

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019



City of Naples, Florida

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2019
(With Independent Auditor's Report Thereon)

Prepared By:
FINANCE DEPARTMENT

City of Naples

September 30, 2019



Principal Officers

Mayor
Vice-Mayor
Council Member
Council Member
Council Member
Council Member
Council Member

Bill Barnett
Gary Price
Reg Buxton
Ray Christman
Terry Hutchison
Michelle McLeod
Ellen Seigel

City Manager
City Clerk
City Attorney

Charles T. Chapman IV
Patricia L. Rambosk
James D. Fox

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 A. Souza
Gary Young
Pete DiMaria
Denise K. Matson
Robin D. Singer
Thomas Weschler
Gregg Strakaluse
Brian Dye
Robert H. Middleton

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City of Naples

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March 19, 2020

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, 2019, 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, 2018, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended September 30, 2019, 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 are 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, downtown villas, bungalows, and high-rise condominiums, disbursed between a cohesive blend of both older and newer developments. 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, with 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 | March 2020 |
| Gary Price | February 2022 |
| Reg Buxton | March 2020 |
| Ray Christman | February 2022 |
| Terry Hutchison | February 2022 |
| Michelle McLeod | March 2020 |
| Ellen Seigel | March 2020 |

The City Council appoints the City Manager, who is the chief administrative officer of the City. The City Manager hires all other City employees, except the City Attorney, the City Clerk, and the Deputy City Clerk, who are appointed by the City Council. City Manager Charles T. Chapman IV was selected to be City Manager effective December 3, 2018.

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 dependent special district and presented as a blended component unit of this reporting entity. 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 taxing authority 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. By the end of April, the Five-Year General Fund Sustainability Report is developed and presented to City Council. Concurrently, staff works with boards, committees, and the City Council to gather goals for the upcoming fiscal year. In April, Departments start preparing their Five-Year Capital Improvement Program requests. Concurrently, 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 resolution 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.

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. Throughout 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 2018-2019 represented the sixth year of taxable value growth in the City. The taxable values increased by 5.9% for the 2018-2019 fiscal year, following a 7.74% growth in fiscal year 2017-2018. The subsequent growth for fiscal year 2019-2020 (September 2019) of 4.5% 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. While the pace of growth has slowed in the last three years there are no signs of a complete reversal as experienced a decade ago.

Despite the City nearing build-out, a significant amount of redevelopment is occurring. 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 1.18 mills in 2019, Naples' ad valorem tax remains significantly below the maximum allowed.

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 2018-2019, 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 2013, the City spent \$3.0 million to acquire 6.7 acres of land adjacent to 8 acres of city property, to create a park. The design of Baker Park began, with the conceptual master plan approved on March 5, 2014. The total project included both the park development and the Gordon River Bridge component of the project. The City has received over \$5.3 million in donations since the project began in 2014 including. Additional donations and pledges remain and to continue to offset a portion of the City Funds presently allocated for the completion of the park. The Blair Park Bridge costing \$4.3 million was completed and opened in 2018. The Baker Park is open and vibrant with the City having spent \$16.3 million on the park through September 2019. The City's will be identifying options for adding various art pieces in 2020 and then pause future development to allow the park to mature before deciding the next step in the park's evolution.
- 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 (EOC). In 2019, the City completed the \$9.7 million construction and opened the fire station for operations. This state-of-the-art fire station increased the square footage from 7,500 sq. ft. to just under 20,000 sq. ft. The City issued debt of \$3.4 million in 2018 at a rate of 2.75% payable of ten years. The remaining \$6.5 was expensed from reserves as planned in the City's CIP. In 2019, the project returned approximately \$500 thousand, the unspent portion of the project budget, to be used for future CIP. The 2019 budget included \$175 thousand for multimedia and audio-visual equipment enhancements to the EOC.
- Water and Sewer infrastructure, equipment, and facilities improvements of \$3.7 million in 2019 included; reclaimed water construction and expansion, utilities wide pump station improvements, water main improvements, sewer main replacement, and continued emphasis on equipment and motor vehicle replacement programs.
- Stormwater master plan completion and design of phase I water outfall, water quality and beach restoration project. The design was completed in 2019 with the fiscal year 2019-2020 budget in Stormwater Fund contributing \$7.9 million and the City's portion of the Collier County One Cent Sales Tax Fund contributing an additional \$3.0 million. The City will continue to evaluate financing options related to stormwater projects in 2020 to accelerate other aspects of the stormwater mater plan.

The trends in the Southwest Florida economy continues to experience a moderate but steady growth with continued positive optimism throughout 2019. In addition, 2019 shook off the downward pressure on tourism felt in 2018 from the effects of Hurricane Irma, red tide and algae blooms in the region. To try and put this into perspective beach parking within the City of Naples by \$397 thousand or 20.1% in 2019 compared to 2018. According to a report by the Florida Gulf Coast University in its year over year economic indicator comparisons, taxable sales for Collier County were up 8% through November 2019 compared November 2018, tourist tax revenues in Collier County were higher in September 2019, and 16% higher for the year over 2018. The three major Southwest Florida airports grew at 12% in September 2019 in a year over year comparison. Southwest Florida International (RSW) the City's closest commercial airport increased 10%. The unemployment rate for Collier County was 3.0% in September 2019, unchanged from September 2018. This compares favorably with the State of Florida's 3.2% and the nations 3.6%. In addition, Collier County recorded 1,113 single family building permits in October 2019, up 25% from October 2018. While Collier's single-family homes sales were up in October 2019, 419 compared to 388 in October 2018, the median price decreased to \$422,192 yielding a decrease of \$22,221 over the same period. This median price decrease was short lived, it has increased consistently in November 2019, December 2019, and January 2020, where is recorded a median price of \$470,000 for the month.

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

The City maintains updated financial policies (19-14301) approved by City Council covering five major areas: Budgetary and Financial Planning; Financial Reporting; Capital Improvement; Debt Management; Investments and Fund Balance.

In 2019, the Debt Management Policy was adopted, via resolution 19-14302.

In 2016, the Fund Balance Policy was amended by resolution 16-13831 to remove the tax stabilization account.

In 2017, the Investment Policy of the City was amended, via resolution 17-13942 for administrative reasons to clarify outdated references.

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. In August 2018, the City began evaluating the 2007 Vision Plan to determine if a new Visioning process is warranted. The final report on this evaluation is expected in April 2019. 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 1.4 million visitors annually. The last major renovation was completed in November of 2015. The \$2.7 million project included the replacement of deck boards and railings with IPE wood, a Brazilian hardwood with a life expectancy exceeding 30 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. In 2017, the Pier experienced significant damage from Hurricane Irma leaving the structure approximately 50% accessible and prohibiting fishing from the accessible areas. The Pier repairs of \$244,000 (including engineering and project oversight) were completed and the Pier reopened in its entirety on August 1, 2018.

The Naples City Dock, originally built in 1920, was removed and reconstructed as a floating dock with 84 slips accommodating 30-60 ft. vessels with an additional 450 ft. frontage to accommodate even larger size vessels. In addition to permanent and transient (daily) boat slip rental, the dock has high speed fuel pumps dispensing diesel and ethanol free gasoline, free pump out, restrooms, laundry room, outdoor lounge area, concession sales, and bait (live and frozen) sales. The dock's permanent customers include approximately 18 charter boat operators and the dock maintains a minimum of 10 slips available for transient rentals to enable tourist and residents alike to enjoy the beauty the Naples City Dock has to offer. The dock reconstruction totaling \$6.2 million was initiated in 2016. Construction began in 2017 and was completed and the dock re-opened in February 2018. The available permanent slips are filled, and the City had a sizeable number of applicants on the waiting list at the end of 2018.

Residents and visitors alike recognize the ambiance created by the tree-lined streets of Naples. For the twenty-third consecutive year, the City of Naples received the Tree City U.S.A. designation, and for the thirteenth consecutive year, the City received a Tree City U.S.A. Growth Award. The City of Naples urban forest consists of 17,709 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 in with emphasis on replacing the 1,929 trees lost in Hurricane IRMA. 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's 2019-2020 budget includes an additional \$500,000 for replacing trees in addition to a goal of \$1.0 million in donations related to the Blair Foundation Tree Challenge

The City continued the process of developing a Parks Master Plan in 2019, 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, was completed and presented to City Council in 2019.

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: restore Naples Bay, promote sustainability, and 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. In addition, the City continues to direct City funds to beach re-nourishment and expand its artificial reef construction.

Vision Goal: Maintain an Extraordinary Quality of Life for Residents

The Community Services Department - Recreation Division during the 2018-2019 year provided a wide variety of recreational opportunities for residents of all ages, socio-economic status, skills and abilities, integrating social, athletic, wellness, educational and cultural pursuits.

Norris Center/Cambier Park

The Norris Center is located in Cambier Park and the 2018-2019 visitors season saw 25,561 attendees to indoor performances presented by the City of Naples and Gulfshore Playhouse in the Norris Center. The venue has seating capacity for 200 people and hosts shows nearly every day throughout fall to the springtime, with showings added as needed for sold out acts. Tile flooring in the center was updated with the wood-like tile and vinyl in the art room and game room. Cambier Park hosts outdoor concerts and events in the downtown

bandshell and park space. The 2018-2019 season hosted over 30 FREE outdoor concerts on Sunday afternoons and Monday evenings, with over 30,000 visitors for the entertainment in the space.

Arthur L. Allen Tennis Center in Cambier Park

In 2018-2019, the tennis center offered thirteen USTA sanctioned and non-sanctioned tournaments that drew 1,281 participating athletes. Ten events were designed for juniors that attend from around the state and country. The other three tournaments were structured for adult participation. This year's 50th Annual "Clay in May" Tennis Championship hosted 484 players playing in a total of 783 events. There are 42 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 Naples Gators football, little league baseball (2 separate seasons) and boy's and girl's lacrosse. Fleischmann Park is also the current home facility for Mason Classical Academy's soccer, track, cross-country and baseball teams. Adult sports include co-ed softball (2 separate seasons), pickleball and volleyball leagues. 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 park, 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 were offered on Tuesdays during the months of January – April with the speakers coming from the Preserve's conservation partners, the faculty at Florida Gulf Coast University, and Preserve staff and volunteers. Nature programs were provided for Lake Park Elementary kindergarten and second grade, Little Eagles Preschool, Homeschoolers of Collier County, Girl Scouts, Sunrise (formerly known as United Cerebral Palsy), and Afterschool Adventures. The Preserve continued a service-learning program for Florida Gulf Coast University students during their fall and spring semesters. Our annual Florida Gopher Tortoise Day included some of our partners and the day set a new record for attendance. Preserving the Holiday Spirit involved most of our partners and continues to be a popular special event. There are over 150 Gopher Tortoises located in the Preserve and were in three research studies. Two of these were Florida Gulf Coast University studies - one on intestinal parasites (samples supplied by the Naples Preserve) and one on growth rates (data supplied by the Naples Preserve). The study on growth rates was presented as a poster at the Gopher Tortoise Council meeting. A Naples Preserve staff member attended and was one of the presenters at the Florida Gopher Tortoise Council meeting which was held at the Gulf Shores State Park in Alabama. The Florida Box Turtles are now in a study being conducted by a professor and his students from Florida Southwestern State College. The Naples Preserve supplied tortoise and turtle nesting data from this site to a graduate student at the University of South Florida in St. Petersburg for his study. Major improvements happened inside of the Hedges Family Eco-Center – all new floors, new kitchen, bathroom tiled and painted. Exotics and excess vines were removed from the preserve. Restoration occurred in some of the scrub.

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 Zumba classes, LaBlast classes, Yoga 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. The River Park Community Center hosted the Girls Scouts Troop 1083. Facility improvements for River Park Community Center this year include, painting of all the interior rooms, new front desk with storage cabinets, Spraycrete of the back patio and bathroom decking area at basketball pavilion, new maple hardwood dance floor, replacement of two 12 ton A/C units, new cardio fitness equipment and a new building generator – hurricane readiness. Back to School program served 265 children going into K through 12th grade with needed school supplies. Santa’s also made an appearance at Santa’s Coming to Town and made a delivery of 258 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, 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 five important water safety skills to decrease the likelihood of the children drowning. Facility improvements for the aquatic center included painting of the pool decking/water features/bathrooms, bathroom floors were re-epoxied with a blue, white, beige and gray flake color tone, the A/C was replaced in the office and lifeguard room, new tables/chairs and umbrella stands were purchased.

Anthony Park

Anthony Park continues to host Archery and Fishing camps in 2019 with 33 enrolled. Tennis classes were offered by a group of City volunteers for multiply sessions. Facility improvement for Anthony Park included new kitchen cabinets and marble countertop, shades over the playground, a new Men’s and Women’s bathroom facility for residents to access during park open hours.

Financial Reporting and Measurements

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 2018-2019 received the GFOA’s Distinguished Budget Presentation Award. The City has achieved this award for 14 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, 2018. 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, Mauldin & Jenkins, LLC for their examination of our accounts.

Respectfully submitted,



Charles T. Chapman IV
City Manager



Gary L. Young
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Naples
Florida**

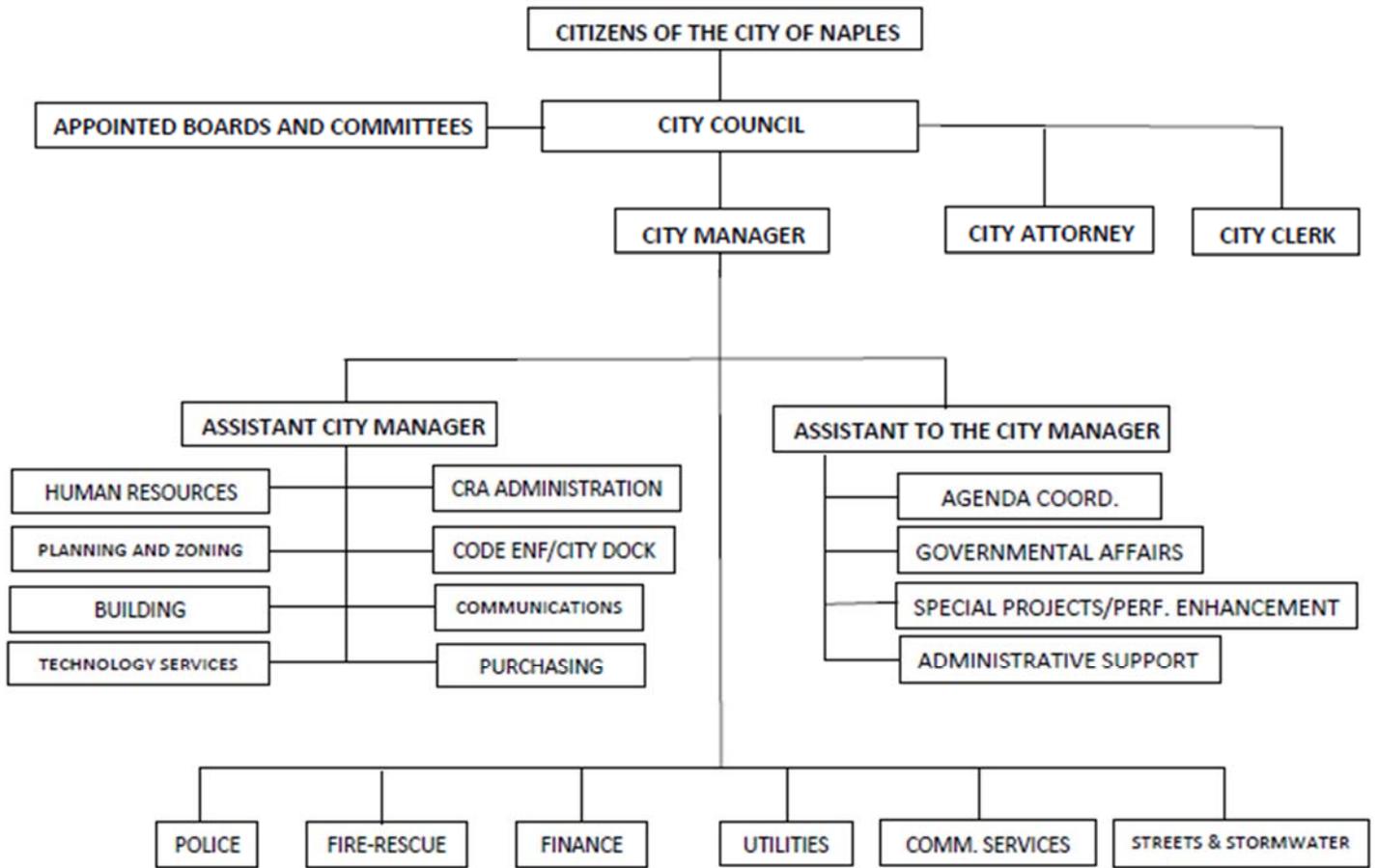
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Naples Organizational Chart





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, 2019, 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, 2019, 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 5-17 and 101-114, 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, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements of the City.

The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards are 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 combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards are 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 19, 2020, 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 solely 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 the effectiveness of the City's 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.

Bradenton, Florida
March 19, 2020

Mauldin & Jenkins, LLC

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The City of Naples, Florida
Management's Discussion and Analysis
September 30, 2019
(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, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at September 30, 2019, by \$288 million (net position). Of this amount, \$55.7 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 \$37.9 million due in part to: revenue recognition related to FEMA and Florida Department of Emergency Management (FDEM) for IRMA reimbursements; influx of the Collier County Capital Improvement One Cent Sales Tax revenue; increased property tax collections; and expenditures coming in significantly lower than authorized budgets in 2019.
- As of September 30, 2019, the City's governmental activities reported a combined ending net position of \$105.4 million. This is an increase of \$20.4 million from the prior year. The City's governmental activities unrestricted net position is negative \$1.4 million compared to a negative \$6.2 million as of September 30, 2018.
- The City implemented GASB 75 2019. *GASB No. 75 Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. In 2019, the unfunded OPEB increased an additional \$137 thousand. The City must continue to evaluate its OPEB obligations and its effect on the long-term financial position of the City.
- The City experienced the first material decrease in its unfunded pension obligation since implementing GASB 68 in 2015. *GASB No. 68 Accounting and Financial Reporting for Pension an amendment of GASB Statement No. 27*. The deferred outflows in governmental activities decreased \$207 thousand and deferred inflows increased \$4.2 million. Deferred outflows in business-type activities decreased \$197 thousand while deferred inflows increased \$817 thousand. These changes were the effect of the decrease of \$8.7 million of the City's unfunded pension obligation (net pension liability) including its General Pension Plan, Police Pension Plan, and Fire Pension Plan. The City continues to evaluate its pension obligations and its effect on the long-term financial position of the City including the most recent change to reduce the expected rate of return from 7.5% to 7.0% over the next five years by reducing it 0.10% annually. This expected rate of return adjustment will increase the unfunded in the coming years.
- The City's total debt increase \$224 thousand during the current fiscal year due to scheduled debt service payments of \$3.2 million offset by an issuance of \$3.4 million in 2019. The City's Governmental Activities Debt decreased by \$1.9 million from scheduled debt service payments. The City's Business-Type Activities Debt increased by \$2.1 million resulting from the net effect of making \$1.3 million in scheduled debt service payments and issuing \$3.4 million of debt in 2019 related to Gulf Acres/Rosemary Heights Special Assessment project. In addition, the City Dock reduced the outstanding interfund loan by \$305 thousand in 2019 leaving a balance of \$5.5 million outstanding from the \$6.5 loan received in 2017.

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 20) 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 21) 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 23.

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In a highly regulatory environment, fund accounting serves a very important purpose, in that funds received for specific purposes are identified as such. All of the funds of the City can be divided into three categories:

- **Governmental Funds**—account for the City’s tax-supported activities and those supported by other special revenues. These governmental funds include the General Fund, the Debt Service Fund, the Capital Projects Fund, the Community Redevelopment Fund, the Streets and Traffic Fund and other Nonmajor Funds consisting of the Building and Zoning Fund, the Community Development Block Grant Fund, the Improvement Fund, the Public Arts Fund, the Grants Fund, the Confiscated Properties Fund, the Business Improvement District, the 41-10 Public Open Space Fund, the Parking Trust Fund, the Impact Fee Fund, the Land Contribution Fund, and the Maintenance Dredging Funds for the East Naples Bay District, Port Royal and Moorings Bay District. The accounting method used is called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash (usually 60 day focus). The two criteria used are that the revenue is measurable and available. Examples of the difference between this and the economic resources measurement focus are that debt financing is considered current revenue, and purchases of capital assets are considered expenditures whereas depreciation is not since there is no outlay of cash.
- **Proprietary Funds**—are used to account for the business-type activities of the City. There are two types: Enterprise Funds and Internal Service Funds. The City’s Major Enterprise Funds are the Water and Sewer Fund, the Solid Waste Fund, the Stormwater Fund, and Nonmajor Enterprise Funds consist of the Naples Beach Fund, the City Dock Fund and the Tennis Fund. The Internal Service Funds include the Equipment Services Fund, Risk Management Fund, Health Benefits Fund, and the Technology Services Fund. All Proprietary Funds use the full accrual basis of accounting and the economic resources measurement focus. Fees or charges for services are the primary revenue sources for Proprietary Funds.

- ***Fiduciary Funds***—are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting method used for Fiduciary Funds is similar to Proprietary funds.

The fund financial statements present information in more detail than the government-wide financial statements. Major funds are reflected separately and nonmajor funds are combined into “other funds” and are reflected in detail in the combining and individual fund financial statements and schedules section of this report. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. The reconciliations on page 26 and 30 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 31–38.

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 42.

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, 2019, was \$283 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 | |
|-------------------------------------|-------------------------|---------|--------------------------|---------|--------------------------|---------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 63,014 | 64,681 | 68,345 | 53,568 | 131,359 | 118,249 |
| Capital assets | 95,909 | 76,815 | 136,039 | 129,946 | 231,948 | 206,761 |
| Total assets | 158,923 | 141,496 | 204,384 | 183,514 | 325,010 | 316,712 |
| Total deferred outflow of resources | 8,852 | 9,083 | 1,001 | 1,194 | 9,853 | 10,277 |
| Long-term liabilities outstanding | 45,497 | 54,345 | 16,788 | 16,010 | 62,285 | 131,030 |
| Other liabilities | 7,559 | 6,154 | 5,987 | 4,373 | 13,546 | 10,527 |
| Total liabilities | 60,499 | 60,499 | 20,383 | 20,383 | 80,882 | 80,882 |
| Total deferred inflow of resources | 7,961 | 3,734 | 1,493 | 651 | 4,264 | 4,385 |
| Total deferred inflows | 7,961 | 3,734 | 1,493 | 651 | 4,264 | 4,385 |
| Net position | | | | | | |
| Net investment in capital assets | 89,168 | 68,234 | 124,045 | 120,074 | 213,213 | 188,308 |
| Restricted | 19,004 | 24,297 | - | - | 19,004 | 24,297 |
| Unrestricted | (1,414) | (6,186) | 57,071 | 43,601 | 55,657 | 37,415 |
| Total net position | \$ 106,758 | 86,345 | 181,116 | 163,675 | 287,874 | 250,020 |

The largest portion of the City's net position (74.1%) reflects its investment in capital assets (land, buildings, plants, and equipment) less outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net position (representing 6.6% of the total net position) is subject to external restrictions on how it may be used. The remaining 19.3% of unrestricted net position, \$55.7 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 \$135.0 million. Total expenses, City-wide were \$97.1 million. For the total primary government, including both governmental and business-type activities, net position increased \$37.9 million. Net position for Governmental activities increased by \$20.4 million and net position for Business-type activities increased by \$17.4 million in 2019.

Table 2 reflects the summary Statement of Activities (in thousands) for the current year compared with the prior year.

Table 2
Changes in Net Position
(In thousands)

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|-------------------------------------|-------------------------|---------------|--------------------------|----------------|--------------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 12,503 | 11,860 | 51,358 | 48,406 | 63,861 | 60,266 |
| Operating grants and contributions | 6,775 | 4,687 | 3,283 | 202 | 10,058 | 4,889 |
| Capital grants and contributions | 4,409 | 2,581 | 6,411 | 1,012 | 10,820 | 3,593 |
| General revenues | | | | | | |
| Property taxes | 26,591 | 24,432 | - | - | 26,591 | 24,432 |
| Other taxes | 8,908 | 8,661 | - | - | 8,908 | 8,661 |
| Franchise fees | 3,627 | 3,553 | - | - | 3,627 | 3,553 |
| Intergovernmental revenues | 7,149 | 3,883 | - | - | 7,149 | 3,883 |
| Unrestricted investment earnings | 1,979 | 679 | 1,825 | 394 | 3,804 | 1,073 |
| Other | - | 16 | 177 | - | 177 | 16 |
| Total revenues | \$ 71,941 | 60,352 | 63,054 | 50,014 | 134,995 | 110,366 |
| Expenses | | | | | | |
| General government | \$ 10,754 | 12,982 | - | - | 10,754 | 12,982 |
| Public safety | 28,235 | 25,994 | - | - | 28,235 | 25,994 |
| Physical and economic environment | 2,920 | 2,860 | - | - | 2,920 | 2,860 |
| Transportation | 3,034 | 3,683 | - | - | 3,034 | 3,683 |
| Cultural and recreation | 8,386 | 7,718 | - | - | 8,386 | 7,718 |
| Interest and fiscal charges | 219 | 198 | - | - | 219 | 198 |
| Water and sewer | - | - | 27,588 | 26,986 | 27,588 | 26,986 |
| Solid waste | - | - | 6,751 | 6,673 | 6,751 | 6,673 |
| Stormwater | - | - | 4,341 | 4,796 | 4,341 | 4,796 |
| Dock | - | - | 1,995 | 1,161 | 1,995 | 1,161 |
| Other | - | - | 2,918 | 3,026 | 2,918 | 3,026 |
| Total expenses | 53,548 | 53,435 | 43,593 | 42,642 | 97,141 | 96,077 |
| Increase (decrease) in net position | | | | | | |
| before transfers | 18,393 | 6,917 | 19,461 | 7,372 | 37,854 | 14,289 |
| Transfers | 2,020 | 2,020 | (2,020) | (2,020) | - | - |
| Change in net position | 20,413 | 8,937 | 17,441 | 5,352 | 37,854 | 14,289 |
| Net position, beginning as restated | 86,345 | 77,408 | 163,675 | 158,323 | 250,020 | 235,731 |
| Net position, ending | \$ 106,758 | 86,345 | 181,116 | 163,675 | 287,874 | 250,020 |

The total primary government revenues reported a \$19.2 million or 17.4% increase over last year's total revenues. The total business-type activities' revenue decreased \$9.2 million including substantial increased revenue from operating grants, FEMA grants, capital grants, interest revenue, and charges for services. Revenue from governmental activities show a \$10.0 million increase.

The primary reasons for the increase in governmental activity revenue are as follows:

- An increase in property tax revenue \$2.1 million due to taxable value growth.
- An increase in charges for service of \$643 thousand charges for service.
- An increase in operating other tax revenue of \$225 thousand.
- An increase in operating (including FEMA) \$1.3 million.
- An increase in capital grants and contributions of \$1.8 million including the influx of \$3.2 million from Collier County's Once Cent Sales Tax.
- An increase in interest revenue \$1.3 million resulting from higher fund balances and interest rate.

Business-type activities showed an increase in revenues in the amount of \$13.0 million or 26.1% above the revenues of 2019. The charges for services increased by \$2.9 million, operating grants (including FEMA) increased by \$3.1 million, and capital grants and contributions increased by \$5.4 million. Revenue in the two non-major enterprise funds (which are recreational based funds), increased \$490 thousand due to increased usage. The balance of the increase can be attributed to the three utilities, Water/Sewer, Solid Waste and Stormwater with the Water/Sewer showing the largest increase of \$878 thousand, Solid Waste increased \$291 thousand, Stormwater increased \$280 thousand while the City Dock completing the first full year since reconstruction was up over \$979 thousand in 2019.

The total primary government's expenses increased \$1.1 million or just over 1%. Governmental activities reported a 0.2% decrease in expenses, with business-type activities reporting a 2.2% 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 \$53.5 million. As shown in the Statement of Activities on page 21, the net cost that was ultimately paid through taxes was \$29.9 million. The \$23.6 million of costs for governmental activities not covered by general revenues was provided by:

- \$12.5 million in charges for services, made of \$5.6 million in building/permit fees, \$1.2 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.
- \$6.8 million in operating grants and contributions including \$3.2 million from Collier County's share of the Community Redevelopment tax increment financing.
- \$4.4 million in capital grants and contributions including \$3.2 million from Collier County's One Cent Sales Tax.

The total cost of all governmental activities decreased in 2019 by 0.2%, is the net result of increases in public safety, physical and economic environment, cultural and recreation offset by decreases in transportation, and general government (all other).

Table 3
Governmental Activities
(In Thousands)

| | Total Cost of Service | | Net Cost of Service | |
|-----------------------------------|-----------------------|--------|---------------------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| Public safety | \$ 28,235 | 25,994 | 21,042 | 19,715 |
| Physical and economic environment | 2,920 | 2,860 | (4,541) | (2,691) |
| Transportation | 3,034 | 3,683 | 2,624 | 3,583 |
| Cultural and recreation | 8,386 | 7,718 | 7,168 | 4,368 |
| All others | 10,973 | 13,180 | 3,568 | 9,329 |
| | \$ 53,548 | 53,435 | 29,861 | 34,304 |

Business-type Activities

Revenues of the City’s business-type activities (see Table 2) totaled \$63 million.

The Water and Sewer Fund represents 63% of the business-type activities’ expenses. Total water and sewer operating revenues were \$2.1 million higher than last year, while corresponding operating expenses were \$706 thousand 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 2.2% 2018 and an additional 2.46 in 2019 across all components of the rate structure. The water/sewer charges are tiered for higher rate with higher usage making a year over year comparison difficult in large part. A dry 2017 led to higher revenue, hurricane recovery and red tides slowed tourism and return to normalcy post IRMA hurricane leading to lower revenue in 2018. In 2019, usage was back up tourism appeared to be greater than pre-Irma levels resulting in higher usage and higher revenue. The Solid Waste fees were increase 2.2% in 2018, and an additional 2.46 CPI in 2019.

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 23. 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, the 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, 2019, the City’s governmental funds reported combined ending fund balances of \$45.1 million, a decrease of \$4.9 million in comparison with the prior year. This decrease is a result of significant committed capital project completions in 2019 offset set by significant improvements in unassigned fund balance improvements in 2019. In 2019, approximately 28.2% of this total (or \$12.5 million) constitutes unassigned fund balance, which is available for spending at the City’s discretion. This is up from 14.2%

(or \$7.1 million) in 2018. 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 (\$6.5 million); (2) restricted for building and zoning (\$4.3 million); (3) restricted for transportation (\$3.3 million); (4) restricted for economic development (\$4.3 million); (5) committed for City-wide emergencies (\$3.8 million); (6) assigned to meet debt service requirements (\$1.9 million); and (7) restricted for Baker Park capital construction project (\$252 thousand); (8) for a variety of other restricted (\$514 thousand).

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 \$12.5 million, while the total fund balance was \$17.7 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 29.5% of the total fiscal year 2019 General Fund expenditures, while total fund balance represents 41.9% of that same amount.

General Fund expenditures were \$1.1 million under the amended budget. Most variances in general government areas were minor and due to short periods of vacancies or minor cost under-runs in operating expenses, unspent litigation (legal services) budget, and unused contingencies.

The fund balance in the General Fund increased by \$5.2 million during the fiscal year. This increase resulted from higher; property tax collections, charges for service, interest revenue, intergovernmental revenue related to IRMA. This revenue was slightly offset by increased expenses related to personnel, legal/litigation, and costs related to employee health insurance contributions to the City's employee benefits fund.

The Debt Service Fund reports a total fund balance of \$1.90 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 \$485 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 \$4 million, \$2.8 million is assigned for future capital projects, and \$1.2 is committed to existing project contractual commitments. Fund balance decreased by \$5.6 million.

The fund balance in the Community Redevelopment Fund increased \$2.1 million in 2019 with an ending fund balance of \$4.3 million. 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 \$252 thousand. This is a decrease of \$11.7 million driven payment of expenses related to park's construction.

The fund balance in the Streets and Traffic Fund increased \$731 thousand in 2019 with an ending fund balance of \$3.3 million. The key factor was an increase in total revenue of \$779 thousand in 2019.

The combined fund balances for all governmental (major and non-major) funds decreased by \$5.7 million for fiscal year 2019 or 11.4%.

Proprietary Funds

Like the fund financial statements of governmental funds, the fund financial statements for the City's Proprietary Funds provide the same type of information in the government-wide financial statements, but in more detail. The fund statements of the Proprietary Funds start on page 31.

Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$43.8 million in the Water and Sewer Fund, \$1.7 million in the Solid Waste Fund, \$10.4 million in the Stormwater Fund, (\$4.6) million in the City Dock Fund, \$4.1 million in the Naples Beach Fund, and \$423 thousand in the Tennis Fund.

General Fund Budgetary Highlights

The adopted budget for fiscal year 2018-2019 was \$39,238,914 in expenditures and other financing uses and \$39,641,681 in revenues and other financing sources, with the difference of \$402,767 being a planned increase in fund balance. The amended budget for fiscal year 2018-2019 is \$40,154,056 in expenditures, and \$39,765,681 in revenues. The actual fiscal year 2018-2019 is \$38,862,257 in expenditures and \$44,041,237 in revenues, with the difference of \$5,178,981 resulting in significant increases in the fund balance. The difference in estimated revenue and actual revenue is due in large part to the Hurricane IRMA reimbursement recognition for obligated projects with FEMA and the Florida Department of Emergency Management.

The increase between the General Fund's original budgeted revenue and the final budgeted revenue is \$124,000 resulting from transfer in for costs related to parking garage maintenance.

The increase between the General Fund's original budgeted expenditures and the amended budgeted expenditures is \$915,142. This includes: (a) \$124,000 was for costs related to Legal Counsel/Litigation, and (b) \$791,141 was for prior year encumbrances.

The General Fund contingency was budgeted at \$500,000. Of that, \$312,183 was appropriated during the year by City Council. This includes (a) \$250,000 for employee health insurance transfers due to increased claims expense, (b) \$40,000 for special election expense, and (c) \$22,183 for Seagate design and legal services.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end, had \$231.9 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 \$25 million or 12.19% over last year.

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

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|-----------------------------------|-------------------------|---------------|--------------------------|----------------|--------------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 16,418 | 16,418 | 3,142 | 3,142 | 19,560 | 19,560 |
| Buildings | 49,244 | 40,233 | 63,790 | 63,738 | 113,034 | 103,971 |
| Improvements other than buildings | 43,620 | 42,193 | 71,449 | 71,301 | 115,069 | 113,494 |
| Infrastructure | 38,064 | 36,774 | 126,457 | 122,596 | 164,521 | 159,370 |
| Machinery and equipment | 30,471 | 26,890 | 38,350 | 33,033 | 68,821 | 59,923 |
| Construction in progress | 19,729 | 10,983 | 12,491 | 4,202 | 32,220 | 15,185 |
| Less accumulated depreciation | (101,637) | (96,676) | (179,640) | (168,066) | (281,277) | (264,742) |
| Total | <u>\$ 95,909</u> | <u>76,815</u> | <u>136,039</u> | <u>129,946</u> | <u>231,948</u> | <u>206,761</u> |

This year's major additions include:

- Fire Station #1 \$9.7 million
- Baker Park Bridge \$12.1 million
- Stormwater Improvements \$1.4 million
- Water and Sewer Fund infrastructure improvement \$3.7 million
- Naples Bay Oyster Reef \$714 thousand
- Building Department Renovations \$602 thousand
- Multimedia & AV Equipment for EOC \$121 thousand

Note: Land and construction in progress in Table 4 (above) equate to the capital assets not being depreciated on the Statement of Net Position on page 20. Additional information regarding the City's capital assets is included in Note 4(D) to the financial statements.

Debt Outstanding

As of September 30, 2019, the City had \$18.9 million in debt (bonds, notes, etc.) outstanding compared to \$18.7 million in 2018, a \$200 thousand increase. This decrease is the net effect of regular amortization in accordance with the payment schedules of \$3.2 million offset by an issuance of \$3.4 million in new issuance related to Gulf Acres/Rosemary Heights special assessment project.

Table 5
Outstanding Debt at Year-End

| | 2019 | 2018 |
|--|---------------|------------|
| Governmental | | |
| General obligation bonds | \$ - | - |
| Capital improvement revenue note | 3,052,626 | 3,348,058 |
| Capital improvement refunding revenue note | 3,801,000 | 5,396,000 |
| Unamortized discount | - | - |
| Subtotal | 6,853,626 | 8,744,058 |
| Business-type | | |
| Public Utilities refunding revenue bonds | 12,056,723 | 9,942,694 |
| Capital improvement refunding revenue note | - | - |
| Subtotal | 12,056,723 | 9,942,694 |
| Total | \$ 18,910,349 | 18,686,752 |

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 2019, the City Council approved a \$152.5 million budget for fiscal year 2019-2020, approximately \$7.8 million more than the fiscal year 2018-2019 budget. The budget includes \$107.5 million for operations and transfers, \$4.2 million for debt service, and \$40.7 million for capital improvements.

The adopted fiscal year 2019-2020 budget continues the City's fiscally conservative approach to budget development, while providing quality services to the citizens.

The budget for fiscal year 2019-2020 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 2018-2019 General Fund budget was balanced using a millage rate of 1.1800. The 2019 millage rate represents remained unchanged from 2018. The 2017 and 2016 millage rate was 1.1500, prior to 2016 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 1.1954 is greater than the aggregate roll back rate of 1.1656 mills.

The following economic and operating factors were considered in developing the budget for fiscal year 2019-2020:

- The City showed the seventh consecutive year of increase in taxable value (after four consecutive years of decline) as values increased 4.5% over fiscal year 2018-2019 to \$24.1 billion.
- The City expects minimal fluctuations for most other revenue sources, including an incremental decrease 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.
- Health insurance benefits increase 20%. The City increased health insurance rates by 5% in fiscal year 2018-2019. The City increased both the employer and employee premium contributions to maintain the current 85% employer and 15% employee cost sharing of healthcare premiums and comply with the labor contracts. However, City Council voted to reimburse employees for their 2019 increase. The budget has a net increase of 4.0 positions over fiscal year 2018-2019.
- There is one debt issuance possible in fiscal year 2019-2020. This debt issuance would be related to stormwater outflow project. The fiscal year 2019-2020 budget includes \$7.9 million in the Stormwater Fund. City Council has expressed a desire to evaluate funding a portion of this project, roughly \$5 million, with debt to free up existing fund balance to accelerate other aspects of the stormwater master plan. Other Capital improvements includes: \$18.8 million of water/sewer projects, \$1.6 million in other stormwater projects, \$920,000 on various other roadway and traffic improvement, \$65,000 on a Pedestrian & Bicycle Master Plan Project, \$500,000 Tree Fill In and Replacement Program, \$150,000 Median Restoration, \$185,000 Fleischmann Park improvement and design, \$60,000 Skate Park, \$136,000 River Park, \$56,000 Norris Center, and \$80,000 Naples Landing. Police department projects total \$750,400 including vehicles, radios, taser replacement, and office furnishings. The Collier County One Cent Sales Tax includes appropriations of \$500,000 for automatic retractable bollards, \$550,000 ADA and Mobility improvements for City buildings, \$1.2 million for City Hall improvements, \$575,000 for building hardening, and \$3.0 million for Naples Bay Water Quality U Beach Restoration.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF NAPLES, FLORIDA

Statement of Net Position

September 30, 2019

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and investments | \$ 56,192,798 | 52,176,562 | 108,369,360 |
| Restricted cash and investments | - | 317,988 | 317,988 |
| Receivables (net, where applicable, of allowance for uncollectible) | 1,929,559 | 12,089,293 | 14,018,852 |
| Accrued interest | 277,570 | 162,652 | 440,222 |
| Internal balances | (202,054) | 202,054 | - |
| Due from other governments | 4,653,195 | 2,426,111 | 7,079,306 |
| Inventories | 91,405 | 970,572 | 1,061,977 |
| Prepaid items | 71,741 | - | 71,741 |
| Capital assets not being depreciated | 36,146,998 | 15,632,480 | 51,779,478 |
| Capital assets, net of accumulated depreciation | 59,761,713 | 120,406,400 | 180,168,113 |
| Total assets | 158,922,925 | 204,384,112 | 363,307,037 |
| Deferred Outflows of Resources | | | |
| Deferred outflows - pensions | 8,536,879 | 846,791 | 9,383,670 |
| Deferred outflows - OPEB | 201,882 | 90,701 | 292,583 |
| Deferred charge on refunding | 113,169 | 63,243 | 176,412 |
| Total deferred outflows of resources | 8,851,930 | 1,000,735 | 9,852,665 |
| Liabilities | | | |
| Accounts payable and other current liabilities | \$ 7,097,009 | 4,397,758 | 11,494,767 |
| Due to other governments | 7,674 | 1,213,296 | 1,220,970 |
| Unearned revenue | 192,594 | 258,367 | 450,961 |
| Accrued interest payable | 25,484 | 24,561 | 50,045 |
| Customer deposits | 236,665 | 93,342 | 330,007 |
| Noncurrent liabilities | | | |
| Due within one year | 3,507,353 | 1,596,506 | 5,103,859 |
| Due in more than one year | 41,990,018 | 15,191,367 | 57,181,385 |
| Total liabilities | 53,056,797 | 22,775,197 | 75,831,994 |
| Deferred Inflows of Resources | | | |
| Deferred inflows - pensions | 7,820,598 | 1,430,033 | 9,250,631 |
| Deferred inflows - OPEB | 139,918 | 62,863 | 202,781 |
| Total deferred inflows of resources | 7,960,516 | 1,492,896 | 9,453,412 |
| Net Position | | | |
| Net investment in capital assets | 89,168,254 | 124,045,399 | 213,213,653 |
| Restricted for | | | |
| Building and zoning | 4,328,437 | - | 4,328,437 |
| Capital projects | 6,020,175 | - | 6,020,175 |
| Streets and infrastructure | 3,305,219 | - | 3,305,219 |
| Economic development | 4,276,037 | - | 4,276,037 |
| Police programs | 315,372 | - | 315,372 |
| Culture and recreation improvements | 758,092 | - | 758,092 |
| Unrestricted (deficit) | (1,414,044) | 57,071,355 | 55,657,311 |
| Total net position | \$ 106,757,542 | 181,116,754 | 287,874,296 |

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

CITY OF NAPLES, FLORIDA

Statement of Activities

Year Ended September 30, 2019

| | <u>Expenses</u> | <u>Indirect Expenses Allocation</u> |
|-----------------------------------|----------------------|---|
| Functions/programs | | |
| Governmental activities | | |
| General government | \$ 13,795,497 | (3,041,910) |
| Public safety | 27,869,543 | 365,120 |
| Physical and economic environment | 2,796,105 | 124,190 |
| Transportation | 2,930,762 | 103,250 |
| Culture and recreation | 8,386,370 | - |
| Interest | 218,975 | - |
| Total governmental activities | <u>55,997,252</u> | <u>(2,449,350)</u> |
| Business-type activities | | |
| Water and sewer | 25,959,376 | 1,628,700 |
| Solid waste | 6,396,277 | 354,720 |
| Stormwater | 4,150,063 | 190,770 |
| Dock | 1,931,943 | 63,230 |
| Beach | 2,090,111 | 165,010 |
| Tennis | 615,903 | 46,920 |
| Total business-type activities | <u>41,143,673</u> | <u>2,449,350</u> |
| Total primary government | <u>\$ 97,140,925</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 |
| 3,861,356 | 309,386 | 3,233,353 | (3,349,492) | - | (3,349,492) |
| 7,040,301 | - | 152,489 | (21,041,873) | - | (21,041,873) |
| 526,710 | 6,150,723 | 784,267 | 4,541,405 | - | 4,541,405 |
| 101,748 | 308,022 | - | (2,624,242) | - | (2,624,242) |
| 972,706 | 7,100 | 238,965 | (7,167,599) | - | (7,167,599) |
| - | - | - | (218,975) | - | (218,975) |
| <u>12,502,821</u> | <u>6,775,231</u> | <u>4,409,074</u> | <u>(29,860,776)</u> | <u>-</u> | <u>(29,860,776)</u> |
| 33,648,343 | 1,219,113 | 5,926,569 | - | 13,205,949 | 13,205,949 |
| 7,384,825 | 137,989 | - | - | 771,817 | 771,817 |
| 5,080,504 | 1,724,984 | 484,244 | - | 2,948,899 | 2,948,899 |
| 2,146,595 | - | - | - | 151,422 | 151,422 |
| 2,399,249 | 200,789 | - | - | 344,917 | 344,917 |
| 698,710 | - | - | - | 35,887 | 35,887 |
| <u>51,358,226</u> | <u>3,282,875</u> | <u>6,410,813</u> | <u>-</u> | <u>17,458,891</u> | <u>17,458,891</u> |
| <u>63,861,047</u> | <u>10,058,106</u> | <u>10,819,887</u> | <u>(29,860,776)</u> | <u>17,458,891</u> | <u>(12,401,885)</u> |
| General revenues | | | | | |
| Property taxes | | | 26,590,992 | - | 26,590,992 |
| Local communication and utility taxes | | | 5,992,589 | - | 5,992,589 |
| Insurance premium tax | | | 1,287,722 | - | 1,287,722 |
| Motor fuel taxes | | | 1,374,754 | - | 1,374,754 |
| Business tax | | | 251,348 | - | 251,348 |
| Franchise fees | | | 3,627,333 | - | 3,627,333 |
| Intergovernmental revenues—unrestricted | | | 7,148,793 | - | 7,148,793 |
| Unrestricted investment earnings | | | 1,979,529 | 1,825,523 | 3,805,052 |
| Gain on sale of capital assets | | | - | 177,764 | 177,764 |
| Transfers | | | 2,020,100 | (2,020,100) | - |
| Total general revenues and transfers | | | <u>50,273,160</u> | <u>(16,813)</u> | <u>50,256,347</u> |
| Change in net position | | | 20,412,384 | 17,442,078 | 37,854,462 |
| Net position, beginning | | | 86,345,158 | 163,674,676 | 250,019,834 |
| Net position, ending | | | <u>\$ 106,757,542</u> | <u>181,116,754</u> | <u>287,874,296</u> |

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

CITY OF NAPLES, FLORIDA

Balance Sheet
Governmental Funds
September 30, 2019

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> |
|--|-------------------------|----------------------------------|--------------------------------------|
| Assets | | | |
| Cash and investments | \$ 15,758,774 | 1,631,549 | 4,233,421 |
| Receivables (net, where applicable, of allowance for uncollectible) | | | |
| Accounts | 617,811 | - | 965,434 |
| Utility taxes | - | 298,881 | - |
| Accrued interest | 120,391 | 2,332 | 32,598 |
| Due from other funds | 58,700 | - | - |
| Advances due from other funds | 998,650 | - | - |
| Due from other governments | 3,880,687 | - | - |
| Inventories | - | - | - |
| Prepaid items | 16,124 | - | - |
| Total assets | <u>\$ 21,451,137</u> | <u>1,932,762</u> | <u>5,231,453</u> |
| Liabilities | | | |
| Accounts payable | \$ 2,299,203 | - | 312,928 |
| Accrued payroll | 1,175,181 | - | - |
| Due to other governments | 7,674 | - | - |
| Unearned revenue | 192,028 | - | - |
| Customer deposits | - | - | - |
| Total liabilities | <u>3,674,086</u> | <u>-</u> | <u>312,928</u> |
| Deferred inflows of resources | | | |
| Unavailable revenue | <u>7,990</u> | <u>-</u> | <u>689,611</u> |
| Fund balances | | | |
| Nonspendable | 1,014,774 | - | - |
| Restricted | - | - | - |
| Committed | 4,051,297 | - | 1,202,461 |
| Assigned | 170,682 | 1,932,762 | 3,026,453 |
| Unassigned | 12,532,308 | - | - |
| Total fund balances | <u>17,769,061</u> | <u>1,932,762</u> | <u>4,228,914</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>21,451,137</u> | <u>1,932,762</u> | <u>5,231,453</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 Funds | Total |
|---|----------------------------|---|--|-------------------|
| 4,834,669 | 1,876,162 | 3,510,197 | 13,440,377 | 45,285,149 |
| - | - | - | 46,714 | 1,629,959 |
| - | - | - | - | 298,881 |
| 20,307 | 9,783 | 15,196 | 39,624 | 240,231 |
| - | - | - | - | 58,700 |
| - | - | - | - | 998,650 |
| - | - | 212,307 | 533,733 | 4,626,727 |
| - | - | 15,765 | - | 15,765 |
| - | - | - | - | 16,124 |
| <u>4,854,976</u> | <u>1,885,945</u> | <u>3,753,465</u> | <u>14,060,448</u> | <u>53,170,186</u> |
| 555,610 | 1,633,661 | 406,099 | 317,642 | 5,525,143 |
| 23,329 | - | 26,382 | 127,813 | 1,352,705 |
| - | - | - | - | 7,674 |
| - | - | - | - | 192,028 |
| - | - | - | 236,665 | 236,665 |
| <u>578,939</u> | <u>1,633,661</u> | <u>432,481</u> | <u>682,120</u> | <u>7,314,215</u> |
| - | - | - | 43,709 | 741,310 |
| - | - | 15,765 | - | 1,030,539 |
| 4,276,037 | 252,284 | 3,305,219 | 11,614,421 | 19,447,961 |
| - | - | - | 1,624,603 | 6,878,361 |
| - | - | - | 95,595 | 5,225,492 |
| - | - | - | - | 12,532,308 |
| <u>4,276,037</u> | <u>252,284</u> | <u>3,320,984</u> | <u>13,334,619</u> | <u>45,114,661</u> |
| <u>4,854,976</u> | <u>1,885,945</u> | <u>3,753,465</u> | <u>14,060,448</u> | <u>53,170,186</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, 2019

| | |
|--|-----------------------|
| Total fund balances governmental funds (page 23) | \$ 45,114,661 |
| 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 (\$95,908,711) less amounts included in the internal service funds (\$776,048). | 95,132,663 |
| Some deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | 741,310 |
| The deferred charge on refunding is not a financial resource and, therefore, is not reported in the governmental funds. | 113,169 |
| Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. | (25,484) |
| Deferred outflows (\$8,536,879), deferred inflows (\$7,820,598), and the net pension liability (\$29,128,502) related to the City's pension plans less amounts reported in the internal service funds (\$366,425) are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds. | (28,045,796) |
| Deferred outflows (\$201,882), deferred inflows (\$139,918), and the total OPEB liability (\$3,136,140) related to the City's other post-employment benefit plan less amounts reported in the internal service funds (\$178,213) are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds. | (2,895,963) |
| Long-term liabilities, including bonds payable, compensated absences, 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 (\$13,232,729) less the amounts reported in the internal service funds (\$3,775,579) for compensated absences, and insurance claims payable. | (9,457,150) |
| 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. | 6,080,132 |
| Net position of governmental activities (page 20) | <u>\$ 106,757,542</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, 2019

| | General Fund | Debt Service Fund | Capital Projects Fund |
|--|-------------------------|----------------------------------|--------------------------------------|
| Revenues | | | |
| Taxes | \$ 26,920,438 | 4,916,803 | - |
| Permits, fees and assessments | 3,739,272 | - | 670,963 |
| Intergovernmental | 8,043,172 | - | - |
| Charges for services | 2,284,568 | - | - |
| Charges to other funds | 3,665,200 | - | - |
| Fines and forfeitures | 108,538 | - | - |
| Interest | 621,595 | 44,269 | 230,880 |
| Donations | 20,255 | - | - |
| Miscellaneous | 4,840 | - | - |
| Total revenues | <u>45,407,878</u> | <u>4,961,072</u> | <u>901,843</u> |
| Expenditures | | | |
| Current | | | |
| General government | 11,041,761 | 36,660 | 67,430 |
| Public safety | 24,351,004 | - | - |
| Physical and economic environment | - | - | - |
| Transportation | - | - | - |
| Culture and recreation | 6,797,530 | - | - |
| Capital outlay | | | |
| General government | 37,055 | - | 228,259 |
| Public safety | 32,122 | - | 6,736,352 |
| Physical and economic environment | - | - | - |
| Transportation | - | - | 1,163,545 |
| Culture and recreation | 114,654 | - | 1,424,753 |
| Debt service | | | |
| Principal | - | 1,890,432 | - |
| Interest and fiscal charges | - | 172,597 | - |
| Total expenditures | <u>42,374,126</u> | <u>2,099,689</u> | <u>9,620,339</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,033,752</u> | <u>2,861,383</u> | <u>(8,718,496)</u> |
| Other financing sources (uses) | | | |
| Transfers in | 2,191,600 | 980,993 | 3,286,648 |
| Transfers out | (47,500) | (3,235,000) | - |
| Proceeds from sale of capital assets | 1,129 | - | 84,045 |
| Total other financing sources (uses) | <u>2,145,229</u> | <u>(2,254,007)</u> | <u>3,370,693</u> |
| Change in fund balances | 5,178,981 | 607,376 | (5,347,803) |
| Fund balances, beginning of year | 12,590,080 | 1,325,386 | 9,576,717 |
| Fund balances, end of year | <u>\$ 17,769,061</u> | <u>1,932,762</u> | <u>4,228,914</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 Funds | Total |
|---|----------------------------|---|--|--------------------|
| 1,057,953 | - | 2,263,754 | 338,457 | 35,497,405 |
| - | - | 281,704 | 6,766,254 | 11,458,193 |
| 3,195,822 | - | 913,643 | 3,401,543 | 15,554,180 |
| - | - | - | 266,710 | 2,551,278 |
| - | - | - | - | 3,665,200 |
| - | - | - | 12,065 | 120,603 |
| 149,855 | 180,267 | 113,632 | 294,773 | 1,635,271 |
| - | 135,875 | - | 241,345 | 397,475 |
| - | - | 21,398 | 54,599 | 80,837 |
| <u>4,403,630</u> | <u>316,142</u> | <u>3,594,131</u> | <u>11,375,746</u> | <u>70,960,442</u> |
| - | - | - | 11,612 | 11,157,463 |
| - | - | - | 4,344,733 | 28,695,737 |
| 1,025,869 | - | - | 698,662 | 1,724,531 |
| - | - | 2,235,087 | - | 2,235,087 |
| - | - | - | 105,356 | 6,902,886 |
| - | - | - | - | 265,314 |
| - | - | - | 1,353,031 | 8,121,505 |
| 1,312,585 | 12,061,104 | - | 121,503 | 13,495,192 |
| - | - | 628,372 | - | 1,791,917 |
| - | - | - | 7,500 | 1,546,907 |
| - | - | - | - | 1,890,432 |
| - | - | - | - | 172,597 |
| <u>2,338,454</u> | <u>12,061,104</u> | <u>2,863,459</u> | <u>6,642,397</u> | <u>77,999,568</u> |
| <u>2,065,176</u> | <u>(11,744,962)</u> | <u>730,672</u> | <u>4,733,349</u> | <u>(7,039,126)</u> |
| 980,000 | - | - | - | 7,439,241 |
| (980,993) | - | - | (1,155,648) | (5,419,141) |
| - | - | - | - | 85,174 |
| <u>(993)</u> | <u>-</u> | <u>-</u> | <u>(1,155,648)</u> | <u>2,105,274</u> |
| <u>2,064,183</u> | <u>(11,744,962)</u> | <u>730,672</u> | <u>3,577,701</u> | <u>(4,933,852)</u> |
| <u>2,211,854</u> | <u>11,997,246</u> | <u>2,590,312</u> | <u>9,756,918</u> | <u>50,048,513</u> |
| <u>4,276,037</u> | <u>252,284</u> | <u>3,320,984</u> | <u>13,334,619</u> | <u>45,114,661</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, 2019

| | |
|--|--|
| Net change in fund balances—total governmental funds (page 27) | \$ (4,933,852) |
| 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. | 19,503,286 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. | (336,889) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 1,890,432 |
| Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds. | 635,486 |
| 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. | 2,763,563 |
| 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 of the internal service funds reported within governmental activities. | 890,358 |
| Change in net position of governmental activities (page 21) | <u>890,358</u> <u>\$ 20,412,384</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, 2019

| Assets | Business-type Activities—Enterprise Funds | | | |
|--|--|-----------------------------|----------------------------|---------------------------|
| | Water and Sewer Fund | Solid Waste Fund | Stormwater Fund | City Dock Fund |
| Current assets | | | | |
| Cash and investments | \$ 35,928,937 | 1,794,269 | 8,264,699 | 1,096,946 |
| Restricted cash and investments | 317,988 | - | - | - |
| Receivables (net, where applicable, of allowance for uncollectible) | | | | |
| Accounts | 5,852,086 | 985,271 | 789,453 | 10,905 |
| Special assessments | 4,213,124 | - | - | - |
| Accrued interest | 99,860 | 9,603 | 33,862 | 2,723 |
| Advances due from other funds | 3,187,700 | - | 998,650 | - |
| Due from other governments | 831,694 | 49,148 | 1,514,504 | - |
| Due from other funds | 187,600 | - | 58,700 | - |
| Prepaid items | - | - | - | - |
| Inventories | 962,598 | - | - | 5,580 |
| Total current assets | <u>51,581,587</u> | <u>2,838,291</u> | <u>11,659,868</u> | <u>1,116,154</u> |
| Capital assets | | | | |
| Land | 1,761,684 | 1,145,053 | 234,866 | - |
| Buildings and utility plants | 61,273,624 | 528,790 | - | - |
| Improvements other than buildings | 52,953,039 | 4,511,402 | - | 6,869,536 |
| Infrastructure | 91,491,507 | - | 34,965,131 | - |
| Equipment | 29,614,652 | 5,277,171 | 1,526,275 | 269,266 |
| Accumulated depreciation | (142,187,104) | (6,484,730) | (21,290,828) | (1,254,034) |
| Construction in progress | 7,187,152 | - | 5,226,913 | - |
| Net capital assets | <u>102,094,554</u> | <u>4,977,686</u> | <u>20,662,357</u> | <u>5,884,768</u> |
| Total assets | <u>153,676,141</u> | <u>7,815,977</u> | <u>32,322,225</u> | <u>7,000,922</u> |
| | | | | |
| | Deferred Outflow of Resources | | | |
| Deferred outflows - pensions | 547,907 | 130,534 | 79,553 | 19,328 |
| Deferred outflows - OPEB | 61,442 | 14,629 | 5,852 | 1,463 |
| Deferred charge on refunding | 63,243 | - | - | - |
| Total deferred outflows of resources | <u>672,592</u> | <u>145,163</u> | <u>85,405</u> | <u>20,791</u> |

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

| Nonmajor Funds | Total | Governmental Activities– Internal Service Funds |
|---------------------------|--------------------|--|
| 5,091,711 | 52,176,562 | 10,907,649 |
| - | 317,988 | - |
| 238,454 | 7,876,169 | 719 |
| - | 4,213,124 | - |
| 16,604 | 162,652 | 37,339 |
| - | 4,186,350 | - |
| 30,765 | 2,426,111 | 26,468 |
| - | 246,300 | - |
| - | - | 55,617 |
| 2,394 | 970,572 | 75,640 |
| <u>5,379,928</u> | <u>72,575,828</u> | <u>11,103,432</u> |
| - | 3,141,603 | - |
| 1,988,012 | 63,790,426 | 846,944 |
| 7,115,350 | 71,449,327 | - |
| - | 126,456,638 | - |
| 1,662,598 | 38,349,962 | 3,560,071 |
| (8,423,257) | (179,639,953) | (3,687,102) |
| 76,812 | 12,490,877 | 56,135 |
| <u>2,419,515</u> | <u>136,038,880</u> | <u>776,048</u> |
| <u>7,799,443</u> | <u>208,614,708</u> | <u>11,879,480</u> |
| 69,469 | 846,791 | 103,924 |
| 7,315 | 90,701 | 11,704 |
| - | 63,243 | - |
| <u>76,784</u> | <u>1,000,735</u> | <u>115,628</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, 2019

| | Business-type Activities—Enterprise Funds | | | |
|---|--|-----------------------------|----------------------------|---------------------------|
| | Water and Sewer Fund | Solid Waste Fund | Stormwater Fund | City Dock Fund |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 2,778,918 | 248,896 | 777,186 | 38,632 |
| Accrued payroll | 300,388 | 67,826 | 46,412 | 11,510 |
| Due to other funds | - | - | - | 305,000 |
| Due to other governments | 1,213,296 | - | - | - |
| Unearned revenue | 17,237 | - | - | 1,068 |
| Accrued interest payable | 23,918 | - | 643 | - |
| Current portion of compensated absences | 120,000 | 40,000 | 15,000 | 3,000 |
| Current maturities of long-term debt | 1,163,473 | - | 235,033 | - |
| Insurance claims payable | - | - | - | - |
| Total payable from current assets | <u>5,617,230</u> | <u>356,722</u> | <u>1,074,274</u> | <u>359,210</u> |
| Current liabilities (payable from restricted assets) | | | | |
| Customer deposits | 17,211 | - | - | 76,131 |
| Total current liabilities | <u>5,634,441</u> | <u>356,722</u> | <u>1,074,274</u> | <u>435,341</u> |
| Noncurrent liabilities | | | | |
| Due in more than one year | | | | |
| Revenue bonds payable, net of unamortized discounts and premiums | 10,419,986 | - | 238,232 | - |
| Compensated absences | 491,824 | 99,113 | 53,677 | 5,183 |
| Advances due to other funds | - | - | - | 5,185,000 |
| Net pension liability | 1,554,504 | 370,347 | 225,705 | 54,837 |
| Other post-employment benefits | 954,478 | 227,257 | 90,903 | 22,725 |
| Insurance claims payable | - | - | - | - |
| Total noncurrent liabilities | <u>13,420,792</u> | <u>696,717</u> | <u>608,517</u> | <u>5,267,745</u> |
| Total liabilities | <u>19,055,233</u> | <u>1,053,439</u> | <u>1,682,791</u> | <u>5,703,086</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows - pension | 925,288 | 220,442 | 134,346 | 32,641 |
| Deferred inflows - OPEB | 42,584 | 10,139 | 4,056 | 1,014 |
| Total deferred inflows of resources | <u>967,872</u> | <u>230,581</u> | <u>138,402</u> | <u>33,655</u> |
| Net Position | | | | |
| Net investment in capital assets | 90,574,338 | 4,977,686 | 20,189,092 | 5,884,768 |
| Restricted for flexible benefits | - | - | - | - |
| Unrestricted | 43,751,290 | 1,699,434 | 10,397,345 | (4,599,796) |
| Net position of business-type activities | <u>\$ 134,325,628</u> | <u>6,677,120</u> | <u>30,586,437</u> | <u>1,284,972</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> |
|---------------------------|-----------------------|--|
| 87,346 | 3,930,978 | 160,845 |
| 40,644 | 466,780 | 58,316 |
| - | 305,000 | - |
| - | 1,213,296 | - |
| 240,062 | 258,367 | 566 |
| - | 24,561 | - |
| 20,000 | 198,000 | 35,000 |
| - | 1,398,506 | - |
| - | - | 1,117,019 |
| <u>388,052</u> | <u>7,795,488</u> | <u>1,371,746</u> |
| - | 93,342 | - |
| <u>388,052</u> | <u>7,888,830</u> | <u>1,371,746</u> |
| - | 10,658,218 | - |
| 71,873 | 721,670 | 85,960 |
| - | 5,185,000 | - |
| 197,095 | 2,402,488 | 294,847 |
| 113,628 | 1,408,991 | 181,805 |
| - | - | 2,537,600 |
| <u>382,596</u> | <u>20,376,367</u> | <u>3,100,212</u> |
| <u>770,648</u> | <u>28,265,197</u> | <u>4,471,958</u> |
| 117,316 | 1,430,033 | 175,502 |
| 5,070 | 62,863 | 8,112 |
| <u>122,386</u> | <u>1,492,896</u> | <u>183,614</u> |
| 2,419,515 | 124,045,399 | 776,048 |
| - | - | 361,072 |
| 4,563,678 | 55,811,951 | 6,202,416 |
| <u>6,983,193</u> | <u>179,857,350</u> | <u>7,339,536</u> |
| | <u>1,259,404</u> | |
| | <u>\$ 181,116,754</u> | |

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

CITY OF NAPLES, FLORIDA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2019

| | Business-type Activities—Enterprise Funds | | | |
|---|--|-----------------------------|----------------------------|---------------------------|
| | Water and Sewer Fund | Solid Waste Fund | Stormwater Fund | City Dock Fund |
| Operating revenues | | | | |
| Charges for services | | | | |
| Water revenues | \$ 18,056,172 | - | - | - |
| Sewer revenues | 15,524,441 | - | - | - |
| Intergovernmental | 1,219,113 | 137,989 | 1,694,984 | - |
| Other | 67,730 | 7,384,825 | 5,080,504 | 2,146,595 |
| Total operating revenues | <u>34,867,456</u> | <u>7,522,814</u> | <u>6,775,488</u> | <u>2,146,595</u> |
| Operating expenses | | | | |
| Personal services | 7,533,706 | 1,809,452 | 1,031,050 | 266,184 |
| Supplies, services and claims | 4,879,586 | 3,971,526 | 1,113,587 | 1,189,423 |
| Materials | 2,298,400 | - | - | - |
| Utilities | 1,809,772 | 9,450 | 36,652 | 83,387 |
| Depreciation and amortization | 8,765,576 | 618,320 | 1,914,502 | 311,566 |
| General administration | 1,628,700 | 354,720 | 190,770 | 63,230 |
| Other | 660,731 | 29,793 | 52,629 | - |
| Total operating expenses | <u>27,576,471</u> | <u>6,793,261</u> | <u>4,339,190</u> | <u>1,913,790</u> |
| Operating income | <u>7,290,985</u> | <u>729,553</u> | <u>2,436,298</u> | <u>232,805</u> |
| Nonoperating revenues (expenses) | | | | |
| Nonoperating grants | - | - | 30,000 | - |
| Interest income | 1,225,355 | 59,632 | 320,058 | 44,234 |
| Interest expense | (236,596) | - | (9,454) | (95,618) |
| Gain on sale of capital assets | 62,560 | 115,079 | 27 | 98 |
| Total nonoperating revenues (expenses) | <u>1,051,319</u> | <u>174,711</u> | <u>340,631</u> | <u>(51,286)</u> |
| Income before contributions and transfers | 8,342,304 | 904,264 | 2,776,929 | 181,519 |
| Capital contributions | 5,926,569 | - | 484,244 | - |
| Transfers in | - | - | - | - |
| Transfers out | (1,722,000) | (345,600) | - | - |
| Change in net position | <u>12,546,873</u> | <u>558,664</u> | <u>3,261,173</u> | <u>181,519</u> |
| Net position, beginning of year | 121,778,755 | 6,118,456 | 27,325,264 | 1,103,453 |
| Net position, end of year | <u>\$ 134,325,628</u> | <u>6,677,120</u> | <u>30,586,437</u> | <u>1,284,972</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> |
|---------------------------|----------------------|--|
| - | 18,056,172 | - |
| - | 15,524,441 | - |
| 30,765 | 3,082,851 | 25,230 |
| <u>3,067,194</u> | <u>17,746,848</u> | <u>14,491,005</u> |
| <u>3,097,959</u> | <u>54,410,312</u> | <u>14,516,235</u> |
| 1,137,630 | 11,778,022 | 1,248,256 |
| 795,149 | 11,949,271 | 11,636,941 |
| - | 2,298,400 | - |
| 142,925 | 2,082,186 | 26,746 |
| 482,701 | 12,092,665 | 333,949 |
| 211,930 | 2,449,350 | 413,370 |
| 159,862 | 903,015 | 9,319 |
| <u>2,930,197</u> | <u>43,552,909</u> | <u>13,668,581</u> |
| <u>167,762</u> | <u>10,857,403</u> | <u>847,654</u> |
| 200,789 | 230,789 | - |
| 176,244 | 1,825,523 | 344,258 |
| - | (341,668) | - |
| - | 177,764 | - |
| <u>377,033</u> | <u>1,892,408</u> | <u>344,258</u> |
| 544,795 | 12,749,811 | 1,191,912 |
| - | 6,410,813 | - |
| 47,500 | 47,500 | - |
| - | (2,067,600) | - |
| <u>592,295</u> | <u>17,140,524</u> | <u>1,191,912</u> |
| <u>6,390,898</u> | | <u>6,147,624</u> |
| <u>6,983,193</u> | | <u>7,339,536</u> |
| | 301,554 | |
| | <u>\$ 17,442,078</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, 2019

| | 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 | \$ 29,728,723 | 7,413,080 | 5,177,449 | 2,164,934 |
| Cash payments to suppliers | (8,468,712) | (4,060,215) | (864,921) | (1,245,769) |
| Cash payments to employees for services | (7,725,391) | (1,844,540) | (1,053,580) | (63,230) |
| Cash payments for interfund services | (1,628,700) | (354,720) | (190,770) | (270,630) |
| Net cash provided by operating activities | <u>11,905,920</u> | <u>1,153,605</u> | <u>3,068,178</u> | <u>585,305</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfers in (out) | (1,722,000) | (345,600) | - | - |
| Loans/advances and repayments from other funds | 187,600 | - | 58,700 | (305,000) |
| Nonoperating grants | - | - | 30,000 | - |
| Net cash provided by (used in) noncapital financing activities | <u>(1,534,400)</u> | <u>(345,600)</u> | <u>88,700</u> | <u>(305,000)</u> |
| Cash flows from capital and related financing activities | | | | |
| Principal paid on long-term debt | (1,031,080) | - | (231,890) | - |
| Issuance of long-term debt | 3,377,000 | - | - | - |
| Interest paid on long-term debt | (233,880) | - | (9,768) | (95,618) |
| Capital contributions | 5,926,569 | - | 484,244 | - |
| Proceeds from sale of capital assets | 62,560 | 115,079 | 27 | 98 |
| Acquisition and construction of capital assets | (13,253,910) | (819,740) | (3,788,146) | - |
| Net cash used in capital and related financing activities | <u>(5,152,741)</u> | <u>(704,661)</u> | <u>(3,545,533)</u> | <u>(95,520)</u> |
| Cash flows from investing activities | | | | |
| Interest and investment earnings | 1,261,181 | 58,476 | 312,346 | 43,184 |
| Net cash provided by investing activities | <u>1,261,181</u> | <u>58,476</u> | <u>312,346</u> | <u>43,184</u> |
| Net change in cash and cash equivalents | 6,479,960 | 161,820 | (76,309) | 227,969 |
| Cash and cash equivalents, beginning of year | 29,766,965 | 1,632,449 | 8,341,008 | 868,977 |
| Cash and cash equivalents, end of year | <u>\$ 36,246,925</u> | <u>1,794,269</u> | <u>8,264,699</u> | <u>1,096,946</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | | |
| Operating income | \$ 7,290,985 | 729,553 | 2,436,298 | 232,805 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation and amortization | 8,765,576 | 618,320 | 1,914,502 | 311,566 |
| Changes in assets - (increase) decrease | | | | |
| Accounts receivable, net | (4,307,039) | (60,586) | (83,535) | 21,794 |
| Miscellaneous receivables | - | - | - | - |
| Due from other governments | (831,694) | (49,148) | (1,514,504) | - |
| Inventories | 8,250 | - | - | (416) |
| Decrease in prepaid items | - | - | - | - |
| Deferred outflows | 119,633 | 28,503 | 17,770 | 4,312 |
| Changes in liabilities - increase (decrease) | | | | |
| Accounts payable | 1,568,502 | (49,446) | 337,947 | 27,457 |
| Accrued payroll | 23,002 | 4,144 | 4,149 | 3,058 |
| Due to other governments | (389,921) | - | - | - |
| Unearned revenue | - | - | - | 222 |
| Customer deposits | (7,054) | - | - | (3,677) |
| Insurance claims payable | - | - | - | - |
| Deferred inflows | 545,573 | 129,976 | 78,354 | 19,049 |
| Net pension liability | (884,658) | (210,762) | (128,447) | (31,207) |
| Total OPEB liability | 28,721 | 6,838 | 2,736 | 683 |
| Compensated absences | (23,956) | 6,213 | 2,908 | (341) |
| Net cash provided by operating activities | <u>\$ 11,905,920</u> | <u>1,153,605</u> | <u>3,068,178</u> | <u>585,305</u> |
| Noncash investing, capital, and financing activities | | | | |
| Amortization of loss on revenue refunding bonds | \$ 7,440 | - | - | - |

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

| Nonmajor Funds | Total | Governmental Activities– Internal Service Funds |
|---------------------------|--------------------|--|
| 3,088,759 | 47,572,945 | 14,493,647 |
| (1,131,603) | (15,771,220) | (11,490,562) |
| (968,799) | (11,655,540) | (842,112) |
| (398,209) | (2,843,029) | (823,574) |
| <u>590,148</u> | <u>17,303,156</u> | <u>1,337,399</u> |
| 47,500 | (2,020,100) | - |
| - | (58,700) | - |
| 200,789 | 230,789 | - |
| <u>248,289</u> | <u>(1,848,011)</u> | <u>-</u> |
| - | (1,262,970) | - |
| - | 3,377,000 | - |
| - | (339,266) | - |
| - | 6,410,813 | - |
| - | 177,764 | - |
| (316,569) | (18,178,365) | (261,249) |
| <u>(316,569)</u> | <u>(9,815,024)</u> | <u>(261,249)</u> |
| 171,864 | 1,847,051 | 335,754 |
| <u>171,864</u> | <u>1,847,051</u> | <u>335,754</u> |
| 693,732 | 7,487,172 | 1,411,904 |
| 4,397,979 | 45,007,378 | 9,495,745 |
| <u>5,091,711</u> | <u>52,494,550</u> | <u>10,907,649</u> |
| 167,762 | 10,857,403 | 847,654 |
| 482,701 | 12,092,665 | 333,949 |
| (103,536) | (4,532,902) | - |
| - | - | 3,880 |
| (30,765) | (2,426,111) | (26,468) |
| 455 | 8,289 | 1,756 |
| - | - | (55,617) |
| 15,230 | 185,448 | 22,683 |
| (3,357) | 1,881,103 | (40,844) |
| 2,814 | 37,167 | 13,943 |
| - | (389,921) | - |
| 94,336 | 94,558 | - |
| - | (10,731) | - |
| - | - | 277,149 |
| 69,039 | 841,991 | 103,495 |
| (112,165) | (1,367,239) | (167,796) |
| 3,419 | 42,397 | 5,471 |
| 4,215 | (10,961) | 18,144 |
| <u>590,148</u> | <u>17,303,156</u> | <u>1,337,399</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, 2019

| | Pension Trust Funds | Agency Funds |
|-----------------------------------|--------------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,226,948 | 137 |
| Contributions receivable | 1,953,548 | - |
| Investments, at fair value | | |
| U.S. Treasury securities | 7,854,544 | - |
| U.S. Government agency securities | 428,933 | - |
| Municipal obligations | 115,103 | - |
| Asset-backed securities | 6,560,726 | - |
| Corporate bonds | 13,413,966 | - |
| Common stock/equity funds | 117,296,729 | - |
| Real estate investment trusts | 14,754,613 | - |
| Mutual funds | 11,722,929 | - |
| Alternative investments | 7,234,138 | - |
| Total investments | 179,381,681 | - |
| Total assets | 185,562,177 | 137 |
| Liabilities | | |
| Accounts payable | 160,040 | 137 |
| Total liabilities | 160,040 | 137 |
| Net position | | |
| Restricted for pension benefits | \$ 185,402,137 | - |

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, 2019

| | Pension Trust Funds |
|---|--------------------------------|
| Additions | |
| Contributions | |
| Employee contributions | \$ 1,570,794 |
| Employer contributions | 6,034,849 |
| State contributions | 1,287,722 |
| Total contributions | 8,893,365 |
| Investment earnings | |
| Interest and dividend income | 4,343,029 |
| Net change in fair value of investments | 3,743,092 |
| Less investment expense | (904,291) |
| Net investment earnings | 7,181,830 |
| Total additions | 16,075,195 |
| Deductions | |
| Benefits paid | 13,449,857 |
| Refunds of contributions | 1,539,084 |
| General administration | 325,525 |
| Total deductions | 15,314,466 |
| Change in net position | 760,729 |
| Net position, restricted for pension benefits | |
| Beginning of year | 184,641,408 |
| End of year | \$ 185,402,137 |

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, 2019

NOTE 1 – 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. The City 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

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.

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 CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Fund Balance/Net Position

1. Deposits and Investments

a. Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less and consist of cash on hand, cash on deposit with financial institutions, and funds on deposit in the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration.

b. Investments

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

The City maintains a centralized bank account to maximize investment yields. Investment income resulting from pooling of investments is allocated to participating funds based on average monthly invested balances.

2. Receivables and Payables

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

a. Advances to Other Funds

In governmental fund types, noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by nonspendable fund balance, which 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

3. Inventories

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

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

4. Restricted Assets

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

5. Capital Assets

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

6. Compensated Absences

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

7. Long-term Obligations

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

8. Net Position

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

Net investment in Capital Assets—This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, notes or other 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

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: (1) nonspendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned.

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

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

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

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

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

See Note 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

In the General Fund, there is committed fund balance equal to 10% of the prior year adopted General Fund operating budget as an emergency reserve for recovery after catastrophic events such as a hurricane. In addition, the General Fund shall retain an unassigned fund balance of 16% to 30% of the prior year General Fund operating budget. In any fiscal year where the City is unable to fund the unassigned fund balance as required in this section, the City shall not budget an amount of unassigned fund balance for the purpose of balancing the budget.

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

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

9. Administrative Fees

Certain administrative expenses are incurred by the General Fund on behalf of other funds of the City. The General Fund collects for these services based on a percentage of operating costs and personnel costs. The related reimbursements for these services are recorded as either an operating expense in the proprietary funds or as expenditure in the governmental funds. Such fees amounted to \$3,665,200 for fiscal year 2019, and included \$2,449,350 charged to enterprise funds, \$413,370 charged to internal service and fiduciary funds, and \$802,480 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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The following items qualify for reporting in this category.

A deferred charge on refunding, which is reported in the government-wide Statement of Net Position, results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

Deferred inflows and deferred outflows related to the recording of changes in its 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 actuary studies and changes in actuarial assumptions adjust the net pension liability based on actual experience that was previously assumed, such as the assumed dates of retirement of plan members. These differences are deferred and amortized into pension expense over the expected remaining service life 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.

The City also has deferred inflows and deferred outflows related to the recording of changes in its total other post-employment benefit (OPEB) liability. Certain changes in the total OPEB liability are recognized as OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses resulting from periodic actuary studies and changes in actuarial assumptions adjust the total OPEB liability based on actual experience that was previously assumed, such as the assumed dates of retirement of plan members. These differences are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into OPEB expense over the expected remaining service life of plan members. Additionally, any benefits paid by the City to the OPEB plans before year-end but subsequent to the measurement date of the City's total OPEB 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 2 – 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 | \$ (6,853,626) |
| Compensated absences | <u>(2,603,524)</u> |
| Net adjustment to reduce total fund balance—governmental funds to arrive at net position—governmental activities. | <u>\$ (9,457,150)</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 | \$ 25,200,982 |
| Depreciation expense | <u>(5,697,696)</u> |
| Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities. | <u>\$ 19,503,286</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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 | \$ 54,576 |
| Deferred outflows - pensions | (182,410) |
| Deferred outflows - OPEB | 24,818 |
| Accrued interest | 3,919 |
| Net pension liability | 7,124,765 |
| Total OPEB liability | (88,898) |
| Deferred charge on refunding | (50,297) |
| Deferred inflows - pensions | (4,069,680) |
| Deferred inflows - OPEB | <u>(53,230)</u> |
| Net adjustment to increase net change in fund balances— total governmental funds to arrive at change in net position of governmental activities. | <u><u>\$ 2,763,563</u></u> |

NOTE 3 – 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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 Confiscated Properties Fund for Police Programs and Equipment, and \$1,000,000 from the unappropriated balances of the City’s funds participating in the Employee Benefits Fund to the Employee Benefits Fund for health insurance claims.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to restrict that portion of the applicable appropriation, is employed throughout the fiscal year as an operating tool for budgeted funds. Encumbrances outstanding at year-end are reported as restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities.

| | |
|------------------------------|----------------------|
| Governmental activities | |
| General Fund | \$ 155,641 |
| Capital Projects Fund | 624,003 |
| Community Redevelopment Fund | 3,033,039 |
| Baker Park Fund | 1,464,529 |
| Streets and Traffic Fund | 397,287 |
| Nonmajor governmental funds | 1,418,160 |
| Internal service funds | 176,054 |
| Business-type activities | |
| Water and Sewer Fund | 6,527,870 |
| Solid Waste Fund | 51,969 |
| Stormwater Fund | 830,357 |
| Nonmajor Business-type funds | 310,056 |
| | <u>\$ 14,988,965</u> |

NOTE 4 – 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 \$9,691,687.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Investment Portfolios

Investment holdings consist of a \$98,995,798 General Investment Portfolio and a \$183,608,629 Pension Portfolio. Both portfolios are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

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

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

As of September 30, 2019, 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 | \$ 29,712,420 | 16,186,487 | 13,525,933 |
| U.S. Government agency securities | Aaa | 38,383,787 | 15,098,558 | 23,285,229 |
| Corporate bonds | Aaa..Aa2 | 19,932,170 | 12,005,605 | 7,926,565 |
| Money market fund | Aaa..Aa2 | 445,521 | 445,521 | - |
| State investment pool | AAAm | 10,521,900 | 10,521,900 | - |
| Total investments | | <u>\$ 98,995,798</u> | <u>54,258,071</u> | <u>44,737,727</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Pension Portfolio

| <u>Investment Type</u> | <u>Credit Rating</u> <u>(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 | \$ 7,854,544 | - | 5,966,435 | 1,888,109 | - |
| U.S. Government agency securities | Aaa..A3 | 428,933 | 104 | 3,986 | 923 | 423,920 |
| Municipal obligations | Aaa | 115,103 | - | - | 115,103 | - |
| Asset-backed securities | Aaa..Baa3 | 6,560,726 | 27,807 | 2,439,647 | 1,214,737 | 2,878,535 |
| Corporate bonds | Aaa..Ba3 | 13,413,966 | 1,385,463 | 7,791,483 | 3,183,836 | 1,053,184 |
| | | <u>28,373,272</u> | <u>\$ 1,413,374</u> | <u>16,201,551</u> | <u>6,402,708</u> | <u>4,355,639</u> |
| Common stock/equity funds | Not rated | 117,296,729 | | | | |
| Real estate investment trusts | Not rated | 14,754,613 | | | | |
| Mutual funds | Not rated | 11,722,929 | | | | |
| Alternative investments | Not rated | 7,234,138 | | | | |
| Total investments | | <u>\$ 179,381,681</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, 2019:

General Investment Portfolio

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|---|----------------------|-------------------|-------------------|
| U.S. Treasury securities | \$ 29,712,420 | 29,712,420 | - |
| U.S. Government agency securities | 38,383,787 | - | 38,383,787 |
| Corporate bonds | 19,932,170 | - | 19,932,170 |
| Investments Exempt from Level Disclosure: | | | |
| Money market fund | 445,521 | - | - |
| State investment pool | 10,521,900 | - | - |
| Total investments | <u>\$ 98,995,798</u> | <u>29,712,420</u> | <u>58,315,957</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Pension Portfolio

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> |
|-----------------------------------|-----------------------|-----------------------|-------------------|
| U.S. Treasury securities | \$ 7,854,544 | 7,854,544 | - |
| U.S. Government agency securities | 428,933 | - | 428,933 |
| Municipal obligations | 115,103 | - | 115,103 |
| Asset-backed securities | 6,560,726 | - | 6,560,726 |
| Corporate bonds | 13,413,966 | - | 13,413,966 |
| Common stock/equity funds | 117,296,729 | 114,933,356 | 2,363,373 |
| Mutual funds | 11,722,929 | 11,722,929 | - |
| Total by fair value level | <u>157,392,930</u> | <u>\$ 134,510,829</u> | <u>22,882,101</u> |
| Investments Measured at NAV: | | | |
| Real estate trust funds | 14,754,613 | | |
| Alternative investments | 7,234,138 | | |
| Total measured at fair value | <u>\$ 179,381,681</u> | | |

Level 1 securities are priced based on trading in the exact security. Level 2 securities are priced based on tracing in the exact security, or by using a discounted cash flow model.

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 seven to ten 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Credit Risk

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

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

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

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, 2019, the City’s investment portfolio was held with a third-party custodian as required by the City’s investment policy.

Concentration of Credit Risk

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2019, the City’s General Investment Portfolio had the following issuer concentration based on fair value:

General Concentration

| Issuer | Fair Value | Percentage of Portfolio |
|-----------------------------------|-----------------------|--------------------------------|
| Cash | \$ 9,691,687 | 8.92% |
| Money Market | 445,521 | 0.41% |
| State investment pool | 10,521,900 | 9.68% |
| United States Treasury securities | 29,712,420 | 27.34% |
| United States Agency securities | 38,383,787 | 35.32% |
| Corporate bonds | 19,932,170 | 18.34% |
| Total | <u>\$ 108,687,485</u> | |

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

The pension investment policies target an asset allocation of 62.5% in equities, 17.5% in fixed income securities, 10% in real estate trust funds, 5% in master limited partnership, and 5% in hedge funds.

As of September 30, 2019, the City’s Pension Portfolio had the following issuer concentration based on fair value:

Pension Concentration

| Issuer | Fair Value | Percentage of Portfolio |
|-----------------------------------|-----------------------|--------------------------------|
| Cash | \$ 2,670 | 0.00% |
| Money Market | 4,224,278 | 2.30% |
| U.S. Treasury securities | 7,854,544 | 4.28% |
| U.S. Government agency securities | 428,933 | 0.23% |
| Municipal obligations | 115,103 | 0.06% |
| Asset-backed securities | 6,560,726 | 3.57% |
| Corporate bonds | 13,413,966 | 7.31% |
| Common stock/equity funds | 117,296,729 | 63.88% |
| Real estate investment trusts | 14,754,613 | 8.04% |
| Mutual funds | 11,722,929 | 6.38% |
| Alternative investments | 7,234,138 | 3.94% |
| Total | <u>\$ 183,608,629</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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2018, the assessed value of the principal taxing authority’s property upon which the 2018-2019 tax levy was based was \$22.8 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2019, was 1.1500 (\$1.15 per \$1,000 of assessed value). The assessed values at January 1, 2018, of the dependent special districts, East Naples Bay and Moorings Bay, were \$644 million, and \$2,103 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, 2019.

Total ad valorem taxes collected for the year ended September 30, 2019, aggregated \$26,590,992, net of cash discounts, of which \$25,194,582 was designated for general government services, \$1,057,953 for the Community Redevelopment Agency, \$313,024 for East Naples Bay Taxing District, and \$25,433 for the Moorings Bay Taxing District.

Taxes in the City are levied by the City Council. The millage levies are determined on the basis of estimates of revenue needs and the total taxable valuations within the jurisdiction of the City. As specified in Florida Statute 200.081, no aggregate ad valorem tax millage in excess of 10 mills on the dollar is levied against property of the City.

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

The property owners’ tax calendar is as follows:

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

For the 2018 tax roll year, the assessment roll was opened for collection on November 1, 2018, and discounts for payment prior to April 1, 2019, were determined as follows:

| Discounts Allowed | |
|--------------------------|-------------------|
| Percentage | If Paid By |
| 4% | November 30 |
| 3% | December 31 |
| 2% | January 31 |
| 1% | February 28 |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 2018, 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, 2019, for the City’s individual major funds and for the total nonmajor funds were as follows:

| | <u>Accounts/ Miscellaneous Receivable</u> | <u>Special Assessments</u> | <u>Utility Taxes</u> | <u>Due From Other Governments</u> | <u>Interest and Other</u> | <u>Total</u> |
|------------------------------|---|--------------------------------|--------------------------|---------------------------------------|-------------------------------|-------------------|
| Governmental activities | | | | | | |
| Major funds | | | | | | |
| General Fund | \$ 617,811 | - | - | 3,880,687 | 120,391 | 4,618,889 |
| Debt Service Fund | - | - | 298,881 | - | 2,332 | 301,213 |
| Capital Projects Fund | - | 965,434 | - | - | 32,598 | 998,032 |
| Community Redevelopment Fund | - | - | - | - | 20,307 | 20,307 |
| Baker Park Fund | - | - | - | - | 9,783 | 9,783 |
| Streets and Traffic Fund | - | - | - | 212,307 | 15,196 | 227,503 |
| Nonmajor funds | - | 46,714 | - | 533,733 | 39,624 | 620,071 |
| Internal Service Fund | 719 | - | - | 26,468 | 37,339 | 64,526 |
| | <u>\$ 618,530</u> | <u>1,012,148</u> | <u>298,881</u> | <u>4,653,195</u> | <u>277,570</u> | <u>6,860,324</u> |
| Business type activities | | | | | | |
| Major funds | | | | | | |
| Water and Sewer Fund | \$ 5,852,086 | 4,213,124 | - | 831,694 | 99,860 | 10,996,764 |
| Solid Waste Fund | 985,271 | - | - | 49,148 | 9,603 | 1,044,022 |
| Stormwater Fund | 789,453 | - | - | 1,514,504 | 33,862 | 2,337,819 |
| City Dock Fund | 10,905 | - | - | - | 2,723 | 13,628 |
| Nonmajor funds | 238,454 | - | - | 30,765 | 16,604 | 285,823 |
| | <u>\$ 7,876,169</u> | <u>4,213,124</u> | <u>-</u> | <u>2,426,111</u> | <u>162,652</u> | <u>14,678,056</u> |

The above receivables are net of an allowance for uncollectible accounts which is based on historical trends and/or the age of the receivable. The allowances at September 30, 2019, are as follows:

| | |
|----------------------|------------------|
| Water and Sewer Fund | \$ 13,997 |
| Solid Waste Fund | 1,824 |
| Stormwater Fund | 2,302 |
| | <u>\$ 18,123</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Governmental Activities

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2019, 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 | 10,982,775 | 14,225,073 | (5,479,127) | 19,728,721 |
| Total capital assets not being depreciated | <u>27,401,052</u> | <u>14,225,073</u> | <u>(5,479,127)</u> | <u>36,146,998</u> |
| Capital assets being depreciated | | | | |
| Buildings | 40,233,326 | 10,080,417 | (1,069,359) | 49,244,384 |
| Improvements other than buildings | 42,192,980 | 1,427,284 | - | 43,620,264 |
| Infrastructure | 36,773,837 | 1,289,822 | - | 38,063,659 |
| Equipment | 26,889,457 | 3,918,761 | (337,694) | 30,470,524 |
| Total capital assets being depreciated | <u>146,089,600</u> | <u>16,716,284</u> | <u>(1,407,053)</u> | <u>161,398,831</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (21,638,793) | (1,245,968) | 732,470 | (22,152,291) |
| Improvements other than buildings | (30,535,184) | (1,620,952) | - | (32,156,136) |
| Infrastructure | (25,227,373) | (970,207) | - | (26,197,580) |
| Equipment | (19,274,288) | (2,194,517) | 337,694 | (21,131,111) |
| Total accumulated depreciation | <u>(96,675,638)</u> | <u>(6,031,644)</u> | <u>1,070,164</u> | <u>(101,637,118)</u> |
| Total capital assets being depreciated, net | <u>49,413,962</u> | <u>10,684,640</u> | <u>(336,889)</u> | <u>59,761,713</u> |
| Total governmental capital assets, net | <u>\$ 76,815,014</u> | <u>24,909,713</u> | <u>(5,816,016)</u> | <u>95,908,711</u> |

Depreciation expense was charged to the governmental activities as follows:

| | |
|---|---------------------|
| Governmental activities | |
| General government | \$ 357,909 |
| Public safety | 1,704,963 |
| Physical and economic environment | 1,309,887 |
| Transportation | 871,919 |
| Cultural and recreation | 1,453,017 |
| Internal service | 333,949 |
| Total depreciation expense, governmental activities | <u>\$ 6,031,644</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Business-type Activities

A summary of changes in capital assets of business-type activities for the year ended September 30, 2019, 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 | 945,970 | 7,073,641 | (832,459) | 7,187,152 |
| Total capital assets not being depreciated | <u>2,707,654</u> | <u>7,073,641</u> | <u>(832,459)</u> | <u>8,948,836</u> |
| Capital assets being depreciated | | | | |
| Buildings and utility plants | 61,273,624 | - | - | 61,273,624 |
| Improvements other than buildings | 52,821,316 | 131,723 | - | 52,953,039 |
| Infrastructure | 89,076,050 | 2,415,457 | - | 91,491,507 |
| Equipment | 25,457,397 | 4,465,548 | (308,293) | 29,614,652 |
| Total capital assets being depreciated | <u>228,628,387</u> | <u>7,012,728</u> | <u>(308,293)</u> | <u>235,332,822</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (33,932,593) | (1,379,989) | - | (35,312,582) |
| Improvements other than buildings | (31,829,904) | (2,626,431) | - | (34,456,335) |
| Infrastructure | (52,605,455) | (2,804,332) | - | (55,409,787) |
| Equipment | (15,369,309) | (1,947,384) | 308,293 | (17,008,400) |
| Total accumulated depreciation | <u>(133,737,261)</u> | <u>(8,758,136)</u> | <u>308,293</u> | <u>(142,187,104)</u> |
| Total capital assets being depreciated, net | 94,891,126 | (1,745,408) | - | 93,145,718 |
| Water and sewer fund capital assets, net | <u>\$ 97,598,780</u> | <u>5,328,233</u> | <u>(832,459)</u> | <u>102,094,554</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 | 4,511,402 | - | - | 4,511,402 |
| Equipment | 4,660,435 | 819,740 | (203,004) | 5,277,171 |
| Total capital assets being depreciated | <u>9,700,627</u> | <u>819,740</u> | <u>(203,004)</u> | <u>10,317,363</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (466,050) | (25,033) | - | (491,083) |
| Improvements other than buildings | (1,744,941) | (200,680) | - | (1,945,621) |
| Equipment | (3,858,423) | (392,607) | 203,004 | (4,048,026) |
| Total accumulated depreciation | <u>(6,069,414)</u> | <u>(618,320)</u> | <u>203,004</u> | <u>(6,484,730)</u> |
| Total capital assets being depreciated, net | 3,631,213 | 201,420 | - | 3,832,633 |
| Solid waste fund capital assets, net | <u>\$ 4,776,266</u> | <u>201,420</u> | <u>-</u> | <u>4,977,686</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

| Stormwater Fund | Balance October 1 | Additions | Transfers/ retirements | Balance September 30 |
|---|------------------------------|--------------------|-----------------------------------|---------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 234,866 | - | - | 234,866 |
| Construction in progress | 3,238,608 | 1,997,144 | (8,839) | 5,226,913 |
| Total capital assets not being depreciated | <u>3,473,474</u> | <u>1,997,144</u> | <u>(8,839)</u> | <u>5,461,779</u> |
| Capital assets being depreciated | | | | |
| Infrastructure | 33,519,484 | 1,445,647 | - | 34,965,131 |
| Equipment | 1,172,081 | 354,194 | - | 1,526,275 |
| Total capital assets being depreciated | <u>34,691,565</u> | <u>1,799,841</u> | <u>-</u> | <u>36,491,406</u> |
| Less accumulated depreciation for | | | | |
| Infrastructure | (18,615,537) | (1,662,657) | - | (20,278,194) |
| Equipment | (760,789) | (251,845) | - | (1,012,634) |
| Total accumulated depreciation | <u>(19,376,326)</u> | <u>(1,914,502)</u> | <u>-</u> | <u>(21,290,828)</u> |
| Total capital assets being depreciated, net | <u>15,315,239</u> | <u>(114,661)</u> | <u>-</u> | <u>15,200,578</u> |
| Stormwater fund capital assets, net | <u>\$ 18,788,713</u> | <u>1,882,483</u> | <u>(8,839)</u> | <u>20,662,357</u> |
| | | | | |
| City Dock Fund | Balance October 1 | Additions | Transfers/ retirements | Balance September 30 |
| Capital assets being depreciated | | | | |
| Improvements other than buildings | \$ 6,869,536 | - | - | 6,869,536 |
| Equipment | 269,266 | - | - | 269,266 |
| Total capital assets being depreciated | <u>7,138,802</u> | <u>-</u> | <u>-</u> | <u>7,138,802</u> |
| Less accumulated depreciation for | | | | |
| Improvements other than buildings | (673,203) | (311,566) | - | (984,769) |
| Equipment | (269,265) | - | - | (269,265) |
| Total accumulated depreciation | <u>(942,468)</u> | <u>(311,566)</u> | <u>-</u> | <u>(1,254,034)</u> |
| Total capital assets being depreciated, net | <u>6,196,334</u> | <u>(311,566)</u> | <u>-</u> | <u>5,884,768</u> |
| Stormwater fund capital assets, net | <u>\$ 6,196,334</u> | <u>(311,566)</u> | <u>-</u> | <u>5,884,768</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

| Nonmajor Funds | Balance October 1 | Additions | Transfers/ Retirements | Balance September 30 |
|--|------------------------------|------------------|-----------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 17,992 | 76,812 | (17,992) | 76,812 |
| Total capital assets not being depreciated | <u>17,992</u> | <u>76,812</u> | <u>(17,992)</u> | <u>76,812</u> |
| Capital assets being depreciated | | | | |
| Buildings and utility plants | 1,935,394 | 52,618 | - | 1,988,012 |
| Improvements other than buildings | 7,098,435 | 16,915 | - | 7,115,350 |
| Equipment | 1,474,382 | 188,216 | - | 1,662,598 |
| Total capital assets being depreciated | <u>10,508,211</u> | <u>257,749</u> | <u>-</u> | <u>10,765,960</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (1,623,546) | (53,760) | - | (1,677,306) |
| Improvements other than buildings | (5,222,220) | (296,637) | - | (5,518,857) |
| Equipment | (1,094,790) | (132,304) | - | (1,227,094) |
| Total accumulated depreciation | <u>(7,940,556)</u> | <u>(482,701)</u> | <u>-</u> | <u>(8,423,257)</u> |
| Total capital assets being depreciated, net | <u>2,567,655</u> | <u>(224,952)</u> | <u>-</u> | <u>2,342,703</u> |
| Nonmajor fund capital assets, net | <u>\$ 2,585,647</u> | <u>(148,140)</u> | <u>(17,992)</u> | <u>2,419,515</u> |
| Total business-type capital assets, net | <u>\$ 129,945,740</u> | <u>6,952,430</u> | <u>(859,290)</u> | <u>136,038,880</u> |

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

| | |
|--|-----------------------------|
| Business-type activities | |
| Water and sewer | \$ 8,758,136 |
| Solid waste | 618,320 |
| Stormwater | 1,914,502 |
| City dock | 311,566 |
| Other | 482,701 |
| | <u> </u> |
| Total depreciation expense, business-type activities | <u>\$ 12,085,225</u> |

E. Interfund Transactions

Advances from/to other funds are as follows:

| | Advances Receivable | Advances Payable |
|--------------------------|--------------------------------|-----------------------------|
| Governmental activities | | |
| Major fund | | |
| General Fund | \$ 998,650 | - |
| Business-type activities | | |
| Major funds | | |
| Water & Sewer Fund | 3,187,700 | - |
| Stormwater Fund | 998,650 | - |
| City Dock Fund | - | 5,185,000 |
| | <u>\$ 5,185,000</u> | <u>5,185,000</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 | \$ 58,700 | - |
| Business-type activities | | |
| Major funds | | |
| Water & Sewer Fund | 187,600 | - |
| Stormwater Fund | 58,700 | - |
| City Dock Fund | - | 305,000 |
| | <u>\$ 305,000</u> | <u>305,000</u> |

Transfers during the year consisted of the following:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| Governmental activities | | |
| Major funds | | |
| General Fund | \$ 2,191,600 | 47,500 |
| Debt Service Fund | 980,993 | 3,235,000 |
| Capital Projects Fund | 3,286,648 | - |
| Community Redevelopment Fund | 980,000 | 980,993 |
| Nonmajor funds | - | 1,155,648 |
| Business-type activities | | |
| Major funds | | |
| Water and Sewer Fund | - | 1,722,000 |
| Solid Waste Fund | - | 345,600 |
| Nonmajor fund | | |
| Tennis Fund | 47,500 | - |
| | <u>\$ 7,486,741</u> | <u>7,486,741</u> |

Transfers into the General Fund in the amount of \$2,191,600 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 \$980,993 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 \$3,286,648 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.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2019, 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 | \$ 2,299,203 | 1,175,181 | 3,474,384 |
| Capital Projects Fund | 312,928 | - | 312,928 |
| Community Redevelopment Fund | 555,610 | 23,329 | 578,939 |
| Baker Park Fund | 1,633,661 | - | 1,633,661 |
| Streets and Traffic Fund | 406,099 | 26,382 | 432,481 |
| Nonmajor funds | 317,642 | 127,813 | 445,455 |
| Internal Service Fund | 160,844 | 58,316 | 219,160 |
| | <u>\$ 5,685,987</u> | <u>1,411,021</u> | <u>7,097,008</u> |
| Business-type activities | | | |
| Major funds | | | |
| Water and Sewer Fund | \$ 2,778,919 | 300,388 | 3,079,307 |
| Solid Waste Fund | 248,896 | 67,826 | 316,722 |
| Stormwater Fund | 777,186 | 46,412 | 823,598 |
| City Dock Fund | 38,632 | 11,510 | 50,142 |
| Nonmajor funds | 87,345 | 40,644 | 127,989 |
| | <u>\$ 3,930,978</u> | <u>466,780</u> | <u>4,397,758</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations

Long-term liabilities of the governmental activities at September 30, 2019, are comprised of the following:

Capital Improvement Refunding Revenue Note, Series 2018, issued in the amount of \$3,427,883 to finance the construction of Fire Station #1; annual principal and interest payments in the amount of \$387,503 through September 30, 2028. Non-ad valorem revenues are pledged to secure this issue. Interest rate is 2.75%. \$ 3,052,626

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%. 3,801,000

Claims payable 3,654,619

Net pension liability 29,128,502

Total OPEB liability 3,136,140

Compensated absences payable 2,724,484

\$ 45,497,371

Changes in long-term obligations for governmental activities for the year ended September 30, 2019, are as follows:

| <u>Governmental Activities</u> | <u>Balance October 1</u> | <u>Additions</u> | <u>Retired</u> | <u>Balance September 30</u> | <u>Due in One Year</u> |
|---|------------------------------|-------------------|---------------------|---------------------------------|----------------------------|
| Debt payable | | | | | |
| Bonds | | | | | |
| 2018 Capital Improvement Revenue Note | \$ 3,348,058 | - | (295,432) | 3,052,626 | 303,556 |
| 2013 Capital Improvement Refunding Revenue Note | <u>5,396,000</u> | - | <u>(1,595,000)</u> | 3,801,000 | 1,625,000 |
| Total debt payable | 8,744,058 | - | (1,890,432) | 6,853,626 | 1,928,556 |
| Claims payable | 3,377,470 | 6,574,762 | (6,297,613) | 3,654,619 | 1,117,019 |
| Net pension liability | 36,421,063 | 17,298,370 | (24,590,931) | 29,128,502 | - |
| Total OPEB liability | 3,041,771 | 351,590 | (257,221) | 3,136,140 | - |
| Compensated absences payable | <u>2,760,916</u> | <u>1,926,340</u> | <u>(1,962,772)</u> | 2,724,484 | 461,778 |
| Total | <u>\$ 54,345,278</u> | <u>26,151,062</u> | <u>(34,998,969)</u> | 45,497,371 | <u>3,507,353</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 \$120,960 in compensated absences, \$3,654,619 in claims payable, \$181,805 in total other post-employment benefits liability, and \$294,847 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 \$2,270,710, Building and Zoning Fund \$154,969, Community Redevelopment Fund \$29,441, Streets and Traffic Fund \$148,404. The remaining total other post-employment benefits liability and net pension liability will generally be liquidated by the General Fund.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

| Governmental Activities | Bonds | | |
|--------------------------------|---------------------|-----------------|------------------|
| | Principal | Interest | Total |
| Year ended September 30 | | | |
| 2020 | \$ 1,928,556 | 127,333 | 2,055,889 |
| 2021 | 2,041,904 | 95,423 | 2,137,327 |
| 2022 | 766,481 | 68,083 | 834,564 |
| 2023 | 329,294 | 58,209 | 387,503 |
| 2024 | 338,350 | 49,153 | 387,503 |
| 2025 - 2028 | 1,449,041 | 100,973 | 1,550,014 |
| | <u>\$ 6,853,626</u> | <u>499,174</u> | <u>7,352,800</u> |

Long-term liabilities of the business-type activities at September 30, 2019, 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. \$ 4,712,000

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. 2,728,000

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%. 357,460

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 2.35%. 408,999

Special Assessment Revenue Bond, Series 2019, issued in the amount of \$3,377,000 to currently fund the Gulf Acres/Rosemary Heights Assessment Project; semi-annual principal and interest payments range from \$27,316 to \$217,795, with final maturity on July 1, 2039; secured by special assessment revenues of the water/sewer utility system; interest rate of 2.60%. 3,377,000

| | |
|------------------------------|---------------|
| Net pension liability | 1,554,504 |
| Total OPEB liability | 954,478 |
| Compensated absences payable | 611,824 |
| Total water and sewer fund | \$ 14,704,265 |

Solid Waste Fund

| | |
|------------------------------|------------|
| Net pension liability | \$ 370,347 |
| Total OPEB liability | 227,257 |
| Compensated absences payable | 139,113 |
| Total solid waste fund | \$ 736,717 |

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%. \$ 473,265

| | |
|------------------------------|------------|
| Net pension liability | 225,705 |
| Total OPEB liability | 90,903 |
| Compensated absences payable | 68,677 |
| Total stormwater fund | \$ 858,550 |

City Dock Fund

| | |
|------------------------------|-----------|
| Net pension liability | \$ 54,837 |
| Total OPEB liability | 22,725 |
| Compensated absences payable | 8,183 |
| Total city dock fund | \$ 85,745 |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Nonmajor funds

| | |
|------------------------------|--------------------------|
| Net pension liability | \$ 197,095 |
| Total OPEB liability | 113,628 |
| Compensated absences payable | <u>91,873</u> |
| Total nonmajor funds | <u><u>\$ 402,596</u></u> |

Changes in long-term obligations for business-type activities for the year ended September 30, 2019, 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 | | | | | |
| Bonds | | | | | |
| Public Utilities Refunding Revenue Bond, Series 2012A | \$ 5,235,000 | - | (523,000) | 4,712,000 | 537,000 |
| Public Utilities Refunding Revenue Bond, Series 2012B | 3,032,000 | - | (304,000) | 2,728,000 | 312,000 |
| Public Utilities Refunding Revenue Bond, Series 2013 | 1,203,900 | - | (373,175) | 830,725 | 378,236 |
| Special Assessment Revenue Bond, Series 2015 | 471,794 | - | (62,795) | 408,999 | 64,270 |
| Special Assessment Revenue Bond, Series 2019 | - | 3,377,000 | - | 3,377,000 | 107,000 |
| Total debt payable | <u>9,942,694</u> | <u>3,377,000</u> | <u>(1,262,970)</u> | <u>12,056,724</u> | <u>1,398,506</u> |
| Net pension liability | 3,769,727 | 2,046,145 | (3,413,384) | 2,402,488 | - |
| Total OPEB liability | 1,366,594 | 157,961 | (115,564) | 1,408,991 | - |
| Compensated absences payable | 930,631 | 582,546 | (593,507) | 919,670 | 198,000 |
| Total | <u>\$ 16,009,646</u> | <u>6,163,652</u> | <u>(5,385,425)</u> | <u>16,787,873</u> | <u>1,596,506</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, 2019, no amounts were earned that will have to be rebated.

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

Water and Sewer Fund:

| | <u>Bonds</u> | | |
|-------------------------|----------------------|--------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| Year ended September 30 | | | |
| 2020 | \$ 1,163,473 | 278,894 | 1,442,367 |
| 2021 | 1,216,893 | 267,100 | 1,483,993 |
| 2022 | 1,168,471 | 237,417 | 1,405,888 |
| 2023 | 1,126,909 | 208,840 | 1,335,749 |
| 2024 | 1,157,528 | 179,624 | 1,337,152 |
| 2025 - 2029 | 3,832,185 | 470,072 | 4,302,257 |
| 2030 - 2034 | 897,000 | 203,918 | 1,100,918 |
| 2035 - 2039 | 1,021,000 | 80,990 | 1,101,990 |
| | <u>\$ 11,583,459</u> | <u>\$1,926,855</u> | <u>\$13,510,314</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

| Stormwater Fund: | Bonds | | |
|-------------------------|-------------------|--------------|----------------|
| | Principal | Interest | Total |
| Year ended September 30 | | | |
| 2020 | \$ 235,033 | 4,903 | 239,936 |
| 2021 | 238,232 | 1,332 | 239,564 |
| | <u>\$ 473,265</u> | <u>6,235</u> | <u>479,500</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.

H. Fund Equity

The following is a summary of fund balances that were nonspendable, restricted, committed or assigned as of September 30, 2019:

| | General Fund | Debt Service Fund | Capital Projects Fund | Community Redevelopment Fund | Baker Park Fund | Streets and Traffic Fund | Other Nonmajor Governmental | Total |
|---------------------------------|----------------------|-------------------|-----------------------|------------------------------|-----------------|--------------------------|-----------------------------|-------------------|
| Fund balances | | | | | | | | |
| Nonspendable | | | | | | | | |
| Inventory | \$ - | - | - | - | - | 15,765 | - | 15,765 |
| Prepaid items | 16,124 | - | - | - | - | - | - | 16,124 |
| Advances to other funds | 998,650 | - | - | - | - | - | - | 998,650 |
| | <u>1,014,774</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,765</u> | <u>-</u> | <u>1,030,539</u> |
| Restricted | | | | | | | | |
| Donations, various | - | - | - | - | - | - | 505,808 | 505,808 |
| Capital projects - impact fees | - | - | - | - | - | - | 862,353 | 862,353 |
| Capital projects - parks & rec. | - | - | - | - | 252,284 | - | - | 252,284 |
| Capital projects - sales tax | - | - | - | - | - | - | 3,251,612 | 3,251,612 |
| Dredging projects | - | - | - | - | - | - | 2,287,793 | 2,287,793 |
| Transportation | - | - | - | - | - | 3,305,219 | - | 3,305,219 |
| Police programs | - | - | - | - | - | - | 315,372 | 315,372 |
| Economic development | - | - | - | 4,276,037 | - | - | - | 4,276,037 |
| Coral reef construction | - | - | - | - | - | - | 8,160 | 8,160 |
| Building and zoning operations | - | - | - | - | - | - | 4,383,323 | 4,383,323 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,276,037</u> | <u>252,284</u> | <u>3,305,219</u> | <u>11,614,421</u> | <u>19,447,961</u> |
| Committed | | | | | | | | |
| Public arts program | - | - | - | - | - | - | 581,831 | 581,831 |
| Emergency reserve | 3,823,891 | - | - | - | - | - | - | 3,823,891 |
| Capital projects | - | - | 578,458 | - | - | - | - | 578,458 |
| Contracts | 155,641 | - | 624,003 | - | - | - | - | 779,644 |
| Handicap accessibility | 71,765 | - | - | - | - | - | - | 71,765 |
| Economic development | - | - | - | - | - | - | 1,033,562 | 1,033,562 |
| Land conservation | - | - | - | - | - | - | 9,210 | 9,210 |
| | <u>4,051,297</u> | <u>-</u> | <u>1,202,461</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,624,603</u> | <u>6,878,361</u> |
| Assigned | | | | | | | | |
| Debt service | - | 1,932,762 | - | - | - | - | - | 1,932,762 |
| Encumbrances | 170,682 | - | - | - | - | - | - | 170,682 |
| Economic development | - | - | - | - | - | - | 95,595 | 95,595 |
| Capital projects | - | - | 3,026,453 | - | - | - | - | 3,026,453 |
| | <u>170,682</u> | <u>1,932,762</u> | <u>3,026,453</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>95,595</u> | <u>5,225,492</u> |
| Unassigned | 12,532,308 | - | - | - | - | - | - | 12,532,308 |
| Total fund balance | <u>\$ 17,769,061</u> | <u>1,932,762</u> | <u>4,228,914</u> | <u>4,276,037</u> | <u>252,284</u> | <u>3,320,984</u> | <u>13,334,619</u> | <u>45,114,661</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 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, 2019, the date of the most recent actuarial valuation, is as follows:

| | |
|---|-----|
| Retirees and beneficiaries currently receiving benefits | 247 |
| Vested terminated employees | 96 |
| Active employees | 316 |

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

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2019, 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, 2019, 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.

General Pension Plan (the “Plan”) (Continued)

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

The Plan’s funding policy requires employees to contribute no less than 5% of compensation to the Plan on a pre-tax basis, or 3% for employees hired after September 30, 2011. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenses. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City’s contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets.

Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these standards significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with these new standards. 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, 2018. The components of the net pension liability of the City at September 30, 2019, were as follows:

| | |
|---|---------------------|
| Total pension liability | \$67,889,022 |
| Plan fiduciary net position | <u>(59,941,661)</u> |
| City's net pension liability | <u>\$ 7,947,361</u> |
| Plan fiduciary net position as a percentage of Total pension liability | 88.29% |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

General Pension Plan (the “Plan”) (Continued)

In addition, in accordance with GASB Statement No. 67, information related to the plan measured as of September 30, 2019, is as follows:

| | |
|---|----------------------|
| Total pension liability | \$ 70,120,872 |
| Plan fiduciary net position | <u>(60,030,093)</u> |
| City's net pension liability | <u>\$ 10,090,779</u> |
| Plan fiduciary net position as a percentage of Total pension liability | 85.61% |

For the year ended September 30, 2019, the City recognized pension expense of \$918,506 for the general employee plan. At September 30, 2019, 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 | \$ 627,421 | (797,111) |
| Differences between expected and actual experience | 86,359 | (1,719,444) |
| Net difference between projected and actual earnings on investments | - | (2,213,956) |
| City pension plan contributions subsequent to the measurement date | <u>2,087,382</u> | <u>-</u> |
| Total | <u>\$ 2,801,162</u> | <u>(4,730,511)</u> |

The deferred outflows of resources related to the Pension Plan, totaling \$2,087,382 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, 2020. 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, | |
| 2020 | \$ 632,704 |
| 2021 | 1,531,076 |
| 2022 | 1,518,558 |
| 2023 | <u>334,393</u> |
| Total | <u>\$ 4,016,731</u> |

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

General Pension Plan (the “Plan”) (Continued)

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, 2019, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|---|
| Large Cap U.S. Equity | 5.70% |
| Small/Mid Cap U.S. Equity | 5.93% |
| Non-U.S. Equity Developed | 5.20% |
| U.S. Corp Bonds-Core | 1.80% |
| Real Estate | 6.00% |
| Hedge Funds | 3.90% |
| MLPs | 5.10% |

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, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

General Pension Plan (the “Plan”) (Continued)

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, 2019, were as follows:

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at September 30, 2018 | \$ 68,709,548 | 56,239,396 | 12,470,152 |
| Changes for the year: | | | |
| Service cost | 1,505,743 | - | 1,505,743 |
| Interest | 5,093,386 | - | 5,093,386 |
| Differences between expected and actual experience | (1,752,760) | - | (1,752,760) |
| Assumption Changes | (1,062,814) | - | (1,062,814) |
| Contributions-employer | - | 1,943,363 | (1,943,363) |
| Contributions-employee | - | 667,203 | (667,203) |
| Net investment income | - | 5,865,243 | (5,865,243) |
| Benefit payments, including refunds of employee contributions | (4,604,081) | (4,604,081) | - |
| Administrative expense | - | (169,463) | 169,463 |
| Net changes | (820,526) | 3,702,265 | (4,522,791) |
| Balances at September 30, 2019 | \$ 67,889,022 | 59,941,661 | 7,947,361 |

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 7.40%, 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 (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

| | Current | | |
|---|----------------------|------------------------|----------------------|
| | 1% Decrease 6.40% | Discount Rate 7.40% | 1% Increase 8.40% |
| City's net pension liability - September 30, 2018 | \$ 14,945,089 | 7,947,361 | 1,956,375 |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

General Pension Plan (the “Plan”) (Continued)

In addition, in accordance with GASB 67, the following presents the net pension liability of the Plan, calculated using the discount rate of 7.30%, 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 (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---------------|--------------------------|-------------|
| | 6.30% | 7.30% | 8.30% |
| City's net pension liability - September 30, 2019 | \$ 14,945,089 | 10,090,779 | 1,956,375 |

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, 2018.

The assumptions used in the October 1, 2018, 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 | 7.40% 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 changes since prior actuarial valuation include the following:

- In conjunction with the October 1, 2018, valuation of the Plan, all recommended changes from the August 4, 2017, Experience study have been incorporated. Additionally, the investment return assumption will reduce from 7.5% to 7.0% beginning with the October 1, 2018, valuation, and culminating in the October 1, 2022, valuation.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2019, the date of the most recent actuarial valuation, is as follows:

| | |
|---|----|
| Retirees and beneficiaries currently receiving benefits | 76 |
| Vested terminated employees | 16 |
| DROP employees | 9 |
| Active employees | 60 |

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

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

The 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, 2019, 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, 2019, 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 OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Police Officers’ Pension Plan (the “Plan”) (Continued)

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 \$742,751. The City recognized these on-behalf payments from the state as revenues and expenditures in the governmental fund financial statements.

Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these standards significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with these new standards. 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, 2018. The components of the net pension liability of the City at September 30, 2019, were as follows:

| | |
|---|----------------------|
| Total pension liability | \$ 68,951,868 |
| Plan fiduciary net position | <u>(53,999,325)</u> |
| City's net pension liability | <u>\$ 14,952,543</u> |
| Plan fiduciary net position as a percentage of Total pension liability | 78.31% |

In addition, in accordance with GASB Statement No. 67, information related to the plan measured as of September 30, 2019, is as follows:

| | |
|---|----------------------|
| Total pension liability | \$ 70,560,778 |
| Plan fiduciary net position | <u>(54,590,526)</u> |
| City's net pension liability | <u>\$ 15,970,252</u> |
| Plan fiduciary net position as a percentage of Total pension liability | 77.37% |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Police Officers’ Pension Plan (the “Plan”) (Continued)

For the year ended September 30, 2019, the City recognized pension expense of \$2,160,990 for the police employee plan. At September 30, 2019, 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 | \$ 357,002 | - |
| Differences between expected and actual experience | 49,473 | (46,041) |
| Net difference between projected and actual earnings on investments | - | (1,865,167) |
| City pension plan contributions subsequent to the measurement date | 2,691,953 | - |
| Total | \$ 3,098,428 | (1,911,208) |

The deferred outflows of resources related to the Pension Plan, totaling \$2,691,953 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, 2020. 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, | |
| 2020 | \$ (39,816) |
| 2021 | 577,368 |
| 2022 | 689,886 |
| 2023 | 277,295 |
| Total | \$ 1,504,733 |

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

The 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, 2019, are summarized in the following table:

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Police Officers’ Pension Plan (the “Plan”) (Continued)

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|---|
| Large Cap U.S. Equity | 5.70% |
| Small/Mid Cap U.S. Equity | 5.93% |
| Non-U.S. Equity Developed | 5.20% |
| U.S. Corp Bonds-Core | 1.80% |
| Real Estate | 6.00% |
| Hedge Funds | 3.90% |
| MLPs/Infrastructure | 5.10% |

Discount rate. The discount rate used to measure the total pension liability was 7.40%. 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.

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, 2019, were as follows:

| | <u>Increase (Decrease)</u> | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at September 30, 2018 | \$ 66,476,240 | 49,686,420 | 16,789,820 |
| Changes for the year: | | | |
| Service cost | 802,840 | - | 802,840 |
| Interest | 4,907,047 | - | 4,907,047 |
| Differences between expected and actual experience | (69,061) | - | (69,061) |
| Amortization of Experience Diffs | | | |
| Assumption Changes | 535,504 | - | 535,504 |
| Contributions - buyback | 2,295 | - | 2,295 |
| Contributions-employer | - | 2,053,662 | (2,053,662) |
| Contributions-state | - | 718,404 | (718,404) |
| Contributions subsequent to plan year | | | |
| Contributions-employee | - | 204,461 | (204,461) |
| Net investment income | - | 5,144,971 | (5,144,971) |
| Benefit payments, including refunds of employee contributions | (3,702,997) | (3,702,997) | - |
| Administrative expense | - | (105,596) | 105,596 |
| Net changes | <u>2,475,628</u> | <u>4,312,905</u> | <u>(1,837,277)</u> |
| Balances at September 30, 2019 | <u>\$ 68,951,868</u> | <u>53,999,325</u> | <u>14,952,543</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Police Officers’ Pension Plan (the “Plan”) (Continued)

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 7.40%, 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 (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

| | 1% Decrease <u>6.40%</u> | Current Discount Rate <u>7.40%</u> | 1% Increase <u>8.40%</u> |
|---|-----------------------------|--|-----------------------------|
| City's net pension liability - September 30, 2018 | \$22,622,265 | 14,952,543 | 8,481,838 |

In addition, in accordance with GASB 67, the following presents the net pension liability of the Plan, calculated using the discount rate of 7.30%, 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 (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

| | 1% Decrease <u>6.30%</u> | Current Discount Rate <u>7.30%</u> | 1% Increase <u>8.30%</u> |
|---|-----------------------------|--|-----------------------------|
| City's net pension liability - September 30, 2019 | \$23,968,268 | 15,970,252 | 9,386,345 |

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, 2018.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Police Officers’ Pension Plan (the “Plan”) (Continued)

The assumptions used in the October 1, 2018, 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 | 7.40% 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:

- In conjunction with the October 1, 2018, valuation of the Plan, all recommended changes from the August 4, 2017, Experience study have been incorporated. Additionally, the investment return assumption will reduce from 7.5% to 7.0% beginning with the October 1, 2018, valuation, and culminating in the October 1, 2022, valuation.

Firefighters’ Pension Plan (the “Plan”)

The Plan provides benefits for all full-time sworn fire personnel of the City. All retirement plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 13-13283. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity’s financial report.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Firefighters’ Pension Plan (the “Plan”) (Continued)

The current membership as of October 1, 2019, the date of the most recent actuarial valuation, is as follows:

| | |
|---|----|
| Retirees and beneficiaries currently receiving benefits | 50 |
| Vested terminated employees | 6 |
| DROP employees | 6 |
| Active employees | 51 |

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, 2019, 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, 2019, 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 OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Firefighters’ Pension Plan (the “Plan”) (Continued)

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, 2019, was \$544,971. The City recognized these on-behalf payments from the state as revenues and expenditures in the governmental fund financial statements.

Plan Disclosures

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these standards significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with these new standards. 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, 2018. The components of the net pension liability of the City at September 30, 2019, were as follows:

| | |
|---|---------------------|
| Total pension liability | \$ 68,037,466 |
| Plan fiduciary net position | <u>(59,406,380)</u> |
| City's net pension liability | <u>\$ 8,631,086</u> |
| Plan fiduciary net position as a percentage of Total pension liability | 87.31% |

In addition, in accordance with GASB Statement No. 67, information related to the plan measured as of September 30, 2019, is as follows:

| | |
|---|----------------------|
| Total pension liability | \$ 71,029,158 |
| Plan fiduciary net position | <u>(59,029,500)</u> |
| City's net pension liability | <u>\$ 11,999,658</u> |
| Plan fiduciary net position as a percentage of Total pension liability | 83.11% |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Firefighters’ Pension Plan (the “Plan”) (Continued)

For the year ended September 30, 2019, the City recognized pension expense of \$1,044,971 for the firefighters employee plan. At September 30, 2019, 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 | \$ 1,077,353 | - |
| Differences between expected and actual experience | 167,880 | (522,070) |
| Net difference between projected and actual earnings on investments | - | (2,086,845) |
| City pension plan contributions subsequent to the measurement date | 2,238,847 | - |
| Total | <u>\$ 3,484,080</u> | <u>(2,608,915)</u> |

The deferred outflows of resources related to the Pension Plan, totaling \$2,238,847 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, 2020. 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, | |
|--------------------------|---------------------|
| 2020 | |
| 2021 | (23,366) |
| 2022 | 578,425 |
| 2023 | 491,420 |
| 2024 | 317,203 |
| Total | <u>\$ 1,363,682</u> |

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

The 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, 2019, are summarized in the following table:

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Firefighters’ Pension Plan (the “Plan”) (Continued)

| <u>Asset Class</u> | <u>Long Term-Expected Real Rate of Return</u> |
|---------------------------|---|
| Large Cap U.S. Equity | 5.70% |
| Small/Mid Cap U.S. Equity | 5.93% |
| Non-U.S. Equity-Developed | 5.20% |
| U.S. Corps Bonds-Core | 1.80% |
| Real Estate | 6.00% |
| Hedge Funds | 3.90% |
| MLPs/Infrastructure | 5.10% |

Discount rate. The discount rate used to measure the total pension liability was 7.40%. 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.

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, 2019, were as follows:

| | <u>Increase (Decrease)</u> | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at September 30, 2018 | \$ 64,897,113 | 53,966,295 | 10,930,818 |
| Changes for the year: | | | |
| Service cost | 725,071 | - | 725,071 |
| Interest | 4,830,246 | - | 4,830,246 |
| Differences between expected and actual experience | (549,657) | - | (549,657) |
| Assumption changes | 571,688 | - | 571,688 |
| Contributions-buy back | - | - | - |
| Contributions-employer | - | 1,593,953 | (1,593,953) |
| Contributions-state | - | 539,925 | (539,925) |
| Contributions-employee | - | 146,837 | (146,837) |
| Net investment income | - | 5,692,001 | (5,692,001) |
| Benefit payments, including refunds of employee contributions | (2,436,995) | (2,436,995) | - |
| Administrative expense | - | (95,636) | 95,636 |
| Net changes | <u>3,140,353</u> | <u>5,440,085</u> | <u>(2,299,732)</u> |
| Balances at September 30, 2019 | <u>\$ 68,037,466</u> | <u>59,406,380</u> | <u>8,631,086</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Firefighters’ Pension Plan (the “Plan”) (Continued)

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 7.40%, 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 (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

| | 1% Decrease <u>6.40%</u> | Current Discount Rate <u>7.40%</u> | 1% Increase <u>8.40%</u> |
|---|-----------------------------|--|-----------------------------|
| City's net pension liability - September 30, 2018 | \$ 17,613,942 | 8,631,086 | 1,413,327 |

In addition, in accordance with GASB 67, the following presents the net pension liability of the Plan, calculated using the discount rate of 7.40%, 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 (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

| | 1% Decrease <u>6.30%</u> | Current Discount Rate <u>7.30%</u> | 1% Increase <u>8.30%</u> |
|---|-----------------------------|--|-----------------------------|
| City's net pension liability - September 30, 2019 | \$ 21,439,232 | 11,999,658 | 4,470,214 |

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, 2018.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Firefighters’ Pension Plan (the “Plan”) (Continued)

The assumptions used in the October 1, 2018, 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 | 7.40% 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:

- In conjunction with the October 1, 2018, valuation of the Plan, all recommended changes from the August 4, 2017, Experience study have been incorporated. Additionally, the investment return assumption will reduce from 7.5% to 7.0% beginning with the October 1, 2018, valuation, and culminating in the October 1, 2022, valuation.

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, 2019, there was \$749,772 in the share plan.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

| | General Employees Pension Plan | Police Officers' Pension Plan | Fire fighters' Pension Plan | Totals |
|-----------------------|---|--|--|---------------|
| Net Pension Liability | \$ 7,947,361 | 14,952,543 | 8,631,086 | 31,530,990 |
| Deferred Outflows | 2,801,162 | 3,098,428 | 3,484,080 | 9,383,670 |
| Deferred Inflows | (4,730,508) | (1,911,208) | (2,608,915) | (9,250,631) |
| Pension Expense | 918,506 | 2,160,990 | 1,044,971 | 4,124,467 |

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, 2019:

| | General Pension Fund | Police Officers' Pension Fund | Fire fighters' Pension Fund |
|---------------------------------|---------------------------------|--|--|
| Assets | | | |
| Cash and cash equivalents | \$ 1,568,775 | 1,241,220 | 1,416,953 |
| Contributions receivable | 98,379 | 982,816 | 843,264 |
| Investments, at fair value | 58,498,290 | 52,378,928 | 56,781,534 |
| Total assets | <u>60,165,444</u> | <u>54,602,964</u> | <u>59,041,751</u> |
| Liabilities | | | |
| Accounts payable | <u>135,351</u> | <u>12,438</u> | <u>12,251</u> |
| Total liabilities | <u>135,351</u> | <u>12,438</u> | <u>12,251</u> |
| Net position | | | |
| Restricted for pension benefits | <u>\$ 60,030,093</u> | <u>54,590,526</u> | <u>59,029,500</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

| | <u>General Pension Fund</u> | <u>Police Officers' Pension Fund</u> | <u>Fire fighters' Pension Fund</u> |
|---|---------------------------------|--|--|
| Additions | | | |
| Contributions | | | |
| Employee contributions | \$ 682,207 | 260,609 | 148,990 |
| Employer contributions | 2,087,382 | 1,949,202 | 1,693,876 |
| Direct state contributions | - | 742,751 | 544,971 |
| Total contributions | <u>2,769,589</u> | <u>2,952,562</u> | <u>2,387,837</u> |
| Investment earnings | | | |
| Interest and dividend income | 1,544,583 | 1,346,828 | 1,441,871 |
| Net change in fair value of investments | 972,168 | 1,103,720 | 1,173,522 |
| Less investment expense | <u>(299,375)</u> | <u>(269,607)</u> | <u>(310,253)</u> |
| Net investment earnings | <u>2,217,376</u> | <u>2,180,941</u> | <u>2,305,140</u> |
| Total additions | <u>4,986,965</u> | <u>5,133,503</u> | <u>4,692,977</u> |
| Deductions | | | |
| Benefits paid | 4,233,791 | 4,448,950 | 4,767,116 |
| Refunds of contributions | 505,293 | - | 230,017 |
| General administration | <u>159,449</u> | <u>93,352</u> | <u>72,724</u> |
| Total deductions | <u>4,898,533</u> | <u>4,542,302</u> | <u>5,069,857</u> |
| Changes in net position | 88,432 | 591,201 | (376,880) |
| Net position, beginning of year | <u>59,941,661</u> | <u>53,999,325</u> | <u>59,406,380</u> |
| Net position, end of year | <u>\$ 60,030,093</u> | <u>54,590,526</u> | <u>59,029,500</u> |

**J. Employee Retirement Savings Plans
Supplemental Retirement Savings Plan**

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 99-8642. The Plan Ordinance may be amended by the City Council after public notice has been made, two public readings are conducted and one public hearing held. The Supplemental Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report. Membership is voluntary and includes all full-time employees who have completed 6 months employment with the City. Persons rendering services on a contractual basis are excluded from participation in this plan, as well as temporary and seasonal employees and persons covered by the International Association of Firefighters (IAFF) or the Fraternal Order of Police (FOP).

The 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 CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Supplemental Retirement Savings Plan (the “Plan”) (Continued)

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, 2019, there were 214 active Plan members. Covered payroll for the year ended September 30, 2019, was \$12,294,876. City contributions for the year were \$245,886, and employee contributions were \$368,848, 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 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 17% of the City Manager’s salary.

As of September 30, 2019, there were seven active Plan members and three retired and terminated members who have maintained account balances. Covered payroll for the year ended September 30, 2019, was \$1,045,646. City contributions for the year were \$58,503, and employee contributions were \$73,402.

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

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Managers’ Retirement Savings Plan (the “Plan”) (Continued)

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, 2019:

Statements of Fiduciary Net Position

| | Supplemental General Pension | Managers’ 401 Pension |
|---------------------------------|---|--------------------------------------|
| | <u> </u> | <u> </u> |
| Assets | | |
| Contributions receivable | \$ 23,148 | 5,941 |
| Investments, at fair value | 9,671,175 | 2,051,754 |
| Total assets | <u>9,694,323</u> | <u>2,057,695</u> |
| Net position | | |
| Restricted for pension benefits | <u>\$ 9,694,323</u> | <u>2,057,695</u> |

Statements of Changes in Fiduciary Net Position

| | Supplemental General Pension | Managers’ 401 Pension |
|---|---|--------------------------------------|
| | <u> </u> | <u> </u> |
| Additions | | |
| Contributions | | |
| Employee contributions | \$ 405,586 | 73,402 |
| Employer contributions | 245,886 | 58,503 |
| Total contributions | <u>651,472</u> | <u>131,905</u> |
| Investment earnings | | |
| Interest and dividend income | 8,793 | 954 |
| Net change in fair value of investments | 397,479 | 96,203 |
| Less investment expense | <u>(20,960)</u> | <u>(4,096)</u> |
| Net investment earnings | <u>385,312</u> | <u>93,061</u> |
| Total additions | <u>1,036,784</u> | <u>224,966</u> |
| Deductions | | |
| Refunds of contributions | <u>768,913</u> | <u>34,861</u> |
| Total deductions | <u>768,913</u> | <u>34,861</u> |
| Changes in net position | 267,871 | 190,105 |
| Net position, beginning of year | <u>9,426,452</u> | <u>1,867,590</u> |
| Net position, end of year | <u>\$ 9,694,323</u> | <u>2,057,695</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

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.

Plan Membership. Membership of the plan consisted of the following at September 30, 2017, the date of the latest actuarial valuation:

| | |
|------------------------------|------------|
| Retirees and Beneficiaries | 29 |
| Inactive, Nonretired Members | - |
| Active Members | 393 |
| Total | <u>422</u> |

Total OPEB liability of the City. Effective October 1, 2017, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, which significantly changed the City’s accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City’s total OPEB liability was measured as of September 30, 2018, and was determined by an actuarial valuation as of September 30, 2017.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Actuarial Assumptions. The total OPEB liability in the September 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|---|
| Discount rate | 3.83% |
| Healthcare cost trend rate | Trend rates for 2018 of 4.6% per capita costs and 5.0% for premiums (based on actual premium rates effective October 1, 2018), and thereafter trend based on the Getzen Model, with a trend rate of 6.75% for 2019, and gradually decreasing to an ultimate trend rate of 4.24% plus 0.39% increase for excise tax. |
| Inflation rate | 2.50% |
| Salary increase | Rates based on those used in the October 1, 2017 actuarial valuations of the City's three pension plans |
| Participation rate | Medical Acceptance Rate: 25% Coverage Lapsing Rate: 100% |

Mortality rates were based on the mortality tables used in the July 1, 2016, valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

Discount Rate. Under GASB Statement No. 75, when there are currently no invested plan assets held in trust to finance the OPEB obligations, the discount rate equals the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. The rate used in the September 30, 2017, valuation was 3.83%

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Changes in the Total OPEB Liability of the City. The changes in the total OPEB liability of the City for the year ended September 30, 2019, were as follows:

| | Total OPEB Liability |
|--|-------------------------|
| Balances at September 30, 2018 | \$ 4,408,364 |
| Changes for the year: | |
| Service cost | 347,546 |
| Interest on the total OPEB liability | 162,005 |
| Changes of benefit terms | - |
| Difference between expected and actual experience of the total OPEB liability | - |
| Changes in assumptions and other inputs | (118,384) |
| Benefit payments | (254,400) |
| Net changes | 136,767 |
| Balances at September 30, 2019 | \$ 4,545,131 |

The required schedule of changes in the City’s total OPEB liability and related ratios in the Required Supplementary Information immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

Sensitivity of the Total OPEB Liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.83%) or 1-percentage-point higher (4.83%) than the current discount rate:

| | 1% Decrease 2.83% | Current Discount Rate 3.83% | 1% Increase 4.83% |
|----------------------|----------------------|-----------------------------------|----------------------|
| Total OPEB liability | \$ 4,916,830 | \$ 4,545,131 | \$ 4,210,965 |

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rate. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|----------------------|--------------|--|--------------|
| Total OPEB liability | \$ 4,102,444 | \$ 4,545,131 | \$ 5,060,918 |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 revisions 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 of September 30, 2017, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. For the year ended September 30, 2019, the City recognized OPEB expense of \$473,060. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | - |
| Changes in assumptions and other inputs | - | (202,781) |
| Benefits paid subsequent to the measurement date | <u>292,583</u> | - |
| Total | <u>\$ 292,583</u> | <u>(202,781)</u> |

The deferred outflows of resources related to the total OPEB liability, totaling \$292,583 resulting from benefits paid subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the fiscal year ended September 30, 2020. Other amounts reported as inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|--------------------------|-------------------|
| Year ended September 30, | |
| 2020 | \$ 36,491 |
| 2021 | 36,491 |
| 2022 | 36,491 |
| 2023 | 36,491 |
| 2024 | 36,491 |
| Thereafter | <u>20,326</u> |
| Total | <u>\$ 202,781</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

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, \$881,360 and \$608,829 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, 2019. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2019, \$3,654,619 was accrued for estimated self-insurance claims. For the past three fiscal years, the City's insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements
September 30, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

A reconciliation of estimated claims liabilities is as follows:

| | Risk Management | Health Benefits | Total |
|---|----------------------------|----------------------------|--------------------|
| Balance September 30, 2017 | \$ 3,373,000 | 328,233 | 3,701,233 |
| Current year claims incurred and change in estimates | 1,636,060 | 6,373,573 | 8,009,633 |
| Claim payments | <u>(2,078,060)</u> | <u>(6,255,336)</u> | <u>(8,333,396)</u> |
| Balance September 30, 2018 | 2,931,000 | 446,470 | 3,377,470 |
| Current year claims incurred and change in estimates | 585,540 | 5,989,222 | 6,574,762 |
| Claim payments | <u>(344,540)</u> | <u>(5,953,073)</u> | <u>(6,297,613)</u> |
| Balance September 30, 2019 | <u>\$ 3,172,000</u> | <u>482,619</u> | <u>3,654,619</u> |

4. Construction Projects

At September 30, 2019, the City had the following commitments:

| Project | Contract Amount | Completed to Date | Balance |
|---|----------------------------|------------------------------|----------------|
| Baker Park Project | \$ 18,490,274 | 17,039,588 | 1,450,686 |
| Community Development Building Upgrades | 2,152,848 | 1,390,297 | 762,551 |
| 8th Street South Improvements | 5,042,229 | 2,122,940 | 2,919,289 |
| Water Plant Accelerators | 3,461,509 | 1,488,347 | 1,973,162 |
| Gulf Acres / Rosemary Heights | 7,654,761 | 4,422,494 | 3,232,267 |
| Generator #1 Replacement WWTP | 1,620,467 | 1,003,591 | 616,876 |

M. Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|----------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 24,778,965 | 24,778,965 | 25,194,582 | 415,617 |
| Local communication and business | 442,000 | 442,000 | 438,134 | (3,866) |
| Insurance premium tax | 1,445,000 | 1,445,000 | 1,287,722 | (157,278) |
| Permits, fees and assessments | 3,507,500 | 3,507,500 | 3,739,272 | 231,772 |
| Intergovernmental | 4,823,036 | 4,823,036 | 8,043,172 | 3,220,136 |
| Charges for services | 2,002,450 | 2,002,450 | 2,284,568 | 282,118 |
| Charges to other funds | 3,665,200 | 3,665,200 | 3,665,200 | - |
| Fines and forfeitures | 188,300 | 188,300 | 108,538 | (79,762) |
| Interest | 260,000 | 260,000 | 621,595 | 361,595 |
| Donations | - | - | 20,255 | 20,255 |
| Miscellaneous | 20,000 | 20,000 | 4,840 | (15,160) |
| Total revenues | <u>41,132,451</u> | <u>41,132,451</u> | <u>45,407,878</u> | <u>4,275,427</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Mayor and City Council | 509,127 | 515,677 | 506,628 | 9,049 |
| City Attorney | 651,335 | 923,959 | 734,640 | 189,319 |
| City Clerk | 685,786 | 743,151 | 702,536 | 40,615 |
| City Manager | 803,654 | 836,353 | 824,080 | 12,273 |
| Human resources | 569,287 | 586,807 | 573,283 | 13,524 |
| Planning | 683,217 | 703,896 | 699,158 | 4,738 |
| Finance | 1,154,693 | 1,235,347 | 1,230,882 | 4,465 |
| Nondepartmental | 4,582,703 | 5,261,666 | 5,770,554 | (508,888) |
| Total general government | <u>9,639,802</u> | <u>10,806,856</u> | <u>11,041,761</u> | <u>(234,905)</u> |
| Public safety | | | | |
| Fire | 10,481,407 | 10,965,052 | 10,855,404 | 109,648 |
| Police | 13,111,243 | 13,359,407 | 13,050,953 | 308,454 |
| Code inspections | 448,302 | 449,025 | 444,647 | 4,378 |
| Total public safety | <u>24,040,952</u> | <u>24,773,484</u> | <u>24,351,004</u> | <u>422,480</u> |
| Culture and recreation | | | | |
| Community services | 7,385,933 | 7,407,030 | 6,797,530 | 609,500 |
| Total culture and recreation | <u>7,385,933</u> | <u>7,407,030</u> | <u>6,797,530</u> | <u>609,500</u> |

CITY OF NAPLES, FLORIDA
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
 Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|----------------------------|-------------------------|-----------------------|---|
| Capital outlay | | | | |
| General government | \$ - | 52,160 | 37,055 | 15,105 |
| Public safety | 20,000 | 43,497 | 32,122 | 11,375 |
| Culture and recreation | - | 114,655 | 114,654 | 1 |
| Total capital outlay | <u>20,000</u> | <u>210,312</u> | <u>183,831</u> | <u>26,481</u> |
| Total expenditures | <u>41,086,687</u> | <u>43,197,682</u> | <u>42,374,126</u> | <u>823,556</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>45,764</u> | <u>(2,065,231)</u> | <u>3,033,752</u> | <u>5,098,983</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 2,067,600 | 2,191,600 | 2,191,600 | - |
| Transfers out | (47,500) | (47,500) | (47,500) | - |
| Proceeds from sale of capital assets | 1,000 | 1,000 | 1,129 | 129 |
| Total other financing sources (uses) | <u>2,021,100</u> | <u>2,145,100</u> | <u>2,145,229</u> | <u>129</u> |
| Change in fund balance | 2,066,864 | 79,869 | 5,178,981 | 5,099,112 |
| Fund balance, beginning of year | <u>12,590,080</u> | <u>12,590,080</u> | <u>12,590,080</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 14,656,944</u> | <u>12,669,949</u> | <u>17,769,061</u> | <u>5,099,112</u> |

CITY OF NAPLES, FLORIDA
Community Redevelopment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended September 30, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 1,057,953 | 1,057,953 | 1,057,953 | - |
| Intergovernmental | 3,195,822 | 3,195,822 | 3,195,822 | - |
| Interest | 30,000 | 30,000 | 149,855 | 119,855 |
| Total revenues | <u>4,283,775</u> | <u>4,283,775</u> | <u>4,403,630</u> | <u>119,855</u> |
| Expenditures | | | | |
| Current | | | | |
| Economic development | 1,125,255 | 1,125,255 | 1,025,869 | 99,386 |
| Capital outlay | | | | |
| Economic development | <u>2,662,500</u> | <u>5,273,818</u> | <u>1,312,585</u> | <u>3,961,233</u> |
| Total expenditures | <u>3,787,755</u> | <u>6,399,073</u> | <u>2,338,454</u> | <u>4,060,619</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>496,020</u> | <u>(2,115,298)</u> | <u>2,065,176</u> | <u>4,180,474</u> |
| Other financing uses | | | | |
| Transfers out | <u>(980,993)</u> | <u>(980,993)</u> | <u>(980,993)</u> | <u>-</u> |
| Total other financing uses | <u>(980,993)</u> | <u>(993)</u> | <u>(993)</u> | <u>-</u> |
| Change in fund balance | (484,973) | (2,116,291) | 2,064,183 | 4,180,474 |
| Fund balance, beginning of year | 2,211,854 | 2,211,854 | 2,211,854 | - |
| Fund balance, end of year | <u>\$ 1,726,881</u> | <u>95,563</u> | <u>4,276,037</u> | <u>4,180,474</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, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---------------------------------|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Taxes | | | | |
| Motor fuel taxes | \$ 2,201,500 | 2,201,500 | 2,263,754 | 62,254 |
| Permits, fees and assessments | 275,000 | 275,000 | 281,704 | 6,704 |
| Intergovernmental | 473,536 | 681,049 | 913,643 | 232,594 |
| Interest | 36,000 | 36,000 | 113,632 | 77,632 |
| Miscellaneous | - | - | 21,398 | 21,398 |
| Total revenues | <u>2,986,036</u> | <u>3,193,549</u> | <u>3,594,131</u> | <u>400,582</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 2,331,834 | 2,466,016 | 2,235,087 | 230,929 |
| Capital outlay | | | | |
| Transportation | 540,000 | 1,083,318 | 628,372 | 454,946 |
| Total expenditures | <u>2,871,834</u> | <u>3,549,334</u> | <u>2,863,459</u> | <u>685,875</u> |
| Net change in fund balances | 114,202 | (355,785) | 730,672 | 1,086,457 |
| Fund balance, beginning of year | 2,590,312 | 2,590,312 | 2,590,312 | - |
| Fund balance, end of year | <u>\$ 2,704,514</u> | <u>2,234,527</u> | <u>3,320,984</u> | <u>1,086,457</u> |

CITY OF NAPLES, FLORIDA
 Baker Park Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended September 30, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Interest | \$ - | - | 180,267 | 180,267 |
| Donations | - | - | 135,875 | 135,875 |
| Total revenues | <u>-</u> | <u>-</u> | <u>316,142</u> | <u>316,142</u> |
| Expenditures | | | | |
| Capital outlay | | | | |
| Physical and economic environment | - | 13,197,307 | 12,061,104 | 1,136,203 |
| Total expenditures | <u>-</u> | <u>13,197,307</u> | <u>12,061,104</u> | <u>1,136,203</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(13,197,307)</u> | <u>(11,744,962)</u> | <u>1,452,345</u> |
| Other financing sources | | | | |
| Transfers in | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | (13,197,307) | (11,744,962) | 1,452,345 |
| Fund balance, beginning of year | 11,997,246 | 11,997,246 | 11,997,246 | - |
| Fund balance, end of year | <u>\$ 11,997,246</u> | <u>(1,200,061)</u> | <u>252,284</u> | <u>1,452,345</u> |

THE CITY OF NAPLES, FLORIDA

Notes to Required Supplementary Information
September 30, 2019

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, 2019 (Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

| Reporting Period Ending Measurement Date | General Employees Pension | | | | | |
|---|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 9/30/20 9/30/19 | 9/30/19 9/30/18 | 9/30/18 9/30/17 | 9/30/17 9/30/16 | 9/30/16 9/30/15 | 9/30/15 9/30/14 |
| Total pension liability | | | | | | |
| Service cost | \$ 1,565,934 | 1,505,743 | 1,550,588 | 1,515,025 | 1,500,184 | 1,471,441 |
| Interest on total pension liability | 4,964,402 | 5,093,386 | 4,929,787 | 4,718,425 | 4,553,080 | 4,418,330 |
| Differences between expected and actual experience | (221,863) | (1,752,760) | 172,717 | (1,619,494) | 504,129 | - |
| Changes of assumptions | 662,461 | (1,062,814) | - | 2,509,683 | - | - |
| Benefit payments, including refunds of employee contributions | (4,739,084) | (4,604,081) | (4,246,896) | (4,407,869) | (4,354,731) | (3,888,957) |
| Net change in total pension liability | <u>2,231,850</u> | <u>(820,526)</u> | <u>2,406,196</u> | <u>2,715,770</u> | <u>2,202,662</u> | <u>2,000,814</u> |
| Total pension liability - beginning | <u>67,889,022</u> | <u>68,709,548</u> | <u>66,303,352</u> | <u>63,587,582</u> | <u>61,384,920</u> | <u>59,384,106</u> |
| Total pension liability - ending (a) | <u>\$70,120,872</u> | <u>67,889,022</u> | <u>68,709,548</u> | <u>66,303,352</u> | <u>63,587,582</u> | <u>61,384,920</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 2,087,382 | 1,943,363 | 1,785,446 | 1,970,406 | 2,023,395 | 1,945,282 |
| Contributions - employee | 682,207 | 667,203 | 670,402 | 711,740 | 694,975 | 715,072 |
| Net investment income | 2,217,376 | 5,865,243 | 7,212,061 | 2,994,961 | 414,031 | 5,857,072 |
| Benefit payments, including refunds of member contributions | (4,739,084) | (4,604,081) | (4,246,896) | (4,407,869) | (4,354,731) | (3,887,856) |
| Administrative expenses | (159,449) | (169,463) | (168,640) | (160,414) | (150,741) | (142,904) |
| Net change in plan fiduciary net position | <u>88,432</u> | <u>3,702,265</u> | <u>5,252,373</u> | <u>1,108,824</u> | <u>(1,373,071)</u> | <u>4,486,666</u> |
| Plan fiduciary net position - beginning | <u>59,941,661</u> | <u>56,239,396</u> | <u>50,987,023</u> | <u>49,878,199</u> | <u>51,251,270</u> | <u>46,764,604</u> |
| Plan fiduciary net position - ending (b) | <u>\$60,030,093</u> | <u>59,941,661</u> | <u>56,239,396</u> | <u>50,987,023</u> | <u>49,878,199</u> | <u>51,251,270</u> |
| City's net pension liability - ending (a) - (b) | <u>\$10,090,779</u> | <u>7,947,361</u> | <u>12,470,152</u> | <u>15,316,329</u> | <u>13,709,383</u> | <u>10,133,650</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 85.61% | 88.29% | 81.85% | 76.90% | 78.44% | 83.49% |
| Covered payroll | \$17,081,690 | \$16,413,536 | 16,012,972 | 16,535,449 | 18,135,744 | 15,618,366 |
| City's net pension liability as a percentage of covered payroll | 59.07% | 48.42% | 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, 2019
(Unaudited)

Schedules of Pension Investment Returns

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| General Employees: | | | | | | |
| Annual money-weighted rate of return, net of investment expenses | 3.66% | 10.34% | 12.00% | 7.93% | 0.79% | 12.72% |
| Police: | | | | | | |
| Annual money-weighted rate of return, net of investment expenses | 4.01% | 10.21% | 11.98% | 7.89% | 0.79% | 12.60% |
| Fire: | | | | | | |
| Annual money-weighted rate of return, net of investment expenses | 3.94% | 10.43% | 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, 2019
(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

| | Police Officers' Pension | | | | | |
|---|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Reporting Period Ending | 9/30/20 | 9/30/19 | 9/30/18 | 9/30/17 | 9/30/16 | 9/30/15 |
| Measurement Date | 9/30/19 | 9/30/18 | 9/30/17 | 9/30/16 | 9/30/15 | 9/30/14 |
| Total pension liability | | | | | | |
| Service cost | \$ 869,370 | 802,840 | 765,046 | 943,492 | 1,007,847 | 944,053 |
| Interest on total pension liability | 5,002,084 | 4,907,047 | 4,773,491 | 4,579,541 | 4,448,873 | 4,254,147 |
| Differences between expected and actual experience | (584,938) | (69,061) | 148,418 | 163,041 | (860,949) | - |
| Changes of assumptions | 716,859 | 535,504 | - | 653,912 | - | - |
| Contributions - buy back | 54,485 | 2,295 | 32,551 | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(4,448,950)</u> | <u>(3,702,997)</u> | <u>(4,249,528)</u> | <u>(2,889,380)</u> | <u>(2,701,145)</u> | <u>(2,630,150)</u> |
| Net change in total pension liability | 1,608,910 | 2,475,628 | 1,469,978 | 3,450,606 | 1,894,626 | 2,568,050 |
| Total pension liability - beginning | 68,951,868 | 66,476,240 | 65,006,262 | 61,555,656 | 59,661,030 | 57,092,980 |
| Total pension liability - ending (a) | <u>\$70,560,778</u> | <u>68,951,868</u> | <u>66,476,240</u> | <u>65,006,262</u> | <u>61,555,656</u> | <u>59,661,030</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 1,949,202 | 2,053,662 | 1,803,678 | 1,985,703 | 1,737,998 | 1,672,462 |
| Contributions - state | 742,751 | 718,404 | 792,677 | 610,146 | 551,656 | 540,981 |
| Contributions - employee | 260,609 | 204,461 | 232,664 | 210,895 | 211,290 | 229,089 |
| Net investment income | 2,180,941 | 5,144,971 | 6,154,401 | 2,724,152 | 331,447 | 4,804,886 |
| Benefit payments, including refunds of member contributions | (4,448,950) | (3,702,997) | (4,249,835) | (2,889,380) | (2,701,145) | (2,622,981) |
| Administrative expenses | <u>(93,352)</u> | <u>(105,596)</u> | <u>(104,158)</u> | <u>(98,445)</u> | <u>(97,327)</u> | <u>(75,114)</u> |
| Net change in plan fiduciary net position | 591,201 | 4,312,905 | 4,629,427 | 2,543,071 | 33,919 | 4,549,323 |
| Plan fiduciary net position - beginning | 53,999,325 | 49,686,420 | 45,056,993 | 42,513,922 | 42,480,003 | 37,930,680 |
| Plan fiduciary net position - ending (b) | <u>\$54,590,526</u> | <u>53,999,325</u> | <u>49,686,420</u> | <u>45,056,993</u> | <u>42,513,922</u> | <u>42,480,003</u> |
| City's net pension liability - ending (a) - (b) | <u>\$15,970,252</u> | <u>14,952,543</u> | <u>16,789,820</u> | <u>19,949,269</u> | <u>19,041,734</u> | <u>17,181,027</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 77.37% | 78.31% | 74.74% | 69.31% | 69.07% | 71.20% |
| Covered payroll | \$ 4,723,555 | 4,533,223 | 4,429,884 | 4,597,424 | 5,164,848 | 4,786,859 |
| City's net pension liability as a percentage of covered payroll | 338.10% | 329.84% | 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, 2019
(Unaudited)

**Schedule of Contributions
Police Officers' Pension**

| | <u>9/30/19</u> | <u>9/30/18</u> | <u>9/30/17</u> | <u>9/30/16</u> | <u>9/30/15</u> | <u>9/30/14</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 2,691,953 | 2,772,066 | 2,596,355 | 2,595,706 | 2,289,654 | 2,213,443 |
| Contributions in relation to the actuarially determined contribution | <u>2,691,953</u> | <u>2,772,066</u> | <u>2,596,355</u> | <u>2,596,706</u> | <u>2,289,654</u> | <u>2,213,443</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>(1,000)</u> | <u>-</u> | <u>-</u> |
| | | | | | | |
| Covered payroll | \$ 4,723,555 | 4,533,223 | 4,429,884 | 4,597,424 | 5,164,848 | 4,786,859 |
| Contributions as a percentage of covered payroll | 56.99% | 61.15% | 58.61% | 56.48% | 44.33% | 46.24% |

Notes to the Schedule:

Valuation date October 1, 2017

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

Methods and assumptions used to determine contribution rates:

Funding method: Entry age normal actuarial cost method
 Amortization method: Level percentage of pay, closed
 Remaining amortization period: 30 years
 Asset valuation method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses over a five-year period.

Inflation: 3.0% per year

| Salary increases: | <u>Years of</u> | |
|-------------------|-----------------|-----------------|
| | <u>Service</u> | <u>Increase</u> |
| | 1 | 6.0% |
| | 2-9 | 5.5% |
| | 10-14 | 5.0% |
| | 15-19 | 4.5% |
| | 20+ | 4.0% |

Interest rate: 7.5% per year, compounded annually, net of investment-related expenses

Payroll growth: 0.0% per year for amortization of Unfunded Actuarial Accrued Liability.

Retirement age: The earlier of age 50, or 25 years of credited service, regardless of age. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

Early retirement Hired prior to 4/1/2012: Earlier of: (1) age 45 or (2) the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2019
(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

| Reporting Period Ending Measurement Date | Firefighters' Pension | | | | | |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 9/30/20 9/30/19 | 9/30/19 9/30/18 | 9/30/18 9/30/17 | 9/30/17 9/30/16 | 9/30/16 9/30/15 | 9/30/15 9/30/14 |
| Total pension liability | | | | | | |
| Service cost | \$ 747,281 | 725,072 | 708,830 | 874,002 | 842,047 | 981,492 |
| Interest on total pension liability | 4,904,930 | 4,830,246 | 4,603,003 | 4,299,587 | 4,102,672 | 3,896,369 |
| Differences between expected and actual experience | 1,506,608 | (549,657) | 182,694 | 116,520 | (247,033) | - |
| Changes of assumptions | 833,637 | 571,688 | - | 1,240,006 | - | - |
| Changes of benefit terms | (3,632) | - | - | - | - | - |
| Contributions - buy back | - | - | - | 15,021 | - | - |
| Benefit payments, including refunds of employee contributions | (4,997,133) | (2,436,995) | (2,523,758) | (2,144,757) | (2,063,933) | (1,911,491) |
| Net change in total pension liability | 2,991,691 | 3,140,354 | 2,970,769 | 4,400,379 | 2,633,753 | 2,966,370 |
| Total pension liability - beginning | 68,037,467 | 64,897,113 | 61,926,344 | 57,525,965 | 54,892,212 | 51,925,842 |
| Total pension liability - ending (a) | \$71,029,158 | 68,037,467 | 64,897,113 | 61,926,344 | 57,525,965 | 54,892,212 |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 1,693,876 | 1,593,953 | 1,399,309 | 1,573,305 | 1,180,670 | 1,342,378 |
| Contributions - state | 544,971 | 539,925 | 509,868 | 581,196 | 721,101 | 871,999 |
| Contributions - employee | 148,990 | 146,837 | 141,266 | 171,558 | 153,807 | 177,737 |
| Net investment income | 2,305,140 | 5,692,001 | 6,505,843 | 2,941,905 | 336,431 | 4,996,523 |
| Benefit payments, including refunds of member contributions | (4,997,133) | (2,436,995) | (2,523,758) | (2,144,757) | (2,063,933) | (1,911,492) |
| Administrative expenses | (72,724) | (95,636) | (95,118) | (80,473) | (57,827) | (65,535) |
| Net change in plan fiduciary net position | (376,880) | 5,440,085 | 5,937,410 | 3,042,734 | 270,249 | 5,411,610 |
| Plan fiduciary net position - beginning | 59,406,380 | 53,966,295 | 48,028,885 | 44,986,151 | 44,715,902 | 39,304,292 |
| Plan fiduciary net position - ending (b) | \$59,029,500 | 59,406,380 | 53,966,295 | 48,028,885 | 44,986,151 | 44,715,902 |
| City's net pension liability - ending (a) - (b) | \$11,999,658 | 8,631,087 | 10,930,818 | 13,897,459 | 12,539,814 | 10,176,310 |
| Plan fiduciary net position as a percentage of the total pension liability | 83.11% | 87.31% | 83.16% | 77.56% | 78.20% | 81.46% |
| Covered payroll | \$ 3,307,128 | 3,181,377 | 2,997,608 | 3,237,715 | 4,341,784 | 3,573,306 |
| City's net pension liability as a percentage of covered payroll | 362.84% | 271.30% | 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, 2019
(Unaudited)

**Schedule of Contributions
Firefighters' Pension**

| | <u>9/30/19</u> | <u>9/30/18</u> | <u>9/30/17</u> | <u>9/30/16</u> | <u>9/30/15</u> | <u>9/30/14</u> |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 2,181,712 | 2,120,706 | 1,909,177 | 2,148,871 | 1,901,771 | 2,214,377 |
| Contributions in relation to the actuarially determined contribution | <u>2,238,847</u> | <u>2,133,878</u> | <u>1,909,177</u> | <u>2,148,871</u> | <u>1,901,771</u> | <u>2,214,377</u> |
| Contribution deficiency (excess) | <u>\$ (57,135)</u> | <u>(13,172)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | | | |
| Covered payroll | \$ 3,307,128 | 3,181,377 | 2,997,608 | 3,237,715 | 4,341,784 | 3,573,306 |
| Contributions as a percentage of covered payroll | 67.70% | 67.07% | 63.69% | 66.37% | 43.80% | 61.97% |

Notes to the Schedule:

Valuation date October 1, 2017

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

Methods and assumptions used to determine contribution rates:

Funding method: Entry age normal actuarial cost method

Amortization method: Level percentage of pay, closed

Remaining amortization period: 30 years

Asset valuation method: The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Inflation: 2.3% per year

| Salary increases: | <u>Years of</u> | |
|-------------------|-----------------|-----------------|
| | <u>Service</u> | <u>Increase</u> |
| | 1 | 6.0% |
| | 2-9 | 5.5% |
| | 10-14 | 5.0% |
| | 15-19 | 4.5% |
| | 20+ | 4.0% |

Interest rate: 7.5% per year, compounded annually, net of investment-related expenses

Payroll growth: 0.8% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 1.0% for the October 1, 2014, valuation.

Post retirement COLA: 3% per year at beginning at age 50 for Service Retirees and surviving Beneficiaries. No COLA for Disability or Vested, Terminated Members.

Retirement age: Earlier of: (1) age 55, or (2) the completion of 25 years of credited service, regardless of age, or (3) the attainment of age 50 with 20 years of credited service.

Early retirement Attainment of age 50, regardless of years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

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

THE CITY OF NAPLES, FLORIDA

Required Supplementary Information
September 30, 2019
(Unaudited)

**SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS**

| Measurement year ended September 30, | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Total OPEB liability | | |
| Service cost | \$ 347,546 | \$ 353,062 |
| Interest on the total opeb liability | 162,005 | 137,586 |
| Changes in assumptions and other inputs | (118,384) | (140,703) |
| Benefit payments | <u>(254,400)</u> | <u>(53,548)</u> |
| Net change in total OPEB liability | 136,767 | 296,397 |
| Total OPEB liability - beginning | <u>4,408,364</u> | <u>4,111,967</u> |
| Total OPEB liability - ending | <u>\$ 4,545,131</u> | <u>\$ 4,408,364</u> |
| | | |
| Covered-employee payroll | \$ 27,687,759 | \$ 24,884,851 |
| | | |
| City's total OPEB liability as a percentage of covered-employee payroll | 16.42% | 17.72% |

Notes to the Schedule

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

**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, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2019

| | Special Revenue Funds | Capital Project Funds | Total |
|--|--------------------------------------|--------------------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | |
| Cash and investments | \$ 9,710,204 | 3,730,173 | 13,440,377 |
| Accounts receivable | 46,714 | - | 46,714 |
| Accrued interest | 36,365 | 3,259 | 39,624 |
| Due from other governments | 143,990 | 389,743 | 533,733 |
| Total assets | <u>\$ 9,937,273</u> | <u>4,123,175</u> | <u>14,060,448</u> |
| Liabilities | | | |
| Accounts payable | \$ 317,642 | - | 317,642 |
| Accrued payroll | 127,813 | - | 127,813 |
| Customer deposits | 236,665 | - | 236,665 |
| Total liabilities | <u>682,120</u> | <u>-</u> | <u>682,120</u> |
| Deferred inflows of resources | | | |
| Unavailable revenue | 43,709 | - | 43,709 |
| Fund balances | | | |
| Restricted | 7,500,456 | 4,113,965 | 11,614,421 |
| Committed | 1,615,393 | 9,210 | 1,624,603 |
| Assigned | 95,595 | - | 95,595 |
| Total fund balances | <u>9,211,444</u> | <u>4,123,175</u> | <u>13,334,619</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 9,937,273</u> | <u>4,123,175</u> | <u>14,060,448</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, 2019

| | Special Revenue Funds | Capital Project Funds | Total |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------|
| Revenues | | | |
| Taxes—property | \$ 338,457 | - | 338,457 |
| Permits, fees and assessments | 6,510,675 | 255,579 | 6,766,254 |
| Intergovernmental | 168,190 | 3,233,353 | 3,401,543 |
| Charges for services | 266,710 | - | 266,710 |
| Fines and forfeitures | 12,065 | - | 12,065 |
| Interest | 261,630 | 33,143 | 294,773 |
| Donations | 241,345 | - | 241,345 |
| Miscellaneous | 54,599 | - | 54,599 |
| Total revenues | <u>7,853,671</u> | <u>3,522,075</u> | <u>11,375,746</u> |
| Expenditures | | | |
| Current | | | |
| General government | 11,612 | - | 11,612 |
| Public safety | 4,344,733 | - | 4,344,733 |
| Economic and physical development | 698,662 | - | 698,662 |
| Culture and recreation | 105,356 | - | 105,356 |
| Capital outlay | | | |
| Public safety | 1,353,031 | - | 1,353,031 |
| Economic and physical development | 121,503 | - | 121,503 |
| Culture and recreation | 7,500 | - | 7,500 |
| Total expenditures | <u>6,642,397</u> | <u>-</u> | <u>6,642,397</u> |
| Excess of revenues over expenditures | <u>1,211,274</u> | <u>3,522,075</u> | <u>4,733,349</u> |
| Other financing uses | | | |
| Transfers out | <u>(1,155,648)</u> | <u>-</u> | <u>(1,155,648)</u> |
| Total other financing uses | <u>(1,155,648)</u> | <u>-</u> | <u>(1,155,648)</u> |
| Change in fund balances | 55,626 | 3,522,075 | 3,577,701 |
| Fund balances, beginning of year | <u>9,155,818</u> | <u>601,100</u> | <u>9,756,918</u> |
| Fund balances, end of year | <u>\$ 9,211,444</u> | <u>4,123,175</u> | <u>13,334,619</u> |

CITY OF NAPLES, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
September 30, 2019

| | Building and Zoning Fund | Community Development Block Grant Fund | Improvement Fund | Public Arts Fund | Grants Fund |
|--|---|---|-----------------------------|---------------------------------|------------------------|
| Assets | | | | | |
| Cash and investments | \$ 4,720,827 | 6,491 | 502,827 | 818,496 | 8,160 |
| Accounts receivable | - | - | 3,005 | - | - |
| Accrued interest | 22,256 | - | - | - | - |
| Due from other governments | 54,886 | 89,104 | - | - | - |
| Total assets | \$ 4,797,969 | 95,595 | 505,832 | 818,496 | 8,160 |
| Liabilities | | | | | |
| Accounts payable | \$ 286,833 | - | 24 | - | - |
| Accrued payroll | 127,813 | - | - | - | - |
| Customer deposits | - | - | - | 236,665 | - |
| Total liabilities | 414,646 | - | 24 | 236,665 | - |
| Deferred inflows of resources | | | | | |
| Unavailable revenue | - | - | - | - | - |
| Fund balances | | | | | |
| Restricted | 4,383,323 | - | 505,808 | - | 8,160 |
| Committed | - | - | - | 581,831 | - |
| Assigned | - | 95,595 | - | - | - |
| Total fund balances | 4,383,323 | 95,595 | 505,808 | 581,831 | 8,160 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 4,797,969 | 95,595 | 505,832 | 818,496 | 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 |
|--|---|---|-----------------------------------|--|--|---|---|
| 315,420 | 5,063 | 427,968 | 596,228 | 166,199 | 908,108 | 1,234,417 | 9,710,204 |
| - | - | - | - | 43,709 | - | - | 46,714 |
| 1,767 | - | 1,287 | 3,031 | - | 2,462 | 5,562 | 36,365 |
| - | - | - | - | - | - | - | 143,990 |
| <u>317,187</u> | <u>5,063</u> | <u>429,255</u> | <u>599,259</u> | <u>209,908</u> | <u>910,570</u> | <u>1,239,979</u> | <u>9,937,273</u> |
| 1,815 | 15 | - | - | - | - | 28,955 | 317,642 |
| - | - | - | - | - | - | - | 127,813 |
| - | - | - | - | - | - | - | 236,665 |
| <u>1,815</u> | <u>15</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,955</u> | <u>682,120</u> |
| - | - | - | - | 43,709 | - | - | 43,709 |
| 315,372 | - | - | - | 166,199 | 910,570 | 1,211,024 | 7,500,456 |
| - | 5,048 | 429,255 | 599,259 | - | - | - | 1,615,393 |
| - | - | - | - | - | - | - | 95,595 |
| <u>315,372</u> | <u>5,048</u> | <u>429,255</u> | <u>599,259</u> | <u>166,199</u> | <u>910,570</u> | <u>1,211,024</u> | <u>9,211,444</u> |
| <u>317,187</u> | <u>5,063</u> | <u>429,255</u> | <u>599,259</u> | <u>209,908</u> | <u>910,570</u> | <u>1,239,979</u> | <u>9,937,273</u> |

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Special Revenue Funds
Year Ended September 30, 2019

| | Building and Zoning Fund | Community Development Block Grant Fund | Improvement Fund | Public Arts Fund | Grants Fund |
|--|---|---|-----------------------------|---------------------------------|------------------------|
| Revenues | | | | | |
| Taxes—property | \$ - | - | - | - | - |
| Permits, fees and assessments | 5,631,260 | - | - | - | - |
| Intergovernmental | 54,886 | 113,304 | - | - | - |
| Charges for services | - | 10,010 | - | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Investment income | 142,749 | - | - | - | - |
| Donations | - | - | 241,345 | - | - |
| Miscellaneous | 20,712 | - | - | 33,887 | - |
| Total revenues | <u>5,849,607</u> | <u>123,314</u> | <u>241,345</u> | <u>33,887</u> | <u>-</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | 11,612 | - | - |
| Public safety | 4,282,273 | - | 4,984 | - | - |
| Economic and physical development | - | - | - | - | - |
| Culture and recreation | - | - | 97,656 | 7,700 | - |
| Capital outlay | | | | | |
| Public safety | 1,287,243 | - | - | - | - |
| Economic and physical development | - | 121,503 | - | - | - |
| Culture and recreation | - | - | 7,500 | - | - |
| Total expenditures | <u>5,569,516</u> | <u>121,503</u> | <u>121,752</u> | <u>7,700</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>280,091</u> | <u>1,811</u> | <u>119,593</u> | <u>26,187</u> | <u>-</u> |
| Other financing uses | | | | | |
| Transfers out | - | - | - | - | - |
| Total other financing uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in fund balances | 280,091 | 1,811 | 119,593 | 26,187 | - |
| Fund balances, beginning of year | 4,103,232 | 93,784 | 386,215 | 555,644 | 8,160 |
| Fund balances, end of year | <u>\$ 4,383,323</u> | <u>95,595</u> | <u>505,808</u> | <u>581,831</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 |
|--|---|---|-----------------------------------|--|--|---|---|
| - | - | - | - | - | 313,024 | 25,433 | 338,457 |
| - | 564,983 | 260,000 | - | 54,432 | - | - | 6,510,675 |
| - | - | - | - | - | - | - | 168,190 |
| - | - | - | 256,700 | - | - | - | 266,710 |
| 12,065 | - | - | - | - | - | - | 12,065 |
| 8,586 | - | 3,545 | 31,852 | - | 31,574 | 43,324 | 261,630 |
| - | - | - | - | - | - | - | 241,345 |
| - | - | - | - | - | - | - | 54,599 |
| <u>20,651</u> | <u>564,983</u> | <u>263,545</u> | <u>288,552</u> | <u>54,432</u> | <u>344,598</u> | <u>68,757</u> | <u>7,853,671</u> |
| - | - | - | - | - | - | - | 11,612 |
| 57,476 | - | - | - | - | - | - | 4,344,733 |
| - | 564,983 | - | - | 2,748 | 64,798 | 66,133 | 698,662 |
| - | - | - | - | - | - | - | 105,356 |
| 65,788 | - | - | - | - | - | - | 1,353,031 |
| - | - | - | - | - | - | - | 121,503 |
| - | - | - | - | - | - | - | 7,500 |
| <u>123,264</u> | <u>564,983</u> | <u>-</u> | <u>-</u> | <u>2,748</u> | <u>64,798</u> | <u>66,133</u> | <u>6,642,397</u> |
| <u>(102,613)</u> | <u>-</u> | <u>263,545</u> | <u>288,552</u> | <u>51,684</u> | <u>279,800</u> | <u>2,624</u> | <u>1,211,274</u> |
| - | - | - | (1,104,000) | (51,648) | - | - | (1,155,648) |
| - | - | - | (1,104,000) | (51,648) | - | - | (1,155,648) |
| (102,613) | - | 263,545 | (815,448) | 36 | 279,800 | 2,624 | 55,626 |
| 417,985 | 5,048 | 165,710 | 1,414,707 | 166,163 | 630,770 | 1,208,400 | 9,155,818 |
| <u>315,372</u> | <u>5,048</u> | <u>429,255</u> | <u>599,259</u> | <u>166,199</u> | <u>910,570</u> | <u>1,211,024</u> | <u>9,211,444</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.

Sales Tax Fund—To account for the receipt and disbursement of sales tax funds used solely for capital projects approved by the Board.

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CITY OF NAPLES, FLORIDA
 Combining Balance Sheet
 Nonmajor Governmental Capital Projects Funds
 September 30, 2019

| | Capital Project Funds | | | Total Nonmajor Capital Projects Funds |
|--|--------------------------------|---------------------------------------|-------------------------------|--|
| | Impact Fee Fund | Land Contribution Fund | Sales Tax Fund | |
| Assets | | | | |
| Cash and investments | \$ 859,557 | 9,210 | 2,861,406 | 3,730,173 |
| Accrued interest | 2,796 | - | 463 | 3,259 |
| Due from other governments | - | - | 389,743 | 389,743 |
| Total assets | \$ 862,353 | 9,210 | 3,251,612 | 4,123,175 |
| Fund balances | | | | |
| Restricted | 862,353 | - | 3,251,612 | 4,113,965 |
| Committed | - | 9,210 | - | 9,210 |
| Total fund balances | 862,353 | 9,210 | 3,251,612 | 4,123,175 |
| Total liabilities and fund balances | \$ 862,353 | 9,210 | 3,251,612 | 4,123,175 |

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CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Capital Projects Funds
Year Ended September 30, 2019

| | Capital Project Funds | | | Total Nonmajor Capital Projects Funds |
|--------------------------------------|--------------------------------|---------------------------------------|-------------------------------|--|
| | Impact Fee Fund | Land Contribution Fund | Sales Tax Fund | |
| Revenues | | | | |
| Intergovernmental | \$ - | - | 3,233,353 | 3,233,353 |
| Permits, fees and assessments | 255,579 | - | - | 255,579 |
| Interest | 14,884 | - | 18,259 | 33,143 |
| Total revenues | <u>270,463</u> | <u>-</u> | <u>3,251,612</u> | <u>3,522,075</u> |
| Change in fund balances | 270,463 | - | 3,251,612 | 3,522,075 |
| Fund balances, beginning of year | 591,890 | 9,210 | - | 601,100 |
| Fund balances, end of year | <u>\$ 862,353</u> | <u>9,210</u> | <u>3,251,612</u> | <u>4,123,175</u> |

CITY OF NAPLES, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
Year Ended September 30, 2019

| | Building and Zoning Fund | | | |
|--|---------------------------------|-------------------------|------------------|---|
| | Original Budget | Final Budget | Actual | Variance With Final Budget |
| Revenues | | | | |
| Taxes - property | \$ - | - | - | - |
| Permits, fees and assessments | 4,492,000 | 4,492,000 | 5,631,260 | 1,139,260 |
| Intergovernmental | - | - | 54,886 | 54,886 |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest | 48,000 | 48,000 | 142,749 | 94,749 |
| Donations | - | - | - | - |
| Miscellaneous | 252,000 | 5,000 | 20,712 | 15,712 |
| Total revenues | <u>4,792,000</u> | <u>4,545,000</u> | <u>5,849,607</u> | <u>1,304,607</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 4,517,130 | 4,594,390 | 4,282,273 | 312,117 |
| Economic and physical development | - | - | - | - |
| Capital outlay | | | | |
| Public safety | 780,000 | 2,429,610 | 1,287,243 | 1,142,367 |
| Economic and physical development | - | - | - | - |
| Debt service | | | | |
| Interest | - | - | - | - |
| Total expenditures | <u>5,297,130</u> | <u>7,024,000</u> | <u>5,569,516</u> | <u>1,454,484</u> |
| Excess (deficiency) of revenues over expenditures | <u>(505,130)</u> | <u>(2,479,000)</u> | <u>280,091</u> | <u>2,759,091</u> |
| Other financing uses | | | | |
| Transfers out | - | - | - | - |
| Change in fund balances | (505,130) | (2,479,000) | 280,091 | 2,759,091 |
| Fund balances, beginning of year | 4,103,232 | 4,103,232 | 4,103,232 | - |
| Fund balances, end of year | <u>\$ 3,598,102</u> | <u>1,624,232</u> | <u>4,383,323</u> | <u>2,759,091</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 |
| \$ - | - | - | - | \$ - | - | - | - |
| - | - | - | - | - | - | - | - |
| 100,000 | 223,304 | 113,304 | (110,000) | - | - | - | - |
| 10,000 | 10,000 | 10,010 | 10 | - | - | - | - |
| - | - | - | - | - | - | 12,065 | 12,065 |
| - | - | - | - | - | - | 8,586 | 8,586 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>110,000</u> | <u>233,304</u> | <u>123,314</u> | <u>(109,990)</u> | <u>-</u> | <u>-</u> | <u>20,651</u> | <u>20,651</u> |
| - | - | - | - | - | 125,000 | 57,476 | 67,524 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 115,000 | 65,788 | 49,212 |
| - | 123,304 | 121,503 | 1,801 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>-</u> | <u>123,304</u> | <u>121,503</u> | <u>1,801</u> | <u>-</u> | <u>240,000</u> | <u>123,264</u> | <u>116,736</u> |
| <u>110,000</u> | <u>110,000</u> | <u>1,811</u> | <u>(108,189)</u> | <u>-</u> | <u>(240,000)</u> | <u>(102,613)</u> | <u>137,387</u> |
| - | - | - | - | - | - | - | - |
| 110,000 | 110,000 | 1,811 | (108,189) | - | (240,000) | (102,613) | 137,387 |
| 93,784 | 93,784 | 93,784 | - | 417,985 | 417,985 | 417,985 | - |
| <u>\$ 203,784</u> | <u>203,784</u> | <u>95,595</u> | <u>(108,189)</u> | <u>\$ 417,985</u> | <u>177,985</u> | <u>315,372</u> | <u>137,387</u> |

(Continued)

CITY OF NAPLES, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
Year Ended September 30, 2019

| | Grants Fund | | | |
|---|----------------------------|-------------------------|---------------|---|
| | Original Budget | Final Budget | Actual | Variance With Final Budget |
| Revenues | | | | |
| Taxes - property | \$ - | - | - | - |
| Permits, fees and assessments | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest | - | - | - | - |
| Donations | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | - | - | - | - |
| Economic and physical development | - | - | - | - |
| Capital outlay | | | | |
| Public safety | - | - | - | - |
| Economic and physical development | - | - | - | - |
| Debt service | | | | |
| Interest | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing uses | | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in fund balances | - | - | - | - |
| Fund balances, beginning of year | <u>8,160</u> | <u>8,160</u> | <u>8,160</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 8,160</u> | <u>8,160</u> | <u>8,160</u> | <u>-</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 |
| \$ - | - | - | - | \$ - | - | - | - |
| 545,898 | 545,898 | 564,983 | 19,085 | 58,000 | 58,000 | 54,432 | (3,568) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>545,898</u> | <u>545,898</u> | <u>564,983</u> | <u>19,085</u> | <u>58,000</u> | <u>58,000</u> | <u>54,432</u> | <u>(3,568)</u> |
| - | - | - | - | - | - | - | - |
| 545,898 | 545,898 | 564,983 | (19,085) | 3,750 | 3,750 | 2,748 | 1,002 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>545,898</u> | <u>545,898</u> | <u>564,983</u> | <u>(19,085)</u> | <u>3,750</u> | <u>3,750</u> | <u>2,748</u> | <u>1,002</u> |
| - | - | - | - | 54,250 | 54,250 | 51,684 | (2,566) |
| - | - | - | - | (54,250) | (54,250) | (51,648) | 2,602 |
| - | - | - | - | - | - | 36 | 36 |
| 5,048 | 5,048 | 5,048 | - | 166,163 | 166,163 | 166,163 | - |
| <u>\$ 5,048</u> | <u>5,048</u> | <u>5,048</u> | <u>-</u> | <u>\$ 166,163</u> | <u>166,163</u> | <u>166,199</u> | <u>36</u> |

CITY OF NAPLES, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
Year Ended September 30, 2019

| | East Naples Bay District Fund | | | |
|--|--------------------------------------|-------------------------|----------------|---|
| | Original Budget | Final Budget | Actual | Variance With Final Budget |
| Revenues | | | | |
| Taxes - property | 306,593 | 306,593 | 313,024 | 6,431 |
| Permits, fees and assessments | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest | 7,000 | 7,000 | 31,574 | 24,574 |
| Donations | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>313,593</u> | <u>313,593</u> | <u>344,598</u> | <u>31,005</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | - | - | - | - |
| Economic and physical development | 186,000 | 186,000 | 64,798 | 121,202 |
| Capital outlay | | | | |
| Public safety | - | - | - | - |
| Economic and physical development | - | - | - | - |
| Debt service | | | | |
| Interest | - | - | - | - |
| Total expenditures | <u>186,000</u> | <u>186,000</u> | <u>64,798</u> | <u>121,202</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>127,593</u> | <u>127,593</u> | <u>279,800</u> | <u>152,207</u> |
| Other financing uses | | | | |
| Transfer out | - | - | - | - |
| Change in fund balances | 127,593 | 127,593 | 279,800 | 152,207 |
| Fund balances, beginning of year | <u>630,770</u> | <u>630,770</u> | <u>630,770</u> | - |
| Fund balances, end of year | <u>\$ 758,363</u> | <u>758,363</u> | <u>910,570</u> | <u>152,207</u> |

Moorings Bay District Fund

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|----|----------------------------|-------------------------|-------------------------|---|
| \$ | 25,094 | 25,094 | 25,433 | 339 |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | 16,000 | 16,000 | 43,324 | 27,324 |
| | - | - | - | - |
| | - | - | - | - |
| | <u>41,094</u> | <u>41,094</u> | <u>68,757</u> | <u>27,663</u> |
| | - | - | - | - |
| | 54,250 | 84,250 | 66,133 | 18,117 |
| | - | - | - | - |
| | - | - | - | - |
| | <u>54,250</u> | <u>84,250</u> | <u>66,133</u> | <u>18,117</u> |
| | <u>(13,156)</u> | <u>(43,156)</u> | <u>2,624</u> | <u>45,780</u> |
| | - | - | - | - |
| | (13,156) | (43,156) | 2,624 | 45,780 |
| | <u>1,208,400</u> | <u>1,208,400</u> | <u>1,208,400</u> | <u>-</u> |
| \$ | <u><u>1,195,244</u></u> | <u><u>1,165,244</u></u> | <u><u>1,211,024</u></u> | <u><u>45,780</u></u> |

CITY OF NAPLES, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual
Debt Service Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|----------------------------|-------------------------|--------------------|---|
| Revenues | | | | |
| Taxes | \$ 4,313,585 | 4,313,585 | 4,916,803 | 603,218 |
| Interest | 8,000 | 8,000 | 44,269 | 36,269 |
| Total revenues | <u>4,321,585</u> | <u>4,321,585</u> | <u>4,961,072</u> | <u>639,487</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 36,660 | 36,660 | 36,660 | - |
| Debt service | | | | |
| Principal | 1,890,432 | 1,890,432 | 1,890,432 | - |
| Interest and fiscal charges | 158,377 | 172,646 | 172,597 | 49 |
| Total debt service | <u>2,048,809</u> | <u>2,063,078</u> | <u>2,063,029</u> | <u>49</u> |
| Total expenditures | <u>2,085,469</u> | <u>2,099,738</u> | <u>2,099,689</u> | <u>49</u> |
| Excess of revenues over expenditures | <u>2,236,116</u> | <u>2,221,847</u> | <u>2,861,383</u> | <u>639,536</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 980,993 | 980,993 | 980,993 | - |
| Transfers out | <u>(3,235,000)</u> | <u>(3,235,000)</u> | <u>(3,235,000)</u> | <u>-</u> |
| Total other financing uses | <u>(2,254,007)</u> | <u>(2,254,007)</u> | <u>(2,254,007)</u> | <u>-</u> |
| Change in fund balance | (17,891) | (32,160) | 607,376 | 639,536 |
| Fund balances, beginning of year | <u>1,325,386</u> | <u>1,325,386</u> | <u>1,325,386</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 1,307,495</u> | <u>1,293,226</u> | <u>1,932,762</u> | <u>639,536</u> |

CITY OF NAPLES, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Major and Nonmajor Capital Projects Funds
Year Ended September 30, 2019

| | Capital Projects Fund - Major Fund | | | Variance With Final Budget |
|--|---|-------------------------|--------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Permits, fees and assessments | \$ - | 1,360,840 | 670,963 | (689,877) |
| Investment income | 80,050 | 80,050 | 230,880 | 150,830 |
| Total revenues | <u>80,050</u> | <u>1,440,890</u> | <u>901,843</u> | <u>(539,047)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 67,430 | 67,430 | 67,430 | - |
| Capital projects | | | | |
| General government | 325,000 | 533,492 | 228,259 | 305,233 |
| Public safety | 1,340,533 | 7,513,605 | 6,736,352 | 777,253 |
| Transportation | - | 1,360,840 | 1,163,545 | 197,295 |
| Culture and recreation | 1,965,925 | 2,628,562 | 1,424,753 | 1,203,809 |
| Total capital projects | <u>3,631,458</u> | <u>12,036,499</u> | <u>9,552,909</u> | <u>2,483,590</u> |
| Total expenditures | <u>3,698,888</u> | <u>12,103,929</u> | <u>9,620,339</u> | <u>2,483,590</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,618,838)</u> | <u>(10,663,039)</u> | <u>(8,718,496)</u> | <u>1,944,543</u> |
| Other financing sources | | | | |
| Transfers in | 3,289,250 | 3,289,250 | 3,286,648 | (2,602) |
| Proceeds from sale of capital assets | 40,000 | 40,000 | 84,045 | 44,045 |
| Total other financing sources | <u>3,329,250</u> | <u>3,329,250</u> | <u>3,370,693</u> | <u>41,443</u> |
| Change in fund balance | (289,588) | (7,333,789) | (5,347,803) | 1,985,986 |
| Fund balances, beginning of year | 9,576,717 | 9,576,717 | 9,576,717 | - |
| Fund balances, end of year | <u>\$ 9,287,129</u> | <u>2,242,928</u> | <u>4,228,914</u> | <u>1,985,986</u> |

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Nonmajor Enterprise Funds

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

Naples Beach Fund—To account for funds used in the construction of City beach improvements and beach maintenance; financed mostly through parking meter revenue at the City’s beach and related fines.

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.

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CITY OF NAPLES, FLORIDA
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2019

| Assets | Naples Beach Fund | Tennis Fund | Total |
|--|------------------------------|------------------------|------------------|
| Current assets | | | |
| Cash and investments | \$ 4,551,289 | 540,422 | 5,091,711 |
| Receivables (net, where applicable, of allowance for uncollectible) | | | |
| Accounts | 238,454 | - | 238,454 |
| Accrued interest | 14,730 | 1,874 | 16,604 |
| Due from other governments | 30,765 | - | 30,765 |
| Inventories | - | 2,394 | 2,394 |
| Total current assets | <u>4,835,238</u> | <u>544,690</u> | <u>5,379,928</u> |
| Capital assets | | | |
| Buildings and utility plants | 1,284,743 | 703,269 | 1,988,012 |
| Improvements other than buildings | 6,917,234 | 198,116 | 7,115,350 |
| Equipment | 1,449,319 | 213,279 | 1,662,598 |
| Accumulated depreciation | (7,535,721) | (887,536) | (8,423,257) |
| Construction in progress | 76,812 | - | 76,812 |
| Net capital assets | <u>2,192,387</u> | <u>227,128</u> | <u>2,419,515</u> |
| Total assets | <u>7,027,625</u> | <u>771,818</u> | <u>7,799,443</u> |
| Deferred outflows of resources | | | |
| Deferred outflows - pensions | 50,981 | 18,488 | 69,469 |
| Deferred outflows - OPEB | 5,852 | 1,463 | 7,315 |
| Total deferred outflows of resources | <u>56,833</u> | <u>19,951</u> | <u>76,784</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 86,424 | 922 | 87,346 |
| Accrued payroll | 31,002 | 9,642 | 40,644 |
| Unearned revenue | 240,062 | - | 240,062 |
| Current portion of compensated absences | 15,000 | 5,000 | 20,000 |
| Total current liabilities | <u>372,488</u> | <u>15,564</u> | <u>388,052</u> |
| Noncurrent liabilities | | | |
| Net pension liability | 144,642 | 52,453 | 197,095 |
| Total OPEB liability | 90,902 | 22,726 | 113,628 |
| Compensated absences | 53,671 | 18,202 | 71,873 |
| Total noncurrent liabilities | <u>289,215</u> | <u>93,381</u> | <u>382,596</u> |
| Total liabilities | <u>661,703</u> | <u>108,945</u> | <u>770,648</u> |
| Deferred inflows of resources | | | |
| Deferred inflows - pensions | 86,095 | 31,221 | 117,316 |
| Deferred inflows - OPEB | 4,056 | 1,014 | 5,070 |
| Total deferred inflows of resources | <u>90,151</u> | <u>32,235</u> | <u>122,386</u> |
| Net Position | | | |
| Investment in capital assets | 2,192,387 | 227,128 | 2,419,515 |
| Unrestricted | 4,140,217 | 423,461 | 4,563,678 |
| Total net position | <u>\$ 6,332,604</u> | <u>650,589</u> | <u>6,983,193</u> |

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended September 30, 2019

| | Naples Beach Fund | Tennis Fund | Total |
|---------------------------------|------------------------------|------------------------|------------------|
| Operating revenues | | | |
| Charges for services | \$ 2,368,484 | 698,710 | 3,067,194 |
| Intergovernmental | 30,765 | - | 30,765 |
| Total operating revenues | <u>2,399,249</u> | <u>698,710</u> | <u>3,097,959</u> |
| Operating expenses | | | |
| Personal services | 908,172 | 229,458 | 1,137,630 |
| Supplies and services | 489,575 | 305,574 | 795,149 |
| Utilities | 141,760 | 1,165 | 142,925 |
| Depreciation and amortization | 424,914 | 57,787 | 482,701 |
| General administration | 165,010 | 46,920 | 211,930 |
| Other | 132,440 | 27,422 | 159,862 |
| Total operating expenses | <u>2,261,871</u> | <u>668,326</u> | <u>2,930,197</u> |
| Operating income | <u>137,378</u> | <u>30,384</u> | <u>167,762</u> |
| Nonoperating revenues | | | |
| Grant revenue | 200,789 | - | 200,789 |
| Interest income | 157,094 | 19,150 | 176,244 |
| Total nonoperating revenues | <u>357,883</u> | <u>19,150</u> | <u>377,033</u> |
| Income before transfers | 495,261 | 49,534 | 544,795 |
| Transfers in | <u>-</u> | <u>47,500</u> | <u>47,500</u> |
| Change in net position | 495,261 | 97,034 | 592,295 |
| Net position, beginning of year | <u>5,837,343</u> | <u>553,555</u> | <u>6,390,898</u> |
| Net position, end of year | <u>\$ 6,332,604</u> | <u>650,589</u> | <u>6,983,193</u> |

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2019

| | Naples Beach Fund | Tennis Fund | Total |
|--|------------------------------|------------------------|------------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 2,390,049 | 698,710 | 3,088,759 |
| Cash payments to suppliers | (788,355) | (343,248) | (1,131,603) |
| Cash payments for employee services | (921,879) | (46,920) | (968,799) |
| Cash payments for interfund services | (165,010) | (233,199) | (398,209) |
| Net cash provided by operating activities | <u>514,805</u> | <u>75,343</u> | <u>590,148</u> |
| Cash flows from noncapital financing activities | | | |
| Transfers | - | 47,500 | 47,500 |
| Nonoperating grants | 200,789 | - | 200,789 |
| Net cash provided by noncapital financing activities | <u>200,789</u> | <u>47,500</u> | <u>248,289</u> |
| Cash flows from capital and related financing activities | | | |
| Acquisition and construction of capital assets | (212,969) | (103,600) | (316,569) |
| Net cash used by capital and related financing activities | <u>(212,969)</u> | <u>(103,600)</u> | <u>(316,569)</u> |
| Cash flows from investing activities | | | |
| Interest and investment earnings | 153,253 | 18,611 | 171,864 |
| Net cash provided by investing activities | <u>153,253</u> | <u>18,611</u> | <u>171,864</u> |
| Net change in cash and cash equivalents | 655,878 | 37,854 | 693,732 |
| Cash and cash equivalents, beginning of year | 3,895,411 | 502,568 | 4,397,979 |
| Cash and cash equivalents, end of year | <u>\$ 4,551,289</u> | <u>540,422</u> | <u>5,091,711</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 137,378 | 30,384 | 167,762 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation and amortization | 424,914 | 57,787 | 482,701 |
| Changes in assets - (increase) decrease | | | |
| Receivables, net | (103,536) | - | (103,536) |
| Due from other governments | (30,765) | - | (30,765) |
| Inventories | - | 455 | 455 |
| Deferred outflows | 11,114 | 4,116 | 15,230 |
| Changes in liabilities - increase (decrease) | | | |
| Accounts payable | 6,185 | (9,542) | (3,357) |
| Accrued payroll | 1,289 | 1,525 | 2,814 |
| Unearned revenue | 94,336 | - | 94,336 |
| Deferred inflows | 50,801 | 18,238 | 69,039 |
| Net pension liability | (82,315) | (29,850) | (112,165) |
| Total OPEB liability | 2,735 | 684 | 3,419 |
| Compensated absences | 2,669 | 1,546 | 4,215 |
| Net cash provided by operating activities | <u>\$ 514,805</u> | <u>75,343</u> | <u>590,148</u> |

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Internal Service Funds

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

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

Risk Management Fund—To account for the costs of operating a risk management self-insurance fund.

Health Benefits Fund—To account for the costs of operating a health benefits self-insurance fund.

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

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CITY OF NAPLES, FLORIDA
Combining Statement of Net Position
Internal Service Funds
September 30, 2019

| Assets | Equipment Services | Risk Management | Health Benefits | Technology Services | Total |
|---------------------------------------|-------------------------------|----------------------------|----------------------------|--------------------------------|-------------------|
| Current assets | | | | | |
| Cash and investments | \$ 234,375 | 8,623,353 | 1,124,362 | 925,559 | 10,907,649 |
| Receivables, miscellaneous | - | - | 719 | - | 719 |
| Accrued interest | 625 | 25,871 | 7,469 | 3,374 | 37,339 |
| Due from other governments | 18,746 | - | - | 7,722 | 26,468 |
| Inventories | 75,640 | - | - | - | 75,640 |
| Prepays | - | 50,000 | - | 5,617 | 55,617 |
| Total current assets | <u>329,386</u> | <u>8,699,224</u> | <u>1,132,550</u> | <u>942,272</u> | <u>11,103,432</u> |
| Capital assets | | | | | |
| Buildings | 794,987 | - | - | 51,957 | 846,944 |
| Equipment | 407,656 | 25,788 | - | 3,126,627 | 3,560,071 |
| Accumulated depreciation | (985,592) | (25,788) | - | (2,675,722) | (3,687,102) |
| Construction in progress | - | - | - | 56,135 | 56,135 |
| Net capital assets | <u>217,051</u> | <u>-</u> | <u>-</u> | <u>558,997</u> | <u>776,048</u> |
| Total assets | <u>546,437</u> | <u>8,699,224</u> | <u>1,132,550</u> | <u>1,501,269</u> | <u>11,879,480</u> |
| Deferred outflows of resources | | | | | |
| Deferred outflows - pensions | 54,343 | 11,205 | - | 38,376 | 103,924 |
| Deferred outflows - OPEB | 4,389 | 1,463 | - | 5,852 | 11,704 |
| Total deferred outflows of resources | <u>58,732</u> | <u>12,668</u> | <u>-</u> | <u>44,228</u> | <u>115,628</u> |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 49,414 | 57,985 | 6,395 | 47,051 | 160,845 |
| Accrued payroll | 31,605 | 6,852 | - | 19,859 | 58,316 |
| Unearned revenue | - | - | 566 | - | 566 |
| Total current liabilities | <u>81,019</u> | <u>64,837</u> | <u>6,961</u> | <u>66,910</u> | <u>219,727</u> |
| Noncurrent liabilities | | | | | |
| Due within one year | | | | | |
| Compensated absences | 20,000 | - | - | 15,000 | 35,000 |
| Insurance claims payable | - | 634,400 | 482,619 | - | 1,117,019 |
| Due in more than one year | | | | | |
| Compensated absences | 35,116 | 23,628 | - | 27,216 | 85,960 |
| Net pension liability | 154,179 | 31,789 | - | 108,879 | 294,847 |
| Total OPEB liability | 68,177 | 22,726 | - | 90,902 | 181,805 |
| Insurance claims payable | - | 2,537,600 | - | - | 2,537,600 |
| Total noncurrent liabilities | <u>277,472</u> | <u>3,250,143</u> | <u>482,619</u> | <u>241,997</u> | <u>4,252,231</u> |
| Total liabilities | <u>358,491</u> | <u>3,314,980</u> | <u>489,580</u> | <u>308,907</u> | <u>4,471,958</u> |
| Deferred inflows of resources | | | | | |
| Deferred inflows - pensions | 91,772 | 18,922 | - | 64,808 | 175,502 |
| Deferred inflows - OPEB | 3,042 | 1,014 | - | 4,056 | 8,112 |
| Total deferred inflows of resources | <u>94,814</u> | <u>19,936</u> | <u>-</u> | <u>68,864</u> | <u>183,614</u> |
| Net Position | | | | | |
| Investment in capital assets | 217,051 | - | - | 558,997 | 776,048 |
| Restricted, flexible benefits | - | - | 361,072 | - | 361,072 |
| Unrestricted | (65,187) | 5,376,976 | 281,898 | 608,729 | 6,202,416 |
| Total net position | <u>\$ 151,864</u> | <u>5,376,976</u> | <u>642,970</u> | <u>1,167,726</u> | <u>7,339,536</u> |

CITY OF NAPLES, FLORIDA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended September 30, 2019

| | Equipment Services | Risk Management | Health Benefits | Technology Services | Total |
|---------------------------------|-------------------------------|----------------------------|----------------------------|--------------------------------|-------------------|
| Operating revenues | | | | | |
| Charges for services | \$ 1,879,669 | 2,686,332 | 8,340,104 | 1,584,900 | 14,491,005 |
| Intergovernmental | 17,508 | - | - | 7,722 | 25,230 |
| Total operating expenses | <u>1,897,177</u> | <u>2,686,332</u> | <u>8,340,104</u> | <u>1,592,622</u> | <u>14,516,235</u> |
| Operating expenses | | | | | |
| Personal services | 672,128 | 160,940 | - | 415,188 | 1,248,256 |
| Supplies, services and claims | 1,038,881 | 1,624,129 | 8,241,129 | 732,802 | 11,636,941 |
| Utilities | 26,746 | - | - | - | 26,746 |
| Depreciation and amortization | 28,259 | - | - | 305,690 | 333,949 |
| General administration | 117,980 | 76,030 | 134,620 | 84,740 | 413,370 |
| Other | 3,131 | 6,188 | - | - | 9,319 |
| Total operating expenses | <u>1,887,125</u> | <u>1,867,287</u> | <u>8,375,749</u> | <u>1,538,420</u> | <u>13,668,581</u> |
| Operating income (loss) | 10,052 | 819,045 | (35,645) | 54,202 | 847,654 |
| Nonoperating revenues | | | | | |
| Interest income | 4,512 | 286,576 | 20,932 | 32,238 | 344,258 |
| Total nonoperating revenues | <u>4,512</u> | <u>286,576</u> | <u>20,932</u> | <u>32,238</u> | <u>344,258</u> |
| Change in net position | 14,564 | 1,105,621 | (14,713) | 86,440 | 1,191,912 |
| Net position, beginning of year | 137,300 | 4,271,355 | 657,683 | 1,081,286 | 6,147,624 |
| Net position, end of year | <u>\$ 151,864</u> | <u>5,376,976</u> | <u>642,970</u> | <u>1,167,726</u> | <u>7,339,536</u> |

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year Ended September 30, 2019

| | Equipment Services | Risk Management | Health Benefits | Technology Services | Total |
|---|-------------------------------|----------------------------|----------------------------|--------------------------------|-------------------|
| Cash flows from operating activities | | | | | |
| Cash received from customers | \$ 1,878,431 | 2,686,332 | 8,343,984 | 1,584,900 | 14,493,647 |
| Cash payments to suppliers for goods and services | (1,085,396) | (1,432,956) | (8,199,216) | (772,994) | (11,490,562) |
| Cash payments for employee services | (681,342) | (76,030) | - | (84,740) | (842,112) |
| Cash payments for interfund services | (117,980) | (160,391) | (134,620) | (410,583) | (823,574) |
| Net cash provided by (used in) operating activities | <u>(6,287)</u> | <u>1,016,955</u> | <u>10,148</u> | <u>316,583</u> | <u>1,337,399</u> |
| Cash flows from capital and related financing activities | | | | | |
| Acquisition and construction of capital assets | <u>(45,258)</u> | <u>-</u> | <u>-</u> | <u>(215,991)</u> | <u>(261,249)</u> |
| Net cash used in capital and related financing activities | <u>(45,258)</u> | <u>-</u> | <u>-</u> | <u>(215,991)</u> | <u>(261,249)</u> |
| Cash flows from investing activities | | | | | |
| Interest on pooled cash and investments | <u>4,278</u> | <u>279,753</u> | <u>19,862</u> | <u>31,861</u> | <u>335,754</u> |
| Net cash provided by investing activities | <u>4,278</u> | <u>279,753</u> | <u>19,862</u> | <u>31,861</u> | <u>335,754</u> |
| Net change in cash and cash equivalents | (47,267) | 1,296,708 | 30,010 | 132,453 | 1,411,904 |
| Cash and cash equivalents, beginning of year | <u>281,642</u> | <u>7,326,645</u> | <u>1,094,352</u> | <u>793,106</u> | <u>9,495,745</u> |
| Cash and cash equivalents, end of year | <u>\$ 234,375</u> | <u>8,623,353</u> | <u>1,124,362</u> | <u>925,559</u> | <u>10,907,649</u> |
| Reconciliation of operating (loss) income to net cash (used in) provided by operating activities | | | | | |
| Operating (loss) income | \$ 10,052 | 819,045 | (35,645) | 54,202 | 847,654 |
| Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities | | | | | |
| Depreciation and amortization | 28,259 | - | - | 305,690 | 333,949 |
| Changes in assets - (increase) decrease | | | | | |
| Miscellaneous receivables | - | - | 3,880 | - | 3,880 |
| Due from other governments | (18,746) | - | - | (7,722) | (26,468) |
| Inventories | 1,756 | - | - | - | 1,756 |
| (Increase) decrease in prepaids | - | (50,000) | - | (5,617) | (55,617) |
| Deferred outflows | 12,087 | 2,419 | - | 8,177 | 22,683 |
| Changes in liabilities - increase (decrease) | | | | | |
| Accounts payable | (18,394) | 6,361 | 5,764 | (34,575) | (40,844) |
| Accrued payroll | 5,615 | 987 | - | 7,341 | 13,943 |
| Insurance claims payable | - | 241,000 | 36,149 | - | 277,149 |
| Deferred inflows | 53,634 | 11,215 | - | 38,646 | 103,495 |
| Net pension liability | (87,742) | (18,092) | - | (61,962) | (167,796) |
| Total OPEB liability | 2,052 | 684 | - | 2,735 | 5,471 |
| Compensated absences | 5,140 | 3,336 | - | 9,668 | 18,144 |
| Net cash (used in) provided by operating activities | <u>\$ (6,287)</u> | <u>1,016,955</u> | <u>10,148</u> | <u>316,583</u> | <u>1,337,399</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, 2019

| | Pension Trust | | |
|-----------------------------------|-------------------------------------|---|--------------------------------------|
| | General Pension Fund | Supplemental General Pension | Managers' 401 Pension |
| Assets | | | |
| Cash and cash equivalents | \$ 1,568,775 | - | - |
| Receivables | | | |
| Contributions | 98,379 | 23,148 | 5,941 |
| Investments, at fair value | | | |
| U.S. Treasury securities | 2,890,127 | - | - |
| U.S. Government agency securities | 151,060 | - | - |
| Municipal obligations | 43,760 | - | - |
| Asset-backed securities | 2,476,406 | - | - |
| Corporate bonds | 4,640,455 | - | - |
| Common stock/equity funds | 40,454,898 | - | - |
| Real estate investment trusts | 5,553,647 | - | - |
| Mutual funds | - | 9,671,175 | 2,051,754 |
| Alternative investments | 2,287,937 | - | - |
| Total investments | <u>58,498,290</u> | <u>9,671,175</u> | <u>2,051,754</u> |
| Total assets | <u>60,165,444</u> | <u>9,694,323</u> | <u>2,057,695</u> |
| Liabilities | | | |
| Accounts payable | <u>135,351</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>135,351</u> | <u>-</u> | <u>-</u> |
| Net position | | | |
| Restricted for pension benefits | <u>\$ 60,030,093</u> | <u>9,694,323</u> | <u>2,057,695</u> |

Pension Trust

| Police Officers' Pension Fund | Firefighters' Pension Fund | Total |
|--|---|--------------------|
| 1,241,220 | 1,416,953 | 4,226,948 |
| 982,816 | 843,264 | 1,953,548 |
| 2,266,407 | 2,698,010 | 7,854,544 |
| 116,551 | 161,322 | 428,933 |
| 36,268 | 35,075 | 115,103 |
| 1,937,290 | 2,147,030 | 6,560,726 |
| 4,242,800 | 4,530,711 | 13,413,966 |
| 36,774,445 | 40,067,386 | 117,296,729 |
| 4,608,750 | 4,592,216 | 14,754,613 |
| - | - | 11,722,929 |
| 2,396,417 | 2,549,784 | 7,234,138 |
| <u>52,378,928</u> | <u>56,781,534</u> | <u>179,381,681</u> |
| <u>54,602,964</u> | <u>59,041,751</u> | <u>185,562,177</u> |
| | | |
| <u>12,438</u> | <u>12,251</u> | <u>160,040</u> |
| <u>12,438</u> | <u>12,251</u> | <u>160,040</u> |
| | | |
| <u>54,590,526</u> | <u>59,029,500</u> | <u>185,402,137</u> |

CITY OF NAPLES, FLORIDA
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2019

| | Pension Trust | | |
|---|-------------------------------------|---|--------------------------------------|
| | General Pension Fund | Supplemental General Pension | Managers' 401 Pension |
| Additions | | | |
| Contributions | | | |
| Employee contributions | \$ 682,207 | 405,586 | 73,402 |
| Employer contributions | 2,087,382 | 245,886 | 58,503 |
| State contributions | - | - | - |
| Total contributions | <u>2,769,589</u> | <u>651,472</u> | <u>131,905</u> |
| Investment earnings | | | |
| Interest and dividend income | 1,544,583 | 8,793 | 954 |
| Net change in fair value of investments | 972,168 | 397,479 | 96,203 |
| Less investment expense | <u>(299,375)</u> | <u>(20,960)</u> | <u>(4,096)</u> |
| Net investment earnings | <u>2,217,376</u> | <u>385,312</u> | <u>93,061</u> |
| Total additions | <u>4,986,965</u> | <u>1,036,784</u> | <u>224,966</u> |
| Deductions | | | |
| Benefits paid | 4,233,791 | - | - |
| Refunds of contributions | 505,293 | 768,913 | 34,861 |
| General administration | <u>159,449</u> | <u>-</u> | <u>-</u> |
| Total deductions | <u>4,898,533</u> | <u>768,913</u> | <u>34,861</u> |
| Changes in net position | 88,432 | 267,871 | 190,105 |
| Net position, beginning of year | 59,941,661 | 9,426,452 | 1,867,590 |
| Net position, end of year | <u>\$ 60,030,093</u> | <u>9,694,323</u> | <u>2,057,695</u> |

Pension Trust

| Police Officers’ Pension Fund | Firefighters’ Pension Fund | Total |
|--|---|--------------------|
| 260,609 | 148,990 | 1,570,794 |
| 1,949,202 | 1,693,876 | 6,034,849 |
| 742,751 | 544,971 | 1,287,722 |
| <u>2,952,562</u> | <u>2,387,837</u> | <u>8,893,365</u> |
| 1,346,828 | 1,441,871 | 4,343,029 |
| 1,103,720 | 1,173,522 | 3,743,092 |
| (269,607) | (310,253) | (904,291) |
| <u>2,180,941</u> | <u>2,305,140</u> | <u>7,181,830</u> |
| <u>5,133,503</u> | <u>4,692,977</u> | <u>16,075,195</u> |
| 4,448,950 | 4,767,116 | 13,449,857 |
| - | 230,017 | 1,539,084 |
| 93,352 | 72,724 | 325,525 |
| <u>4,542,302</u> | <u>5,069,857</u> | <u>15,314,466</u> |
| 591,201 | (376,880) | 760,729 |
| <u>53,999,325</u> | <u>59,406,380</u> | <u>184,641,408</u> |
| <u>54,590,526</u> | <u>59,029,500</u> | <u>185,402,137</u> |

CITY OF NAPLES, FLORIDA
Statement of Changes in Assets and Liabilities—Agency Funds
Year Ended September 30, 2019

| | Balance October 1, 2018 | Additions | Deductions | Balance September 30, 2019 |
|-------------------|--|------------------|-------------------|---|
| Assets | | | | |
| Cash | \$ 137 | 246,546 | (246,546) | 137 |
| Total assets | <u>\$ 137</u> | <u>246,546</u> | <u>(246,546)</u> | <u>137</u> |
| Liabilities | | | | |
| Accounts payable | \$ 137 | 246,546 | (246,546) | 137 |
| Total liabilities | <u>\$ 137</u> | <u>246,546</u> | <u>(246,546)</u> | <u>137</u> |

STATISTICAL SECTION (Unaudited)

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

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| Financial Trends | |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 159 |
| 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. | 169 |
| 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. | 175 |
| 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. | 181 |
| 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. | 183 |
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Schedule 1
City of Naples
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 47,101,732 | 47,910,235 | 49,368,390 | 54,372,698 | 55,192,342 |
| Restricted | 983,750 | 12,987,575 | 13,460,387 | 13,908,144 | 13,908,144 |
| Unrestricted | 45,710,635 | 33,134,491 | 32,162,681 | 27,048,578 | 31,850,607 |
| Total governmental activities net assets | <u>\$ 93,796,117</u> | <u>94,032,301</u> | <u>94,991,458</u> | <u>95,329,420</u> | <u>100,951,093</u> |
| Business-type activities | | | | | |
| Net investment in capital assets | \$ 70,342,384 | 72,488,908 | 77,344,733 | 81,292,018 | 90,439,602 |
| Restricted | 3,122,630 | 4,070,440 | 1,645,528 | - | - |
| Unrestricted | 28,569,892 | 32,963,324 | 39,489,625 | 43,716,346 | 44,977,055 |
| Total business-type activities net assets | <u>\$ 102,034,906</u> | <u>109,522,672</u> | <u>118,479,886</u> | <u>125,008,364</u> | <u>135,416,657</u> |
| Primary government | | | | | |
| Net investment in capital assets | \$ 117,444,116 | 120,399,143 | 126,713,123 | 135,664,716 | 145,631,944 |
| Restricted | 4,106,380 | 17,058,015 | 15,105,915 | 13,908,144 | 13,908,144 |
| Unrestricted | 74,280,527 | 66,097,815 | 71,652,306 | 70,764,924 | 76,827,662 |
| Total primary government net assets | <u>\$ 195,831,023</u> | <u>203,554,973</u> | <u>213,471,344</u> | <u>220,337,784</u> | <u>236,367,750</u> |

| Fiscal Year | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 55,794,796 | 56,389,018 | 62,307,369 | 68,234,422 | 89,168,254 |
| 22,621,775 | 21,362,817 | 24,075,554 | 24,295,296 | 19,003,332 |
| <u>(2,227,579)</u> | <u>(2,990,374)</u> | <u>(8,830,079)</u> | <u>(6,184,560)</u> | <u>(1,414,044)</u> |
| <u>76,188,992</u> | <u>74,761,461</u> | <u>77,552,844</u> | <u>86,345,158</u> | <u>106,757,542</u> |
| 100,262,238 | 110,151,951 | 115,191,402 | 120,073,729 | 124,045,399 |
| - | - | - | - | - |
| <u>40,616,760</u> | <u>39,299,638</u> | <u>43,181,206</u> | <u>43,600,947</u> | <u>57,071,355</u> |
| <u>140,878,998</u> | <u>149,451,589</u> | <u>158,372,608</u> | <u>163,674,676</u> | <u>181,116,754</u> |
| 156,057,034 | 166,540,969 | 177,498,771 | 188,308,151 | 213,213,653 |
| 22,621,775 | 21,362,817 | 24,075,554 | 24,295,296 | 19,003,332 |
| 38,389,181 | 36,309,264 | 34,351,127 | 37,416,387 | 55,657,311 |
| <u>217,067,990</u> | <u>224,213,050</u> | <u>235,925,452</u> | <u>250,019,834</u> | <u>287,874,296</u> |

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

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

| Fiscal Year | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 7,518,425 | 9,555,128 | 9,454,060 | 12,982,218 | 10,753,587 |
| 21,801,426 | 29,016,071 | 30,594,045 | 25,994,163 | 28,234,663 |
| 3,784,334 | 2,805,708 | 2,633,829 | 2,859,398 | 2,920,295 |
| 2,923,536 | 4,042,246 | 3,123,625 | 3,682,853 | 3,034,012 |
| 6,993,700 | 8,397,402 | 7,644,773 | 7,717,903 | 8,386,370 |
| 229,304 | 188,208 | 160,230 | 198,144 | 218,975 |
| <u>43,250,725</u> | <u>54,004,763</u> | <u>53,610,562</u> | <u>53,434,678</u> | <u>53,547,902</u> |
| 23,729,514 | 24,213,406 | 25,830,541 | 26,985,697 | 27,588,076 |
| 6,092,583 | 6,481,079 | 6,613,390 | 6,672,555 | 6,750,997 |
| 3,174,847 | 3,504,651 | 4,116,574 | 4,796,395 | 4,340,833 |
| 3,552,923 | 4,140,463 | 3,949,399 | 4,187,376 | 4,913,117 |
| <u>36,549,867</u> | <u>38,339,599</u> | <u>40,509,904</u> | <u>42,642,023</u> | <u>43,593,023</u> |
| <u>79,800,592</u> | <u>92,344,362</u> | <u>94,120,466</u> | <u>96,076,701</u> | <u>97,140,925</u> |
| 3,358,243 | 3,475,764 | 3,212,513 | 3,842,216 | 3,861,356 |
| 5,646,699 | 5,227,047 | 4,448,668 | 6,067,924 | 7,040,301 |
| - | 10,000 | 530,000 | 820,925 | 526,710 |
| 65,948 | 65,379 | 87,288 | 99,854 | 101,748 |
| 2,636,165 | 1,012,252 | 2,039,913 | 1,031,798 | 972,706 |
| 3,416,843 | 3,492,964 | 4,363,770 | 4,687,374 | 6,775,231 |
| 936,341 | 501,211 | 345,987 | 2,580,766 | 4,409,074 |
| <u>16,060,239</u> | <u>13,784,617</u> | <u>15,028,139</u> | <u>19,130,857</u> | <u>23,687,126</u> |
| 29,614,711 | 30,730,431 | 33,695,352 | 32,767,617 | 33,648,343 |
| 5,850,216 | 6,124,348 | 7,126,711 | 7,093,443 | 7,384,825 |
| 4,296,017 | 4,558,685 | 5,040,865 | 4,800,239 | 5,080,504 |
| 1,261,081 | 1,754,058 | 1,972,942 | 1,971,709 | 2,399,249 |
| 1,635,024 | 1,530,363 | 1,201,692 | 1,167,545 | 2,146,595 |
| 568,002 | 591,145 | 560,179 | 605,002 | 698,710 |
| 2,067,866 | 1,211,932 | 127,100 | 201,900 | 3,282,875 |
| 3,664,105 | 1,998,774 | 1,424,561 | 1,011,861 | 6,410,813 |
| <u>48,957,022</u> | <u>48,499,736</u> | <u>51,149,402</u> | <u>49,619,316</u> | <u>61,051,914</u> |
| <u>65,017,261</u> | <u>62,284,353</u> | <u>66,177,541</u> | <u>68,750,173</u> | <u>84,739,040</u> |
| (27,190,486) | (40,220,146) | (38,582,423) | (34,303,821) | (29,860,776) |
| 12,407,155 | 10,160,137 | 10,639,498 | 6,977,293 | 17,458,891 |
| <u>(14,783,331)</u> | <u>(30,060,009)</u> | <u>(27,942,925)</u> | <u>(27,326,528)</u> | <u>(12,401,885)</u> |

(Continued)

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

| | Fiscal Year | | | | |
|--|----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Revenues and Other | | | | | |
| Changes in Net Position | | | | | |
| Governmental activities | | | | | |
| Taxes | | | | | |
| Property taxes | \$ 19,418,905 | 17,872,322 | 17,390,742 | 17,330,532 | 18,539,883 |
| Local communication and utility taxes | 4,846,484 | 5,208,481 | 5,574,086 | 5,977,860 | 5,241,319 |
| Insurance premium tax | 1,440,033 | 1,319,318 | 1,354,027 | 1,324,166 | 1,412,980 |
| Motor fuel taxes | 1,396,616 | 1,386,067 | 1,397,806 | 1,367,212 | 1,190,133 |
| Business taxes | 270,748 | 243,716 | 264,110 | 255,890 | 269,562 |
| Franchise fees | 3,498,659 | 3,474,511 | 3,361,560 | 3,299,823 | 3,579,771 |
| Intergovernmental revenues, unrestricted | 2,825,967 | 2,847,318 | 2,807,044 | 2,952,946 | 3,158,266 |
| Unrestricted investment earnings | 542,317 | 371,937 | 238,259 | 175,612 | 232,811 |
| Miscellaneous revenues | 44,415 | 171,799 | 19,273 | 50,070 | 34,155 |
| Gain on sale of capital assets | - | 4,718 | 26,776 | - | 1,655 |
| Transfers | 1,986,000 | 1,987,500 | 2,013,610 | 2,054,280 | 1,878,880 |
| Total governmental activities | 36,270,144 | 34,887,687 | 34,447,293 | 34,788,391 | 35,539,415 |
| Business-type activities | | | | | |
| Investment earnings | 258,101 | 186,018 | 153,699 | 90,583 | 200,556 |
| Gain on sale of capital assets | 17,936 | 53,633 | 5,438 | - | - |
| Transfers | (1,986,000) | (1,987,500) | (2,013,610) | (2,054,280) | (1,878,880) |
| Total business-type activities | (1,709,963) | (1,747,849) | (1,854,473) | (1,963,697) | (1,678,324) |
| Total primary government | \$ 34,560,181 | 33,139,838 | 32,592,820 | 32,824,694 | 33,861,091 |
| Change in Net Position | | | | | |
| Governmental activities | \$ (1,618,387) | 236,184 | 959,157 | 405,995 | 5,621,673 |
| Business-type activities | 8,129,491 | 7,487,766 | 8,957,214 | 6,607,394 | 10,408,294 |
| Total primary government | \$ 6,511,104 | 7,723,950 | 9,916,371 | 7,013,389 | 16,029,967 |

| Fiscal Year | | | | |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 19,523,088 | 21,163,455 | 22,706,983 | 24,431,766 | 26,590,992 |
| 5,391,177 | 5,436,983 | 5,504,862 | 5,771,309 | 5,992,589 |
| 1,272,757 | 1,191,342 | 1,302,545 | 1,258,329 | 1,287,722 |
| 1,167,932 | 1,226,385 | 1,221,409 | 1,374,149 | 1,374,754 |
| 215,039 | 304,435 | 302,857 | 256,858 | 251,348 |
| 3,553,455 | 3,451,036 | 3,523,250 | 3,552,964 | 3,627,333 |
| 3,332,872 | 3,440,243 | 3,823,706 | 3,883,028 | 7,148,793 |
| 543,147 | 524,052 | 415,611 | 675,924 | 1,979,529 |
| - | - | - | - | - |
| 159,891 | 34,584 | 552,483 | 16,121 | - |
| 4,138,060 | 2,020,100 | 2,020,100 | 2,020,100 | 2,020,100 |
| <u>39,297,418</u> | <u>38,792,615</u> | <u>41,373,806</u> | <u>43,240,548</u> | <u>50,273,160</u> |
| 420,063 | 432,554 | 301,621 | 394,491 | 1,825,523 |
| - | - | - | - | 177,764 |
| <u>(4,138,060)</u> | <u>(2,020,100)</u> | <u>(2,020,100)</u> | <u>(2,020,100)</u> | <u>(2,020,100)</u> |
| <u>(3,717,997)</u> | <u>(1,587,546)</u> | <u>(1,718,479)</u> | <u>(1,625,609)</u> | <u>(16,813)</u> |
| <u>35,579,421</u> | <u>37,205,069</u> | <u>39,655,327</u> | <u>41,614,939</u> | <u>50,256,347</u> |
| 12,106,932 | (1,427,531) | 2,791,383 | 8,936,727 | 20,412,384 |
| 8,689,158 | 8,572,591 | 8,921,019 | 5,351,684 | 17,442,078 |
| <u>20,796,090</u> | <u>7,145,060</u> | <u>11,712,402</u> | <u>14,288,411</u> | <u>37,854,462</u> |

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

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

Note: GASB 54 was implemented during fiscal year 2011.

| Fiscal Year | | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| 643,305 | 33,940 | 6,938,854 | 1,075,874 | 1,014,774 |
| - | - | - | - | - |
| 3,597,298 | 3,507,279 | 4,126,391 | 4,046,897 | 4,051,297 |
| 275,909 | 41,363 | 625,890 | 377,931 | 170,682 |
| 14,030,183 | 16,356,280 | 575,674 | 7,089,378 | 12,532,308 |
| <u>18,546,695</u> | <u>19,938,862</u> | <u>12,266,809</u> | <u>12,590,080</u> | <u>17,769,061</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 |
| 294,674 | 38,524 | 15,333 | 16,931 | 15,765 |
| 22,621,775 | 21,362,817 | 24,075,554 | 24,295,296 | 19,447,961 |
| 3,239,337 | 3,001,368 | 4,319,627 | 8,593,870 | 2,827,064 |
| 4,412,135 | 5,297,819 | 8,182,094 | 4,552,336 | 5,054,810 |
| (157,009) | - | - | - | - |
| <u>30,410,912</u> | <u>29,700,528</u> | <u>36,592,608</u> | <u>37,458,433</u> | <u>27,345,600</u> |

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

| | Fiscal Year | | | | |
|---|---------------------|-------------------|--------------------------|--------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | |
| Taxes | \$ 27,372,786 | 26,029,904 | 25,980,772 | 26,255,660 | 26,653,877 |
| Licenses, permits, fees and assessments | 6,072,977 | 6,655,012 | 7,539,226 | 7,179,183 | 10,397,768 |
| Intergovernmental | 6,038,913 | 5,236,599 | 5,174,417 | 5,152,801 | 5,556,664 |
| Charges for services | 2,045,248 | 1,908,981 | 2,131,943 | 1,802,160 | 1,811,398 |
| Charges to other funds | 3,720,709 | 3,720,708 | 3,681,838 | 3,597,960 | 3,358,100 |
| Fines and forfeitures | 254,385 | 232,575 | 461,537 | 418,614 | 195,349 |
| Impact fees/special assessments | - | - | - | - | - |
| Interest | 492,471 | 336,484 | 214,851 | 170,743 | 199,770 |
| Contributions | 211,302 | 258,985 | 204,116 | 115,262 | 2,342,947 |
| Miscellaneous | 75,544 | 177,621 | 9,273 | 255,225 | 35,463 |
| Total revenues | <u>46,284,335</u> | <u>44,556,869</u> | <u>45,397,973</u> | <u>44,947,608</u> | <u>50,551,336</u> |
| Expenditures | | | | | |
| General government | 8,620,881 | 8,307,238 | 8,130,338 | 8,421,621 | 8,249,859 |
| Public safety | 23,680,724 | 22,062,961 | 23,192,344 | 23,731,367 | 24,418,391 |
| Physical and economic environment | 2,024,380 | 1,945,948 | 1,776,115 | 1,357,378 | 1,341,014 |
| Transportation | 2,246,827 | 2,191,327 | 2,069,396 | 2,298,904 | 2,072,385 |
| Culture and recreation | 5,433,931 | 5,302,802 | 5,189,194 | 5,567,331 | 5,855,186 |
| Capital outlay | 2,303,468 | 2,830,919 | 5,193,871 | 7,381,848 | 4,537,516 |
| Debt service | | | | | |
| Principal | 1,612,000 | 2,222,000 | 1,844,000 ^(a) | 3,056,000 | 1,489,000 |
| Interest and fiscal charges | 957,917 | 589,568 | 445,242 | 333,221 | 177,679 |
| Total expenditures | <u>46,880,128</u> | <u>45,452,763</u> | <u>47,840,500</u> | <u>52,147,670</u> | <u>48,141,030</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>(595,793)</u> | <u>(895,894)</u> | <u>(2,442,527)</u> | <u>(7,200,062)</u> | <u>2,410,306</u> |
| Other Financing Sources (Uses) | | | | | |
| Debt issued | - | 17,094,000 | - ^(a) | 13,830,000 | - |
| Payments to escrow agents | - | (8,285,998) | - | (13,793,951) | - |
| Payments to current refund debt | - | (10,186,000) | - | - | - |
| Transfers in | 5,766,183 | 5,705,136 | 6,396,488 | 7,032,679 | 5,819,706 |
| Transfers out | (3,780,183) | (3,762,476) | (4,382,878) | (5,037,219) | (4,010,826) |
| Sale of capital assets | 23,888 | 36,953 | 27,917 | 30,378 | 10,865 |
| Total other financing sources (uses) | <u>2,009,888</u> | <u>601,615</u> | <u>2,041,527</u> | <u>2,061,887</u> | <u>1,819,745</u> |
| Net change in fund balance | <u>\$ 1,414,095</u> | <u>(294,279)</u> | <u>(401,000)</u> | <u>(5,138,175)</u> | <u>4,230,051</u> |
| Debt service as a percentage of noncapital expenditures | 5.8% | 6.6% | 5.4% | 7.6% | 3.9% |

Note: ^(a) The City refunded the 2010 Capital Improvement Refunding Revenue Notes.

| Fiscal Year | | | | |
|--------------------|-------------------|-------------------|-------------------|--------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 27,569,993 | 29,322,600 | 31,038,656 | 33,092,411 | 35,497,405 |
| 9,150,495 | 8,672,904 | 7,729,798 | 9,604,727 | 11,458,193 |
| 6,077,175 | 6,326,123 | 7,513,779 | 7,894,102 | 15,554,180 |
| 1,900,592 | 1,943,443 | 2,390,870 | 2,965,322 | 2,551,278 |
| 3,285,250 | 3,179,420 | 3,024,260 | 3,455,190 | 3,665,200 |
| 258,806 | 464,904 | 559,789 | 364,634 | 120,603 |
| - | - | - | - | - |
| 439,445 | 421,531 | 355,429 | 586,247 | 1,635,271 |
| 2,069,470 | 108,355 | 543,987 | 2,239,082 | 397,475 |
| 57,067 | 67,045 | 674,457 | 106,576 | 80,837 |
| <u>50,808,293</u> | <u>50,506,325</u> | <u>53,831,025</u> | <u>60,308,291</u> | <u>70,960,442</u> |
| 8,033,054 | 8,374,046 | 9,527,879 | 11,586,481 | 11,157,463 |
| 24,676,027 | 25,827,354 | 26,640,125 | 27,273,479 | 28,695,737 |
| 1,257,343 | 1,371,443 | 1,377,329 | 1,487,663 | 1,724,531 |
| 2,193,710 | 3,153,133 | 2,279,983 | 2,888,756 | 2,235,087 |
| 5,792,279 | 7,204,332 | 6,458,141 | 6,541,506 | 6,902,886 |
| 5,223,589 | 4,354,195 | 9,221,059 | 13,033,230 | 25,220,835 |
| 1,468,000 | 1,516,000 | 1,566,000 | 1,669,825 | 1,890,432 |
| 182,882 | 139,308 | 111,786 | 126,711 | 172,597 |
| <u>48,826,884</u> | <u>51,939,811</u> | <u>57,182,302</u> | <u>64,607,651</u> | <u>77,999,568</u> |
| 1,981,409 | (1,433,486) | (3,351,277) | (4,299,360) | (7,039,126) |
| - | - | - | 3,427,883 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 12,820,232 | 7,354,699 | 16,978,221 | 10,394,122 | 7,439,241 |
| (7,682,172) | (5,334,599) | (14,958,121) | (8,374,022) | (5,419,141) |
| 159,891 | 95,169 | 551,204 | 40,473 | 85,174 |
| <u>5,297,951</u> | <u>2,115,269</u> | <u>2,571,304</u> | <u>5,488,456</u> | <u>2,105,274</u> |
| <u>7,279,360</u> | <u>681,783</u> | <u>(779,973)</u> | <u>1,189,096</u> | <u>(4,933,852)</u> |
| 3.7% | 3.4% | 3.5% | 3.5% | 3.9% |

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 | One-Cent Tax | Other | Total |
|---------------------|-----------------|----------------------------------|-----------------------|-------------------|----------------------|---------------------|--------------|--------------|
| 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 |
| 2018 | 24,431,761 | 5,771,309 | 3,552,964 | 1,374,149 | 2,576,547 | - | 1,515,192 | 39,221,922 |
| 2019 | 26,590,992 | 5,992,589 | 3,627,333 | 1,374,754 | 2,704,892 | 3,233,353 | 1,539,070 | 45,062,983 |
| Change 2010-2019 | 36.9% | 23.6% | 3.7% | -1.6% | 42.6% | N/A | -39.3% | 34.1% |

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 |
|--------------------|----------------------|--------------------------|-----------------------------------|---|----------------------------|------------------------------|--------------------------|--|
| 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% |
| 2017-18 | 21,465,448,412 | 293,942,163 | 469,960,656 | 21,289,429,919 | 21,759,390,578 | 1.1500 | 27,471,643,277 | 77.5% |
| 2018-19 | 22,754,619,799 | 293,478,330 | 358,574,015 | 22,689,524,114 | 23,068,526,395 | 1.1800 | 28,389,087,498 | 79.9% |

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 |
| 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 |
| 2018 | 1.1500 | 0.0000 | 1.1500 | 0.1775 | 3.5645 | 0.0293 |
| 2019 | 1.1800 | 0.0000 | 1.1800 | 0.1720 | 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 fiscal year 2014-2015. It was .1050 for fiscal year 2013-2014.

Overlapping Rates*

| Conservation Collier | School Board | South Water Management | Combined Total |
|---------------------------------|-------------------------|---------------------------------------|---------------------------|
| 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 |
| 0.0000 | 5.0490 | 0.2440 | 10.2143 |
| 0.0000 | 5.0830 | 0.2344 | 10.2632 |

**Schedule 8
City of Naples
Principal Property Tax Payers
As of September 30, 2019**

| | 2019 | | | 2010 | | |
|--|-------------------------|------|---|-------------------------|------|---|
| | 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. | \$ 154,126,295 | 1 | 0.71% | 77,946,745 | 2 | 0.46% |
| Coastland Center, LLC | 74,902,588 | 2 | 0.34% | 75,922,109 | 3 | 0.51% |
| Westbury Properties, Inc. | 62,245,971 | 3 | 0.29% | 32,414,883 | 6 | 0.17% |
| 2658 Florida Land Trust | 50,301,964 | 4 | 0.23% | | | |
| Sandra Gerry | 48,237,468 | 5 | 0.22% | 49,086,667 | 4 | 0.27% |
| 2500 Gordon Drive LLC | 45,937,604 | 6 | 0.21% | | | |
| Randall D Bellestri Liv Trust | 44,329,548 | 7 | 0.20% | | | |
| Montana Realty Company, LLC | 40,571,497 | 8 | 0.19% | | | |
| Harold Square Land Trust | 37,182,827 | 9 | 0.17% | | | |
| Shankaran & Vyoma Nair | 29,000,000 | 10 | 0.13% | | | |
| Gardner and Judith Larned | | | | 33,192,174 | 5 | |
| Florida Power & Light | | | | 115,070,646 | 1 | 0.67% |
| Panthers RPN Limited | | | | 23,973,328 | 10 | 0.18% |
| Centurylink | | | | 25,126,015 | 9 | 0.18% |
| Arthur Allen Jr. | | | | 31,225,558 | 7 | 0.16% |
| Judith Herb Trust | | | | 27,135,749 | 8 | 0.15% |
| | <u>\$ 586,835,762</u> | | <u>2.70%</u> | <u>491,093,874</u> | | <u>2.90%</u> |
| Total City of Naples Assessed Value | \$ 21,759,390,578 | | | 16,961,855,227 | | |

Sources: Collier County Property Appraiser and 2010 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 |
| 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% |
| 2018 | 25,356,197 | 24,413,116 | 96.3% | 18,650 | 24,431,766 | 96.4% |
| 2019 | 27,545,899 | 26,577,090 | 96.5% | 13,901 | 26,590,991 | 96.5% |

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 Notes | Water Bonds/Loans | Storm-water Loans | Non major Bonds |
| 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 | - |
| 2018 | - | - | - | 8,744,058 | 9,237,539 | 705,155 | - |
| 2019 | - | - | - | 6,853,626 | 11,583,113 | 473,610 | - |

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) |
|---|---|--------------------------------------|
| 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 |
| 18,686,752 | 0.85% | 188 |
| 18,910,349 | 0.86% | 189 |

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 |
|--------------------|---|---|-------------------|
| 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% | - |
| 2018 | - | 0.00% | - |
| 2019 | - | 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, 2019

| | <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 Notes | \$ 6,853,626 | 100% | \$ 6,853,626 |
| Total direct debt | | | <u>6,853,626</u> |
| Overlapping debt ^(a) | | | |
| Collier County ^(b) | 512,024,316 | 24% | <u>122,885,836</u> |
| Total direct and overlapping debt | | | <u>122,885,836</u> |
| | | | <u>\$ 129,739,462</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, 2018 (2019 CAFR not available yet)

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 | | |
| 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 | |
| 2018 | 32,767,617 | 26,870,256 | 5,897,361 | 2,898,555 | 2.03 | |
| 2019 | 34,867,456 | 27,576,471 | 7,290,985 | 1,189,836 | 6.13 | |

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Prior to the 2011 fiscal year, operating expenses did 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 | |
| 3,716,989 | 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) |
| (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) |
|----------------------|-------------------|---|--------------------------|-------------------|---------------------------------|---------------------------------|
| 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% |
| 2018 | 22,214 | 2,210,493 | 99,509 | 64.4 | 47,961 | 3.3% |
| 2019 | 22,039 | 2,210,688 | 100,308 | 66.2 | 48,318 | 3.2% |

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

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

| Employer | 2019 | | | 2010 | | |
|--------------------------------|--------------------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | Employees ⁽¹⁾ | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Collier County School District | 5,606 | 1 | 27.0% | 5,393 | 1 | 34.3% |
| NCH Healthcare System | 4,315 | 2 | 20.8% | 3,725 | 2 | 23.7% |
| Arthrex, Inc. | 2,500 | 3 | 12.1% | | | |
| Collier County Government | 2,313 | 4 | 11.2% | 1,727 | 3 | 11.0% |
| Collier County Sheriff | 1,405 | 5 | 6.8% | 1,387 | 4 | 8.8% |
| Publix Supermarkets | 1,257 | 6 | 6.1% | - | | |
| Ritz Carlton, Naples | 1,100 | 7 | 5.3% | 743 | 6 | 4.7% |
| JW Marriott - Marco Island | 1,050 | 8 | 5.1% | | | |
| Naples Grande Beach Resort | 700 | 9 | 3.4% | 605 | 7 | 3.9% |
| City of Naples | 493 | 10 | 2.4% | 451 | 8 | 2.9% |
| Home Depot | - | | - | 1,012 | 5 | 6.4% |
| Naples Beach and Tennis | - | | - | 423 | 9 | 2.7% |
| Collier County Health Dept | - | | - | 235 | 10 | 1.5% |
| Estimated Total | <u>20,739</u> | | <u>100.0%</u> | <u>15,701</u> | | <u>100.0%</u> |

Sources: Employer Historical Records
Collier County Public Schools
Collier County Clerk of Courts
City of Naples Payroll Records

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

| Function/Program | Fiscal Year | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Fund | | | | | |
| Mayor and Council | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| City Clerk | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| City Attorney | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| City Manager and Code Enforcement | 6.7 | 8.9 | 8.9 | 5.9 | 5.9 |
| Human Resources | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Planning | 5.0 | 4.0 | 3.5 | 3.5 | 3.5 |
| Finance | 19.8 | 19.8 | 18.8 | 17.8 | 13.8 |
| Community Services | 30.0 | 41.0 | 40.0 | 40.5 | 40.5 |
| Police | 104.4 | 98.4 | 98.4 | 98.4 | 98.4 |
| Fire | 61.0 | 63.0 | 63.0 | 63.0 | 63.0 |
| Non-departmental | 11.0 | (a) | (a) | (a) | (a) |
| Water and Sewer Fund | 98.0 | 97.0 | 98.0 | 99.0 | 103.0 |
| Solid Waste Fund | 24.0 | 25.5 | 25.5 | 25.5 | 25.5 |
| Streets and Traffic Fund | 7.5 | 7.5 | 7.5 | 6.1 | 5.5 |
| Stormwater Fund | 6.0 | 6.0 | 6.0 | 10.4 | 10.0 |
| City Dock Fund | 3.0 | 2.6 | 3.6 | 3.6 | 3.6 |
| Tennis Fund | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Beach Fund | 12.8 | 13.0 | 12.0 | 12.0 | 13.0 |
| Technology Services Fund | 10.0 | 10.0 | 10.0 | 10.0 | 8.0 |
| Equipment Services Fund | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 |
| Risk Management Fund | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Building Permit Fund | 17.5 | 17.5 | 18.0 | 23.8 | 28.0 |
| Community Redevelopment | 8.3 | 8.3 | 6.3 | 6.3 | 6.3 |
| TOTAL EMPLOYEES | 451.5 | 448.0 | 445.0 | 451.3 | 453.5 |

Source: City of Naples Budget Document

Notes: (a) Reclassified from Nonoperating to Community Services in the General Fund.

| Fiscal Year | | | | |
|--------------------|--------------|--------------|--------------|--------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 5.9 | 4.9 | 8.9 | 9.9 | 9.9 |
| 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 3.5 | 3.5 | 5.0 | 6.0 | 6.0 |
| 13.8 | 13.8 | 10.8 | 10.5 | 10.5 |
| 40.5 | 40.5 | 42.5 | 45.5 | 47.5 |
| 98.4 | 98.4 | 98.4 | 99.4 | 98.4 |
| 63.0 | 63.0 | 65.0 | 66.0 | 66.0 |
| (a) | (a) | (a) | (a) | (a) |
| 103.0 | 104.0 | 104.0 | 104.0 | 104.0 |
| 25.5 | 26.0 | 26.0 | 26.0 | 26.0 |
| 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| 3.6 | 3.6 | 3.6 | 3.6 | 4.1 |
| 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 13.2 | 13.2 | 13.2 | 15.4 | 15.4 |
| 7.0 | 7.0 | 6.0 | 6.0 | 5.0 |
| 8.5 | 8.5 | 8.5 | 8.5 | 8.5 |
| 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 30.0 | 36.5 | 34.0 | 33.5 | 32.5 |
| 6.3 | 6.3 | 6.3 | 6.3 | 6.3 |
| 455.7 | 462.7 | 465.7 | 474.1 | 473.6 |

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

| Function/Program | Fiscal Year | | | | |
|--|-------------|--------|--------|--------|--------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General government | | | | | |
| Commercial permits issued | 237 | 182 | 285 | 225 | 144 |
| Residential permits issued | 828 | 961 | 1,267 | 1,229 | 1,133 |
| Police | | | | | |
| Physical arrests | 658 | 465 | 1,111 | 758 | 634 |
| Parking violations | 15,985 | 14,351 | 15,107 | 12,906 | 12,778 |
| Traffic violations | 7,601 | 5,641 | 8,168 | 6,767 | 5,489 |
| Fire | | | | | |
| Emergency responses | 4,423 | 4,812 | 4,839 | 4,901 | 5,217 |
| Fires extinguished | 61 | 97 | 96 | 69 | 98 |
| Inspections | 8,412 | 6,557 | 7,882 | 7,761 | 7,299 |
| Refuse collection | | | | | |
| Refuse (tons per day) | 101 | 103 | 153 | 131 | 119 |
| Recyclables (tons per day) | 10 | 12 | 17 | 19 | 21 |
| Other public works | | | | | |
| Street resurfacing (miles) | 9 | 9 | 5 | 5 | 4.25 |
| Potholes repaired ^(a) | 73 | 98 | 77 | 72 | 63 |
| Parks and recreation | | | | | |
| Special events, participants ^(b) | 980 | 3,501 | 3,550 | 3,640 | 3,812 |
| Beach parking permits issued ^(c) | N/A | N/A | 5,560 | 6,590 | 6,802 |
| Camps, Classes, participants ^(d) | 850 | 876 | 4,510 | 5,350 | 5,531 |
| Water | | | | | |
| New connections | 70 | 93 | 172 | 171 | 226 |
| Water main breaks | 16 | 12 | 16 | 21 | 14 |
| Average daily consumption (millions of gallons) | 14.7 | 15 | 14 | 13.5 | 14.3 |
| Peak daily consumption (millions of gallons) | 19.2 | 18 | 19 | 17.8 | 19 |
| Wastewater | | | | | |
| Average daily sewage treatment (thousands of gallons) | 6,330 | 5,852 | 5,688 | 5,680 | 5,225 |

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 fiscal year 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 Gulfshore Playhouse adding more performances throughout the year and a corresponding increase in attendance.

| Fiscal Year | | | | |
|--------------------|-------------|-------------|-------------|-------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 143 | 144 | 86 | 138 | 138 |
| 1,124 | 1,228 | 1,122 | 1,057 | 1,057 |
| 575 | 579 | 373 | 433 | 396 |
| 11,271 | 8,181 | 10,158 | 11,534 | 13,843 |
| 5,989 | 6,133 | 4,934 | 4,169 | 4,163 |
| 5,539 | 6,804 | 6,234 | 6,735 | 6,648 |
| 96 | 70 | 84 | 102 | 108 |
| 7,589 | 8,066 | 7,863 | 11,299 | 11,442 |
| 92 | 129 | 117 | 96 | 101 |
| 28 | 29 | 28 | 15 | 15 |
| 4.26 | 10 | 11 | 10 | 8 |
| 82 | 44 | 78 | 84 | 85 |
| 3,760 | 2,717 | 2,164 | 3,167 | 3,298 |
| 5,249 | 5,802 | 6,050 | 5,296 | 5,179 |
| 11,066 | 16,773 | 10,168 | 31,561 | 36,851 |
| 201 | 169 | 122 | 129 | 120 |
| 17 | 13 | 11 | 63 | 57 |
| 13.8 | 14.0 | 15.0 | 14.0 | 14.0 |
| 18 | 17 | 19 | 19 | 17 |
| 4,800 | 5,100 | 5,270 | 5,270 | 4,396 |

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

| Function/Program | Fiscal Year | | | | |
|--|-------------|--------|--------|--------|--------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Police | | | | | |
| Number of employees | 104 | 98 | 104 | 103 | 103 |
| Total Police Incidents Handled | 48,192 | 57,602 | 66,622 | 68,988 | 65,968 |
| Fire stations | 3 | 3 | 3 | 3 | 3 |
| Refuse collection trucks | 25 | 25 | 25 | 25 | 25 |
| Other public works | | | | | |
| Streets (miles) | 108 | 108 | 110 | 112 | 112 |
| Streetlights | 2,390 | 2,390 | 3,006 | 3,006 | 3,006 |
| Traffic signals | 44 | 44 | 42 | 42 | 42 |
| Parks and recreation | | | | | |
| Swimming pools | 1 | 1 | 1 | 1 | 1 |
| Community centers | 3 | 3 | 3 | 3 | 3 |
| Pier | 1 | 1 | 1 | 1 | 1 |
| Dock | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | |
| Active accounts | 16,495 | 16,545 | 16,684 | 16,791 | 16,943 |
| Plants | 1 | 1 | 1 | 1 | 1 |
| Capacity per day (millions of gallons) | 30 | 30 | 30 | 30 | 30 |
| Sewer | | | | | |
| Active accounts | 8,814 | 9,253 | 8,951 | 8,895 | 8,812 |
| Plants | 1 | 1 | 1 | 1 | 1 |
| Capacity per day (millions of gallons) | 10 | 10 | 10 | 10 | 10 |

Sources: Various City departments

| Fiscal Year | | | | |
|--------------------|-------------|-------------|-------------|-------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 103 | 96 | 98 | 99 | 98 |
| 67,193 | 83,774 | 79,787 | 73,878 | 71,674 |
| 3 | 3 | 3 | 3 | 3 |
| 25 | 25 | 25 | 25 | 25 |
| 112 | 112 | 112 | 112 | 112 |
| 3,006 | 3,006 | 3,006 | 3,006 | 3,006 |
| 42 | 40 | 40 | 40 | 40 |
| 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 17,078 | 17,244 | 17,310 | 17,385 | 17,547 |
| 1 | 1 | 1 | 1 | 1 |
| 30 | 30 | 30 | 30 | 30 |
| 8,820 | 9,037 | 9,207 | 9,262 | 9,243 |
| 1 | 1 | 1 | 1 | 1 |
| 10 | 10 | 10 | 10 | 10 |

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**OTHER INDEPENDENT AUDITOR
REPORTS AND SCHEDULES**

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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, 2019, 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 19, 2020.

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. We did identify deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs (Findings 2019-001, 2019-002, and 2019-003) that we consider to be material weaknesses.

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*.

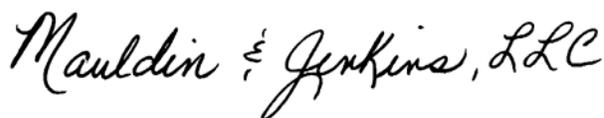
City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 19, 2020

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Naples, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Naples, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida
March 19, 2020

Mauldin & Jenkins, LLC

CITY OF NAPLES, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2019

| <u>Federal/State Agency, Pass-through Entity, Federal Program</u> | <u>CFDA</u> | <u>Grantors No.</u> | <u>Expenditures</u> |
|---|-------------|---------------------|----------------------------|
| Federal Awards: | | | |
| United States Department of Commerce | | | |
| Direct | | | |
| National Oceanic and Atmospheric Administration | | | |
| Oyster Reef Grant | 11.463 | NA17NMF4630285 | \$ 484,244 |
| Total United States Department of Commerce | | | <u>484,244</u> |
| United States Department of Housing and Urban Development | | | |
| Passed through Collier County | | | |
| Housing and Community Development Department | | | |
| Anthony Park Restroom Facility | 14.218 | B-17-UC-12-0016 | 123,314 |
| Total United States Department of Housing and Urban Development | | | <u>123,314</u> |
| United States Department of Transportation | | | |
| Passed through State of Florida Department of Transportation | | | |
| Highway Planning and Construction | | | |
| Traffic Signal Maintenance | 20.205 | G0V74 | 95,715 |
| Total United States Department of Transportation | | | <u>95,715</u> |
| United States Department of Homeland Security | | | |
| Passed through Florida Department of Emergency Management | | | |
| FEMA Grants - Hurricane IRMA | 97.036 | Z0536 | 6,165,517 |
| Total United States Department of Homeland Security | | | <u>6,165,517</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 6,868,790</u> |

THE CITY OF NAPLES, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Naples, Florida (the “City”), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

The City chose not to use the ten percent de minimis cost rate for the year ended September 30, 2019.

NOTE 3 – NON-CASH AWARDS

The City did not receive non-cash federal awards during the year ended September 30, 2019.

NOTE 4 – CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in disallowed expenditures under the terms of the grants. Based upon prior experience, the City does not believe that such disallowances, if any, would be material.



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, 2019, and have issued our report thereon dated March 19, 2020.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; 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 19, 2020, 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 financial audit 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

Sections 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.b. 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 did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., *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.

Bradenton, Florida
March 19, 2020



THE CITY OF NAPLES, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2019

SECTION I

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? X yes no

Significant deficiencies identified not considered
to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Programs

Internal Control over major federal programs:
Material weaknesses identified? yes X no

Significant deficiencies identified not considered
to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for
major federal programs: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance? yes X no

Identification of major federal program:

CFDA Number
97.036

Name of Federal Program or Cluster
U.S. Department of Homeland Security –
Disaster Grants – Public Assistance

Dollar threshold used to distinguish between
Type A and Type B federal programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

THE CITY OF NAPLES, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Cash and Investments

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 ensure that their review process over journal entries includes a final reconciliation to the general ledger subsequent to posting.

Condition: Our audit procedures over investments disclosed that, while the City prepared and posted the adjustment for the change in market value of City investments in the proper amount, the entry was posted as a reduction to City investments, instead of an increase.

Context/Cause: Investment balances for the City were understated at September 30, 2019.

Effect: Material audit adjustments were required to be posted within the reporting units participating in the City's Pooled Investments to ensure the fair presentation of the financial statements.

Recommendation: We recommend the City's review process include a reconciliation of ending balances to the General Ledger subsequent to posting a journal entry to ensure that the accounting records were properly adjusted.

Management's Response: City's Pooled Investment reconciliation adjustment for mark to market was made however, the significant swing was captured incorrectly on the trial balance due to data entry error. This resulted in only a portion of the unrealized gain recognition on the trial delivered to the auditor. The City concurs with the finding and provided the modified mark to market adjustment that was made to the financial statement.

2019-002 New Revenue Streams

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 ensure that they are reviewing activity in the months surrounding year-end to ensure that a proper cutoff is achieved for all receivable transactions.

Condition: Our testing of the City's new Sales Tax Revenue and new Assessments levied indicated that receivables and related revenues/unearned revenues were understated in the City's Capital Projects Fund, Sales Tax Capital Projects Fund, and Water & Sewer Fund.

Context/Cause: The City's new Sales Tax & Assessment Revenues were understated for the period.

Effect: Material audit adjustments in the amount of \$389,743 (Sales Tax Capital Projects), \$965,434 (Capital Projects) and \$3,810,943 (Water & Sewer) were required to ensure the fair presentation of the financial statements.

Recommendation: We recommend the City's finance department monitor new revenue streams to ensure that they recognize the related transactions properly within the financial records.

THE CITY OF NAPLES, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

Management's Response: The City reviewed the recommendation and had timing discussions related to these new revenue streams. A full mapping of new revenue streams regardless of origin will be delivered with the trials to the audit staff in future years.

2019-003 Solid Waste Fund Capital Assets

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 reconcile the general ledger accounts to subsidiary ledgers and other supporting documentation on a periodic basis. Additionally, reconciliations should be reviewed by management to ensure proper preparation of reconciliations, and that balance sheet accounts are properly supported. The benefit of periodic reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Condition: While testing capital assets, we noted that the City purchased equipment in its Solid Waste Fund, but failed to capitalize it during the fiscal year. An audit adjustment to increase capital assets and decrease expenses in the amount of \$178,791 was recorded in the Solid Waste Fund to ensure proper financial statement presentation.

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

Effect: A material audit adjustment was required to be posted within the Solid Waste Fund for the fair presentation of the financial statements.

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

Management's Response: The City concurs regarding the audit adjustment to add the Solid Waste vehicle received in September 2019 identified in the finding. The City will continue to manage oversight levels to assure all assets are added and subsidiary ledgers are reconciled.

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

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INDEPENDENT ACCOUNTANT'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, 2019. 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, 2019.

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.

Bradenton, Florida
March 19, 2020

Mauldin & Jenkins, LLC

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