935,354)	(7,672,053)	1,263,301
 Fund balance, beginning of year	<u>19,938,862</u>	<u>19,938,862</u>	<u>19,938,862</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 13,109,031</u></u>	<u><u>11,003,508</u></u>	<u><u>12,266,809</u></u>	<u><u>1,263,301</u></u>

CITY OF NAPLES, FLORIDA
Community Redevelopment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem	\$ 753,825	753,825	753,825	-
Intergovernmental	2,336,525	2,336,525	2,336,531	6
Interest	12,000	12,000	23,750	11,750
Total revenues	<u>3,102,350</u>	<u>3,102,350</u>	<u>3,114,106</u>	<u>11,756</u>
Expenditures				
Current				
Economic development	1,187,775	1,236,211	898,502	337,709
Capital outlay				
Economic development	800,000	2,934,832	2,486,289	448,543
Total expenditures	<u>1,987,775</u>	<u>4,171,043</u>	<u>3,384,791</u>	<u>786,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,114,575</u>	<u>(1,068,693)</u>	<u>(270,685)</u>	<u>798,008</u>
Other financing uses				
Transfers out	(1,990,461)	(1,990,461)	(1,990,461)	-
Total other financing uses	<u>(1,990,461)</u>	<u>(1,990,461)</u>	<u>(1,990,461)</u>	<u>-</u>
Change in fund balance	(875,886)	(3,059,154)	(2,261,146)	798,008
Fund balance, beginning of year	3,430,898	3,430,898	3,430,898	-
Fund balance, end of year	<u>\$ 2,555,012</u>	<u>371,744</u>	<u>1,169,752</u>	<u>798,008</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Motor fuel taxes	\$ 1,810,000	1,810,000	1,846,409	36,409
Permits, fees and assessments	245,000	245,000	272,510	27,510
Intergovernmental	410,000	410,000	805,904	395,904
Interest	28,000	28,000	18,270	(9,730)
Miscellaneous	-	-	14,807	14,807
Total revenues	<u>2,493,000</u>	<u>2,493,000</u>	<u>2,957,900</u>	<u>464,900</u>
Expenditures				
Current				
Transportation	2,852,139	3,347,754	2,279,983	1,067,771
Capital outlay				
Transportation	505,000	752,598	590,971	161,627
Total expenditures	<u>3,357,139</u>	<u>4,100,352</u>	<u>2,870,954</u>	<u>1,229,398</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(864,139)</u>	<u>(1,607,352)</u>	<u>86,946</u>	<u>1,694,298</u>
Other financing sources				
Proceeds from sale of capital assets	-	-	251,812	251,812
Total other financing sources	<u>-</u>	<u>-</u>	<u>251,812</u>	<u>251,812</u>
Net change in fund balances	(864,139)	(1,607,352)	338,758	1,946,110
Fund balance, beginning of year	2,548,081	2,548,081	2,548,081	-
Fund balance, end of year	<u>\$ 1,683,942</u>	<u>940,729</u>	<u>2,886,839</u>	<u>1,946,110</u>

CITY OF NAPLES, FLORIDA
 Baker Park Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Donations	\$ 1,085,500	1,085,500	398,198	(687,302)
Total revenues	<u>1,085,500</u>	<u>1,085,500</u>	<u>398,198</u>	<u>(687,302)</u>
Expenditures				
Capital outlay				
Physical and economic environment	2,800,000	5,695,992	2,965,160	2,730,832
Total expenditures	<u>2,800,000</u>	<u>5,695,992</u>	<u>2,965,160</u>	<u>2,730,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,714,500)</u>	<u>(4,610,492)</u>	<u>(2,566,962)</u>	<u>2,043,530</u>
Other financing sources				
Transfers in	6,750,000	8,464,160	8,464,160	-
Total other financing sources	<u>6,750,000</u>	<u>8,464,160</u>	<u>8,464,160</u>	<u>-</u>
Net change in fund balances	5,035,500	3,853,668	5,897,198	2,043,530
Fund balance, beginning of year	8,291,845	8,291,845	8,291,845	-
Fund balance, end of year	<u>\$ 13,327,345</u>	<u>12,145,513</u>	<u>14,189,043</u>	<u>2,043,530</u>

THE CITY OF NAPLES, FLORIDA

Notes to Required Supplementary Information
September 30, 2017

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, 2017
(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

	General Employees Pension			
Reporting Period Ending	9/30/18	9/30/17	9/30/16	9/30/15
Measurement Date	9/30/17	9/30/16	9/30/15	9/30/14
Total pension liability				
Service cost	\$ 1,550,588	1,515,025	1,500,184	1,471,441
Interest on total pension liability	4,929,787	4,718,425	4,553,080	4,418,330
Differences between expected and actual experience	172,717	(1,619,494)	504,129	-
Changes of assumptions	-	2,509,683	-	-
Benefit payments, including refunds of employee contributions	(4,246,896)	(4,407,869)	(4,354,731)	(3,888,957)
Net change in total pension liability	2,406,196	2,715,770	2,202,662	2,000,814
Total pension liability - beginning	66,303,352	63,587,582	61,384,920	59,384,106
Total pension liability - ending (a)	\$68,709,548	66,303,352	63,587,582	61,384,920
Plan fiduciary net position				
Contributions - employer	\$ 1,785,446	1,970,406	2,023,395	1,945,282
Contributions - employee	670,402	711,740	694,975	715,072
Net investment income	7,212,061	2,994,961	414,031	5,857,072
Benefit payments, including refunds of member contributions	(4,246,896)	(4,407,869)	(4,354,731)	(3,887,856)
Administrative expenses	(168,640)	(160,414)	(150,741)	(142,904)
Net change in plan fiduciary net position	5,252,373	1,108,824	(1,373,071)	4,486,666
Plan fiduciary net position - beginning	50,987,023	49,878,199	51,251,270	46,764,604
Plan fiduciary net position - ending (b)	\$56,239,396	50,987,023	49,878,199	51,251,270
City's net pension liability - ending (a) - (b)	\$12,470,152	15,316,329	13,709,383	10,133,650
Plan fiduciary net position as a percentage of the total pension liability	81.85%	76.90%	78.44%	83.49%
Covered-employee payroll	\$16,012,972	16,535,449	18,135,744	15,618,366
City's net pension liability as a percentage of covered-employee payroll	77.88%	92.63%	75.59%	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, 2017
(Unaudited)

Schedules of Pension Investment Returns

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employees:				
Annual money-weighted rate of return, net of investment expenses	12.00%	7.93%	0.79%	12.72%
Police:				
Annual money-weighted rate of return, net of investment expenses	11.98%	7.89%	0.79%	12.60%
Fire:				
Annual money-weighted rate of return, net of investment expenses	12.02%	8.01%	0.77%	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, 2017
(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

	Police Officers' Pension			
Reporting Period Ending	9/30/18	9/30/17	9/30/16	9/30/15
Measurement Date	9/30/17	9/30/16	9/30/15	9/30/14
Total pension liability				
Service cost	\$ 797,597	943,492	1,007,847	944,053
Interest on total pension liability	4,773,491	4,579,541	4,448,873	4,254,147
Differences between expected and actual experience	148,418	163,041	(860,949)	-
Changes of assumptions	-	653,912	-	-
Benefit payments, including refunds of employee contributions	(4,249,528)	(2,889,380)	(2,701,145)	(2,630,150)
Net change in total pension liability	<u>1,469,978</u>	<u>3,450,606</u>	<u>1,894,626</u>	<u>2,568,050</u>
Total pension liability - beginning	<u>65,006,262</u>	<u>61,555,656</u>	<u>59,661,030</u>	<u>57,092,980</u>
Total pension liability - ending (a)	<u><u>\$66,476,240</u></u>	<u><u>65,006,262</u></u>	<u><u>61,555,656</u></u>	<u><u>59,661,030</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 1,803,678	1,985,703	1,737,998	1,672,462
Contributions - state	792,677	610,146	551,656	540,981
Contributions - employee	232,664	210,895	211,290	229,089
Net investment income	6,154,401	2,724,152	331,447	4,804,886
Benefit payments, including refunds of member contributions	(4,249,835)	(2,889,380)	(2,701,145)	(2,622,981)
Administrative expenses	(104,158)	(98,445)	(97,327)	(75,114)
Net change in plan fiduciary net position	<u>4,629,427</u>	<u>2,543,071</u>	<u>33,919</u>	<u>4,549,323</u>
Plan fiduciary net position - beginning	<u>45,056,993</u>	<u>42,513,922</u>	<u>42,480,003</u>	<u>37,930,680</u>
Plan fiduciary net position - ending (b)	<u><u>\$49,686,420</u></u>	<u><u>45,056,993</u></u>	<u><u>42,513,922</u></u>	<u><u>42,480,003</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$16,789,820</u></u>	<u><u>19,949,269</u></u>	<u><u>19,041,734</u></u>	<u><u>17,181,027</u></u>
Plan fiduciary net position as a percentage of the total pension liability	74.74%	69.31%	69.07%	71.20%
Covered-employee payroll	\$ 4,429,884	4,597,424	5,164,848	4,786,859
City's net pension liability as a percentage of covered-employee payroll	379.01%	433.92%	368.68%	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, 2017
(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

	Fire Fighters' Pension			
Reporting Period Ending	9/30/18	9/30/17	9/30/16	9/30/15
Measurement Date	9/30/17	9/30/16	9/30/15	9/30/14
Total pension liability				
Service cost	\$ 708,830	874,002	842,047	981,492
Interest on total pension liability	4,603,003	4,299,587	4,102,672	3,896,369
Differences between expected and actual experience	182,694	116,520	(247,033)	-
Changes of assumptions	-	1,240,006	-	-
Contributions - buy back	-	15,021	-	-
Benefit payments, including refunds of employee contributions	(2,523,758)	(2,144,757)	(2,063,933)	(1,911,491)
Net change in total pension liability	<u>2,970,769</u>	<u>4,400,379</u>	<u>2,633,753</u>	<u>2,966,370</u>
Total pension liability - beginning	<u>61,926,344</u>	<u>57,525,965</u>	<u>54,892,212</u>	<u>51,925,842</u>
Total pension liability - ending (a)	<u><u>\$64,897,113</u></u>	<u><u>61,926,344</u></u>	<u><u>57,525,965</u></u>	<u><u>54,892,212</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 1,399,309	1,573,305	1,180,670	1,342,378
Contributions - state	509,868	581,196	721,101	871,999
Contributions - employee	141,266	171,558	153,807	177,737
Net investment income	6,505,843	2,941,905	336,431	4,996,523
Benefit payments, including refunds of member contributions	(2,523,758)	(2,144,757)	(2,063,933)	(1,911,492)
Administrative expenses	(95,118)	(80,473)	(57,827)	(65,535)
Net change in plan fiduciary net position	<u>5,937,410</u>	<u>3,042,734</u>	<u>270,249</u>	<u>5,411,610</u>
Plan fiduciary net position - beginning	<u>48,028,885</u>	<u>44,986,151</u>	<u>44,715,902</u>	<u>39,304,292</u>
Plan fiduciary net position - ending (b)	<u><u>\$53,966,295</u></u>	<u><u>48,028,885</u></u>	<u><u>44,986,151</u></u>	<u><u>44,715,902</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$10,930,818</u></u>	<u><u>13,897,459</u></u>	<u><u>12,539,814</u></u>	<u><u>10,176,310</u></u>
Plan fiduciary net position as a percentage of the total pension liability	83.16%	77.56%	78.20%	81.46%
Covered-employee payroll	\$ 2,997,608	3,237,715	4,341,784	3,573,306
City's net pension liability as a percentage of covered-employee payroll	364.65%	429.24%	288.82%	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, 2017
(Unaudited)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/15	\$ -	6,636	6,636	0%	26,698	25%
10/01/13	-	9,946	9,946	0%	25,793	39%
10/01/11	-	9,517	9,517	0%	24,449	39%

Notes to the Schedule:

The above schedules were prepared in accordance with GASB Statement No. 27.

The actuarial assumptions used for the schedule are detailed in Note 2 of the financial statements – employer disclosure section.

**OTHER SUPPLEMENTARY
INFORMATION**

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Improvement Fund—To account for donations from private individuals for 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.

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CITY OF NAPLES, FLORIDACombining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Special Revenue Funds	Capital Project Funds	Total
Assets			
Cash and investments	\$ 8,144,456	678,714	8,823,170
Accounts receivable	154,450	-	154,450
Accrued interest	26,071	3,465	29,536
Due from other governments	12,849	-	12,849
Total assets	<u>\$ 8,337,826</u>	<u>682,179</u>	<u>9,020,005</u>
Liabilities			
Accounts payable	\$ 327,735	-	327,735
Accrued payroll	109,372	-	109,372
Customer deposits	71,325	-	71,325
Total liabilities	<u>508,432</u>	<u>-</u>	<u>508,432</u>
Deferred inflows of resources			
Unavailable revenue	<u>154,450</u>	<u>-</u>	<u>154,450</u>
Fund balances			
Restricted	5,172,284	672,969	5,845,253
Committed	2,453,256	9,210	2,462,466
Assigned	49,404	-	49,404
Total fund balances	<u>7,674,944</u>	<u>682,179</u>	<u>8,357,123</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,337,826</u>	<u>682,179</u>	<u>9,020,005</u>

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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, 2017

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Taxes—property	\$ 300,165	-	300,165
Permits, fees and assessments	3,629,129	243,852	3,872,981
Intergovernmental	3,869	-	3,869
Charges for services	531,210	-	531,210
Fines and forfeitures	349,498	-	349,498
Interest	46,782	9,745	56,527
Donations	145,789	-	145,789
Miscellaneous	394,909	-	394,909
Total revenues	<u>5,401,351</u>	<u>253,597</u>	<u>5,654,948</u>
Expenditures			
Current			
General government	25,675	-	25,675
Public safety	4,192,863	-	4,192,863
Economic and physical development	478,827	-	478,827
Culture and recreation	4,860	-	4,860
Capital outlay			
Public safety	636,844	-	636,844
Economic and physical development	160,619	-	160,619
Debt service			
Interest	556	-	556
Total expenditures	<u>5,500,244</u>	<u>-</u>	<u>5,500,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,893)</u>	<u>253,597</u>	<u>154,704</u>
Other financing uses			
Transfers out	(58,000)	(463,000)	(521,000)
Total other financing uses	<u>(58,000)</u>	<u>(463,000)</u>	<u>(521,000)</u>
Change in fund balances	(156,893)	(209,403)	(366,296)
Fund balances, beginning of year	7,831,837	891,582	8,723,419
Fund balances, end of year	<u>\$ 7,674,944</u>	<u>682,179</u>	<u>8,357,123</u>

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
September 30, 2017

	Building and Zoning Fund	Community Development Block Grant Fund	Improvement Fund	Public Arts Fund	Grants Fund
Assets					
Cash and investments	\$ 4,080,552	49,404	303,956	589,308	8,160
Accounts receivable	-	-	-	-	-
Accrued interest	16,687	-	-	123	-
Due from other governments	12,849	-	-	-	-
Total assets	\$ 4,110,088	49,404	303,956	589,431	8,160
Liabilities					
Accounts payable	\$ 128,767	-	7,008	4,504	-
Accrued payroll	109,372	-	-	-	-
Customer deposits	-	-	-	71,325	-
Total liabilities	238,139	-	7,008	75,829	-
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	-
Fund balances					
Restricted	3,871,949	-	296,948	-	8,160
Committed	-	-	-	513,602	-
Assigned	-	49,404	-	-	-
Total fund balances	3,871,949	49,404	296,948	513,602	8,160
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,110,088	49,404	303,956	589,431	8,160

Confiscated Properties Fund	Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	Port Royal Dredging District Fund	East Naples Bay District Fund	Moorings Bay District Fund	Total Nonmajor Special Revenue
671,190	6,410	161,946	581,799	178,329	326,094	1,187,308	8,144,456
-	-	-	-	154,450	-	-	154,450
1,204	-	1,012	1,484	-	1,488	4,073	26,071
-	-	-	-	-	-	-	12,849
<u>672,394</u>	<u>6,410</u>	<u>162,958</u>	<u>583,283</u>	<u>332,779</u>	<u>327,582</u>	<u>1,191,381</u>	<u>8,337,826</u>
183,078	1,362	-	-	-	-	3,016	327,735
-	-	-	-	-	-	-	109,372
-	-	-	-	-	-	-	71,325
<u>183,078</u>	<u>1,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,016</u>	<u>508,432</u>
-	-	-	-	154,450	-	-	154,450
489,316	-	-	-	178,329	327,582	-	5,172,284
-	5,048	162,958	583,283	-	-	1,188,365	2,453,256
-	-	-	-	-	-	-	49,404
<u>489,316</u>	<u>5,048</u>	<u>162,958</u>	<u>583,283</u>	<u>178,329</u>	<u>327,582</u>	<u>1,188,365</u>	<u>7,674,944</u>
<u>672,394</u>	<u>6,410</u>	<u>162,958</u>	<u>583,283</u>	<u>332,779</u>	<u>327,582</u>	<u>1,191,381</u>	<u>8,337,826</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Special Revenue Funds
Year Ended September 30, 2017

	Building and Zoning Fund	Community Development Block Grant Fund	Improvement Fund	Public Arts Fund	Grants Fund
Revenues					
Taxes—property	\$ -	-	-	-	-
Permits, fees and assessments	3,089,718	-	-	-	-
Intergovernmental	-	-	-	-	3,869
Charges for services	1,210	10,000	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	24,450	-	-	-	-
Donations	-	-	47,523	-	98,266
Miscellaneous	8,085	-	-	386,824	-
Total revenues	<u>3,123,463</u>	<u>10,000</u>	<u>47,523</u>	<u>386,824</u>	<u>102,135</u>
Expenditures					
Current					
General government	-	-	25,675	-	-
Public safety	4,133,013	-	2,500	-	3,868
Economic and physical development	-	-	-	-	-
Culture and recreation	-	-	4,860	-	-
Capital outlay					
Public safety	364,372	-	-	-	-
Economic and physical development	-	35,448	-	-	97,295
Debt service					
Interest	-	-	-	-	-
Total expenditures	<u>4,497,385</u>	<u>35,448</u>	<u>33,035</u>	<u>-</u>	<u>101,163</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,373,922)</u>	<u>(25,448)</u>	<u>14,488</u>	<u>386,824</u>	<u>972</u>
Other financing uses					
Transfers out	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(1,373,922)	(25,448)	14,488	386,824	972
Fund balances, beginning of year	5,245,871	74,852	282,460	126,778	7,188
Fund balances, end of year	<u>\$ 3,871,949</u>	<u>49,404</u>	<u>296,948</u>	<u>513,602</u>	<u>8,160</u>

Confiscated Properties Fund	Business Improvement District Fund	41-10 Public Open Space Fund	Parking Trust Fund	Port Royal Dredging District Fund	East Naples Bay District Fund	Moorings Bay District Fund	Total Nonmajor Special Revenue
-	-	-	-	-	278,120	22,045	300,165
-	461,604	-	-	77,807	-	-	3,629,129
-	-	-	-	-	-	-	3,869
-	-	-	520,000	-	-	-	531,210
349,498	-	-	-	-	-	-	349,498
7,595	-	1,887	5,519	-	(57)	7,388	46,782
-	-	-	-	-	-	-	145,789
-	-	-	-	-	-	-	394,909
<u>357,093</u>	<u>461,604</u>	<u>1,887</u>	<u>525,519</u>	<u>77,807</u>	<u>278,063</u>	<u>29,433</u>	<u>5,401,351</u>
-	-	-	-	-	-	-	25,675
53,482	-	-	-	-	-	-	4,192,863
-	461,604	-	-	3,902	213	13,108	478,827
-	-	-	-	-	-	-	4,860
272,472	-	-	-	-	-	-	636,844
-	-	-	-	-	27,876	-	160,619
-	-	-	-	-	556	-	556
<u>325,954</u>	<u>461,604</u>	<u>-</u>	<u>-</u>	<u>3,902</u>	<u>28,645</u>	<u>13,108</u>	<u>5,500,244</u>
<u>31,139</u>	<u>-</u>	<u>1,887</u>	<u>525,519</u>	<u>73,905</u>	<u>249,418</u>	<u>16,325</u>	<u>(98,893)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,000)</u>	<u>-</u>	<u>-</u>	<u>(58,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,000)</u>	<u>-</u>	<u>-</u>	<u>(58,000)</u>
<u>31,139</u>	<u>-</u>	<u>1,887</u>	<u>525,519</u>	<u>15,905</u>	<u>249,418</u>	<u>16,325</u>	<u>(156,893)</u>
<u>458,177</u>	<u>5,048</u>	<u>161,071</u>	<u>57,764</u>	<u>162,424</u>	<u>78,164</u>	<u>1,172,040</u>	<u>7,831,837</u>
<u>489,316</u>	<u>5,048</u>	<u>162,958</u>	<u>583,283</u>	<u>178,329</u>	<u>327,582</u>	<u>1,188,365</u>	<u>7,674,944</u>

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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 Capital Projects Funds
September 30, 2017

	Capital Project Funds		Total Nonmajor Capital Projects Funds
	Impact Fee Fund	Land Contribution Fund	
Assets			
Cash and investments	\$ 670,933	7,781	678,714
Accrued interest	2,036	1,429	3,465
Total assets	<u>\$ 672,969</u>	<u>9,210</u>	<u>682,179</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	672,969	-	672,969
Committed	-	9,210	9,210
Total fund balances	<u>672,969</u>	<u>9,210</u>	<u>682,179</u>
Total liabilities and fund balances	<u>\$ 672,969</u>	<u>9,210</u>	<u>682,179</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Capital Projects Funds
Year Ended September 30, 2017

	Capital Project Funds		Total Nonmajor Capital Projects Funds
	Impact Fee Fund	Land Contribution Fund	
Revenues			
Permits, fees and assessments	\$ 243,852	-	243,852
Interest	9,745	-	9,745
Total revenues	<u>253,597</u>	<u>-</u>	<u>253,597</u>
Excess of revenues over expenditures	253,597	-	253,597
Other financing uses			
Transfers out	(463,000)	-	(463,000)
Total other financing uses	<u>(463,000)</u>	<u>-</u>	<u>(463,000)</u>
Change in fund balances	(209,403)	-	(209,403)
Fund balances, beginning of year	882,372	9,210	891,582
Fund balances, end of year	<u>\$ 672,969</u>	<u>9,210</u>	<u>682,179</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, 2017

	Building and Zoning Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes - property	\$ -	-	-	-
Permits, fees and assessments	4,200,000	4,200,000	3,089,718	(1,110,282)
Intergovernmental	-	-	-	-
Charges for services	9,000	9,000	1,210	(7,790)
Fines and forfeitures	-	-	-	-
Interest	38,500	38,500	24,450	(14,050)
Donations	-	-	-	-
Miscellaneous	5,000	5,000	8,085	3,085
Total revenues	<u>4,252,500</u>	<u>4,252,500</u>	<u>3,123,463</u>	<u>(1,129,037)</u>
Expenditures				
Current				
Public safety	4,537,006	4,594,006	4,133,013	460,993
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	1,155,000	1,236,356	364,372	871,984
Economic and physical development	-	-	-	-
Debt service				
Interest	-	-	-	-
Total expenditures	<u>5,692,006</u>	<u>5,830,362</u>	<u>4,497,385</u>	<u>1,332,977</u>
Excess (deficiency) of revenues over expenditures	<u>(1,439,506)</u>	<u>(1,577,862)</u>	<u>(1,373,922)</u>	<u>203,940</u>
Other financing uses				
Transfers out	-	-	-	-
Change in fund balances	(1,439,506)	(1,577,862)	(1,373,922)	203,940
Fund balances, beginning of year	<u>5,245,871</u>	<u>5,245,871</u>	<u>5,245,871</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,806,365</u>	<u>3,668,009</u>	<u>3,871,949</u>	<u>203,940</u>

Community Development Block Grant Fund				Confiscated Properties Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
\$ -	-	-	-	\$ -	-	-	-
-	-	-	-	-	-	-	-
166,930	166,930	-	(166,930)	-	-	-	-
-	-	10,000	10,000	-	-	-	-
-	-	-	-	-	-	349,498	349,498
-	-	-	-	-	-	7,595	7,595
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>166,930</u>	<u>166,930</u>	<u>10,000</u>	<u>(156,930)</u>	<u>-</u>	<u>-</u>	<u>357,093</u>	<u>357,093</u>
-	-	-	-	-	53,000	53,482	(482)
-	-	-	-	-	-	-	-
-	-	-	-	-	294,773	272,472	22,301
166,930	166,930	35,448	131,482	-	-	-	-
-	-	-	-	-	-	-	-
<u>166,930</u>	<u>166,930</u>	<u>35,448</u>	<u>131,482</u>	<u>-</u>	<u>347,773</u>	<u>325,954</u>	<u>21,819</u>
-	-	(25,448)	(25,448)	-	(347,773)	31,139	378,912
-	-	-	-	-	-	-	-
-	-	(25,448)	(25,448)	-	(347,773)	31,139	378,912
74,852	74,852	74,852	-	458,177	458,177	458,177	-
<u>\$ 74,852</u>	<u>74,852</u>	<u>49,404</u>	<u>(25,448)</u>	<u>\$ 458,177</u>	<u>110,404</u>	<u>489,316</u>	<u>378,912</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, 2017

	Grants Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes - property	\$ -	-	-	-
Permits, fees and assessments	-	-	-	-
Intergovernmental	-	-	3,869	3,869
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	-	-	-	-
Donations	-	-	98,266	98,266
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>102,135</u>	<u>102,135</u>
Expenditures				
Current				
Public safety	-	-	3,868	(3,868)
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Economic and physical development	-	-	97,295	(97,295)
Debt service				
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>101,163</u>	<u>(101,163)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>972</u>	<u>972</u>
Other financing sources				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	972	972
Fund balances, beginning of year	<u>7,188</u>	<u>7,188</u>	<u>7,188</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,188</u>	<u>7,188</u>	<u>8,160</u>	<u>972</u>

Business Improvement District				Port Royal Dredging District Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
\$ -	-	-	-	\$ -	-	-	-
460,000	460,000	461,604	1,604	66,000	66,000	77,807	11,807
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>460,000</u>	<u>460,000</u>	<u>461,604</u>	<u>1,604</u>	<u>66,000</u>	<u>66,000</u>	<u>77,807</u>	<u>11,807</u>
-	-	-	-	-	-	-	-
459,250	459,250	461,604	(2,354)	4,040	4,040	3,902	138
-	-	-	-	-	-	-	-
-	-	-	-	-	152,578	-	152,578
-	-	-	-	-	-	-	-
<u>459,250</u>	<u>459,250</u>	<u>461,604</u>	<u>(2,354)</u>	<u>4,040</u>	<u>156,618</u>	<u>3,902</u>	<u>152,716</u>
750	750	-	(750)	61,960	(90,618)	73,905	164,523
-	-	-	-	(61,960)	(61,960)	(58,000)	3,960
750	750	-	(750)	-	(152,578)	15,905	168,483
5,048	5,048	5,048	-	162,424	162,424	162,424	-
<u>\$ 5,798</u>	<u>5,798</u>	<u>5,048</u>	<u>(750)</u>	<u>\$ 162,424</u>	<u>9,846</u>	<u>178,329</u>	<u>168,483</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, 2017

	East Naples Bay District Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes - property	\$ 273,565	273,565	278,120	4,555
Permits, fees and assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	6,000	6,000	(57)	(6,057)
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>279,565</u>	<u>279,565</u>	<u>278,063</u>	<u>(1,502)</u>
Expenditures				
Current				
Public safety	-	-	-	-
Economic and physical development	11,000	11,000	213	10,787
Capital outlay				
Public safety	-	-	-	-
Economic and physical development	-	43,090	27,876	15,214
Debt service				
Interest	-	-	556	(556)
Total expenditures	<u>11,000</u>	<u>54,090</u>	<u>28,645</u>	<u>25,445</u>
Excess (deficiency) of revenues over (under) expenditures	<u>268,565</u>	<u>225,475</u>	<u>249,418</u>	<u>23,943</u>
Other financing sources				
Transfer out	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>	<u>56,000</u>
Change in fund balances	212,565	169,475	249,418	79,943
Fund balances, beginning of year	<u>78,164</u>	<u>78,164</u>	<u>78,164</u>	<u>-</u>
Fund balances, end of year	<u>\$ 290,729</u>	<u>247,639</u>	<u>327,582</u>	<u>79,943</u>

Moorings Bay District Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget
\$	21,775	21,775	22,045	270
	-	-	-	-
	-	-	-	-
	-	-	-	-
	9,000	9,000	7,388	(1,612)
	-	-	-	-
	-	-	-	-
	<u>30,775</u>	<u>30,775</u>	<u>29,433</u>	<u>(1,342)</u>
	-	-	-	-
	24,250	24,250	13,108	11,142
	-	-	-	-
	-	-	-	-
	<u>24,250</u>	<u>24,250</u>	<u>13,108</u>	<u>11,142</u>
	<u>6,525</u>	<u>6,525</u>	<u>16,325</u>	<u>9,800</u>
	-	-	-	-
	6,525	6,525	16,325	9,800
	<u>1,172,040</u>	<u>1,172,040</u>	<u>1,172,040</u>	<u>-</u>
\$	<u><u>1,178,565</u></u>	<u><u>1,178,565</u></u>	<u><u>1,188,365</u></u>	<u><u>9,800</u></u>

CITY OF NAPLES, FLORIDA

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes	\$ 3,972,585	3,972,585	4,037,845	65,260
Interest	100	100	1,796	1,696
Total revenues	<u>3,972,685</u>	<u>3,972,685</u>	<u>4,039,641</u>	<u>66,956</u>
Expenditures				
Current				
General government	46,510	46,510	46,510	-
Debt service				
Principal	1,566,000	1,566,000	1,566,000	-
Interest and fiscal charges	111,317	111,317	111,230	87
Total debt service	<u>1,677,317</u>	<u>1,677,317</u>	<u>1,677,230</u>	<u>87</u>
Total expenditures	<u>1,723,827</u>	<u>1,723,827</u>	<u>1,723,740</u>	<u>87</u>
Excess of revenues over expenditures	<u>2,248,858</u>	<u>2,248,858</u>	<u>2,315,901</u>	<u>67,043</u>
Other financing sources (uses)				
Transfers in	990,461	990,461	990,461	-
Transfers out	<u>(3,235,000)</u>	<u>(3,235,000)</u>	<u>(3,235,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,244,539)</u>	<u>(2,244,539)</u>	<u>(2,244,539)</u>	<u>-</u>
Change in fund balance	4,319	4,319	71,362	67,043
Fund balances, beginning of year	<u>1,096,688</u>	<u>1,096,688</u>	<u>1,096,688</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,101,007</u>	<u>1,101,007</u>	<u>1,168,050</u>	<u>67,043</u>

CITY OF NAPLES, FLORIDA
 Capital Projects Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended September 30, 2017

	Capital Projects Fund - Major Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Permits, fees and assessments	\$ 70,000	-	-	-
Investment income	35,126	35,126	58,873	23,747
Miscellaneous	-	-	13,861	13,861
Total revenues	<u>105,126</u>	<u>35,126</u>	<u>72,734</u>	<u>37,608</u>
Expenditures				
Current				
General government	63,320	63,320	63,320	-
Capital projects				
General government	872,800	950,735	451,617	499,118
Public safety	2,119,550	2,764,949	1,543,291	1,221,658
Transportation	318,000	424,267	306,413	117,854
Total capital projects	<u>3,310,350</u>	<u>4,139,951</u>	<u>2,301,321</u>	<u>1,838,630</u>
Total expenditures	<u>3,373,670</u>	<u>4,203,271</u>	<u>2,364,641</u>	<u>1,838,630</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,268,544)</u>	<u>(4,168,145)</u>	<u>(2,291,907)</u>	<u>1,876,238</u>
Other financing sources				
Transfers in	5,517,000	5,587,000	5,456,000	(131,000)
Proceeds from sale of capital assets	60,000	60,000	48,111	(11,889)
Total other financing sources	<u>5,577,000</u>	<u>5,647,000</u>	<u>5,504,111</u>	<u>(142,889)</u>
Change in fund balance	2,308,456	1,478,855	3,212,204	1,733,349
Fund balances, beginning of year	5,609,597	5,609,597	5,609,597	-
Fund balances, end of year	<u>\$ 7,918,053</u>	<u>7,088,452</u>	<u>8,821,801</u>	<u>1,733,349</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.

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, 2017

Assets	Naples Beach Fund	Tennis Fund	Total
Current assets			
Cash and investments	\$ 3,604,517	426,324	4,030,841
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	66,908	-	66,908
Accrued interest	10,218	1,254	11,472
Due from other governments	237,865	-	237,865
Inventories	-	2,899	2,899
Total current assets	<u>3,919,508</u>	<u>430,477</u>	<u>4,349,985</u>
Capital assets			
Buildings and utility plants	1,232,125	703,269	1,935,394
Improvements other than buildings	6,903,919	189,161	7,093,080
Equipment	1,295,087	70,363	1,365,450
Accumulated depreciation	(6,681,520)	(779,087)	(7,460,607)
Construction in progress	2,619	-	2,619
Net capital assets	<u>2,752,230</u>	<u>183,706</u>	<u>2,935,936</u>
Total assets	<u>6,671,738</u>	<u>614,183</u>	<u>7,285,921</u>
Deferred outflows of resources			
Deferred outflows - pensions	<u>\$ 86,607</u>	<u>31,407</u>	<u>118,014</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 127,445	7,166	134,611
Accrued payroll	33,229	6,307	39,536
Unearned revenue	77,476	-	77,476
Current portion of compensated absences	20,000	3,000	23,000
Total current liabilities	<u>258,150</u>	<u>16,473</u>	<u>274,623</u>
Noncurrent liabilities			
Net pension liability	278,757	101,088	379,845
Other post-employment benefits	83,228	14,634	97,862
Compensated absences	40,887	18,901	59,788
Total noncurrent liabilities	<u>402,872</u>	<u>134,623</u>	<u>537,495</u>
Total liabilities	<u>661,022</u>	<u>151,096</u>	<u>812,118</u>
Deferred inflows of resources			
Deferred inflows - pensions	<u>22,106</u>	<u>8,017</u>	<u>30,123</u>
Net Position			
Investment in capital assets	2,752,230	183,706	2,935,936
Unrestricted	3,322,987	302,771	3,625,758
Total net position	<u>\$ 6,075,217</u>	<u>486,477</u>	<u>6,561,694</u>

CITY OF NAPLES, FLORIDA

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

Nonmajor Enterprise Funds

Year Ended September 30, 2017

	Naples Beach Fund	Tennis Fund	Total
Operating revenues			
Charges for services	\$ 1,972,942	560,179	2,533,121
Total operating revenues	<u>1,972,942</u>	<u>560,179</u>	<u>2,533,121</u>
Operating expenses			
Personal services	914,292	225,504	1,139,796
Supplies and services	583,439	221,107	804,546
Utilities	132,668	1,005	133,673
Depreciation and amortization	503,286	47,946	551,232
General administration	123,440	39,180	162,620
Other	58,087	32,077	90,164
Total operating expenses	<u>2,315,212</u>	<u>566,819</u>	<u>2,882,031</u>
Operating loss	<u>(342,270)</u>	<u>(6,640)</u>	<u>(348,910)</u>
Nonoperating revenues			
Grant revenue	127,100	-	127,100
Interest income	30,961	4,146	35,107
Gain on sale of capital assets	2,204	1,620	3,824
Total nonoperating revenues	<u>160,265</u>	<u>5,766</u>	<u>166,031</u>
Loss before transfers	(182,005)	(874)	(182,879)
Transfers in	<u>-</u>	<u>47,500</u>	<u>47,500</u>
Change in net position	(182,005)	46,626	(135,379)
Net position, beginning of year	<u>6,257,222</u>	<u>439,851</u>	<u>6,697,073</u>
Net position, end of year	<u>\$ 6,075,217</u>	<u>486,477</u>	<u>6,561,694</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2017

	Naples Beach Fund	Tennis Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,980,862	560,179	2,541,041
Cash payments to suppliers	(588,607)	(250,332)	(838,939)
Cash payments for employee services	(851,941)	(39,180)	(891,121)
Cash payments for interfund services	(123,440)	(209,887)	(333,327)
Net cash provided by operating activities	<u>416,874</u>	<u>60,780</u>	<u>477,654</u>
Cash flows from noncapital financing activities			
Transfers	-	47,500	47,500
Loans/advances and repayments from (to) other funds	-	17,913	17,913
Operating grants	127,100	-	127,100
Net cash provided by noncapital financing activities	<u>127,100</u>	<u>65,413</u>	<u>192,513</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	2,204	1,620	3,824
Acquisition and construction of capital assets	(251,306)	(46,959)	(298,265)
Net cash used by capital and related financing activities	<u>(249,102)</u>	<u>(45,339)</u>	<u>(294,441)</u>
Cash flows from investing activities			
Interest and investment earnings	27,752	3,792	31,544
Net cash provided by investing activities	<u>27,752</u>	<u>3,792</u>	<u>31,544</u>
Net change in cash and cash equivalents	322,624	84,646	407,270
Cash and cash equivalents, beginning of year	3,281,893	341,678	3,623,571
Cash and cash equivalents, end of year	<u>\$ 3,604,517</u>	<u>426,324</u>	<u>4,030,841</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (342,270)	(6,640)	(348,910)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation and amortization	503,286	47,946	551,232
Changes in assets and liabilities			
Increase in receivables, net	(30,855)	-	(30,855)
Decrease in due from other governments	123,057	-	123,057
Decrease in inventories	-	163	163
Increase in deferred outflows	(21,149)	(7,670)	(28,819)
Increase in accounts payable	62,530	3,694	66,224
Increase (decrease) in accrued payroll	2,136	(1,121)	1,015
Increase in unearned revenue	38,775	-	38,775
Increase in deferred inflows	22,106	8,017	30,123
Increase in net pension liability	29,246	10,606	39,852
Increase in other post-employment benefits	17,218	2,354	19,572
Increase in compensated absences	12,794	3,431	16,225
Net cash provided by operating activities	<u>\$ 416,874</u>	<u>60,780</u>	<u>477,654</u>

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 Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended September 30, 2017

	Equipment Services	Risk Management	Health Benefits	Technology Services	Total
Operating revenues					
Charges for services	\$ 1,811,416	3,178,080	6,987,173	1,629,880	13,606,549
Operating expenses					
Personal services	690,226	151,967	-	446,925	1,289,118
Supplies, services and claims	981,268	2,677,125	6,524,814	754,261	10,937,468
Utilities	25,140	-	-	-	25,140
Depreciation and amortization	50,168	-	-	224,528	274,696
General administration	104,560	72,480	123,690	87,750	388,480
Other	130	7,002	-	-	7,132
Total operating expenses	<u>1,851,492</u>	<u>2,908,574</u>	<u>6,648,504</u>	<u>1,513,464</u>	<u>12,922,034</u>
Operating income (loss)	(40,076)	269,506	338,669	116,416	684,515
Nonoperating revenues (expenses)					
Interest income	1,075	40,834	16,023	2,250	60,182
Gain on sale of capital assets	15,695	-	-	-	15,695
Total nonoperating revenues	<u>16,770</u>	<u>40,834</u>	<u>16,023</u>	<u>2,250</u>	<u>75,877</u>
Change in net position	(23,306)	310,340	354,692	118,666	760,392
Net position, beginning of year	154,093	3,552,630	1,975,092	1,115,517	6,797,332
Net position, end of year	<u>\$ 130,787</u>	<u>3,862,970</u>	<u>2,329,784</u>	<u>1,234,183</u>	<u>7,557,724</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2017

	Equipment Services	Risk Management	Health Benefits	Technology Services	Total
Cash flows from operating activities					
Cash received from customers	\$ 1,800,115	3,178,080	6,986,490	1,629,880	13,594,565
Cash payments to suppliers for goods and services	(1,041,871)	(2,684,333)	(6,527,558)	(938,045)	(11,191,807)
Cash payments for employee services	(669,256)	(72,480)	-	(87,750)	(829,486)
Cash payments for interfund services	(104,560)	(142,002)	(123,690)	(440,914)	(811,166)
Net cash provided by (used in) operating activities	<u>(15,572)</u>	<u>279,265</u>	<u>335,242</u>	<u>163,171</u>	<u>762,106</u>
Cash flows from capital and related financing activities					
Proceeds from the sale of capital assets	15,695	-	-	-	15,695
Acquisition and construction of capital assets	(2,996)	-	-	(389,012)	(392,008)
Net cash provided by (used in) capital and related financing activities	<u>12,699</u>	<u>-</u>	<u>-</u>	<u>(389,012)</u>	<u>(376,313)</u>
Cash flows from investing activities					
Interest on pooled cash and investments	975	35,112	13,889	1,677	51,653
Net cash provided by investing activities	<u>975</u>	<u>35,112</u>	<u>13,889</u>	<u>1,677</u>	<u>51,653</u>
Net change in cash and cash equivalents	(1,898)	314,377	349,131	(224,164)	437,446
Cash and cash equivalents, beginning of year	223,828	7,016,602	2,353,269	885,003	10,478,702
Cash and cash equivalents, end of year	<u>\$ 221,930</u>	<u>7,330,979</u>	<u>2,702,400</u>	<u>660,839</u>	<u>10,916,148</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (40,076)	269,506	338,669	116,416	684,515
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	50,168	-	-	224,528	274,696
Changes in assets and liabilities					
(Increase) in miscellaneous receivables	-	-	(823)	-	(823)
(Increase) in due from other governments	(11,301)	-	-	-	(11,301)
(Increase) in inventories	(47,265)	-	-	-	(47,265)
(Increase) in deferred outflows	(22,543)	(4,648)	-	(15,920)	(43,111)
Increase (decrease) in accounts payable	11,932	31,794	54,352	(183,784)	(85,706)
Increase (decrease) in accrued payroll	926	351	-	(8,102)	(6,825)
Increase in unearned revenue	-	-	140	-	140
(Decrease) in insurance claims payable	-	(32,000)	(57,096)	-	(89,096)
Increase in deferred inflows	23,564	4,858	-	16,640	45,062
Increase in net pension liability	31,175	6,427	-	22,015	59,617
Increase in other post-employment benefits	11,797	1,914	-	8,301	22,012
Increase (decrease) in compensated absences	(23,949)	1,063	-	(16,923)	(39,809)
Net cash provided by (used in) operating activities	<u>\$ (15,572)</u>	<u>279,265</u>	<u>335,242</u>	<u>163,171</u>	<u>762,106</u>

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Fiduciary Funds

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

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

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

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

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

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

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

CITY OF NAPLES, FLORIDA
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Assets			
Cash and cash equivalents	\$ 1,717,939	-	-
Receivables			
Contributions	172,522	21,500	4,953
Investments, at fair value			
U.S. Treasury securities	2,212,078	-	-
U.S. Government agency securities	570,134	-	-
Municipal obligations	128,589	-	-
Asset-backed securities	2,318,294	-	-
Corporate bonds	4,327,985	-	-
Common stock/equity funds	37,936,175	-	-
Real estate investment trusts	4,500,316	-	-
Mutual funds	-	8,953,538	1,736,568
Alternative investments	2,460,705	-	-
Total investments	<u>54,454,276</u>	<u>8,953,538</u>	<u>1,736,568</u>
Total assets	<u>56,344,737</u>	<u>8,975,038</u>	<u>1,741,521</u>
Liabilities			
Accounts payable	<u>105,341</u>	-	-
Total liabilities	<u>105,341</u>	-	-
Net position			
Restricted for pension benefits	<u>\$ 56,239,396</u>	<u>8,975,038</u>	<u>1,741,521</u>

Pension Trust

<u>Police Officers’ Pension Fund</u>	<u>Firefighters’ Pension Fund</u>	<u>Total</u>
1,659,586	1,786,506	5,164,031
1,095,022	790,497	2,084,494
1,873,909	2,152,559	6,238,546
445,502	457,970	1,473,606
106,443	102,157	337,189
2,146,127	2,122,802	6,587,223
3,720,560	4,216,585	12,265,130
33,055,342	36,436,111	107,427,628
3,677,765	3,615,623	11,793,704
-	-	10,690,106
2,165,341	2,293,026	6,919,072
<u>47,190,989</u>	<u>51,396,833</u>	<u>163,732,204</u>
<u>49,945,597</u>	<u>53,973,836</u>	<u>170,980,729</u>
<u>259,177</u>	<u>7,541</u>	<u>372,059</u>
<u>259,177</u>	<u>7,541</u>	<u>372,059</u>
<u>49,686,420</u>	<u>53,966,295</u>	<u>170,608,670</u>

CITY OF NAPLES, FLORIDA
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2017

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Additions			
Contributions			
Employee contributions	\$ 670,402	342,489	75,362
Employer contributions	1,785,446	219,836	57,708
State contributions	-	-	-
Total contributions	2,455,848	562,325	133,070
Investment earnings			
Interest and dividend income	1,141,704	22,623	1,783
Net change in fair value of investments	6,367,846	831,076	152,297
Less investment expense	(297,489)	(21,883)	(3,757)
Net investment earnings	7,212,061	831,816	150,323
Total additions	9,667,909	1,394,141	283,393
Deductions			
Benefits paid	3,877,446	-	-
Refunds of contributions	369,450	144,705	57,898
General administration	168,640	-	-
Total deductions	4,415,536	144,705	57,898
Changes in net position	5,252,373	1,249,436	225,495
Net position, beginning of year	50,987,023	7,725,602	1,516,026
Net position, end of year	\$ 56,239,396	8,975,038	1,741,521

Pension Trust

<u>Police Officers’ Pension Fund</u>	<u>Firefighters’ Pension Fund</u>	<u>Total</u>
232,664	141,266	1,462,183
1,803,678	1,399,309	5,265,977
792,677	509,868	1,302,545
<u>2,829,019</u>	<u>2,050,443</u>	<u>8,030,705</u>
985,095	1,031,749	3,182,954
5,427,505	5,743,014	18,521,738
(258,199)	(268,920)	(850,248)
<u>6,154,401</u>	<u>6,505,843</u>	<u>20,854,444</u>
<u>8,983,420</u>	<u>8,556,286</u>	<u>28,885,149</u>
4,241,835	2,470,173	10,589,454
8,000	53,585	633,638
104,158	95,118	367,916
<u>4,353,993</u>	<u>2,618,876</u>	<u>11,591,008</u>
4,629,427	5,937,410	17,294,141
45,056,993	48,028,885	153,314,529
<u>49,686,420</u>	<u>53,966,295</u>	<u>170,608,670</u>

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CITY OF NAPLES, FLORIDA
Statement of Changes in Assets and Liabilities—Agency Funds
Year Ended September 30, 2017

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
Assets				
Cash	\$ 137	193,814	(193,814)	137
Total assets	<u>\$ 137</u>	<u>193,814</u>	<u>(193,814)</u>	<u>137</u>
Liabilities				
Accounts payable	\$ 137	193,814	(193,814)	137
Total liabilities	<u>\$ 137</u>	<u>193,814</u>	<u>(193,814)</u>	<u>137</u>

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STATISTICAL SECTION (Unaudited)

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

Contents

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 138

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. 148

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. 154

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. 160

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. 162

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)

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$ 52,934,188	48,868,221	47,101,732	47,910,235	49,368,390
Restricted	3,004,060	3,781,152	983,750	12,987,575	13,460,387
Unrestricted	39,230,791	42,765,131	45,710,635	33,134,491	32,162,681
Total governmental activities net assets	\$ 95,169,039	95,414,504	93,796,117	94,032,301	94,991,458
Business-type activities					
Net investment in capital assets	\$ 60,313,029	65,279,797	70,342,384	72,488,908	77,344,733
Restricted	2,566,664	2,693,838	3,122,630	4,070,440	1,645,528
Unrestricted	23,979,666	25,931,780	28,569,892	32,963,324	39,489,625
Total business-type activities net assets	\$ 86,859,359	93,905,415	102,034,906	109,522,672	118,479,886
Primary government					
Net investment in capital assets	\$ 113,247,217	114,148,018	117,444,116	120,399,143	126,713,123
Restricted	5,570,724	6,474,990	4,106,380	17,058,015	15,105,915
Unrestricted	63,210,457	68,696,911	74,280,527	66,097,815	71,652,306
Total primary government net assets	\$ 182,028,398	189,319,919	195,831,023	203,554,973	213,471,344

Fiscal Year				
2013	2014	2015	2016	2017
54,372,698	55,192,342	55,794,796	56,389,018	62,307,369
13,908,144	13,908,144	22,621,775	21,362,817	24,075,554
27,048,578	31,850,607	(2,227,579)	(2,990,374)	(8,830,079)
<u>95,329,420</u>	<u>100,951,093</u>	<u>76,188,992</u>	<u>74,761,461</u>	<u>77,552,844</u>
81,292,017	90,439,602	100,262,238	110,151,951	115,191,402
-	-	-	-	-
43,716,346	44,977,055	40,616,760	39,299,638	43,181,206
<u>125,008,363</u>	<u>135,416,657</u>	<u>140,878,998</u>	<u>149,451,589</u>	<u>158,372,608</u>
135,664,715	145,631,944	156,057,034	166,540,969	177,498,771
13,908,144	13,908,144	22,621,775	21,362,817	24,075,554
70,764,924	76,827,662	38,389,181	36,309,264	34,351,127
<u>220,337,783</u>	<u>236,367,750</u>	<u>217,067,990</u>	<u>224,213,050</u>	<u>235,925,452</u>

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses					
Governmental activities					
General government	\$ 8,140,789	6,668,512	6,394,914	5,622,677	5,457,866
Public safety	24,409,251	25,633,909	25,616,678	23,957,097	24,400,324
Physical and economic environment	2,588,477	2,925,902	3,207,529	3,239,638	3,128,378
Transportation	3,394,912	3,520,363	3,715,335	3,553,288	3,355,650
Culture and recreation	8,584,195	7,733,570	7,243,542	6,850,817	6,609,114
Interest	830,822	1,033,650	955,784	443,739	493,896
Total governmental activities expenses	<u>47,948,446</u>	<u>47,515,906</u>	<u>47,133,782</u>	<u>43,667,256</u>	<u>43,445,228</u>
Business-type activities					
Water and sewer	23,625,071	24,816,306	24,334,032	24,300,280	23,915,729
Solid waste	5,835,401	5,501,931	5,366,770	5,497,576	5,275,918
Stormwater	1,833,201	2,088,938	2,458,129	2,642,191	2,463,801
Other enterprises	4,177,236	3,505,193	3,094,200	3,117,045	3,377,075
Total business-type activities	<u>35,470,909</u>	<u>35,912,368</u>	<u>35,253,131</u>	<u>35,557,092</u>	<u>35,032,523</u>
Total primary governmental expenses	<u>\$ 83,419,355</u>	<u>83,428,274</u>	<u>82,386,913</u>	<u>79,224,348</u>	<u>78,477,751</u>
Program Revenues (see Schedule 3)					
Governmental activities					
Charges for services					
General government	\$ 1,310,847	1,043,665	1,139,439	1,238,135	837,202
Public safety	4,492,028	3,571,827	3,631,525	3,803,409	4,792,576
Physical and economic environment	387,922	12,397	12,064	15,372	15,788
Transportation	74,884	-	6,618	3,942	-
Culture and recreation	881,822	819,228	840,364	751,480	751,862
Operating grants and contributions	2,633,209	2,978,768	3,190,239	2,909,353	2,631,903
Capital grants and contributions	2,350,214	1,202,496	425,002	294,062	927,761
Total governmental activities revenues	<u>12,130,926</u>	<u>9,628,381</u>	<u>9,245,251</u>	<u>9,015,753</u>	<u>9,957,092</u>
Business-type activities					
Water and sewer	25,299,408	28,219,062	28,303,440	29,055,653	28,262,634
Solid waste	6,369,866	6,294,650	6,089,265	5,974,018	5,827,277
Stormwater	2,890,146	4,467,178	4,422,225	4,538,097	4,563,918
Beach	917,236	1,071,798	1,046,660	1,125,781	1,117,695
Dock	1,767,944	1,078,547	1,067,358	1,298,741	1,512,844
Tennis	575,121	548,984	534,095	452,109	417,161
Operating grants and contributions	646,891	501,525	637,810	621,838	635,642
Capital grants and contributions	3,358,210	2,057,101	2,991,732	1,726,470	3,507,039
Total business-type activities	<u>41,824,822</u>	<u>44,238,845</u>	<u>45,092,585</u>	<u>44,792,707</u>	<u>45,844,210</u>
Total primary governmental revenues	<u>\$ 53,955,748</u>	<u>53,867,226</u>	<u>54,337,836</u>	<u>53,808,460</u>	<u>55,801,302</u>
Net Expense/Revenue					
Governmental activities	\$ (35,817,520)	(37,887,525)	(37,888,531)	(34,651,503)	(33,488,136)
Business-type activities	6,353,913	8,326,477	9,839,454	9,235,615	10,811,687
Total primary government net expense	<u>\$ (29,463,607)</u>	<u>(29,561,048)</u>	<u>(28,049,077)</u>	<u>(25,415,888)</u>	<u>(22,676,449)</u>

Fiscal Year				
2013	2014	2015	2016	2017
5,301,030	7,715,255	7,518,425	9,555,128	9,454,060
24,885,076	25,969,504	21,801,426	29,016,071	30,594,045
2,792,363	2,714,222	3,784,334	2,805,708	2,633,829
3,450,265	3,089,234	2,923,536	4,042,246	3,123,625
6,942,141	7,093,524	6,993,700	8,397,402	7,644,773
397,292	227,976	229,304	188,208	160,230
<u>43,768,167</u>	<u>46,809,715</u>	<u>43,250,725</u>	<u>54,004,763</u>	<u>53,610,562</u>
23,833,110	24,397,347	23,729,514	24,213,406	25,830,541
5,489,089	6,011,637	6,092,583	6,481,079	6,613,390
3,064,173	3,088,139	3,174,847	3,504,651	4,116,574
3,474,163	3,822,843	3,552,923	4,140,463	3,949,399
<u>35,860,535</u>	<u>37,319,966</u>	<u>36,549,867</u>	<u>38,339,599</u>	<u>40,509,904</u>
<u>79,628,702</u>	<u>84,129,681</u>	<u>79,800,592</u>	<u>92,344,362</u>	<u>94,120,466</u>
874,008	3,724,592	3,358,243	3,475,764	3,212,513
4,506,478	4,940,975	5,646,699	5,227,047	4,448,668
16,009	17,616	-	10,000	530,000
31,210	104,501	65,948	65,379	87,288
802,130	3,185,180	2,636,165	1,012,252	2,039,913
2,803,204	4,140,006	3,416,843	3,492,964	4,363,770
352,732	779,103	936,341	501,211	345,987
<u>9,385,771</u>	<u>16,891,973</u>	<u>16,060,239</u>	<u>13,784,617</u>	<u>15,028,139</u>
28,747,954	32,117,638	29,614,711	30,730,431	33,695,352
5,876,369	6,102,494	5,850,216	6,124,348	7,126,711
4,651,910	5,039,675	4,296,017	4,558,685	5,040,865
1,086,099	1,209,986	1,261,081	1,754,058	1,972,942
1,649,255	1,785,141	1,635,024	1,530,363	1,201,692
474,559	531,792	568,002	591,145	560,179
556,850	784,245	2,067,866	1,211,932	127,100
1,388,630	1,835,613	3,664,105	1,998,774	1,424,561
<u>44,431,626</u>	<u>49,406,584</u>	<u>48,957,022</u>	<u>48,499,736</u>	<u>51,149,402</u>
<u>53,817,397</u>	<u>66,298,557</u>	<u>65,017,261</u>	<u>62,284,353</u>	<u>66,177,541</u>
(34,382,396)	(29,917,742)	(27,190,486)	(40,220,146)	(38,582,423)
8,571,091	12,086,618	12,407,155	10,160,137	10,639,498
<u>(25,811,305)</u>	<u>(17,831,124)</u>	<u>(14,783,331)</u>	<u>(30,060,009)</u>	<u>(27,942,925)</u>

(Continued)

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General Revenues and Other					
Changes in Net Position					
Governmental activities					
Taxes					
Property taxes	\$ 19,415,799	19,729,516	19,418,905	17,872,322	17,390,742
Local communication and utility taxes	4,170,227	4,476,921	4,846,484	5,208,481	5,574,086
Insurance premium tax	1,949,641	2,017,132	1,440,033	1,319,318	1,354,027
Motor fuel taxes	1,404,690	1,393,025	1,396,616	1,386,067	1,397,806
Business taxes	274,487	247,021	270,748	243,716	264,110
Franchise fees	3,740,236	3,971,657	3,498,659	3,474,511	3,361,560
Intergovernmental revenues, unrestricted	3,160,311	2,863,565	2,825,967	2,847,318	2,807,044
Unrestricted investment earnings	2,043,294	1,345,826	542,317	371,937	238,259
Miscellaneous revenues	45,489	17,461	44,415	171,799	19,273
Gain on sale of capital assets	-	88,496	-	4,718	26,776
Transfers	1,964,530	1,983,370	1,986,000	1,987,500	2,013,610
Total governmental activities	<u>38,168,704</u>	<u>38,133,990</u>	<u>36,270,144</u>	<u>34,887,687</u>	<u>34,447,293</u>
Business-type activities					
Investment earnings	831,090	566,730	258,101	186,018	153,699
Gain on sale of capital assets	-	136,219	17,936	53,633	5,438
Special item	(458,108)	-	-	-	-
Transfers	(1,964,530)	(1,983,370)	(1,986,000)	(1,987,500)	(2,013,610)
Total business-type activities	<u>(1,591,548)</u>	<u>(1,280,421)</u>	<u>(1,709,963)</u>	<u>(1,747,849)</u>	<u>(1,854,473)</u>
Total primary government	<u>\$ 36,577,156</u>	<u>36,853,569</u>	<u>34,560,181</u>	<u>33,139,838</u>	<u>32,592,820</u>
Change in Net Position					
Governmental activities	\$ 2,351,184	246,465	(1,618,387)	236,184	959,157
Business-type activities	4,762,365	7,046,056	8,129,491	7,487,766	8,957,214
Total primary government	<u>\$ 7,113,549</u>	<u>7,292,521</u>	<u>6,511,104</u>	<u>7,723,950</u>	<u>9,916,371</u>

Fiscal Year				
2013	2014	2015	2016	2017
17,330,532	18,539,883	19,523,088	21,163,455	22,706,983
5,977,860	5,241,319	5,391,177	5,436,983	5,504,862
1,324,166	1,412,980	1,272,757	1,191,342	1,302,545
1,367,212	1,190,133	1,167,932	1,226,385	1,221,409
255,890	269,562	215,039	304,435	302,857
3,299,823	3,579,771	3,553,455	3,451,036	3,523,250
2,952,946	3,158,266	3,332,872	3,440,243	3,823,706
175,612	232,811	543,147	524,052	415,611
50,070	34,155	-	-	-
-	1,655	159,891	34,584	552,483
<u>2,054,280</u>	<u>1,878,880</u>	<u>4,138,060</u>	<u>2,020,100</u>	<u>2,020,100</u>
<u>34,788,391</u>	<u>35,539,415</u>	<u>39,297,418</u>	<u>38,792,615</u>	<u>41,373,806</u>
90,583	200,556	420,063	432,554	301,621
-	-	-	-	-
-	-	-	-	-
<u>(2,054,280)</u>	<u>(1,878,880)</u>	<u>(4,138,060)</u>	<u>(2,020,100)</u>	<u>(2,020,100)</u>
<u>(1,963,697)</u>	<u>(1,678,324)</u>	<u>(3,717,997)</u>	<u>(1,587,546)</u>	<u>(1,718,479)</u>
<u>32,824,694</u>	<u>33,861,091</u>	<u>35,579,421</u>	<u>37,205,069</u>	<u>39,655,327</u>
405,995	5,621,673	12,106,932	(1,427,531)	2,791,383
<u>6,607,394</u>	<u>10,408,294</u>	<u>8,689,158</u>	<u>8,572,591</u>	<u>8,921,019</u>
<u>7,013,389</u>	<u>16,029,967</u>	<u>20,796,090</u>	<u>7,145,060</u>	<u>11,712,402</u>

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund					
Reserved	\$ 535,922	442,112	420,844	N/A	N/A
Unreserved	14,774,120	16,151,990	17,052,805	N/A	N/A
Non-spendable	N/A	N/A	N/A	150,464	487,435
Restricted	N/A	N/A	N/A	13,791	13,791
Committed	N/A	N/A	N/A	3,528,888	3,515,091
Assigned	N/A	N/A	N/A	46,284	11,765
Unassigned	N/A	N/A	N/A	15,508,265	15,541,877
Total General Fund	\$ 15,310,042	16,594,102	17,473,649	19,247,692	19,569,959
All other governmental funds					
Reserved					
Special revenue funds	\$ 215,821	29,839	10,731	N/A	N/A
Capital projects funds	6,720,843	1,145,643	1,225,757	N/A	N/A
Debt service funds	1,486,456	1,420,125	1,560,104	N/A	N/A
Unreserved					
Special revenue funds	5,616,572	5,086,904	5,317,018	N/A	N/A
Capital projects funds	8,192,774	16,308,321	15,809,889	N/A	N/A
Debt service funds	978,483	1,282,620	1,884,501	N/A	N/A
Non-spendable	N/A	N/A	N/A	121,462	455,198
Restricted	N/A	N/A	N/A	12,973,784	13,446,596
Committed	N/A	N/A	N/A	3,928,985	2,927,725
Assigned	N/A	N/A	N/A	6,715,447	6,758,559
Unassigned	N/A	N/A	N/A	N/A	(571,667)
Total other governmental funds	\$ 23,210,949	25,273,452	25,808,000	23,739,678	23,016,411

Note: GASB 54 was implemented during fiscal year 2011.

Fiscal Year				
2013	2014	2015	2016	2017
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
425,592	725,388	643,305	33,940	6,938,854
13,791	13,791	-	-	-
3,597,298	3,597,298	3,597,298	3,507,279	4,126,391
293,132	293,132	275,909	41,363	625,890
10,582,398	11,439,262	14,030,183	16,356,280	575,674
<u>14,912,211</u>	<u>16,068,871</u>	<u>18,546,695</u>	<u>19,938,862</u>	<u>12,266,809</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
400,565	390,271	294,674	38,524	15,333
13,487,529	15,818,513	22,621,775	21,362,817	24,075,554
3,167,293	3,196,870	3,239,337	3,001,368	4,319,627
6,083,658	5,962,952	4,412,135	5,297,819	8,182,094
(603,061)	240,769	(157,009)	-	-
<u>22,535,984</u>	<u>25,609,375</u>	<u>30,410,912</u>	<u>29,700,528</u>	<u>36,592,608</u>

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

	Fiscal Year		
	2008	2009	2010
Revenues			
Taxes	\$ 27,214,844	27,862,615	27,372,786
Licenses, permits, fees and assessments	6,953,495 ^(a)	6,856,060	6,072,977
Intergovernmental	7,761,199	5,856,457	6,038,913
Charges for services	2,327,605	2,020,389	2,045,248
Charges to other funds	4,165,504	4,093,450	3,720,709
Fines and forfeitures	405,342	338,037	254,385
Impact fees/special assessments	366,627 ^(a)	-	-
Interest	1,806,496	1,216,224	492,471
Contributions	62,715	83,101	211,302
Miscellaneous	73,568	115,701	75,544
Total revenues	<u>51,137,395</u>	<u>48,442,034</u>	<u>46,284,335</u>
Expenditures			
General government	11,377,879	9,688,213	8,620,881
Public safety	23,479,974	24,792,638	23,680,724
Physical and economic environment	1,813,934	1,775,115	2,024,380
Transportation	2,046,296	2,116,889	2,246,827
Culture and recreation	6,920,107	5,996,861	5,433,931
Capital outlay	9,542,548	7,053,867	2,303,468
Debt service			
Principal	1,125,000	1,497,000	1,612,000
Interest and fiscal charges	831,434	1,066,519	957,917
Total expenditures	<u>57,137,172</u>	<u>53,987,102</u>	<u>46,880,128</u>
Excess (deficit) of revenues over (under) expenditures	<u>(5,999,777)</u>	<u>(5,545,068)</u>	<u>(595,793)</u>
Other Financing Sources (Uses)			
Debt issued	-	6,860,000	-
Payments to escrow agents	-	-	-
Payments to current refund debt	-	-	-
Transfers in	4,720,949	12,714,292	5,766,183
Transfers out	(2,756,419)	(10,818,965)	(3,780,183)
Sale of capital assets	-	136,304	23,888
Total other financing sources (uses)	<u>1,964,530</u>	<u>8,891,631</u>	<u>2,009,888</u>
Net change in fund balance	<u>\$ (4,035,247)</u>	<u>3,346,563</u>	<u>1,414,095</u>
Debt service as a percentage of noncapital expenditures	4.1%	5.5%	5.8%

Note: ^(a) In 2009, impact fees and special assessments were reclassified to permits, fees and assessments.

^(b) The City refunded the 2010 Capital Improvement Refunding Revenue Notes.

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
26,029,904	25,980,772	26,255,660	26,653,877	27,569,993	29,322,600	31,038,656
6,655,012	7,539,226	7,179,183	10,397,768	9,150,495	8,672,904	7,729,798
5,236,599	5,174,417	5,152,801	5,556,664	6,077,175	6,326,123	7,513,779
1,908,981	2,131,943	1,802,160	1,811,398	1,900,592	1,943,443	2,390,870
3,720,708	3,681,838	3,597,960	3,358,100	3,285,250	3,179,420	3,024,260
232,575	461,537	418,614	195,349	258,806	464,904	559,789
-	-	-	-	-	-	-
336,484	214,851	170,743	199,770	439,445	421,531	355,429
258,985	204,116	115,262	2,342,947	2,069,470	108,355	543,987
177,621	9,273	255,225	35,463	57,067	67,045	674,457
<u>44,556,869</u>	<u>45,397,973</u>	<u>44,947,608</u>	<u>50,551,336</u>	<u>50,808,293</u>	<u>50,506,325</u>	<u>53,831,025</u>
8,307,238	8,130,338	8,421,621	8,249,859	8,033,054	8,374,046	9,527,879
22,062,961	23,192,344	23,731,367	24,418,391	24,676,027	25,827,354	26,640,125
1,945,948	1,776,115	1,357,378	1,341,014	1,257,343	1,371,443	1,377,329
2,191,327	2,069,396	2,298,904	2,072,385	2,193,710	3,153,133	2,279,983
5,302,802	5,189,194	5,567,331	5,855,186	5,792,279	7,204,332	6,458,141
2,830,919	5,193,871	7,381,848	4,537,516	5,223,589	4,354,195	9,221,059
2,222,000	1,844,000 ^(b)	3,056,000	1,489,000	1,468,000	1,516,000	1,566,000
589,568	445,242	333,221	177,679	182,882	139,308	111,786
<u>45,452,763</u>	<u>47,840,500</u>	<u>52,147,670</u>	<u>48,141,030</u>	<u>48,826,884</u>	<u>51,939,811</u>	<u>57,182,302</u>
<u>(895,894)</u>	<u>(2,442,527)</u>	<u>(7,200,062)</u>	<u>2,410,306</u>	<u>1,981,409</u>	<u>(1,433,486)</u>	<u>(3,351,277)</u>
17,094,000	- ^(b)	13,830,000	-	-	-	-
(8,285,998)	-	(13,793,951)	-	-	-	-
(10,186,000)	-	-	-	-	-	-
5,705,136	6,396,488	7,032,679	5,819,706	12,820,232	7,354,699	16,978,221
(3,762,476)	(4,382,878)	(5,037,219)	(4,010,826)	(7,682,172)	(5,334,599)	(14,958,121)
36,953	27,917	30,378	10,865	159,891	95,169	551,204
<u>601,615</u>	<u>2,041,527</u>	<u>2,061,887</u>	<u>1,819,745</u>	<u>5,297,951</u>	<u>2,115,269</u>	<u>2,571,304</u>
<u>(294,279)</u>	<u>(401,000)</u>	<u>(5,138,175)</u>	<u>4,230,051</u>	<u>7,279,360</u>	<u>681,783</u>	<u>(779,973)</u>
6.6%	5.4%	7.6%	3.9%	3.7%	3.4%	3.2%

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

Fiscal Year	Property	Utility and Communication	Franchise Fees	Fuel Taxes	Sales and Use	Other	Total
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
2015	19,523,089	5,391,177	3,553,455	1,167,932	2,349,564	1,487,795	33,473,012
2016	21,163,444	5,436,983	3,451,036	1,226,385	2,443,233	1,495,788	35,216,869
2017	22,706,969	5,504,862	3,523,250	1,221,409	2,460,631	1,605,416	37,022,537
Change 2008-2017	17.0%	32.0%	-5.8%	-13.0%	12.0%	-44.9%	9.4%

Source: City of Naples Finance Department

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

Fiscal Year	Real Property	Personal Property	Less Net New Taxable Value	Adjusted Total Taxable Value (for roll back)	Final Taxable Value	Total Direct Tax Rate	Market/Just Value	Actual Taxable Value as a Percentage of Market/Just Value
2007-08	\$ 17,086,194,348	386,182,053	410,638,803	17,061,737,598	17,456,888,406	1.1347	22,486,719,099	75.9%
2008-09	16,903,766,419	400,795,472	342,706,664	16,961,855,227	17,246,749,629	1.1663	21,642,182,442	78.4%
2009-10	15,962,605,246	421,136,474	311,015,976	16,072,725,744	16,287,802,409	1.2175	19,738,257,718	81.4%
2010-11	14,627,069,353	419,030,702	185,960,906	14,860,139,149	14,976,570,653	1.2195	17,719,816,637	83.9%
2011-12	14,232,284,825	356,269,561	106,264,047	14,482,290,339	14,557,352,859	1.2226	17,046,390,756	85.0%
2012-13	14,642,097,786	354,038,345	127,383,048	14,868,753,083	14,982,785,178	1.1800	17,730,212,166	83.9%
2013-14	15,469,458,476	355,090,471	185,411,425	15,639,137,522	15,813,172,702	1.1800	18,964,343,443	82.5%
2014-15	16,549,429,908	365,538,552	238,579,023	16,676,389,437	16,915,260,543	1.1800	20,669,042,253	80.7%
2015-16	17,982,866,222	336,010,949	222,286,865	18,096,590,306	18,318,354,095	1.1800	23,247,294,157	77.8%
2016-17	19,811,155,560	411,967,727	511,139,848	19,711,983,439	20,211,468,549	1.1500	25,880,754,301	76.2%

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

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
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
2015	1.1800	0.0000	1.1800	N/A	3.5645	0.0293
2016	1.1800	0.0000	1.1800	N/A	3.5645	0.0293
2017	1.1500	0.0000	1.1500	0.1832	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.

Mosquito Control did not include this in FY14-15. It was .1050 for FY 13-14

Overlapping Rates*

Conservation Collier	School Board	South Water Management	Combined Total
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
0.0000	5.5800	0.3097	10.6635
0.0000	5.8418	0.2695	10.8851
0.0000	5.1220	0.2545	10.3035

Schedule 8
City of Naples
Principal Property Tax Payers,
As of September 30, 2017

	2017			2008		
	Taxable Assessed values	Rank	% of total City of Naples assessed values	Taxable Assessed values	Rank	% of total City of Naples assessed values
Top 10 City of Naples Taxpayers						
The Moorings, Inc.	\$ 130,632,629	1	0.66%			
Coastland Center, LLC	70,635,195	2	0.36%	84,450,802	2	0.49%
Westbury Properties, Inc.	56,457,052	3	0.29%	28,700,717	5	0.17%
Sandra Gerry	46,364,393	4	0.24%	43,830,196	3	0.26%
2500 Gordon Drive LLC	45,903,845	5	0.23%			
Randall D Bellestri Liv Trust	43,878,521	6	0.22%			
Harold Square Land Trust	35,739,007	7	0.18%			
Montana Realty Company, LLC	33,530,163	8	0.17%			
Naples Edgewater LLC	30,129,562	9	0.15%			
Scott, Kathleen Kapnick	29,074,757	10	0.15%			
Florida Power & Light				103,102,684	1	0.60%
Panthers RPN Limited				32,796,761	4	0.19%
Embarq Corporation				28,150,420	6	0.16%
Arthur Allen Jr.				28,036,935	7	0.16%
Naples Hospitality Ltd Partnership				25,722,177	8	0.15%
Naples Beach & Golf Club				24,731,624	9	0.14%
Judith Herb Trust				24,266,509	10	0.14%
	<u>\$ 522,345,124</u>		<u>2.65%</u>	<u>423,788,825</u>		<u>2.48%</u>
Total City of Naples Assessed Value	\$ 19,711,983,439			17,061,737,598		

Sources: Collier County Property Appraiser and 2008 CAFR Certificate of Taxable Value/TRIM

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

Fiscal Year Ended Sept. 30	Taxes Levied for the Fiscal Year⁽¹⁾	Current Collections		Delinquent Collections⁽²⁾	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
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	17,330,532	96.7%
2014	18,921,717	18,162,559	96.0%	77,324	18,239,883	96.4%
2015	19,959,663	19,117,239	95.8%	140,408	19,257,648	96.5%
2016	21,616,275	21,139,944	97.8%	23,512	21,163,456	97.9%
2017	23,567,473	22,696,202	96.3%	10,781	22,706,983	96.3%

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
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
2015	-	-	-	10,068,000	17,442,467	1,152,770	20,000
2016	-	-	-	8,552,000	14,602,609	1,159,674	-
2017	-	-	-	6,986,000	11,945,407	933,960	-

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

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

Total Primary Government	Percentage of Personal Income ^(a)	Per Capita ^(a)
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
28,683,237	1.61%	339
24,314,283	1.25%	274
19,865,367	1.00%	221

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

Fiscal Year	General Obligation Bonds Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2008	\$ 3,615,000	0.02%	\$ 160.27
2009	3,170,000	0.02%	146.41
2010	2,700,000	0.02%	120.59
2011	2,205,000	0.01%	112.86
2012	1,690,000	0.01%	84.76
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	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, 2017

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Naples Direct Debt			
Capital Improvement Note	\$ 6,986,000	100%	\$ 6,986,000
Total direct debt			<u>6,986,000</u>
Overlapping debt ^(a)			
Collier County ^(b)	516,823,410	24%	<u>124,037,618</u>
Total direct and overlapping debt			<u>124,037,618</u>
			<u>\$ 131,023,618</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

^(b)Collier County debt outstanding as of September 30, 2016.

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		
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	32,117,638	24,066,181	8,051,457	2,809,207	2.87	
2015	29,614,711	23,455,937	6,158,774	2,899,468	2.12	
2016	30,730,431	24,010,994	6,719,437	2,899,045	2.32	
2017	33,695,352	25,657,266	8,038,086	2,899,045	2.77	

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

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

Utility Tax Revenue Bonds				Tax Increment Revenue Bonds			
Utility Tax Collections	Debt Service		Coverage	Tax Increment Revenue	Debt Service		Coverage
	Principal	Interest			Principal	Interest	
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)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Income	Median Age	County School Enrollment	Unemployment Rate (June)
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%
2015	20,968	1,776,430	84,721	64.0	45,995	4.9%
2016	21,898	1,940,338	88,608	64.6	47,225	4.8%
2017	22,041	1,980,648	89,862	65.0	49,393	3.9%

Sources: Population provided by the U.S. Census Bureau; Per Capita Personal Income by the Census Bureau (*), Bureau

*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	2017			2007		
	Employees ⁽¹⁾	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Collier County Public Schools	5,361	1	29.7%	5,701	1	33.3%
NCH Healthcare System	4,315	2	23.9%	3,800	3	22.2%
Collier County Government	2,276	3	12.6%	3,890	2	22.7%
Publix Supermarkets	1,249	4	6.9%	-	-	-
Ritz Carlton, Naples	1,110	5	6.2%	1,397	4	8.2%
The County Club of Naples	1,050	6	5.8%	-	-	-
Collier County Sheriff	1,029	7	5.7%	-	-	-
Marriott	700	8	3.9%	-	-	-
Naples Grande Beach Resort	488	9	2.7%	753	5	4.4%
City of Naples	465	10	2.6%	515	6	3.0%
Naples Beach and Tennis	-	-	-	489	7	2.9%
Collier County Health Dept	-	-	-	228	8	1.3%
Allen Systems Group	-	-	-	204	9	1.2%
Willsonmiller, Inc.	-	-	-	147	10	0.9%
Estimated Total	<u>18,043</u>		<u>100.0%</u>	<u>17,124</u>		<u>100.0%</u>

Sources: U.S. Bureau of Labor Statistics
Employer Historical Records
Collier County Clerk of Courts
Southwest Florida Economic Development Alliance

Notes: ⁽¹⁾2016 numbers reflected, 2017 numbers unavailable

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

Function/Program	Fiscal Year					
	2008	2009	2010	2011	2012	2013
General Fund						
Mayor and Council	1.0	1.0	1.0	1.0	1.0	1.0
City Clerk	8.0	8.0	6.0	6.0	6.0	6.0
City Attorney	1.0	1.0	1.0	1.0	1.0	1.0
City Manager and Code Enforcement	4.0	7.0	6.7	8.9	8.9	5.9
Human Resources	7.0	6.0	5.0	4.0	4.0	4.0
Planning	10.0	5.0	5.0	4.0	3.5	3.5
Finance	21.8	21.8	19.8	19.8	18.8	17.8
Community Services	45.5	36.0	30.0	41.0	40.0	40.5
Police	111.7	109.7	104.4	98.4	98.4	98.4
Fire	61.0	61.0	61.0	63.0	63.0	63.0
Non-departmental	12.0	12.0	11.0	(b)	(b)	(b)
Water and Sewer Fund	100.0	95.0	98.0	97.0	98.0	99.0
Solid Waste Fund	29.0	28.0	24.0	25.5	25.5	25.5
Streets and Traffic Fund	5.5	7.5	7.5	7.5	7.5	6.1
Stormwater Fund	6.0	5.5	6.0	6.0	6.0	10.4
City Dock Fund	5.0	4.0	3.0	2.6	3.6	3.6
Tennis Fund	4.0	4.0	4.0	4.0	4.0	4.0
Beach Fund	13.8	12.8	12.8	13.0	12.0	12.0
Technology Services Fund	11.0	10.0	10.0	10.0	10.0	10.0
Equipment Services Fund	11.0	10.0	8.5	8.5	8.5	8.5
Risk Management Fund	2.0	1.0	1.0	1.0	1.0	1.0
Building Permit Fund	27.0	26.0	17.5	17.5	18.0	23.8
Community Redevelopment	9.0	9.0	8.3	8.3	6.3	6.3
Construction Management	8.0	(a)	(a)	(a)	(a)	(a)
TOTAL EMPLOYEES	514.3	481.3	451.5	448.0	445.0	451.3

Source: City of Naples Budget Document

Notes: (a) Fund eliminated in 2009.

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

Fiscal Year			
2014	2015	2016	2017
1.0	1.0	1.0	1.0
6.0	6.0	6.0	6.0
1.0	1.0	1.0	1.0
5.9	5.9	4.9	8.9
4.0	4.0	4.0	4.0
3.5	3.5	3.5	5.0
13.8	13.8	13.8	10.8
40.5	40.5	40.5	42.5
98.4	98.4	98.4	98.4
63.0	63.0	63.0	65.0
(b)	(b)	(b)	(b)
103.0	103.0	104.0	104.0
25.5	25.5	26.0	26.0
5.5	5.5	5.5	5.5
10.0	11.0	11.0	11.0
3.6	3.6	3.6	3.6
4.0	4.0	4.0	4.0
13.0	13.2	13.2	13.2
8.0	7.0	7.0	6.0
8.5	8.5	8.5	8.5
1.0	1.0	1.0	1.0
28.0	30.0	36.5	34.0
6.3	6.3	6.3	6.3
(a)	(a)	(a)	(a)
453.5	455.7	462.7	465.7

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

Function/Program	Fiscal Year					
	2008	2009	2010	2011	2012	2013
General government						
Commercial permits issued	280	268	237	182	285	225
Residential permits issued	1,164	1,994	828	961	1,267	1,229
Police						
Physical arrests	965	3,164	658	465	1,111	758
Parking violations	14,439	15,105	15,985	14,351	15,107	12,906
Traffic violations	9,843	11,087	7,601	5,641	8,168	6,767
Fire						
Emergency responses	4,437	4,810	4,423	4,812	4,839	4,901
Fires extinguished	49	70	61	97	96	69
Inspections	6,427	5,200	8,412	6,557	7,882	7,761
Refuse collection						
Refuse (tons per day)	114	119	101	103	153	131
Recyclables (tons per day)	15	14	10	12	17	19
Other public works						
Street resurfacing (miles)	15	11	9	9	5	5
Potholes repaired ^(a)	75	59	73	98	77	72
Parks and recreation						
Special events, participants ^(b)	712	759	980	3,501	3,550	3,640
Beach parking permits issued ^(c)	20,410	15,921	N/A	N/A	5,560	6,590
Camps, Classes, participants ^(d)	897	943	850	876	4,510	5,350
Water						
New connections	116	109	70	93	172	171
Water main breaks	22	68	16	12	16	21
Average daily consumption (millions of gallons)	15.3	16.0	14.7	15	14	13.5
Peak daily consumption (millions of gallons)	21.2	20.4	19.2	18	19	17.8
Wastewater						
Average daily sewage treatment (thousands of gallons)	6,673	6,720	6,330	5,852	5,688	5,680

Sources: Various City Departments

- Notes:**
- ^(a)This number represents the number of work orders given to patch hole contractor.
 - ^(b)Change in data collection in FY 2011 for a more accurate count.
 - ^(c)The City did not issue permits in 2010 and 2011, and after 2011, stopped issuing free permits to non-city residents.
 - ^(d)The increase is due to new classes and programs offered at the new Aquatic Center and the Tennis Center.

Fiscal Year			
2014	2015	2016	2017
144	143	144	86
1,133	1,124	1,228	1,122
634	575	579	373
12,778	11,271	8,181	10,158
5,489	5,989	6,133	4,934
5,217	5,539	6,804	6,234
98	96	70	84
7,299	7,589	8,066	7,863
119	92	129	117
21	28	29	28
4.25	4.26	10.00	11.00
63	82	44	78
3,812	3,760	2,717	2,164
6,802	5,249	5,802	6,050
5,531	11,066	16,773	10,168
226	201	169	122
14	17	13	11
14.3	13.8	14.0	15.0
19	18	17	19
5,225	4,800	5,100	5,270

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

Function/Program	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Police						
Number of employees	115	110	104	98	104	103
Total Police Incidents Handled	58,658	55,580	48,192	57,602	66,622	68,988
Fire stations	3	3	3	3	3	3
Refuse collection trucks	25	24	25	25	25	25
Other public works						
Streets (miles)	106	108	108	108	110	112
Streetlights	2,371	2,375	2,390	2,390	3,006	3,006
Traffic signals	47	44	44	44	42	42
Parks and recreation						
Swimming pools	1	1	1	1	1	1
Community centers	3	3	3	3	3	3
Pier	1	1	1	1	1	1
Dock	1	1	1	1	1	1
Water						
Active accounts	17,717	17,781	16,495	16,545	16,684	16,791
Plants	1	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30	30
Sewer						
Active accounts	8,645	9,052	8,814	9,253	8,951	8,895
Plants	1	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10	10

Sources: Various City departments

Fiscal Year			
2014	2015	2016	2017
103	103	96	98
65,968	67,193	83,774	79,787
3	3	3	3
25	25	25	25
112	112	112	112
3,006	3,006	3,006	3,006
42	42	40	40
1	1	1	1
3	3	3	3
1	1	1	1
1	1	1	1
16,943	17,078	17,244	17,310
1	1	1	1
30	30	30	30
8,812	8,820	9,037	9,207
1	1	1	1
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*

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, 2017, 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 13, 2018.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a certain deficiency in internal control (Finding 2017-001) that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

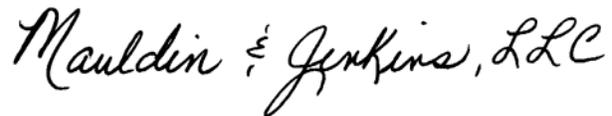
City's Response to Finding

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 13, 2018

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

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, 2017, and have issued our report thereon dated March 13, 2018.

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 Reporting Requirements

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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 13, 2018, 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 2016-001 was corrected during the current year and is 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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we made Recommendation 2017-002 in the accompanying Schedule of Findings and Recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. 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, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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 did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 13, 2018

THE CITY OF NAPLES, FLORIDA

Schedule of Findings and Recommendations
September 30, 2017

FINDINGS

2017-001 Audit Adjustments

Criteria: To ensure that financial statements properly present the financial position and results of operations of the City in accordance with generally accepted accounting principles (GAAP), in addition to providing meaningful financial reports to City Council and management, the City should establish procedures to ensure that proper cutoff of accounts payable and the related expenses/expenditures is achieved at the end of each period.

Condition: Our audit procedures disclosed that significant adjusting journal entries were required to properly report accounts payable and expenditures in the fiscal year ended September 30, 2017. Adjustments to increase accounts payable and expenditures in the Confiscated Properties Fund by \$139,180 were required to be made to ensure proper financial statement presentation.

Context/Cause: Finance Department oversight caused these accounts to be misstated.

Effect: Material audit adjustments were required to be posted within the fund noted above for the fair presentation of the financial statements.

Recommendation: We recommend the City evaluate its period closing process to ensure proper cutoff of expenditures is attained, and subsidiary ledger reconciliations are being performed timely, properly, and are being reviewed by management.

Management's Response:

The City concurs regarding the adjustment to increase the accounts payable and expenditure by \$139,180 and the corresponding need to bring on the associated asset (CIP at the Government wide level), as the asset was not active until Fiscal year 17-18. The adjustment stems from a new police mobile command post vehicle received four days prior to the end of the fiscal year and the timing of payment outside of a sixty day (normal) accrual period. The accounting team recognizes that all entries must be on the trial balance when delivered to the auditors and that the accrual period must be fluid to assure all measurable payables are identified.

Recommendations

2017-002 Audit Adjustments

Our audit procedures disclosed that an audit adjustment in the amount of \$55,569 was required in the Water & Sewer Fund to decrease accounts receivable and revenue for the recognition of cash collections on assessments. We recommend the City evaluate its monthly review process to ensure that accounts receivable activity is being recorded to the correct account and that proper month and year-end reconciliations are performed.

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INDEPENDENT AUDITOR'S REPORT

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, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2017.

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 13, 2018