

THE CITY OF NAPLES, FLORIDA
Comprehensive Annual Financial Report
For the Year Ended September 30, 2008
(With Independent Auditors' Report Thereon)

Prepared By:
FINANCE DEPARTMENT



City of Naples, Florida

Principal Officials

September 30, 2008

Mayor

Bill Barnett

Vice Mayor

Penny Taylor

City Council

Teresa Heitmann

Gary Price II

John Sorey III

Margaret "Dee" Sulick

Bill Willkomm III

City Attorney

Robert D. Pritt

City Clerk

Tara Norman

City Manager

A. William Moss

Department Directors

Chief of Police & Emergency Services	Thomas Weschler
Planning Director	Robin D. Singer
Building Official	Paul Bollenback
Community Services Director	David M. Lykins
Finance Director	Ann Marie S. Ricardi
Utilities Director	Robert Middleton
Human Resources Director	Denise K. Perez
Community Redevelopment Director	Russell Adams
Technology Services Director	Stephen A. Weeks
Streets and Stormwater Director	Ronald A. Wallace

CITY OF NAPLES, FLORIDA

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City of Naples

FINANCE DEPARTMENT
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March 4, 2009

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

The Comprehensive Annual Financial Report (CAFR) of the City of Naples for the fiscal year ended September 30, 2008, 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.

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

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

Profile of the Government

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

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

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

The City of Naples was incorporated on December 1, 1923. It is approximately 14 square miles and has 106.3 miles of streets.

It 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 present members of the Council and their terms are as follows:

Member	Term Ends
William Barnett, Mayor	February 2012
Gary B. Price II	February 2010
Teresa Heitmann	February 2012
Margaret “Dee” Sulick	February 2012
John Sorey III	February 2012
Penny Taylor	February 2010
Bill Willkomm III	February 2010

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

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 emergency services, highways and streets, parks and parkways, recreation, public improvements, planning, water, sewer, solid waste, and general administrative services. Schools are provided by Collier County School District, while ambulance, jail, judicial, library, and human services are provided by Collier County.

Moorings Bay Special Taxing District, East Naples Bay Special Taxing District and the Community Redevelopment Agency are blended component units of this reporting entity, because all districts are governed by Naples City Council. The two Special Taxing Districts were created and established by Ordinances 87-5328 and 87-5330, respectively for the purpose of providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for the taxing districts are provided through an ad valorem tax that is levied only within these specified districts. Ordinance 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.

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

Accounting System and Budgetary Control

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

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

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

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

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

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

The adopted budget may be amended in two ways.

1. The budget ordinance enables the City Manager to administratively 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 Council approval by resolution.

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

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

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. Non-major 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 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 Debt Service Fund, Capital Projects Fund, and Streets and Traffic Fund, were to be included as a major fund, even though they did not meet the above criteria.

Factors Affecting Financial Condition

Local Economy

Although the City's major economic structure is tourism based, the City enjoyed a favorable economic environment for part of FY 2007-08. However, as the year ensued tourism indicators like beach parking remained high, but occupational licenses, dock fuel sales and tennis memberships seemed to be on a decline from prior years. The City's residential development consists primarily of renovation and reconstruction due to space constraints, and the building permit activity did not appear to yet feel the impact of the national economy. However, as the unemployment rate jumped in the City to over 8%, the City's local economy was beginning to feel the pressure that the rest of the nation was experiencing.

With 40 public beach access points, the City Pier, and several vibrant commercial areas, the City of Naples continues to be the destination point for Collier County residents and for visitors coming from the east and northern coasts of Florida. The rapid growth in Southwest Florida (particularly Collier County) has had a direct impact on the City. While the geographic boundaries of Naples reflect minimal increase due to small annexations, the population that Naples serves has grown tremendously and the City's infrastructure needs and level of service requirements have grown along with it. In March 2008, the City's CRA began construction on a 300 space parking garage in the downtown area. Delayed by two months due to the nesting of a pair of Cooper's Hawks, the garage had a planned completion of February 2009.

In the City of Naples, we have seen increased demands for services, tripling property insurance rates, double digit health insurance increases, an increase in electric fees, and continued jumps in the costs of fuel. As these costs affect the City government, these costs also affect the City workforce. However, the housing situation has improved from the past few years due to reduced pricing for both rentals and sales.

During the past year, the nation has seen a trend of housing values declining, even to the point of foreclosures or abandonment. The City government, due to its stable residential base, and already being a high priced area, has been spared much of the loss, but the decrease in housing costs in the area, combined with the property tax reform, has made housing more affordable.

With the high cost of living slowly reducing, another large impact to the local economy was the rise in the unemployment rate. Until recently, the area workforce was nearly at full employment. However, in Collier County, the October unemployment rate was 8.2%, up from 5.1% a year prior. This increase in unemployment means that filling City jobs and finding ways to provide services for the City has become easier. Many jobs which previously would see only a few applicants now see hundreds. In addition, employee turnover has reduced due to the poor job market. Employees see the value of the City's stability.

Naples' taxable value was reduced, in part due to the national economy, but also due to the increase in the Homestead exemption. As of July 2008, the taxable value of the City was over \$17.2 billion, a decrease of 1.2% from the prior year. Compared to the 6%-20% increases of prior budget years, this lower growth makes future budgeting more of a challenge.

The property tax from taxable real estate provides the City with its major source of revenue to support operations of the General Fund. 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 1.0997 mills for 07-08, the City has one of the lowest rates and sufficient room to increase the levy if needed.

In 2008, the U.S. Department of Commerce estimated Naples' per capita income at \$61,788, second highest in the nation for Metropolitan Statistical Areas.

Long-term financial planning

On September 3, 2008, the City Council passed Resolution 08-12140 revising the adopted financial policies. These policies covered five major areas:

- I. Budgetary and Financial Planning
- II. Financial Reporting
- III. Capital Improvement
- IV. Debt Management
- V. Investments (which references the Investment Policy Ordinance 08-11973)

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

In addition to that resolution, the City has also adopted a separate fund balance policy, Resolution 02-9845, which passed in October 2002. That resolution establishes a plan for the fund balance for the primary operating funds, and sets up a plan for deviations from that plan. According to that policy, the fund balance should be within certain percentages of the prior year's operating budget, and a report made to council on a regular basis, confirming compliance.

In June 2007, the City established a 10-year vision program, which was created by the citizens and adopted by the City Council. This vision was incorporated into the 2007-08 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 council in June, fundable projects from this document are incorporated into the adopted budget.

Major Initiatives

Operationally and financially, fiscal year 2008 was driven by the pride that the residents and employees of the City of Naples take in the beauty of their City. As the City evolves from a growing City to a built-out City, updating City features as well as replacing and upgrading the infrastructure is paramount in the capital and construction projects.

As part of keeping the City's beautiful landscaping, landscape median restorations were completed at Park Shore Dr., Harbor Dr., and Gulf Shore Blvd. South, and 107 trees were installed City wide. The City received Tree City USA Designation for the 11th consecutive year.

Several City parks enjoyed upgrades and enhancements during the year. At the largest park, Fleischmann Park, the City introduced six new summer specialty camps including new indoor hockey, pole vaulting and basketball camps. The Skate Park received a new "street style" skate plaza, and the football field has a new scoreboard, an upgrade to the field house, and sunshades over the bleachers.

The Norris Center offered new specialty summer camps including Art, Science, and Theatre. Staff installed a new therapeutic swing at the playground and installed new lighting for the Bocce and Shuffleboard courts.

At River Park, the basketball court was resurfaced, and the community center received new carpet and tile, including a new dance floor in the auditorium. The fitness center was outfitted with new equipment.

Improvements at Anthony Park included a new lighted tennis court, a resurfaced basketball court with new goals and backboards. In addition, a brick walkway was installed between the basketball court and annex building.

Bike lanes and missing sidewalk links were installed on Harbour Drive, from Gulfshore Boulevard North to Crayton Road on the south side; and to Regatta on the north side and along the west side of Gulfshore Boulevard South from 5th Avenue South to 12th Avenue South.

On 12th Street North, improvements were made in anticipation of a new Funtime Nursery. These included regrading and re-sodding swales to provide improved drainage. Off street parking spaces were provided to prevent users from parking in the swales and in the street. Damaged sections of sidewalk were replaced, with additional sections installed so the walk would be contiguous from Central Avenue to the Funtime facility. The road was stabilized in weak areas, adding a leveling coat of asphalt on the north end to increase elevation and provide improved drainage.

The City does not actively seek annexations; however, adjacent communities often contact the City Manager to discuss the possibility. In December 2007, the City annexed two areas known as Hole in the Wall and Collier Park of Commerce. The annexation of the Bridges of Gordon River parcel was initiated in the summer of 2008 and the City will continue working on that annexation into 2009.

Cash and Investments

During fiscal year 2007-08, the City earned \$2,874,384 in interest income on an average balance of cash and investments of \$74,307,455. This income resulted in a rate of return of 3.87%, slightly below the portfolio's benchmark of 4.71% for the 1-3 year Merrill Lynch index, and above the 3.12% for the funds invested with the State Board of Administration. Returns were significantly lower than the prior year's yield of 5.60%. This is reflective of the overall economy, and the City's Council's directive toward a flight to quality.

Investment activity was governed by the City's investment policy adopted in September 2005 and amended in March 2008. The primary objectives are: (1) Safety, (2) Liquidity and (3) Yield. Cash temporarily idle during the year was invested through the Fifth Third banking contract at the federal funds rate less 25 basis points for all monies on deposit in excess of the compensating balance of \$750,000. The City also maintained accounts with the State Board of Administration's Local Government Investment Pool and two money market accounts. MBIA is contracted as the City's investment advisor, and their active management of the portfolio includes investment activity as outlined in the investment policy for the purpose of increasing yields while maintaining diversity, safety and liquidity.

Pension and Other Post-Employment Benefits

The City has pension plans for the following three groups: Police, Fire and General Government. Annually, the pension funds receive an estimate of the contribution requirement for the upcoming year. The actuary reported that continued unfavorable investment returns caused the pension funds to have increased contribution requirements. Employer contributions continue to be increased for all plans.

Because the actuary uses a four-year average rate of return to determine funding needs, the funding of pension benefits will likely continue at these higher rates for the next two years, even though the interest rate environment declines. The City does not offer any post-retirement benefits, except to the extent those retirees may purchase health, life and dental insurance for themselves and families at the current full premium rate. GASB 45 requires that the City begin recording an obligation for this liability starting with fiscal year 2008-2009.

Awards and Acknowledgments

Independent Audit

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

Distinguished Budget

The City's budget for 2007-08 received the GFOA's Distinguished Budget Presentation Award. In order to qualify for the Distinguished Budget Presentation Award, the budget had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (**GFOA**) awarded a Certificate of Achievement for Excellence in Financial Reporting to Naples, Florida, for our Annual Financial Report for the fiscal year ended September 30, 2007.

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 Certificate of Achievement program requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

Respectfully submitted,



A. William Moss
City Manager



Ann Marie S. Ricardi
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Naples
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

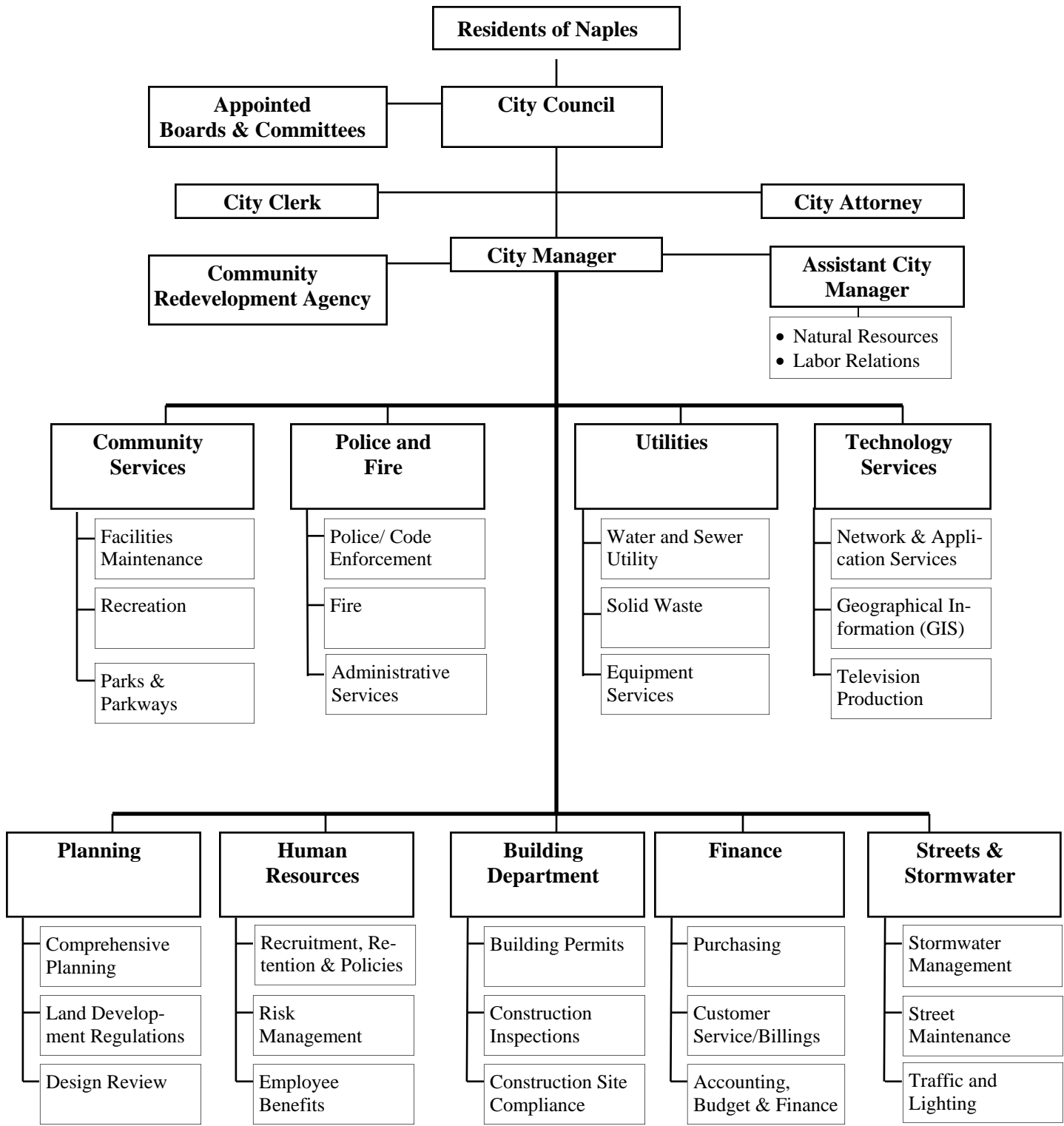
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Naples Organizational Chart



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Naples, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2009, on our consideration of the City of Naples, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and pension schedules on pages 3 through 14 and pages 92 through 94, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Naples, Florida's basic financial statements. The combining and individual fund financial statements and schedules and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

CPA Associates

Bradenton, Florida
March 4, 2009

THE CITY OF NAPLES, FLORIDA

Management's Discussion and Analysis (Unaudited)

September 30, 2008

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, 2008.

Financial Highlights

- The assets of the City of Naples exceeded its liabilities at September 30, 2008, by \$182 million (net assets). Of this amount, \$69.7 million of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$7.1 million.
- As of September 30, 2008, the City of Naples' governmental activities reported combined ending net assets of \$95.2 million. This is an increase of \$2.4 million from the prior year. Approximately 41% of this total is unrestricted.
- The City of Naples total debt decreased by \$2.2 million during the current fiscal year. This decrease is discussed further in Debt Administration.

Overview of the Financial Statements

The financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

The Government-Wide Financial Statements

Government-wide financial statements are designed to be corporate-like in structure, showing and combining governmental- and business-type activities. They are intended to allow the reader to assess the government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. For the purpose of these statements, both governmental and business type activities are measured and reported using the economic resource measurement focus and the full accrual basis of accounting.

Statement of Net Assets (page 16) presents information on all the City's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or not.

The Statement of Activities (page 18) presents the information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected taxes and earned but unused employee leave.

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Both of these financial statements distinguish the primary types of functions of the City as defined below:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, community development, planning, parks and recreation, building and code enforcement and general administration. Major revenues supporting these activities are ad valorem taxes, sales and gas taxes, franchise, utility and communications service taxes, as well as revenues from building permits, fees, grants and investments.
- **Business-type activities** – The City's Utilities (Water and Sewer, Solid Waste, Stormwater) and "Other Nonmajor" types such as Naples Beach, City Dock and Tennis are reported here. These services are supported primarily from user fees. Financing of major capital is sometimes necessary. Both user fees and impact fees support debt service.

Fund Financial Statements

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

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

- **Governmental funds** – account for the City's tax-supported activities and those supported by other special revenues. These governmental funds include the General Fund, the Debt Service Fund, the Capital Projects Fund, the Community Redevelopment Fund, the Streets and Traffic Fund and other nonmajor funds consisting of the Building and Zoning Fund, the Community Development Block Grant Fund, the Improvement Fund, the Public Arts Fund, the Confiscated Properties Fund, the 41-10 Public Open Space Fund, the Parking Trust Fund, the Impact Fee Fund, the Land Conservation Trust Fund, and the maintenance dredging funds for the East Naples Bay District and Moorings Bay District. These funds focus on how money flows into and out of the funds, and the balances left at year-end. The accounting method used is called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash (usually 60 day focus). The two criteria used are that the revenue is measurable and available. Examples of the difference between this and the economic resources measurement focus are that debt financing is considered current revenue, and purchases of capital assets are considered expenditures, whereas depreciation is not since there is no outlay of cash.
- **Proprietary funds** – are used to account for the business-type activities of the City. There are two types: enterprise funds and internal service funds. The City's enterprise funds are the Water and Sewer fund, the Solid Waste fund, the Stormwater fund, and nonmajor enterprise funds consisting of the Naples Beach fund, the City Dock fund and the Tennis fund and the internal service funds which include the Equipment Services fund, Risk Management fund, Construction 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.

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

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

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

The Total column on the Proprietary Fund Financial Statements (pages 30 – 35) is the same as the Business-type activities column at the Government-wide Financial Statements and does not require a reconciliation because of using the same measurement focus (economic resources measurement focus and accrual basis of accounting).

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 43.

Required Supplementary Information

Generally accepted accounting principles (GAAP) call for certain unaudited information to accompany the audited basic financial statements and accompanying footnotes. This information is called required supplementary information (RSI) and includes this analysis (the MD&A) and trend data on pension funding.

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Government-wide Financial Analysis

The City's combined net assets as of September 30, 2008, were \$182 million. The City's combined revenues, including contributions, grants, charges for services and taxes were \$91.0 million. Total expenses, citywide were \$83.4 million. Table 1 reflects the summary statement of net assets for the current and prior year.

Table 1

Net Assets

(In thousands)

	Governmental activities		Business-type activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 51,813	54,950	34,295	32,517	86,108	87,467
Capital assets	70,174	65,704	95,547	91,780	165,721	157,484
Total assets	121,987	120,654	129,842	124,297	251,829	244,951
Long term liabilities outstanding	21,405	22,218	34,981	36,094	56,386	58,312
Other liabilities	5,413	5,618	8,853	6,106	14,266	11,724
Total liabilities	26,818	27,836	43,834	42,200	70,652	70,036
Net assets:						
Invested in capital assets, net of debt	52,934	47,347	60,313	55,460	113,247	102,807
Restricted	3,004	2,641	4,290	3,219	7,294	5,860
Unrestricted	39,231	42,830	22,256	23,418	61,487	66,248
Total net assets	\$ 95,169	92,818	86,859	82,097	182,028	174,915

The largest portion of the City's net assets (62%) reflects its investment in capital assets (land, buildings, plants, and equipment) less outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net assets (representing 4% of the total net assets) are subject to external restrictions on how they may be used. The remaining 34% of unrestricted net assets, \$61.5 million, may be used to meet the City's ongoing obligations to the citizens and creditors.

For the total primary government, including both governmental and business type activities, net assets increased \$7.113 million. Governmental activities increased the City of Naples net assets by \$2.351 million, thereby accounting for 33% of the total growth in net assets of the City of Naples. Business type activities accounted for \$4.762 million of the increase.

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

Table 2

Changes in Net Assets

(In thousands)

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,148	7,564	37,820	33,879	44,968	41,443
Operating grants and contributions	2,633	3,042	647	466	3,280	3,508
Capital grants and contributions	2,350	1,831	3,358	3,072	5,708	4,903
General Revenues:						
Property taxes	19,416	20,780	-	-	19,416	20,780
Other taxes	7,799	11,397	-	-	7,799	11,397
Franchise fees	3,740	-	-	-	3,740	-
Intergovernmental revenues	3,160	3,450	-	-	3,160	3,450
Unrestricted investment earnings	2,043	2,859	831	1,333	2,874	4,192
Other	45	130	-	30	45	160
Total revenues	<u>48,334</u>	<u>51,053</u>	<u>42,656</u>	<u>38,780</u>	<u>90,990</u>	<u>89,833</u>
Expenses:						
General government	8,141	6,812	-	-	8,141	6,812
Public safety	24,409	22,691	-	-	24,409	22,691
Physical and economic environment	2,588	2,195	-	-	2,588	2,195
Transportation	3,395	4,011	-	-	3,395	4,011
Cultural and recreation	8,584	7,978	-	-	8,584	7,978
Interest and fiscal charges	831	905	-	-	831	905
Water and sewer	-	-	23,625	22,354	23,625	22,354
Solid waste	-	-	5,836	5,653	5,836	5,653
Stormwater	-	-	1,833	1,432	1,833	1,432
Other	-	-	4,177	4,465	4,177	4,465
Total expenses	<u>47,948</u>	<u>44,592</u>	<u>35,471</u>	<u>33,904</u>	<u>83,419</u>	<u>78,496</u>
Increase in net assets before special items and transfers	386	6,461	7,185	4,876	7,571	11,337
Special item	-	-	(458)	-	(458)	-
Transfers	1,965	1,763	(1,965)	(1,763)	-	-
Increase in net assets	<u>2,351</u>	<u>8,224</u>	<u>4,762</u>	<u>3,113</u>	<u>7,113</u>	<u>11,337</u>
Net assets - beginning	<u>92,818</u>	<u>84,594</u>	<u>82,097</u>	<u>78,984</u>	<u>174,915</u>	<u>163,578</u>
Net assets - ending	<u>\$ 95,169</u>	<u>92,818</u>	<u>86,859</u>	<u>82,097</u>	<u>182,028</u>	<u>174,915</u>

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The total primary government revenues show a \$1.16 million increase or 1.29% over last year's total revenues. Business-type activities were the primary contributor to the increase, showing a \$3.87 million revenue increase. Governmental activities show a \$2.72 million decrease. The primary reasons for this decrease in governmental activity revenue are as follows:

- The property value on which the 2007-08 revenues were received increased 5.6% for the tax year. However, due to property tax reform and a resulting decrease in the millage rate from 1.14 in FY 2006-07 to 1.0997 in FY 2007-08, property taxes decreased by more than \$1.3 million.
- Investment Earnings decreased \$816 thousand or 29% from the prior year, due to the weakening economy. In November 2007, the City's primary investment pool, the State Board of Administration Local Government Pool, experienced a temporary shut down due to poor performing assets.

Business-type activities showed an increase in revenues, increasing \$3.87 million or 10% over the revenues of 2007. Business type activity revenue was led by an increase in charges for services. Specifically, the water and sewer utility implemented a rate increase and rate restructuring.

The total primary government's expenses increased \$4.9 million or 6.27%. Governmental activities reported a 7.5% increase in expenses, with business type activities reporting a 4.62% increase. The primary reason for the governmental activity increase would be due to the bargaining unit contracts and pension benefit costs. The increase in expenses for both governmental and business type activities closely paralleled inflation mixed with the overall increases in the cost of living, such as fuel and chemical costs, contractual raises and benefits 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 \$47.9 million. As shown in the statement of activities on page 18, the net cost that was ultimately paid through taxes was \$35.8 million. The \$12.1 million of the cost of governmental activities not covered by taxes was provided by:

- \$7.1 million in charges for services, made of \$3.0 million in building/permit fees, \$1.2 million in police and fire services, \$0.9 million for recreation fees, and the balance from various fees related to transportation, economic environment and general government services.
- \$2.6 million in operating grants and contributions, including \$2.2 million from Collier County's share of the Community Redevelopment Tax Increment Financing District and the remaining from other grants from agencies including FEMA, Tourism Development and Collier County.
- \$2.4 million in capital grants and contributions, which includes \$1.7 million in transportation grants such as those for the upgrade of the traffic signalization system, \$0.4 million from impact fees and special assessments, and \$0.3 million from general government, public safety and recreation grants.

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Table 3

Governmental Activities

(In thousands)

	<u>Total cost of service</u>		<u>Net cost of service</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Public safety	\$ 24,409	22,691	19,689	18,071
Physical and economic environment	2,588	2,195	(157)	(1,202)
Transportation	3,395	4,011	1,217	2,655
Cultural and recreation	8,584	7,978	7,580	6,814
All others	8,972	7,716	7,489	5,817
Totals	<u>\$ 47,948</u>	<u>44,591</u>	<u>35,818</u>	<u>32,155</u>

Business-type activities

Revenues of the City's business-type activities (see Table 2) totaled \$42.6 million.

The Water and Sewer fund represents 79% of the business-type activities' net assets. Total Water and Sewer operating revenues and operating expenses were up \$2,365,588 and \$1,123,341, respectively, from last year. Interest income from all Business-type activities showed a 38% decrease over the prior year, due to the overall declining investment market.

City Council increased Water rates 12.74% and Stormwater Fees 185.0%. City Code allows for Solid Waste and Sewer Fees to be adjusted automatically, based on the Consumer Price Index and the Public Service Commission Deflator Index, respectively. These small annual increases (3.9% and 2.39%, respectively) prevent major rate jumps in any single year.

Financial Analysis of the City's Funds

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

Governmental funds. The fund financial statements for the governmental funds are shown on pages 20 and 24. The focus of the City of Naples's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Naples' financing requirements.

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In particular, unreserved fund balance may serve as a useful measurement of a government's net resources for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38.521 million, a decrease of \$4.035 million in comparison with the prior year. Approximately 65% of this total (or \$25.115 million) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been already committed to: (1) liquidate encumbrances of the prior period (\$6.405 million), (2) meet reserve requirements for debt service in accordance with bond covenants (\$1.486 million), (3) pay for a City-wide emergency (\$3.972 million), (4) advances paid to other funds (\$1.023 million), and (5) a variety of other restricted purposes (\$.519 million).

The General Fund is the chief operating fund of the City of Naples. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$10.802 million, while the total fund balance was \$15.310 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 28.1% of the total fiscal year 2008 general fund expenditures, while total general fund balance represents 39.8% of that same amount.

General Fund expenditures were \$997,395 under budget. Most variances in general government areas were minor and due to short periods of vacancies or minor cost under-runs in operating expenses. There were two over-runs in the Finance and in the Fire departments due to personnel cost. These amounts were \$12,367 and \$126,876 respectively.

Offsetting that budgetary over-run is the cost under-run in the Community Services and Non-departmental areas. Median maintenance supplies and professional services were \$413,934 under budget, and many subcontracted services such as landscape maintenance were outsourced but not completed. The year-end expenditures for Community Services were \$497,789 less than budgeted and Non-departmental had \$364,692 of operating expenditures not committed before year end.

The City used \$1,716,137 of prior year reserves to settle a law suit with the North Naples Fire Control District and to fund prior year end commitments in the amount of \$1,500,000 and \$216,137 respectively.

The fund balance of the City's general fund decreased by \$1.028 million during the fiscal year. The budget was developed as a balanced budget, with revenues equal expenditures, therefore factors in this decline are primarily due to the following as described below:

- A use of fund balance to settle a lawsuit with the North Naples Fire District.
- Intergovernmental revenue fell short of budget by \$92,221, the largest of these being the general use sales tax.
- Interest income under performed budgetary expectations by \$85,621 due to market the declining more than expected.

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The Debt Service fund has a total fund balance of \$2.465 million of which \$1.486 million is reserved for the payment of debt service and \$.978 million is unreserved, undesignated. The net increase in fund balance during the current year in the debt service fund was \$1,736. Taxes received from this fund first pay for the general government debt and then the balance is used to provide funds for general government capital projects. This year the amount transferred to capital projects was \$1,735,383.

The Capital Projects fund has a total fund balance of \$6.784 million of which \$1.315 million is reserves or designated for prior year encumbrances, advances to other funds and other purposes. The remaining \$5.469 million represents an undesignated unreserved balance. The net decrease in fund balance during the year in the capital projects fund was \$1.073 million, which was used to fund prior year projects that were completed in the current year.

The fund balance in the Community Redevelopment fund decreased \$4.148 million in 2008 with a deficit ending fund balance of \$(271,501). The key factor was the construction of a parking garage.

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

Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$22.788 million in the Water and Sewer fund, \$4.099 million in the Solid Waste fund, \$2.704 million in the Stormwater fund, \$574 thousand in the Naples Beach fund, \$138 thousand in the City Dock fund and \$206 thousand in the Tennis fund. Other factors concerning these finances have already been addressed in the discussion of the City's of Naples business-type activities.

General Fund Budgetary Highlights

The difference between the General Fund's original appropriations and the final amended budget was \$3,690,778. Of this, \$1,602,863 was allocated to general government services, \$1,959,641 to public safety and \$128,274 to culture and recreation.

The funding sources of the budget increases were \$1,949,641 in insurance premium tax for Police and Fire pensions, \$25,000 in grants and \$1,716,137 in available fund balance.

Capital Assets and Debt Administration

Capital Assets

The City as of year-end had \$165.7 million invested in a variety of capital assets, as reflected in the following table. As shown below, the asset category infrastructure is separately reported. The City has been recording infrastructure as assets, including streets, sidewalks, bridges, lighting and storm drainage, since 1980.

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Table 4

Capital Assets at Year-End

(In thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 11,826	11,792	3,112	2,897	14,938	14,689
Buildings	28,664	28,008	59,898	59,754	88,562	87,762
Improvements other than buildings	28,487	27,187	29,863	27,270	58,350	54,457
Infrastructure	30,515	28,992	75,848	70,097	106,363	99,089
Machinery and equipment	16,582	15,157	16,272	15,432	32,854	30,589
Construction in progress	5,116	397	1,627	2,270	6,743	2,667
Less accumulated depreciation	(51,016)	(45,830)	(91,073)	(85,940)	(142,089)	(131,770)
Totals	<u>\$ 70,174</u>	<u>65,703</u>	<u>95,547</u>	<u>91,780</u>	<u>165,721</u>	<u>157,483</u>

This year's major additions are:

Governmental activities:

Police Vehicles	\$ 284,033
Harbour Dr. Bike Lanes	263,102
Citywide Street Improvements	247,068
Equipment Services Facility Improvements	337,000
CRA, 41-10 Revitalization	896,671

Business-type activities:

Reuse Expansion	\$ 693,604
Replace Sewer Mains and Laterals	3,060,930
Basin III Stormwater Improvement	1,675,248
Stormwater Drainage Improvements	577,884

Additional information regarding the City's capital assets is included in the notes to the financial statements, note (D).

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Debt Outstanding

As of year-end, the City had \$52,473,325 in debt (bonds, notes, etc.) outstanding compared to \$54,676,347 in 2007, a \$2,203,022 (4.03%) decrease.

Table 5

Outstanding Debt, at Year-end

	<u>2008</u>	<u>2007</u>
Governmental:		
General obligation	\$ 3,615,000	4,040,000
Public service tax revenue	8,895,000	9,365,000
Redevelopment	4,815,000	5,045,000
Unamortized issuance discount	(85,473)	(93,324)
Sub-total	<u>17,239,527</u>	<u>18,356,676</u>
Business-type:		
Water/Wastewater Revenue	15,121,264	8,805,000
State Revolving Loan – Wastewater	17,012,939	18,427,069
State Revolving Loan – Stormwater	2,731,467	2,900,622
Capital Improvement note	—	5,819,678
City Tennis Public Service Tax	400,000	445,000
Unamortized issuance discount	(31,872)	(29,089)
Unamortized original issue premium	—	72,192
Unamortized deferred loss on refunding	—	(120,801)
Sub-total	<u>35,233,798</u>	<u>36,319,671</u>
Totals	<u>\$ 52,473,325</u>	<u>54,676,347</u>

Additional information regarding the City's outstanding debt is included in the notes to financial statements, note (G).

Economic Factors and Next Year Budget and Rates

In September 2008, the City Council approved a \$120.4 million budget for fiscal year 2008-09, which is approximately an 11% decrease from the prior year's budget. The budget for next fiscal year was developed with an emphasis on:

- The City's 10-year vision plan
- Public safety and City aesthetics
- Maintaining levels of service desired by the community
- Reorganizing and downsizing departments
- Fiscal conservatism

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The City of Naples' 2008-09 budget used the roll back millage rate, despite the property tax reform bills passed by the Florida legislature. The rollback rate, which is the rate that would bring in the same amount of tax as the prior year, is not considered a tax increase, although the rate itself increased from 1.0997 to 1.1315. Increased costs included pensions and continued increases in the costs of fuel, utilities and chemicals. However, these were offset by the reduction in force, with ten positions eliminated in the General Fund.

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

The following economic factors were considered in developing the budget for fiscal year 2008-09:

- Taxable values of \$17,304,561,891 decreased .1% under the prior year.
- The budget includes a Water and Sewer Utility rate increase of 12.74%.
- Personnel costs make up a significant portion of City operating costs. For 2008-09, wage increases identified in contractual bargaining agreements range from 8% to 9%, which are in addition to step increases for eligible police and fire positions.
- Health insurance expenses are budgeted to decrease by \$267,078 or 5%.
- Pension expenses are projected to increase approximately 41% for Police contributions and 58% for Fire contributions.
- There was a net decrease of 33 positions citywide for the 2008-09 budget. The Construction Management Department was eliminated and reductions were made in most departments.
- Consideration of future proposed property tax reform initiatives expected at the legislative levels in the forthcoming years.
- The continued slowdown of the economic market impacting property value, investment income, sales tax and fuel tax are all projected to be lower than the 2007-08 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF NAPLES, FLORIDA

Statement of Net Assets

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Assets	Primary Government		
	Governmental activities	Business-type activities	Total
Cash and investments	\$ 45,351,316	18,417,937	63,769,253
Receivables (net, where applicable, of allowance for uncollectible)			
Accounts	539,272	8,882,581	9,421,853
Special assessments	103,287	152,241	255,528
Utility taxes	220,018	-	220,018
Miscellaneous	138,133	400	138,533
Accrued interest	354,173	104,192	458,365
Internal balances	(28,788)	28,788	-
Due from other governments	1,331,596	1,469,622	2,801,218
Inventories	161,001	1,147,610	1,308,611
Prepaid items	16,520	-	16,520
Restricted assets:			
Cash and investments	1,486,456	3,988,502	5,474,958
Net pension assets	2,020,310	-	2,020,310
Deferred charges	120,421	103,109	223,530
Capital assets:			
Land and land improvements	11,826,200	3,111,902	14,938,102
Buildings and utility plants	28,663,577	59,898,345	88,561,922
Improvements other than buildings	28,487,487	29,862,629	58,350,116
Infrastructure	30,514,991	75,847,796	106,362,787
Equipment	16,581,564	16,272,565	32,854,129
Accumulated depreciation	(51,016,117)	(91,072,993)	(142,089,110)
Construction in progress	5,116,013	1,626,583	6,742,596
Net capital assets	70,173,715	95,546,827	165,720,542
Total assets	\$ 121,987,430	129,841,809	251,829,239

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

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Liabilities	Primary Government		
	Governmental activities	Business-type activities	Total
Accounts payable and other current liabilities	\$ 4,540,096	4,717,450	9,257,546
Due to other governments	12,120	1,081,249	1,093,369
Unearned revenue	347,971	757,184	1,105,155
Customer deposits	-	28,092	28,092
Accrued interest	10,270	-	10,270
Liabilities payable from restricted assets:			
Customer deposits	-	276,535	276,535
Current maturities of long-term debt	339,167	838,541	1,177,708
Accrued interest payable	163,539	306,762	470,301
Noncurrent liabilities:			
Revenue bonds payable, net of unamortized discounts and premiums:			
Due within one year	847,982	1,397,047	2,245,029
Due in more than one year	16,052,378	32,998,210	49,050,588
Compensated absences:			
Due within one year	414,350	100,728	515,078
Due in more than one year	1,624,518	480,652	2,105,170
Claims payable:			
Due within one year	1,115,855	-	1,115,855
Due in more than one year	1,350,145	-	1,350,145
Total noncurrent liabilities	21,405,228	34,976,637	56,381,865
Total liabilities	26,818,391	42,982,450	69,800,841
Net Assets			
Invested in capital assets, net of related debt	52,934,188	53,784,373	106,718,561
Restricted for:			
Debt service	983,750	1,419,973	2,403,723
Renewal and replacement	-	1,146,691	1,146,691
Net pension obligation	2,020,310	-	2,020,310
Unrestricted	39,230,791	30,508,322	69,739,113
Total net assets	\$ 95,169,039	86,859,359	182,028,398

CITY OF NAPLES, FLORIDA

Statement of Activities

Year ended September 30, 2008

	<u>Expenses</u>	<u>Indirect expenses allocation</u>	<u>Charges for services</u>
Functions/programs:			
Governmental activities:			
General government	\$ 11,638,156	(3,497,367)	1,310,847
Public safety	23,948,112	461,139	4,492,028
Physical and economic environment	2,381,627	206,850	387,922
Transportation	3,257,912	137,000	74,884
Culture and recreation	8,584,195	-	881,822
Interest	830,822	-	-
Total governmental activities	<u>50,640,824</u>	<u>(2,692,378)</u>	<u>7,147,503</u>
Business-type activities:			
Water and sewer	21,736,121	1,888,950	25,299,408
Solid waste	5,546,401	289,000	6,369,866
Stormwater	1,702,201	131,000	2,890,146
Beach	1,510,185	207,000	917,236
Dock	1,807,301	144,428	1,767,944
Tennis	476,322	32,000	575,121
Total business-type activities	<u>32,778,531</u>	<u>2,692,378</u>	<u>37,819,721</u>
Total primary government	<u>\$ 83,419,355</u>	<u>-</u>	<u>44,967,224</u>
General revenues:			
Property taxes			
Local communications and utility taxes			
Insurance premium tax			
Motor fuel taxes			
Business tax			
Franchise fees			
Intergovernmental revenues – unrestricted			
Unrestricted investment earnings			
Miscellaneous revenues			
Special item - Cost of defeasance			
Transfers			
Total general revenues and transfers			

See accompanying notes to financial statements.

Program revenues		Net (expense) revenue and change in net assets		
Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
160,434	11,638	(6,657,870)	-	(6,657,870)
53,075	175,479	(19,688,669)	-	(19,688,669)
2,275,201	82,596	157,242	-	157,242
107,958	1,994,685	(1,217,385)	-	(1,217,385)
36,541	85,816	(7,580,016)	-	(7,580,016)
-	-	(830,822)	-	(830,822)
<u>2,633,209</u>	<u>2,350,214</u>	<u>(35,817,520)</u>	<u>-</u>	<u>(35,817,520)</u>
-	1,453,869	-	3,128,206	3,128,206
-	-	-	534,465	534,465
-	1,904,341	-	2,961,286	2,961,286
646,891	-	-	(153,058)	(153,058)
-	-	-	(183,785)	(183,785)
-	-	-	66,799	66,799
<u>646,891</u>	<u>3,358,210</u>	<u>-</u>	<u>6,353,913</u>	<u>6,353,913</u>
<u>3,280,100</u>	<u>5,708,424</u>	<u>(35,817,520)</u>	<u>6,353,913</u>	<u>(29,463,607)</u>
		19,415,799	-	19,415,799
		4,170,227	-	4,170,227
		1,949,641	-	1,949,641
		1,404,690	-	1,404,690
		274,487	-	274,487
		3,740,236	-	3,740,236
		3,160,311	-	3,160,311
		2,043,294	831,090	2,874,384
		45,489	-	45,489
		-	(458,108)	(458,108)
		<u>1,964,530</u>	<u>(1,964,530)</u>	<u>-</u>
		<u>38,168,704</u>	<u>(1,591,548)</u>	<u>36,577,156</u>
Change in net assets		2,351,184	4,762,365	7,113,549
Net assets – beginning		<u>92,817,855</u>	<u>82,096,994</u>	<u>174,914,849</u>
Net assets – ending		<u>\$ 95,169,039</u>	<u>86,859,359</u>	<u>182,028,398</u>

CITY OF NAPLES, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2008

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Assets:			
Cash and investments	\$ 15,192,246	2,223,915	6,416,698
Receivables (net, where applicable, of allowance for uncollectible):			
Accounts	537,560	-	-
Special assessments	-	-	103,287
Utility taxes	-	220,018	-
Accrued interest receivables	118,903	7,855	59,321
Due from other funds	-	-	-
Advances due from other funds	431,323	-	352,333
Due from other governments	906,642	13,151	71,654
Inventories	13,425	-	-
Prepaid items	16,520	-	-
	<u>17,216,619</u>	<u>2,464,939</u>	<u>7,003,293</u>
Total assets	\$		
Liabilities:			
Accounts payable	\$ 566,661	-	115,601
Accrued payroll	1,090,905	-	-
Due to other governments	8,254	-	-
Advances payable to other funds	-	-	-
Deferred revenue	240,757	-	103,287
	<u>1,906,577</u>	<u>-</u>	<u>218,888</u>
Total liabilities			
Fund balances:			
Reserved:			
Encumbrances	74,654	-	779,929
Advances	431,323	-	352,333
Inventories	13,425	-	-
Prepaid items	16,520	-	-
Debt service	-	1,486,456	-
Unreserved, designated:			
Reported in general fund	3,971,974	-	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	182,843
Unreserved, undesignated:			
Reported in general fund	10,802,146	-	-
Reported in debt service fund	-	978,483	-
Reported in special revenue funds	-	-	-
Reported in capital projects funds	-	-	5,469,300
	<u>15,310,042</u>	<u>2,464,939</u>	<u>6,784,405</u>
Total fund balances			
Total liabilities and fund balances	\$ <u>17,216,619</u>	<u>2,464,939</u>	<u>7,003,293</u>

See accompanying notes to financial statements.

<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
2,007,942	4,873,015	9,718,131	40,431,947
-	-	1,712	539,272
-	-	-	103,287
-	-	-	220,018
15,755	38,140	63,965	303,939
-	-	-	-
-	239,155	-	1,022,811
-	315,520	19,230	1,326,197
-	15,309	-	28,734
-	-	-	16,520
<u>2,023,697</u>	<u>5,481,139</u>	<u>9,803,038</u>	<u>43,992,725</u>
1,216,347	551,216	371,794	2,821,619
28,023	23,558	98,154	1,240,640
-	-	3,866	12,120
1,050,828	-	771	1,051,599
-	-	1,712	345,756
<u>2,295,198</u>	<u>574,774</u>	<u>476,297</u>	<u>5,471,734</u>
4,206,127	942,565	401,246	6,404,521
-	239,155	-	1,022,811
-	15,309	-	28,734
-	-	-	16,520
-	-	-	1,486,456
-	-	-	3,971,974
-	-	159,468	159,468
-	-	132,650	315,493
-	-	-	-
-	-	-	10,802,146
-	-	-	978,483
-	-	5,457,104	5,457,104
(4,477,628)	3,709,336	3,176,273	7,877,281
<u>(271,501)</u>	<u>4,906,365</u>	<u>9,326,741</u>	<u>38,520,991</u>
<u>2,023,697</u>	<u>5,481,139</u>	<u>9,803,038</u>	<u>43,992,725</u>

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CITY OF NAPLES, FLORIDA

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

September 30, 2008

Total fund balances governmental funds (page 21)	\$ 38,520,991
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Total capital assets (\$70,173,715) less amounts included in the internal service funds (\$1,070,801).	69,102,914
Accrued long term debt interest expense is not a financial use and, therefore, is not reported in the funds.	(173,809)
Long term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore are not reported in the funds. Total long term liabilities (\$21,744,395) less amounts reported in the internal service funds (\$2,603,362).	(19,141,033)
Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.	2,140,731
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance and information services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	<u>4,719,245</u>
Net assets of governmental activities (page 17)	<u>\$ 95,169,039</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2008

	<u>General</u>	<u>Debt service</u>	<u>Capital projects</u>
Revenues:			
Taxes	\$ 21,510,724	3,243,025	-
Permits and fees	3,817,212	-	-
Intergovernmental	3,172,079	-	191,491
Charges for services	1,773,146	-	-
Charges to other funds	4,165,504	-	-
Fines and forfeitures	319,554	-	-
Special assessments	-	-	46,805
Impact fees	-	-	-
Interest	814,379	55,290	226,012
Donations	-	-	-
Miscellaneous	19,576	-	19,488
	<u>35,592,174</u>	<u>3,298,315</u>	<u>483,796</u>
Expenditures:			
Current:			
General government	11,007,576	70,424	292,610
Public safety	20,236,334	-	-
Physical and economic environment	244,531	-	-
Transportation	-	-	-
Culture and recreation	6,901,596	-	-
Capital outlay:			
General government	45,549	-	591,203
Public safety	24,095	-	725,385
Physical and economic environment	-	-	52,313
Transportation	-	-	205,302
Culture and recreation	13,150	-	925,152
Debt service:			
Principal	-	1,125,000	-
Interest and fiscal charges	-	775,208	-
	<u>38,472,831</u>	<u>1,970,632</u>	<u>2,791,965</u>
Excess (deficiency) of revenues over expenditures	<u>(2,880,657)</u>	<u>1,327,683</u>	<u>(2,308,169)</u>
Other financing sources (uses):			
Transfers in	1,964,530	409,436	1,735,383
Transfers out	(111,600)	(1,735,383)	(500,000)
	<u>1,852,930</u>	<u>(1,325,947)</u>	<u>1,235,383</u>
Change in fund balances	(1,027,727)	1,736	(1,072,786)
Fund balances – beginning of year	<u>16,337,769</u>	<u>2,463,203</u>	<u>7,857,191</u>
Fund balances – end of year	<u>\$ 15,310,042</u>	<u>2,464,939</u>	<u>6,784,405</u>

See accompanying notes to financial statements.

<u>Community redevelopment</u>	<u>Streets and traffic</u>	<u>Other nonmajor governmental</u>	<u>Total</u>
784,208	1,404,690	272,197	27,214,844
-	-	3,136,283	6,953,495
2,244,090	2,134,314	19,225	7,761,199
-	-	554,459	2,327,605
-	-	-	4,165,504
-	-	85,788	405,342
-	-	-	46,805
-	200,000	119,822	319,822
170,333	175,697	364,785	1,806,496
-	-	62,715	62,715
-	28,079	6,425	73,568
<u>3,198,631</u>	<u>3,942,780</u>	<u>4,621,699</u>	<u>51,137,395</u>
-	-	7,269	11,377,879
-	-	3,243,640	23,479,974
1,458,465	-	110,938	1,813,934
-	2,046,296	-	2,046,296
-	-	18,511	6,920,107
-	-	41,174	677,926
-	-	270,229	1,019,709
5,434,500	-	4,025	5,490,838
-	1,208,471	-	1,413,773
-	-	2,000	940,302
-	-	-	1,125,000
56,226	-	-	831,434
<u>6,949,191</u>	<u>3,254,767</u>	<u>3,697,786</u>	<u>57,137,172</u>
<u>(3,750,560)</u>	<u>688,013</u>	<u>923,913</u>	<u>(5,999,777)</u>
11,600	500,000	100,000	4,720,949
(409,436)	-	-	(2,756,419)
<u>(397,836)</u>	<u>500,000</u>	<u>100,000</u>	<u>1,964,530</u>
(4,148,396)	1,188,013	1,023,913	(4,035,247)
<u>3,876,895</u>	<u>3,718,352</u>	<u>8,302,828</u>	<u>42,556,238</u>
<u>(271,501)</u>	<u>4,906,365</u>	<u>9,326,741</u>	<u>38,520,991</u>

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CITY OF NAPLES, FLORIDA

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended September 30, 2008

Net Changes in Fund Balances – total governmental funds (page 25)	\$ (4,035,247)
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 (\$9,542,548) exceeded depreciation (\$5,222,997) in the current period	4,319,551
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(67,476)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds	1,125,000
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	(156,797)
Increases in the net pension asset in the statement of activities do not provide current financial resources and therefore are not reported in governmental funds	366,402
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurances and information systems. The net revenue (expense) of the internal service funds is reported with governmental activities	<u>799,751</u>
Change in net assets of governmental activities (page 19)	<u>\$ 2,351,184</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

General Fund

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

Year ended September 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Ad valorem	\$ 17,431,817	17,431,817	17,769,079	337,262
Local communication and business	1,793,000	1,793,000	1,792,004	(996)
Insurance premium tax	-	1,949,641	1,949,641	-
Permits and fees	3,862,400	3,862,400	3,817,212	(45,188)
Intergovernmental	3,239,300	3,264,300	3,172,079	(92,221)
Charges for services	1,898,000	1,898,000	1,773,146	(124,854)
Charges to other funds	4,165,504	4,165,504	4,165,504	-
Fines and forfeitures	369,000	369,000	319,554	(49,446)
Interest	900,000	900,000	814,379	(85,621)
Miscellaneous	30,000	30,000	19,576	(10,424)
Total revenues	<u>33,689,021</u>	<u>35,663,662</u>	<u>35,592,174</u>	<u>(71,488)</u>
Expenditures:				
Current:				
General government:				
Mayor and City Council	292,038	332,358	329,302	3,056
City Attorney	688,756	725,756	666,889	58,867
City Clerk	640,758	639,539	632,014	7,525
City Manager	592,384	634,658	617,856	16,802
Human resources	770,593	712,666	642,703	69,963
Planning	648,167	648,167	636,184	11,983
Finance	1,713,219	1,740,866	1,753,233	(12,367)
Nondepartmental	4,546,868	6,094,087	5,729,395	364,692
Total general government	<u>9,892,783</u>	<u>11,528,097</u>	<u>11,007,576</u>	<u>520,521</u>
Public safety:				
Fire	6,867,166	8,088,708	8,215,584	(126,876)
Police	11,355,710	12,078,885	12,020,750	58,135
Code inspections	-	-	-	-
Total public safety	<u>18,222,876</u>	<u>20,167,593</u>	<u>20,236,334</u>	<u>(68,741)</u>
Physical and economic environment:				
Natural resources	264,378	264,378	244,531	19,847
Total physical and economic environment	<u>264,378</u>	<u>264,378</u>	<u>244,531</u>	<u>19,847</u>
Culture and recreation:				
Community services	7,389,161	7,399,385	6,901,596	497,789
Total culture and recreation	<u>7,389,161</u>	<u>7,399,385</u>	<u>6,901,596</u>	<u>497,789</u>

CITY OF NAPLES, FLORIDA

General Fund

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

Year ended September 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Capital outlay:				
General government				
City Clerk	-	7,759	7,759	-
Nondepartmental	-	37,790	37,790	-
Public safety:				
Fire	6,350	8,079	8,075	4
Police	3,900	17,095	16,020	1,075
Culture and recreation:				
Community services	-	40,050	13,150	26,900
Total capital outlay	<u>10,250</u>	<u>110,773</u>	<u>82,794</u>	<u>27,979</u>
Total expenditures	35,779,448	39,470,226	38,472,831	997,395
Excess (deficiency) of revenues over expenditures	\$ <u>(2,090,427)</u>	<u>(3,806,564)</u>	<u>(2,880,657)</u>	<u>925,907</u>
Other financing sources (uses):				
Transfers in	2,088,748	2,088,748	1,964,530	(124,218)
Transfers out	<u>(111,600)</u>	<u>(111,600)</u>	<u>(111,600)</u>	-
Total other financing sources (uses)	<u>1,977,148</u>	<u>1,977,148</u>	<u>1,852,930</u>	<u>(124,218)</u>
Change in fund balances	(113,279)	(1,829,416)	(1,027,727)	801,689
Fund balances – beginning of year	<u>16,337,769</u>	<u>16,337,769</u>	<u>16,337,769</u>	-
Fund balances – end of year	\$ <u><u>16,224,490</u></u>	<u><u>14,508,353</u></u>	<u><u>15,310,042</u></u>	<u><u>801,689</u></u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2008

Assets	Business-type activities – Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Current assets:			
Cash and investments	\$ 12,556,516	3,490,061	1,560,839
Restricted cash and investments	3,766,425	-	205,150
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	6,804,790	1,190,852	838,430
Special assessments	152,241	-	-
Miscellaneous	-	-	-
Accrued interest	57,587	27,705	12,159
Advances due from other funds	771	-	28,017
Due from other governments	561,650	-	622,175
Inventories	1,112,641	-	-
Total current assets	<u>25,012,621</u>	<u>4,708,618</u>	<u>3,266,770</u>
Capital assets:			
Land	1,731,983	1,145,053	234,866
Buildings and utility plants	57,455,184	528,790	-
Improvements other than buildings	22,155,538	987,060	-
Infrastructure	64,829,629	-	11,018,167
Equipment	11,821,657	3,148,941	301,056
Accumulated depreciation	(77,196,898)	(2,335,682)	(4,538,927)
Construction in progress	1,500,970	-	125,613
Net capital assets	<u>82,298,063</u>	<u>3,474,162</u>	<u>7,140,775</u>
Unamortized issuance cost	101,196	-	-
Total noncurrent assets	<u>82,399,259</u>	<u>3,474,162</u>	<u>7,140,775</u>
Total assets	<u>107,411,880</u>	<u>8,182,780</u>	<u>10,407,545</u>

See accompanying notes to financial statements.

<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental activities – Internal Service Funds</u>
810,521	18,417,937	6,405,825
16,927	3,988,502	-
48,509	8,882,581	-
-	152,241	-
400	400	138,133
6,741	104,192	50,234
-	28,788	-
285,797	1,469,622	5,399
34,969	1,147,610	132,267
<u>1,203,864</u>	<u>34,191,873</u>	<u>6,731,858</u>
-	3,111,902	-
1,914,371	59,898,345	796,622
6,720,031	29,862,629	-
-	75,847,796	-
1,000,911	16,272,565	2,167,231
(7,001,486)	(91,072,993)	(1,893,052)
-	1,626,583	-
<u>2,633,827</u>	<u>95,546,827</u>	<u>1,070,801</u>
1,913	103,109	-
<u>2,635,740</u>	<u>95,649,936</u>	<u>1,070,801</u>
<u>3,839,604</u>	<u>129,841,809</u>	<u>7,802,659</u>

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2008

	<u>Business-type activities – Enterprise Funds</u>		
Liabilities	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Current liabilities:			
Accounts payable	\$ 3,415,112	416,357	363,062
Accrued payroll and personal leave	285,502	70,694	21,565
Due to other governments	1,081,249	-	-
Deferred revenue	701,223	-	-
Customer deposits	-	-	-
Current portion of compensated absences	51,000	38,000	4,500
Current maturities of long-term debt	1,242,897	-	116,650
Insurance claims payable	-	-	-
Total payable from current assets	<u>6,776,983</u>	<u>525,051</u>	<u>505,777</u>
Current liabilities (payable from restricted assets):			
Customer deposits	276,535	-	-
Current maturities of long-term debt	768,372	-	57,669
Accrued interest payable	274,747	-	27,588
Total payable from restricted assets	<u>1,319,654</u>	<u>-</u>	<u>85,257</u>
Total current liabilities	<u>8,096,637</u>	<u>525,051</u>	<u>591,034</u>
Noncurrent liabilities:			
Due in more than one year:			
Revenue bonds payable, net of unamortized discounts and premiums	30,091,062	-	2,557,148
Compensated absences	322,256	84,873	25,943
Insurance claims payable	-	-	-
Total noncurrent liabilities	<u>30,413,318</u>	<u>84,873</u>	<u>2,583,091</u>
Total liabilities	<u>38,509,955</u>	<u>609,924</u>	<u>3,174,125</u>
Net Assets			
Invested in capital assets, net of related debt	43,667,076	3,474,162	4,409,308
Restricted for debt service	1,300,080	-	119,893
Restricted for renewal and replacement	1,146,691	-	-
Unrestricted	22,788,078	4,098,694	2,704,219
Net assets of business-type activities	<u>\$ 68,901,925</u>	<u>7,572,856</u>	<u>7,233,420</u>

Nonmajor funds	Total	Governmental activities – Internal Service Funds
95,208	4,289,739	295,861
49,950	427,711	181,976
-	1,081,249	-
55,961	757,184	2,215
28,092	28,092	-
7,228	100,728	16,350
37,500	1,397,047	-
-	-	1,115,855
<u>273,939</u>	<u>8,081,750</u>	<u>1,612,257</u>
-	276,535	-
12,500	838,541	-
4,427	306,762	-
<u>16,927</u>	<u>1,421,838</u>	<u>-</u>
<u>290,866</u>	<u>9,503,588</u>	<u>1,612,257</u>
350,000	32,998,210	-
47,580	480,652	121,012
-	-	1,350,145
<u>397,580</u>	<u>33,478,862</u>	<u>1,471,157</u>
<u>688,446</u>	<u>42,982,450</u>	<u>3,083,414</u>
2,233,827	53,784,373	1,070,801
-	1,419,973	-
-	1,146,691	-
917,331	30,508,322	3,648,444
<u>3,151,158</u>	<u>86,859,359</u>	<u>4,719,245</u>

CITY OF NAPLES, FLORIDA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended September 30, 2008

	Business-type activities – Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund
Operating revenues:			
Charges for services:			
Water revenues	\$ 13,548,219	-	-
Sewer revenues	11,751,189	-	-
Other	-	6,369,866	2,890,146
Total operating revenues	<u>25,299,408</u>	<u>6,369,866</u>	<u>2,890,146</u>
Operating expenses:			
Personal services	6,321,246	1,751,590	462,266
Supplies and services	4,577,733	3,277,479	344,608
Materials	1,991,799	-	-
Utilities	2,402,780	18,318	23,012
Depreciation and amortization	5,174,363	409,296	759,913
General administration	1,888,950	289,000	131,000
Other	113,663	88,498	23,831
Total operating expenses	<u>22,470,534</u>	<u>5,834,181</u>	<u>1,744,630</u>
Operating income (loss)	<u>2,828,874</u>	<u>535,685</u>	<u>1,145,516</u>
Nonoperating revenues (expenses):			
Operating grants	-	-	-
Interest income	583,768	139,348	66,866
Interest expense	(1,141,132)	-	(88,571)
Gain (loss) on sale of capital assets	(13,405)	(1,220)	-
Total nonoperating revenues (expenses)	<u>(570,769)</u>	<u>138,128</u>	<u>(21,705)</u>
Income (loss) before contributions, transfers, and special items	2,258,105	673,813	1,123,811
Capital contributions	1,453,869	-	1,904,341
Transfers out	(1,504,530)	(360,000)	-
Special item - Cost of defeasance	(458,108)	-	-
Change in net assets	<u>1,749,336</u>	<u>313,813</u>	<u>3,028,152</u>
Net assets – beginning of year	<u>67,152,589</u>	<u>7,259,043</u>	<u>4,205,268</u>
Net assets – end of year	<u>\$ 68,901,925</u>	<u>7,572,856</u>	<u>7,233,420</u>

See accompanying notes to financial statements.

<u>Nonmajor funds</u>	<u>Totals</u>	<u>Governmental activities – Internal Service Funds</u>
-	13,548,219	-
-	11,751,189	-
3,260,301	12,520,313	15,379,296
<u>3,260,301</u>	<u>37,819,721</u>	<u>15,379,296</u>
1,222,192	9,757,294	2,751,358
1,681,213	9,881,033	10,161,388
-	1,991,799	1,154,183
148,379	2,592,489	18,005
625,746	6,969,318	301,252
383,428	2,692,378	414,488
97,187	323,179	15,669
<u>4,158,145</u>	<u>34,207,490</u>	<u>14,816,343</u>
<u>(897,844)</u>	<u>3,612,231</u>	<u>562,953</u>
646,891	646,891	-
41,108	831,090	236,798
(19,091)	(1,248,794)	-
-	(14,625)	-
<u>668,908</u>	<u>214,562</u>	<u>236,798</u>
(228,936)	3,826,793	799,751
-	3,358,210	-
(100,000)	(1,964,530)	-
-	(458,108)	-
<u>(328,936)</u>	<u>4,762,365</u>	<u>799,751</u>
<u>3,480,094</u>	<u>82,096,994</u>	<u>3,919,494</u>
<u><u>3,151,158</u></u>	<u><u>86,859,359</u></u>	<u><u>4,719,245</u></u>

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2008

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 23,684,851	6,194,102
Cash payments to suppliers	(8,283,119)	(3,254,802)
Cash payments to employees	(6,214,559)	(1,761,435)
Cash payments for interfund services	(1,888,950)	(289,000)
Net cash provided by (used in) operating activities	<u>7,298,223</u>	<u>888,865</u>
Cash flows from noncapital financing activities:		
Transfers	(1,504,530)	(360,000)
Loans/advances and repayments from (to) other funds	10,000	-
Operating grants	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,494,530)</u>	<u>(360,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(7,932,221)	-
Interest paid on long-term debt	(1,031,095)	-
Capital contributions	633,262	-
Proceeds from issuance of debt	15,819,677	-
Payment to escrow agent to defease bond	(9,240,759)	-
Issue costs on bonds payable	(138,394)	-
Acquisition and construction of capital assets	(6,478,844)	(697,241)
Net cash used in capital and related financing activities	<u>(8,368,374)</u>	<u>(697,241)</u>
Cash flows from investing activities:		
Interest and investment earnings	<u>576,341</u>	<u>124,918</u>
Net cash provided by investing activities	<u>576,341</u>	<u>124,918</u>
Net increase in cash and cash equivalents	(1,988,340)	(43,458)
Cash and cash equivalents – beginning of year	<u>18,311,281</u>	<u>3,533,519</u>
Cash and cash equivalents – end of year	\$ <u><u>16,322,941</u></u>	\$ <u><u>3,490,061</u></u>

Stormwater Fund	Nonmajor Funds	Total	Governmental Activities – Internal Service Funds
2,299,794	3,246,797	35,425,544	15,374,895
(121,036)	(1,967,209)	(13,626,166)	(11,237,058)
(424,609)	(1,233,591)	(9,634,194)	(2,830,407)
(131,000)	(383,428)	(2,692,378)	(414,488)
<u>1,623,149</u>	<u>(337,431)</u>	<u>9,472,806</u>	<u>892,942</u>
-	(100,000)	(1,964,530)	-
12,738	-	22,738	-
-	361,094	361,094	-
<u>12,738</u>	<u>261,094</u>	<u>(1,580,698)</u>	<u>-</u>
(169,155)	(45,000)	(8,146,376)	-
(86,617)	(19,553)	(1,137,265)	-
1,208,549	-	1,841,811	-
-	-	15,819,677	-
-	-	(9,240,759)	-
-	-	(138,394)	-
<u>(2,799,239)</u>	<u>(169,258)</u>	<u>(10,144,582)</u>	<u>(519,079)</u>
<u>(1,846,462)</u>	<u>(233,811)</u>	<u>(11,145,888)</u>	<u>(519,079)</u>
<u>61,067</u>	<u>38,474</u>	<u>800,800</u>	<u>208,627</u>
<u>61,067</u>	<u>38,474</u>	<u>800,800</u>	<u>208,627</u>
(149,508)	(271,674)	(2,452,980)	582,490
<u>1,915,497</u>	<u>1,099,122</u>	<u>24,859,419</u>	<u>5,823,335</u>
<u><u>1,765,989</u></u>	<u><u>827,448</u></u>	<u><u>22,406,439</u></u>	<u><u>6,405,825</u></u>

(Continued)

CITY OF NAPLES, FLORIDA

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2008

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 2,828,874	535,685
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,174,363	409,296
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(1,844,085)	(175,764)
(Increase) decrease in due from other governments	-	-
(Increase) decrease in inventories	(133,149)	-
Increase (decrease) in accounts payable	936,005	129,493
Increase (decrease) in accrued payroll / personal leave	72,112	10,752
Increase (decrease) in due to other governments	231,550	-
Increase (decrease) in deferred revenue	(30,735)	-
Increase (decrease) in customer deposits	28,713	-
Increase (decrease) in insurance claims payable	-	-
Increase (decrease) in compensated absences payable	34,575	(20,597)
Net cash provided by (used in) operating activities	<u>\$ 7,298,223</u>	<u>888,865</u>

See accompanying notes to financial statements.

Stormwater Fund	Nonmajor funds	Total	Governmental Activities – Internal Service Funds
1,145,516	(897,844)	3,612,231	562,953
759,913	625,746	6,969,318	301,252
(590,352)	(3,835)	(2,614,036)	3,303
-	5,682	5,682	(3,207)
-	(2,018)	(135,167)	14,514
270,415	(38,412)	1,297,501	(8,327)
10,429	4,945	98,238	83,699
-	-	231,550	-
-	(15,204)	(45,939)	(4,497)
-	(147)	28,566	-
-	-	-	106,000
27,228	(16,344)	24,862	(162,748)
<u>1,623,149</u>	<u>(337,431)</u>	<u>9,472,806</u>	<u>892,942</u>

CITY OF NAPLES, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2008

	Pension Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 3,656,578	8,909
Investments, at fair value:		
Corporate bonds	12,251,644	-
U.S. Government securities	7,136,255	-
Common stock	44,289,087	-
Mortgage – backed securities	8,600,750	-
Mutual funds	4,512,616	-
Total investments	<u>76,790,352</u>	<u>-</u>
Total assets	<u>80,446,930</u>	<u>8,909</u>
Liabilities:		
DROP payable	<u>175,078</u>	<u>8,909</u>
Total liabilities	<u>175,078</u>	<u>8,909</u>
Net assets:		
Held in trust for pension benefits and other purposes	<u>\$ 80,271,852</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF NAPLES, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended September 30, 2008

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employee contributions	\$ 1,582,428
Employer contributions	3,442,007
State contributions	1,949,641
Total contributions	<u>6,974,076</u>
Investment earnings:	
Interest and dividend income	2,719,056
Net depreciation in fair value of investments	(15,540,659)
Less investment expense	(466,681)
Net investment earnings	<u>(13,288,284)</u>
Total additions	<u>(6,314,208)</u>
Deductions:	
Benefits paid	4,320,897
Refunds of contributions	466,787
General administration	366,250
Total deductions	<u>5,153,934</u>
Change in net assets	(11,468,142)
Net assets – beginning of year	<u>91,739,994</u>
Net assets – end of year	<u>\$ 80,271,852</u>

See accompanying notes to financial statements.

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THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(I) Summary of Significant Accounting Policies and Practices

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

(A) Reporting Entity

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

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

Blended component units. Moorings Bay Special Taxing District, East Naples Bay Special Taxing Districts and the Community Redevelopment Agency are blended component units of this reporting entity, because all districts are governed by Naples City Council. The two Special Taxing Districts were created and established by Ordinances 87-5328 and 87-5330, respectively for the purpose of providing maintenance dredging in the channels and waterways within the area or boundary of the respective District, and to maintain necessary aids to navigation. Funds for the taxing districts are provided through an ad valorem tax that is levied only within these specified districts. Ordinance 94-7099 created the Community Redevelopment Agency for the rehabilitation, conservation or redevelopment of the designated district. The tax increment from both Collier County and the City provides the source of revenue for the Community Redevelopment Agency.

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

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

(B) Government-Wide and Fund Financial Statements

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

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 which are considered available if they are collected within 6 months of the end of the current fiscal year. Property taxes, gas tax, franchise and utility taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured.

The City reports the following major governmental funds:

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Debt Service Fund – is used to account for the accumulation of resources for and the payment of principal, interest and other expenditures on long-term debt, other than notes and bonds payable from the operation of Proprietary Funds.

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

Community Redevelopment Fund – a blended component unit is used to account for the receipt and disbursement of tax increment financing resources received for the redevelopment program and to finance capital improvements in the redevelopment area of the City.

Streets and Traffic Fund – is used to account for the City's share of the local option fuel taxes and road impact fees for the purpose of improving streets and traffic within the City.

The City reports the following major proprietary funds:

Water and Sewer Fund – is used to account for all of the activities of providing customers with potable water and wastewater disposal services.

Solid Waste Fund – is used to account for all of the activities of the collection and disposal of solid waste.

Stormwater Fund – is used to account for funds used in the construction of storm sewers and subsequent operations of the system.

Additionally the City reports the following fund types:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

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

(D) Assets, Liabilities, and Net Assets

(1) Deposits and Investments

(a) Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less.

(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 (generally short-term repurchase agreements) is allocated to participating funds based on average monthly invested balances.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(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 non-current 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, non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

(b) Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered and the cash used/generated in those transactions is recorded in a general cash clearing fund. Each operating fund maintains a positive cash equity position (receivable balance) or a negative cash deficit position (payable balance) in the cash clearing fund. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. The net receivable balance is allocated as cash to the individual funds based on their percentage of positive equity to total positive equity. Interfund receivables and payables are liquidated on a monthly basis.

(3) Inventories

Inventories are valued at cost (first-in, first-out method) in the General 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 the expenditure is reported. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(4) Restricted Assets

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Restricted for debt service includes the sinking fund and revenue bond retirement accounts. The sinking fund is used to segregate resources accumulated for debt service payments over the next twelve months. The revenue bond retirement account is used to report resources set aside to make up potential future deficiencies in the sinking fund. Restricted for renewal and replacement is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

(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 governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Buildings	10 – 50 years
Utility plants	40 – 50 years
Improvements other than buildings	5 – 20 years
Infrastructure	10 – 20 years
Machinery and equipment	2 – 10 years

(6) Compensated Absences

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(7) Long-Term Obligations

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

(8) Fund Equity

In the fund financial statements, reserves of governmental funds represent portions of fund balances, which are not appropriable for expenditure or which have been legally segregated for specific future uses.

Designations of fund balances in governmental funds represent tentative plans for the use of financial resources in a future period. Such plans are subject to change and may never be legally authorized or result in expenditures.

Restricted net assets in the Water and Sewer Fund and the Stormwater Fund are created by restrictions of assets for debt service and renewal and replacement. These net assets increase as a result of earnings on restricted assets. Earnings on restricted assets are included in net income of the funds.

(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 an expenditure in the governmental funds. Such fees amounted to \$4,165,504 for fiscal year 2008, and included \$466,463 charged to internal service and fiduciary funds and \$1,006,663 charged to governmental capital projects funds.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(II) Reconciliation of Government-Wide and Fund Financial Statements

(A) *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets*

The governmental funds balance sheet include a reconciliation between *total fund balances—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore are not reported in the funds.” The details of this (\$19,141,033) difference are as follows:

Bonds payable	\$	(17,325,000)
Less issuance discounts (to be amortized as interest expense)		85,473
Compensated absences		<u>(1,901,506)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$	<u><u>(19,141,033)</u></u>

Another element of that reconciliation explains that “Certain long term assets are not available to pay for current period expenditures and, therefore are not recorded in the funds.” The details of this \$2,140,731 difference are as follows:

Net pension assets	\$	2,020,310
Unamortized bond issuance costs		<u>120,421</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$	<u><u>2,140,731</u></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 include a reconciliation between *net changes in fund balances—total governmental funds and change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$4,319,551 difference are as follows:

Capital outlay	\$	9,542,548
Depreciation expense, less internal service fund depreciation		<u>(5,222,997)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$	<u><u>4,319,551</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The details of this (\$67,476) difference are as follows:

The statement of activities report losses arising from the trade-in or the disposal of existing capital assets to acquire new capital assets.	
Conversely, governmental funds do not report any gain or loss on a trade-in or disposal of capital assets	\$ <u>(67,476)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$ <u><u>(67,476)</u></u>

Another element of that reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.” The details of this \$1,125,000 difference are as follows:

Principal repayments:	
General obligation debt	\$ 425,000
Revenue bonds debt	<u>700,000</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u><u>1,125,000</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$156,797 difference are as follows:

Compensated absences	\$ (143,352)
Accrued interest	8,463
Amortization of issuance costs	(14,057)
Amortization of bond discounts	<u>(7,851)</u>
Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$ <u><u>(156,797)</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(III) Stewardship, Compliance, and Accountability

(A) *Budgetary Information*

Annual budgets are adopted for the General, Special Revenue, Debt Service and Capital Project Funds on a basis consistent with generally accepted accounting principles. The Improvement Fund, Public Arts Fund, 41-10 Public Open Space Fund, Parking Trust Fund and Impact Fee Fund are governmental funds that are 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. Draft documents are presented to Council in June.
3. Workshops on the proposed budget are conducted during August.
4. In September, two public hearings are conducted to obtain taxpayer comments.
5. The budget is legally enacted through passage of an ordinance, effective October 1.
6. The appropriated budget is prepared by Fund, function and department, activity, and object. The appropriations ordinance is enacted on an annual basis. The legal level of budgetary control is maintained at the department level in the General Fund and fund level in all other funds in accordance with the adopted annual budget ordinance. Total expenditures may not legally exceed appropriations for each budgeted fund.
7. Within a single fund or department, budget amendments may be made by the department head with the City Manager's approval. All other changes, including increasing the budget, transfers, capital amendments and addition of employees require City Council approval via resolution.
8. Unused appropriations lapse at the end of the year.

Budgeted amounts in the accompanying financial statements are as originally adopted, or as amended by the appropriate authority. Individual amendments were not material in relation to the original appropriations.

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(B) Excess of Expenditures Over Appropriations

For the year ended September 30, 2008, expenditures exceeded appropriations as follows:

General Fund – Fire Department	\$	126,876
General Fund – Finance Department		12,367

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

(C) Deficit Fund Balances

The Community Redevelopment Fund has a deficit fund balance of \$271,501 at September 30, 2008. Such deficit will be recovered through future tax incremental revenue.

The Community Development Block Grant Fund has a deficit fund balance of \$771 at September 30, 2008. Such deficit will be recovered through future recoveries from the granting agency.

The Construction Management internal service fund has deficit net assets of \$88,043 at September 30, 2008. This deficit will be recovered next year through charges to participating funds.

Detailed Notes on All Funds

(A) Cash and Investments

On March 5, 2008, the City Council formally adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds. In addition, several separate accounts are maintained for specialty purpose including debt service, capital projects and trust funds.

Cash and Cash Equivalents

At September 30, 2008, the carrying amount of the City's bank deposit account was \$2,962,977. The City's cash deposits are held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes.

Cash Equivalents consist of 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 and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in the Local Government Surplus Funds Trust Fund ("LGIP") Fund A, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$3,139,873 is reported at amortized cost and had a weighted average to maturity of 8.5 days as of September 30, 2008. The City's investment in the LGIP Fund B is accounted for as a fluctuating NAV pool. The fair value for the City's investment in the LGIP Fund B is \$483,102 with a weighted average life of 9.36 years as of September 30, 2008.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Investment Portfolios

Investment holdings consist of a \$56,107,926 Investment Portfolio and a \$76,790,352 Pension Portfolio. Both portfolios are reported at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

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

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

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

As of September 30, 2008, the City had the following investments and effective duration presented in terms of years:

Investment Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
United States Treasury - Notes	\$ 22,595,603	0.89
Federal Agency - Notes	27,848,658	1.41
Federal Agency - Mortgage Backed Notes	1,030,940	0.96
Corporate - Note	1,000,000	-
Government Trust Money Market	3,632,725	0.10
Total	<u>\$ 56,107,926</u>	1.08

Interest receivable on the City's investment portfolio amounted to \$458,365 as of September 30, 2008.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Pension Portfolio

<u>Investment</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
United States Government Securities	\$ 7,136,255	
Corporate Bonds	12,251,644	
Corporate Stocks	44,289,087	
Asset Backed Securities	8,600,750	
Mutual Funds	4,512,616	
Total	<u>\$ 76,790,352</u>	3.87

Interest Rate Risk

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

The City utilizes "effective duration" as a measurement of interest rate risk and as of September 30, 2008, the investment portfolio had an effective duration of 2.39 years. The chart below shows the City's investments by investment portfolio and their respective duration.

<u>Cash and Investment Accounts</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
Cash	\$ 2,999,081	-
Money Market	10,179,716	-
Local Government Surplus Funds Trust Fund ("SBA")	3,622,975	0.09
Investment Portfolio	56,107,926	1.08
Pension Portfolio	76,790,352	3.87
Total	<u>\$ 149,700,050</u>	2.39

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

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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 "Aa" by Moody's and "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's and "SP-2" by Standard & Poor's for short-term debt.

Bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time or purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Services and "A-1" by Standard & Poor's.

Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed in the United States that have a long-term debt rating at the time of purchase, at a minimum "Aa" by Moody's and "AA" by Standard & Poor's.

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

As of September 30, 2008, the City's investment securities in the investment and pension portfolios, valued at \$56,107,927, were individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

The City's cash balance of \$2,999,081 was deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

The Pension portfolio also contains \$44,289,087 in Equity Securities and \$4,512,616 in Mutual Funds.

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, 2008, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Concentration of Credit Risk

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

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

As of September 30, 2008, the City's Investment Portfolio had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 2,964,350	4.28%
Money Market	6,557,869	9.47%
Local Government Surplus Funds Trust Fund ("SBA")	3,622,975	5.23%
United States Treasury - Notes	22,595,603	32.63%
Federal Agency - Notes	27,848,658	40.21%
Federal Agency - Mortgage Backed Notes	1,030,940	1.49%
Corporate - Note	1,000,000	1.44%
Government Trust Money Market	3,632,725	5.25%
Total	<u>\$ 69,253,120</u>	

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

A maximum of 42.5% of available funds may be invested in Fixed Income Securities, 65% in domestic equity securities and 10% in international equity securities. The equity position in any one company shall not exceed 5% of the total portfolio at market value.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

As of September 30, 2008, the City's Pension Portfolio had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 34,731	0.04%
Money Market	3,621,847	4.50%
United States Government Securities	7,136,255	8.87%
Corporate Bonds	12,251,644	15.23%
Corporate Stocks	44,289,087	55.05%
Asset Backed Securities	8,600,750	10.69%
Mutual Funds	4,512,616	5.61%
Total	<u>\$ 80,446,930</u>	

Foreign Currency Risk

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

(B) Property Taxes

The City's property tax is levied each November 1, on the assessed value for all property located within the City. Assessed values are established by the Collier County Property Appraiser at fair values. At January 1, 2007, the assessed value of the principal taxing authority's property upon which the 2007-08 levy was based was \$17.5 billion. The millage rate to finance general government services for the fiscal year ended September 30, 2008 was 1.0997 (\$1.0997 per \$1,000 of assessed value). The voted debt service millage was 0.0350 (\$0.0350 per \$1,000 of assessed value) to pay for the principal and interest on general obligation bonds issued to purchase a tract of land to be used as a nature preserve. The assessed values at January 1, 2007 of the dependent special districts, East Naples Bay and Moorings Bay, were \$535 million, and \$1,673 million, respectively. In addition to the City's millage rate and the voted debt service millage rate, 0.4559 (\$0.4559 per \$1,000 of assessed value) is added to the East Naples Bay dependent special district and 0.0218 (\$0.0218 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, 2008. Total ad valorem taxes collected for the year ended September 30, 2008, aggregated \$19,143,602, net of cash discounts, of which \$17,769,079 was designated for general government services, \$784,208 for the Community Redevelopment agency and \$590,315 for debt service on the general obligation debt.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

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

Each year the total taxable valuation is established by the Collier County Property Appraiser for City property, and the list of property assessments is submitted to the State Department of Revenue for approval.

The property 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 2008 tax roll year, the assessment roll was opened for collection on November 1, 2007, and discounts for payment prior to April 1, 2008, were determined as follows:

Discounts allowed

- 4% if paid by November 30
- 3% if paid by December 31
- 2% if paid by January 31
- 1% if paid by February 28

Taxes become delinquent on April 1 of each year and tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of the same year. No amount for the property tax levy becoming due in November 2008, is included in the accompanying financial statements since such taxes are levied to finance expenditures of the subsequent period.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(C) Receivables

Receivables at September 30, 2008, for the City's individual major funds and for the total nonmajor funds were as follows:

	<u>Accounts receivable</u>	<u>Special assessments</u>	<u>Utility taxes</u>	<u>Due from other governments</u>	<u>Interest and other</u>	<u>Total</u>
Governmental activities:						
Major funds:						
General	\$ 537,560	-	-	906,642	118,903	1,563,105
Debt service	-	-	220,018	13,151	7,855	241,024
Capital projects	-	103,287	-	71,654	59,321	234,262
Community redevelopment	-	-	-	-	15,755	15,755
Streets and traffic	-	-	-	315,520	38,140	353,660
Nonmajor funds	1,712	-	-	19,230	63,965	84,907
Internal service	-	-	-	5,399	188,367	193,766
	<u>\$ 539,272</u>	<u>103,287</u>	<u>220,018</u>	<u>1,331,596</u>	<u>492,306</u>	<u>2,686,479</u>
Business type activities:						
Major funds:						
Water and sewer	\$ 6,804,790	152,241	-	561,650	57,587	7,576,268
Solid waste	1,190,852	-	-	-	27,705	1,218,557
Stormwater	838,430	-	-	622,175	12,159	1,472,764
Nonmajor funds	48,509	-	-	285,797	7,141	341,447
	<u>\$ 8,882,581</u>	<u>152,241</u>	<u>-</u>	<u>1,469,622</u>	<u>104,592</u>	<u>10,609,036</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, 2008, are as follows:

Water and sewer	\$ 40,364
Solid waste	<u>9,000</u>
	<u>\$ 49,364</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(D) Capital Assets

Governmental Activities:

A summary of changes in the capital assets of governmental activities for the year ended September 30, 2008, is as follows:

<u>Governmental activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Land	\$ 11,791,787	41,173	(6,760)	11,826,200
Construction in progress	397,501	4,753,860	(35,348)	5,116,013
Total capital assets not being depreciated	<u>12,189,288</u>	<u>4,795,033</u>	<u>(42,108)</u>	<u>16,942,213</u>
Capital assets being depreciated:				
Buildings and utility plants	28,008,178	655,399	-	28,663,577
Improvements other than buildings	27,187,017	1,467,547	(167,077)	28,487,487
Infrastructure	28,992,171	1,534,177	(11,357)	30,514,991
Equipment	15,157,496	1,644,821	(220,753)	16,581,564
Total capital assets being depreciated	<u>99,344,862</u>	<u>5,301,944</u>	<u>(399,187)</u>	<u>104,247,619</u>
Less accumulated depreciation for:				
Buildings	(8,761,995)	(847,363)	-	(9,609,358)
Improvements other than buildings	(11,507,613)	(1,858,280)	115,212	(13,250,681)
Infrastructure	(16,258,663)	(1,113,961)	6,980	(17,365,644)
Equipment	(9,302,067)	(1,704,645)	216,278	(10,790,434)
Total accumulated depreciation	<u>(45,830,338)</u>	<u>(5,524,249)</u>	<u>338,470</u>	<u>(51,016,117)</u>
Total capital assets being depreciated, net	<u>53,514,524</u>	<u>(222,305)</u>	<u>(60,717)</u>	<u>53,231,502</u>
Total governmental capital assets, net	<u><u>\$ 65,703,812</u></u>	<u><u>4,572,728</u></u>	<u><u>(102,825)</u></u>	<u><u>70,173,715</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Business-Type Activities:

A summary of changes in capital assets of business-type activities for the year ended September 30, 2008, is as follows:

<u>Water and Sewer Fund</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets not being depreciated:				
Land	\$ 1,731,983	-	-	1,731,983
Construction in progress	2,094,063	378,881	(971,974)	1,500,970
Total capital assets not being depreciated	<u>3,826,046</u>	<u>378,881</u>	<u>(971,974)</u>	<u>3,232,953</u>
Capital assets being depreciated:				
Buildings and utility plants	57,311,183	164,233	(20,232)	57,455,184
Improvements other than buildings	19,664,928	3,020,694	(530,084)	22,155,538
Infrastructure	61,696,360	3,544,910	(411,641)	64,829,629
Equipment	11,485,921	943,796	(608,060)	11,821,657
Total capital assets being depreciated	<u>150,158,392</u>	<u>7,673,633</u>	<u>(1,570,017)</u>	<u>156,262,008</u>
Less accumulated depreciation for:				
Buildings	(20,477,161)	(1,310,075)	20,232	(21,767,004)
Improvements other than buildings	(10,726,286)	(1,468,971)	291,921	(11,903,336)
Infrastructure	(32,955,262)	(1,416,920)	471,290	(33,900,892)
Equipment	(9,424,982)	(973,071)	772,387	(9,625,666)
Total accumulated depreciation	<u>(73,583,691)</u>	<u>(5,169,037)</u>	<u>1,555,830</u>	<u>(77,196,898)</u>
Total capital assets being depreciated, net	<u>76,574,701</u>	<u>2,504,596</u>	<u>(14,187)</u>	<u>79,065,110</u>
Water and sewer fund capital assets, net \$	<u><u>80,400,747</u></u>	<u><u>2,883,477</u></u>	<u><u>(986,161)</u></u>	<u><u>82,298,063</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

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	994,865	136,650	(144,455)	987,060
Equipment	2,693,772	560,590	(105,421)	3,148,941
Total capital assets being depreciated	<u>4,217,427</u>	<u>697,240</u>	<u>(249,876)</u>	<u>4,664,791</u>
Less accumulated depreciation for:				
Buildings	(175,541)	(27,463)	-	(203,004)
Improvements other than buildings	(689,942)	(69,791)	76,932	(682,801)
Equipment	(1,309,560)	(312,042)	171,725	(1,449,877)
Total accumulated depreciation	<u>(2,175,043)</u>	<u>(409,296)</u>	<u>248,657</u>	<u>(2,335,682)</u>
Total capital assets being depreciated, net	<u>2,042,384</u>	<u>287,944</u>	<u>(1,219)</u>	<u>2,329,109</u>
Solid waste fund capital assets, net	<u>\$ 3,187,437</u>	<u>287,944</u>	<u>(1,219)</u>	<u>3,474,162</u>

Stormwater Fund	Balance October 1	Additions	Transfers/ retirements	Balance September 30
Capital assets not being depreciated:				
Land	\$ 19,814	215,052	-	234,866
Construction in progress	175,800	125,613	(175,800)	125,613
Total capital assets not being depreciated	<u>195,614</u>	<u>340,665</u>	<u>(175,800)</u>	<u>360,479</u>
Capital assets being depreciated:				
Infrastructure	8,400,629	2,617,538	-	11,018,167
Equipment	284,220	16,836	-	301,056
Total capital assets being depreciated	<u>8,684,849</u>	<u>2,634,374</u>	<u>-</u>	<u>11,319,223</u>
Less accumulated depreciation for:				
Infrastructure	(3,703,690)	(732,867)	-	(4,436,557)
Equipment	(75,324)	(27,046)	-	(102,370)
Total accumulated depreciation	<u>(3,779,014)</u>	<u>(759,913)</u>	<u>-</u>	<u>(4,538,927)</u>
Total capital assets being depreciated, net	<u>4,905,835</u>	<u>1,874,461</u>	<u>-</u>	<u>6,780,296</u>
Stormwater fund capital assets, net	<u>\$ 5,101,449</u>	<u>2,215,126</u>	<u>(175,800)</u>	<u>7,140,775</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

<u>Nonmajor Funds</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Balance September 30</u>
Capital assets being depreciated:				
Buildings and utility plants	\$ 1,914,371	-	-	1,914,371
Improvements other than buildings	6,610,427	109,604	-	6,720,031
Equipment	968,025	59,654	(26,768)	1,000,911
Total capital assets being depreciated	9,492,823	169,258	(26,768)	9,635,313
Less accumulated depreciation for:				
Buildings	(863,120)	(127,625)	-	(990,745)
Improvements other than buildings	(4,824,980)	(398,788)	-	(5,223,768)
Equipment	(714,647)	(99,094)	26,768	(786,973)
Total accumulated depreciation	(6,402,747)	(625,507)	26,768	(7,001,486)
Total capital assets being depreciated, net	3,090,076	(456,249)	-	2,633,827
Nonmajor fund capital assets, net	\$ 3,090,076	(456,249)	-	2,633,827
Total business-type capital assets, net	\$ 91,779,709	4,930,298	(1,163,180)	95,546,827

Depreciation expense was charged to programs of the City as follows:

Governmental activities:		
General government		\$ 495,354
Public safety		1,031,132
Physical and economic environment		759,868
Transportation		1,317,184
Cultural and recreation		1,619,459
Internal service		301,252
	Total depreciation expense - governmental activities	\$ <u>5,524,249</u>
Business-type activities:		
Water and sewer		\$ 5,169,037
Solid waste		409,296
Stormwater		759,913
Other		625,507
	Total depreciation expense - business-type activities	\$ <u>6,963,753</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(E) Interfund Transactions

Advances from/to other funds are as follows:

	<u>Advances receivable</u>	<u>Advances payable</u>
Governmental activities:		
Major funds:		
General	\$ 431,323	-
Capital projects	352,333	-
Community redevelopment	-	1,050,828
Streets and traffic	239,155	-
Nonmajor Fund:		
Community Development Block Grant Fund	-	771
Business-type activities:		
Major funds:		
Water and sewer	771	-
Stormwater	28,017	-
	<u>\$ 1,051,599</u>	<u>1,051,599</u>

Advances to other funds represent funds of the community redevelopment fund used to construct a facility which will be reimbursed from grant proceeds when received and loans to other funds. Advances expected to be repaid within one year are \$359,674.

Interfund Transfers:

Transfers during the year ended September 30, 2008, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities:		
Major Funds:		
General	\$ 1,964,530	111,600
Debt service	409,436	1,735,383
Capital projects	1,735,383	500,000
Community redevelopment	11,600	409,436
Streets and traffic	500,000	-
Nonmajor Fund:		
Land conservation trust	100,000	-
Business-type activities:		
Major Funds:		
Water and sewer	-	1,504,530
Solid waste	-	360,000
Nonmajor Fund:		
City dock	-	100,000
	<u>\$ 4,720,949</u>	<u>4,720,949</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

The General Fund transferred \$100,000 to the Land Conservation Trust Fund, the Debt Service Fund transferred utility taxes in the amount of \$1,735,383 to the Capital Projects Fund for expenditure, the Capital Projects Fund transferred \$500,000 to the Streets and Traffic Fund for the overlay program, the Community Redevelopment Fund transferred \$409,436 to the Debt Service Fund for principal and interest payments on the parking garage, and the enterprise funds of the business-type activities transferred \$1,964,530 of payments in lieu of taxes to the General Fund.

(F) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2008, 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	\$ 566,661	1,090,905	1,657,566
Capital projects	115,601	-	115,601
Community redevelopment	1,216,347	28,023	1,244,370
Streets and traffic	551,216	23,558	574,774
Nonmajor funds	371,794	98,154	469,948
Internal service	<u>295,861</u>	<u>181,976</u>	<u>477,837</u>
	<u>\$ 3,117,480</u>	<u>1,422,616</u>	<u>4,540,096</u>
Business-type activities:			
Major funds:			
Water and sewer	\$ 3,415,112	285,502	3,700,614
Solid waste	416,357	70,694	487,051
Stormwater	363,062	21,565	384,627
Nonmajor funds	<u>95,208</u>	<u>49,950</u>	<u>145,158</u>
	<u>\$ 4,289,739</u>	<u>427,711</u>	<u>4,717,450</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(G) Long-Term Obligations

Governmental activities long-term obligations at September 30, 2008, are comprised of the following:

Public Service Tax Refunding Revenue Bonds, Series 1993, issued in the amount of \$5,263,189, due in annual installments of \$135,000 to \$723,328 through July 1, 2009, with interest rates ranging from 4.20% to 5.125%. Public service taxes are pledged to secure this issue.	\$ 150,000
General Obligation Bonds, Series 2000, issued in the amount of \$8,460,000 for the acquisition of certain real property within the City for open space and other public purposes, due in annual installments of \$190,000 to \$815,000 through March 1, 2015. Ad valorem taxes are pledged to secure this issue. Interest rates range from 5.00% to 5.20%.	445,000
Public Service Tax Revenue Bonds, Series 2001, issued in the amount of \$9,845,000 for the acquisition and construction of improvements to the City's recreational facilities and to refund the Public Service Tax Revenue Bonds, Series 1997, due in annual installments of \$183,300 to \$878,900 through July 1, 2021. Public service taxes are pledged to secure this issue. Interest rates range from 4.10% to 5.00%	8,745,000
Redevelopment Revenue and Refunding Bonds, Series 2003, issued in the amount of \$5,925,000 for the purpose of fully refunding the City's Redevelopment Revenue Bonds, Series 1998, and financing the cost of the design, installation, construction and reconstruction of street, public right-of-way, drainage and other related improvements within the CRA District, due in annual installments of \$250,000 to \$415,000 through December 1, 2021. Non-ad valorem taxes are pledged to secure this issue. Interest rate is 3.58%.	4,815,000
General Obligation Bonds, Series 2004, issued in the amount of \$3,170,000 to partially refund the General Obligation Bonds, Series 2000, due in annual installments of 4470,000 to \$590,000 through March 1, 2015. Ad valorem taxes are pledged to secure this issue. Interest rate is 3.84%.	3,170,000
Unamortized issuance discounts	(85,473)
Claims payable	2,466,000
Compensated absences payable	2,038,868
	<u>\$ 21,744,395</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Changes in long-term obligations for the year ended September 30, 2008, are as follows:

Governmental Activities	Balance October 1	Additions	Retired	Balance September 30	Due in One Year
Bonds payable:					
2000 General Obligation Bonds	\$ 870,000	-	(425,000)	445,000	445,000
2004 General Obligation Bonds	3,170,000	-	-	3,170,000	-
1993 Public Service Tax Refunding Bonds	290,000	-	(140,000)	150,000	150,000
2001 Public Service Tax Revenue Bonds	9,075,000	-	(330,000)	8,745,000	340,000
2003 Redevelopment Revenue and Refunding Bonds	5,045,000	-	(230,000)	4,815,000	260,000
	<u>18,450,000</u>	-	<u>(1,125,000)</u>	<u>17,325,000</u>	<u>1,195,000</u>
Less: unamortized discounts	(93,324)		7,851	(85,473)	(7,851)
Total bonds payable	<u>18,356,676</u>	-	<u>(1,117,149)</u>	<u>17,239,527</u>	<u>1,187,149</u>
Claims payable	2,360,000	7,265,735	(7,159,735)	2,466,000	1,115,855
Compensated absences payable	2,058,264	270,460	(289,856)	2,038,868	414,350
Total	<u>\$ 22,774,940</u>	<u>7,536,195</u>	<u>(8,566,740)</u>	<u>21,744,395</u>	<u>2,717,354</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 \$137,362 in compensated absences and \$2,466,000 in claims and judgments of internal service funds are included in the above amounts. The compensated balances are made up by the following funds: General Fund \$1,699,053, Building and Zoning Fund \$86,024, Community Redevelopment Fund \$16,734, Streets and Traffic Fund \$99,695 and internal service funds \$137,362.

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

	Principal	Interest
Year ended September 30:		
2009	\$ 1,195,000	723,405
2010	1,255,000	671,921
2011	1,320,000	621,629
2012	1,370,000	569,280
2013	1,435,000	513,077
2014-2018	6,475,000	1,711,296
2019-2023	4,275,000	389,877
	<u>\$ 17,325,000</u>	<u>5,200,485</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Long-term liabilities of the business-type activities at September 30, 2008, are comprised of the following issues:

Water and Sewer Fund:

Public Utilities Revenue Bond, Series 2007A, issued in the amount of \$10,000,000 to finance the costs of water and sewer capital projects. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 3.84%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance.	\$ 9,559,355
Public Utilities Refunding Revenue Bond, Series 2007B, issued in the amount of \$5,819,677 to currently refund the outstanding principal amount of the city's Capital Improvement Note, Series 2005. Bonds mature annually on September 1, with final maturity on September 1, 2027. Interest is payable semi-annually on March 1 and September 1, at a fixed rate of 3.62%. The principal and interest is secured by the net revenue of the water and sewer system and from the investment of monies in various funds established by Ordinance.	5,561,909
State of Florida Revolving Loan Funds, used to upgrade and expand the City's water and sewage treatment plant, payable in equal semi-annual installments of principal and interest for a period of twenty (20) years beginning in April 1998. Planning, engineering and administration allowances in the amount of \$962,696 were approved in March 1995, at an interest rate of 3.79%. Phase I construction was approved in the amount of \$25,930,000 in June 1996, at an interest rate of 2.56%.	17,012,939
Unamortized issuance discounts	(31,872)
Compensated absences payable	<u>373,256</u>
Total water and sewer fund	<u>\$ 32,475,587</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Solid Waste Fund:

Compensated absences payable	\$ <u>122,873</u>
Total solid waste fund	\$ <u><u>122,873</u></u>

Stormwater Fund:

State of Florida Revolving Loan Fund, for improvements to the City's stormwater system, payable in equal semi-annual installments of principal and interest for a period of twenty (20) years until final maturity on June 15, 2021. The loan was approved in the amount of \$4,830,210 at an interest rate of 3.03%.

	\$ 2,731,467
Compensated absences payable	<u>30,443</u>
Total stormwater fund	\$ <u><u>2,761,910</u></u>

Nonmajor fund - City Tennis Fund:

\$605,000 Public Service Tax Refunding Bonds, Series 2001, for the acquisition and construction of improvements to the City's recreational facilities and to refund the Public Service Tax Revenue Bonds, Series 1997, due in annual installments through July 1, 2021, with interest rates ranging from 4.10% to 5.00%. The principal and interest is payable from and secured by non-ad valorem taxes and from the investment of monies in various funds established by Ordinance.

	\$ 400,000
Compensated absences payable	<u>54,808</u>
Total nonmajor fund - city tennis fund	\$ <u><u>454,808</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Changes in proprietary fund debt for the year ended September 30, 2008, are as follows:

<u>Business-Type Activities</u>	<u>Balance October 1</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30</u>	<u>Due in One Year</u>
Bonds payable:					
Water and Sewer Revenue Refunding, Series 2002	\$ 8,805,000	-	(8,805,000)	-	-
Public Utilities Revenue Bond, Series 2007A	-	10,000,000	(440,645)	9,559,355	350,899
Public Utilities Refunding Revenue Bond, Series 2007B	-	5,819,677	(257,768)	5,561,909	208,580
Water and Sewer - State Revolving Fund	18,427,069	-	(1,414,130)	17,012,939	1,453,467
Capital Improvement Note, Series 2005	5,819,678	-	(5,819,678)	-	-
Stormwater - State Revolving Fund	2,900,622	-	(169,155)	2,731,467	174,319
Public Service Tax Revenue Refunding, Series 2001	445,000	-	(45,000)	400,000	50,000
	<u>36,397,369</u>	<u>15,819,677</u>	<u>(16,951,376)</u>	<u>35,265,670</u>	<u>2,237,265</u>
Plus: unamortized premium	72,192		(72,192)	-	-
Less: deferred loss on refunding	(120,801)		120,801	-	-
Less: unamortized discounts	(29,089)	(33,549)	30,766	(31,872)	(1,677)
Total bonds payable	<u>36,319,671</u>	<u>15,786,128</u>	<u>(16,872,001)</u>	<u>35,233,798</u>	<u>2,235,588</u>
Compensated absences payable	556,518	95,176	(70,314)	581,380	100,728
Total	<u>\$ 36,876,189</u>	<u>15,881,304</u>	<u>(16,942,315)</u>	<u>35,815,178</u>	<u>2,336,316</u>

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

Annual debt service requirements to maturity for water and sewer fund business-type activities are as follows:

Water and Sewer Fund:

<u>Year ended September 30:</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,012,946	1,030,655
2010	2,074,411	969,190
2011	2,137,802	905,801
2012	2,203,180	840,422
2013	2,270,610	772,992
2014-2018	12,441,023	2,776,987
2019-2023	4,876,796	1,310,247
2024-2027	4,117,435	394,161
	<u>\$ 32,134,203</u>	<u>9,000,455</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Annual debt service requirements to maturity for stormwater fund business-type activities are as follows:

Stormwater Fund:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2009	\$ 174,319	81,453
2010	179,641	76,131
2011	185,125	70,647
2012	190,777	64,995
2013	196,601	59,171
2014-2018	1,076,787	202,071
2019-2021	728,217	39,097
	<u>\$ 2,731,467</u>	<u>593,565</u>

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

Nonmajor Enterprise Funds:

	<u>Principal</u>	<u>Interest</u>
Year ended September 30:		
2009	\$ 50,000	17,708
2010	50,000	15,658
2011	55,000	13,558
2012	55,000	11,220
2013	60,000	8,800
2014-2015	130,000	9,425
	<u>\$ 400,000</u>	<u>76,369</u>

Legal Debt Margin – Neither the Charter nor the Code for the City of Naples or Florida State Statutes limits the amount of debt the City can issue.

Net interest cost (interest cost less the interest earned on the investment of unexpended debt proceeds) is capitalized in the proprietary funds on construction projects financed with long-term debt. Interest cost is not capitalized on projects financed by government grants or third-party donations. Interest cost is not capitalized on assets in the governmental activities. Interest was not capitalized during the year ended September 30, 2008.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Defeased Debt

On November 21, 2007, the City defeased the Water and Sewer Revenue Refunding Bonds, Series 2002, in the amount of \$8,805,000. The City purchased state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2002 issue until the September 1, 2012 call date. Funds from the 2002 debt service reserve fund, sinking fund, and other accumulated water and sewer revenue in the amounts of \$3,171,198, \$226,289, and \$5,898,546, respectively, were used to fund the escrow account and pay costs related to the defeasance. This defeasance was undertaken to remove restrictive bond covenants associated with the revenue bonds and to reduce the total debt service payments. As a result, these bonds are considered defeased and the liability has been removed from the City's financial statements. This transaction resulted in a reduction of \$603,548 in debt service payments and an economic gain of \$172. As a result of the defeasance, the deferred loss and unamortized discounts associated with the 2002 issue were fully recognized in the current period, as well as other costs in the amount of \$458,108. This amount has been reported as a special item in the Statement of Revenues, Expenses, and Changes in Fund Net Assets of the Proprietary Funds.

The following issues have been defeased by refunding issues and remain outstanding:

	Defeased bonds outstanding
Water and Sewer Refunding Revenue Bonds, Series 2002	\$ 7,865,000
General Obligation Bonds, Series 2000	145,000
	<u>\$ 8,010,000</u>

(H) Fund Equity

The following is a summary of fund balances that were designated for other purposes as of September 30, 2008:

Reserved for	General Fund	Capital Projects	Other nonmajor governmental funds
Sable Bay litigation	\$ 13,791	-	-
Emergency reserve	3,958,183		
Low income housing	-	182,843	-
Downtown parking	-	-	132,650
Donation requests	-	-	159,468
	<u>\$ 3,971,974</u>	<u>182,843</u>	<u>292,118</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

(I) Additional Information

The City has one nonmajor enterprise fund which has revenue bonds outstanding at September 30, 2008. The Tennis Fund's revenues are pledged in support of those outstanding bonds. Relevant additional information for the Tennis Fund as of and for the year ended September 30, 2008, follows:

Statement of Net Assets

Cash and investments	\$ 214,950
Inventories	6,671
Accrued interest	2,233
Restricted cash and investments	<u>16,927</u>
Total current assets	240,781
Other assets	1,913
Capital assets, net	<u>433,752</u>
Total assets	<u>676,446</u>
Current liabilities	55,858
Current liabilities (payable from restricted assets)	16,927
Noncurrent liabilities	<u>364,249</u>
Total liabilities	<u>437,034</u>
Net assets:	
Invested in capital assets, net of related debt	33,752
Restricted for debt service	-
Unrestricted	205,660
Total net assets	<u>\$ 239,412</u>

Statement of Changes in Net Assets

Operating revenues:	
Charges for services	\$ <u>575,121</u>
Total operating revenues	<u>575,121</u>
Operating expenses	448,765
Depreciation and amortization	<u>40,466</u>
Total operating expenses	<u>489,231</u>
Operating income	85,890
Nonoperating revenues (expenses):	
Interest income	13,699
Interest expense	<u>(19,091)</u>
Change in net assets	80,498
Net assets – beginning of year	<u>158,914</u>
Net assets – end of year	<u>\$ 239,412</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Statement of Cash Flows

Cash flows from operating activities:	
Cash received from customers	\$ 561,516
Cash payments to suppliers	(221,730)
Cash payments to employees	(200,701)
Cash payments for interfund services	(32,000)
Net cash provided by operating activities	<u>107,085</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(45,000)
Interest paid on long-term debt	(19,553)
Acquisition and construction of capital assets	(33,138)
Net cash used in capital and related financing activities	<u>(97,691)</u>
Cash flows from investing activities:	
Interest and investment earnings	12,219
Net cash provided by investing activities	<u>12,219</u>
Net increase in cash and cash equivalents	<u>21,613</u>
Cash and cash equivalents - beginning of year	210,264
Cash and cash equivalents - end of year	<u>\$ 231,877</u>

(J) Employee Pension Plans

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

i. General Pension Plan

The General Retirement Plan provides benefits for all full-time American Federation of State and Municipal Employees (AFSME) union, Government Supervisor Association of Florida Office and Professional Employees International Union (OPEIU) and 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 08-12087. 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, 2008

The payroll for employees covered by the plan and the government’s total payroll for the year ended September 30, 2008, and current membership, as of October 1, 2008, the date of the most recent actuarial valuation, is as follows:

General pension plan:	
Covered payroll for the year ended September 30, 2008	\$ 15,779,980
Covered payroll as a percentage of the City’s total payroll of \$ 24,896,364	63.4%
Retirees and beneficiaries currently receiving benefits (disabled)	195
Vested terminated employees	21
Active employees:	
Fully vested	168
Nonvested	152

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

	<u>Benefits</u>	<u>Vesting</u>
General employees	Normal retirement at age 60; early retirement at age 55 or the rule of 85 regardless of service; benefits at 2.50% of average final compensation times years of service. Early retirement benefit reduced by 0.25% for each month prior to normal retirement age	100% after five years of creditable service; 0% prior to that. General pension employees hired after March 31, 1995 have an effective start date six months after employment date

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

As of September 30, 2008, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2008, there was no investment type or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

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

The Plan's funding policy requires employees to contribute not less than 5% of compensation to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, dated October 1, 2008, 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 Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 8.0% per year, compounded annually, net of investment-related expenses. Salary increases are projected at 6.0% to 13% each year based on service, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets is developed based on a method that recognizes 20% of the difference between the market value and expected actuarial asset value. The Plan provides for a 3% inflation rate.

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

General – Three Year Trend Information

General - Three Year Trend Information

Year ending:	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/08	\$ 1,162,381	123.8%	(932,759)
09/30/07	1,137,991	101.9%	(656,671)
09/30/06	1,028,430	101.5%	(634,492)

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Required Contributions (ARC)	\$ 1,110,259	1,094,083	982,267
Interest on Net Pension Obligation (NPO)	(52,534)	(53,932)	(52,612)
Adjustment to ARC	<u>(104,656)</u>	<u>(97,840)</u>	<u>(98,775)</u>
Annual Pension Cost (APC)	1,162,381	1,137,991	1,028,430
Contributions Made	<u>1,438,469</u>	<u>1,160,170</u>	<u>1,043,963</u>
Increase (decrease) in NPO	(276,088)	(22,179)	(15,533)
NPO at beginning of year	<u>(656,671)</u>	<u>(634,492)</u>	<u>(618,959)</u>
NPO at end of year	\$ <u><u>(932,759)</u></u>	<u><u>(656,671)</u></u>	<u><u>(634,492)</u></u>

ii. Police Officers' Pension Plan

The Police Officers Retirement Plan provides benefits for all full-time sworn Police personnel of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 08-12124. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2008, and current membership, as of October 1, 2008, the date of the most recent actuarial valuation is as follows:

Police pension plan:	
Covered payroll for the year ended September 30, 2008	\$ 5,434,133
Covered payroll as a percentage of the City's total payroll of \$ 24,896,364	21.8%
Retirees and beneficiaries currently receiving benefits	41
Vested terminated employees	16
Active employees:	
Fully vested	45
Nonvested	30

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

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

	<u>Benefits</u>	<u>Vesting</u>
Police officers	Normal retirement at age 50 with five years of credited service; 25 years of credited service regardless of age; benefits 3.63% of average final compensation times years of service. Early retirement at age 45 or completion of 20 years of credited service. Early retirement benefit reduced 3% for each year prior to normal retirement.	100% after five years of creditable service: 0% prior to that.

The system also provides disability and survivors' benefits.

The Police Officers' Pension Plan is accounted for as a pension trust fund; therefore it is accounted for in substantially the same manner as a proprietary fund with a "capital maintenance" 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, 2008, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2008, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all Plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from the Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Police Officers' Pension Plan for the year ended September 30, 2008, was

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

\$726,370. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 8.00% per year, compounded annually, net of investment-related expenses. Salary increases are projected at 6% to 13% each year based on service, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets is developed based on a method that recognizes 20% of the difference between the market value and expected actuarial asset value. The plan provides for post retirement benefit increases of 3% per year at ages 55 to 62.

Changes in benefits since the last actuarial report included a change in the definition of compensation to include up to 300 hours of overtime and allow up to \$6,700 in payout of unused leave, and an increase in the benefit multiplier from 3.60% to 3.63%. There were no changes in the actuarial assumptions and methods since the last actuarial valuation.

Police - Three Year Trend Information

Year ending:	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
09/30/08	\$ 1,527,110	105.6%	(638,242)
09/30/07	1,373,995	99.4%	(552,866)
09/30/06	1,093,836	95.2%	(560,527)

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

	2008	2007	2006
Annual Required Contributions (ARC)	\$ 1,487,575	1,333,101	1,041,843
Interest on Net Pension Obligation (NPO)	(44,229)	(44,842)	(50,533)
Adjustment to ARC	<u>(83,764)</u>	<u>(85,736)</u>	<u>(102,526)</u>
Annual Pension Cost (APC)	1,527,110	1,373,995	1,093,836
Contributions Made	<u>1,612,486</u>	<u>1,366,334</u>	<u>1,041,843</u>
Increase (decrease) in NPO	(85,376)	7,661	51,993
NPO at beginning of year	<u>(552,866)</u>	<u>(560,527)</u>	<u>(612,520)</u>
NPO at end of year	<u><u>\$ (638,242)</u></u>	<u><u>(552,866)</u></u>	<u><u>(560,527)</u></u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

iii. Firefighters' Pension Plan

The Firefighters' Retirement Plan provides benefits for all full-time sworn fire personnel of the City. All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Ordinance, the most recent of which is Ordinance 07-11738. The Plan Ordinance may be amended by City Council after public notice has been made, two public readings are conducted, and one public hearing is held. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity's financial report.

The payroll for employees covered by the Plan and the government's total payroll for the year ended September 30, 2008, and current membership, as of October 1, 2008, the date of the most recent actuarial valuation, is as follows:

Firefighters' pension plan:	
Covered payroll for the year ended September 30, 2008	\$ 3,682,251
Covered payroll as a percentage of the City's total payroll of \$ 24,896,364	14.8%
Retirees and beneficiaries currently receiving benefit (includes 1 disability)	21
Vested terminated employees	7
Active employees:	
Fully vested	42
Nonvested	11

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

	<u>Benefits</u>	<u>Vesting</u>
Firefighters	Normal retirement at age 55 with five years of credited service, age 50 with twenty years of credited service, or completion of 25 years of credited service regardless of age. Benefits at 4% of average final compensation times years of service. Early retirement at age 50; benefits reduced by 3% per year prior to normal retirement.	100% after five years of credited service; 0% prior to that.

The system also provides disability and survivors' benefits.

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Notes to Financial Statements

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The Firefighters' Pension Plan is accounted for as a pension trust fund; therefore it is accounted for in substantially the same manner as a proprietary fund with a "capital maintenance" 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, 2008, there were no investments (other than U.S. Government or U.S. Government guaranteed obligations) in any one organization comprising 5% or more of the net assets available for benefits. As of September 30, 2008, there were no investment types or similar relationships with any related party, including officers and employees of the Pension Plan, the sponsoring City of Naples, and organizations included in the reporting entity.

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

The Plan's funding policy requires employees to contribute 5% of annual salary to the Plan on a pre-tax basis. This amount is fixed unless changed by ordinance. The City is required to make annual contributions that fluctuate according to the most recent actuarial valuation report, after deducting estimated contributions by members, investment earnings and all plan expenditures. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the net pension obligation. The Plan prepares a valuation report annually, and the City's contribution is adjusted accordingly. All costs of administering the Plan are paid from Plan assets. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Firefighters' Pension Plan for the year ended September 30, 2008, was \$1,223,271. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The Plan is valued under the entry age normal cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 30 years. Investment earnings are assumed at 7.5% per year, compounded annually, net of investment-related expenses. Salary increases are projected at 7.5% to 13% each year based on service, up to retirement age (normal retirement date) including merit or seniority increases. The actuarial value of assets is developed based on a method that recognizes 20% of the difference between the market value and expected actuarial asset value. The plan provides for post-retirement benefit increases of 3% per year starting at age 50 for retirements after June 30, 2005.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Fire - Three Year Trend Information

Year ending:	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/08	\$ 1,659,069	100.3%	(449,309)
09/30/07	1,278,677	105.5%	(444,371)
09/30/06	1,004,049	99.3%	(374,565)

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Required Contributions (ARC)	\$ 1,628,489	1,252,682	976,355
Interest on Net Pension Obligation (NPO)	(33,328)	(28,092)	(30,530)
Adjustment to ARC	<u>(63,908)</u>	<u>(54,087)</u>	<u>(58,224)</u>
Annual Pension Cost (APC)	1,659,069	1,278,677	1,004,049
Contributions Made	<u>1,664,007</u>	<u>1,348,483</u>	<u>996,995</u>
Increase (decrease) in NPO	(4,938)	(69,806)	7,054
NPO at beginning of year	<u>(444,371)</u>	<u>(374,565)</u>	<u>(381,619)</u>
NPO at end of year	<u>\$ (449,309)</u>	<u>(444,371)</u>	<u>(374,565)</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Statements of fiduciary net assets and statements of changes in fiduciary net assets for the City's defined benefit pension plans are as follows, as of and for the year ended September 30, 2008:

Statements of Fiduciary Net Assets

	General Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 1,202,103	1,126,775	1,327,700
Receivables:			
Accounts	-	-	-
Accrued interest	-	-	-
Investments, at fair value:			
Corporate bonds	4,921,432	4,038,789	3,291,423
U.S. Government securities	2,675,464	2,350,519	2,110,273
Common stock	19,527,426	13,503,368	11,258,292
Mortgage – backed securities	3,378,410	2,872,942	2,349,398
Total investments	<u>30,502,732</u>	<u>22,765,618</u>	<u>19,009,386</u>
Total assets	<u>31,704,835</u>	<u>23,892,393</u>	<u>20,337,086</u>
Liabilities:			
DROP payable	<u>175,078</u>	-	-
Total liabilities	<u>175,078</u>	-	-
Net assets:			
Held in trust for pension benefits	\$ <u>31,529,757</u>	<u>23,892,393</u>	<u>20,337,086</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Statements of Changes in Fiduciary Net Assets

	General Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employee contributions	\$ 788,107	251,206	183,262
Employer contributions	1,438,469	886,116	888,198
Direct state contributions	-	726,370	1,223,271
Total contributions	<u>2,226,576</u>	<u>1,863,692</u>	<u>2,294,731</u>
Investment earnings:			
Interest and dividend income	1,086,456	843,564	719,167
Net appreciation (depreciation) in fair value of investments	(6,401,313)	(4,498,304)	(3,767,553)
Less investment expense	<u>(200,442)</u>	<u>(136,403)</u>	<u>(116,501)</u>
Net investment earnings	<u>(5,515,299)</u>	<u>(3,791,143)</u>	<u>(3,164,887)</u>
Total additions	<u>(3,288,723)</u>	<u>(1,927,451)</u>	<u>(870,156)</u>
Deductions:			
Benefits paid	2,016,744	1,501,350	802,803
Refunds of contributions	56,232	8,050	-
General administration	81,175	50,464	234,611
Total deductions	<u>2,154,151</u>	<u>1,559,864</u>	<u>1,037,414</u>
Changes in net assets	<u>(5,442,874)</u>	<u>(3,487,315)</u>	<u>(1,907,570)</u>
Net assets – beginning of year	<u>36,972,631</u>	<u>27,379,708</u>	<u>22,244,656</u>
Net assets – end of year	\$ <u>31,529,757</u>	<u>23,892,393</u>	<u>20,337,086</u>

(K) Employee Retirement Savings Plans

i. Supplemental Retirement Savings Plan

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

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

The plan, which started on April 1, 1995, has a plan year date of April 1. Vesting is:

Employee contributions:
100% – Immediately

Employer contributions:
25% – Year 1
50% – Year 2
100% – Year 3

The Plan is a defined contribution plan. Plan members are required to contribute 3% of annual base pay to the Plan and the City is required to contribute 2% of the employee's annual base pay. Plan provision and contribution requirements are established and may be amended by the City Council. The plan falls under IRC Code Section 401(a)(17) and IRC 414(s) rules.

As of September 30, 2008 there were 158 active Plan members. The City's contribution for the year was \$190,213. Covered payroll for the year ended September 30, 2008 was \$9,508,740. Contributions and earnings are returned to participants upon retirement or termination. Employee contributions were \$285,320 for the year ended September 30, 2008.

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

All investments are reported at their fair value. All investments are directed by Plan participants, including the non-vested portion of the City's contributions, if any. Plan participants may elect to allocate investments among different mutual funds and fixed return funds. No individual stocks, bonds or other investments are held within the Plan. Plan administrators are Nationwide, VALIC Insurance, and ICMA.

ii. Managers' Retirement Savings Plan

All Retirement Plan provisions, including benefits, eligibility, vesting, etc., are established by City Resolution, the most recent of which is Resolution No. 96-7751. The Plan Resolution authorizes participation in the Plan by exempting managers from participating in the General Pension Retirement Plan. The Plan does not issue a stand-alone financial report and is not included in any other retirement system or entity 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.

Vesting in Employee and Employer contributions 100% – 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 OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

As of September 30, 2008, there were five active Plan members and thirteen retired and terminated members who have maintained account balances. The City's contribution for the year was \$39,011. Covered payroll for the year ended September 30, 2008, was \$679,844. Employee contributions were \$47,354 for the year ended September 30, 2008.

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

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

Statements of fiduciary net assets and statements of changes in fiduciary net assets for the City's defined contribution pension plans are as follows, as of and for the year ended September 30, 2008:

Statements of Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>
Assets:		
Investments, at fair value:		
Mutual funds	\$ 3,954,767	557,849
Total investments	<u>3,954,767</u>	<u>557,849</u>
Total assets	<u>3,954,767</u>	<u>557,849</u>
Liabilities:		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets:		
Held in trust for pension benefits	<u>\$ 3,954,767</u>	<u>557,849</u>

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

Statements of Changes in Fiduciary Net Assets

	Supplemental General Pension	Managers' 401 Pension
Additions:		
Contributions:		
Employee contributions	\$ 312,499	47,354
Employer contributions	190,213	39,011
Total contributions	502,712	86,365
Investment earnings:		
Interest and dividend income	67,612	2,257
Net appreciation (depreciation) in fair value of investments	(788,213)	(85,276)
Less investment expense	(13,130)	(205)
Net investment earnings	(733,731)	(83,224)
Total additions	(231,019)	3,141
Deductions:		
Refunds of contributions	310,467	92,038
Total deductions	310,467	92,038
Changes in net assets	(541,486)	(88,897)
Net assets – beginning of year	4,496,253	646,746
Net assets – end of year	\$ 3,954,767	557,849

(L) Contingencies

i. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City that the resolution of these matters will not have a material adverse effect to the financial condition of the City.

ii. Federal and State Assistance Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

iii. Self-Insurance Funds

Since 1981, the City has been self-insured for workers' compensation, general liability, automobile liability, and the deductible portion of all insured risks. The insurance program established by the City has not changed from fiscal year 2004 with the exception of a minor increase in premiums.

The City is responsible for the first \$100,000 – \$150,000 per occurrence and purchases excess insurance against catastrophic losses. Policies are maintained to provide coverage for all individual claims in excess of the amounts shown:

Property damage	\$	25,000
Third party liability		100,000
Excess workers' compensation		
Police and Fire employees		200,000
All other employees		150,000
Blanket bond and money and securities		25,000
Employee medical		100,000
Aggregate losses		1,015,000

The liability for unpaid claims is estimated based upon historical actual results adjusted for current economic trends. The estimated claims liability for all self-insured risks are reported as claims payable in the Risk Management and Health Benefits Internal Service funds which include an estimate for incurred but not reported claims. In addition, reimbursements from excess loss re-insurers are netted against claims expenses, as applicable, in the Risk Management and Health Benefits Internal Service funds. During the current year, \$377,295 and \$15,367 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, 2008. Estimates were based on an evaluation of claims pending and past experience. At September 30, 2008, \$2,466,000 was accrued for estimated self-insurance claims. For the past three fiscal years the City of Naples insurance settlements have not exceeded the insurance coverage and there were no significant reductions in insurance coverage from the previous year.

THE CITY OF NAPLES, FLORIDA

Notes to Financial Statements

September 30, 2008

A reconciliation of estimated claims liabilities is as follows:

	<u>Risk management</u>	<u>Health benefits</u>	<u>Total</u>
Balance September 30, 2006	\$ 1,919,002	547,000	2,466,002
Current year claims incurred and change in estimates	2,372,340	3,911,767	6,284,107
Claim payments	<u>(2,478,342)</u>	<u>(3,911,767)</u>	<u>(6,390,109)</u>
Balance September 30, 2007	1,813,000	547,000	2,360,000
Current year claims incurred and change in estimates	2,650,482	4,615,253	7,265,735
Claim payments	<u>(2,430,482)</u>	<u>(4,729,253)</u>	<u>(7,159,735)</u>
Balance September 30, 2008	<u>\$ 2,033,000</u>	<u>433,000</u>	<u>2,466,000</u>

iv. Construction Projects

The following construction contract commitment is remaining at fiscal year-end:

<u>Project</u>	<u>Contract amount</u>	<u>Completed to date</u>	<u>Balance</u>
Parking Garage			
Architects	\$ 741,305	581,615	159,690
Contractors	<u>7,332,734</u>	<u>3,579,970</u>	<u>3,752,764</u>
	<u>8,074,039</u>	<u>4,161,585</u>	<u>3,912,454</u>

(M) Subsequent Events

Events and transactions that occur after fiscal year-end but prior to issuance of the CAFR are subsequent events.

Debt: On October 16, 2008, the City issued Capital Improvement Revenue Note, Series 2008 in the amount of \$6,860,000 to finance the cost of the 8th and 6th Parking Garage. The note bears interest at a rate of 4.04% and matures on September 1, 2023. The debt will be repaid through non-ad valorem revenues.

Economy: Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios, primarily the pension funds. As a result, the City's investments have incurred a decline in fair value since September 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2008
(Unaudited)

REQUIRED SUPPLEMENTAL INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/08	\$ 37,871	51,629	13,758	73%	15,780	87%
10/01/07	38,726	46,673	7,947	83%	13,816	58%
10/01/06	36,354	39,652	3,298	92%	11,422	29%
10/01/05	33,998	37,339	3,341	91%	11,268	30%
10/01/04	32,966	38,022	5,056	87%	10,946	46%
10/01/03	33,113	35,356	2,243	94%	11,297	20%

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

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
9/30/08	\$ 1,110	1,438	130%
9/30/07	1,094	1,160	106%
9/30/06	982	1,044	106%
9/30/05	883	1,002	113%
9/30/04	839	839	100%
9/30/03	185	371	201%

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2008
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/08	\$ 28,760	44,114	15,354	65%	5,434	283%
10/01/07	27,380	39,524	12,144	69%	4,634	262%
10/01/06	22,535	32,420	9,885	70%	4,239	233%
10/01/05	20,543	29,415	8,872	70%	4,052	219%
10/01/04	19,586	27,603	8,017	71%	3,919	205%
10/01/03	18,766	25,203	6,437	74%	3,876	166%

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

Fiscal Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
9/30/08	\$ 1,488	886	726 *	108%
9/30/07	1,333	704	662 *	102%
9/30/06	1,042	379	662 *	100%
9/30/05	903	286	662 *	105%
9/30/04	781	366	662 *	132%
9/30/03	648	147	662 *	125%

* Baseline amount per Chapter 185, F.S.

THE CITY OF NAPLES, FLORIDA

Required Supplemental Information

September 30, 2008
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/08	\$ 23,543	41,533	17,990	57%	3,682	489%
10/01/07	21,992	37,118	15,126	59%	3,552	426%
10/01/06	18,677	30,409	11,732	61%	3,249	361%
10/01/05	16,019	24,141	8,122	66%	2,982	272%
10/01/04	15,025	21,605	6,580	70%	2,760	238%
10/01/03	14,328	19,057	4,729	75%	2,618	181%

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

Fiscal Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
9/30/08	\$ 1,628	888	776 *	102%
9/30/07	1,253	573	776 *	108%
9/30/06	976	288	709 *	102%
9/30/05	831	126	709 *	100%
9/30/04	682	111	709 *	120%
9/30/03	604	57	709 *	127%

* Baseline amount per Chapter 175, F.S.

Nonmajor Governmental Funds

Special Revenue Funds

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

Building and Zoning Fund

To account for the activities related to the construction industry in the City.

Community Development Block Grant

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

Improvement Fund

To account for donations from private individuals for a specific City project.

Public Arts Fund

To account for donations from private individuals for specific art in public places.

Confiscated Properties Fund

To account for monies received pursuant to sales of confiscated properties.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

41-10 Public Open Space Fund

To account for the receipt and disbursement of monies used for the acquisition of capital.

Parking Trust Fund

To account for the receipt and disbursement of monies used for the acquisition of capital.

Impact Fee Fund

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

Land Conservation Trust Fund

To account for the receipt and disbursement of monies used for the acquisition of park land.

East Naples Bay District

To account for the receipt and disbursement of monies used for the purpose of maintenance dredging in the canals and waterways within the area or boundary of the Districts of East Naples Bay.

Moorings Bay District

To account for the receipt and disbursement of monies used for the purpose of maintenance dredging in the canals and waterways within the area or boundary of the District of Moorings Bay and Park Shore Units 2 and 5.

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2008

	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash and investments	\$ 6,240,700	3,477,431	9,718,131
Accounts receivable	1,712	-	1,712
Accrued interest	45,354	18,611	63,965
Due from other governments	-	19,230	19,230
Total assets	<u>\$ 6,287,766</u>	<u>3,515,272</u>	<u>9,803,038</u>
Liabilities:			
Accounts payable	\$ 350,870	20,924	371,794
Accrued payroll	98,154	-	98,154
Due to other governments	3,866	-	3,866
Advances payable to other funds	771	-	771
Deferred revenue	1,712	-	1,712
Total liabilities	<u>455,373</u>	<u>20,924</u>	<u>476,297</u>
Fund balances:			
Reserved for encumbrances	215,821	185,425	401,246
Unreserved:			
Designated for other purposes	159,468	132,650	292,118
Undesignated (deficit)	5,457,104	3,176,273	8,633,377
Total fund balances (deficit)	<u>5,832,393</u>	<u>3,494,348</u>	<u>9,326,741</u>
Total liabilities and fund balances	<u>\$ 6,287,766</u>	<u>3,515,272</u>	<u>9,803,038</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended September 30, 2008

	Special Revenue Funds	Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes – property	\$ -	272,197	272,197
Permits and fees	3,026,033	110,250	3,136,283
Intergovernmental	-	19,225	19,225
Charges for services	286,787	267,672	554,459
Fines and forfeitures	85,788	-	85,788
Impact fees	-	119,822	119,822
Interest	235,959	128,826	364,785
Donations	62,715	-	62,715
Miscellaneous	6,425	-	6,425
Total revenues	<u>3,703,707</u>	<u>917,992</u>	<u>4,621,699</u>
Expenditures:			
Current:			
General government	4,345	2,924	7,269
Public safety	3,243,640	-	3,243,640
Economic and physical development	-	110,938	110,938
Culture and recreation	18,511	-	18,511
Capital outlay:			
General government	-	41,174	41,174
Public safety	270,229	-	270,229
Economic and physical development	-	4,025	4,025
Culture and recreation	2,000	-	2,000
Total expenditures	<u>3,538,725</u>	<u>159,061</u>	<u>3,697,786</u>
Excess of revenues over expenditures	<u>164,982</u>	<u>758,931</u>	<u>923,913</u>
Other financing uses:			
Transfers in	-	100,000	100,000
Total other financing uses	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Change in fund balances	164,982	858,931	1,023,913
Fund balances (deficit) – beginning of year	5,667,411	2,635,417	8,302,828
Fund balances (deficit)– end of year	<u>\$ 5,832,393</u>	<u>3,494,348</u>	<u>9,326,741</u>

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Special Revenue Funds

September 30, 2008

	Building and Zoning Fund	Community Development Block Grant	Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 5,779,944	-	159,468
Accounts receivable	-	-	1,712
Accrued interest	45,354	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>5,825,298</u>	<u>-</u>	<u>161,180</u>
Liabilities:			
Accounts payable	\$ 345,587	-	-
Accrued payroll	98,154	-	-
Due to other governments	3,866	-	-
Advances payable to other funds	-	771	-
Deferred revenue	-	-	1,712
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>447,607</u>	<u>771</u>	<u>1,712</u>
Fund balances:			
Reserved for encumbrances	36,677	98,694	-
Unreserved:			
Designated for other purposes	-	-	159,468
Undesignated (deficit)	5,341,014	(99,465)	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>5,377,691</u>	<u>(771)</u>	<u>159,468</u>
Total liabilities and fund balances	\$ <u>5,825,298</u>	<u>-</u>	<u>161,180</u>

Public Arts Fund	Confiscated Properties Fund	Total Nonmajor Special Revenue
11,278	290,010	6,240,700
-	-	1,712
-	-	45,354
<u>11,278</u>	<u>290,010</u>	<u>6,287,766</u>
-	5,283	350,870
-	-	98,154
-	-	3,866
-	-	771
-	-	1,712
<u>-</u>	<u>5,283</u>	<u>455,373</u>
-	80,450	215,821
-	-	159,468
<u>11,278</u>	<u>204,277</u>	<u>5,457,104</u>
<u>11,278</u>	<u>284,727</u>	<u>5,832,393</u>
<u>11,278</u>	<u>290,010</u>	<u>6,287,766</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended September 30, 2008

	Building and Zoning Fund	Community Development Block Grant	Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes – property	\$ -	-	-
Permits and fees	3,026,033	-	-
Intergovernmental	-	-	-
Charges for services	276,787	10,000	-
Fines and forfeitures	-	-	-
Interest	226,212	-	-
Donations	-	-	62,715
Miscellaneous	6,425	-	-
	<u>3,535,457</u>	<u>10,000</u>	<u>62,715</u>
Total revenues			
Expenditures:			
Current:			
General government		-	4,345
Public safety	3,202,633	-	26,119
Culture and recreation	-	-	12,941
Capital outlay:			
Public safety	217,844	-	-
Culture and recreation	-	-	-
	<u>3,420,477</u>	<u>-</u>	<u>43,405</u>
Total expenditures			
Change in fund balances	114,980	10,000	19,310
Fund balances (deficit) – beginning of year	<u>5,262,711</u>	<u>(10,771)</u>	<u>140,158</u>
Fund balances (deficit)– end of year	<u>\$ 5,377,691</u>	<u>(771)</u>	<u>159,468</u>

Public Arts Fund	Confiscated Properties Fund	Total Nonmajor Special Revenue
-	-	-
-	-	3,026,033
-	-	-
-	-	286,787
-	85,788	85,788
851	8,896	235,959
-	-	62,715
-	-	6,425
<u>851</u>	<u>94,684</u>	<u>3,703,707</u>
-	-	4,345
-	14,888	3,243,640
5,570	-	18,511
-	52,385	270,229
2,000	-	2,000
<u>7,570</u>	<u>67,273</u>	<u>3,538,725</u>
(6,719)	27,411	164,982
<u>17,997</u>	<u>257,316</u>	<u>5,667,411</u>
<u>11,278</u>	<u>284,727</u>	<u>5,832,393</u>

CITY OF NAPLES, FLORIDA

Combining Balance Sheet

Nonmajor Capital Projects Funds

September 30, 2008

	41-10 Public Open Space Fund	Parking Trust Fund	Impact Fee Fund
Assets:			
Cash and investments	\$ 573,490	412,144	119,822
Accrued interest	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 573,490</u>	<u>412,144</u>	<u>119,822</u>
Liabilities:			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for encumbrances	-	-	-
Unreserved:			
Designated for other purposes	-	132,650	-
Undesignated	573,490	279,494	119,822
Total fund balances	<u>573,490</u>	<u>412,144</u>	<u>119,822</u>
Total liabilities and fund balances	<u>\$ 573,490</u>	<u>412,144</u>	<u>119,822</u>

Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Nonmajor Capital
631,377	788,615	951,983	3,477,431
4,954	6,188	7,469	18,611
-	5	19,225	19,230
<u>636,331</u>	<u>794,808</u>	<u>978,677</u>	<u>3,515,272</u>
-	-	20,924	20,924
-	-	20,924	20,924
-	185,425	-	185,425
-	-	-	132,650
<u>636,331</u>	<u>609,383</u>	<u>957,753</u>	<u>3,176,273</u>
<u>636,331</u>	<u>794,808</u>	<u>957,753</u>	<u>3,494,348</u>
<u>636,331</u>	<u>794,808</u>	<u>978,677</u>	<u>3,515,272</u>

CITY OF NAPLES, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

Year ended September 30, 2008

	41-10 Public Open Space Fund	Parking Trust Fund	Impact Fee Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes – property	\$ -	-	-
Permits and fees	110,250	-	-
Intergovernmental	-	-	-
Charges for services	-	267,672	-
Impact fees	-	-	119,822
Interest	19,279	11,822	-
	<u>129,529</u>	<u>279,494</u>	<u>119,822</u>
Total revenues			
Expenditures:			
Current:			
General government	-	-	-
Economic and physical development	-	-	-
Capital outlay:			
General government	-	-	-
Economic and physical development	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>129,529</u>	<u>279,494</u>	<u>119,822</u>
Other financing uses:			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	129,529	279,494	119,822
Fund balances – beginning of year	<u>443,961</u>	<u>132,650</u>	<u>-</u>
Fund balances – end of year	<u>\$ 573,490</u>	<u>412,144</u>	<u>119,822</u>

Land Conservation Trust	East Naples Bay District	Moorings Bay District	Total Nonmajor Capital Projects
-	236,962	35,235	272,197
-	-	-	110,250
-	-	19,225	19,225
-	-	-	267,672
-	-	-	119,822
25,344	33,172	39,209	128,826
<u>25,344</u>	<u>270,134</u>	<u>93,669</u>	<u>917,992</u>
2,924	-	-	2,924
-	89,606	21,332	110,938
41,174	-	-	41,174
-	-	4,025	4,025
<u>44,098</u>	<u>89,606</u>	<u>25,357</u>	<u>159,061</u>
<u>(18,754)</u>	<u>180,528</u>	<u>68,312</u>	<u>758,931</u>
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
81,246	180,528	68,312	858,931
555,085	614,280	889,441	2,635,417
<u>636,331</u>	<u>794,808</u>	<u>957,753</u>	<u>3,494,348</u>

CITY OF NAPLES, FLORIDA

Nonmajor Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Year ended September 30, 2008

	Building and Zoning Fund			Variance with final budget positive (negative)
	Original budget	Final budget	Actual	
Revenues:				
Permits and fees	\$ 2,525,500	2,525,500	3,026,033	500,533
Intergovernmental	-	-	-	-
Charges for services	269,045	269,045	276,787	7,742
Fines and forfeitures	-	-	-	-
Interest	195,000	195,000	226,212	31,212
Miscellaneous	7,000	7,000	6,425	(575)
Total revenues	<u>2,996,545</u>	<u>2,996,545</u>	<u>3,535,457</u>	<u>538,912</u>
Expenditures:				
Current:				
Public safety	3,258,956	3,256,437	3,202,633	53,804
Economic and physical development	-	-	-	-
Capital outlay				
Public safety	637,822	699,580	217,844	481,736
Economic and physical development	-	-	-	-
Debt service				
Principal and interest	-	-	-	-
Total expenditures	<u>3,896,778</u>	<u>3,956,017</u>	<u>3,420,477</u>	<u>535,540</u>
Change in fund balances	(900,233)	(959,472)	114,980	1,074,452
Fund balances – beginning of year	<u>5,262,711</u>	<u>5,262,711</u>	<u>5,262,711</u>	-
Fund balances – end of year	<u>\$ 4,362,478</u>	<u>4,303,239</u>	<u>5,377,691</u>	<u>1,074,452</u>

Community Development Block Grant				Confiscated Properties Fund			
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original budget	Final budget	Actual	Variance with final budget positive (negative)
-	-	-	-	-	-	-	-
130,700	130,700	-	(130,700)	-	-	-	-
10,000	10,000	10,000	-	-	-	-	-
-	-	-	-	-	-	85,788	85,788
-	-	-	-	-	-	8,896	8,896
-	-	-	-	-	-	-	-
<u>140,700</u>	<u>140,700</u>	<u>10,000</u>	<u>(130,700)</u>	<u>-</u>	<u>-</u>	<u>94,684</u>	<u>94,684</u>
-	-	-	-	-	-	-	-
14,700	14,700	-	14,700	-	107,343	14,888	92,455
-	-	-	-	-	149,000	52,385	96,615
107,320	107,320	-	107,320	-	-	-	-
9,340	9,340	-	9,340	-	-	-	-
<u>131,360</u>	<u>131,360</u>	<u>-</u>	<u>131,360</u>	<u>-</u>	<u>256,343</u>	<u>67,273</u>	<u>189,070</u>
9,340	9,340	10,000	660	-	(256,343)	27,411	283,754
<u>(10,771)</u>	<u>(10,771)</u>	<u>(10,771)</u>	<u>-</u>	<u>257,316</u>	<u>257,316</u>	<u>257,316</u>	<u>-</u>
<u>(1,431)</u>	<u>(1,431)</u>	<u>(771)</u>	<u>660</u>	<u>257,316</u>	<u>973</u>	<u>284,727</u>	<u>283,754</u>

CITY OF NAPLES, FLORIDA

Nonmajor Capital Projects Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2008

	East Naples Bay District			
	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Property	\$ 227,537	227,537	236,962	9,425
Intergovernmental	-	-	-	-
Interest	30,250	30,250	33,172	2,922
Total revenues	<u>257,787</u>	<u>257,787</u>	<u>270,134</u>	<u>12,347</u>
Expenditures:				
Current:				
General government	-	-	-	-
Economic and physical development	4,220	279,048	89,606	189,442
Capital outlay:				
General government	-	-	-	-
Economic and physical development	-	-	-	-
Total expenditures	<u>4,220</u>	<u>279,048</u>	<u>89,606</u>	<u>189,442</u>
Excess (deficiency) of revenues over expenditures	<u>253,567</u>	<u>(21,261)</u>	<u>180,528</u>	<u>201,789</u>
Other financing uses:				
Transfers in	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>253,567</u>	<u>(21,261)</u>	<u>180,528</u>	<u>201,789</u>
Fund balances – beginning of year	<u>614,280</u>	<u>614,280</u>	<u>614,280</u>	<u>-</u>
Fund balances – end of year	<u>\$ 867,847</u>	<u>593,019</u>	<u>794,808</u>	<u>201,789</u>

Moorings Bay District				Land Conservation Trust			
Original budget	Final budget	Actual	Variance with final budget positive (negative)	Original budget	Final budget	Actual	Variance with final budget positive (negative)
34,303	34,303	35,235	932	-	-	-	-
325,000	325,000	19,225	(305,775)	-	-	-	-
35,700	35,700	39,209	3,509	-	-	25,344	25,344
<u>395,003</u>	<u>395,003</u>	<u>93,669</u>	<u>(301,334)</u>	<u>-</u>	<u>-</u>	<u>25,344</u>	<u>25,344</u>
-	-	-	-	-	-	2,924	(2,924)
60,200	60,200	21,332	38,868	-	-	-	-
-	-	-	-	-	41,174	41,174	-
300,000	300,000	4,025	295,975	-	-	-	-
<u>360,200</u>	<u>360,200</u>	<u>25,357</u>	<u>334,843</u>	<u>-</u>	<u>41,174</u>	<u>44,098</u>	<u>(2,924)</u>
<u>34,803</u>	<u>34,803</u>	<u>68,312</u>	<u>33,509</u>	<u>-</u>	<u>(41,174)</u>	<u>(18,754)</u>	<u>22,420</u>
-	-	-	-	-	-	100,000	100,000
-	-	-	-	-	-	100,000	100,000
34,803	34,803	68,312	33,509	-	(41,174)	81,246	122,420
889,441	889,441	889,441	-	555,085	555,085	555,085	-
<u>924,244</u>	<u>924,244</u>	<u>957,753</u>	<u>33,509</u>	<u>555,085</u>	<u>513,911</u>	<u>636,331</u>	<u>122,420</u>

CITY OF NAPLES, FLORIDA

Debt Service Fund

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

Year ended September 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 579,603	579,603	590,315	10,712
Utility	2,674,000	2,674,000	2,652,710	(21,290)
Interest	45,500	45,500	55,290	9,790
Total revenues	<u>3,299,103</u>	<u>3,299,103</u>	<u>3,298,315</u>	<u>(788)</u>
Expenditures:				
Current:				
General government	70,424	70,424	70,424	-
Total general government	<u>70,424</u>	<u>70,424</u>	<u>70,424</u>	<u>-</u>
Debt service:				
Principal	1,125,000	1,125,000	1,125,000	-
Interest and fiscal charges	777,732	777,732	775,208	2,524
Total debt service	<u>1,902,732</u>	<u>1,902,732</u>	<u>1,900,208</u>	<u>2,524</u>
Total expenditures	<u>1,973,156</u>	<u>1,973,156</u>	<u>1,970,632</u>	<u>2,524</u>
Excess of revenues over expenditures	<u>1,325,947</u>	<u>1,325,947</u>	<u>1,327,683</u>	<u>1,736</u>
Other financing sources (uses):				
Transfers in	409,436	409,436	409,436	-
Transfers out	(1,735,383)	(1,735,383)	(1,735,383)	-
Total other financing sources (uses)	<u>(1,325,947)</u>	<u>(1,325,947)</u>	<u>(1,325,947)</u>	<u>-</u>
Change in fund balances	-	-	1,736	1,736
Fund balances – beginning of year	<u>2,463,203</u>	<u>2,463,203</u>	<u>2,463,203</u>	<u>-</u>
Fund balances – end of year	<u>\$ 2,463,203</u>	<u>2,463,203</u>	<u>2,464,939</u>	<u>1,736</u>

CITY OF NAPLES, FLORIDA

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Intergovernmental	\$ 871,000	871,000	191,491	(679,509)
Special assessments	50,000	50,000	46,805	(3,195)
Impact fees	135,500	135,500	-	(135,500)
Interest	625,000	625,000	226,012	(398,988)
Miscellaneous	-	-	19,488	19,488
Total revenues	<u>1,681,500</u>	<u>1,681,500</u>	<u>483,796</u>	<u>(1,197,704)</u>
Expenditures:				
Current:				
General government	475,453	475,453	292,610	182,843
Total general government	<u>475,453</u>	<u>475,453</u>	<u>292,610</u>	<u>182,843</u>
Capital projects:				
Planning	3,485	3,485	-	3,485
Finance	4,800	232,062	194,865	37,197
Fire	717,200	701,180	178,030	523,150
Police	1,393,100	1,658,504	547,355	1,111,149
Natural resources	149,000	149,000	52,313	96,687
Transportation	52,500	663,492	205,302	458,190
Community services	1,077,000	1,780,598	925,152	855,446
Nondepartmental	2,272,394	2,455,342	396,338	2,059,004
Total capital projects	<u>5,669,479</u>	<u>7,643,663</u>	<u>2,499,355</u>	<u>5,144,308</u>
Total expenditures	<u>6,144,932</u>	<u>8,119,116</u>	<u>2,791,965</u>	<u>5,327,151</u>
Excess (deficiency) of revenues over expenditures	<u>(4,463,432)</u>	<u>(6,437,616)</u>	<u>(2,308,169)</u>	<u>4,129,447</u>
Other financing sources:				
Transfers in	1,882,955	1,882,955	1,735,383	(147,572)
Transfers out	(500,000)	(500,000)	(500,000)	-
Total other financing sources	<u>1,382,955</u>	<u>1,382,955</u>	<u>1,235,383</u>	<u>(147,572)</u>
Net changes in fund balances	<u>(3,080,477)</u>	<u>(5,054,661)</u>	<u>(1,072,786)</u>	<u>3,981,875</u>
Fund balances – beginning of year	7,857,191	7,857,191	7,857,191	-
Fund balances – end of year	\$ <u>4,776,714</u>	<u>2,802,530</u>	<u>6,784,405</u>	<u>3,981,875</u>

CITY OF NAPLES, FLORIDA

Community Redevelopment Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Year ended September 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
Ad valorem	\$ 783,480	783,480	784,208	728
Intergovernmental	2,243,229	2,243,229	2,244,090	861
Charges for services	690,000	690,000	-	(690,000)
Interest	300,000	300,000	170,333	(129,667)
Total revenues	<u>4,016,709</u>	<u>4,016,709</u>	<u>3,198,631</u>	<u>(818,078)</u>
Expenditures:				
Current:				
Economic development	1,663,644	1,800,609	1,458,465	342,144
Capital Outlay:				
Economic development	13,610,000	15,515,814	5,434,500	10,081,314
Debt service:				
Interest	609,436	609,436	56,226	553,210
Total expenditures	<u>15,883,080</u>	<u>17,925,859</u>	<u>6,949,191</u>	<u>10,976,668</u>
Excess (deficiency) of revenues over expenditures	<u>(11,866,371)</u>	<u>(13,909,150)</u>	<u>(3,750,560)</u>	<u>10,158,590</u>
Other financing sources (uses):				
Transfers in	11,600	11,600	11,600	-
Transfers out	(359,673)	(359,673)	(409,436)	(49,763)
Bonds issued	11,810,000	11,810,000	-	(11,810,000)
Total other financing sources (uses)	<u>11,461,927</u>	<u>11,461,927</u>	<u>(397,836)</u>	<u>(11,859,763)</u>
Net changes in fund balances	<u>(404,444)</u>	<u>(2,447,223)</u>	<u>(4,148,396)</u>	<u>(1,701,173)</u>
Fund balances – beginning of year	<u>3,876,895</u>	<u>3,876,895</u>	<u>3,876,895</u>	<u>-</u>
Fund balances – end of year	<u>\$ 3,472,451</u>	<u>1,429,672</u>	<u>(271,501)</u>	<u>(1,701,173)</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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
Revenues:				
Taxes:				
Motor fuel taxes	\$ 1,574,000	1,574,000	1,404,690	(169,310)
Intergovernmental	287,950	287,950	2,134,314	1,846,364
Impact fees	200,000	200,000	200,000	-
Interest	145,000	145,000	175,697	30,697
Miscellaneous	-	-	28,079	28,079
Total revenues	<u>2,206,950</u>	<u>2,206,950</u>	<u>3,942,780</u>	<u>1,735,830</u>
Expenditures:				
Current:				
Transportation:	2,299,343	2,522,012	2,046,296	475,716
Capital outlay:				
Transportation:	995,000	2,227,822	1,208,471	1,019,351
Total expenditures	<u>3,294,343</u>	<u>4,749,834</u>	<u>3,254,767</u>	<u>1,495,067</u>
Excess (deficiency) of revenues over expenditures	<u>(1,087,393)</u>	<u>(2,542,884)</u>	<u>688,013</u>	<u>3,230,897</u>
Other financing sources:				
Transfers in	573,335	573,335	500,000	(73,335)
Total other financing sources	<u>573,335</u>	<u>573,335</u>	<u>500,000</u>	<u>(73,335)</u>
Net changes in fund balances	(514,058)	(1,969,549)	1,188,013	3,157,562
Fund balances – beginning of year	<u>3,718,352</u>	<u>3,718,352</u>	<u>3,718,352</u>	<u>-</u>
Fund balances – end of year	<u>\$ 3,204,294</u>	<u>1,748,803</u>	<u>4,906,365</u>	<u>3,157,562</u>

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Nonmajor Enterprise Funds

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

Naples Beach Fund

To account for funds used in the construction of City beach improvements and beach maintenance. Financed mostly through parking meter revenue at the City's beach and related fines.

City Dock Fund

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

Tennis Fund

To account for funds used in the construction of the City's Tennis Courts and subsequent operations of the tennis facility. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, billings and collections.

CITY OF NAPLES, FLORIDA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2008

Assets	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Current assets:				
Cash and investments	\$ 365,690	229,881	214,950	810,521
Restricted cash and investments	-	-	16,927	16,927
Restricted prepaid items	-	-	-	-
Receivables (net, where applicable, of allowance for uncollectible):				
Accounts	26,945	21,564	-	48,509
Miscellaneous	-	400	-	400
Accrued interest	2,704	1,804	2,233	6,741
Due from other governments	285,797	-	-	285,797
Inventories	-	28,298	6,671	34,969
Prepays	-	-	-	-
Total current assets	681,136	281,947	240,781	1,203,864
Capital assets:				
Buildings and utility plants	1,121,615	89,487	703,269	1,914,371
Improvements other than buildings	4,368,649	2,314,117	37,265	6,720,031
Equipment	697,962	281,120	21,829	1,000,911
Accumulated depreciation	(4,360,870)	(2,312,005)	(328,611)	(7,001,486)
Construction in progress	-	-	-	-
Net capital assets	1,827,356	372,719	433,752	2,633,827
Unamortized issuance cost	-	-	1,913	1,913
Total assets	\$ 2,508,492	654,666	676,446	3,839,604

CITY OF NAPLES, FLORIDA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2008

Liabilities	Naples Beach Fund	City Dock Fund	Tennis Fund	Total
Current liabilities:				
Accounts payable	\$ 30,279	57,039	7,890	95,208
Accrued payroll and personnel leave	30,503	10,527	8,920	49,950
Due to other funds	-	-	-	-
Deferred revenue	17,477	38,484	-	55,961
Customer deposits	1,506	26,586	-	28,092
Current portion of compensated absences	2,000	3,680	1,548	7,228
Current maturities of long-term debt	-	-	37,500	37,500
Total current liabilities	<u>81,765</u>	<u>136,316</u>	<u>55,858</u>	<u>273,939</u>
Current liabilities (payable from restricted assets):				
Current maturities of long-term debt	-	-	12,500	12,500
Accrued interest payable	-	-	4,427	4,427
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>16,927</u>	<u>16,927</u>
Noncurrent liabilities:				
Revenue bonds payable, less current maturities net of unamortized discounts and premiums	-	-	350,000	350,000
Compensated absences	25,331	8,000	14,249	47,580
Total noncurrent liabilities	<u>25,331</u>	<u>8,000</u>	<u>364,249</u>	<u>397,580</u>
Total liabilities	<u>107,096</u>	<u>144,316</u>	<u>437,034</u>	<u>688,446</u>
Net Assets				
Invested in capital assets, net of related debt	1,827,356	372,719	33,752	2,233,827
Restricted for debt service	-	-	-	-
Unrestricted	574,040	137,631	205,660	917,331
Total net assets	<u>\$ 2,401,396</u>	<u>510,350</u>	<u>239,412</u>	<u>3,151,158</u>

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CITY OF NAPLES, FLORIDA

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

Nonmajor Enterprise Funds

Year ended September 30, 2008

	<u>Naples Beach Fund</u>	<u>City Dock Fund</u>	<u>Tennis Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 917,236	1,767,944	575,121	3,260,301
Total operating revenues	<u>917,236</u>	<u>1,767,944</u>	<u>575,121</u>	<u>3,260,301</u>
Operating expenses:				
Personal services	732,177	284,914	205,101	1,222,192
Supplies and services	155,149	1,352,577	173,487	1,681,213
Utilities	77,304	65,293	5,782	148,379
Depreciation and amortization	480,763	104,517	40,466	625,746
General administration	207,000	144,428	32,000	383,428
Other	64,792	-	32,395	97,187
Total operating expenses	<u>1,717,185</u>	<u>1,951,729</u>	<u>489,231</u>	<u>4,158,145</u>
Operating income (loss)	<u>(799,949)</u>	<u>(183,785)</u>	<u>85,890</u>	<u>(897,844)</u>
Nonoperating revenues (expenses):				
Operating grants	646,891	-	-	646,891
Interest income	12,876	14,533	13,699	41,108
Interest expense	-	-	(19,091)	(19,091)
Total nonoperating revenues (expenses)	<u>659,767</u>	<u>14,533</u>	<u>(5,392)</u>	<u>668,908</u>
Income (loss) before contributions and transfers	<u>(140,182)</u>	<u>(169,252)</u>	<u>80,498</u>	<u>(228,936)</u>
Transfers out	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Change in net assets	<u>(140,182)</u>	<u>(269,252)</u>	<u>80,498</u>	<u>(328,936)</u>
Net assets – beginning of year	<u>2,541,578</u>	<u>779,602</u>	<u>158,914</u>	<u>3,480,094</u>
Net assets – end of year	\$ <u><u>2,401,396</u></u>	<u><u>510,350</u></u>	<u><u>239,412</u></u>	<u><u>3,151,158</u></u>

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2008

	Naples Beach Fund	City Dock Fund
Cash flows from operating activities:		
Cash received from customers	\$ 916,370	1,768,911
Cash payments to suppliers	(296,850)	(1,448,629)
Cash payments to employees	(745,778)	(287,112)
Cash payments for interfund services	(207,000)	(144,428)
Net cash provided by (used in) operating activities	<u>(333,258)</u>	<u>(111,258)</u>
Cash flows from noncapital financing activities:		
Transfers	-	(100,000)
Operating grants	361,094	-
Net cash provided by (used in) noncapital financing activities	<u>361,094</u>	<u>(100,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Acquisition and construction of capital assets	(60,235)	(75,885)
Net cash used in capital and related financing activities	<u>(60,235)</u>	<u>(75,885)</u>
Cash flows from investing activities:		
Interest and investment earnings	11,639	14,616
Net cash provided by investing activities	<u>11,639</u>	<u>14,616</u>
Net increase (decrease) in cash and cash equivalents	(20,760)	(272,527)
Cash and cash equivalents – beginning of year	<u>386,450</u>	<u>502,408</u>
Cash and cash equivalents – end of year	<u>\$ 365,690</u>	<u>229,881</u>

Tennis Fund	Total
561,516	3,246,797
(221,730)	(1,967,209)
(200,701)	(1,233,591)
(32,000)	(383,428)
<u>107,085</u>	<u>(337,431)</u>
-	(100,000)
<u>-</u>	<u>361,094</u>
-	261,094
(45,000)	(45,000)
(19,553)	(19,553)
<u>(33,138)</u>	<u>(169,258)</u>
<u>(97,691)</u>	<u>(233,811)</u>
<u>12,219</u>	<u>38,474</u>
<u>12,219</u>	<u>38,474</u>
21,613	(271,674)
<u>210,264</u>	<u>1,099,122</u>
<u><u>231,877</u></u>	<u><u>827,448</u></u>

(Continued)

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended September 30, 2008

	Naples Beach Fund	City Dock Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (799,949)	(183,785)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	480,763	104,517
Changes in assets and liabilities:		
(Increase) decrease in receivable, net	9,063	(12,898)
(Increase) decrease in due from other governments	-	5,682
(Increase) decrease in inventories	-	(2,479)
Increase (decrease) in accounts payable	395	(28,280)
Increase (decrease) in accrued payroll / personal leave	2,792	(198)
Increase (decrease) in deferred revenue	(9,743)	8,144
Increase (decrease) in customer deposits	(186)	39
Increase (decrease) in compensated absences	(16,393)	(2,000)
Net cash provided by (used in) operating activities	\$ (333,258)	(111,258)

<u>Tennis Fund</u>	<u>Total</u>
85,890	(897,844)
40,466	625,746
-	(3,835)
-	5,682
461	(2,018)
(10,527)	(38,412)
2,351	4,945
(13,605)	(15,204)
-	(147)
2,049	(16,344)
<u>107,085</u>	<u>(337,431)</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. The City has elected to self-insure up to the following amounts:

Property damage	\$	25,000
Third party liability		100,000
Excess workers' compensation		
Police and Fire employees		200,000
All other employees		150,000
Blanket bond and money and securities		25,000
Employee medical		100,000
Aggregate losses		1,015,000

Health Benefits Fund

To account for the costs of operating a health benefits self-insurance fund. The City has elected to self-insure for amounts up to \$100,000 per claim and amounts up to \$3,916,525 for aggregate losses.

Construction Management Fund

To account for the costs of the City's construction management, planning and engineering services.

Technology Services

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

CITY OF NAPLES, FLORIDA
Combining Statement of Net Assets
Internal Service Funds
September 30, 2008

Assets	Equipment services	Risk management
Current assets:		
Cash and investments	\$ 5,578	3,342,549
Receivables – miscellaneous	-	134,213
Accrued interest	-	26,226
Due from other governments	5,399	-
Inventories	132,267	-
Total current assets	143,244	3,502,988
Capital assets:		
Buildings	744,665	-
Equipment	227,871	36,795
Accumulated depreciation	(296,253)	(34,905)
Net capital assets	676,283	1,890
Total assets	819,527	3,504,878
Liabilities		
Current liabilities:		
Accounts payable	71,488	89,855
Accrued payroll and personal leave	30,958	5,373
Due to other funds	-	-
Deferred revenue	-	-
Total current liabilities	102,446	95,228
Noncurrent liabilities:		
Due within one year:		
Compensated absences	7,386	2,264
Insurance claims payable	-	682,855
Due in more than one year:		
Compensated absences	40,244	-
Insurance claims payable	-	1,350,145
Total noncurrent liabilities	47,630	2,035,264
Total liabilities	150,076	2,130,492
Net Assets		
Invested in capital assets, net of related debt	676,283	1,890
Unrestricted (deficit)	(6,832)	1,372,496
Total net assets (deficit)	\$ 669,451	1,374,386

Health benefits	Construction management	Technology services	Total
2,015,161	13,810	1,028,727	6,405,825
3,920	-	-	138,133
15,936	-	8,072	50,234
-	-	-	5,399
-	-	-	132,267
2,035,017	13,810	1,036,799	6,731,858
-	-	51,957	796,622
-	-	1,902,565	2,167,231
-	-	(1,561,894)	(1,893,052)
-	-	392,628	1,070,801
2,035,017	13,810	1,429,427	7,802,659
64,242	470	69,806	295,861
-	101,383	44,262	181,976
-	-	-	-
2,215	-	-	2,215
66,457	101,853	114,068	480,052
-	-	6,700	16,350
433,000	-	-	1,115,855
-	-	80,768	121,012
-	-	-	1,350,145
433,000	-	87,468	2,603,362
499,457	101,853	201,536	3,083,414
-	-	392,628	1,070,801
1,535,560	(88,043)	835,263	3,648,444
1,535,560	(88,043)	1,227,891	4,719,245

CITY OF NAPLES, FLORIDA

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

Internal Service Funds

Year ended September 30, 2008

	<u>Equipment services</u>	<u>Risk management</u>	<u>Health benefits</u>
Operating revenues:			
Charges for services	\$ 2,566,090	2,977,666	6,908,345
Operating expenses:			
Personal services	764,040	217,720	-
Supplies, services, and claims	551,784	2,573,067	6,262,096
Materials	1,153,933	-	-
Utilities	18,005	-	-
Depreciation and amortization	54,541	1,057	-
General administration	139,125	68,775	37,275
Other	3,584	10,095	-
Total operating expenses	<u>2,685,012</u>	<u>2,870,714</u>	<u>6,299,371</u>
Operating income (loss)	(118,922)	106,952	608,974
Nonoperating revenues:			
Interest income	5,965	113,558	77,778
Change in net assets	(112,957)	220,510	686,752
Net assets (deficit) – beginning of year	<u>782,408</u>	<u>1,153,876</u>	<u>848,808</u>
Net assets (deficit) – end of year	<u>\$ 669,451</u>	<u>1,374,386</u>	<u>1,535,560</u>

Construction management	Technology services	Total
981,920	1,945,275	15,379,296
756,856	1,012,742	2,751,358
99,814	674,627	10,161,388
250	-	1,154,183
-	-	18,005
-	245,654	301,252
75,075	94,238	414,488
1,990	-	15,669
933,985	2,027,261	14,816,343
47,935	(81,986)	562,953
418	39,079	236,798
48,353	(42,907)	799,751
(136,396)	1,270,798	3,919,494
(88,043)	1,227,891	4,719,245

CITY OF NAPLES, FLORIDA
Combining Statement of Cash Flows
Internal Service Funds
Year ended September 30, 2008

	<u>Equipment services</u>	<u>Risk management</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,563,114	2,979,665
Cash payments to suppliers	(1,717,677)	(2,464,219)
Cash payments to employees	(769,553)	(224,531)
Cash payments for interfund services	(139,125)	(68,775)
Net cash provided by (used in) operating activities	<u>(63,241)</u>	<u>222,140</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(387,106)	-
Net cash used in capital and related financing activities	<u>(387,106)</u>	<u>-</u>
Cash flows from investing activities:		
Interest and investment earnings	7,646	98,644
Net cash provided by investing activities	<u>7,646</u>	<u>98,644</u>
Net increase (decrease) in cash and cash equivalents	(442,701)	320,784
Cash and cash equivalents – beginning of year	<u>448,279</u>	<u>3,021,765</u>
Cash and cash equivalents – end of year	<u>\$ 5,578</u>	<u>3,342,549</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (118,922)	106,952
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	54,541	1,057
Changes in assets and liabilities:		
(Increase) decrease in miscellaneous receivables	231	1,999
(Increase) decrease in due from other governments	(3,207)	-
(Increase) decrease in inventories	14,514	-
Increase (decrease) in accounts payable	(4,885)	(101,057)
Increase (decrease) in accrued payroll and personal leave	4,243	(1,848)
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in insurance claims payable	-	220,000
Increase (decrease) in compensated absences	(9,756)	(4,963)
Net cash provided by (used in) operating activities	<u>\$ (63,241)</u>	<u>222,140</u>

Health benefits	Construction management	Technology services	Total
6,904,921	981,920	1,945,275	15,374,895
(6,335,555)	(101,792)	(617,815)	(11,237,058)
-	(810,311)	(1,026,012)	(2,830,407)
(37,275)	(75,075)	(94,238)	(414,488)
<u>532,091</u>	<u>(5,258)</u>	<u>207,210</u>	<u>892,942</u>
-	-	(131,973)	(519,079)
-	-	(131,973)	(519,079)
<u>67,464</u>	<u>418</u>	<u>34,455</u>	<u>208,627</u>
<u>67,464</u>	<u>418</u>	<u>34,455</u>	<u>208,627</u>
599,555	(4,840)	109,692	582,490
<u>1,415,606</u>	<u>18,650</u>	<u>919,035</u>	<u>5,823,335</u>
<u>2,015,161</u>	<u>13,810</u>	<u>1,028,727</u>	<u>6,405,825</u>
608,974	47,935	(81,986)	562,953
-	-	245,654	301,252
1,073	-	-	3,303
-	-	-	(3,207)
-	-	-	14,514
40,541	262	56,812	(8,327)
-	73,172	8,132	83,699
(4,497)	-	-	(4,497)
(114,000)	-	-	106,000
-	(126,627)	(21,402)	(162,748)
<u>532,091</u>	<u>(5,258)</u>	<u>207,210</u>	<u>892,942</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 Assets
Fiduciary Funds
September 30, 2008

	Pension Trust		
	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
Assets:			
Cash and cash equivalents	\$ 1,202,103	-	-
Investments, at fair value:			
Corporate bonds	4,921,432	-	-
U.S. Government securities	2,675,463	-	-
Common stock	19,527,427	-	-
Mortgage – backed securities	3,378,410	-	-
Mutual funds	-	3,954,767	557,849
Total investments	30,502,732	3,954,767	557,849
Total assets	31,704,835	3,954,767	557,849
Liabilities:			
DROP payable	175,078	-	-
Total liabilities	175,078	-	-
Net assets:			
Held in trust for pension benefits	\$ 31,529,757	3,954,767	557,849

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
1,126,775	1,327,700	3,656,578
4,038,789	3,291,423	12,251,644
2,350,519	2,110,273	7,136,255
13,503,368	11,258,292	44,289,087
2,872,942	2,349,398	8,600,750
-	-	4,512,616
<u>22,765,618</u>	<u>19,009,386</u>	<u>76,790,352</u>
<u>23,892,393</u>	<u>20,337,086</u>	<u>80,446,930</u>
-	-	175,078
-	-	175,078
<u><u>23,892,393</u></u>	<u><u>20,337,086</u></u>	<u><u>80,271,852</u></u>

CITY OF NAPLES, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended September 30, 2008

	General Pension Fund	Supplemental General Pension	Managers' 401 Pension
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employee contributions	\$ 788,107	312,499	47,354
Employer contributions	1,438,469	190,213	39,011
Direct state contributions	-	-	-
Total contributions	<u>2,226,576</u>	<u>502,712</u>	<u>86,365</u>
Investment earnings:			
Interest and dividend income	1,086,456	67,612	2,257
Net appreciation (depreciation) in fair value of investments	(6,401,313)	(788,213)	(85,276)
Less investment expense	<u>(200,442)</u>	<u>(13,130)</u>	<u>(205)</u>
Net investment earnings	<u>(5,515,299)</u>	<u>(733,731)</u>	<u>(83,224)</u>
Total additions	<u>(3,288,723)</u>	<u>(231,019)</u>	<u>3,141</u>
Deductions:			
Benefits paid	2,016,744	-	-
Refunds of contributions	56,232	310,467	92,038
General administration	<u>81,175</u>	<u>-</u>	<u>-</u>
Total deductions	<u>2,154,151</u>	<u>310,467</u>	<u>92,038</u>
Changes in net assets	(5,442,874)	(541,486)	(88,897)
Net assets – beginning of year	<u>36,972,631</u>	<u>4,496,253</u>	<u>646,746</u>
Net assets – end of year	<u>\$ 31,529,757</u>	<u>3,954,767</u>	<u>557,849</u>

Police Officers' Pension Fund	Firefighters' Pension Fund	Total
251,206	183,262	1,582,428
886,116	888,198	3,442,007
726,370	1,223,271	1,949,641
<u>1,863,692</u>	<u>2,294,731</u>	<u>6,974,076</u>
843,564	719,167	2,719,056
(4,498,304)	(3,767,553)	(15,540,659)
(136,403)	(116,501)	(466,681)
<u>(3,791,143)</u>	<u>(3,164,887)</u>	<u>(13,288,284)</u>
<u>(1,927,451)</u>	<u>(870,156)</u>	<u>(6,314,208)</u>
1,501,350	802,803	4,320,897
8,050	-	466,787
50,464	234,611	366,250
<u>1,559,864</u>	<u>1,037,414</u>	<u>5,153,934</u>
(3,487,315)	(1,907,570)	(11,468,142)
<u>27,379,708</u>	<u>22,244,656</u>	<u>91,739,994</u>
<u><u>23,892,393</u></u>	<u><u>20,337,086</u></u>	<u><u>80,271,852</u></u>

CITY OF NAPLES, FLORIDA

Statement of Changes in Assets and Liabilities – Agency Funds

Year ended September 30, 2008

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2008</u>
Assets				
Cash and investments	\$ <u>7,566</u>	<u>19,985,514</u>	<u>19,984,171</u>	<u>8,909</u>
Total assets	\$ <u><u>7,566</u></u>	<u><u>19,985,514</u></u>	<u><u>19,984,171</u></u>	<u><u>8,909</u></u>
Liabilities				
Accounts payable	\$ <u>7,566</u>	<u>19,985,514</u>	<u>19,984,171</u>	<u>8,909</u>
Total liabilities	\$ <u><u>7,566</u></u>	<u><u>19,985,514</u></u>	<u><u>19,984,171</u></u>	<u><u>8,909</u></u>

STATISTICAL SECTION **(unaudited)**

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

Contents

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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. 141

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax. 148

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The City has no legal debt margin and therefore it is not reported in these schedules. 158

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. 164

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. 166

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 31,961,883	32,178,726	36,375,444	44,278,263	47,347,136	52,934,188
Restricted	2,410,852	2,972,191	3,033,223	2,989,709	2,640,493	3,004,060
Unrestricted	24,851,663	31,713,893	34,885,629	36,871,259	42,830,226	39,230,791
Total governmental activities net assets	\$ 59,224,398	66,864,810	74,294,296	84,139,231	92,817,855	95,169,039
Business-type activities						
Invested in capital assets, net of related debt	\$ 49,577,562	48,184,197	48,443,815	50,606,313	55,460,038	53,784,373
Restricted	5,956,252	5,956,252	5,956,252	5,702,201	3,218,517	2,566,664
Unrestricted	15,243,549	18,187,025	19,428,925	22,676,063	23,418,439	30,508,322
Total business-type activities net assets	\$ 70,777,363	72,327,474	73,828,992	78,984,577	82,096,994	86,859,359
Primary government						
Invested in capital assets, net of related debt	\$ 81,539,445	80,362,923	84,819,259	94,884,576	102,807,174	106,718,561
Restricted	8,367,104	8,928,443	8,989,475	8,691,910	5,859,010	5,570,724
Unrestricted	40,095,212	49,900,918	54,314,554	59,547,322	66,248,665	69,739,113
Total primary government net assets	\$ 130,001,761	139,192,284	148,123,288	163,123,808	174,914,849	182,028,398

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 2,621,124	3,807,311	4,628,899	12,926,588 (a)	6,811,501	8,140,789
Public safety	14,255,588	15,527,189	18,423,475	20,692,720	22,691,091	24,409,251
Physical and economic environment	1,343,270	1,295,407	1,726,724	2,292,246	2,194,855	2,588,477
Transportation	3,699,598	2,800,124	2,347,916	2,364,917	4,010,530	3,394,912
Culture and recreation	5,384,033	5,645,216	6,103,599	6,488,868	7,978,079	8,584,195
Interest	1,254,318	1,445,860	997,829	939,738	904,623	830,822
Total governmental activities expenses	<u>28,557,931</u>	<u>30,521,107</u>	<u>34,228,442</u>	<u>45,705,077</u>	<u>44,590,679</u>	<u>47,948,446</u>
Business-type activities:						
Water and sewer	20,151,629	19,524,832	20,052,724	20,283,437	22,354,201	23,625,071
Solid Waste	4,811,567	4,752,101	4,858,461	5,126,911	5,652,827	5,835,401
Stormwater	1,505,526	1,293,518	1,301,876	1,289,960	1,431,858	1,833,201
Other Enterprises	3,654,629	3,536,572	3,850,775	4,169,201	4,464,879	4,177,236
Total business-type activities	<u>30,123,351</u>	<u>29,107,023</u>	<u>30,063,836</u>	<u>30,869,509</u>	<u>33,903,765</u>	<u>35,470,909</u>
Total primary governmental expenses	\$ <u>58,681,282</u>	<u>59,628,130</u>	<u>64,292,278</u>	<u>76,574,586</u>	<u>78,494,444</u>	<u>83,419,355</u>
Program Revenues (see Schedule 3)						
Governmental activities:						
Charges for services						
General government	\$ 636,232	867,843	1,150,161	1,207,823	1,180,983	1,310,847
Public safety	3,547,146	3,997,967	4,162,944	5,001,465	4,424,734	4,492,028
Physical and economic environment	15,405	10,795	81,385	11,982	581,638	387,922
Transportation	128,521	83,378	258,621	65,681	69,719	74,884
Culture and recreation	674,188	738,793	822,085	766,409	1,028,100	881,822
Operating grants and contributions	1,789,766	2,015,157	4,294,679	11,017,352 (a)	3,041,688	2,633,209
Capital grants and contributions	1,133,100	486,036	793,780	2,821,571	1,830,543	2,350,214
Total governmental activities revenues	<u>7,924,358</u>	<u>8,199,969</u>	<u>11,563,655</u>	<u>20,892,283</u>	<u>12,157,405</u>	<u>12,130,926</u>
Business-type activities:						
Water and sewer	18,236,793	20,840,502	21,437,118	22,736,438	22,933,821	25,299,408
Solid Waste	5,484,007	5,632,027	5,560,064	6,175,311	6,046,768	6,369,866
Stormwater	1,375,177	1,414,879	1,419,256	1,500,320	1,418,188	2,890,146
Beach	753,252	815,640	896,446	830,339	916,767	917,236
Dock	1,780,935	1,622,706	1,872,307	1,880,153	2,003,808	1,767,944
Tennis	467,090	459,358	455,108	547,122	559,561	575,121
Operating grants and contributions	390,000	486,170	430,347	408,819	465,865	646,891
Capital grants and contributions	1,688,115	906,832	659,482	2,508,003	3,071,791	3,358,210
Total business-type activities	<u>30,175,369</u>	<u>32,178,114</u>	<u>32,730,128</u>	<u>36,586,505</u>	<u>37,416,569</u>	<u>41,824,822</u>
Total primary governmental revenues	\$ <u>38,099,727</u>	<u>40,378,083</u>	<u>44,293,783</u>	<u>57,478,788</u>	<u>49,573,974</u>	<u>53,955,748</u>
Net Expense/Revenue						
Governmental activities	\$ (20,633,573)	(22,321,138)	(22,664,787)	(24,812,794)	(32,433,274)	(35,817,520)
Business-type activities	52,018	3,071,091	2,666,292	5,716,996	3,512,804	6,353,913
Total primary government net expense	\$ <u>(20,581,555)</u>	<u>(19,250,047)</u>	<u>(19,998,495)</u>	<u>(19,095,798)</u>	<u>(28,920,470)</u>	<u>(29,463,607)</u>

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

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other						
Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 11,674,715	13,029,256	14,404,764	15,926,721	20,779,629	19,415,799
Local communication and utility taxes	4,314,896	3,904,133	4,149,829	4,269,042	4,218,208	4,170,227
Insurance Premium Tax (b)	-	-	-	1,751,337	1,769,045	1,949,641
Motor fuel taxes	2,044,949	1,731,941	1,585,816	1,579,996	1,532,580	1,404,690
Business taxes	239,422	251,051	291,426	269,389	278,694	274,487
Franchise fees	2,619,252	2,977,388	3,165,215	3,825,979	3,877,556	3,740,236
Intergovernmental revenues - unrestricted	3,343,425	3,431,686	3,628,176	3,658,867	3,449,606	3,160,311
Unrestricted investment earnings	730,500	683,727	1,087,659	2,068,237	2,858,980	2,043,294
Miscellaneous revenues	20,265	48,428	105,030	54,863	129,518	45,489
Gain (loss) on sale of capital assets	72,636	1,986,363	-	-	-	-
Transfers	1,658,026	1,917,577	1,676,358	1,708,000	1,763,380	1,964,530
Total governmental activities	26,718,086	29,961,550	30,094,273	35,112,431	40,657,196	38,168,704
Business-type activities:						
Investment earnings	402,726	311,790	511,054	1,111,333	1,333,466	831,090
Gain (loss) on sale of capital assets	125,781	84,807	530	35,256	29,527	-
Special item	-	-	-	-	-	(458,108)
Transfers	-	(1,917,577)	(1,676,358)	(1,708,000)	(1,763,380)	(1,964,530)
Total business-type activities	528,507	(1,520,980)	(1,164,774)	(561,411)	(400,387)	(1,591,548)
Total primary government	27,246,593	28,440,570	28,929,499	34,551,020	40,256,809	36,577,156
Change in Net Assets						
Governmental activities	6,084,513	7,640,412	7,429,486	10,299,637	8,223,922	2,351,184
Business-type activities	580,525	1,550,111	1,501,518	5,155,585	3,112,417	4,762,365
Total primary government	\$ 6,665,038	9,190,523	8,931,004	15,455,222	11,336,339	7,113,549

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

	Fiscal Year				
	1999	2000	2001	2002	2003
General fund					
Reserved	\$ 3,482,692	3,490,447	3,596,323	3,672,155	3,726,578
Unreserved	880,988	1,134,219	1,380,837	1,154,208	2,114,052
Total general fund	<u>\$ 4,363,680</u>	<u>4,624,666</u>	<u>4,977,160</u>	<u>4,826,363</u>	<u>5,840,630</u>
All other governmental funds					
Reserved					
Special revenue funds	\$ -	1,198,947	-	-	208,218
Capital projects funds	3,636,532	5,876,702	14,682,899	13,701,547	13,327,848
Debt service funds	545,801	444,735	817,618	1,320,027	1,210,197
Unreserved					
Special revenue funds	2,529,890	9,465	225,907	997,805	1,933,014
Capital projects funds	3,180,971	2,184,172	573,548	3,412,003	2,958,089
Debt service funds	-	-	-	-	349,416
Total other governmental funds	<u>\$ 9,893,194</u>	<u>9,714,021</u>	<u>16,299,972</u>	<u>19,431,382</u>	<u>19,986,782</u>

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

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

	Fiscal Year				
	1999	2000	2001	2002	2003
Revenues					
Taxes	\$ 13,087,667	13,846,688	16,204,981	19,020,097	20,653,811
Licenses, permits, and fees	2,029,474	2,243,164	2,127,794	2,881,466	2,687,224
Intergovernmental	3,522,422	4,157,645	4,688,744	8,067,873	5,254,668
Charges for services	725,934	784,988	1,031,482	1,337,358	1,506,150
Charges to other funds	3,650,980	3,787,636	4,001,900	4,125,700	4,459,952
Fines and forfeitures	487,814	475,883	426,039	260,495	410,760
Impact fees/special assessments	757,772	552,556	453,224	509,215	379,159
Interest	756,592	1,062,686	1,568,401	833,326	678,041
Contributions	-	-	-	-	141,580
Miscellaneous	905,684	743,232	120,939	574,301	561,071
Total Revenues	25,924,339	27,654,478	30,623,504	37,609,831	36,732,416
Expenditures					
General government	5,324,603	5,921,852	6,709,873	7,916,054	6,568,239
Public safety	9,839,095	13,065,125	13,161,699	12,708,737	13,944,299
Physical and economic environment	784,585	1,032,437	980,472	1,688,135	1,005,981
Transportation	-	-	-	-	2,729,772
Culture and recreation	3,751,828	3,929,822	4,199,158	4,676,969	4,715,056
Capital outlay	9,919,607	12,036,421	5,445,100	6,297,839	6,838,305
Debt service					
Principal	739,689	994,016	612,058	1,268,084	3,071,257
Interest and fiscal charges	625,125	637,160	1,477,080	1,299,815	1,215,697
Total Expenditures	30,984,532	37,616,833	32,585,440	35,855,633	40,088,606
Excess of revenues over/under expenditures	(5,060,193)	(9,962,355)	(1,961,936)	1,754,198	(3,356,190)
Other Financing Sources (uses):					
Bonds issued	-	8,460,000	9,845,000	-	5,925,000
Payments to escrow agents	-	-	(2,370,000)	-	(2,965,529)
Transfers in	4,699,215	13,159,822	11,126,414	3,861,437	6,931,440
Transfers out	(3,621,242)	(11,561,622)	(9,670,521)	(2,701,577)	(5,273,414)
Sale of capital assets	29,548	20,129	-	-	72,636
Total other financing sources (uses)	1,107,521	10,078,329	8,930,893	1,159,860	4,690,133
Net change in fund balance	\$ (3,952,672)	115,974	6,968,957	2,914,058	1,333,943
Debt Service as a percentage of noncapital expenditures	6.5%	6.4%	7.7%	8.7%	12.9%

Note:

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

Fiscal Year				
2004	2005	2006	2007	2008
21,642,718	23,305,625	25,601,739	32,177,018 (a)	27,214,844
3,092,953	2,931,552	3,787,831	3,717,384 (a)	6,953,495
5,558,406	8,015,980	16,974,405	7,883,654	7,761,199
1,692,378	2,009,871	1,824,433	2,373,059	2,327,605
3,713,502	3,748,880	3,806,515	3,966,100	4,165,504
348,265	553,888	578,562	374,950	405,342
272,764	368,576	710,951	424,364	366,627
626,030	971,187	1,833,114	2,603,304	1,806,496
111,169	263,988	70,505	59,716	62,715
1,065,765	432,022	1,159,105	153,338	73,568
<u>38,123,950</u>	<u>42,601,569</u>	<u>56,347,160</u>	<u>53,732,887</u>	<u>51,137,395</u>
7,555,904	7,516,247	15,131,257	9,591,067	11,377,879
14,990,292	17,606,607	18,988,238	21,481,323	23,479,974
948,272	1,333,438	1,734,495	1,579,013	1,813,934
1,911,489	1,351,547	1,421,391	2,820,205	2,046,296
4,959,763	5,289,131	5,352,049	6,313,097	6,920,107
3,224,855	6,621,225	11,043,085	6,768,798	9,542,548
1,083,379	978,603	994,107	1,070,000	1,125,000
1,118,359	995,570	933,536	907,878	831,434
<u>35,792,313</u>	<u>41,692,368</u>	<u>55,598,158</u>	<u>50,531,381</u>	<u>57,137,172</u>
<u>2,331,637</u>	<u>909,201</u>	<u>749,002</u>	<u>3,201,506</u>	<u>(5,999,777)</u>
3,170,000	-	-	-	-
(5,021,684)	-	-	-	-
7,961,219	4,906,256	4,797,603	5,944,576	4,720,949
(6,269,219)	(3,229,898)	(3,068,828)	(4,181,196)	(2,756,419)
<u>4,007,373</u>	<u>25</u>	<u>39,102</u>	<u>27,448</u>	<u>-</u>
<u>3,847,689</u>	<u>1,676,383</u>	<u>1,767,877</u>	<u>1,790,828</u>	<u>1,964,530</u>
<u>6,179,326</u>	<u>2,585,584</u>	<u>2,516,879</u>	<u>4,992,334</u>	<u>(4,035,247)</u>
6.8%	5.6%	4.3%	4.5%	4.1%

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

<u>Fiscal year</u>	<u>Property (a)</u>	<u>Payment in lieu of taxes</u>	<u>Utility and communication</u>	<u>Franchise fees</u>	<u>Fuel taxes</u>
1999	\$ 5,987,629	1,458,924	2,698,762	2,366,946	2,010,232
2000	6,947,590	1,598,200	2,741,477	2,384,149	1,748,509
2001	8,717,744	1,668,600	2,874,956	2,729,117	1,846,201
2002	10,401,098	1,596,900	4,118,185	2,468,600	2,005,345
2003	11,674,715	1,658,026	4,314,896	2,612,851	2,044,949
2004	13,029,256	1,692,000 (b)	3,904,133	2,959,293	1,731,941 (c)
2005	14,404,764	1,676,358 (b)	4,149,829	3,141,721	1,585,816
2006	15,926,721	1,708,000 (b)	4,269,042	3,792,489	1,579,996
2007	20,779,629	1,763,380 (b)	4,218,209	3,877,556	1,532,580
2008	19,415,799	1,964,530 (b)	4,170,227	3,740,236	1,404,690
Change 1998 - 2007	224.3%	34.7%	54.5%	58.0%	-30.1%

Source: City of Naples Finance Department

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

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

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

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

<u>Sales and use</u>	<u>Other</u>	<u>Total</u>
2,333,815	757,124	17,613,432
2,514,209	788,798	18,722,932
2,589,911	769,325	21,195,854
2,332,893	767,934	23,690,955
2,560,660	782,765	25,648,862
2,596,520	835,166	26,748,309
2,624,802	1,003,374	28,586,664
2,651,227	2,758,977 (d)	32,686,452
2,455,218	2,763,432	37,390,004
2,196,319	2,913,633	35,805,434
-5.9%	284.8%	103.3%

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)
1999	\$	4,942,516,914	207,925,760	63,830,638	5,086,612,036
2000		5,747,394,155	217,143,230	113,443,771	5,851,093,614
2001		6,564,055,070	240,089,300	102,231,972	6,701,912,398
2002		8,243,538,300	262,417,299	267,814,678	8,238,140,921
2003		9,754,294,253	267,069,987	189,917,985	9,831,446,255
2004		10,960,725,735	286,782,236	499,568,676	10,747,939,295
2005		11,909,720,094	301,738,680	271,725,048	11,939,733,726
2006		13,412,338,003	345,957,486	192,180,825	13,566,114,664
2007		16,264,603,707	376,100,345	275,696,496	16,365,007,556
2008		17,086,194,348	386,182,053	410,638,803	17,061,737,598

Source: Collier County Tax Appraiser

A constitutional revision that took effect 1/1/1995 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.

Notes:

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

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

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

Final taxable value	Total direct tax rate	Market/Just value	Actual taxable value value as a percentage of market/just value
5,140,991,963	1.1800	5,945,296,662	85.557%
5,966,815,878	1.1800	7,132,841,028	82.030%
6,806,066,692	1.3060	8,289,950,418	80.844%
8,488,615,092	1.2523	10,721,508,162	76.838%
9,950,900,301	1.1997	12,966,197,227	75.824%
11,212,894,783	1.1870	14,426,299,363	74.502%
12,168,966,197	1.2098	15,427,299,073	77.394%
13,746,713,411	1.1839	17,371,133,725	78.096%
16,533,125,948	1.2815	21,802,038,544	75.062%
17,456,888,406	1.1347	22,486,719,099	75.875%

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

Fiscal year	City Millage Rates			Overlapping Rates*		
	Operating rate	General obligation debt service	City total	Mosquito control	Collier County	Conservation Collier
1999	\$ 1.1800	-	1.1800	0.1953	3.5510	-
2000	1.1800	-	1.1800	0.1923	3.5058	-
2001	1.1800	0.1260	1.3060	0.1748	3.5028	-
2002	1.1500	0.1023	1.2523	0.1465	3.8772	-
2003	1.1130	0.0867	1.1997	0.1167	3.8772	-
2004	1.1100	0.0770	1.1870	0.1051	3.8772	-
2005	1.1600	0.0498	1.2098	0.0962	3.8772	0.2500
2006	1.1400	0.0439	1.1839	0.0830	3.5790	0.2500
2007	1.2450	0.0365	1.2815	0.0680	3.5790	0.2500
2008	1.0997	0.0350	1.1347	0.0635	3.1469	0.2242

Source: Collier County Property Tax Appraiser

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

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

Overlapping Rates*

Caribbean Gardens	School Board	South Florida Water Management	Water pollution control	Big Cypress Basin	Combined total
-	8.5100	0.2840	0.0413	0.2780	14.0396
-	7.7600	0.2840	0.0355	0.2780	13.2356
-	7.7220	0.2840	0.0445	0.2780	13.3121
-	7.1370	0.2840	0.0420	0.2425	12.9815
-	6.9110	0.2840	0.0347	0.2425	12.6658
-	6.5240	0.2840	0.0347	0.2425	12.2545
-	6.2200	0.2840	0.0347	0.2425	12.2144
0.1500	5.9730	0.2840	0.0347	0.2425	11.7801
0.1500	5.5250	0.2840	0.0320	0.2426	11.4121
0.1500	5.3510	0.2549	0.0280	0.2265	10.5797

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

Taxpayer	2008			1999		
	Taxable assessed value	Rank	Percentage of total assessed value	Taxable assessed value	Rank	Percentage of total assessed value
Florida Power & Light Company	\$ 103,102,684	1	0.59%	\$ 14,845,509	3	0.29%
Coastland Center LP	84,450,802	2	0.48%	36,111,351	1	0.70%
Sandra Gerry	43,830,196	3	0.25%			
Panthers RPN Limited	32,796,761	4	0.19%	13,128,753	4	0.26%
Westbury Properties Inc.	28,700,717	5	0.16%			
Embarq Corporation	28,150,420	6	0.16%	24,039,759	2	0.47%
Arthur Allen Jr.	28,036,935	7	0.16%			
Naples Hospitality Ltd Partnership	25,722,177	8	0.15%			
Naples Golf & Beach Club	24,731,624	9	0.14%	11,289,070	6	0.22%
Judith Herb Trust	24,266,509	10	0.14%			
Net Realty Holding Trust				12,379,646	5	0.24%
Poinciana Professional Park				10,605,712	7	0.21%
Community Health Care				10,590,537	8	0.21%
Dillard's Department Stores				10,436,073	9	0.20%
Naples Golf & Beach Club				10,196,031	10	0.20%
	\$ <u>423,788,825</u>		<u>2.43%</u>	\$ <u>153,622,441</u>		<u>2.99%</u>

Sources: Collier County Property Appraiser
Collier County Tax Collector

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

Fiscal year ended Sept 30,	Taxes levied for the fiscal year	Collected within the fiscal year of levy		Collections in subsequent years
		Amount	% of Levy	
1999	\$ 6,194,416	5,987,629	96.7%	-
2000	7,180,330	6,947,590	96.8%	-
2001	9,014,005	8,717,743	96.7%	-
2002	10,767,250	10,401,098	96.6%	-
2003	12,118,652	11,674,715	96.3%	-
2004	13,492,687	13,029,256	96.6%	-
2005	14,911,539	13,949,624	93.5%	-
2006	16,501,506	15,918,137	96.5%	8,584
2007	21,488,943	20,765,644	96.6%	13,985
2008	20,106,643	18,631,591	92.7%	13,308

Sources: Collier County Tax Appraiser
Collier County Tax Collector

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

**Total collections
to date**

<u>Amount</u>	<u>% of Levy</u>
5,987,629	96.7%
6,947,590	96.8%
8,717,743	96.7%
10,401,098	96.6%
11,674,715	96.3%
13,029,256	96.6%
13,949,624	93.5%
15,926,721	96.5%
20,779,629	96.7%
18,644,899	92.7%

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

Fiscal year	Government Activities			Business-type Activities		
	General Obligation Bonds	Public Service Tax Bonds	Redevelopment and Refunding Bonds	Water Bonds/Loans	Storm-water SBA Loan	Non major Bonds
1999	\$ -	8,316,503	3,000,000	47,981,631	351,389	857,428
2000	8,460,000	7,322,487	3,000,000	45,522,345	2,134,247	799,422
2001	8,270,000	14,375,429	3,000,000	42,067,666	3,156,185	736,713
2002	7,850,000	13,552,345	2,975,000	43,074,428	2,948,408	616,002
2003	7,410,000	10,971,090	5,925,000	40,130,531	2,916,602	688,590
2004	5,220,000	10,597,710	5,675,000	36,682,610	3,637,256	627,290
2005	4,825,000	10,214,107	5,475,000	33,114,472	3,386,237	560,893
2006	4,440,000	9,710,015	5,265,000	30,730,759	3,144,816	490,000
2007	4,040,000	9,271,676	5,045,000	32,974,049	2,900,622	445,000
2008	3,615,000	8,809,527	4,815,000	32,102,331	2,731,467	400,000

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)
60,506,951	7.53%	1,588
67,238,501	8.14%	1,706
71,605,993	8.29%	1,797
71,016,183	8.36%	1,770
68,041,813	7.75%	1,649
62,439,866	6.67%	1,449
57,575,709	5.04%	1,147
53,780,590	4.31%	994
54,676,347	4.07%	952
52,473,325	3.68%	849

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

Fiscal year	General Bonded Debt Outstanding			Percentage of actual taxable value of property (a)	Per capita (b)
	General Obligation Bonds	Redevelopment Bonds	Total		
1999	\$ -	3,000,000	3,000,000	0.06%	142.27
2000	8,460,000	3,000,000	11,460,000	0.20%	546.34
2001	8,270,000	3,000,000	11,270,000	0.17%	519.67
2002	7,850,000	2,975,000	10,825,000	0.13%	511.53
2003	7,410,000	5,925,000	13,335,000	0.14%	626.53
2004	5,220,000	5,675,000	10,895,000	0.10%	501.87
2005	4,825,000	5,475,000	10,300,000	0.09%	452.75
2006	4,440,000	5,265,000	9,705,000	0.07%	420.71
2007	4,040,000	5,045,000	9,085,000	0.06%	388.40
2008	3,615,000	4,815,000	8,430,000	0.05%	364.92

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

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

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

Schedule 12
City of Naples
Direct and Overlapping Governmental Activities Debt
As of September 30, 2008

	<u>Debt outstanding</u>	<u>Estimated percentage applicable (c)</u>	<u>Estimated share of direct and overlapping debt</u>
City of Naples Direct Debt:			
General Obligation Bonds	\$ 3,615,000	100.00%	3,615,000
Public Service Tax Bonds	8,809,527	100.00%	8,809,527
Redevelopment and Refunding Bonds	4,815,000	100.00%	4,815,000
Total direct debt			<u>17,239,527</u>
Overlapping debt (a):			
Collier County (b):			
Conservation Collier	21,915,000	21.92%	4,803,768
Caribbean Gardens	11,235,000	21.92%	2,462,712
Total overlapping debt			<u>7,266,480</u>
Total direct and overlapping debt			<u>\$ 24,506,007</u>

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

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

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

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

Fiscal year	Water Revenue Bonds					Coverage
	Utility service charges	Less: operating expenses	Net available revenue	Debt service requirement		
1999	\$ 17,946,524	7,868,245	10,078,279	3,265,901		3.09
2000	18,962,427	8,549,149	10,413,278	3,256,350		3.20
2001	18,638,160	8,872,732	9,765,428	3,047,302		3.20
2002	19,127,894	9,916,239	9,211,655	2,957,085		3.12
2003	18,575,596	9,936,785	8,638,811	2,957,085		2.92
2004	21,078,879	10,761,818	10,317,061	2,962,385		3.48
2005	21,437,118	11,711,345	9,725,773	2,962,385		3.28
2006	22,736,438	12,414,794	10,321,644	2,962,385		3.48
2007	22,933,820	14,633,548	8,300,272	1,355,985		6.12
2008	25,299,408	15,407,221	9,892,187	1,357,735		7.29

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

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

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

Utility Tax Revenue Bonds				Tax Increment Revenue Bonds				
Utility tax collections	Debt service		Coverage	Tax increment revenue	Debt service		Coverage	
	Principal	Interest			Principal	Interest		
2,698,762	715,000	365,381	2.50 (b)	931,380 (a)	-	132,600	7.02	
2,741,477	990,000	439,444	1.92 (b)	467,526	-	132,600	3.53	
3,704,490	970,000	292,414	2.93 (b)	651,502	-	132,600	4.91	
4,285,595	755,000	657,494	3.03 (b)	1,166,200	25,000	132,048	7.43	
4,420,958	785,000	583,749	3.23 (b)	1,583,361	50,000	130,390	8.78	
4,159,640	435,000	546,002	4.24 (b)	1,782,759	250,000	211,101	3.87	
4,157,163	450,000	525,935	4.26 (b)	2,152,936	200,000	202,367	5.35	
4,091,549	470,000	504,480	4.20 (b)	2,815,241	210,000	194,927	6.95	
3,877,556	495,000	481,984	3.97 (b)	3,205,099	220,000	187,123	7.87	
3,707,751	515,000	460,746	3.80 (b)	3,028,298	230,000	179,185	7.40	

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

Calendar year	Population	Personal income <i>(thousands of dollars)</i>	Per capita personal income	Median age	County school enrollment	Unemployment rate
1999	21,087	\$ 803,499	38,104	42.5	31,011	3.9%
2000	20,976	826,517	39,403	-	31,942	3.7%
2001	21,687	864,053	39,842	44.1	33,858	4.1%
2002	21,162	849,041	40,121	40.5	36,010	4.2%
2003	21,284	878,369	41,269	44.1	37,718	4.7%
2004	21,709	935,549	43,095	45.2	39,821	3.9%
2005	22,750	1,141,959	50,196	45.6	41,588	3.6%
2006	23,068	1,248,117	54,106	44.7	42,775	2.7%
2007	23,391	1,343,719	57,446	45.5	42,062	5.1%
2008	23,101	1,427,365	61,788	45.4	41,666	8.2%

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

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

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

Employer	2008			1999		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Collier County Public Schools	5,849	1	14.7%	3,810	1	9.5%
Collier County Government	3,898	2	9.8%	2,602	2	6.5%
NCH Healthcare System	3,487	3	8.7%	2,401	3	6.0%
Ritz-Carlton Hotel	1,397	5	3.5%	-	-	-
Naples Grande Beach Resort	753	4	1.9%	501	4	1.3%
City of Naples	515	6	1.3%	475	5	1.2%
Naples Beach and Tennis Club	489	7	1.2%	459	6	1.1%
Collier County Health Department	228	9	0.6%	156	7	0.4%
Allen Systems Group, Inc.	204	8	0.5%	142	8	0.4%
Wilsonmiller, Inc	147	10	0.4%	-	-	-
Other employers	22,950		57.5%	9,554		23.9%
Total	39,917		100.0%	20,100		50.4%

Sources: Naples Economic Development Council
Employer Historical Records

Note: Certain information prior to GASB 34 is not available for 1999.

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

Function/Program	Fiscal Year				
	1999	2000	2001	2002	2003
General Fund					
Mayor and Council	1.0	1.0	1.0	1.0	1.0
City Clerk	6.0	7.0	7.0	8.0	7.0
City Attorney	1.0	1.0	1.0	1.0	1.0
City Manager	5.0	4.0	4.0	5.0	4.0
Human Resources	6.0	7.0	7.0	7.0	7.0
Planning & Code Enforcement	8.0	8.0	8.0	8.0	8.0
Engineering	10.0	10.0	10.0	10.0	10.0
Building & Zoning	(a)	(a)	(a)	(a)	(a)
Finance	15.1	18.6	18.6	19.8	20.8
Community Services	50.5	50.0	51.0	51.0	50.0
Police and Emergency Services					
Police	115.2	114.2	114.2	115.7	111.7
Fire	53.0	53.0	54.0	55.0	59.0
Natural Resources	2.0	2.0	2.0	2.0	2.5
Non-Departmental	9.9	9.9	10.0	10.0	10.0
Water and Sewer Fund	93.0	94.0	94.6	93.5	94.0
Solid Waste Fund	33.0	33.0	33.0	30.0	26.0
Streets and Traffic Fund	4.0	4.0	4.0	5.0	5.0
Stormwater Fund	5.0	6.0	6.0	7.0	7.0
City Dock Fund	3.5	4.0	4.0	5.0	4.0
Tennis Fund	4.6	5.0	6.0	6.0	6.2
Beach Fund	10.7	10.7	11.9	13.3	12.6
Information Services Fund	7.0	8.0	9.0	10.0	10.0
Equipment Services Fund	11.0	11.0	11.0	11.0	11.0
Risk Management Fund	0.5	1.0	1.0	1.0	2.0
Building Permit Fund	20.0	21.0	22.5	24.5	24.5
Community Redevelopment	(d)	(d)	2.0	2.5	3.5
Construction Management	(b)	(b)	(b)	(b)	(b)
TOTAL EMPLOYEES	475.0	483.4	492.8	502.3	497.8

Source: City of Naples Finance Department

- Notes:**
- (a) Reclassified from the General Fund to the Building Permit Fund starting in 1999.
 - (b) Reclassified from Engineering in the General Fund to the Construction Management Fund starting in 2004.
 - (c) Now funded in Community Services in the General Fund.
 - (d) Newly funded starting in 2001.

Fiscal Year				
2004	2005	2006	2007	2008
1.0	1.0	1.0	1.0	1.0
8.0	8.0	8.0	8.0	8.0
1.0	1.0	1.0	1.0	1.0
3.0	4.0	4.0	4.0	4.0
7.0	7.0	7.0	7.0	7.0
7.0	10.0	10.0	10.0	10.0
(b)	(b)	(b)	(b)	(b)
(a)	(a)	(a)	(a)	(a)
21.8	20.8	21.8	21.8	21.8
43.0	42.0	42.0	47.5	45.5
111.7	111.7	111.7	111.7	111.7
59.0	59.0	59.0	61.0	61.0
(c)	(c)	(c)	(c)	(c)
10.0	10.0	10.0	12.0	12.0
96.0	99.5	99.5	96.0	100.0
25.0	25.0	25.0	29.0	29.0
5.0	5.5	5.5	5.5	5.5
7.0	5.5	5.5	5.5	6.0
5.0	5.0	5.0	5.0	5.0
4.0	4.0	4.0	4.0	4.0
13.1	14.1	14.1	14.3	13.8
11.0	11.0	11.0	11.0	11.0
11.0	11.0	11.0	11.0	11.0
2.0	2.0	2.0	2.0	2.0
27.5	26.0	26.0	28.0	27.0
3.5	6.0	6.0	9.0	9.0
8.0	8.0	8.0	8.0	8.0
490.6	497.1	498.1	513.3	514.3

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

Function/Program	Fiscal Year				
	1999	2000	2001	2002	2003
General government					
Commercial Permits Issued	236	267	322	308	239
Residential Permits Issued	649	816	888	782	831
Police					
Physical arrests	1,636	1,603	1,114	1,152	1,273
Parking violations	19,801	20,178	17,625	17,767	17,238
Traffic violations	10,266	10,409	9,541	10,652	11,446
Fire					
Emergency responses (a)	N/A	4,422	4,557	4,498	4,548
Fires extinguished (a)	N/A	104	74	52	64
Inspections (a)	N/A	4,396	4,044	5,011	5,979
Refuse collection					
Refuse (tons per day)	112	113	122	124	122
Recyclables (tons per day) (b)	N/A	N/A	N/A	N/A	N/A
Other public works					
Street resurfacing (miles)	3	1	2	4	3
Potholes repaired (c)	N/A	N/A	N/A	12	10
Parks and recreation					
Special events - participants (d)	N/A	N/A	N/A	1,001	1,101
Beach parking permits issued	18,789	19,382	18,017	18,945	16,297
Camps, classes - participants (d)	N/A	N/A	N/A	187	194
Water					
New connections	352	348	288	300	190
Water main breaks	47	19	42	24	23
Average daily consumption (millions of gallons)	17.4	19.4	17.6	18.5	17.1
Peak daily consumption (millions of gallons)	23.2	24.4	24.0	24.0	22.5
Wastewater					
Average daily sewage treatment (thousands of gallons)	6,660	6,590	6,510	6,900	7,080

Sources: Various City Departments

Notes: (a) Fire department computer crash lost all data .
(b) The City contracted for recycle prior to 2004.
(c) This number represents the number of work orders given to patch hole contractor.
(d) Data was not available prior to this period.

Fiscal Year				
2004	2005	2006	2007	2008
247	221	251	247	280
974	1,050	1,113	1,317	1,164
1,138	1,234	972	875	965
16,692	16,631	15,307	14,253	14,439
9,183	8,587	10,974	9,706	9,843
4,696	4,654	4,487	4,490	4,437
65	56	53	54	49
7,120	7,154	6,337	6,510	6,427
125	118	129	124	114
8	9	10	13	15
3	1	2	2	15
2	22	65	72	75
1,313	1,130	571	675	712
23,082	21,309	21,236	22,329	20,410
621	770	725	883	897
262	249	133	133	116
9	16	13	21	22
17.5	16.9	17.8	15.3	15.3
23.5	21.3	22.4	23.3	21.2
6,800	7,240	6,830	7,135	6,673

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

Function/Program	Fiscal Year				
	1999	2000	2001	2002	2003
Police					
Number of employees	122	122	122	123	122
Demand for services	43,185	45,177	43,302	36,669	38,095
Fire Stations	3	3	3	3	3
Refuse collection trucks	29	29	29	29	25
Other public works					
Streets (miles)	106	106	106	106	106
Streetlights	2,280	2,370	2,370	2,370	2,370
Traffic signals	44	45	46	47	47
Parks and recreation					
Swimming pools	1	1	1	1	1
Community centers	3	3	3	3	3
Pier	1	1	1	1	1
Dock	1	1	1	1	1
Water					
Active accounts	16,385	16,502	16,788	17,196	17,311
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	30	30	30	30	30
Sewer					
Active accounts	8,497	8,524	8,496	8,637	8,602
Plants	1	1	1	1	1
Capacity per day (millions of gallons)	10	10	10	10	10

Sources: Various City Departments

Fiscal Year

2004	2005	2006	2007	2008
122	121	120	124	115
54,710	56,393	68,365	60,908	58,658
3	3	3	3	3
25	25	27	27	25
106	106	106	106	106
2,370	2,370	2,370	2,371	2,371
47	47	47	47	47
1	1	1	1	1
3	3	3	3	3
1	1	1	1	1
1	1	1	1	1
17,520	17,697	17,718	17,723	17,717
1	1	1	1	1
30	30	30	30	30
8,614	8,638	8,651	8,647	8,645
1	1	1	1	1
10	10	10	10	10

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Naples, Florida, as of and for the year ended September 30, 2008, which collectively comprise the City of Naples, Florida's basic financial statements and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Naples, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Naples, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Naples, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the findings as reported under the heading *Current Year Findings and Recommendations* in the Management Letter to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Naples, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Naples, Florida, in a separate letter dated March 4, 2009.

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

CPA Associates

Bradenton, Florida
March 4, 2009



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR STATE PROJECT

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

Compliance

We have audited the compliance of the City of Naples, Florida, with the types of compliance requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that are applicable to each of its major state projects for the year ended September 30, 2008. The City of Naples, Florida's major state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of the City of Naples, Florida's management. Our responsibility is to express an opinion on the City of Naples, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Florida Single Audit Act. Those standards 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 state project occurred. An audit includes examining, on a test basis, evidence about the City of Naples, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Naples, Florida's compliance with those requirements.

In our opinion, the City of Naples, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City of Naples, Florida, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered the City of Naples, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Naples, Florida's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

CPA Associates

Bradenton, Florida
March 4, 2009

CITY OF NAPLES, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>State Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CSFA Number</u>	<u>Pass Through Grantor Number</u>	<u>State Expenditures</u>
Florida Department of Environmental Protection			
Florida Recreation Development Assistance Program	37.017	A8047	\$ 54,000
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP6760	<u>500,000</u>
Total Florida Department of Environmental Protection			<u>554,000</u>
Total State Financial Assistance			<u>\$ 554,000</u>

Notes to Schedule:

The Schedule includes the state grant activity of the City of Naples, Florida, and is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements.

THE CITY OF NAPLES, FLORIDA
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2008

Section I – Summary of Auditor's Results

Basic Financial Statements

Type of auditor's report issued:	Unqualified Opinion		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ <u>X</u> yes	_____ no	
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no	

State Projects

Type of auditor's report issued on compliance for major projects:	Unqualified Opinion		
Internal control over major projects:			
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> no	

Identification of major projects:

CSFA No. 37.039 – Statewide Surface Water Restoration and Wastewater Projects

Dollar threshold used to distinguish Type A projects:	\$ 166,200
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THE CITY OF NAPLES, FLORIDA

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2008

Section II – Financial Statement Findings

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

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

Section III – State Project Findings and Questioned Costs

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

No significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs as well as any abuse findings involving state projects that are material to a major project were identified.

THE CITY OF NAPLES, FLORIDA
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2008

Audit Finding Number	Title/Program	Brief Description	Status	Comments
07-1	Grant Accounting	The financial reporting process for grants needed improvements. Several audit adjustments were required at year-end to record receivables, deferred revenue, and revenue related to grant activity.	Not corrected.	See Current Year Findings and Recommendations.
07-2	Accounts Payable	Several exceptions in which invoices for goods and services received prior to year end were not recorded as payables in the proper period.	Corrected	No significant audit adjustments were noted during the current audit.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the basic financial statements of the City of Naples, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 4, 2009, which was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Florida Single Audit Act. 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 and on Internal Control Over Compliance Applicable to Each Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated March 4, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of prior year findings are reported in the *Summary Schedule of Prior Audit Findings*.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Naples, Florida, complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Matters required to be disclosed are reported under the heading *Current Year Findings and Recommendations*.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures; (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Naples, Florida, was established pursuant to Article I, Section 1.1 of the Charter for the City of Naples, Florida, in accordance with Chapter 59-1598, Laws of the State of Florida, Acts of 1959. The three blended component units of the City of Naples, Florida, were created and established by ordinances of the City Council– Moorings Bay Special Taxing District, East Naples Bay Special Taxing District, and the Community Redevelopment Agency.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Naples, Florida, did not meet any of the conditions described in the statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Naples, Florida, for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

CPA Associates

Bradenton, Florida
March 4, 2009

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

08-01 Grant Accounting

As noted in the prior year audit, the financial reporting process for grants needs improvement. As a result of our audit procedures over grant activity, several audit adjustments were required at year-end to adjust receivables, deferred revenue and revenue related to grants. In order for the Finance Department to obtain the information needed to record the required grant entries at year-end, each grant administrator for each respective grant had to be individually contacted to verify the amount expended for the grant. From our observations, this process appears to be inefficient and ineffective in properly accounting for grant activity on a timely basis.

Therefore, we again recommend that the City develop and implement procedures to improve the accounting process for grant activities in order to obtain more accurate and timely information needed to maintain the integrity of the financial reporting process.

08-02 Data Backup System

Our current review of information technology procedures noted that backups of production and system data are not being stored at an off-site location. This could result in a loss of data that would be expensive, if not impossible, to reconstruct.

We recommend that procedures be implemented to store backup files in an off-site location to prevent the loss of data that would adversely affect the reliability of financial reporting.

08-03 Meter Collections

As noted in a prior audit, there are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters. Although the amounts that are collected appear insignificant, over time this situation creates the potential for significant amounts of cash being collected and not reported. The City currently monitors parking meter collections by zone on a monthly basis; however, this procedure does not mitigate the risk of loss.

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

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City of Naples

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

March 4, 2008

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

Dear Honorable David W. Martin:

Please see the current year 2008 Management Letter comments from the City's auditing firm and the City's responses, below:

08-01 Grant Accounting

As noted in the prior year audit, the financial reporting process for grants needs improvement. As a result of our audit procedures over grant activity, several audit adjustments were required at year-end to adjust receivables, deferred revenue, and revenue related to grants. In order for the Finance Department to obtain the information needed to record the required grant entries at year-end, each grant administrator for each respective grant had to be individually contacted to verify the amount expended for the grant. From our observations, this process appears to be inefficient and ineffective in properly accounting for grant activity on a timely basis. Therefore, we again recommend that the City develop and implement procedures to improve the accounting process for grant activities in order to obtain more accurate and timely information needed to maintain the integrity of the financial reporting process.

Response: City agrees. The City has created a tracking system in its Executime payroll system for all employees working on grants in order to capture all related expenses. In addition, there will be scheduled reconciliations at mid-year to ensure timely capture of grant data.

08-02 Data Backup System

Our current review of information technology procedures noted that backups of production and system data are not being stored at an off-site location. This could result in a loss of data that would be expensive, if not impossible, to reconstruct. We recommend that procedures be implemented to store backup files in an off-site location to prevent the loss of data that would adversely affect the reliability of financial reporting.

Response: City agrees. The City has this item in the 2008-09 Capital Improvement Budget, and the Technology Department has selected the vendor for implementation. Please note that this particular recommendation is budgeted to cost \$104,000.

08-03 Meter Collections

As noted in a prior audit, there are inadequate controls over cash collections for parking meters. The City has one employee collecting coin from parking meters. Although the amounts that are collected appear insignificant, over time this situation creates the potential for significant amounts of cash being collected and not reported. The City currently monitors parking meter collections by zone on a monthly basis; however, this procedure does not mitigate the risk of loss. Therefore, we recommend the City implement control procedures to eliminate this risk.

Response: The City has acquired a meter monitor that will be used once a month to confirm meter collections, starting in April 2009.

Respectfully,



Ann Marie S. Ricardi
Finance Director